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“HOW TO INCREASE BRAND VALUE EXPANDING THE CATEGORY AND BRAND PRESENCE TO THE MAIN MEAL OCCASION FOR SUMOL + COMPAL”

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## **Abstract**

Having registered negative retail value growth of 4% in Portugal in 2014, the juice category is set to decline further by 5,5% until 2019. Manufacturers of juices and nectars are therefore increasingly looking for new categories in order to balance this negative forecast in their home territory. One apparent growth opportunity for Compal, the leading producer of juices and nectars, is to expand its commercial reach to new occasions of consumption. This report carefully analyzes the opportunities related to an expansion to the main meal occasion and introduces a complete marketing and communications plan for a possible new main meal juice, *Compal à Mesa*. The product concept represents a rather premium positioning for the main meal occasion, including new flavor mixes that are targeted at different occasions of meals. The justification of the introduced concept includes a discussion of the primary and secondary research that was performed.

**Keywords:** SUMOL+COMPAL; marketing plan; main meals; non-alcoholic beverages;

## **Executive Summary**

The following marketing plan was developed with the main objective of helping the Portuguese manufacturer of juices SUMOL+COMPAL to increase brand value, expanding the category and brand presence to the main meal occasion. In this sense, before setting mind at full throttle to elaborate a constructive marketing plan, a methodology was prepared that serve as a guide to the most suitable approach to the suggested product concept, its related problem and the solution.

The first section of this report aims at outlining general market trends within the juices and nectars landscape, presenting thorough analyses with regard to economic, social and political factors that influence the current performance of Compal. Additionally, insights gained from sales force trips and consumer safaris are summarized and presented accordingly. Lastly, the key takeaways from the performed qualitative and quantitative primary research are presented.

The second part of the report at hand continues with the presentation of the marketing plan for the product concept *Compal à Mesa*, following a clear positioning for the main meal occasion. Underlying strategic decisions such as the choice of the distributional strategy, pricing tactics and the overall communication plan are motivated and explained.

The last part of this report centers on the quantification of the project at hand and summarizes the projected sales revenues, costs and the overall return on investment including different financial performance measures. Additionally, a contingency plan is presented which specifies a concrete call for action that needs to be carried out in various scenarios of underperformance of the presented product concept.

# **1. Situation Analysis**

## **1.1 Market Overview**

The juices market comprises 100% fruit juices, nectars (25-99%) from concentrate and not from concentrate, fruit drinks (0-24%) and vegetable juices. In 2013 the market volume dropped (MarketLine, 2014), having a compound annual rate of change for the 2009-2013 period of -0,4%, reaching a total of 181.4 million liters in 2013. However, it is forecasted that by 2018 the volume will rise to 187.9 million representing a CAGR of 0,7%, positively supported by natural and healthy soft drinks and high-quality functional beverages (for the market size in value see Exhibit 1).

In 2014 there was a decrease in the number of visitors of foodservice outlets due to the overall contraction of consumer's confidence levels, especially for restaurants with on-trade sales decreasing 3% in volume. However, the share of modern retailers improved, showing that in-home consumption increased at the detriment of out-of-home. In the Western world, children remain the biggest consumers, although decision makers are parents, who progressively avoid juices containing high doses of sugar and additives. In that sense, consumers showed to be polarized in their needs (Euromonitor P. , Soft Drinks, 2015) as some consumers search for basic products and cheaper alternatives, whereas others are not willing to compromise on quality, seeking premium products that combine superiority, variety and innovation. This encouraged companies to search for new distribution channels such as e-commerce or vending machines. The role of internet retailing could indeed become increasingly important in the following years as consumers continue to look for diversity, discovery and sampling opportunities (Euromonitor, Concentrates in Portugal, 2015). Furthermore, private labels, backed by broader offerings and quality improvements, had a strong presence in the juice market with volume share greater than

that of SUMOL+COMPAL's, with off-trade volume of 41% (Euromonitor P. , A two-track Juice Market: Opportunities in Flavorful, 2014).

## **1.2 Market future trends**

For the upcoming section it is crucial to note that the inflation rates were 0,5% in 2015 and are forecasted to grow to 1.2 % in 2016 and 2017. Furthermore, Portuguese Gross Domestic Product is deemed to grow between 1 to 2 percent in the forecast period of 2014-2019 (Euromonitor P. , Organic Beverages in Portugal, 2015), during which the soft drinks market is expected to grow at 1% (CAGR). However, the juice category is expected to continue struggling mainly due to saturation, consumer's reduced purchasing power and growing expectations about healthier options (Euromonitor P. , Naturally Healthy Packaged Food in Portugal, 2015). Likewise, Portuguese consumers will in the future be more interested in soft drinks that are perceived as being healthier and more natural, paying more attention to ingredients as well as sugar and calorie content. Beverages such as nectars with natural composition, additive-free products, bottled water or naturally sweetened soft drinks, with brands looking for local fruits to satisfy these needs. Therefore, it is expected for companies to permanently innovate in hopes of meeting consumers' need for convenience and flavor, as well as healthier alternatives. These factors will drive competition, as more restaurants will use beverages as branded tools since consumers seek new experiences from brands they trust. Health-conscious consumers are expected to, over the next 5-10 year, exit the carbonates category and choose water or unsweetened iced tea rather than diet colas (Euromonitor P. , Better for You Beverages in Portugal, 2015), which are perceived as being artificial. This trend has been displayed all over the world by branded products becoming more "water-like" and using its healthy attributes as a positioning strategy. In this sense, it is also important to notice the growing trend of new product development for premium flavored water

and the addition of the so called “super fruits” and vegetables in juices (e.g. goji berries).

## **2.5 C’s Analysis**

### **2.1 Company**

SUMOL + COMPAL is the newly established organizational structure that resulted from the 2008 merger between Sumol (founded in 1945 as Refrigor) and Compal (founded in 1952). With 25% market share in the non-alcoholic beverage sector, in Portugal (Relatório Anual 2014 SUMOL+COMPAL, 2015) and 32% value share in the off-trade segment (Euromonitor, 2015), SUMOL + COMPAL (S+C) remains the leading branded player for soft drinks and juices in Portugal, currently employing a total of 1,302 people according to the company’s 2014 annual report. Although the company’s main brands are Compal and Sumol, there are many other brands in the product portfolio, namely: B!, Um Bongo, Frize, Água Serra da Estrela and GUD and distributor brands such as Pepsi, 7UP, Guaraná Antártica, Tagus and Estrela Damm. With Portugal being the strategically most relevant market for S+C (more than 50,000 direct customers), international sales are becoming increasingly important, representing 41,6% of volume turnover in 2014 (SUMOL+COMPAL, Annual Report, 2014).

Looking at Compal more specifically, it is vital to realize that the brand is built on the pillars of uniqueness, taste, naturalness and the narrative that supports the brand’s differentiation strategy. Additionally, Compal’s very own concept of “Fruitology” creates a sense of innovative market leadership and further strengthens the brand’s *raison d’etre*, allowing for the leverage of its credibility. The brand Compal was successfully repositioned in 2014 and begins to show positive results with regard to this pre-emptive change. Given the context, it is important to mention that

Compal is also producing and distributing canned vegetables, which is however not a focal point of this report.

As previously stated, a key pillar of the brand Compal is the concept of “Fruitology”, developed by both Compal’s research and marketing department. This concept is centered on the smart sourcing of ingredients, mainly from local farmers and extended toward experimenting with e.g. new but natural forms of sugar substitutes. It is necessary to point out that Compal succeeds to stress the “Portugalidade” of the fruit it uses for its juices and nectars (the company uses 60% Portuguese fruit in its juices) and thereby appeals to the proud of Portuguese consumer. *Compal Especialidades* is, for instance, an entire product line that places great emphasis on showing the consumer where the fruit is stemming from, with a clear focus on Portuguese fruit flavors, such as the *Compal Laranja do Algarve*, made exclusively with oranges from the Southern region of Portugal.

Furthermore, but just as relevant for the brand Compal, is the availability of state-of-the-art R&D production and distribution facilities located in Almeirim, Portugal. By closely tracking new market trends and implementing them just-in-time, Compal succeeds to minimize the distance to market in case of new trends and patterns surfacing on an international basis. Additionally, S+C has a key strategic partner in bottling and packaging leader, Tetra Pak. Tetra Pak uses the production facility in Almeirim to pilot-test new innovative bottling lines, which in turn allows Compal to remain at the forefront of pioneering bottling and packaging processes.

Looking at the overall mission of the organization it is possible to summarize its goals going forward:

“Our **mission** is to be **an international reference** in fruit and vegetable beverages and, in Portugal and Africa, to achieve a relevant position in prepared fruits and vegetables, contributing

to the sustainable development. To seduce consumers by the excellence of flavor and by the science and art we use.”

### 2.1.1 SWOT

In order to analyze the company’s strengths and weaknesses, as well as the existing or potential opportunities and threats of the market, a SWOT analysis was performed:

<b>Strengths</b>	<b>Weaknesses</b>
<p><u>Brand Equity</u></p> <ul style="list-style-type: none"> <li>- Reference brand in juices &amp; nectars</li> <li>- The 60 years of tradition with innovation (“Fruitology”)</li> <li>- Short route to market through state-of-the art R&amp;D facilities</li> </ul> <p><u>Strong Business Performance Record</u></p> <ul style="list-style-type: none"> <li>- Successful recovery from recession through the rebranding of Compal and other external factors</li> </ul> <p><u>Loyal Costumers</u></p> <ul style="list-style-type: none"> <li>- Largest direct sales force in the sector</li> </ul> <p>More than 50,000 direct customers in Portugal</p>	<p><u>Market Saturation</u></p> <ul style="list-style-type: none"> <li>- Leader in a rather saturated category (S&amp;N)</li> </ul> <p><u>Cannibalization</u></p> <ul style="list-style-type: none"> <li>- Cannibalization requires a more thorough management of integration and category management</li> </ul> <p><u>Pricing Strategy</u></p> <ul style="list-style-type: none"> <li>- Hi-Low Pricing makes Compal vulnerable to Private Labels during periods of no promotions</li> </ul> <p><u>Distribution channel</u></p> <p>Gaps in the existing channel of S+C</p>
<b>Opportunities</b>	<b>Threats</b>
<p><u>Enter the main meal occasion</u></p> <p><u>Consumer trends:</u></p> <ul style="list-style-type: none"> <li>- Consumer’s health consciousness</li> <li>- Fusion between drinks and snacks</li> <li>- Progressive attack on sugar</li> </ul> <p><u>Market Trends:</u></p> <ul style="list-style-type: none"> <li>- Nectar as only category showing positive growth for the future 5 years</li> </ul>	<p><u>Environmental dependence</u></p> <ul style="list-style-type: none"> <li>- Great dependence on climate conditions in order to secure raw materials</li> </ul> <p><u>Macroeconomic threats (Western hemisphere)</u></p> <ul style="list-style-type: none"> <li>- Ageing population</li> <li>- Movement against social media and towards data protection</li> <li>- Category of juices and nectars is rather satisfied, new niches are needed for the business to grow</li> </ul>

### **2.1.2 Compal's Current Product Offering**

With the recent introduction of *Compal Veggie*, Compal is offering a total of seven distinct product lines which can be considered well leveraged across the category (Exhibit 2 – Current Product Mix). In general, *Compal Clássico* line can be considered the strongest and most stable driver of Compal's overall sales revenue (Nielsen, Refreshing Beverages Market, 2014). This line entails *Compal Clássico Nectars*, *Compal Clássico 100%* and *Compal Clássico Especialidades*. Introduced in 2006, *Compal Essencial* is an offer that comprises the promise of “being equal to a piece of fruit” and can be classified as a replacement of fresh fruit rather than of a regular juice, allowing Compal to penetrate a new occasion of consumption. Moreover, recent introductions aimed at extending consumption categories were the repositioning of *Compal Família*, targeting main meal occasions and *Compal Vital*, which is the first nectar produced by Compal to not have any sugar added by being naturally sweetened with Stevia.

## **2.2 Competition**

Compal's competition can be split between direct competitors (brands that provide the same product offering) and indirect competitors (brands tackling the main meal consumption occasion but with different product offerings). Furthermore, the main meal occasion accounts for 39% of total beverages market turnover and 68% of the soft drinks market (SUMOL+COMPAL, S+C NOVA Briefing , 2015).

Compal is the main brand in the juices and nectars category, with around 17,6% of volume share and a total of 15% retail value share (Euromonitor P. , Sumol+Compal Distribucao SA, 2015). Direct competitors are private label brands (44,6% market share), namely Continente (9,2%) and Pingo Doce (8,4%) juices (AMINT, Estudo sobre o mercado de bebidas não alcólicas em Portugal, 2014). This is attributable to the fact that Portuguese juice consumption is split between

consumers that prefer trusted branded products such as Compal and other, rather price-driven consumers. However, within the juices and nectars category, private labels were the only direct competitors of Compal that increased volume sales in 2014, while other juices, such as Santal (3,2%), Ceres (1%), B! (3,6%) and Um Bongo (2%), as well as juice concentrates like Joi (7,6%) and Trina (3,5%), they all suffered from sales declines.

Regarding indirect competition, Ice-Teas, carbonated juice drinks and Colas are the most relevant sources of competition. Concerning Ice-Teas, Lipton and Private labels are the most consumed drinks at main meals, having 7.5% and 7.2% share of consumption, respectively (AMINT, Estudo Base Bebidas Não Alcoolicas Presentation Quantitativa, 2015). In general, the main drivers for choosing an Ice-Tea are *taste*, *fluidity*, and a low selling *price* when under promotional activity (AMINT, Estudo Base Bebidas Não Alcoolicas Presentation Qualitativa, 2015). Given this, as consumers are seeking for more fluid options, Ice-Teas are the main competitors of Compal during the main meal occasion. Therefore, Ice-Teas can be considered the major source of business for a prospective new Compal juice product for this particular occasion.

Carbonated juice drinks, namely Sumol and Fanta, are the second most consumed drinks during main meal occasions, with 5,2% and 5,0% on lunch and dinner, respectively, thus being also relevant indirect competitors (AMINT, Estudo Base Bebidas Não Alcoolicas Presentation Quantitativa, 2015).

