A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the Faculdade de Economia da Universidade Nova de Lisboa

Marketing Plan for the beer category

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Nº 313

A Project carried out on the Management course, with the supervision of:

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June 2010

Contents

Executive Summary

The Portuguese beer market is known for having two strong brands, Sagres and Super Bock, which have always struggled in numerous ways to become market leaders.

In the last decades this market seemed to stagnate, so both companies tried to fight the tendency by launching many different products in order to grow in value. Examples of this strategy were several introductions of beers with flavors like peach and lemon by the two strongest players in the market, but the biggest innovation happened in 2005. Since the wine market was registering an even worse performance in the beverages market, losing share to nectars and soft drinks, Sagres decided to launch a new beer subcategory to compete directly with wine: the auburn beer. This beer was stronger and heavier than the standard beer, amber color and it was positioned to drink mainly at meals, like its direct competitor. The results in the first couple of years couldn´t have been better and Sagres Bohemia won several prizes, as recognition of its superior quality which was inclusively responsible for the mother brand strong growth. At the beginning, the subcategory was such a success that its direct competitor immediately countered in just a few months with a similar beer, Super Bock Abadia. However, since Sagres Bohemia was the pioneer, it has always been the leader in the subcategory although both brands have been competing fiercely, as always, with new product introductions.

Even though everything was looking well, after two years of existence the auburn subcategory started to see its market share shrinking, since people were not buying the product as regularly as it was expected. The brand faces now a subcategory problem and something must be done to revive Bohemia and to return to profitable times.

The objective of this marketing plan will be to relaunch Sagres Bohemia by repositioning the brand to a new subcategory, seasonal beer. This strategy, being a completely new concept in Portugal, intends to raise consumers' curiosity and bring the brand back to success. In order to introduce the seasonal beer subcategory the brand will have different products in the market: one beer for all the year, one for spring and summer time and a third one for autumn and winter.

Distribution and promotion are key success factors in the new strategy and special attention must be given to both if Bohemia is to be a success.

Current Situation

Internal Environment

The organization's overall mission and its internal situation helps us understanding the direction that needs to be taken in the marketing plan, finding the potential strengths and weaknesses that need to be considered.

The company mission is defined as *"To be recognized as the best beverage company in Portugal, with a sustained growth and generating an always better return of the invested capital"*. This statement makes even more sense nowadays as the competition between the two biggest brewing companies has never been so fierce and both try to exceed each other and obtain the market leadership.

The strategic vision of Sociedade Central de Cervejas e Bebidas "*Together, we make the brands which people love to drink"* is supported by the company's different commitments and strategic objectives, illustrated in **exhibit 1**. The company behavioral values are mainly *"Spirit and work team, speed and sense of urgency, commitment with the objectives, innovation and entrepreneurial spirit"*, and together they represent the company's new attitude with a unique objective: *"To put our beverages increasingly more close of our clients and consumers"*.

The resources are another important factor which influences the company performance. The SCCB offers a number of different initiatives in order to contribute to its employees and partner's development and relationship improvement. The SWAP and HR3 diagnostic programs[1] are some examples of these initiatives at human resources level.

The marketing efforts have always been an important tool in the beer sector, which is always innovating and inducing its products experience of consumption. This commitment makes it natural that the company spends an important part of its financial resources in marketing, as we can observe in Sagres Bohemia and its main competitor investments (**exhibit 2**). In order to evaluate its market performance it's fundamental for SCCB to have a vast range of informational resources, especially in a sector where the competition is fierce and keeping continuously track of market evolution is essential. The suppliers have a special role in this sector and its satisfaction it's undoubtedly one of the company's priorities, that's why SCCB is constantly making efforts to fortify this relationship through different programs e.g. Customer Service Day.

The Sociedade Central de Cervejas e Bebidas has a vast portfolio of products, all concerned with drinks. Like the name itself suggests, its main category it's beer but it also supplies water brands and soft drinks e.g. Águas Luso and Trina. Although the company represents strong international brands like Heineken (in 2007 SCCB was bought by Heineken group, as **exhibit 3** explains) the most important product is the national beer Sagres, which is the market leader and has different sub-brands and line extensions like we can see in **exhibit 4**, which illustrates the Sagres portfolio. Sagres Bohemia, the product in study, also has its own line extensions which are Bohemia D'Ouro (although it was discontinued last year) and Bohemia Reserva 1835, all with different characteristics and conceived for different purposes and occasions. Also a limited edition of one million bottles of Sagres Bohemia 1835 was launched in January 2006 to celebrate one year of the brand existence.

The previous analysis is very important to understand what went well and what did not for the company. In the end of 2008 Sagres exceeded for the first time in history its main competitor Super Bock (**see exhibit 5**), symbolizing a great victory and accomplishment for SCCB. Surpass its main competitor in market share was undoubtedly an important objective which the company was pursuing for a very long time. This was the result of the last five years trend, with Sagres continuously improving and getting closer to the market leader, driven by successful releases like Sagres Bohemia. In 2005, the year of the brand's release, Sagres was responsible for 3,2% growth of the beer market[2]. In spite of its great success in the first couple years, in which the product achieved 2,2% of the market share, its sales have been decreasing, registering in 2008 only about 1% of total beer market share (**exhibit 6**). The decline in sales value of the two main brands in the subcategory also reinforces this statement as **exhibit 7** gives the details of this tendency in the last three years.

As stated above, the distribution channels represent an important role in this sector, so it's natural that the company conceder big priority in maintaining a high level of quality and satisfaction with its partners, in order to better supply the final consumer. Sagres is present in the Portuguese beer market since many decades, building through that period a wide and strong presence in the distribution channels, which Bohemia had also beneficiated. Two main channels are used by the company: the on-trade and the off-trade channel. The first one, also called HoReCa, is mainly composed by hotels, restaurants and cafés, and has a huge weight for the company, 75% of the total sales volume to be more precise. However it's important to refer that it's very difficult to cover all the Portuguese point of sales, since we are one of the European countries with more points of sales per capita i.e. one hundred thousand POS[3]. **Exhibit 8** shows a Nielsen study revealing the negative evolution of Bohemia's average weighted distribution at the on-trade, i.e. the percentage of stores where Bohemia is sold in, weighted by the importance of those stores. The off-trade is constituted by both the retailers, e.g. hyper and supermarkets, and the wholesalers.

External Environment

An efficient analysis of the external environment is very important to identify potential opportunities and threats which can be scrutinized in the marketing plan. Among the most significant trends are the demographic, economic, ecological and technological.

The most important demographic trends show us that the Portuguese population, following the EU tendency, is getting older, as a result of the birth rate decrease and life expectancy growth. The forecasts continue to predict this trend for the next decades, so for the marketers it's of tremendous significance to have this in mind. People are also getting more informed as a result of a higher education rate leading to a smarter consumer which evaluates wisely his/her buying options. Moreover, the number of weddings is decreasing, contrary to divorces, a tendency that directly affects the household[4]. Another important aspect is the predominance of the feminine population over the masculine in the Portuguese population, which can be seen as an opportunity to some managers, especially the ones more focused in the male market. For instance, Portuguese women are not used to consume beer, drinking on average 12 liters per capita against 25 to 30 liters of our Spanish neighbors[5], a prospect that can be further explored.

The economic trends are extremely important due to the present situation of the world economy. After the financial crises that broke in 2008 and affected all national economies like a domino effect, consumers purchase power has decreased and people are being more cautious and evaluating more prudently their alternatives, opting to spend less money in secondary goods. This can obviously be an obstacle to products priced above the normal standards, i.e. premium products like Sagres Bohemia. This economic situation also encourages people to consume at home given that it's a cheaper option, contributing to an inferior performance at the on-trade channel.

Relatively to ecological trends it is important to refer that the main raw material in what beer production is concerned i.e. barley, has registered a significant increase in price[6] like most of the other raw materials. Also, in the last years the Portuguese brewing companies have been investing in the national production of barley, maintaining their high quality products and at same time contributing to the national economy growth.

The brewing companies also have efficient production facilities, modern and in a relatively large scale[7], trying always to be up-to-date in the most recent technological advances, encouraging the use of the best technologies available and economically viable.

It's also important to refer the introduction of the smoking law at the beginning of 2008, which prohibited people to smoke in certain pubs and restaurants and consequently influenced the beer consumption in those places.

Regarding the competition analysis, the beer market is extremely concentrated with the two biggest brewing companies representing 97% of the market and 1,5% of the national GDP. These two companies are Sociedade Central de Cervejas e Bebidas and Unicer and they both have the only two brands concurring in the auburn subcategory i.e. Sagres Bohemia and Super Bock Abadia, respectively. **Exhibit 9** explains how the beer market hierarchy is structured. In the last quarter of 2008 Sagres market share exceeded for the first time its rival, though Sagres Bohemia always had a better share than its direct competitor since its launch in 2005, representing in nowadays a market share in the total beer market of 0,6% against 0,37% (**exhibit 6**).

It is also essential to analyze the wine market since Sagres Bohemia competes directly with this category, given that meals are the principal consumption occasion for both products. The wine consumption, although being very rooted in Portugal, has been registering a big decrease in the last decades to healthier alternatives, with a wine consumption per capita in the last year about 42 liters against the 110 liters registered about 20 years ago[8]. However wine is still chosen very frequently to drink at meals, contrary to beer since only twenty per cent of its consumption is during meals[9].

Market and Customers Analysis

A recent study[10] showed that non-alcoholic beverages consumption registered a big boost in the 1990-2003 periods, more than duplicating, in part due to the big growth of juices and nectars, bottled waters and soft drinks. The alcoholic beverages were the ones that suffered most, mainly the wine industry as we can perceive in **exhibit 10**, which sees its consumption decrease every year and the beer market which seemed to stagnate. In order to avoid this tendency, brewing companies have been launching numerous innovations in the market. Different types of beers, different packaging, new tastes, new ingredients, beer with no alcohol and less calories, etc, were all new ideas which inundated the market, some with more success than others. As consequence, in the last decade the beer market has been growing in value although it has been decreasing in volume, following the European tendency [11]. **Exhibit 11** shows us the market trend between 2004 and 2008.

The most recent innovation was the creation of a new subcategory with a different type of beer, amber color, launched by Sagres in 2005. This new product was established in the auburn beer subcategory and was a big success in its first years, though, one thing is to be successful in the short term because it's original and novelty another is to be in the long run. In fact, the Portuguese market is seen as a good place to try new products because Portuguese' consumers are curious and like to try new things[12], but when the subject implies changing the habits of consumption, people react more conservatively. That is one important motive why since its third year Sagres Bohemia, as well as it direct competitor have been registering a constant decline in its market share. When the product was launched it was a great success since it was something new and different, hence most consumers tried it. However, and in part because of its positioning, "*a beer for special occasions*", people stopped buying the product regularly because they had already tried it and they would only consume it sporadically, preferring the traditional white beer consumption. **Exhibit 12** illustrates the penetration rate of Bohemia and Sagres beer revealing that few people actually consume the first i.e. seven per cent which represent 8,5 liters per year against thirty three per cent and 127 liters per year. This data confirms that Bohemia is facing a repeat purchase problem, situation also faced by competition, thus we can consider it a subcategory problem. People tried and confirmed they've liked the product itself, it was positioned at a different use occasion i.e. at meals, but it did not enter yet in the Portuguese consumers habits.

Since people are buying Sagres Bohemia only sporadically, low rotation is given to the product and consequently distributors start to decrease their orders. Although in the on-trade we see a low weighted distribution, in the off-trade, like **exhibit 13** shows, the situation is slightly better. In supermarkets, a format which is quickly growing in Portugal (**exhibit 14** shows the number of existing supermarkets in Portugal) the weighted distribution is about 90% though Bohemia product extensions have a weaker representation.

