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GALLO: BRAND LAUNCH IN HUNGARY, EVALUATING THE POTENTIAL GEOGRAPHIC EXPANSION TO THIS MARKET: **PRODUCT FOR GALLO IN HUNGARY**

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1. Product

According to Kotler, only after segmenting, defining the company's target market and developing a unique selling proposition (marketing strategy) can a company focus on the marketing mix (Kotler, Keller, Brady, Goodman & Hansen, 2009). The 4 P's, introduced by McCarthy, classify the marketing mix into four groups: Product, Price, Place and Promotion. For the purpose of this report, the focus will be only on the first P - **Product**.

In this fast-paced moving world, "*What is a product*?" is a not a simple question to answer. Broadly defined, a product encompasses any market offer that can satisfy targeted segments' existing needs thus providing superior customer value. It can either be a physical good, a service, an idea or an organization. It includes more than the physical facet, being a combination of tangible and intangible attributes. The latter are more valuable since they are harder to replicate by competitors (Armstrong & Kotler, 2014). In the 1970s, Theodore Levitt defined a product in five customer-perceived value levels (**Exhibit 1**): the first level is the **core** level, the main reason by which consumers buy the product (it satisfies the need). The second level is the **generic product** level where consumers expect products to have the minimum requirements to be part of the market. The third level is the **expected product** level which includes the generic product plus a bundle of characteristics expected by the consumer. Most companies are able to provide satisfactory products at this level. The fourth level is the **augmented product** where competition is fiercer. At this level, product features go beyond what is expected by the consumer and it's what draws a distinction among competitors. Last there is the **potential product** level that embraces all changes that a product might suffer in the future, it is at this level that companies try to find new ways of satisfying consumers and differentiate their offer (Keller, 2013) (Dolan, 2015). Doing this exercise but in the context of olive oil would look like, for the core level: cooking and dressing, for the generic product level: best taste and guaranteed quality for cooking and dressing, for the expected product level: consumers should expect at least the best taste and

quality, a dark, not opaque, bottle, green label, with a southern European origin and expertise (established date), for the augmented product level: an olive oil that claims to provide healthy gastronomic experiences with a scale of intensity and finally, for the potential product level: an innovative olive oil with a new flavor.

Products can also be classified based on durability, tangibility and usage. Concerning **durability and tangibility** products may fall into three different categories: Non-durable goods, Durable goods and services. Non-durable goods are fast-moving consumer goods that are used up quickly and need to be bought frequently. Durable goods have a longer lifetime and usually need a more personalized sales service and, lastly there are services. With respect to **usage**, products can either be consumer or industrial goods. The first are products bought by consumers for their own use and can also be: convenience products which are mainly low involvement products, bought frequently and without extensive comparisons or effort; shopping products which usually need some planning and study comparing the different attributes such as price, quality, design; specialty products representing high involvement products with unique features, whose buyers usually have already a brand preference (loyalty) and are willing to spend their money on; lastly unsought products which have a low product awareness and either the consumer does not know the product or knows it but does not consider buying it. Industrial goods differ as the purpose of buying is for managing a business (Kotler, Keller, Brady, Goodman & Hansen, 2009) (Armstrong & Kotler, 2014).

Olive oil is going to be placed in the non-durable and convenience product category since it is used up quickly, needs to be bought frequently and is a low involvement decision product.

1.1. Product Portfolio

A Product Portfolio (or Product Mix) refers to the set of all products offered by a certain company. At this level, three key decisions must me made regarding product mix breadth, product line depth and individual product decisions (Armstrong & Kotler, 2014).

1.1.1. Product Mix Breadth

The product mix breadth refers to the number and variety of product lines offered by the company. It is linked with the company's strategy regarding what business to compete in. Companies should think about expanding their number of product lines whenever a new opportunity pops up that enables the company to profit from already existing skills without disconnecting from their core line of business. This might happen when a company wants to enter in a new market whose profit correlates negatively with the one where it currently operates (e.g. soda beverages and water), reducing the total risk for the company; when a company wants to take advantage of their expertise and expand to a new product line and/or when a company wants to launch a new product line of complementary in use products becoming a total solution supplier.