Lastly, the third most consumed soft-drinks during main meal occasions (3.7% on lunch and 4.1% on dinner) are Colas, with Coca-Cola as the main incumbent. Hence, although Colas are considered to be quite different from Compal regarding product characteristics, it is relevant to consider the Cola segment as possible substitutes for Compal juices.

## 2.3 Context

In this section, the context from the 5 C's analysis, the key external forces that might limit the company's business are presented, by performing a PESTE analysis.

### 2.3.1 Political Environment:

**Government political instability and uncertainty:** The existing political situation is somewhat instable. Although "Partido Socialista" (PS) formed a government supported by a left-wing coalition, its minority status creates some uncertainty regarding the future political situation. The political divisions that can arise may delay economic reforms, thus becoming a concern for exporting companies (Cruz, 2015). This concern can also be expressed in the uncertainty about social reforms (for example, the change in TSU<sup>1</sup>), which can have either positive or negative impacts on companies, but that are not deemed too heavily impact them.

**VAT is still harming economy especially in the HoReCA channel:** In 2012, the Portuguese government legislated that soft drinks (amongst other products) would experience a VAT increase from 6% to 23% (Carregueiro, 2015), accompanied by a VAT increase in the HoReCa channel, which deeply affected this sector. Three years later and after the increase in consumer confidence (at its highest since 2002), businesses remained impacted by this change making it relevant for consideration.

**Incentives to agriculture from the government:** In another perspective, incentives to agriculture from the government might increase the number of Portuguese producers for Compal, a company that always looks for partnerships with the most geographically close producers as possible (SUMOL+COMPAL, Annual Report, 2014)

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<sup>1</sup> Single Social Tax (Taxa Social Única)

### **2.3.2 Economic Environment:**

**Portuguese economic growth rate increase:** Due to the economic crisis from past years, SUMOL+COMPAL had a harmful period, with a big decrease in sales. Those were its worst years. In this context, S+C had to adapt its business and restructure it in order to maintain its leadership position in the market. Portugal is now finally starting to surpass the economic recession and consequently S+C is experiencing revenue growth.

**Lower disposable income of families:** Portuguese families still have lower income to spend in what they perceive as more expensive or not essential products, therefore considering private labels as an alternative.

### **2.3.3 Social Environment:**

**Trend of being healthy:** As the Portuguese population is increasingly becoming healthy minded, they visit nutritionists in search of extrinsic knowledge, tending to pay more attention to their eating and drinking habits by reducing the consumption of soft drinks and unhealthy food. This healthy trend is also reflected in the increasingly workouts habits people now have (Euromonitor P. , Naturally Healthy Packaged Food in Portugal, 2015).

### **2.3.4 Technological Environment**

**Introduction of new technologies:** These new technologies impact the way consumers live, thus creating new challenges in the industry regarding brand management and technologies evolution. (S+C, Annual report, 2014). Users are permanently connected to the Internet and with their peers, where social media is the mediator and facilitator of this relationship (C-LAB, 2014)

**Mass media customization:** Mass customization is revealing itself insufficient since consumers are finding new ways to connect with brands through different types of media that are more

visual than verbal. Consumers trust more in referrals and/or friends than brands, needing an emotional connection in order to become more loyal (SUMOL+COMPAL, Annual Report, 2014).

### **2.3.5 Ecological Environment**

**Climate changes:** The search for an improved sustainable development is nowadays an extremely relevant trend in society's worldwide, mainly due to the global carbon footprint and climatic changes. The production and consumption of soft drinks are influenced by these climate conditions. Because of climate changes, the expected seasonality (of both, consumption and production) becomes much more unpredictable, which can represent relevant repercussions on strategic decisions, product development, marketing and, finally, on sales. In order to help invert this non-sustainable way of living and reduce carbon emissions, changes in consumers and companies' behavior are required.

**Packaging:** Regarding soft drinks industry, packaging assumes a big relevance to reach the goal: of finding sustainable materials and alternatives to produce products in a more ecological way. In fact, Portuguese consumers are in general very interested in sustainability issues and companies must adapt product offerings to these demands (Netsonda, 2015).

## **2.4 Collaborators**

Collaborators can be defined as those entities that work with the company but are not an integral part of it. They can either be downstream or upstream members of SUMOL+COMPAL's value chain. S+C has an important commitment to its collaborators and continuously strives to create and maintain the best possible relationship with them.

S+C's upstream members, i.e. the suppliers, can be categorized as follows: *fruit producers* (local and international producers) which are vital for the company as a whole but even more relevant when it comes to special product lines such as *Compal Especialidades* where fruits need to have certain qualities and origins; *hailed sugar suppliers* (added sugar in soft drinks), *helium suppliers* for beverage conservation (Air Liquide), *PET and aluminum companies* (Iberoalpa, in-house producer of PET) and *glassmakers* (Barbosa e Almeida, Vidrala e Veralia). These suppliers deliver the needed and agreed-upon stocks through a third party logistics operator that delivers it to SUMOL + COMPAL's facilities. The last upstream collaborators are the communication agencies that either produce point-of-sale merchandising (Brandkey, s.a), logo design (Dragon Rouge), digital and social media marketing (Rally, Reprise media) or mass-media communication (Young & Rubicam).

Concerning downstream channel members (Exhibit 3), S+C collaborates with several types of traditional and modern retailers. Modern retailers are Jumbo, El Corte Ingles, Pingo Doce, Continente, Minipreço and E.Leclerc. Traditional retailers, which obtain the product from Cash and Carry outlets and then sell it, are smaller groups such as Coviran and Ten to Ten or local groceries. HoReCa retailing is another touch point of S+C for which the company has specialized logistics operators that collect and deliver the product, either from the company's warehouses, distribution centers, cross docking centers or facilities. There are also distributors of S+C's products that perform the same functions as the direct sales force, although being third party contracted. One of them, Modis, makes both PBS (Picking By Stock, in which fast delivery only takes one day to perform) and PBL (Picking By Line, which takes up to three days). This efficient combination of both PBS and PBL was only achievable through the successful merger of Sumol and Compal. Regarding the HoReCa channel, the company performs distribution with

pre-allocated sales teams that directly contact the customers, take the order and pass distribution on to the third party distributors.

## **2.5 Customers**

**2.5.1 Market segments:** For the sake and significance of the report at hand, the market is mainly segmented in terms of the consumption occasion variable. Compal is perceived as portraying the “family bond” and traditional values that consumers look for in soft-drinks while also focusing on benefits related to health, taste, naturalness and refreshment. In terms of specific segments, SUMOL + COMPAL tackles mostly the Portuguese market, while expanding to Portuguese-speaking countries such as Angola and Mozambique.

**2.5.2 Benefits that consumers are seeking, tangible or intangible:** When choosing a soft drink, most consumers look for the benefit of refreshment in whichever form it is more pleasing to them. This also depends on the meal occasion, as in main meals<sup>2</sup> people have different needs and therefore seek different benefits in soft drinks. Regarding lunch for instance, one of the most apparent needs is for the drink to make the meal more attractive (AMINT, Estudo Base Bebidas Não Alcoolicas Presentation Qualitativa, 2015). Additionally, consumers mostly search for pleasure in soft drink consumption: some consider it an “indulgence” moment; others include them in their daily lives; some are more concerned about sugar levels. However, the main reasons to buy soft drinks are the “feeling good” benefit and pleasure (please consult the conducted qualitative research in Primary Data section). SUMOL+COMPAL has shown in the past years that it is reacting to this change in consumer lifestyle through the introduction of several innovative products targeted at the more “healthy minded” consumer.

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<sup>2</sup> Hereafter, main meals will be mentioned as lunch and dinner occasions (excluding breakfast)

**2.5.3 Motivations behind purchases, value drivers, and benefits vs costs:** Rather than having a specific product in mind, most consumers have the consumption occasion in mind when they purchase soft drinks and juices, this referring to modern retailing (AMINT, Estudo sobre o mercado de bebidas não alcólicas em Portugal, 2014). For a brand in the soft drinks market it is key to establish an emotional dimension in tune with consumers' aspirations. This is highly significant for Compal, as it is perceived as both to be in the forefront of innovation in soft drinks, continuously launching new products with modern flavors with a *devoted* focus on Portuguese fruits, while simultaneously running risk of being viewed as a brand who is periodically offering large discounts to consumers in the retail channel. Regarding the perception of Compal brands for some private labels (especially Pingo Doce), some consumers see Compal's products as being double the price of private labels (AMINT, Estudo Base Bebidas Não Alcoolicas Presentation Qualitativa, 2015).

**2.5.4 Decision making unit:** For soft drinks, consumers are generally both users and decider. Regarding B2B buyers, decision makers are managers and other purchasers who are influenced by consumers' choices.

**2.5.5 Channels where consumers purchase:** Consumers of non-alcoholic drinks mainly choose retailers for in-home consumption (where bigger retailers have a more predominant role) and the HoReCa channel for out-of-home consumption. For Compal, the latter channel is crucial for the light-snacking and breakfast occasion.

**2.5.6 Consumer trends:** The change in consumer's needs, as seen in the market future trends

section, is likely to result in more premium products entering the market, which in combination with an economic recovery will have an effect on a more positive performance for soft drinks in upcoming years.

Portuguese consumers, due to a decrease in personal purchasing power, shifted towards bottled water or liquid concentrates which are less expensive beverages with a natural and healthy perceived image. This trend is expected to grow in the upcoming years as consumers are more health conscious (SUMOL+COMPAL, Annual Report, 2014). It is expected that there will be a need for more naturally sweetened beverages, without preservatives or colorants. However, these trends can be separated by age group and especially by time of consumption. Nectars for instance, are deemed to have too many preservatives to be consumed at breakfast (AMINT, Estudo Base Bebidas Não Alcoolicas Presentation Qualitativa, 2015).

### **3. Primary Data**

After being familiarized with the company and market backgrounds, a more detailed problem definition was identified. Sales Force trips and consumer safari were performed in order to firstly understand the customers (purchasers in the HoReCa channel) and the personal selling efforts, and secondly gain knowledge about the way consumers make decisions when purchasing in the in-home channel. Furthermore, based on all the information gathered, three researches were performed, which allowed not only to get further insights about the marketing problem at hand, but also to apply them to the final solution.

### **3.1 Sales force trips**

One of the first consigned tasks was to interact with HoReCa channel members and retailers to understand Compal's product offering and the demands of each of these clients. By accompanying Compal's direct sales force members in one full day of work the following insights were gathered (cf. Exhibit 4)

#### **3.1.1 Key takeaways for off-trade locations:**

- Product placement is a key task for a product positioning, which tends to be a challenging endeavor due to retailers power and criteria's.
- Jumbo has a lot of restrictions regarding point-of-sale promotional materials, while Minipreço consents a low amount of promotional banners.
- Before any communicational campaign of a Compal product, the required stock must be already present in the retailers.
- Product size has a major influence on the location in the shelf.

#### **3.1.2 Key takeaways for on-trade locations:**

- Selling is done with a push strategy approach; direct selling is done with new and potential client's being face to face with the use of negotiation tactics.
- A great amount of HoReCa establishment owners ask for some type of special promotion or discount.
- The HoReCa channel is affected by seasonality effects (e.g. Holidays)
- Consumers demand a larger packaging for Compal products for main meals (e.g. 33cl)
- The main HoReCa clients are cafes and snack bars, not restaurants.

## **3.2 Consumer Safari**

Having experienced the sell-side of the manufacturer-retailer universe, it seemed necessary to put ourselves into the shoes of consumers. Therefore, the so-called consumer safaris were conducted. In general, consumer safaris are a tool that helps to understand how in-store decisions are made. Consumer safaris for the project at hand were only performed within the off-trade channel. The main conclusions are that most of consumers were undecided. This undecidedness at the point of sale exponentially increased with the assortment size of the visited retailers. Consumer undecidedness seemed for instance higher for hypermarkets compared to supermarkets. Younger consumers clearly compared prices in order to choose the lowest price available, while families were more focused on the price/quality ratio. In general, the busiest shopping hours were between 6:30 pm and 8:30 pm, based on the assumption that the consumer's usual routine sees shopping as an after-work activity. Overall, the conclusion for the project at hand is the apparent challenge to find new ways of winning the battle in-store, with targeted promotional tactics that ultimately engage the consumer.

## **3.3 First Qualitative Research**

### **3.3.1 Marketing Problem:**

Understand consumers' purchase and consumption behavior in the soft drinks category.

### **3.3.2 Sample:**

The sample for the first qualitative research performed was composed of 29 individuals, who can be characterized as consumers in the soft drinks category. In order to assess if the individuals were apt for the interview, i.e. if they were in fact consumers, a pre-test question about the three lastly purchased brands in the category was made. In terms of demographic characteristics the

sample was evenly split per gender, marital status and education level, and ages ranged from 18 to 80 years old.

### **3.3.3 Methodology and Questionnaire:**

The questionnaire for this qualitative research can be found in (Exhibit 5). One must note however that the interview guide served as a support element and not as a strict script. After the above-mentioned pre-test question, interviewees were asked to further develop on their habits in the category, namely developing on their purchase behavior (frequency, drivers and habits), consumer behavior (lifestyle, needs, occasions and brand preferences), and to what kind of media they are exposed to. On a second stage, the respondents were requested to complete three *games*, the first of which being a planetarium where brands were celestial bodies. Afterwards, respondents were asked to imagine a scenario of a Portuguese family dinning “Arroz de Pato” and drinking Compal. They would also describe the characteristics of such family, what brand they might be drinking with the meal and the respective bottle size. A set of cards depicting all of Compal’s sub-brands was shown last, in order not to influence people in their previous answers. If the interviewees mentioned *Compal* at any stage of the interview, they were asked to further elaborate on the matter regarding perception of price, taste and quality and behavior towards the brand.

### **3.3.4 Main Findings:**

Regarding purchase behavior, the majority of respondents bought Coca-Cola, Iced Teas and/or Compal, mostly in supermarkets and on a frequent basis. One of the most relevant observations was the fact that Flavor/Taste, followed by Price and Brand were the most mentioned purchase drivers, where Promotions also have a relevant frequency.

On a further note, when requested to elaborate on purchase influencers, most claimed to not be influenced in any way, although the majority agrees that advertisements and promotions are important drivers.