Nevertheless, Sagres Bohemia was the subcategory pioneer and it remains associated to it, meaning that people differentiate the brands, giving to the SCCB' beer the first mover advantage i.e. bigger recognition and awareness and consequently bigger market share. In fact, people normally tend to associate Bohemia to the auburn subcategory and even Abadia communication is favorably associated to Bohemia[13].

At the consumer behavior level, it's important to describe what are the consumers' motivations and decision making process to buy the product. People normally buy beer for three reasons: it's a fresh drink which quenches thirst, it has a unique and pleasant flavor plus it's ideal for different occasions. People buy it by impulse and know there are many different subcategories e.g. regular, international, black, auburn, and choose among them according to their own preferences. One main choice criterion is undoubtedly the brand name and Sagres and Super Bock, as market leaders with a vast reputation are the most desired ones. Since it's a low involvement product, people may be sensitive to the effort that might be involved in buying the product and they easily choose another brand if the one they want is not immediately available. Also in this category, the influence of in-store stimuli such as displays, shelf position, packaging and price become more important for these unplanned purchases than preplanned purchase decisions[14].

Relatively to the auburn beer subcategory, people believe that Bohemia is an auburn quality beer, as it belongs to a well regarded and familiar brand, designated to drink at special occasions. Sagres is a brand with great reputation among Portuguese consumers, which constitutes an adaptive criterion. Consumers also know that the market offers cheaper alternatives but are conscious that this is a special type of beer. Since it's a low involvement product, consumers aren't motivated to spend much time analyzing alternatives, so if they try the product they will continue to buy it depending if they like it or not. In this sense, core-use functions and convenience-in-use functions are the most relevant[15]. In the first one, the fact of being a Sagres beer which is ideal to drink at meals since it enhances the palate, are indicators for the consumer choice criteria. In the second case, the beer makes meals more special and appetizing, plus the fact that the packaging advises consumers of the product distinctive characteristics and benefits.

The economic criteria also has an important role, since people are conscious that Bohemia has a premium price but is justified with the perception of being a product with unique characteristics. Accordingly, people have their beliefs about the products features and advantages and after trying it they make their evaluations and decide if the product is worthwhile.

The consumer point of view is described in **exhibit 15**, which reveals that within beverages with alcohol people initially decide between beer, wine or spirit drinks and if choosing the first one then they select the subcategory i.e. white beer, black beer, auburn beer or international beer.

Relatively to in-house consumption, although in 2008 the beer market registered an increase in value about 3,9%, it has decreased 4,4% in volume, where we can conclude that it was mainly the result of the average beer price growth (more 8,8% than in 2007)[16]. As we can see in **exhibit 16**, also the premium beers and particularly Sagres Bohemia have registered this tendency.

Other market research conducted by SCCB analyzed the customers' perceptions about Sagres Bohemia, like main consumption occasions (**exhibit 17**) and brand equity perceived by people who had already tried the brand (**exhibit 18**). In the first data the main conclusions are that people mainly associate Sagres Bohemia to occasions where they are hanging out with their friends, cafes and terraces. Although the efforts to associate the product consumption during all the year, people still relate it mostly to summer, when the weather is normally sunny and warm and people prefer fresh drinks. Other important occasions are during meals, the elected occasion for the brand positioning, but also bars and nightclubs, special occasions like parties, and even restaurants have a significant weight. Due to these results we can conclude that people's on-trade consumption is very associated with meals which occur mainly on cafes and terraces or restaurants, or simply when they are socializing with friends in those locations. On the off-trade perspective, people tend to buy Bohemia mainly for special occasions which can eventually involve the presence of friends or family and will obviously be held at home. **Exhibit 18** shows us that people also perceive Sagres Bohemia as a Portuguese brand which is modern, sophisticated, social and sympathetic.

Qualitative research, namely in-depth interviews, was conducted to fifteen consumers in order to understand their perceptions about Bohemia brand and their opinions towards a possible repositioning (**exhibit 19**). The interviewees' habits and attitude towards the brand were in accordance with SCCB's research and they showed a positive predisposition to try Bohemia new products. As curiosity, it was interesting to verify that most of the respondents didn´t know Bohemia Reserva and had never heard its name.

When the brand was introduced it registered great results, in what brand awareness is concerned, having occupied the first position in total awareness and brand recall[17]. However, nowadays the situation is completely different and like **exhibit 20** proves, brand recall and recognition have been affected, being 2009 the worst year in Bohemia history, registering less recall than Abadia for the first time.

SWOT Analysis

The analysis of the internal and external environment, as well as the market and customers overview, will now allow us to identify strengths and opportunities which can be exploited by the company and weaknesses and threats which can compromise the company success[18].

Strengths

- Sagres is the market leader since the end of 2008, with 45,3% market share in value, surpassing its main competitor in 2,2 p.p. ;
- Sagres and Sagres Bohemia have a powerful brand image with high recall and recognition;
- Sagres Bohemia was the pioneer of the auburn category and benefits from the first mover advantage;
- Sagres has a strong distribution channel with a high coverage in the Portuguese market which Sagres Bohemia benefits.

Weaknesses

- The beer category is generating low volume;
- The presence in the traditional and modern channels is decreasing as a result of the repeat purchase problem;
- The subcategory did not enter in the Portuguese consumer's habits;
- Brand recall has decreased as result of the lower investment in communication and Sagres Bohemia is no more in the TOM of Portuguese consumers.

Opportunities

- Foment the in house Bohemia consumption → with the economic crisis people may tend to spend less money having meals out of home, increasing consumption at home;
- The wine consumption is decreasing, giving the prospect for the beer sector to fill replace the gap;
- Launch seasonal beers which are an innovation in the sector and can succeeded in a market where people like to try new products.

Threats

- Launch of a similar product by the competition;
- Economic crises is diminishing people's economic power and the product subcategory can be compromised since it charges a premium price;
- Super Bock Abadia surpassed Sagres Bohemia for the first time in brand recall, although is still less recognizable than the market leader;
- Retailers may be reluctant to accept new product references.

Competition and Product Overview

Like previously mentioned, Sagres's main competitor is unquestionably Super Bock and both brands have similar products in all subcategories, like **exhibit 4** and **exhibit 21** illustrate. With Sagres Bohemia introduction a new subcategory was created, where its products characteristics and attributes as well as packages are illustrated in both **exhibit 22** and **23**. However, in March of 2008 Abadia decided to launch two new products: Abadia Gold and Abadia Rubi which were positioned for fish and meat meals, respectively. In this sector, innovations can take the form of new tastes, new ingredients like caramel or a specific herb, a new bottle/can size or design or even a new way to storage the beer. Quality is an indispensable requirement for both brands which also have very similar prices in all the subcategories where they are. Other brands like Tagus or Imperial have a very low weight in the market and have big limitations in what innovation is concerned, normally presenting lower prices in the few subcategories which they are established. International beers like Heineken, Guinness and Fosters are examples of beers which are usually positioned at the high-end market.

Keys to Success

In order to fulfill its mission and achieve superior performance, the company should identify the special factors which most contribute to its success[19]. Like already mentioned, *innovation* is one major subject in this market and the company must continue with this strategy in order to improve profits, maintain its leadership status and not being surpassed. *Distribution* is another important issue which the company should not neglect, since availability and convenience are main concerns in this sector and an accurate distribution in traditional and modern distribution channels is essential. The company should also complement these principals with an accurate *communication* program to make sure people understand well the brand concept.

Marketing Strategy

Objectives

The analysis and information previously presented had the objective to best represent the company's brand current situation, stressing out the repeat purchase problem.

The principal idea is to present a viable solution for this situation, which will consist in repositioning Sagres Bohemia beer to a new subcategory: the seasonal beer. As previously mentioned in the internal environment analysis, one of the company mainstays is *innovation*, which precisely meets the plan of introducing the seasonal beers concept in the Portuguese market. Following this thought, Bohemia Reserva 1835 will be positioned for half the year and a new beer will be launched and positioned for the other half, while Sagres Bohemia standard beer will continue to be positioned for the entire year. Since people badly understood the positioning and differences of Reserva 1835 to Bohemia beer[20], a new positioning should help people to differentiate both and increase its consumption. Also, the new beer will be positioned for a different time of the year due to its own characteristics and it´s expected to increase brand trial and repeat purchase, at least in short run, given that Portuguese people have the tendency to experiment new products.

One of the biggest aims of the marketing plan is to help the company achieving different objectives and goals fixed in the company's mission [21]. When Sagres Bohemia was launched back in April 2005, one of the objectives was to sell nine million liters till the end of the year, purpose which was obtained in just five months, recording by the end of 2005 more three million liters than predicted. Other study conducted by Millward Brown[22] also revealed that the product had been tasted by 74 percent of the beer consumers, 63 percent had repeated the consumption and 24 percent used to drink it frequently. Due the previous results and objectives, the company is expecting to follow a growth strategy through product development i.e. by implementing the seasonal beers concept in the market. The company will expect to obtain in its first year about eight million liters of sales and the company market share goal is to recover to about 2% of the total beer market after three years.

Target

Segmentation and targeting are two key elements of the marketing plan. The first one involves dividing the market of potential customers into homogeneous subgroups in order to target the ones whose needs correspond to the firm's competences[23]. First we will focus on the usage-brand approach which will be correlated afterwards with other factors like age and gender.

The segment that the brand should focus is the *new category users*, through the *point of entry* and *category build* strategies. In the first one the idea is to identify who will enter in the category (in our case, the seasonal beer subcategory), determine when entry is likely and to direct their consumption to our brand[24]. This type of strategy has an important weight especially when the brand registers low penetration level, like is our case (see **exhibit 12**), and when there is high loyalty to the brand, which is also the situation of Sagres Bohemia.

The introduction of the seasonal beers subcategory by the brand leader will be an innovation which intends to target and attract people who are entering in this subcategory obviously for the first time, since it´s a new one. Consequently the brand should target individuals who like to experiment new and exquisite tastes, mostly at meals to enhance the food flavor, like they had previously tried with Sagres Bohemia, but now encouraged by Bohemia brand new positioning which also includes Bohemia Reserva 1833 and a new product launch. The entry is expected to happen mostly at meals and mainly through the on-trade channel, like restaurants. Since the brand will be once more the first one to introduce an innovative concept in the market and consequently a new subcategory, people will direct their consumption to the brand and even if the competition responds to this move, which is most likely, the brand will always have the first mover advantage.

In the *category build* strategy we focus on individuals who have no intention of using the category in which a brand holds membership. In our particular case, people have already tried the brand products but they didn't remain regular consumers, so we can state there is a negative disposition toward the category since it didn't enter in the consumer habits. The consumers who have once used a category and no longer do so are typically poor prospects for a category build unless there are category news that have emerged since they used the product[25], which will be the seasonal beers in our case. As summary, the company will use both the *point of entry* and *category build* strategies since the brand will be repositioned in a new subcategory, seasonal beers, and this innovation is intended to target its new users.

Establishing other factors to link with consumers' usage helps building the target, being the most relevant ones in our case the *gender* and *age* groups. Sagres Bohemia previous targeting included both male and female people between 25-44 years old. This time, the seasonal beers subcategory will still be targeted to both genders but the age group will be enlarged to 25-54 years old. The main reason for this change is, as revealed in the external environment, the aging of the Portuguese population which is a situation that needs to be continuously explored and seen as an opportunity.

Positioning

Brand positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market[26]. If the company succeeds in this goal, it will maximize its potential benefits.