Gallo, in Portugal, offers **four different product lines** - olive oil and complementary-in-use products such as Vinegar, Piri-Piri and Vinaigrette. For each product line there are different number of items (**Exhibit 2**). For the expansion to the **Hungarian market**, the focus would be solely on the **olive oil line**.

1.1.2. Product Line Depth

After the product mix breadth is established it is necessary to set how many items each product line is going to have. Expanding consumers options is not always a good idea, product lines should be evaluated periodically to avoid offering too many products that come with hidden cost increases and weakened brand images (Quelch & Kenny, 1994). Therefore, there are nine considerations to be taken into account regarding the decision-making process of a product line depth:

1. ***Customer heterogeneity and requirements specification*:** it takes into account the market segmentation and the product features needed to meet consumer's needs. If the target segments have homogeneous needs, the product line can be smaller.

2. **A*bility to configure the offering to the segment*:** consumers should look at the product as if it was made for them.
3. ***Competitive impact*:** serving a better market than competitors due to a differential offer and delivery of greater value.
4. ***Legitimization:*** whether a product line extension into a new product type with a certain price level will be legitimate or not.
5. ***Category size impact:*** whether the expansion of the product line would be able to increase the consumption of the overall category.
6. ***Net impact on the company's own margins:*** connected with the source of increased sales, if it comes (1) from a category expansion, (2) from stealing sales of competitors or (3) from stealing sales from a company's product, known as cannibalization.
7. ***Brand equity:*** whether the brand will be able to support the extension.
8. ***Assessment of all costs:*** regarding the production of a new product.
9. ***Collaboration reaction:*** related with how the new product will be marketed (Dolan, 2015).

For Gallo's expansion into the Hungarian market, two different segments are going to be targeted: the "Lifestylers" and the "Triers". Although there are differences in the way they behave towards the health category both of them seek the same attributes when choosing an olive oil: mostly quality, flavour and very importantly, health. (Mariana et al, 2020)

Two different olive oil products were chosen to be **launch at the same time** (October 2020): the already existing **Gallo's Clássico** from the extra virgin line and a new flavoured olive oil, **Gallo's Paprika**. The rationale behind Clássico was firstly, due to the quantitative analysis performed in which 95% of the total respondents (n=323) said they would prefer an extra virgin olive oil with a medium intensity flavour. Secondly, it was the olive oil used to perform the interviews and, after tasting it, the majority of interviewees said they would buy (Mariana et al, 2020). Therefore, Clássico seemed to have a good fit for both segments due to its organoleptic properties: extra

virgin olive oil with a moderate intensity flavor, possible to be used for cooking and/or dressing any type of dish.

The reasoning behind Paprika came from the interest of almost half of the questionnaire respondents regarding flavoured olive oils (Mariana et al, 2020). The flavour paprika was an obvious choice since it is in the essence of Hungarian cuisine and it is an all-time favorite, being used in several traditional recipes such as *goulash* or *chicken paprika*. It has also excellent health benefits with anti-inflammatory properties and richness in vitamin C, beneficial for the immune system and energy production (The Hungarian Paprika, 2019) (The New York Times, 1988). With Paprika's olive oil there is space for Gallo to overcome the *Trier*'s belief that olive oil cannot be used for all kind of dishes they cook and encourage its daily use. "Lifestylers" will also appreciate this innovative healthy twist by Gallo once it represents a new healthy alternative that enables them to perpetuate and enjoy Hungarian tradition without guilt. Moreover, Paprika's olive oil also represents an opportunity to appeal to new category users to get into the olive oil category.

1.1.3. Individual Product Decisions

Once all decisions have been made concerning product mix breadth and product line depth it is possible to move forward to the individual product decisions.

Developing a product entails defining which benefits is it going to offer and how are they going to be delivered to achieve a superior customer value. **Product Quality** is one of the many attributes' companies like to emphasize and position themselves. Product Quality can have two dimensions: **quality level** (performance quality) and **quality consistency** (conformance quality). During product development it is important to set the quality level that is going to support the positioning. It can either be low, average, high or superior. Companies rarely try to deliver the highest quality level since it comes attached with a very high price which the majority of consumers cannot afford. Besides quality level there is also the quality consistency dimension which deals with consumers expectations regarding the promised product features. Contrarily to

quality level, all companies want to fight for the highest conformance quality. It is increasingly harder to achieve a good level of perceived quality by consumers as expectations are more and more demanding (Kotler, Keller, Brady, Goodman & Hansen, 2009).