When asked about consumption occasions, it is relevant to note that most interviewees mentioned water although it was pointed out that it is not part of the category in question. Moreover, Coca-Cola and Lipton are the two most mentioned brands for lunch and dinner. Compal is mentioned mainly for both breakfast and snack consumption.

Another key insight of this research is that special events play an important role in changing daily consumption patterns. Soft drinks are consumed with more quantity and diversity at these occasions, especially if children are present.

Regarding lifestyle, the vastly majority of sample members mentioned they are healthy, although some of them have consumption patterns that do not go together with this claim. Not surprising is the fact that younger respondents and women display bigger health concerns than older respondents.

Moving on to media exposure, television was transversally mentioned, followed by social networks and radio. It was difficult for sample members to quantify time spent as they integrate consumption in their daily lives. Furthermore, interviewees were also asked to recall a commercial. The majority referred not the most recently seen but the most memorable. The most recalled brand was Coca-Cola, with great value being attributed to the brand's creativity. Compal was the second most referred brand. However, most interviewees only remember vaguely the ad.

From the people who mentioned Compal (23 out-of-29), almost all remember the brand from their childhood and perceive the price/quality ratio to be good— although the brand is not “cheap”. The brand has high quality, naturalness and a “fruity” character associated to it. As

stated by one respondent (a 49 year old male, Compal drinker): *“In terms of quality/price ratio, I think [Compal] is one of the best in the market”*.

Flavor is the most important reason for why consumers like Compal. Furthermore, most sample members associated Compal with thickness, which is in fact the reason why some do not consume it at main meals (22 people in the sample). Substitutes of Compal are mostly private label juices, where Pingo Doce is the main competitor. It is also important to mention homemade juices, Ice-Teas and Pleno as substitutes.

On a second stage, the respondents were requested to complete the three *games*. In the planetarium, when asked to allocate the different brands in the non-alcoholic beverages according to relationships between each other, the most mentioned as “the sun” (main brand) were Compal and Coca-Cola, followed by Water.

Secondly, a scenario was presented. At this stage most respondents stated the family depicted would be of middle class, comprised of 4 or 5 members; a young, healthy, typical, united, happy Portuguese family. There was no consensus in terms of which Compal brand the family would be consuming, being that Peach Nectar was the most frequent (5-out-of-29). Concerning bottle size, the sample mentioned the 1 liter bottle as the standard size<sup>3</sup>.

In the sub-card’s game interviewees had to point out both positive and negatives of such products and the consumption occasion associated to them, which are explored in detail in Exhibit 6 – Main Findings of Cards.

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<sup>3</sup> This question was obviously biased as it induces people to say that the package could be bigger.

## **3.4 Second Qualitative Research**

### **3.4.1 Marketing Problem:**

Understand the eating and drinking habits from the health-conscious consumers who are early adopters and radically changed their habits recently.

### **3.4.2 Sample:**

The overall sample size for the second qualitative research amounted to a total of 10 participants. In contrast to the sample for the first qualitative research performed, participants had to fulfil the requirement of having changed their nutritional habits drastically from a rather unhealthy lifestyle toward a more health-conscious eating and drinking routine over the course of the last two to five years. Participants were aged 23 to 33 years and from different social backgrounds. The sample included, amongst others, one doctor, a medicine student and a pastry maker and can be considered rather diverse with regard to sociographic components.

### **3.4.3 Methodology and Questionnaire:**

The questionnaire for this qualitative research can be found in Exhibit 7. Concerning the structure of the conducted interviews, it is necessary to state that the questionnaire served as a mere supportive element to guide the interviews. The first question to participants was aimed at gaining insights into their habits and routines of eating and drinking and to find insights with regard to the different consumption occasions from breakfast to dinner. The goal here was to find out, to what extent these health conscious consumers differ from the average consumers targeted in the first qualitative research in terms of food and drink choices and whether juice is considered a healthy option in particular for the main meal occasion. The next question of the interview was directed toward the reason for change toward a healthier lifestyle. Lastly, consumers were asked

whether or not they check labels of products they consume in order to gauge whether participants were informed on the different ingredients that are in general perceived as healthy or non-healthy.

#### **3.4.4 Main findings:**

One of the major observations throughout the ten interviews conducted was the finding that most of the respondents exclusively consume water during all main meal occasions. Regarding Compal as a reference brand or beverage in that sense, most of the participants elaborated that they, if at all, only consume Compal or other juices during snacks, social occasions or so-called cheat days. The latter being considered pre-selected days of the week where the strict nutritional schedule is neglected and the consumption of sweets and other less healthy food is allowed.

When asked about the origin or reason for change regarding their eating and drinking habits, all of the participants were extrinsically motivated. In most cases, nutritionists or doctors advised the patient to change their eating habits. Some of the participants were influenced by their social environment (family, friends) whereas one participant changed because he did not find himself physically appealing anymore or wanted to feel better (intrinsic motivation).

Another key insight of the research is the fact that the existence of an eating rhythm helped most of the participants to better organize and schedule their food intake. Overall, 90% of the sample had a rigorous “eating rhythm” (mostly every 3 hours) which is in line with the current research that 5-6 meals per day are the optimal timing for nutrition intake.

Furthermore, there was clear consensus on consuming carbohydrates early on in the day (breakfast, lunch) and reducing the amount toward the end of the day.

Physical exercise is also an integral part that catalyzes the change in eating and drinking habits. This is in line with the previously pointed out notion that motivation was mainly extrinsic to

change eating or drinking habits since personal trainers can influence, supervise, adjust and optimize a person's progress with regard to weight-loss or the conversion to a healthier lifestyle. Moreover, there seems to be a trend toward producing one's own meals and drinks. One female participant explained that she produces her own oatmeal for breakfast in combination with home-made juices. This finding is confirming the perception that consumers gravitate toward producing or mixing nutrition themselves, allowing full control over what actually ends up in their meal or drink. With regard to branded juices, this represents a fierce competition from out of the category that is very difficult to overcome since people seem to enjoy the feeling of nutritional self-sufficiency.

Checking labels of food products (either drinks or pre-packaged food items) for calories, sugar and preservatives has also become a norm widely with the consumer being increasingly critical toward claims of particularly juice products and the level of inherent additives ("Juices in packages all end up having preservatives and junk for them to last many months.", Débora, 23, student).

As last question of each interview, participants were asked to indicate how they imagine the perfect juice for the meal time occasion. Without any specification of criteria to describe this imaginative meal time juice, there was a clear consensus along the following aspects:

- *Texture (should be liquid)*
- *"Because a thick juice is heavy." (Laura, 25, student)*

The sample was quite strongly skewed toward less thick and more liquid juices. This is in line with the findings from the previous qualitative research and can be seen as a clear indication that both health-conscious and regular consumers tend to prefer fluid juices for the meal time occasion. However, it has to be pointed out that one female participant favored the thick texture of pear nectar during her main meals.

- *Only simple flavors (1-2 fruits)*

- *“A juice would have to be only made out of peach or orange, don’t make it tutti-frutti that is a crazy mix and it’s always some scam to change something in the juice.” (André, 26, pastry maker)*

Most of the participants indicated that when it comes to overall flavor in general and the amount of different fruit types within the juice, they would prefer a rather simple combination of fruits. Some even indicated that one fruit is optimal for a main meal juice beverage. This allows the conclusion that meal time juices indeed should not include too many types of fruits.

- *Low calories*

- *“Healthier, the lowest sugar possible, I think brands are already doing this, brands that are not that well known, putting nectars more liquid” (Pedro, 22, student)*

Very much in line with the general trend of so-called “better-for-you” drinks (e.g. Coca Cola Zero) in the soft drink market, this finding stresses that meal times juices need to be low in terms of energy intake since they are consumed as a “by-product” during the main meal occasion and must not increase the overall calories intake.

- *Low sugar content*

There is a progressive attack on sugar within the soft drink and juices category (SUMOL+COMPAL, Annual Report, 2014). In line with this, the consensus among participants in the sample clearly indicated that sugar content needs to be comparatively low in order to be suitable for the main meal occasion.

One very curious finding was observed when interviewing Joana (aged 33) who works as a family and nutritional doctor. According to her, juice replaces fruits and covers, depending on the volume, a considerable share of the recommended daily dose of fruit in general. The consumption of fresh fruit therefore needs to be adapted.

## **3.5 Quantitative Research**

### **3.5.1 Marketing Problem**

After gathering the insights from the two prior qualitative researches, a quantitative analysis was performed in order to acquire deeper and robust findings. With this quantitative study the main goal was to better understand consumers' preferences regarding soft drinks, namely what attributes do they look for when they drink a juice during main meals.

### **3.5.2 Sample**

In order to avoid sample bias, the questionnaires were conducted in diverse places such as bus stations, services stores (e.g. Loja do Cidadão), shopping malls and universities. By doing so, it was possible to get a robust overall sample size of 208 valid responses.

Frequency statistics were performed using SPSS, showing that the subjects have the following characteristics: 79 males (38,5%) and 128 female (61,5%) were interviewed (Exhibit 8), aged from 12 to 82 years old (with an average age of 32), for which the majority are students (34,1%) or administrative services workers (26%). Furthermore, the most common group was found to have households comprised of three members (30,8%) (Exhibit 9), 82,7% of people cook at their homes (Exhibit 10) and 43,8% of consumers have two meals at home.

### **3.5.3 Methodology and Questionnaire**

The questionnaire used for this research can be found in Exhibit 11. These questionnaires, structured in five blocks, were handed over to interviewees (for further details on methodology, report to Exhibit 12 – Further Notes). Respondents were asked to fill out a matrix comprised of several different brands in the Colas, Ice-Teas, Juice and Clear Sodas categories. The second block was for respondents who drink Compal at the mealtime, and aimed at understanding what

are the main reasons and product attributes that led them to consume Compal at this occasion of consumption. The following block was built by taking the insights gathered from the Second Qualitative Research performed about the fact that the so-called “healthy people” eat every three hours *and* check beverages’ labels: when coding the results, if consumers answered positively to the questions “in a regular day, do you eat from 3 to 3 hours?” and “do you usually check labels before buying or drinking a beverage?”, they were deemed to belong to the “healthy group”. The fourth block, called “characteristics of the perfect juice”, is the central part of the research: here the goal was to further understand what kind of attributes people look for when they consider a juice for main meals. Using likert scales (0-7), attributes such as texture (from very fluid to very thick), sweetness (from not sweet to very sweet), level of added sugar (from zero to a lot) and number of fruits that people like in a juice were measured in order to find what the perfect mealtime fruit juice is for consumers. Lastly, the fifth block was comprised of demographic questions.

#### **3.5.4 Main findings**

Going into the quantitative analysis of the results, which were coded on SPSS, the first important point to realize is how many people, out of the total sample of 208 subjects, are Ice-Tea, Cola and Compal drinkers.

By analyzing the results it is possible to infer that from the 208 people interviewed, 63% are Ice-Tea consumers, 71% are Colas consumers and 76% are Compal consumers (Exhibit 13). Following the selection criteria used to extract the healthy consumers (responding yes to both questions, “do you check labels?” and “do you eat from 3 to 3 hours?”), it is possible to realize that this group is comprised of 50 people out of the 208 (24%) (Exhibit 14 - Healthy consumers).

The main drivers for people to consume Compal juices are other key insights for the research. Indeed, when asked an open question about the reason why they drink Compal at main meals, the most relevant purchase drivers were firstly taste and flavors, followed by healthiness and naturalness. In terms of frequency in a multiple choice question, out of Compal consumers (a total of 159, 76% of the entire sample), 81,1% stated “taste” as the main reason for drinking Compal, followed by “being natural” with 39,6% and “being healthy” with 37,7%. The answer “because it has the flavors I like” also has 80% of positive response, which is a logical result because it is highly correlated with “taste” (Exhibit 15).

Regarding the “healthy group”, Compal is the most consumed beverage: 68% drink Compal, while 62% drink Colas and 54% drink Ice-Tea (Exhibit 16).

Furthermore, the main aim (and perhaps the most important result) of this quantitative research was to gather insights from what is the forth block, “Characteristics of the perfect juice”, more specifically built to understand what Ice-Tea drinkers, Compal drinkers and healthy consumers seek in a juice for main meals. Regarding Ice-Tea drinkers, in terms of fluidity level of the “perfect” drink, most people (35,6% of responses) answered that it should not be either very high neither too low (“moderately liquid”, a level 4 out of 7; see Exhibit 17). However, looking at the cumulative percentage from very fluid to moderate, it is possible to verify that it accounts for 85,5% of the answers. Therefore, it is also possible to infer that Ice-Tea consumers would seek a slightly fluid juice, with medium levels of sweetness and low levels of sugar added. About the number of fruits within the juice, it is possible to assume that 75,5% of consumers would want at least 2 fruits.

Concerning Compal consumers, the results are slightly different: they also want a moderate fluidity level, a not-very-sugary juice but with a sweetness level slightly higher than what were stated by Ice-Tea consumers and with much lower levels of added sugar (almost no sugar).

Moreover and again similarly to the Ice-Tea group, they want a juice that has a mix of fruits (88% want at least 2 fruits; see Exhibit 17 – Juice Characteristics).

Although this report does not consider Colas as the source of business, the results for this group should however be mentioned briefly: they want a moderate level of fluidity, with sweetness and added sugar levels slightly higher than Iced-Tea drinkers want (a not very expressive difference) and with a mix of fruits again similar to the results from the Ice-Tea group.

For the healthy consumers, one can assume that their healthy concerns play a role in the choice of attributes for a “perfect juice”: they seek a moderate level of fluidity, similarly to the other groups, but less sweet than for the Compal and Ice Tea consumers (“less sweet”, level 3 of 7), with absolutely no added sugar and with only one fruit (Exhibit 18), which is indeed a very relevant difference from what we observed in the other groups.

In summary, the ideal attributes for a mealtime fruit juice are: a fluid juice with low levels of sweetness, no added sugar and made out of at least two different fruits. These findings will be of key importance for the following section of this report, where our solution will be presented taking into consideration the insights gathered in both primary and secondary researches.