A starting point to create the positioning is to establish the category membership i.e. the product or sets of products with which the brand competes and which function as close substitutes. In our case, Sagres Bohemia will be repositioned from the auburn beer to the seasonal beer subcategory, like **exhibit 24** explains. Despite remaining positioned as ideal to drink at meals (since it enhances the food taste), the seasonal flavor will be the new attribute, like we can see in **exhibit 25** which illustrates the new and old brand positioning. This change has the main objective to position Sagres Bohemia as a different, high quality and seasonal beer and not by its main beer color, even because it may change with new product introductions. Also, as we have seen, people already associate the brand as a special and premium product rather than its color. It will compete with beverages which are usually consumed at these occasions, but mainly the alcoholic ones such as wine and other types of premium beers owned by the competition. After establishing the *frame of reference* i.e. seasonal beer, it's necessary to assert why the brand is superior to alternatives, known as *point of difference*, being both claims subsequently supported by *reasons to believe*[27]. Sagres Bohemia *benefits* and *reasons to believe* regarding the 2005 introduction in the auburn beer subcategory are described in **exhibit 26**. Currently, Sagres Bohemia will still remain associated as an ideal companion during meals, being each type of beer associated to the season dishes, making them more pleasant. The *emotional benefit*, which shifts the emphasis from the brand and its functions to the user and the feelings to be gained by using the brand[28], could be to make the meals more pleasant and special. The *reasons to believe* will continue similar, emphasizing the fact of belonging to a quality brand like Sagres and recommended by Portugal's top *Chefs de Cuisine*, adding the detail that the particular characteristics of each product are adequate for different times of the year. The *points of difference* relatively to its competitors are mainly the characteristics of the product itself, which are adequate for different times of the year, contrary to its competitors who offer the same products independently of the season.

Finally, in order to summarize the positioning for the relaunch of Sagres Bohemia the positioning statement should be presented, which will be: *"For men and woman who like to try different tastes and make their meals more pleasant, Sagres Bohemia is a seasonal beer which offers different flavors adequate for each time of the year because it belongs to a quality brand, it has unique characteristics and it's recommended by the Portuguese top Chefs de Cuisine"*.

Strategy summary

In order to achieve the proposed objectives and goals the company will basically reposition the brand from the auburn beer to the seasonal beer subcategory. Following this strategy, Bohemia existing products will be designated for different times of the year and also a new beer will be introduced in the subcategory.

Presently, Sagres Bohemia has two products which are Sagres Bohemia and Sagres Bohemia Reserva 1835 and the objective will be to maintain the first one during all the year for the loyal consumers and locate the second one for the first half the year. A new beer will be introduced in order to fill the other half of the year, having specific characteristics which make it more pleasant for a colder period. The company will make efforts to recover to the same weighted distribution levels as when Bohemia brand was launched, which were very acceptable, both at on-trade and off-trade distribution channels. Lastly, it will be very important to coordinate correctly and efficiently the investment and communication tools in the brand relaunch. Following this strategy which is being developed during the marketing plan, the company is expected to attain the proposed objectives and goals.

Marketing Mix

Product

The introduction of the seasonal beer concept will consist of three important steps. The first one is related to Sagres Bohemia beer, which will remain identical but it will be communicated differently, making clear that its own characteristics make it a beer for all the year. Since it was the first beer launched in the subcategory and having many loyal customers representing an important income for the company, it will continue the previous strategy of being available and having communication during the entire year.

The second step consists in repositioning Reserva 1835 for a specific time of the year. This product was launched at the same time than Super Bock Abadia with the main objective to block its introduction in the new subcategory. In order to do it, SCCB opted to follow its rival strategy by claiming its secular tradition but dedicating a small budget in communication. The consequence was that people poorly noticed its launch and didn't even realize its true positioning; they inclusively didn't perceive the differences between the two Bohemia beers. Due to its unique attributes, Bohemia Reserva 1835 will be positioned for spring and summer seasons, claiming to be a stronger beer than Bohemia regular but also fresh and ideal to follow the season traditional dishes. Both the characteristics of Reserva 1835 and Bohemia regular are shown in **exhibit 22**.

The third step will be the most innovative. Since Reserva 1833 is positioned for the first half of the year, Bohemia will launch a new beer more suitable for cold weather the traditional dishes of the second half of the year. October and winter will be the respective seasons, since its cold temperatures require a different kind of beer i.e. warmer, heavier, with a strong flavor and appropriate for the season dishes.

Following the projected approaches the new beer will have approximately the characteristics detailed in **exhibit 27**. Bohemia Real it's an ale beer of high fermentation, which belongs to the strong British-style ales. Its name suggests royalty, since some centuries ago this type of beer was the dominant one in Europe, especially at Henry VIII court. It presents a high level of alcohol by volume (from 7º to 11º), has an amber-to-brown color and it can be lightly to strongly caramelly, often with hints of toast, leather and wood. This particular characteristics make it ideal for big and intense dishes such as roast beef and lamb, and it should be served in a slightly higher temperature than the others Bohemia beers (from 10ºC to 13ºC). **Exhibit 28** shows us the specific interactions between beer and food which must be taken into account when choosing the beer ingredients. Like the existing Bohemia beers, it should be served in a particular glass to better taste its particular attributes, in this case it should be a small tulip or snifter. All this characteristics make Bohemia Real a distinctive and unique beer, ideal for colder seasons and its respective dishes.

In terms of primary packaging, Bohemia beers will continue to be available on bottles of 0.33cl per liter and kegs with 20 liters, following the strategy previously adopted when introducing the auburn beer. Secondary packaging i.e. the cardboard box, is extremely important in this case since it's responsible for brand recognition which is crucial for Bohemia. Like we currently see at the market we will still have packages of four bottles to experimentalists' people and six bottles per package for loyal customers which will obviously beneficiate of lower price per liter. Since most of the supermarket shopping is made by impulse, the package itself should be able to grab people attention and allow them to easily identify the brand, provide descriptive and persuasive information, facilitate product transportation and protection, assist at-home storage and aid product consumption[29]. The package size and shape should be similar to the existent one as well as the material, while the colors should define the product itself. The package should also have a design of the typical glass where the beer should be served, like **exhibit 27** explains, full of beer with foam on top.

In terms of labeling, it's important to *identify*, *describe* and *promote* the product and the brand. The name that must draw more attention should be Bohemia, followed by its second name below it, but without forgetting the Sagres logo that should be also present in the label. Also a brief description of the product should be addressed, revealing its own characteristics and the dishes which are most adequate to combine with.

All the branding is essential to create a positive customer based brand equity, which is defined as the differential effect that brand knowledge has on consumer response to the marketing of the brand[30]. This means that people react more favorably to the product and the way it is marketed, thus they may accept easily a brand extension, be less sensitive to price increases or even seek the brand in a new distribution channel. In fact, some market research (**exhibit 18**) already defined Sagres Bohemia as a modern, Portuguese, sophisticated, social and sympathetic brand, which are positive associations. This could mean that Portuguese people will be more receptive to new products under the brand's name.

Until now, brand image i.e. how people perceive the brand, has been the main concern for brand management. However, before knowing how our brand is perceived, we must know first who we are, attributing brand identity as the core of brand management[31]. The company should define its identity as priority in order to ensure its consistency and continuity through time, making then use of market data and consumers opinions to achieve brand success. **Exhibit 29** shows us the current Kapferer identity prism and changes that must be induced as result of Sagres Bohemia repositioning. The biggest change will be at the physical dimension i.e. combination of salient features which immediately come to mind when people thing of Bohemia. People tend to see Bohemia as a heavy beer, a proved fact that the brand should translate by stating that its unique characteristics make it a seasonal and exquisite beer. Also the brand must reinforce its positioning concerning the consumption occasions, by stressing that Bohemia has unique attributes capable of making meals more pleasant. One big priority for the brand is to make sure its products are high quality, awarding people with a unique and exquisite experience when drinking the beer alone or at meals, by enhancing the food taste. At the customer reflection level i.e. the brand´s perceived client type, are modern men and women who enjoy a good beer. This stereotype should be slightly changed to modern men and women who like to try different tastes and make their meals more pleasant, as the positioning revealed. Like previous research concluded, if Bohemia was a person it would be sympathetic, sophisticated, elegant, charming and social, all positive associations which the brand should keep. The core of the brand consists mainly in three values: Innovation, Portuguese and Sagres, which are all positive connotations and we must guarantee they will prevail with the relaunch. Also, since it´s a unique product, when experiencing a Bohemia people should feel social, modern and elegant.

Price

Decisions concerning pricing require a balance between internal finances and external market concerns. The first requires that price be high enough to yield profit while the second desires price to be low enough to give buyers sufficient incentive to buy[32]. The solution consists in an integrated decision making by representatives from the different company's areas, including marketing, sales and accounting. Bohemia follows a value based pricing since the company intends to communicate to buyers what they get for their money, keeping the value delivered in line with price paid. The brand charges a higher price when compared with the regular beer, a value that must be justified through its communication strategy in order for consumers to be willing to pay that premium price, once they perceive the product superior quality.

Previous research revealed that people actually recognize Bohemia as a quality product which justifies its premium price. Following this reasoning, we can define our pricing strategy as neutral, since it minimizes the role of price as a marketing tool in favor of other tactics. The price cannot be too low to avoid inferring low quality to the product but it also cannot be too high that no significant segment will pay the premium[33].

In the beer market, where we have different distribution channels, it's natural to have price segmentation by purchase location[34]. This means that customers perceive different values in buying Bohemia at a restaurant than at a supermarket, so different prices are charged. At the on-trade, higher prices are expected rather than the off-trade where it's also possible to segment by purchase quantity. Like previously mentioned, we will continue to offer two different packs for different clients, and loyal consumers will benefit from a lower price per litter if buying six bottles packs. Also, different prices will be charged between Bohemia and Bohemia seasonal i.e. Bohemia Reserva 1835 and Bohemia Real. Since the seasonal beers are available just for half the year, people will perceive them as "more special" than Bohemia and would be willing to pay more to acquire them. **Exhibit 30** presents the margins for both the on-trade and off-trade.

When defining the pricing strategy, the transaction level represents a very important subject. Transaction management main objective is to capture the right and best realized price for each transaction or order, a long process which can vary a lot according to each client[35]. In our case it can take many forms. A discount of about 40% can be given to the client if he buys a significant quantity or we can make cross selling i.e. if the client buys a determined quantity of Sagres beer it will have an offered quantity of Sagres Bohemia, or vice versa.

Promotion

Promotion is seen as the means by which firms attempt to inform, persuade and remind consumers – directly or indirectly – about the products and brands that they sell[36].

When building the advertising communications and promotions, the first step is to define the marketing objectives and campaign budget. In our case the main objective will be to increase the current market share and to be profitable, with an estimated budget of about 15 millions for the next three years.

To establish our target audience, i.e. buyers who represent the best sales potential, is the second stage. The two target audiences that should be considered when implementing the marketing communication plan are *brand loyals* and the *new subcategory users*. The first one refers to the biggest representative of the brand's current income, although the brand faces a repeat purchase problem, people who buy the brand, even if it is sporadically, are loyal to Bohemia. The second group represents people who never tried the subcategory or who actually don't consider it in its buying options, and since we will have the subcategory repositioning with a new product release, it should be sufficient to attract new customers. Its sales perspectives depend on their awareness and attitude towards the category, feature which must be well explored by the brand in its marketing communication strategy.

The new subcategory has the same positive buyer motivation i.e. *sensory gratification*. This motive should be reinforced in order to remind consumers of that established need, since they currently buy Bohemia very often and may not perceive correctly the *category need*. This will directly influence the *brand attitude* i.e. the buyer's evaluation of the brand with respect to its perceived ability to meet a currently relevant motivation[37]. We have seen that people have a positive attitude towards the brand, a situation that must be kept through advertising. In this sense, *brand awareness* which is divided into brand recognition and brand recall, must be obviously reinforced. A big priority must be given to the first one since, as we have seen in consumer behavior segment, it's associated with the consumers' choice at the point of purchase. Since beer it's normally bought by impulse at the supermarkets i.e. there is no though of buying neither the brand, nor even the product subcategory before the brand comes across, it's very important that people recognize the brand in the shelves. The same happens at the on-trade, where people may recognize the brand in the draft beer equipment i.e. beer towers, or simply see brand advertisement like pictures and then decide to order it. This low-involvement product, with a low perceived risk, is presumed to stimulate brand purchase intention through a positive brand attitude.