Ensuring the highest quality level seems a point of parity within the olive oil category in Hungary therefore, Gallo cannot fall behind, specially being a premium olive oil with a price reflecting it. The addition of "**more than 200 awards conquered**" to Gallo's Clássico should reflect this mastery of selecting the best and nutritious olive oils.

Another way to add customer value is through a **unique style** and **design**. Style is all about the look of the product, and if successful it can draw a lot of attention by being aesthetically pleasing however, style does not increase performance contrarily to a good design. Design is increasingly winning importance in this competitive market and visual oriented culture we live in by providing a strong way of differentiation. A product with a good design goes beyond its attributes, being able to provide a usage experience to consumers just as an immediate recognition (Armstrong & Kotler, 2014). Both Gallo's bottles have distinct designs and can be easily differentiated from the current ones in the Hungarian market (**Exhibit 3**). Gallo's bottle surpasses any attribute of quality level, consistency or best ingredients as it is able to touch every sense of the human body and provide a usage experience to the consumer. From the **curvilinear form**, opposed to the very traditional straight and cylindrical shapes of competitors, the **texture** given by the feathers, to the **ergonomic design** that eases up its use, makes it with an already superior design versus competitors.

The **label** is also very important as it identifies the product or brand, as well as different aspects of the product such as the origin, ingredients or function. Labels are also strongly regulated concerning what can be written on them. Olive oil is one of the most regulated food products and, according to the Commission Implementing Regulation (EU) No 29/2012 on marketing standards for olive oil it needs to meet several requirements: **5 liters** is the maximum volume that can be

sold to the final consumer, the bottle must be **sealed** until is opened for the first time, it must bear information regarding the **method of conservation** (stored away from light and heat), the **olive oil category** must be clear to consumers: extra virgin olive oil, virgin olive oil, olive oil composed of refined olive oils or virgin olive oils or olive-pomace oil, and lastly, for extra virgin olive oil and virgin olive oil the **designation of origin is mandatory** (European Commission, 2019). To comply with this last requirement but, at the same time, achieve the highest perceived quality, Gallo should keep in mind the **Provenance Paradox**. This last, inevitably happens when consumers associate a certain country of origin as superior and with a higher reputation, producing better products than others (e.g. Italy and pizza or Switzerland and chocolate). A competing product from other geography is always going to be perceived as less authentic or with lower quality, regardless of how good it might be, having therefore, less chances to succeed (Deshpandé & Keinan, 2014). From the questionnaire, it was possible to conclude that the majority of respondents did not associate olive oil with Portugal but rather, Italy, Greece or Spain (Mariana et al, 2020). Therefore, and since our main competitors are Italian, the best strategy for Gallo will be to downplay the country of origin and focus on other positive features such as innovation or health. Still concerning labelling, Clássico in Portugal has a blue label however, in Hungary, green is a point of parity within the category and it is a way to recognize the olive oil category. For this reason, the label will be changed to green in order to help consumers to identify the category, especially important for Gallo due to the absence of any clear olive oil element (olives or olive tree). Lastly, the rooster caused some confusion among both interviewees and questionnaire respondents (Mariana et al, 2020). Nonetheless, the rooster is the symbol of Gallo and can play an important role when placed on shelves due to its **disruptive image**. For Gallo's Clássico and Paprika, in order to not focus so much on the rooster, it will be changed from the colorful to golden image. This last also provides more sophistication to the bottle which goes accordingly with the premiumization. For Clássico, the scale of intensity is going to be kept

exhibiting the medium intensity flavour (two painted drops). Both bottles will have their **label in Hungarian** since it is a point of difference against competitors that are in English or Italian. Concerning **size**, Clássico will be present in Horeca with a 250mL format as it will be mostly used for dressing and, in addition, a smaller bottle will always look better in a restaurant table. For retailers, Clássico will be in a 500mL format as it is primarily for an at-home use, being suited for dressing and cooking. Gallo's Paprika will be only present in Retailers and with a 250 mL format as it is for more occasional use (preparation of meat or traditional Hungarian dishes).