#### **4. Solution – “Compal à Mesa, Concerteza!”**

Keeping in mind that the focal challenge of this report is the conceptualization of a new product launch that helps increasing Compal’s brand value expanding the category and presence to the main meal occasion, it needs to be stressed that the process of arriving at the final solution was embossed by continuous alterations and changes with regard to packaging, pricing and communicational strategies. Taking into account the insights from the previously mentioned

primary research and experiences gained in the field, the final solution can be summarized as follows:

*Compal à Mesa* is a superior mealtime juice packaged in appealing **glass bottles** to observe the product's fluidity more easily and offers consumers a **scientifically healthier alternative** to regular soft drinks. *Compal à Mesa* is available in **three different flavors** that suit diverse types of meals. Moreover, *Compal à Mesa* will not only be available at super- and hypermarkets but will also be introduced in selected HoReCa outlets, which serve main meals in order to exploit the fact that Compal's margins are substantially higher in this distribution universe. The name *Compal à Mesa* was chosen to educate and inform consumers that the exclusive location for consumption should be during main meals i.e. **at the table**.

The next section aims at discussing *Compal à Mesa*'s desired brand DNA, its segmentation, targeting and positioning after which the overall marketing and communications plan is presented. Structurally, the report elaborates on the tangible and intangible product attributes, how it is promoted, where it will be available for sale and at what price. Lastly, the Profit & Loss statement of the project assesses the financial viability of *Compal à Mesa* and supports the notion that it might well become the next main meal beverage champion.

## **5. Brand**

### **5.1 Segmentation**

Nowadays, companies have realized that they cannot target the entire market. Besides, there is such a diversity of potential customers, that targeting everyone in the same way is impossible (Altman, 2015). Therefore, companies should divide and identify the parts of the market that creates most value to them. The first step toward the successful marketing of a company's

product is hence to perform market segmentation, “which is the separation of a heterogeneous group of customers with different needs into homogenous subgroups or segments of customers with similar needs and preferences. This allows firms to tailor their products and services to better meet the needs of each segment” (Gupta S. , 2014).

Several crucial variables should be considered, in order to divide Compal’s overall market.

- Demographics (Age, Social Class and Educational Level).
- Behavioral (Purchase Occasion).
- Benefits Sought (Convenience, Value, Safety and Status)
- 

### **5.1.1 Behavioral and Benefits Sought**

It is strongly believed that segmenting the market using the consumers’ behaviors allows the most revealing and useful traits for a valuable segmentation, since the emphasis becomes on their present behavior. Thus, the key aspect here is the occasion of consumption. Three main segments were identified: snacks, breakfasts and main meals. In main meals, there are multiple ways of segmenting the market. The chosen option was based on the hierarchical decision tree based on both primary and secondary research (Exhibit 19 – Hierarchal Tree).

## **5.2 Target**

“Targeting is selecting segments that the firm wants to focus on for its products or services. This is done based on the attractiveness of segments (such as size and potential profitability), intensity of competition and a firm’s capability to serve customers in each segment” (Gupta S. , 2014). *Compal à Mesa* has no demographic restrictions on what concerns segmentation. Thus, for the selected target market, age, social class and educational level are not relevant. Despite, knowing that not narrowing our market in terms of demographics represents a challenge, it is strongly

believed that this is the correct approach. Consequently, the relevant segmentation variables are behaviors and benefits sought. As the main meal occasion is the focal point this report, the behavioral variable is therefore linked to the benefits sought by consumers, where *Compal à Mesa* represents the healthier in the Portuguese market. Ultimately, the target market was defined as everyone who is seeking a healthier alternative.

### 5.3 Positioning

The chosen kind of positioning is Competition Based Positioning, which is used when a new brand is launched (Tybout, Calder, & Kotler, 2010). Hence, the first step is to establish category membership, which is the foundation for the overall competition-based approach and entails the presence of *Compal à Mesa* in the category. The second feature in Competitive Based Positioning is to identify points of difference, beginning with the competitive strengths and insights about consumers' motivation for using the category, "finding a feature or benefit that distinguishes the brand from competitors in the same category and that is valued by consumers" (Tybout, Calder, & Kotler, 2010). Based on primary research (quantitative), it was found that consumers seem to want a juice for meals that is tasty, while being naturally-healthy and having no added sugar. Thus, a product was developed with these that are hence the most important points of difference. It is also key to mention that this combination of points of difference can only be found in the category through *Compal à Mesa*. Additionally, a positioning map was constructed (Exhibit 20), in order to better show consumer perceptions of Compal versus the competing brands (Kotler & Amstrong, 2010), where the two most critical points of difference are included, versus their competitors in the category. Subsequently, the overall positioning should be summed up in a **positioning statement**, which is "a general summary of the key

aspects of the marketing strategy and serves as the foundations for decision about marketing tactics” (Tybout, Calder, & Kotler, 2010):

### **5.3.1 *Compal à Mesa’s* positioning statement:**

To everyone that seeks a healthier alternative, (Target Market)

**Compal à Mesa is a brand of** non-alcoholic mealtime beverages (Frame of Reference)

**That offers** a naturally-healthy drink with a great taste and only sugar from the fruit

(POD)

**That is because** we are a 60-year-old Portuguese Company guided by the values of tradition and innovation with an expertise in selecting the best fruits and bringing them to the table (*à mesa*) (Reason to Believe)

## **5.4 Brand Identity**

Brand identity involves specifying the facets of brand uniqueness and value (Kapferer, 2012). This concept evolves from inside the company to the outside world. In order to build *Compal à Mesa’s* brand identity, the Kapferer Brand Identity Prism Model was used. This model was the first framework established on brand identity and is made out of six core features, such as: Physical, Relationship, Costumer Reflection, Personality, Culture and Self Image.

### **5.4.1 *Compal à Mesa* Brand Identity**

**Physical:** Firstly, the creative claim is “Compal à Mesa, Concerteza!”. Secondly, one of the most salient features of Compal is the real fruit present in the products and to which consumers associate Compal. The final aspect of the physical component of the *à Mesa* brand is the glass bottle of *Compal à Mesa* (cf. Exhibit 22).

**Relationship:** For *Compal à Mesa* the claim is “Life is all about pleasure”. The product will provide their consumers the feeling of obtaining the maximum pleasure possible, at the table. Thus, it will be the most perfect complement for the table.

**Customer Reflection:** For *Compal à Mesa* the type of consumer is a healthy-alternative seeker, aged between 26 to 35 years old. Furthermore, the typical *Compal à Mesa* consumer is looking for a tasty but also healthier option. *Compal à Mesa* is hence the best option, given the current product offering of main meal beverages in the Portuguese market.

**Personality:** *Compal à Mesa* is regarded as an enjoyable, sociable, familiar and close person. In fact, being enjoyable and sociable are feelings that are usually prominent at the table, only possible with *Compal à Mesa*. Still, some characteristics are present all across the brand, such as familiarity and proximity, but all of the abovementioned feelings can only co-exist with *à Mesa*.

**Culture:** In *Compal à Mesa* the culture is transversal with the Compal brand, a Portuguese company with 60 years of innovation and tradition. Additionally, “Fruitology” is also a core aspect of the culture of the brand, which in this sense represents a combination of innovation and tradition also present in the concept of *Compal à Mesa*.

**Self-Image:** When having *Compal à Mesa*, consumers should feel some sensations related to the brand, such as: “**I feel amazing at the table**”; “**I am having real fruit**”; “**I fell healthy**”; “**I am relaxed**” and “**I am in touch with my deep being**”. These feelings define the most important features when consuming *Compal à Mesa*, which are, gratification at the table, real fruit and healthiness. The above-explained dimensions ultimately build a Kapferer’s Brand Identity Prism for *Compal à Mesa* (Exhibit 23).

## **5.5 Product**

Compal, with its 60 years of tradition and expertise in “Fruitology”, has practically covered every single occasion of consumption through its product line (Exhibit 2 – Current Product Mix). By targeting the main meal occasions, Compal faces new challenges and new competitors, but uncovers a lot of growth potential and opportunities to strengthen even more its position in the market. The product, defined as being “anything that can be offered to a market to satisfy a want or a need” (Kotler P. K., 2016) is key to that success. Compal should be able to develop a product that addresses these challenges and matches its values of quality and tradition.

A product comprises several dimensions, namely packaging, size and flavors. Through innovation, by producing a high quality and premium product, *Compal à Mesa* must be able to differentiate itself from the rest of the competitors in order to penetrate the category of main meals.

### **5.5.1 Packaging**

*Compal à Mesa* as a concept must match the values of the master brand, offering a premium product in terms of quality at an affordable price (Euromonitor P. , Juice in Portugal, 2015). It is not enough to have a high quality and healthy juice, in terms of content, the product must also physically mirror the fact that it is actually a high quality creation (Kotler P. K., 2016) because packaging has an increased influence on the product’s quality perception by consumers (Euromonitor P. , Juice in Portugal, 2015). In that sense, the packaging must show that *Compal à Mesa* is actually a premium product in terms of quality, different from the other alternatives in the market. Based on this, a glass packaging is proposed (Exhibit 22) similar in shape to the Compal limited edition (Exhibit 25) available at Saborista (Exhibit 3 – Channel Members).

Although there are some inherent risks to this proposal (such as the risk of being too heavy, the risk of breakage or the risk of associations to the light snacks occasions), there are several reasons that support this premium glass bottle solution. First of all, it is simply a very appealing packaging and beautiful to have it *à Mesa* (at the table). Second, it is consistent with the *Compal à Mesa* concept of going back to Portuguese roots. Another important advantage for glass is that it allows differentiation to its competitors in main meal occasions (namely Lipton and Coke). Although people generally perceive PET as the “main meals packaging”, Compal, should not abandon its brand image and origins and imitate what others do. It should actually be the opposite: through innovation, Compal should differentiate itself from the remaining competition by developing a packaging that meets its main values and consumers perceptions of it. Another important reason to back up the glass bottle proposal is that it allows to differentiate *Compal à Mesa* from the remaining Compal product mix (Exhibit 2), which is important since it targets a different occasion of consumption (main meals and not light snacks occasions), making it easier for people to associate it with the main meal occasion of consumption and allowing for only limited cannibalization. The possibility of observing the juice fluidity level is another major advantage that glass bottles conveys. As seen in the quantitative research developed 85% of the overall sample looks for a moderate/fluid drink for main meals (Exhibit 17 – Juice Characteristics). Thus, offering consumers the possibility to observe the fluidity level of *Compal à Mesa* by themselves is crucial. Finally, glass allows to better conserve fruit properties (Moreira, 2015) from the juice and embodies a more ecological alternative (Strom, 2015) which is consistent with the promise of offering a high quality and healthier alternative.

### 5.5.2 Flavors

Although, packaging plays a critical role for *Compal à Mesa*, for the consumer, it is all about the flavor. According to the performed quantitative research, 82% of Compal drinkers perceive “flavor” as being the most important reason for why they consume Compal (Exhibit 15). Regarding the product range of *Compal à Mesa*, the proposal is to offer three different kinds of flavors due to the fact that preferences vary a lot across consumers, it is necessary to offer diversity. Moreover, by offering three different flavors, Compal keeps seeking for the “next-big thing” in the market in terms of flavor, which is a constant goal of the company. Since *Compal à Mesa* is targeting main meal occasions, having different flavors that go well with the three more typical types of meals (fish, meat and pasta/salad) is of key importance. This link between the flavor and the types of meal also helps the consumer to easily associate *Compal à Mesa* to main meals occasions, which is one of the biggest challenges for the company.

Regarding the flavors itself, there are two major characteristics applicable for the three different products, which drive the proposals: all the flavors must have fluid fruits and they all must be composed by a combination of fruits. As mentioned before, consumers perceive fluidity as one of the most important characteristics of a drink for main meal occasions. In that sense, the chosen fruits must be associated with a minimal level of thickness. Mixing fruits allows to better manage product costs and enables manufacturers to exploit the functional benefits that result from a fruit mix (Euromonitor P. , Juice in Portugal, 2015). Additionally, according to the quantitative research performed, more than 75% of people prefer at least two fruits in a juice (Exhibit 17 – Juice Characteristics). Two additional important reasons for having mixed-fruits flavors are first, to avoid association to *Compal Clássico* and *Compal Clássico 100%*, and eschews cannibalization with other Compal products.

Thus, having developed the rationale for the product range and for the flavors, the proposals for *Compal à Mesa* are: Apple/Orange; Pomegranate/Raspberry; Strawberry/Lemon (Exhibit 26). Before going deeper in the offers, it is important to note that these three proposals allow Compal to have two things that drive their business. First, it allows Compal to offer successful products and juice flavors that are composed of fruits people like and are familiar with. Secondly, *Compal à Mesa* embodies an opportunity to further innovate and expand the idea of “Fruitology”. Regarding Apple/Orange, it is a citrus flavor that goes well with fish dishes and it is actually a safe choice because they are low cost fruits, and two of the fruits mostly associated with Compal which, together with their fluid character and balance between acidity and sweetness, makes this a high potential offer. With regard to Pomegranate/Raspberry offer, pomegranate is not a completely consensual and very common fruit in Portuguese society. However, the potential advantages are much higher than the risks. First of all, this proposal is aligned with the already mentioned goal of Compal to find a new product that can be a true and innovative top seller, backed by the fact that pomegranate is a trendy fruit in Portugal. Its many functional and health benefits, together with its fluid and fresh character, are aligned with *Compal à Mesa*'s positioning of being a healthier drink. In what does respect to Strawberry/Lemon, it is a mix highly associated with main meals, observable in the Portuguese market with the *limonadas de morango* (strawberry lemonades) offerings, which complements well with salad or pasta. It is important to notice that (Moreira, 2015) all of the proposals presented are feasible (included the “only sugar from the fruit” point-of-difference previously mentioned in the Positioning statement) and have a high potential for success.

### 5.5.3 Size

With respect to *Compal à Mesa*'s sizes, three different sized glass bottles are proposed: 1L for the off-trade channel; 200ml as part of a trial offer for the off-trade channel; and 330ml for the on-trade channel (Exhibit 27). It is vital to understand that, since *Compal à Mesa* targets everyone that seeks a healthier alternative for main meals, there are clearly two identifiable consumer segments. The first segment consists of consumers who seek lower quantities and buy mainly for their own consumption (called from now on the "individuals" segment). The second segment of consumers mostly composed of families, purchases for household consumption, thus, looking for bigger quantities (called from now on the "families" segment). For "individuals", the size of one liter is ideal. For "families" segment, however, 1 liter can be considered too small which relates back to the insights gained from the first qualitative research performed (Scenario Game). To address this issue, a double-pack of 1L glass bottles (2x1L) with equal flavors is proposed, following the rationale that 2 liters is a reference size for families regarding main meal occasions (this topic of consumer segmentation will be further explored in the *Price* section). In order to generate trial and make people try the new flavors, a 200ml trial pack with the three different flavors is introduced in March 2017.