As summary we can state that the brand intends to pursuit different communication objectives: *category need* which will influence *brand attitude*, both being complemented with *brand awareness*, leading to *brand purchase intention*.

There are many different vehicles to promote the strategies that will hopefully lead us to our objectives. Like we have seen, beer is a low-involvement product associated with a positive motivation, thus our brand attitude strategy is low-involvement transformational. In order for the message to be compatible with the communication objective, good visual content is critical[38]. Only a brief processing time is required but a relatively high frequency is necessary because of generally slower brand attitude development. In this case, television and internet are two ideal options since they don't present frequency limitations. Both are essential for recognition brand awareness, since we must be able to present the brand as it will be seen at the point of purchase, one of the media strategy's main objectives. Magazines also present a suitable option, mainly for brand recognition, although it has processing time and frequency limitations. This tools are essential to foment brand trial with the new repositioning.

In this sense, television will be chosen to promote the brand, since it captivates high attention and reach, plus it's appealing to people senses. Although people generally do not process actively the message contained in TV ads, they often remember the ads later when in the presence of the product[39]. Accordingly, it should focus on different aspects like category need, buyer motivation and brand recognition. The commercial should show the brand's package or logo for at least two seconds, in order to people thereafter recognize it when they see it. The commercial is expected to have a high frequency at the beginning, especially to introduce the new Bohemia Real, but then a lighter media schedule should be sufficient to maintain the buyer's brand recognition response[40]. The commercial should appear after dinner hours during the week when people have already returned from work and are trying to rest, and on the weekends at the same time. This choice is influenced by the advertising code which forbids alcoholic drinks advertisement between 7am until 9.30pm.

Magazines and outdoors will be also used for recognition purposes. The first has the advantages of high geographic and demographic selectivity, able to give credibility and prestige, while the second gives repeat exposure and has low costs. The elected places to introduce Bohemia outdoors should be near the distribution channels which have Bohemia products and crowded places.

One big priority will be given to the point of sale. As we have discussed, brand awareness should be present when people are choosing which product to buy and there are different ways to remind people that Bohemia is an option worth thinking. In this sense, at the on-trade, we expect to promote mainly through three ways. The first one consists in the beer tower machine, which should be unique and clearly make reference to Bohemia in order for people to notice it when present at the restaurant/café. Another option will be by merchandising products, like unique cups with the best design to better taste beer, Bohemia own menus with “best-suit” meals to go with Bohemia beers or even pictures to hang on the wall.

At the off-trade, the brand is expecting to promote with special point of purchase materials like stoppers, stating “Sagres seasonal beer”, situation which is conditioned to retailers’ restrictions.

In the past the company has tried to advertise and build special conditions through a website, but as the brand management changed this idea was immediately abandoned. With the repositioning the plan will be to reactivate this strategy, since the internet is a high selective media which offers interactive possibilities and has a relative low cost, adding the fact that most of Bohemia current consumers have internet access (**exhibit 31**). Since the brand is perceived as modern and sophisticated, having an online Bohemian club perfectly fits our strategy. The idea of this website will be to create a community of Sagres Bohemia lovers, which will beneficiate from her/his loyalty i.e. their repeat purchase behavior, with different prizes. Trips to a modern, cosmopolitan, sophisticated city like New York will be offered, as well as invitations to special events sponsored by Bohemia and a two people free dinner at a fancy restaurant with a partnership with Bohemia.

The last proposal indicates a strategy that Bohemia has already adopted i.e. events sponsorship. Normally events related to food tasting like “Lisboa à prova” have Bohemia sponsorship, a tradition which will be maintained in order to reinforce consumer perceptions of key brand image associations and create experiences and evoke feelings[41].

Different tools should be used to keep continuous tracking and evaluate the campaign. In the first months it will be very important to follow peoples actions i.e. number of people who have tried Bohemia’s new product as well as their usage patterns. The company should also evaluate the communication effects such as brand awareness, giving special attention to brand recognition.

Distribution

When referring to marketing channels we discuss the sets of interdependent organizations involved in the process of making a product or service available for use or consumption[42]. These channels are the routes to market and the company must make sure they are running effectively in order to have its customers and partners satisfied, diminishing the conflicts and possible gaps.

Describing the supply chain is very important when analyzing the distribution channels of a company. In this case it's important to refer that all the products under Sagres brand name follow the same distribution structure chain and have no different distributors' partners, so when launching a new product the company has its distribution strategy practically defined and guaranteed. Like **exhibit 32** illustrates, the company has a simple route-to-market which can differ depending if the product is going to be bought in the on-trade or off-trade.

The main Headquarters of SCCB are at Vialonga, where the beer is also produced, from the stock of the barley and malt in silos, passing through the drying, fermentation and filtration, to the bottles filling. The company's installations are fully equipped and both the factory and the warehouse are essential facilities at Vialonga. After the product is stocked at Vialonga warehouse it can have two possible destinations i.e. go to a logistic platform owned by its partners or go directly to the retailers/wholesalers, which is the most common. The first alternative only occurs at the on-trade, where the product is then taken to the retailers through distributors, which will afterwards sell the product to the final consumer. In the second alternative the product can be directly transferred from SCCB' warehouse to the retailers i.e. hypermarkets and supermarkets, or to the wholesalers and then the products are sold to the shoppers or local stores, respectively.

Marketing channel system design and management, like the management of any other marketing activity, requires starting with an analysis of the end-user[43]. The intention will be to understand *how* end-users want to buy and use the product they intend rather of *what* end-users want to consume. A good way to analyze this matter is through the service output levels desired by the target customers, which are *bulk-breaking, spatial convenience, waiting and delivery time, assortment and variety, customer service* and *information provision,* summarized in **exhibit 33**.

Beers are usually sold in three ways i.e. draft beer, in a bottle or in a can. Sagres Bohemia previous strategy excluded the third option and it will remain exactly the same, since cans don't fit in Bohemia's premium strategy. In the modern distribution channel two options will continue to subsist, which are a pack with four bottles of beer for experimentalists consumers and a six pack for loyal consumers. This can be considered as high *bulk-breaking* since the shopper has the opportunity to buy beer in small quantities, four or six pack of 33cl per bottle. In the traditional channel i.e. Hotels, Restaurants and Cafés, the consumer has the hypothesis to buy one bottle of Sagres Bohemia or order a draft beer. The quantity served of draft beer is the size of the glass which is proximately 33cl, and thus the *bulk-breaking* in this channel is even higher, since the individual is able to order the quantity of just one bottle.

In this sector is very important to make the product as available as possible since it's a low involvement good and people may easily choose an alternative. *Spatial convenience* can then be considered of extreme value and with higher distribution coverage, consumers' satisfaction will increase by diminishing transportation requirements and search costs[44]. We've seen that although the white beer weighted distribution is nearly one hundred per cent, the same does not happen with Sagres Bohemia which have seen its distribution decreasing along the years (**exhibit 34**). Nowadays it is relatively easy to find Bohemia in the hypermarkets or supermarkets, however in its first years of existence it was easier. It's important to remember that Portugal is one of the European countries with more traditional points of sales and covering all them is not easy. Also, since the product registered low turnover, in case of draft beer it did eventually go bad (the beer only stands about one month in a keg, or the flavor will be affected), or the bottle packages were simply occupying storage space which was in need. In the case of seasonal beers, given that each product will be only available during two seasons (with exception of regular Bohemia, available all the year), a higher rotation is expected and this problem should be diminished. Still the quantities supplied should be very well managed in order to prevent stock of the product in the wrong season. Even knowing that Portugal is a country with many cafes and similar stores all over the country, it is a priority to improve the *spatial convenience* of the products, so it is crucial to be present at more places like restaurants, convenience stores and gas stations. We can conclude, since it's a low involvement product, that people won't travel too far to buy Bohemia so spatial convenience output demand level is considered to be high in both channels.

Waiting and *delivery time* are services which in our case don't make too much sense, since people aren't willing to wait to buy or consume the product, opting to choose other alternative instead of searching it in other place. Thus *waiting and delivery time* are considered to have a high service output demand level.

In terms of *assortment* and *variety*, the new subcategory will have seasonal products, offering one beer all the year and the other two just for half the year. Bohemia will offer three different products i.e. Bohemia, Bohemia Reserva 1835 and Bohemia Real, and all the products will be available in 20 liters kegs and 33cl bottles (non-returnable) which can be sold individually or in 4/6 packs.

Information provision is another service output extremely important for the brand re launch success and refers to education of end-users about product attributes or usage capabilities, or repurchase and post purchase services[45]. For our specific case, the presale information is the most important, while it should captivate the consumer curiosity and trial through learning. Information about which Bohemia beer is more appropriate in each time of the year, with which meals the brand recommends its consumption and the fact of being a beer which highlights the flavor of meals, are different kinds of information that must be communicated to the end-users. This service output is essential to the brand success, since is the one that will differentiate the regular beers from Bohemia. As a result, we can consider the service output demand level as medium-high, since when people know it's a different beer they will want to know why it is different and what are its benefits.

Identified the main channel gap, associated with availability, the company will attempt to solve it through its promotional strategy, previously described. With an aggressive campaign and new positioning, the brand is expected to solve its repeat purchase problem which will consequently solve the availability gap, given that retailers will have reasons to keep ordering the brand.

Financials

Before implementing the recommended actions, it's crucial to analyze the possible outcomes and estimate the strategy costs and profits. **Exhibit 35** presents this study for the next three years after Sagres Bohemia relaunch in September 2010, and reveals a positive Net Present Value, at a discount rate of 8%, of €6.245.747. The brand is expected to have a big boost in its sales, starting with the new product launch at the end of September, in order to recover market share and become more profitable. For this calculation we assume cost of goods sold to be 35% of sales and distribution costs of 2% of sales, with a market growth of 2% per year.

Advertising and promotion investments will be more intense in the first year, mainly because of an intense campaign in television, especially at the beginning of the semesters, decreasing in the following months. This media will consume about 70% of the investment due to its big influence and capability to increase brand sales, but also other media tools like outdoors and magazines will be used in the campaign. Consumer promotions and public relations will also be part of A&P investments.

Implementation Controls

The final step of the marketing plan consists in scheduling a timed-defined plan for completing a series of tasks and activities related to the program or objectives, which helps the company to define the timing and coordinate implementation avoiding conflicts and measure progress.[46] The scheduling for the first year of Sagres Bohemia relaunch is described in **exhibit 36**.

Based on the forecasts previously mentioned, the company must keep the results on track and evaluate how it's developing and if contingency measures are needed. In our case it will be important to control two factors: consumer behavior and profitability. For the first one it will be important to know if people are aware of Bohemia's products and if they actually try and keep buying its products. Also the contribution margin as well as Bohemia market share must be monthly tracked to evaluate the marketing plan success.

Limitations

The process of defining the most appropriate beer for a specific time of the year is very complex since it involves choosing many characteristics. The type of beer (lager, ale, etc) and the sort of beer within its category it's very ample and it can vary in terms of ingredients, fermentation (high or low), in terms of color (dark, amber, red, white, pale, etc), in terms of alcohol content and even in terms of additional ingredients e.g. chocolate, caramel, pumpkin, honey, etc. Accordingly, it would be more appropriate to test and explore different ways of producing beer through the R&D team of SCCB, rather than my own assumptions and research.

The qualitative research was based on in-depth interviews, conducted to fifteen people from the range of 22 years old to 55 years old. Obviously it would be preferable to have a considerable bigger amount of interviewees, in order to collect an output more accurate. Time and resources are fundamental issues to this kind of research, which are clear limitations to the present study.

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Exhibits

EXHIBIT 1

Vision, Mission and Commitments of SCCB

STRATEGIC VISION

"Through a strong leadership and the creation of a winning team, Sociedade Central de Cervejas e Bebidas has defined as principal strategic objectives the focus on the brand, consumer and client, in a winning culture, in the operational efficiency and innovation".