After mentioning all the rational and tangible assets related with product performance it is important to focus on the symbolic, emotional and pure intangible associations, the ones which are hard to imitate by competitors. It is through products that **brands** can primarily talk with its consumers and, on the other way around, a way for them to experience the brand. If the product is able to meet or even surpass consumer's expectations, the brand has an opportunity to gain loyalty. Behind any great brand there is always a great product (Keller, 2013). Nonetheless, an excellent brand cannot forget the performance of its product. Brands are extremely powerful and reflect the quality level and consistency attributes allowing a consumer to choose always the same brand. The uniqueness and intangibility of Clássico or Paprika is present in the brand Gallo and competitors cannot copy that. Gallo is the innovative brand of olive oil, being the only one with a flavoured olive oil in the Hungarian market. Competitors might copy this new idea, but Gallo will always have the first mover advantage. Moreover, Gallo is the only brand of olive oil offering a healthy twist to any culinary experience whether using Clássico or Paprika, as both reinvent the way of cooking from the more traditional to modern dishes.

2. Roadmap for the Future

In the future, after the successful launch of Clássico and Paprika in 2020, Gallo might consider an expansion to its complementary-in-use products such as vinegar. In terms of consumption, the Hungarian market is the 19th larger in the European Union with a CAGR of 24.84%

(between 2012 and 2017) (Research and Markets, 2019). Moreover, from the field trip to Hungary, vinegar seemed a big category in retailers. If Paprika is a success, an extension to innovative vinegar flavours might also work and reinforce the idea of Gallo as the innovative brand in the market. However, all these possible expansions would require further market research to evaluate its potential.

3. REFERENCES

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4. APPENDICES

Exhibit 1: Five Product Levels

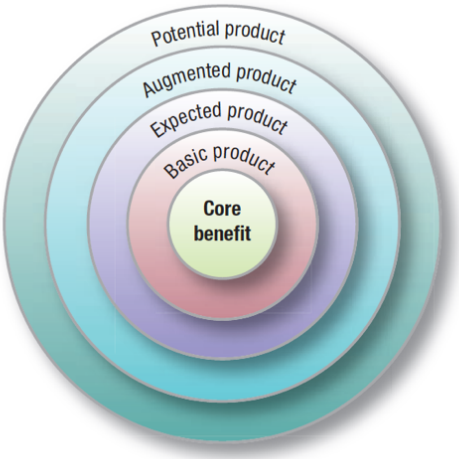

Exhibit 2: Gallo's Product Assortment in Portugal

Product Mix Breadth

Product Line Depth

Olive Oil	Vinegar	Piri-Piri	Vinaigrette
Extra Virgin Premium	*Selected Source*	*Original*	*Vinaigrette&Go*
Extra Virgin	*Premium*	*Extra Strong*	
Virgin	*Sidra*	*Strong Jalapeno Sauce*	
Olive Oil	*Daily use*		
Flavoured Olive oil			

Within the olive oil line there are the **extra virgin premium line** (*Azeite Novo 2019-2020, Grande Escolha and Colheita Madura*), the **extra virgin line** (*Coleção Latas Alma Portuguesa, Gallo 1919, Reserva, Clássico, Gourmet, Aveludado, Sublime, Suave, Seleção Colheita das Lezírias and Seleção Socalcos do Norte*), the **virgin line** *(Delicado),* the **olive oil line** *(Subtil)* and finally the **flavoured line** *(Manjericão and Trufa).*Within the vinegar line there are the **selected source** *(Vinho D.O. Madeira and Vinho do Porto)*, the **premium line** *(Balsâmico de Modena Envelhecido, Balsâmico de Modena Gourmet, Balsâmico de Modena, Balsâmico Branco, Balsâmico Rosé and Espumante*), the **sidra line** *(Sidra Bio, Balsâmico de Sidra and Sidra Original)* and lastly, the **daily use line** *(Sidra Original, Vinho Tinto and Vinho Branco)*. Within the Piri-piri line there are only the **Original**, **Extra Strong** and **Strong Jalapeno Sauce**. The Vinaigrette line has only the **Vinaigrette&Go**.

Exhibit 3: Gallo's Paprika and Clássico