Concerning the on-trade channel, the standard size code for *Compal* products is 200ml which is perceived as not being sufficient for main meals. This is consistent with what was observed from the sales force visits in HoReCa, as well as with the quantitative research from S+C (AMINT, Estudo Sumos & Néctares em Portugal - Fase Quantitativa, 2014), 330 ml is therefore the proposed product size for this channel since it offers a more suitable quantity for these occasions.

## **6. Communications Plan**

Communications activities are aimed at understanding how a rightful communication strategy can allow the company to penetrate the main meal occasion by focusing on the right target audience. Through the precise marketing objective and by placing great emphasis on the key benefits that are delivered by the product (in advertising), the right levels of awareness are generated within the consumers creating in their minds the notion that *Compal à Mesa* is the ideal juice for lunch and dinner.

### **6.1 Marketing Objectives**

Marketing objectives are directly linked to the challenge of penetrating the main meal occasion and in this sense, the main objective will be to create a market share of 3% (from 0 to 1% in the first year, 3% after 4 years), as the average for Compal brands is 4.4%. Hence, and taking into account competitive investment<sup>4</sup>, a net expenditure of approximately 1.04 million € will be made in the first year (Exhibit 31- Communications Budget). Furthermore, the company should expect brand awareness creation, incremental profits of 50% due to the project and customer acquisition (5% from Ice-Teas [Brands and Private Labels] and 5% from other Soft Drinks).

### **6.2 Target Audience Selection and Action Objectives**

In order to realize the full potential of “*Compal à Mesa*”, it is key to understand who could be the prospective customers of this new product. Therefore, the target audience should be mainly

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<sup>4</sup> Rationale for Share of the Market (SOM) and Share of Voice (SOV): the benchmark for the market is based on data from HAVAS (Media Scope Havas, 2015) where the beverages market investment in 2015 was 90.471 million €, for which 30% of it is net, hence 27.141 million €. As marketing objectives will be set at 1% SOM in the first year, SOV must be at least 1.5 of that amount— meaning 1.5%, but can go as high as 10% (Binet & Field, 2008). This means investment should be at least 407 K. However, because *à Mesa* is a new product launch entering a new category there will be incremental expenditures, hence investment will amount to 1.04 million €.

focused on Other Brand Switchers (OBS), individuals that already buy in the category but are not aware that Compal has an offer for the main meal occasion. Influencers will be a secondary target audience, people that pursuit a healthy and more natural lifestyle, opinion leaders on the Internet, namely bloggers and *instagrammers*. Trade will also be a secondary target audience as firstly purchasers of Compal's offers, and secondly as prescribers of purchases in the HoReCa channel. This primary target group is characterized, as quantitative research found (AMINT, Estudo Sumos & Néctares em Portugal - Fase Quantitativa, 2014) by being upper to lower middle class, 26-35 year old individuals, which evidence based on Quantitative Research (Exhibit 29- Purchase Decision Makers) has shown to be decision makers of household purchase decisions and responsive to the "Portugalidade" claim (AMINT, Estudo Sumos & Néctares em Portugal - Fase Quantitativa, 2014). The target audience in terms of psychographic characteristics can be considered a group intrinsically Portuguese and extrinsically influenced by health, individuals who the Young and Rubicam 4C model identifies as being explorers. Explorers in that sense are consumers that are young in nature and switch from products in discovery of healthy experiences without being deprived of enjoyment, while being proud of their origins. In order to fully grasp the behavior of the target audience, the decision making model (BSM) is presented in Exhibit 30. The **Action Objective** for this new product introduction is set on trial. Target audience OBS size is around 494.000 individuals (total population aged between 26 to 35 that consume non-alcoholic beverages at meal time). Therefore, trial will be set on the percentage of current drinkers, hence 25% in the first half of the year, reaching the total audience after 2 years, which is the maximum timing for full penetration, as explained by Rossiter and Percy (1997).

### **6.3 Communication Objectives**

Five different communication objectives must be considered, the first being **Category need**.

Because in the category of non-alcoholic beverages products are bought frequently and also due to the fact that the audience is comprised of category users (who already possess the category need), the category need objective should be omitted in the communications plan.

**Brand Awareness** is a fundamental objective in every communications plan and will be the main objective of the present report due to the fact that *à Mesa* is a new product introduction. As shown in the Behavioral Sequence Model (Exhibit 30), brand recall is essential for when consumers are out-of-home (HoReCa channel) as they have to remember known brands when ordering a beverage. For in-home consumption and according to POPAI 2012 study, 76 percent of customers delay formation of the consideration set until the point-of-purchase. In this sense, the desired response for the target will be to recall *Compal à Mesa* as the new healthy drink for meals (in a restaurant or before going to a retailer), and afterwards look for it in-store or in a restaurant and recognize the packaging (aided by point-of-sale activation techniques, mentioned in Promotions section of this report). Hence both brand recognition and brand recall will be considered as objectives. This recall-recognition combination is only possible because the brand is aimed at new triers (OBS) in the category that the communications plan would like to divert mainly from Ice-Teas and also due to the high level of aided awareness of Compal sub-brands (around 90 percent)<sup>5</sup> that one would expect *à Mesa* to benefit from.

**Brand Attitude** is the second universal communication objective. The purchase motive in the mealtime beverages category is positive as consumers try to find a complement to enjoy with a meal, seeking sensory gratification (Rossiter & Percy, 1997). In this sense, the objective should be to both create brand attitude for *Compal à Mesa*, whilst increasing positive brand attitude relatively to the main meals, allowing people to perceive Compal as a suitable alternative to the

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<sup>5</sup> According to (AMINT, Estudo Base sobre o Mercado de Bebidas Não Alcoólicas em Portugal - Fase Qualitativa, 2014), *Clássico* has the highest aided awareness levels (100%) and *Família* the lowest (61%). To assess the aided awareness levels, the average was taken from all sub-brands.

occasion, enabled by a high favorable attitude-generating advertisement (Rossiter & Percy, 1997).

**Brand Purchase Intention** is considered especially for promotion actions where there is an incentive for customers to purchase. Since the awareness objective is twofold, it is important to emphasize a brand attitude and follow intention at point of purchase. Hence purchase intention should be generated and *soft –sold* as a self-instruction to act (Rossiter & Percy, 1997). On the contrary, **Brand Purchase Facilitation** should be omitted in the advertising plan, as customers know where to purchase the product within the category.

#### 6.4 Positioning Statement for campaign

Although Compal is perhaps the “juice and nectar category-definer” brand, it is not possible to state the same for *à Mesa* as it is a new product entering an existing category. Thus, *Compal à Mesa* must be a differentiated brand by selecting an increasingly important attribute and the second strongest motive in the category— healthiness provided by the combination of fruits and no sugar addition. **Hence the positioning statement is as follows:**

**To** 26-35 year old people, Healthy minded Other Brand Switchers, (Target Market)

*Compal à Mesa* is a *differentiated* brand of mealtime non-alcoholic beverages (where the product is the hero) (Frame of Reference)

**That offers** the benefits of Natural Healthiness (problem avoidance), Portugalidade (social approval) and Great Taste (sensorial gratification) (POD)

**That is because** Compal is a 60-year-old Portuguese company guided by the values of tradition and innovation with an expertise in selecting the best fruits (Reason to Believe).

**Advertising should** emphasize healthiness with a clear positive Emotional focus related to the Enjoyment of being Portuguese (attribute-benefit emotion model:  $b \rightarrow e+$ ); mention Taste as an

entry ticket as well as the mealtime occasion; omit wording that refer to sugar content or calorie count and price.

### **6.5 Creative strategy**

The context in which the advertisements should be carried out is based on the growing popularity of “Portugalidade”, the “back to roots” and healthy lifestyle trends previously explained in the Customers and Market trends sections of this report. It is relevant to point out that the strong connection to the “Portugalidade” factor from the target audience (AMINT, Estudo Base sobre o Mercado de Bebidas Não Alcoólicas em Portugal - Fase Qualitativa, 2014) is sustained by a deep emotion and pride in being Portuguese and following traditions while being trendy and looking for the best (and healthier) alternatives, which supports the benefits of *Compal à Mesa*. Nevertheless, it is important to firstly create the link between Compal and the category of mealtime beverages by generating the notion that Compal provides a great tasting beverage as an alternative to other brands.

As brand awareness is the main focus of this section, tactics for both recognition and recall must be addressed. Therefore, the creative execution must show the packages as they can be encountered at point of sale and the need for the category ought to be obvious, with a clear evidence of the name and a visual link to the meal time by showing a dinner occasion (Rossiter & Percy, 1997), devoting at least 3 seconds to 1L pack-shots. It is also important, on the other hand, to make verbal mentioning, possible by the use of a mnemonic device (lyric-adapted song) and also through the use of wording in press and outdoor material referring to the key benefit of “natural healthiness” (that leads to an emotional response).

In summary, the key benefit should be dramatized by the creative claim: **“Compal à Mesa, Concerteza!”**, where the key aspects are both the slogan and the use of the song “Casa

Portuguesa” mentioning the healthy appeal and appropriateness of the product for the main meal. Furthermore and although grammatically incorrect in Portuguese, the expression “Concerteza” has an attention getting effect as explained by (Percy & Rosenbaum-Elliott, 2012).

## **6.6 Integrated Communications Strategy**

A set of communication tools must be integrated in order to develop the communications plan. In this sense, the following paragraph will further explain Public Relations, Sponsorship and Personal Selling activities, while Advertising strategy will be mentioned in the next section of this Communications Plan, and Promotions will be tackled later in this report.

Sponsorships of food events will be used to convey both recognition and recall and PR will be used to approach the secondary target audience of the *influencers*— bloggers and famous *instagrammers* who will be encouraged (but not obliged) to do postings with the offer of a *Compal à Mesa* bottle, as well as to engage “Deolinda” in order to record the song and schedule a date for the mini-concert (explained in the next sections). Personal Selling must also be considered, as the sales force will be used to reach the HoReCa partners, as seen in the Sales Force Trips section.

## **6.7 Media Strategy**

As the main awareness objective is twofold, primary media selection must be based on media that allows for both high frequency and also strong visual and verbal content, which are Television and Internet. Television, although digital investments are exponentially increasing, is still the format capable of reaching the highest amount of audience members only once, between 85-90 percent according to Randall Beard, President of Nielsen Expanded Verticals (Global Trust in Advertising: Winning Strategies for an Evolving Media Landscape, 2015). Therefore, a 30 second commercial is proposed with the mandatory content of having to resonate emotionally

with the audience through displaying the benefit of “Portugalidade”, health and ultimately enjoyment. Television also has the visual content needed for brand recognition and a short time to process necessary for recall. The combination between these two vehicles will thus help boost memorability and purchase intent (Nielsen, Global Trust in Advertising: Winning Strategies for an Evolving Media Landscape, 2015). Internet will be used through viral marketing, a tool that stimulates brand users, lovers and advocates to share their interest for the brand with their peers (De Pelsmacker *et al*, 2013). For this matter, an integration between Facebook and Instagram (as photo-sharing-tools) will be done through a competition that encourages people to share photos of their meals with *à Mesa* on their tables using the *hashtags* #compalamesa #concereteza for a chance to win a dinner (where the product will also be present) plus a mini-concert with “Deolinda”, a relevant prize due to the clear occasion link and also for the value of the combined offer. This tactic stimulates trial, increases the number of brand advocates and enables the brand to monitor, engage and build trust and knowledge relationships with consumers (Gupta & Davin, 2015). Further e-communications will also include owned media such as the creation of a micro-site; the posting of the song’s making-of on Compal’s Facebook page; publication of the ad’s video, a relevant tool as 46 percent of the target audience members were seen to trust ads on social networks (Nielsen, Global Trust in Advertising: Winning Strategies for an Evolving Media Landscape, 2015), and also displaying images of the outdoor material online in order to generate brand awareness (De Pelsmacker *et al*, 2013). The teaser video will be used as a pre-launch of the television commercial where “Deolinda” will appear recording the lyric-adapted song “Casa Portuguesa”. Branded websites are the most trusted advertising format (Nielsen, Global Trust in Advertising: Winning Strategies for an Evolving Media Landscape, 2015) thus an integration between online strategies will be done with the creation of a micro site to increase the brand’s presence in organic search engine results and increase perceived brand expertise, as stated by (De

Pelsmacker *et al*, 2013). The content will be related to such issues as why is it glass, why no preservatives, why no sugar (as seen in *Packaging* in the Product section), while also showing recipes that go well with each juice, Compal's history, click-buttons that ask consumers about their favorite flavor (allowing for data collection) among other features. In order to further boost website visits, programmatic buying for search engine optimization (Gupta & Davin, 2015) will be done through the purchase of keywords that are relevant to consumers search.

As it is important to reach different people in different ways, **secondary media** will also be proposed. Magazines and out-of-home material will be used to boost brand recognition and positive brand attitude; Radio will be used only to emphasize the primary media tactic of the song-release video, and in combination serve as a high frequency and brand recall tool.

### **6.8 Budget and Schedule rationale**

The media split, taking into account the budget for the campaign (Exhibit 31) and considering the promotion budget that will be discussed in the next section of this report— has been done by allocating almost half of the budget to Television and Internet (double the previous year expenditures) and around 20 percent to other media, out-of-home having the biggest investment. Media vehicles were chosen considering useful reach according to the age and economic power of the target audience, and are summarized in Exhibit 33 – AC & P Schedule.

Regarding split per cycle, the “pre-launch” will happen with both the song's making-of video on Youtube and Facebook and the introduction of a 20 second Radio spot to display the song for one week (Exhibit 31 and 33). Advertising launch will happen in the second fortnight of March with the Television ad (report to Exhibit 31 for channels used). Internet will be split between several elements: the song's making-off video; the social media contest that will happen in the Summer; and the micro-site available all year linked with keyword buying. After the first flight of

commercials, a video ad will be displayed on Facebook. Out-of-home material will have the timing of three weeks during the communication launch plus three week in the Summer for Beach locations to allow broader target reach. Lastly, eight print-ads will be inserted in Magazines to help mitigate frequency issues that outdoors may have.