SCCB

With a strategic vision and conscious of its responsibilities in Quality, Environment, Health and Safety, the SCC is committed in a pro-active and responsible approach, focusing essential commitments:

- exceed the **consumer/client** expectations, relatively to the products quality and the services associated , in partnership with the suppliers and distributors and establish an active dialogue with our partners, clients, surrounding society and other stakeholders;
- promote **training and development programs** for the employees and service providers – guarantee security and protect the environment;
- promote **processes** development, requiring greater productivity and profitability in order to obtain the maximization of the company results;
- accomplish the applicable **legal requirements** and other requirements that may subscribe, including the ones related to the client, hygiene and food safety;
- minimize the environmental impacts, favoring measures which **prevent pollution and the occurrence of incidents and accidents**;
- ensure an **efficient use of the energetic resources**, water and other raw materials, minimizing the wastes;
- **improve continually** the system performance, through periodic reviews, communicate progress and inform the results, consult people internally or externally to improve its knowledge, define and control objectives e goals, use the best technologies available economically viable and adequate management practices;
- ensure that the principals of this politic are **acknowledgeable** by all people which work with the company or under its name;

Source: www.centralcervejas.pt

EXHIBIT 2

Investment in Communication

Bohemia vs Abadia (since its launch till August 2009)

	2005	*2006*	*2007*	*2008*	*2009*	*TOTAL*
Sagres **Bohemia**	9.446.154 €	11.097.320 €	9.622.400 €	44.102 €	2.917.121 €	33.127.097 €
Super Bock **Abadia**		10.762.922 €	5.963.525 €	4.813.031 €	298.595 €	21.838.072 €

Source: MMW Multimeios, Markdata

EXHIBIT 3

Brief History of Sociedade Central de Cervejas e Bebidas

- Sociedade Central de Cervejas is founded in 1934 with the objective of commercialize the beer produced by Companhia Produtora de Malte e Cerveja Portugália, Companhia de Cervejas Estrela, Companhia de Cervejas Coimbra and Companhia da Fábrica da Cerveja Jansen;
- In 1977 the Centralcer is founded, as consequence of Sociedade Central de Cervejas and Cergal-Cervejas de Portugal fusion;
- In 2003, Scottish & Newcastle acquires the company;
- In 2004 the company changes the name to SCC – Sociedade Central de Cervejas e Bebidas, to reflect better its activities, which are not exclusively beer but also water and soft drinks;
- In April 2009, Heineken assumes the control of SCCB.

Source: www.centralcervejas.pt

EXHIBIT 4

Sagres Portfolio

Sagres, Sagres Preta, Sagres Limalight

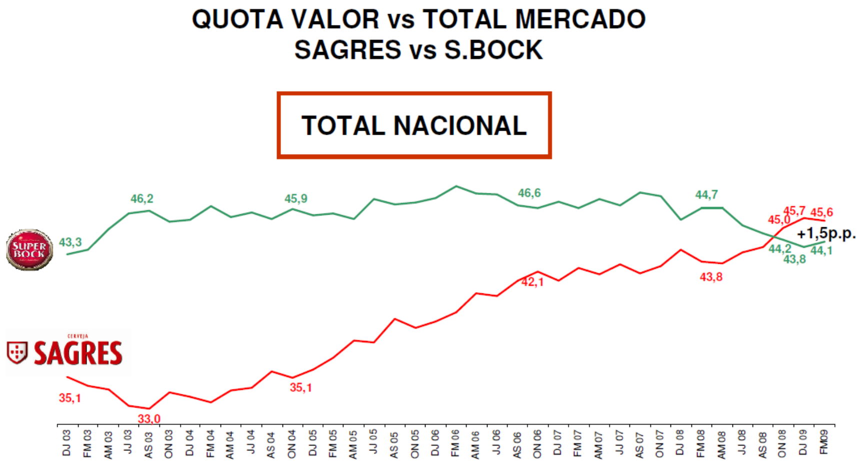
Sagres Bohemia, Sagres Bohemia Reserva 1835, Sagres Bohemia de Ouro

Sagres Zero, Sagres Zero Preta, Sagres Zero Limalight

Source: www.centralcervejas.pt

EXHIBIT 5

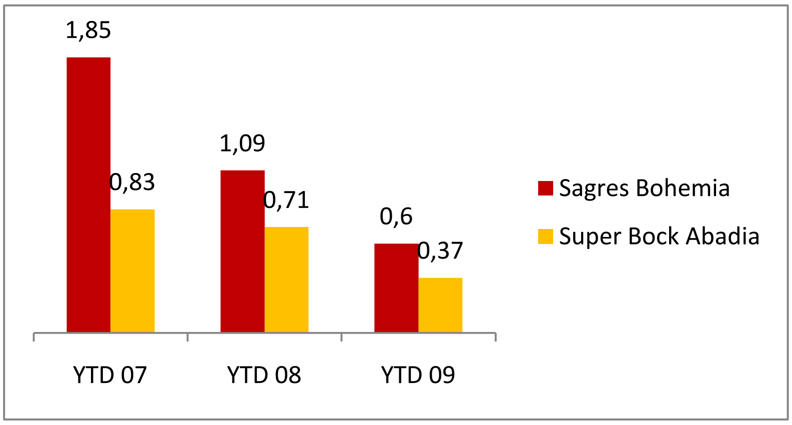
Market Share in Value – Traditional and modern distribution channels



Source: AC Nielsen

EXHIBIT 6

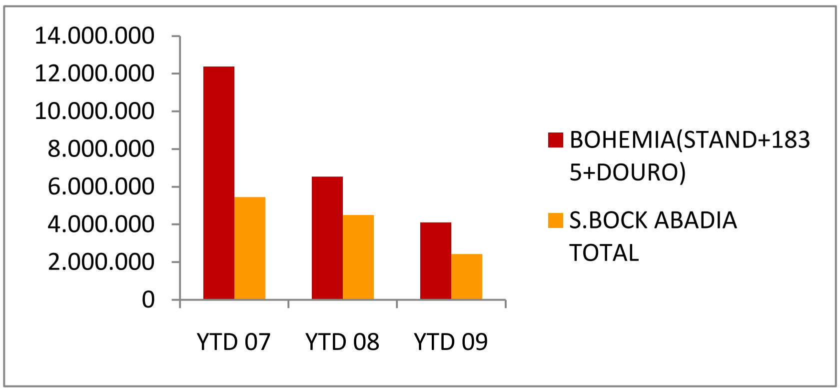
Sagres Bohemia and Super Bock Abadia market share in value



Source: AC Nielsen

EXHIBIT 7

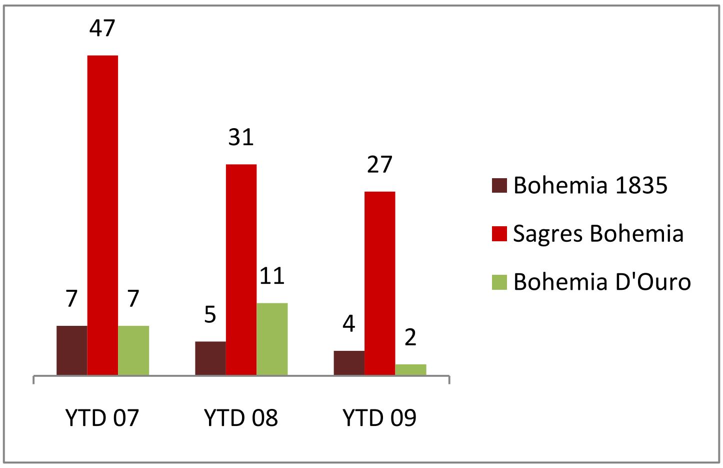
Sales Value



Source: Interview with brand manager

Exhibit 8

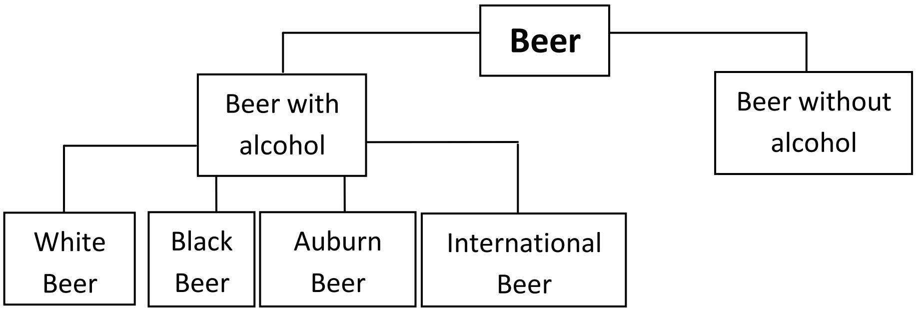
Average weighted distribution – On-trade



Source: AC Nielsen

Exhibit 9

Beer Market Hierarchy



Source: Interview with brand manager

Exhibit 10

Wine consumption per capita, Portugal

	L / Hab
2008 / 2009	44,90
2007 / 2008	45,40
2006 / 2007	45
2005 / 2006	46,80
2004 / 2005	48,70

Source: INE

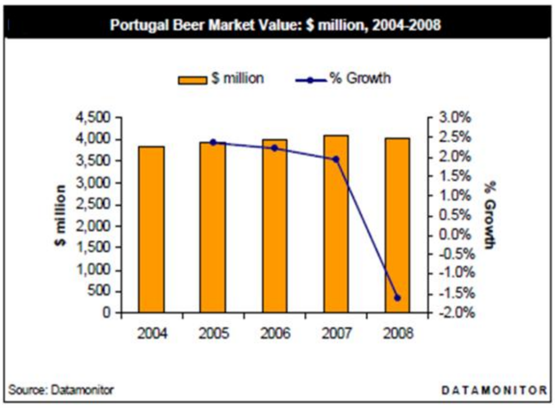
Exhibit 11

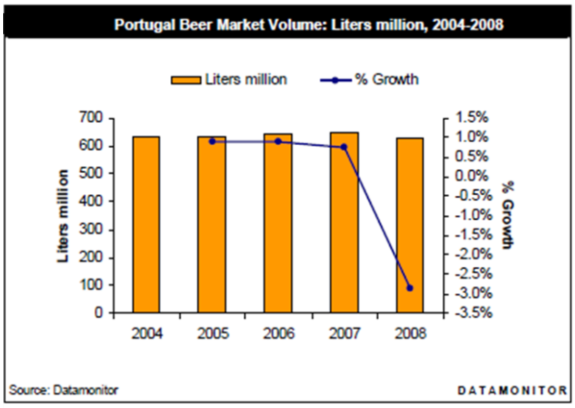
Portugal Beer Market Value: $ million, 2004-2008		
Year	€ million	% Growth
2004	2,617.7	
2005	2,679.5	2.40%
2006	2,738.8	2.20%
2007	2,792.0	1.90%
2008	2,746.5	-1.60%
CAGR, 2004-2008:		1.2%

Source: Datamonitor DATAMONITOR

Portugal Beer Market Volume: Liters million, 2004-2008		
Year	Liters million	% Growth
2004	631.4	
2005	637.0	0.90%
2006	642.6	0.90%
2007	647.4	0.70%
2008	628.9	-2.90%
CAGR, 2004-2008:		-0.1%

Source: Datamonitor DATAMONITOR





Source: Data Monitor – Beer in Portugal, Industry Profile

Exhibit 12

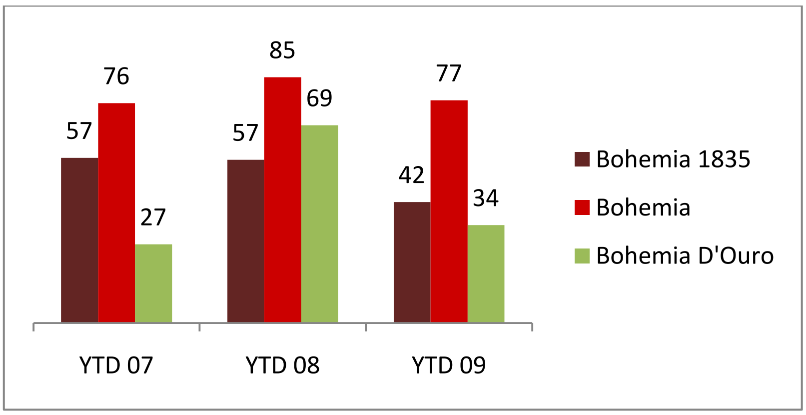
Penetration Rates

	Penetration rate	
Sagres Bohemia	7 %	8,5 Lts/Year
Sagres	33 %	127 Lts/Year
Total of beer category	48 %	

Source: Interview with Brand Manager

Exhibit 13

Average weighted distribution – Total Portugal INA+LIDL



Source: AC Nielsen

Exhibit 14

Number of supermarkets by retailer

Pingo Doce: 300

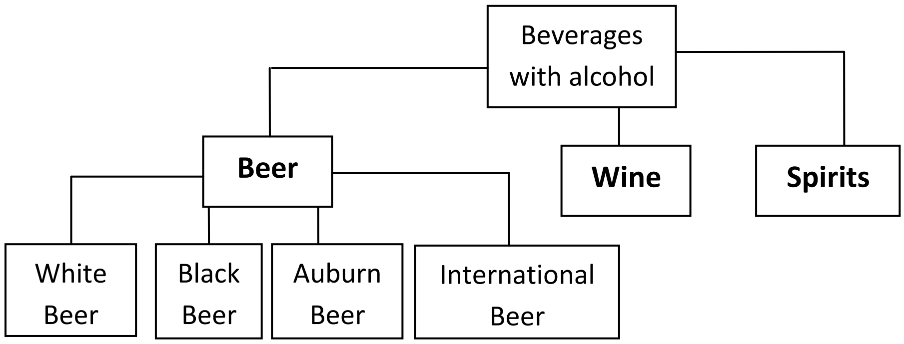
Sonae (Lojas Modelo): 130

Auchan (Pão de Açucar): 10

Source: own research

Exhibit 15

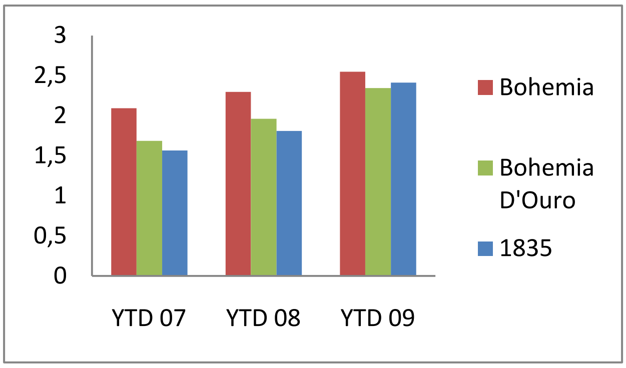
Consumer POV



Source: Interview with brand manager

EXHIBIT 16

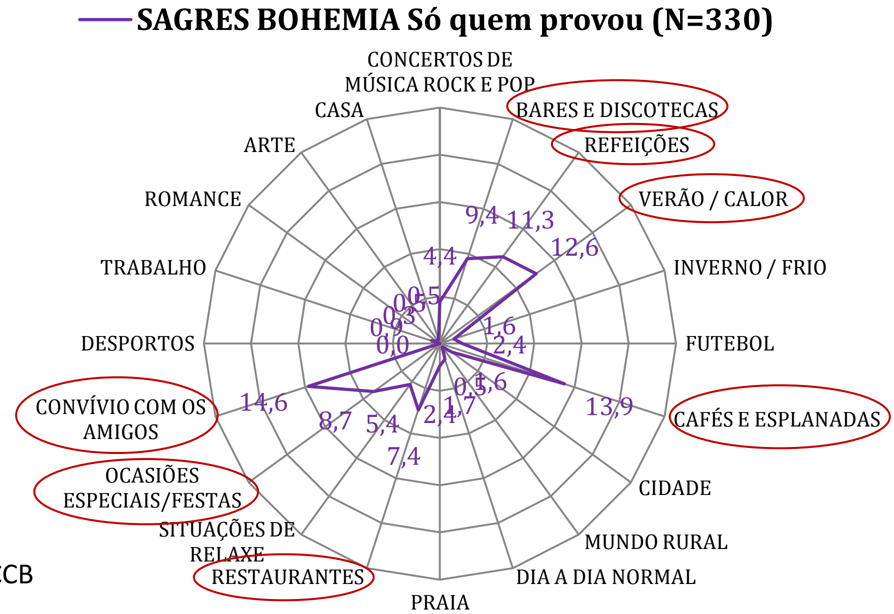
Sagres Bohemia average prices in last three years



Source: AC Nielsen

EXHIBIT 17

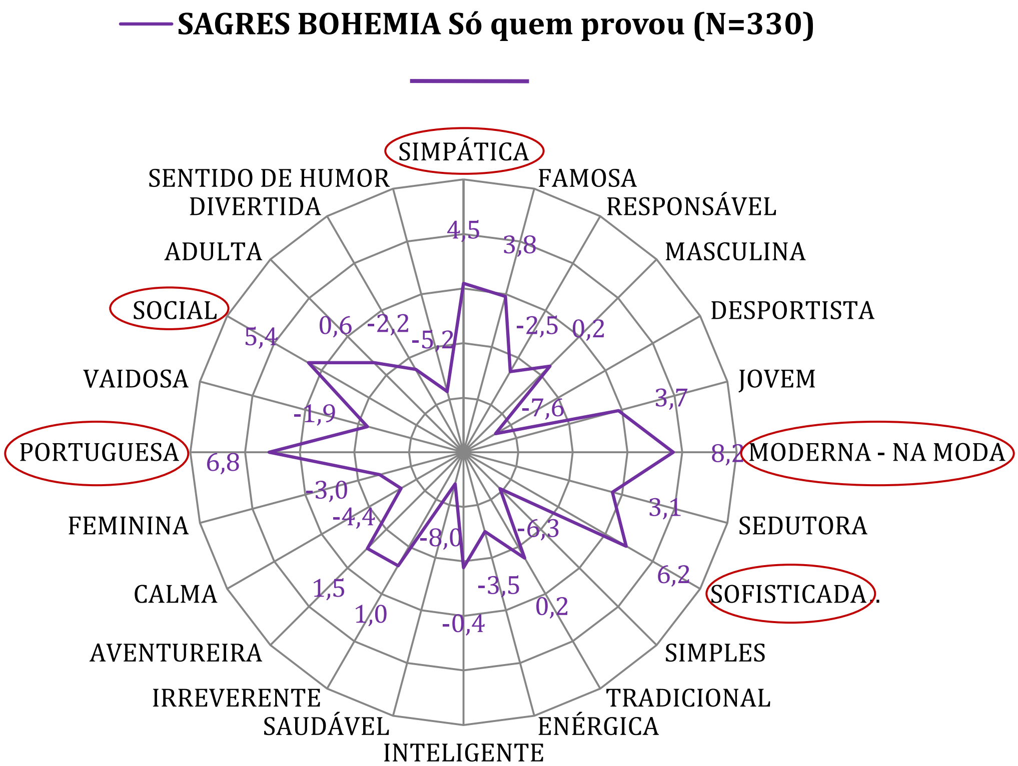
Occasions of consumption



Source: SCCB

EXHIBIT 18

Brand Equity



Source: SCCB

EXHIBIT 19

Qualitative Research: 15 Interviews

Interview guide

Filters

Filter 1	Time since last buy	< 3 months: Filter 2 > 3 months: Stop Interview
Filter 2	Enter consumer quota	Sagres Bohemia consumer: 50% Other brand consumer: 50%

Guiding principals

Warm-up

"As you may know, I´m a student from Faculdade de Economia da Universidade Nova de Lisboa and I´m developing a research for my work project; in this assignment I have to conduct a study in Portugal about beers.

I will begin this interview with a general question and you will be free to tell me what comes to your mind. If you don´t mind I will record this interview for study purposes. This interview will last approximately one hour.

Are you comfortable? So, my question is:"

Initial question

"Would you please tell me about your experience with auburn beers?"

Second question

"Suppose that a Portuguese brand decides to launch seasonal beers in the market (explain the concept). Having the beers similar characteristics which the ones described in this card (show card number 1), what is your opinion about that? Would you buy it?"

Additional questions

1. "How do you imagine the seasonal beer communication strategy?"
2. "Here are some auburn beer brands – please tell me the first word that comes to your mind when I show each one to you." (Show card number 2)
3. "If Sagres Bohemia was a person, what would that person be like? Why?"

Main Topics to be developed

- User´s behavior
  - Frequency of consumption (Sagres Bohemia and competition)
  - Occasions
  - Where?
- Buying drivers
  - With whom and why?
  - Brand Loyalty
- Perceptions
  - Associations to Sagres Bohemia
  - Values, positioning associated with each brand
  - Communication recall
  - Association to competitor brands
  - Product preferences
  - Product availability
  - Brand Image
  - New products and concepts

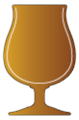
Respondents Profile

- Age
- Gender
- Nationality
- Main activity/Occupation
- Area of residence
- Educational Level

Seasonal beers concept to be explained:

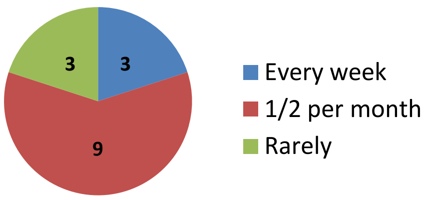
- A beer which is more adequate for a time of the year due to its own characteristics;
- A beer which is more suitable for the season main dishes

Card #1

	October and Winter	Spring and Summer
Style / Fermentation type	Ale beer (Strong Ale) / high fermentation	Lager beer (Strong Lager / bottom fermentation
Alcohol by volume	7.0 – 11.0	6.0 – 8.0
Tasting notes	Lightly to strongly caramelly, often with hints of toast, leather, wood. Varying hoppiness.	Strong amber lagers with a smooth malty flavor profile, and sometimes a hint of hops as well.
Temperature recommended	10º - 13º C	7º - 10º C
Packaging	Bottle – OW: 0.33 Keg - 20	Bottle – OW: 0.33 Keg - 20
Suggested Foods	Big, intense dishes such as roast beef, lamb or game, grilled or roasted	Hearty, spicy food: Barbecue, hamburguers, chili
Glass	Small Tulip or Snifter 	Stemmed 'Pokal' 

Card #2

Interview main results

Consumption Frequency	"I consume it more frequently in the summer, in the winter is rarer" Man, 31 years old "Normally I´m satisfied with one or two Bohemia bottles, three it´s already too much" Man, 28 years old 
Occasions	"In the afternoon, after a full day of work" Man, 31 years old "It depends...I can have one before dinner or at meals. Normally at a special occasion or with friends" Man, 25 years old "At meals, mainly when I´m eating meat dishes" Man, 25 years old

Where?	" Normally at restaurants, I don´t have the habit to buy at supermarkets to drink at home, maybe because I usually don´t remember" Man, 31 years old "Usually I buy Bohemia at the supermarket when I´m having dinner at some friends' house" Man, 24 years old
Associations to Bohemia	"I´m thinking in a cosmopolitan city like Rome or Madrid, in the middle of the central square full of people and with hot weather" Man, 31 years old "A heavy beer but still good and tasty, with more alcohol than the standard beer" Man, 25 years old "A quality beer which belongs to the market leader brand, Sagres." Man, 33 years old
Communication recall	"Famous actor and actress having dinner at a fancy restaurant" Man, 25 years old "I remember the one with the monks, that´s from Bohemia right?!" Man, 31 years old
Availability	"I know that wine is always available at restaurants, but Bohemia I don´t!" Man, 54 years old "Normally when they don´t have Bohemia they also don´t have Abadia" Man, 33 years old "I think Bohemia is more accessible than Abadia but sometimes I just don´t remember to ask for any of them…" Man, 28 years old
Seasonal beers concept	" I would definitely buy it, then I would keep buying it depending if I like it or not" Man, 31 years old "I think it would be great for me, it would satisfy my needs as a beer consumer" Man, 25 years old "Obviously I would try it because I like to try new stuff, but I don´t know if I would start to consume it frequently because I normally prefer the regular beer" Man, 24 years old

Source: qualitative research

Interview main conclusions

Consumption frequency: The interviewees registered the tendency of Portuguese people to buy the brand only sporadically. Only a small number of Bohemia "true loyals" use to buy it every week.