In terms of Integrated Communications, Event Sponsorship will happen for events such as “Ao Gosto do Porto” in Porto and “Semana das Sopas” in Arraiolos in August, and “Feira da Gastronomia de Santarém” in October. Public Relations will be used to approach Deolinda in January; bloggers/*instagrammers* in April after the commercial’s launch and in the beginning of June again with the band to set a date for the concert.

### 6.9 Campaign tracking

Campaign tracking must be aligned with the communication objectives. Therefore, Key Performance Indicators will be split per Digital Advertising, PR and Customer tracking (done with Marketing Research through before and after measures) metrics, summarized in the following table:

Metrics	KPI	Description	Goals (if any)
<b>Digital</b>	Click-through-rate (CTR)	Measured on paid search links and number of organic searches	
	Landing page conversion rate (micro-site)	Percentage of people that provide data for collection, for example their “favorite flavor”	
	Number of shares on Facebook	Measured through shares of paid video and also own page postings	
	Response rate	Related to the Facebook /Instagram contest	
	Increase in number of followers	Followers of Compal on Facebook	165p.p. increase, from 378K to 1M
<b>PR</b>	Clip counting	Measure for amount of time and space dedicated to Compal by bloggers and <i>instagrammers</i> due to PR actions	

<b>Customer Tracking</b>	Unaided and aided awareness	Levels of brand awareness measured through appropriate research	
	Repeat Purchase/ Conversion Rate	Measure of Sales Increase from New Buyers	
	Cost per Acquisition	Measure of new customer acquisition costs	
	Customer Lifetime-Value (Exhibit 34).	Model for measuring the value relationship built with a customer. Will be used specially for trade.	
	Brand Communication effects and Exposure	Measure for consumer exposure to advertising and relevant effects	
	Market Share	Measure of initial creation and increase in market share	Reach 3% in 4 years
	Brand Equity	Number of Loyal customers, brand name awareness and perceived quality	
<b>General</b>	Increase in Sales	Measure of percentage change in Sales due to campaign	36% incremental
	Increase in Profit	Measure for percentage change in profits due to campaign	50% (for S+C as a whole)
	Marketing ROI	Percentage of marketing investment and revenue.	

## 7. Promotions (Below the Line Promotional Activities)

The following section of this report aims at summarizing the suggested below-the-line promotional activities surrounding the introduction of *Compal à Mesa* to both the on- and off-trade channel.

First, a sketch on necessary pre-promotional activities is provided. Secondly, promotional activities for the off-trade channel are specified, both to trade customers and the final consumers.

The last part of this section of the report outlines the schedule and action plan for promotional activities toward the on-trade or HoReCa channel. For a detailed description of Compal's current promotional strategy, please consult Exhibit 35.

## 7.1 Pre-Promotional Activities

Before implementing promotional activities to support the launch of a new product concept for in-and out-of-home home consumption, it is essential to consider the resources needed to convince trade partners to accept the terms and conditions of the particular new product. For *Compal à Mesa*, this essential pre-promotional phase was considered in the overall project schedule and recognizes the need for negotiations with all retail and HoReCa partners involved. Firstly, the concept needs to be introduced and explained to trade customers. Since *Compal à Mesa* is a product designed for a newly created consumption occasion within the brand Compal, it is key to stress the differences in terms of the pricing strategy, margins for the trade partner, overall expected volume and promotional activities. Having the objective to cover distribution within the boundaries of the selected retail and on-trade partners by the 1<sup>st</sup> of November 2016 translates into Compal starting to pitch the concept to trade partners already in the beginning of July 2016, with negotiations lasting favorably not longer than the end of August.

## 7.2 Promotional Campaign – Compal à Mesa

Taking into consideration that promotional activity can be categorized by first distribution channel (on- and off-trade), and secondly by the beneficiary (trade customer and final consumer), the following table summarizes the planned activities for the introduction of *Compal à Mesa*:

<b>Trade Promotions</b>	<b>Consumer Promotions</b>
Trade Trial Promotions <b>Off-Trade Slotting Fees</b>	Consumer Trial Promotions <b>Off-Trade Sampling + “Trial Pack”</b>
Trade Repeat-Purchase Promotions <b>Off-Trade Permanent Top Shelves</b>	Price-Off Promotions <b>Off-Trade 26% Discount</b>
Trade Advertising <b>Off-Trade Retail Journals</b>	Instant-Win Sweepstakes <b>Off-Trade QR Codes</b>

<b>HoReCa Trade Promotions</b> <i>GWPs, HoReCa Merchandise</i>	<b>HoReCa Consumer Promotions</b> <i>Compal Menus</i>
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### 7.3 Trade Promotions

#### 7.3.1 Off-Trade Trial Promotions - Slotting Fees

As previously mentioned, it is crucial for every manufacturer within the packaged goods sector to convince trade partners of the viability of a new product launch. It has become the norm particularly in the Fast-Moving-Consumer-Goods (FMCG) industry for manufacturers to pay new line or slotting fees to retail partners to compensate them for the possible loss in sales that occurs from the discontinuation of other product lines that need to make way for a new introduction. In the case of *Compal à Mesa* and considering that this concept consists of three different flavors i.e. three Stock-Keeping-Units (SKUs), slotting fees of **€50.000** per retail key account are a reasonable approximation according to the brand’s trade marketing team. Considering that in the off-trade channel Compal is cooperating with mainly six retail grocery chains (Pingo Doce, Continente, E. Leclerc, Minipreco, Super Cor and Jumbo), the total sum of slotting fees can be estimated to be **€300.000**.

#### 7.3.2 Off-Trade Repeat-Purchase Promotions – Premium Placements and POS Displays

Trade repeat purchase promotions, which are in general centered on cooperative advertising allowances, take on a different format with regard to the introduction of *Compal à Mesa*. Compal’s promotional efforts concerning brand activation i.e. premium placement or displays at the point of sale (POS) are, unlike in other cases in the FMCG industry, not financially supported by the retailer itself. Compal is solely responsible for the design and execution of premium positioning and needs to commercially obtain the desired space. Activities for *Compal à Mesa* in

this regard should therefore be mainly centered on end-of-isle or gondola displays that allow a higher visibility for the new product line. Additionally, Compal should intent to place *à Mesa* close to the food section or the to-go food counters within retail outlets. For the sake of practicality and since S+C manages the allocation of premium placements and special displays of its brands by key accounts, the following section outlines a possible strategy for the hypermarket chain Continente which owns 40 hypermarkets in Portugal.

Premium placements and special displays are negotiated at the beginning of the year (as explained in the negotiations channel flow part of the Distribution section of this report) which means that S+C needs to purchase shelf space in these areas in advance and allocate it to its brands depending on a number of criteria such as current financial performance of its portfolio, new product launches and seasonality. One possible execution of special displays is the placement of signages (advertising signs) below the regular placement of the product in shelves, catching consumers' attention by visually displaying the words: "For lunch and dinner at the table" (Exhibit 53, blue area below the product). In general, Continente organizes its promotional calendar in periods of 2 weeks, yielding a total of 25 commercial blocks (C1-C25) that can generally be obtained by all competitors within the soft drink or juices sector. In order for *Compal à Mesa* to gain sufficient visibility during the launch of the product first but also after the early communicational buzz has passed, it is necessary to at least allocate six periods of two weeks to *Compal à Mesa*. Presence in every outlet during these promotional blocks is vital. The combined cost of premium placement and special displays can be approximated to €50.000 only for the Continente account. In order to guarantee comparable promotional presence for the remaining six key accounts within the off-trade channel, the promotional budget allows for an overall spending of €305.000 for visibility efforts (Exhibit 32).

### **7.3.3 Off-Trade Repeat-Purchase Promotions - Trade Advertising**

As previously mentioned, trade advertising is an essential promotional pillar that serves to inform retail clients about a new product and ultimately helps to convince them of prospective commercial success. A detailed overview for the concept *Compal à Mesa* with regard to expected turnover, margins for retail clients and recommended list prices to consumers can be found in Exhibit 36. Trade advertising in this respect also includes the presence of *Compal á Mesa* in retail magazines available to the final consumer that help promoting the product in particular when *Compal à Mesa* is on discount. Through not as vital as other activities, this strategy complements the overall promotional campaign.

### **7.3.4 Trade Promotions - HoReCa**

Taking into consideration the low-volume, high-margin circumstances for *Compal à Mesa* within the HoReCa distribution channel, the promotional strategy can be summarized as follows:

First, slotting fees that are a norm within the off-trade channel are replaced by price-offs or discounts to the particular hotel, restaurant or main-meal-serving café, incentivizing the trade customer to initially try the product and test it with final consumers. This trial-generating financial promotion is complemented by gift-with-purchases (GWPs) i.e. branded Compal glass cups that are adequate to the lunch and dinner occasion. Overall, Compal needs to invest in producing personalized merchandise for HoReCa outlets that suits the rather premium positioning of *Compal à Mesa* and additionally stresses the desired occasion of consumption, namely main meal events. Furthermore, Compal has experience with supporting HoReCa outlets in terms of designing display-windows. In the past, this has helped both S+C and respective HoReCa partners to spur sales and drive the Portuguese population toward more out-of-home meal consumption. Finally, for the successful introduction of *Compal à Mesa*, S+C needs to

recognize the importance of waiters as crucial advisors and prescribers to the final consumer. The distribution section of this report takes this into account as well. Therefore, effectively incentivizing waiters through personal selling is of focal importance. One possible mechanism is the rewarding of collected *Compal à Mesa* bottle caps with which waiters can be assessed in terms of how many SKUs they have sold. Possible rewards for waiters could include weekend trips or other common remunerations that Compal currently employs.

## **7.4 Consumer Promotions**

### **7.4.1 Off-Trade Promotions - Launch Sampling**

Trial promotion by sampling can be considered the strongest and at the same time most expensive sales-generating technique. However, due to the fact that the product quality of *Compal à Mesa* can only be judged by actually tasting it, sampling is undeniably the most suitable solution to establish positive brand attitude from the very start.

Keeping in mind that *Compal à Mesa* is a juice exclusively devoted for main meal consumption, consumers in retail outlets should be able to try the beverage firsthand and should be offered a small accompanying dish in order to connect the product to the main meal occasion (c.f. Exhibit 37). In order to strengthen the connection between the product and the occasion of consumption at the table, trial stands will resemble a dinner table and invite consumers to sit down and try *Compal à Mesa* in its pre-specified consumption occasion. Moreover, retail outlets have to be strategically selected with regard to a prefixed set of criteria. SUMOL+COMPAL has experience with conducting similar sampling campaigns for previous product launches (Almeida, 2015). This selection of super- and hypermarkets will also be used for the sampling of *Compal à Mesa* and amounts to a total of 75 POS. Costs for this campaign amount to approximately €22.000 in the first year, €10.000 in the second year and €8.000 in the third year (included in the overall

promotional budget, Exhibit 32). The sampling campaign for the first year will be carried out over four consecutive weekends within the 75 preselected outlets which in turn yields a cost of €15.000 for promoters that have to be contracted to offer *Compal à Mesa* to shoppers and actively promote the launch. Furthermore, it is estimated that €7.000 will be needed in order to cover the product cost of free product trial, including the free dishes accompanying the sampling efforts (Almeida, 2015).

#### **7.4.2 Off-Trade Promotions – Trial Pack**

In order to further foster consumers' willingness to try *Compal à Mesa*, it is viable to consider that the focused sampling campaign in 75 selected POS of *Compal à Mesa* will not reach all possible consumers. Therefore, it is vital to establish an additional promotional tool that helps consumers overcome the barrier of purchasing the product for the first time. Given the fact that the price point of *Compal à Mesa* is comparatively high, one can assume that the price in itself already embodies a considerable barrier of purchase for most consumers. In order to segment consumers with regard to their internal reference price that they are willing to pay for this new product, a focused price segmentation strategy needs to be applied. As previously mentioned in the Product section of this report, an introduction of *Compal à Mesa Trial Pack* consisting of 3x 200ml glass bottles with the three respective flavors, fosters this focused segmentation and helps mitigate the barrier of investing in a product that the consumer is not yet experienced with. Naturally, the introduction of the *Trial Pack* comes at a substantial cost. *Compal à Mesa Trial Packs* should therefore only be made available for a limited period of time of four weeks, simultaneous to the launch of the communicational strategy in March 2017. For more information regarding the underlying pricing rationale, please consult the Pricing section of this report. For an overview of margins, turnover and cost of the Trial Track, please consult Exhibit 38.

### **7.4.3 Off-Trade Promotions - Price-Offs**

The focal promotional tool essential for the success of *Compal à Mesa* is the offering of direct discounts on *Compal à Mesa* to consumers during pre-specified periods. Having a list price of €1,34 per liter, the pricing of *Compal à Mesa* is in line with other products such as *Compal Vital* and *Compal Clásico Especialidades* (c.f. Pricing). The promotional pricing is therefore coherent with current pricing tactics, meaning that the recommended price per liter of *Compal à Mesa* is €0,99 during promotional periods (Exhibit 35 – Compal’s Current Promotional Strategy). These promotional activities will be carried out once every quarter and are pre-agreed upon with retail partners individually. However, super- and hypermarket trade-customers should never have *Compal à Mesa* on promotion at the same time. This sense of segmenting retail clients with regard to promotional planning simplifies the administrative and commercial organization of promotions’ execution and relies heavily on Compal’s sales force to effectively negotiate the concrete terms with trade-customers. More detailed information with regard to the scheduling of promotional activities can be found in the overall advertising communication and promotion schedule in Exhibit 33. This overall promotional strategy is not included in the trade budget since it directly affects *Compal à Mesa*’s top-line sales volumes.

### **7.4.4 Instant-Win Sweepstakes – QR Codes**

In order to tie the promotional strategy to the overall communicational campaign and the digital media strategy for the launch of *Compal à Mesa* in general, an instant-win sweepstake could generate valuable traffic for the microsite of *Compal à Mesa*. By imprinting a QR code on the label of the 1-liter glass bottles, consumers can take part in a lottery that gives them the chance to win attractive culinary prizes that connect *Compal à Mesa* to the enjoyment of sitting at the table.

This allows Compal to engage consumers and interact with them on a digital basis and ultimately helps the collection of consumer data through the microsite.