Occasions: Most of the interviewees only consume Bohemia at special occasions, like when having dinner at a restaurant or when spending time with friends.

Where: the interviewees elected places to consume Bohemia are mainly at restaurants and cafes, but two people also referred that sometimes they buy at supermarkets.

Associations to Bohemia: the most referred associations were quality, heavy, more alcohol, relaxing and meals.

Communications recall: It was interesting to notice that almost all the interviewees didn´t remember Bohemia communication, just when suggested. This can be seen as result of the small investment made in communication in the last couple years. Also, people tended to confuse Abadia advertisement with Bohemia. Most the interviewees have never heard of Bohemia Reserva 1835.

Availability: All people referred the fact that at least once they wanted to order Bohemia and the place didn´t had it. However they also confessed that sometimes they even didn´t remember to order it.

Seasonal beers concept: All the respondents showed enthusiasm with the new concept and promptly agreed they would certainly try the products and they would continue to buy the product depending on its own characteristics and quality.

EXHIBIT 20

Brand Recall and Brand Recognition

Brand Recall	2006		2007		2008		2009	
	May	Sept	May	Sept	May	Sept	May	Sept
Sagres Bohemia	26	15	36	23	57	29	17	17
Super Bock Abadia	12	9	20	21	55	27	22	18

Brand Recognition	2006		2007		2008		2009	
	May	Sept	May	Sept	May	Sept	May	Sept
Sagres Bohemia	99	100	98	91	92	87	93	96
Super Bock Abadia	73	96	95	91	89	80	91	94

Source: SCCB

EXHIBIT 21

Super Bock portfolio


Super Bock, Super Bock Stout, Super Bock Green


Super Bock Abadia, Abadia Rubi and Abadia Gold


Super Bock Sem Alcóol

Source: www.superbock.pt

EXHIBIT 22

Sagres Bohemia technical descriptions and tasting notes

Product	Sagres Bohemia
Sales Denomination	Special Beer
Style / Fermentation Type	Lager Beer / Bottom Fermentation
Alcohol by Volume	6,2
Tasting Notes	*A different beer with an intense fruity aroma, a rich and complex taste, soft bitter, full body, creaminess mouthfeel and red brown color.*
Packaging (capacity – liters)	*Bottle: - Returnable: 0.33 - OW: 0.25; 0.33 Keg: -20*

Product	Sagres Bohemia Reserva 1835
Sales Denomination	Special Beer
Style / Fermentation Type	Lager Beer / Bottom Fermentation
Alcohol by Volume	6,6
Tasting Notes	*A different beer with an intense fruity aroma, a rich and complex taste, soft bitter, full body, creaminess mouthfeel and red brown color. Dominance of Port wine and alcoholic taste notes*
Packaging (capacity – liters)	*Bottle: - OW: 0.33*

Product	Sagres Bohemia D'Ouro
Sales Denomination	Beer
Style / Fermentation Type	Lager Beer / Bottom Fermentation
Alcohol by Volume	5,7
Tasting Notes	*Low fermentation beer, full bodied, with intensive flavor, creamy foam, soft bitterness and a pleasant "bouquet" of fruits and hops.*
Packaging (capacity – liters)	*Bottle: - Returnable: 0.33 - OW: 0.25; 0.33 Keg: -20*

Source: www.centralcervejas.pt

EXHIBIT 23

Sagres Bohemia, Sagres Bohemia Reserva 1835 and Sagres Bohemia D'Ouro

Source: www.centraldecervejas.pt

EXHIBIT 24

New market hierarchy with the new positioning

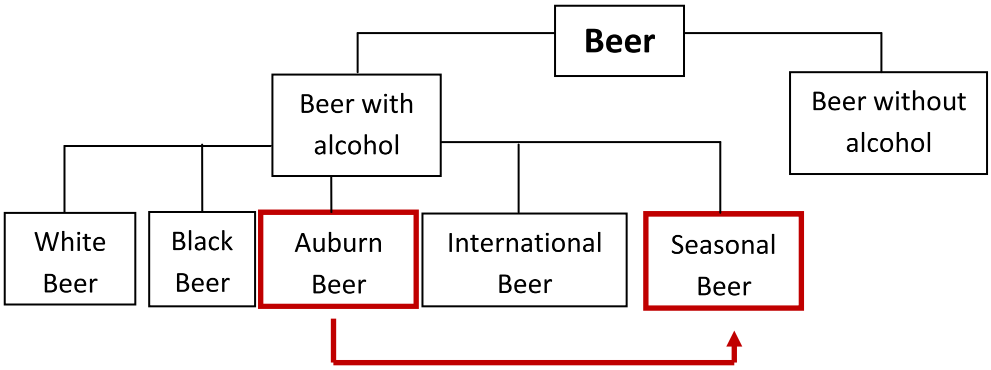
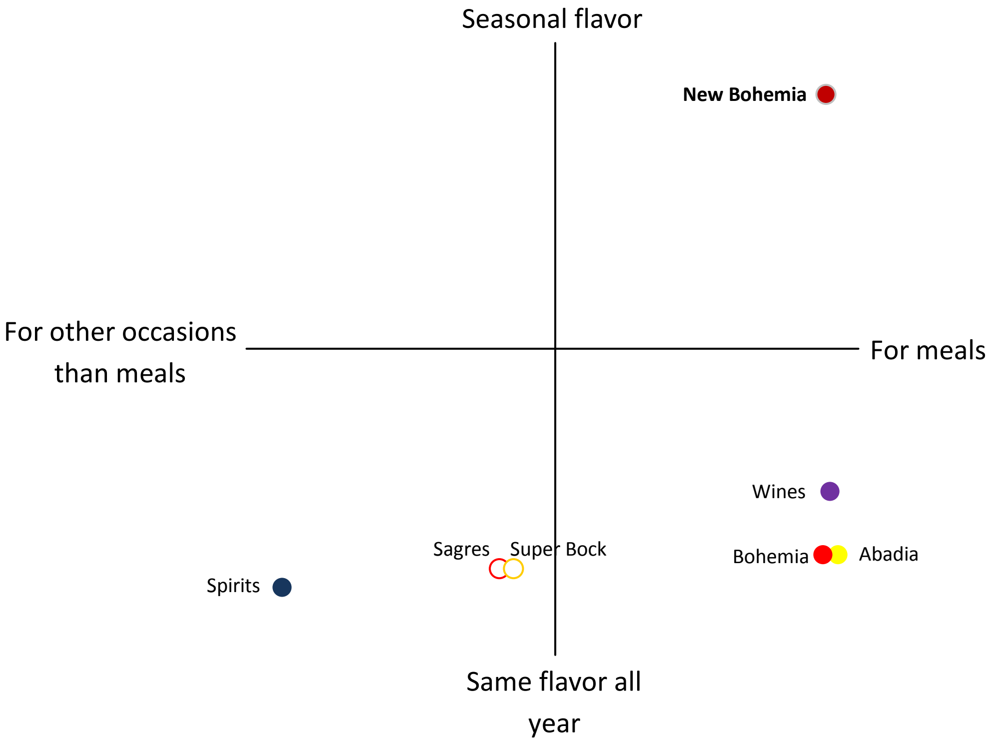


EXHIBIT 25

New brand positioning vs. competitors positioning



Source: own research

EXHIBIT 26

Sagres Bohemia *Point of Difference* and *Reason to Believe* - 2005

<u>Functional Benefits</u>

- Sagres Bohemia brings out the flavor of your food, being your ideal companion during a meal.

<u>Emotional Benefits</u>

- The ceremony of tasting

<u>Reason to Believe</u>

- Sagres Bohemia is a beer with an intense character, a fruited aroma, a sweet taste and an amber color. It has 6,4º alcohol content. It is recommended by Portugal's top *Chefs de Cuisine.*

Source: SCCB – at www.empreendedorismo.pt

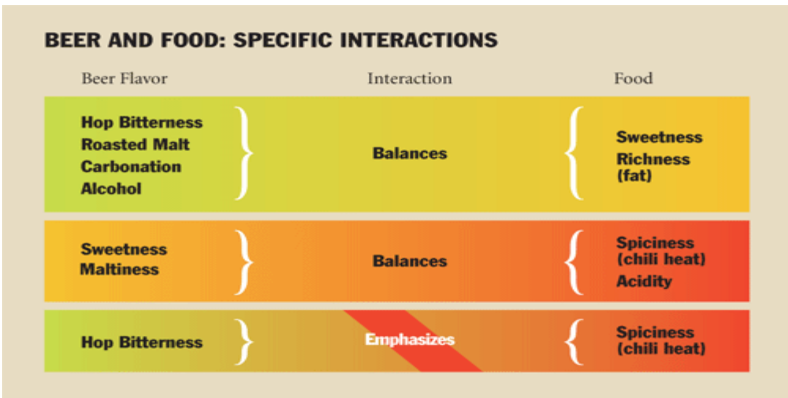
EXHIBIT 27

Seasonal beers attributes and characteristics

	Bohemia Real
Style / Fermentation type	Ale beer (Strong Ale) / high fermentation
Alcohol by volume	7.0 – 11.0
Tasting notes	Lightly to strongly caramelly, often with hints of toast, leather, wood. Varying hoppiness.
Temperature recommended	10º - 13º C
Packaging	Bottle – OW: 0.33 Keg - 20
Suggested Foods	Big, intense dishes such as roast beef, lamb or game, grilled or roasted
Glass	Small Tulip or Snifter 

Source: own research

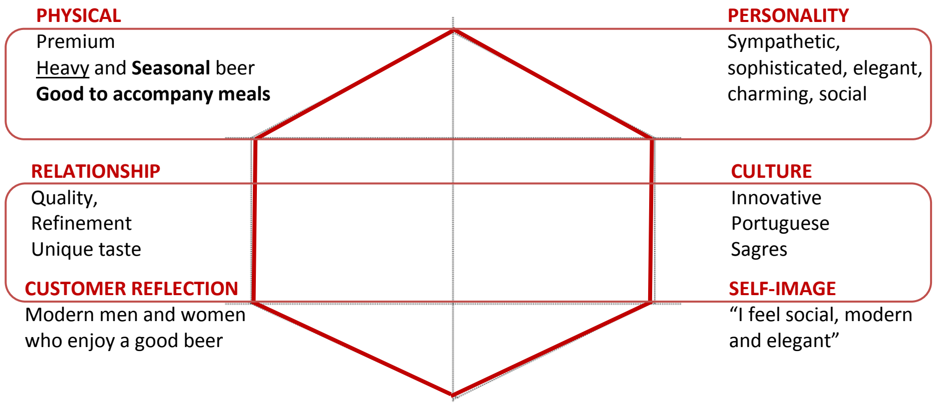
EXHIBIT 28



Source: www.craftbeer.com

EXHIBIT 29

Kapferer Identity Prism



Source: qualitative research

Exhibit 30

Estimate of trade margin

On-Trade: Bohemia

	4 x 33cl	6 x 33cl	20L Keg
Invoice Price	3,53	5,30	52,97
Trade Contr. 40%	1,41	2,12	21,19
Pocket Price	2,12	3,18	31,78
PVP (only 0,33cl)	5,60	8,40	84,00
PVP (VAP excluded)	4,42	6,64	66,36
IEC	0,18	0,28	2,80

On-Trade: Bohemia seasonal

	4 x 33cl	6 x 33cl	20L Keg
Invoice Price	3,93	5,89	58,89
Trade Contr. 40%	1,57	2,36	23,56
Pocket Price	2,36	3,53	35,34
PVP (only 0,33cl)	6,20	9,30	93,00
PVP (VAP excluded)	4,90	7,35	73,47
IEC	0,18	0,28	2,80

Off-Trade: Bohemia

	4 x 33cl	6 x 33cl	20L Keg
Invoice Price	1,52	2,07	7,10
Trade Contr. (20% - 40%)	0,46	0,62	2,13
Pocket Price	1,07	1,45	4,97
PVP	2,69	3,69	14,99
PVP (VAP excluded)	2,13	2,92	11,84
IEC	0,18	0,28	2,80

Off-Trade: Bohemia seasonal

	4 x 33cl	6 x 33cl	20L Keg
Invoice Price	1,71	2,26	8,35
Trade Contr. (20% - 40%)	0,51	0,68	2,50
Pocket Price	1,20	1,58	5,84
PVP	2,99	3,99	16,99
PVP (VAP excluded)	2,36	3,15	13,42
IEC	0,18	0,28	2,80

- At the on-trade the trade contract is normally about 40%, while at the off-trade it normally varies between 20% and 40% (an average of 30% is used for margins estimation);
- IEC is the consumption special tax, which is estimated to be 0,14 per liter;
- Retailers margin of about 50% is estimated for the on-trade and about 45% for the off-trade.

Exhibit 31

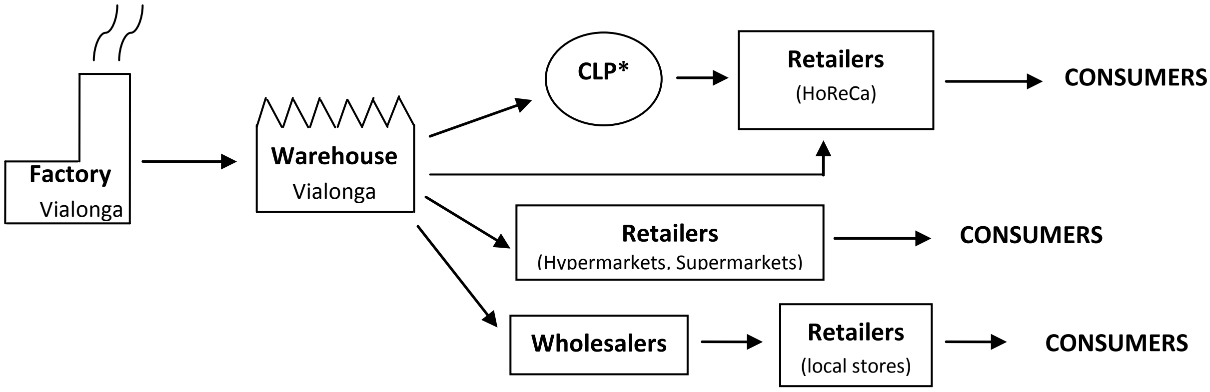
Bohemia consumers – in-home equipment

Have personal computer	76%
Have internet connection	**87%**
Have payable television	66%

Source: Amint

EXHIBIT 32

Supply Chain



* Distributors then make the distribution (divided by retailers' localization) from the central logistic platform to the on-trade retailers.

Source: Interview with brand manager

EXHIBIT 33

Service output demand level

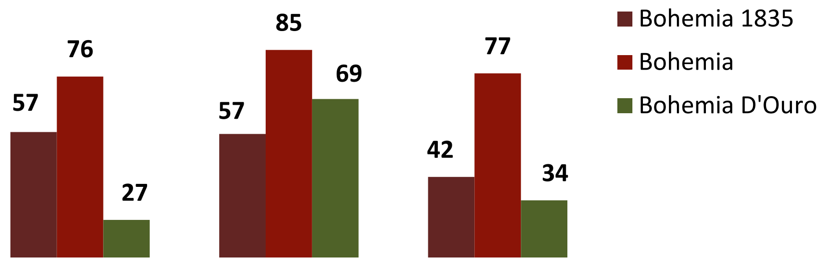
	Off-trade	**On-trade**
Bulk-breaking	Medium-High	High
Spatial convenience	High	High
Waiting and delivery time	High	High
Assortment and variety	Medium	Medium
Information provision	Medium-high	Medium-high

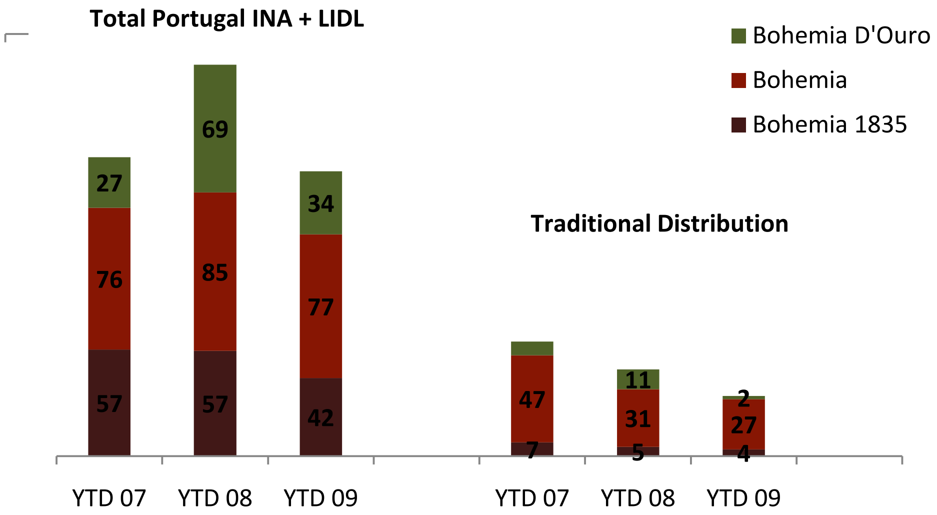
Source: own source

EXHIBIT 34

Average weighted distribution

Total Portugal INA+INCIM+Bars+Hotels+LIDL





Source: AC Nielsen

Exhibit 35

Financial Analysis

Assumptions:

- The current subcategory turnover is €4.5 million. It´s expected that this volume grows by a rate of 80%, 50% and 30% in the next three years;
- Per product profit estimation: Bohemia is expected to account with 70% of total sales and Bohemia seasonal products with the other 30%. This tendency is expected to change to 60% - 40% and 50% - 50% in the two following years;
- Per products A&P costs are calculated using the previous estimation;
- We assume that the on-trade is responsible for 75% of the total category volume while the off-trade accounts for 35%;
- Costs of Goods Sold (COGS) are estimated as 35% of sales;
- Distribution costs are estimated as 2% of sales;
- For market share estimation we assume a market share growth of 2% per year;
- For simplification purposes, we assume that each year starts on the 3rd quarter, more precisely at September i.e. N+1 - September 2010 to August 2011; N+2- September 2011 to August 2012; N+3 – September 2012 to August 2013.

	N+1	N+2	N+3	Var (%)	Var (€)	Var (%)	Var (€)	Var (%)	Var (€)
Net Sales	8.100.000	12.150.000	15.795.000	80%	3.600.000	50%	4.050.000	30%	3.645.000
COGS	2.835.000	4.252.500	5.528.250		1.575.000		1.417.500		1.275.750
Gross Margin	**5.265.000**	**7.897.500**	**10.266.750**		**2.025.000**		**2.632.500**		**2.369.250**
Distribution Costs	162.000	243.000	315.900		72.000		81.000		72.900
A&P	5.117.400	4.453.400	5.523.400		2.117.400		-664.000		1.070.000
Contribution Margin	**-14.400**	**3.201.100**	**4.427.450**		**-164.400**		**3.215.500**		**1.226.350**

NPV = $-14.400/(1+0.08) + 3.201.100/(1+0.08)^2 + 4.427.450/(1+0.08)^3 =$ **6.245.747**

Profit per product	**N+1**				**N +2**				**N+3**			
	Bohemia	**Reserva**	**Real**	**Total**	**Bohemia**	**Reserva**	**Real**	**Total**	**Bohemia**	**Reserva**	**Real**	**Total**
Net Sales	5.670.000	1.215.000	1.215.000	8.100.000	7.290.000	2.430.000	2.430.000	12.150.000	7.897.500	3.948.750	3.948.750	15.795.000
COGS	1.984.500	425.250	425.250	2.835.000	2.551.500	850.500	850.500	4.252.500	2.764.125	1.382.063	1.382.063	5.528.250
Gross Margin	3.685.500	789.750	789.750	5.265.000	4.738.500	1.579.500	1.579.500	7.897.500	5.133.375	2.566.688	2.566.688	10.266.750
Distribution Costs	113.400	24.300	24.300	162.000	145.800	48.600	48.600	243.000	157.950	78.975	78.975	315.900
A&P	3.582.180	767.610	767610	5.117.400	2.672.040	890.680	890.680	4.453.400	2.761.700	1.380.850	1.380.850	5.523.400
Contribution Margin	**-10.080**	**-2.160**	**-2.160**	**-14.400**	**1.920.660**	**640.220**	**640.220**	**3.201.100**	**2.213.725**	**1.106.863**	**1.106.863**	**4.427.450**

Profit per channel	N+1			N +2			N+3		
	On-Trade	Off-Trade	Total	On-Trade	Off-Trade	Total	On-Trade	Off-Trade	Total
Net Sales	6.075.000	2.025.000	8.100.000	9.112.500	3.037.500	12.150.000	11.846.250	3.948.750	15.795.000
COGS	2.126.250	708.750	2.835.000	3.189.375	1.063.125	4.252.500	4.146.188	1.382.063	5.528.250
Gross Margin	3.948.750	1.316.250	5.265.000	5.923.125	1.974.375	7.897.500	7.700.063	2.566.688	10.266.750
Distribution Costs	121.500	40.500	162.000	182.250	60.750	243.000	236.925	78.975	315.900
A&P	3.838.050	1.279.350	5.117.400	3.340.050	1.113.350	4.453.400	4.142.550	1.380.850	5.523.400
Contribution Margin	**-10.800**	**-3.600**	**-14.400**	**2.400.825**	**800.275**	**3.201.100**	**3.320.588**	**1.106.863**	**4.427.450**

Market Share and Sales Value Evolution

	Sales	Market Share	Var %	Beer Market	Var %
N+1	8.100.000	1,06%	80%	765.000.000	2%
N+2	12.150.000	1,56%	50%	780.300.000	2%
N+3	15.795.000	1,98%	30%	795.906.000	2%

A&P Budget

		N + 1	N + 2	N + 2
Advertising	TV Spot	3.500.000	2.500.000	3.500.000
	Outdoors	960.000	960.000	960.000
	Magazines	324.000	550.000	600.000
	Internet	50.000	10.000	10.000
	POP materials	5.000	10.000	10.000
Public Relations	Events Sponsorship	150.000	300.000	300.000
Consumer Promotions	Promoters	38.400	38.400	38.400
	Merchandising	50.000	25.000	25.000
	Sweepstake	40.000	60.000	80.000
	TOTAL	**5.117.400**	**4.453.400**	**5.523.400**

Outdoors: €80.000/week * 12 weeks = € 960.000

Magazines estimation:

Exame	Visão	Sábado	Rotas & Destinos	Mulher Moderna na Cozinha	TOTAL
€2.500*24 weeks	€4.000*24 weeks	€4.000*24 weeks	€3.000*8 months	€2.000*24 weeks	
€60.000	€96.000	€96.000	€24.000	€ 48.000	**€324.000**

Promoters: 50 pop * €384 (€6 * 8 hours * 8 days per month, only weekends) * 2 months = €38.400

Sweepstake: €1.500*25px = €40.000

Exhibit 36

1st year schedule