#### **7.4.5 Consumer Promotions - HoReCa**

Ultimately and with regard to HoReCa trade partners, S+C should seek to customize *Compal Menus* which consist of a combination of the recommended dish of the day of the particular venue and *Compal à Mesa*. The key to success here is that the customer receives a direct economic benefit from purchasing the two offers in a bundle, *i.e.* a lower price than the sum of the single unit prices. The execution of *Compal Menus* could consider the three distinct SKUs *i.e.* the clear positioning of each of the flavors, combining *Compal à Mesa Apple & Orange* with *e.g.* a fish dish, whereas for instance *Compal à Mesa Pomegranate & Raspberry* suits better to meat dish. Here, the presence of so-called dish-of-the-day specialties (“prato do dia”), rather common in Portuguese restaurants during lunch hours, offers an apt point of penetration. This promotional tactic has previously worked very well and helped Compal increase the share of belly of Compal products within the breakfast and afternoon snack occasion (cf. Exhibit 39 – Compal Menu Campaign In HoReCa). For *Compal à Mesa*, this promotional tactic is vital as it further stresses the connection between the product and the specific consumption occasion.

### **8. Distribution**

The following section will further explain the current distribution channels of SUMOL+COMPAL, its members and responsibilities. Therefore, *Compal à Mesa* will have a narrower focus on the routes to market since the concept is designed to enter a new occasion of consumption, creating more availability in modern retailing and HoReCa outlets that serve main

meals. Finally there is a need for understanding possible channel gaps, ultimately trying to reach a zero-based channel.

## **8. 1. The Channels**

### **8.1.1 On-trade**

The on-trade channel refers to HoReCa, the place where the final product is consumed on-site by the end-users. There are two paths to reach this channel: Cash & Carry and distributors. After selling to these two downstream channel members, S+C no longer holds control of the product, merely providing recommendations and incentives to establishment owners. Overall, this channel is characterized by high margins<sup>6</sup>.

### **8.1.2 Off-trade**

The off-trade channel refers to all food retailers (traditional and modern retailing), where the product is consumed off-site. SUMOL+COMPAL sales force deals directly with these food retailers. Additionally, to reach traditional retailing there are two other possible ways: Cash & Carry and distributors. This channel is characterized by high-volume sales, being more noticeable in modern retailing although traditional retailing has more points-of-sale (Exhibit 40). With these two channels in place, consumers take the advantage and opportunity of consuming in their preferred channel and with the provision of different service outputs supplied (Exhibit 42).

## **8.2 SUMOL+COMPAL Channel Structure**

In the following section the distribution structure of SUMOL+COMPAL is discussed, explaining the different channels and their operational reach (Exhibit 42).

A marketing/distribution channel is defined as “a set of interdependent organizations involved in the process of making a product or service available for consumption or use” (Robert Palmatier,

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<sup>6</sup> Avg. HoReCa selling Price is 1.20€ and the Avg. retail price is 0.42+VAT

Marketing Channel Strategy, 1996). After acquiring all of the components for producing juices and nectars (Exhibit 43), SUMOL+COMPAL transforms the fruit, packages and assembles the products (Exhibit 44) in its own facilities that are then sent to the distribution centers (Exhibit 45). SUMOL+COMPAL reaches its end user through three different channels<sup>7</sup>: Modern Retailers (Hypermarkets and Supermarkets e.g. Continente, Pingo doce), Traditional Retailers (e.g. Brick and Mortar stores such as “Ten to Ten” and Coviran) and HoReCa (Hotels, Restaurants, Cafés, Bares, Convenience Stores and Fast Food chains), complemented by Cash & Carry (e.g. Makro and Recheio) and Distributors (e.g. Beira Sumos, Mirasumos) that also sell to traditional retailers and to the HoReCa channel. Throughout this process many specialized logistics operators collect and deliver the products (Exhibit 46). Through the integration of various operational areas (Exhibit 47), Compal has succeeded to eliminate breaches in production processes, sales and invoicing.

### **8.3 Segment addressed type of channel**

The final consumer can choose between two different channels: Modern retailers (off-site consumption), and HoReCa channel (on-site consumption). By taking advantage of SUMOL+COMPAL’s existing intensive distribution, and given the product concept created (high rotational meal time beverage), the chosen type of distribution for *Compal à Mesa* remains intensive for modern retailing. For the HoReCa channel there is a clear favoring of outlets that serve main meals (mainly restaurants) and which generate the highest revenue (Segments S1 and S2) (Almeida, 2015). Introducing the product to both HoReCa and modern retail allows Compal to reap the benefits from high margins in the HoReCa channel and at the same time large sales volumes within the modern retail channel. Knowing this channel selection, the following section

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<sup>7</sup> Although Saborista is considered the channel for the On-the-go occasion, it is out of the scope of this report.

of the report will only analyze the channel flows of the chosen channels for *Compal à Mesa* in order to be more detailed (For further detailed information regarding product introduction and points-of-sale by year see Exhibit 48)

## **8.4 Channel flows**

In order to better comprehend the following section, please report to Exhibit 49 – Channel Flow Responsibilities.

### **8.4.1 Inventory carrying costs (Physical possession and ownership):**

The product is manufactured within SUMOL+COMPAL's facilities, after which it can either be dispatched directly to modern retailing, the HoReCa channel or to one of SUMOL+COMPAL's distribution centers (Exhibit 45), depending on the nature of the product or the need of the client. Thus, ownership is held firstly by SUMOL+COMPAL, (the logistics operator does not carry the title of the product, solely the responsibility of transportation of the physical product) and only transferred to the next channel member upon execution of payment. The end-user holds the same costs after acquiring the product through their selected channel. As mentioned in the situation analysis in the beginning of this report, in the case of demand surges in the modern retailing channel, Compal operates in a Pick by the Stock (PBS) format and the delivery has a 24h maximum time period (Matos) although usually these retailers possess a safety stock. This format is supported by the use of Modis (centralized distribution) where all Compal stock is available and where SUMOL+COMPAL's salesforce, by checking JITDATA (application) can identify stock outs. Regarding product storage and stock maintenance "SUMOL+COMPAL already has a data management system that is used to manage quantity of products in stock, prices and

manufacturing orders” (Castro, 2015). Furthermore, in terms of reverse logistics, there are no current or potential concerns (See Exhibit 50 - Reverse logistics) <sup>8</sup>

**8.4.2 Promotion:** Promotional flow can be done by SUMOL+COMPAL (own sales force) to modern retailers by personal selling, sales promotion, displays and POS material which help the retailer to sell more volume and give the opportunity for S+C to both promote a special product and create price offerings. In-store advertisement is used by Modern Retailers to promote consumer price-offs (with or without Compal’s consent), being that the first carry all the costs attached. With regard to the HoReCa channel, S+C (own sales force) uses advertising (Exhibit 39 – Compal Menu) and personal selling to promote its product portfolio.

**8.4.3 Negotiation:** The company negotiates annual agreements with its channel members, which are renewed every year. These contracts underline the functions each member has to perform and the objectives each has to deliver (special rewards are also covered in the annual contract). In modern retailing, the trade marketing department is responsible for the negotiations of conditions under which the product is sold to distribution. There is a global price list for all retailers set by SUMOL+COMPAL, although this is stipulated verbally through negotiations and is basically a recommendation which not all retailers respect (*e.g.* large groups like Sonae MC lowers prices to meet quarterly objectives). This price list in HoReCa is done personally with each owner of the establishment creating a more personalized price to best fit the establishments’ needs, space and strategy.

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<sup>8</sup> Since 2011, SUMOL+COMPAL due to the investments in the extent of planning, there are now mechanisms to predict demand (SUMOL+COMPAL, Management Report, 2011) such as Electronic Data interchange (EDI), therefore reducing holding costs for SUMOL+COMPAL.

**8.4.4 Financing:** In the HoReCa channel payment can be upfront or due in a month, while in modern retailing there is a checking account where everything is processed and paid in a maximum deadline of 90 days. If the payment is completed within a month there is a discount of 2-5%, this also applies to the HoReCa channel within the same terms of timing.

**8.4.5 Risking:** The risk is a flow that is carried with the physical possession of the product. In case of spoilage, damage, obsolescence, or over-estimated demand each channel member has to assume the responsibility. Additionally there is also the risk for SUMOL+COMPAL of having an unfavorable product launch (*e.g.* Compal Familia Tetrapack).

**8.4.6 Ordering and payment:** In Modern retailing, the ordering is processed with Just-in-Time delivery (lower costs associated in the flow) with the usage of Electronic Data Interchange (EDI) that connects the retailers with SUMOL+COMPAL (being easier to share information). Some retailers have agreements of “trucks”<sup>9</sup>, some have pre-defined days of delivery whereas others order with 48h notice. The level of relationship held with the retailers does not create obligations such as minimum quantities ordered, having in some cases agreements that list quantity discounts and with a service level agreement of 98%. With regard to the HoReCa channel, the ordering is done by Compal’s sales force through a push strategy or whenever a client requests a restock.

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<sup>9</sup> Trucks was an expression used by Mariana Aragão (S+C Account manager) to justify the direct expeditions from Almeirim, of some products (generally with a low aggregate value).

## **8.5 Gap Analysis**

### **8.5.1 Environmental Bound**

As mentioned in the PESTE analysis in the beginning of this report, Portugal faced serious repercussions from the economic crisis after 2011. In the context of distributional channel gaps, this has clearly affected consumers in the sense that proximity to on-trade locations decreased since several outlets closed down due to financial uncertainty.

### **8.5.2 Managerial bound**

The main managerial bound is the lack of knowledge of Compal in entering the category of main meal beverages due to the non-existent experience, which is evidenced by the inability of *Compal Familia* to control the allocation of ideal shelf space in retailers (Exhibit 51). Additionally, the company's action plan does not foresee an introduction of a main meal beverage to the HoReCa channel which embodies yet another managerial bound.

### **8.5.3 Supply Side Gaps**

The managerial bound of Compal's lack of knowledge can result in a negative impact on the mother brand, by neither creating the right message nor having the ideal shelf placement (Exhibit 51). As retailers will only devote shelf-space to a new product if it is a substitute for a manufacturer's own product or if a certain branded product is experiencing low sales, demand must be generated to create interest for the retailer to introduce the product. As previously explained, slotting fees are used in the case of *Compal à Mesa* to overcome this conflict of interest. However, this situation leads to higher inventory holding cost if the product is not in the same place as other main meal beverages, which in turn also negatively affects the way promotional activities are handled.

#### **8.5.4 Demand Side Gaps**

As previously mentioned, spatial convenience in HoReCa suffered a decrease (Exhibit 52), yielding a need to ensure that the partner establishments are the best fit with *Compal à Mesa* and will have the right amount of stock for the demand. The assortment/variety service output is dependent on the retailer's area of sales (higher area of sales, bigger assortment and variety). Although there is substantial variety to choose from in modern retailing, some Compal flavors exhibit low volume of sales (e.g. Uva Concord) (Moreira, 2015). On the HoReCa channel, this occurs in the opposite way since consumers demand more variety to accompany their main meals. Another affected service output is the information provision that does not properly inform and educate the consumer about the product fulfillment, which is linked with the customer service provided in the HoReCa channel.

#### **8.6 Closing the Gaps**

To **close supply side gaps**, the ideal placement for *Compal à Mesa* is within the existing product portfolio of Compal (Exhibit 53). A key requirement is negotiation, in order to obtain retailer support and to develop in-store merchandising (e.g. isles, displays), as mentioned in the Promotion section of this report. To support this new shelf space positioning, displays expressing "For lunch and dinner at the table" are a requirement (See blue line in Exhibit 53) for the information provision. Additionally, there is a shift in channel member roles, by having employees in the chosen HoReCa establishments that act as *Compal à Mesa* prescribers, aiding and recommending consumers' choices of beverage. Furthermore, there is a need to secure the supply of certain seasonal fruits in case of unpredicted climate changes as this will impact costs related to inventory and/or to the provision of fruit from other expensive source (Exhibit 54).

To **close demand side gaps**, there is a need to ensure national coverage on restaurants and cafes that serve main meals (Exhibit 48). With this in mind, a possible threat is the outdated internal application for SUMOL+COMPAL's sales force that only serves for ordering. There is a need to create a CRM system, which should include a map of every possible restaurant, additionally informing Compal of the restaurant owner's schedule and operating days. This would also help the company to assess regular re-stocking orders and help determine which logistics operator needs to deliver the product the next morning. For the sales force, an activity based compensation should be in place for motivation purposes, ultimately generating more revenue for S+C. Furthermore, customer service is truly important in the HoReCa channel since waiters act as prescribers and some end-users demand help in choosing the appropriate beverage in terms of price and suitability for the ordered food. This way the service output supplied by customer service will increase. Regarding Modern Retailing, the most important measure is to take preventive action during *Compal à Mesa's* introduction, therefore having an appropriate message to easily inform the end-user about the occasion of consumption is vital for the increase in information provision.

## **9. Pricing**

Looking at Compal's overall pricing strategy reveals that the brand is subject to different forces from its direct customers. On one hand, large sales volumes are generated by super- and hypermarkets that inhibit a periodical Hi-Low pricing strategy, forcing Compal to work on rather narrow margins at the expense of substantial volume sales. In opposition, the on-trade channel embodies a very profitable segment for Compal since gross margins are between 50% and 60% for the distinct juices and nectars. Overall volume sales are however substantially lower in this

channel. These realities are mirrored in the overall pricing strategy for *Compal à Mesa*. By following a value-based pricing approach to capture the value created through the other marketing mix components, a neutral pricing strategy should be implemented. The next section explores the pricing strategy for *Compal à Mesa* in both the off-trade and the on-trade channels.

## **9.1 Off-Trade channel**

### **9.1 Pricing Strategy**

In order to fulfill the promise of offering a valuable product at an affordable price, previously described in the Product section, it is necessary to infer that it is not possible to set a price based on a skimming strategy (see definition in Exhibit 55) because, in that way, the “affordable” claim would not be valid. On the other hand, it is also not feasible to set a market penetration pricing strategy (definition in Exhibit 56) because by setting the price too low, *Compal à Mesa* would not be consistent with the brand's strategy and positioning (Nagle & Holden, 2011). Thus, a neutral pricing strategy (Exhibition 57) for *Compal à Mesa* should be followed. In order to a better understand how this neutral pricing should be applied in reality, it is crucial to point out that there are two distinct consumers’ segments with different perceptions on the product’s value.

#### **9.1.1 Price Segmentation**

Since *Compal à Mesa* targets everyone who seeks a healthier alternative, it is possible to clearly differentiate two distinct consumer segments: the less price sensitive consumers, mostly composed of single people who seek lower quantities and mainly buy for their own consumption (“individuals” segment); and the more price sensitive consumers, mostly comprised of families who look for bigger quantities and that buy for household consumption (“families” segment).

This is supported by the different true economic values (TEV)<sup>10</sup>, and perceived values (PV)<sup>11</sup> each segment attributes to *Compal à Mesa*. Thus, and after approaching the PV to the TEV (see the rationale for the PV and TEV calculations in Exhibit 58: Value-based pricing estimations) as much as possible through the marketing mix (Dolan & Gourville, 2014), in order to capture the maximum possible value from each segment, it is necessary to develop two different offers targeting the two consumer segments. These two offers, as well as the different PV and TEV for each segment, are summarized in the following table:

<b>“Individuals” segment</b>	<b>“Families” segment</b>
<b>TEV:</b> 2€/L	<b>TEV:</b> 1,67€/L
<b>PV:</b> 1,59€/L	<b>PV:</b> 1,17€/L
<b>Product Offer:</b> 1L single bottle	<b>Product Offer:</b> Double-pack of same flavored 1L glass bottles (2x1L)
<b>Price to retail:</b> 0,76€	<b>Price to retail:</b> 1,27€ (0,63€/L)
<b>Recommended Price (PVP):</b> 1,34€	<b>Recommended Price (PVP):</b> 2,24€ (1,12€/L)

For “individuals”, the offer should be the 1L single bottle at a recommended price of 1,34€, with a price to retail of 0,76€. On one hand, the 1,34€ is an affordable price, due to the fact that consumers will have the same reference price as the existing 1L Compal products. On the other hand, this price still allows to charge a premium regarding its main competitors. The 1L double-pack targeting “families” offers to this more price sensitive segment a larger quantity (2L) with a discount of 16% compared with the 1L single bottle. Assuming a permanent retailer margin of 30% (see main assumptions in Exhibition 59), Compal would be able to establish 47% margin with the 1L single bottle and a margin of 33% with the double-pack solution (Exhibition 60).

<sup>10</sup> The value that a fully informed buyer would attribute to a product (Dolan & Gourville, 2014)

<sup>11</sup> The maximum value a consumer is willing to pay for (*idem*, 2014)

The values depicted above refer to regular, non-promotional periods. However, as explored in the Promotions section, high/low promotional periods assume a key importance in Compal's overall strategy, amplified by the economical recession. In fact, during these promotional weeks Compal sales increase by an average multiplier effect of 2 in hypermarkets and 4 in supermarkets (Costa, 2015). Indeed, for *Compal à Mesa*, a new brand entering in the category of main meals, this promotional tool will allow the company to firstly generate demand and furthermore to increase the brand's growth through repeat purchase. Hence, by following this promotional strategy, the price of *Compal à Mesa* 1L would decrease to 0,99€, with a price to retail of 0,56€ (Exhibit 61: High/Low promotional periods), which is consistent with the prices of Compal's product portfolio. However, the recommended price for the double-pack should not decrease during high/low promotions weeks as the 1L single bottle does, due to two reasons: *à Mesa*'s margins would be damaged and secondly by not cutting the price of the double-pack it is still possible to capture value from the family segment, that sticks with the double pack regardless of 1L promotions.

This double-pack solution targeting the "families" segment should only be launched in September of 2017, when the focus is on increasing repeat purchases. As explained in the Product and Promotions sections, in order to generate trial and demand, a limited edition of a 200ml *Compal à Mesa* trial-pack, with the three different flavors, should be launched in March 2017. The recommended price of this offer should be 1,79€ (2,98 €/L), with a retail price of 1,02€. Due to the high labor costs of packaging production, Compal would only be achieving a margin of 7% for this promotional offer (Exhibit 62). However, since the main goal for the trial pack is to make people try *Compal à Mesa*, it can be considered a structured investment.

## **9.2 On-Trade Channel**

The logic for the pricing strategy in the on-trade channel is similar to the off-trade channel: to follow a neutral pricing strategy in order to offer a valuable product at an affordable price to the consumer. The main difference from the HoReCa channel to the In-Home is that, while down the road it is possible to introduce price segmentation, in the on-trade channel this is not feasible. Another important difference is that, in main meal occasions out-of-home, people are much less price sensitive than when buying for in-home consumption. Hence, by following the above mentioned neutral price strategy for the HoReCa channel, the recommended price to the establishments that serve main meals is 2,50€, with a retail price of 0,87€ for the 330ml bottle described in the Product section. Assuming a 57% margin for the HoReCa stores, Compal would retain a margin of 54% (Exhibit 63 - HoReCa).

## **10. Key Success Factors**

After describing the Marketing Strategy, it is important to look at Key Success Factors before moving to Financial and other planning metrics. These factors are the critical points that any company in the juice industry must face and adapt to. In this context, Product Experience, Distribution and Brand are deemed to be the Key Success Factors for all companies in the juice industry, where SUMOL + COMPAL is included. Product Experience is a success factor because if consumers do not appreciate the product they will not be coming back. In this sense, and in the context of this marketing plan and the proposed solution, *Compal à Mesa* will not succeed if indeed consumers do not repeat purchase or do not see that the product fits their needs. The second factor, Distribution, is also of key importance for the company, as when channel placement goes wrong, customers and consequently consumers will not be reached. Last but not

least, Brand is the other key success factor: in brands resides most of the value for an enterprise in the juice business. Brand recall and brand advocacy are hence key for a company as consumers not only have to like the product but know the brand.

Therefore, the product must be available to consumers, the brand must be known and the product must be liked in order for the company to be successful in the juice industry.

## **11. Profit & Loss**

Having previously defined the different components of the *Compal à Mesa's* Marketing Mix, the next section aims to forecast the results for the upcoming 5 years (until 2020) and point out the main assumptions used to obtain them.

### **11.1 Main Assumptions**

For further and more detailed information about the assumptions that were taken to perform the P&L (Exhibit 64 –P&L), please consult the Exhibit 65 for main assumptions. The figures in the project's profit and loss statement are mainly based on data extracted from Nielsen market researches for the soft drinks market in Portugal (Nielsen, Refreshing Beverages Market, 2014). Considering that *Compal à Mesa* will be available for sale from the 1<sup>st</sup> of November onwards in modern retailers and HoReCa outlets, two different approaches were taken to project results for both channels.

#### **11.1.1 Off-trade channel**

Assuming a permanent margin of 30% for both modern retailers, Hypermarkets and Supermarkets, a benchmark was used for a first pre-communication stage in which sales volumes were approximated to *Compal Família* PET's sales levels. Similarly to *à Mesa*, the

communicational campaign for *Família* was carried out in October 2015, allowing for an estimation of sales without communicational support and accounting only for effects of promotional activities. Since Nielsen's data only goes up to September 2015, for the post-communication stage it is not possible to use *Família* as a reference. In this sense, after the launch of the media strategy, *Compal à Mesa* sales were benchmarked against the sales volume of *Compal Vital*, as these products are rather close in terms of product attributes and consumer profile. Furthermore, the segment weights previously elaborated in the Pricing section of this report were applied: based on data from PORDATA (INE, 2016) it was assumed that the individual consumers segment makes up approximately 30% of the overall consumers of *Compal à Mesa*, while families segment represent the remaining 70%.

### **11.1.2 On-trade channel**

In order to approximate sales volume for the HoReCa channel and since Compal's products are mainly consumed on light snacks occasions and in establishments that do not serve main meals, Lipton Ice-Tea (a key competitor of *Compal à Mesa* in the main meal occasion) quantity sold was benchmarked. For this model, distribution coverage of Lipton was taken into consideration and increasing target rates for the respective financial years were established, having an ultimate goal of 80% numeric distribution in the main meals segment. Furthermore, from this coverage, due to an organic brand growth, a yearly increase in the probability of consuming *Compal à Mesa* instead of Lipton was also assumed. Regarding the margins in this channel, based on information from Compal's direct sales force, a permanent margin for the HoReCa establishments of 57% was assumed.

### **11.1.3 Cost of Goods Sold (COGS)**

Estimations for single units are based on information provided by SUMOL+COMPAL. Taking *Compal Familia's* COGS as a reference and due to the introduction of glass packaging, an increase in transportation costs by 100 p.p. is realistic. Overall, costs of goods sold for the 1-liter unit of *Compal à Mesa* are 0,403€. It was also assumed that COGS for the 0,33l HoReCa SKUs are similar on a per unit basis. Costs for the double-pack on a per liter basis increases by 6 p.p. due to the bundle packaging, while costs for the trial pack are higher due to manual labor when packaging the product.

### **11.1.4 Marketing Costs and CAPEX**

The communications & promotions budget was calculated taking into account the target market share to be reached and the share of voice (for more details, report to the Communications Plan section) which yields a total investment of 2.593.886€ for the first year, 2.100.000€ for the second year and 1.900.000€ over the following years. From conversations with Rodrigo Costa, the below-the-line promotional budget was set on 1/3 of the above-the-line media spending (see Promotions section of this report).

An R&D investment of 1.000.000€ and Inventory of 1.700.000€ was estimated. Additionally, from discussions with Rodrigo Costa, and because *Compal à Mesa* will pressure existing production lines, the acquisition of a new production line will be necessary, yielding an investment of 5.000.000€ depreciated over 10 years.

## 11.2 Results

For a better understanding of this section, please consult the P&L in Exhibit 64. Taking into consideration the above-mentioned assumptions and the ones presented in the Appendix, it was possible to calculate the sales revenues for each financial year. Starting with 11M € for 2017, in 2020 the product is expected to sell a total value of approximately 27M €, with a sales average increase per year of 36% and an average gross margin of 46% (45% in 2017 and 48% in 2020). Knowing from Nielsen's market research that *Compal Vital*, a successful established Compal brand, sold around 31M € in 2014, it is possible to assess that this 27M € is a realistic value. Additionally, it is possible to infer that this increase in sales can mainly be attributed to the strong performance of the on-trade segment in which *Compal à Mesa* shows a strong margin of 54%. Indeed, the HoReCa channel accounts for a weight of 62% of overall sales while the In-Home channel represents 38%, which are consistent numbers for SUMOL+COMPAL's sub-brands<sup>12</sup>. In terms of market share, *Compal à Mesa* is able to get 3,2% of the soft drinks market, meaning a 4,7% within the main meals category<sup>13</sup>. In terms of quantity sold, in 2017 *à Mesa* sells an approximate volume of 12M liters in 2017, while in 2020 sales account for 21M liters.

After deducting taxes from the EBIT (assuming a tax rate of 21%) taking into consideration the CAPEX and having discounted the cash flows (assuming a discount rate of 7%), a NPV of approximately 6.250.000 € is obtained, which embodies a very good investment opportunity. Furthermore, the project yields a ROI of 72% to shareholders and hence offers an above-the-market return when compared to other investment opportunities. Overall, introducing *Compal à*

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<sup>12</sup> In 2014, the on-trade sales represented 63% of S+C total sales and the off-trade sales only 37%. Compal Vital weights are very similar: the on-trade sales are 62% and off-trade sales 38% of total sales.

<sup>13</sup> Assuming that main meals occasions concentrate 68% of the soft drinks consumption (SUMOL+COMPAL, S+C NOVA Briefing , 2015)

*Mesa* to both the on- and off-trade segments can be considered a valuable financial investment opportunity and certainly stresses the viability of capturing the value from expanding *Compal* to the main meal occasion category.

## 12. Control Measures

### 12.1 Key Performance Indicators

In order to understand if *Compal à Mesa* is performing as expected, some quantifiable key performance indicators will be outlined:

1. **% Increase in Sales:** Relation between the implementation of the new product and the sales responsiveness. This is the most direct KPI, since it is the best way to assess a product's performance. **Goal: 36%.**

2. **% Increase in market share:** after assessing sales fluctuation, market share should be considered. Although these indicators are not necessarily related, external factors might influence sales increase, such as economic growth from which every company would benefit, sometimes producing an effect on market share. **Goal: 11 p.p. increase.**

3. **% Increase of Profits:** increase in profit is closely related with increase in sales. However, this value needs to be divided by the percentage increase in costs. **Goal: at least 30% compared to 2014**

4. **% Of new customers:** evaluation of both the number of current and potential customers. If there is an increase on sales originated by one-time-consumers it is not relevant in this performance indicator. As *Compal* wants to attract loyal customers that will repeat purchase, it is relevant to assess which revenues come new buyers;

**5. Customer satisfaction:** It is also important to evaluate if consumers are more satisfied with the brand after the implementation of the new offering that is aimed mainly at attracting new customers but also increasing current customer's satisfaction and consequently retention. **Goal: reach 90% satisfaction consumers and customers.**

### 13. Contingency Plan

Aligned with the proposed strategy for the new offering, Compal needs to prepare itself for unexpected events in order to protect revenue, profitability and its customer base. Consequently, a contingency plan was constructed including the major events that can possibly damage and weaken the structure of Compal in several different ways, in order to prepare the company to act quickly and effectively when faced with such challenges.

	<b>Impact</b>	<b>Monitoring</b>	<b>Reaction</b>
<b>Weak Sales Growth</b>	Expected market share is much lower than expected	Keep a closer track of how many units are sold, per year	Implement an appropriate marketing strategy
<b>Low Customer Satisfaction</b>	Bad Reputation for the brand	Satisfaction Surveys	Modify the product or sales services based on the information gathered
<b>New flavors not appreciated</b>	Unforeseen decrease in Sales	Taste Tests	Introduce new flavors
<b>Price perceived as Premium in HoReCa</b>	Fail to gain market share	Keep track of sales volume	Create affordable prices; Increase promotions
<b>Fail to enter the category</b>	Failure of the main meal penetration strategy	Quantitative Research to access the occasion of consumption	Rebrand the overall concept of the product
<b>Low Acceptance of Retailers</b>	Product not present for consumption in retailers	Number of product orders per retailer	Increase retailers margins

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