



A Work Project, presented as part of the requirements for the Award of a Masters Degree in
Management from the NOVA – School of Business and Economics.

Improvement of Lipton’s business model through wholesalers and traditional supermarkets channel

Cláudia Sofia Vieira Santos, 1245

A Project carried out on the Field Lab in Entrepreneurial Innovative Ventures, under the supervision

of:

Professor Filipe Castro Soeiro

Lisbon, 2014

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Abstract | As opposed to what is happening in other categories, tea category has been increasing over the years in the Portuguese market. So, the main goal of this project is to propose measures, so that Lipton improve its business model through wholesalers and traditional supermarkets, with the ultimate objective of increase its market share. In this sense, it will be presented an evaluation of the leaf tea market and its potential, as well as Lipton's business model, followed by a risk analysis and recommendations, in terms of product, place, promotion, communication plan and processes for Lipton increase its market share, especially through wholesalers and traditional supermarkets.

Keywords: market share, traditional supermarkets, marketing and supply management activities

Literature review | A study from Nielson¹ highlights the opportunity for leaf tea companies to growth their market shares. Hence, Lipton wants to take this opportunity and increase its market share within Portuguese market. According to Court and colleagues, consumers only make their final purchase decision until they are within point-of-sale. This research shows how important it is for brands to invest in merchandising and packaging. Similarly, Kotler argues that an innovative package is able to capture consumer's attention, describe the product and make the sale. This idea is reinforced by Clement, who states that color, shape and size calls consumer attention, leading him to consider the product, and probably resulting in a purchase. In addition, Jacoby and colleagues defend that for frequent and non-durable products, consumers do not give much importance to products information, when they recognize product's brand; knowing the brand makes them feel more confident. However, for Lipton increases its market share and continue to be leader in leaf tea market, it should not only focus on its product. Farris and colleagues argue that by increasing distribution, brands are able to increase its

¹ This one is presented at Brand audit leaf tea report.

market share, since there is a positive relation between them. Additionally, research concerning SCC² suggests that by managing supply chain, through partnerships, companies are able to gain competitive advantage. Lipton's success in leaf tea market is also strengthened by innovation; as stated by Basche and colleagues, brands should be constantly innovating, in order to not be overcome by Private labels, which are offering affordable products, based on imitation.

Scope, main objective and methodology of the project | Lipton believes that, in the leaf tea category, Portugal has growing market potential and there is an opportunity to improve Lipton's business model, namely throughout traditional distribution, sales channels management and marketing activities. So, the big question that remains is, how to increase the market share in value for Lipton in the Portuguese market, while reinforcing business model and supply chain competitiveness through wholesalers and traditional supermarkets. In the next sections it will be analyzed the Portuguese environment, the potentiality of the market, market needs and trends, and how should Lipton be positioned, accordingly to the chosen target. Plus, a marketing mix will be presented, followed by an evaluation of Lipton's capacities, processes and partnerships, to take the market opportunity. After all this, it is possible to discuss major risks, make some recommendations and propose a Communication Plan.

Unilever Jerónimo Martins's description | As multinational, Unilever is a global fast-moving consumer goods company, which is present at more than 190 different countries, under 400 worldwide brands, reaching 2 billion consumers, on a daily basis, worldwide, which shows the high impact of Unilever's brands in consumers' life and its strengths regarding supply chain business models, namely through a wide variety of distribution and sales channels, involving directly wholesalers, who in turn manage traditional supermarkets. It has brands in different sectors: from food/beverages to home and personal care, making their consumers feel and look good. Although the majority of consumers do not

² SCC stands for Supply Chain Competitiveness.

know Unilever³ as a company, they recognized Unilever's brands; in the food/beverage sector, brands as Becel, Olá, Knorr and Lipton are top-of-mind to consumers and are perceived as market leaders. It is also present in Food Solutions, providing products/ services specially designed for Horeca channel.

Lipton's business description | Although Lipton is present in Food Solutions, the main focus is on food/ beverage sector.⁴ Lipton is the world market leader in leaf and ready-to-drink tea brand. It is spread in more than 100 countries, having as its main markets Western Europe, North America, Middle East and some parts of Asia. Also, Lipton is committed to integrate sustainability in tea production.⁵ Aware that western consumers are getting more conscious and worried about the social and environmental impact that tea production has, it saw an opportunity to drive product differentiation from it. However, these concerns are respectively to markets, as English or German, where the demanding for certified tea is very high. By contrast, in Portugal tea is not perceived as a drink that is more valued when it is certified; in fact, only 27%⁶ of respondents agree with this perception. So, Lipton positioning, in Portugal, is not focused on sustainability, but on experiences and emotions. Nowadays one of the strategic option of Lipton is positioning itself as a brand directed to young adults with ages between 18-36 y.o., who are positives and constantly searching for new things and changes, which differentiates itself from its beverage competitors by partnering big retailers, offering flavor, rich and intensive aromas, experiences and emotions, through its patented technologies and excited

³ In fact, Unilever has as strategy to be focused on its brands and not on the company itself. Consumers have a relationship with brands and not with Unilever, as a company.

⁴ While in Food Solutions, products are designed in a different manner in terms of packaging and tea bags (there are some hygiene standards that should be complied by Horeca channel), in Food/beverage sector, Lipton designed its products and activities accordingly to the end-consumer. Notice that this WP is focused on the end-consumer and not in Horeca channel.

⁵ Unilever has in mind a plan of sustainability, which reinforces its brands' willingness to grow and, at the same time, their worries about the environmental footprint and their social impact through their value chain.

⁶ In order to understand the main external factors, which are influencing the Portuguese tea consumption, and consequently understand how to increase Lipton's market share, a market research was conducted with 300 respondents, making it possible to conduct significant conclusions. For more information, please consult Booklet 2, Appendix 1. Regarding this percentage, it is possible to be found on Appendix 1-Section IV, graph 26.

innovations. The other strategic option is to partnering wholesalers and traditional supermarkets, targeting potentially consumers between 35-49 y.o., which will be analyzed in this work project.

External Analysis

I. Environmental analysis | To achieve Lipton's goal, it is important to analyze the Portuguese environment and understand how can we benefit from it. Here, a PEST analysis was made.⁷ Portugal has an opportunity to grow up in terms of leaf tea's consumption, creating an opportunity for Lipton increase its market share. In fact, despite Portuguese are spending less on food,⁸ due to a decrease in their purchasing power, this trend does not verify into tea category.⁹ In addition, people are getting more interested in healthy/well-being issues, which is positive since tea is highly associated with that. Even more, although Portuguese are facing some economic problems, they want to follow trends; i.e. by creating an image of tea as a fun/fashion drink, it gathers conditions to be introduced in Portuguese's routine. Moreover, technology can promote the increase in tea's consumption. Tea can be easily innovative, with higher standards of quality. Despite tea distribution can also be improved, recurring to technology, since customers are now able to buy products online, increasing their convenience, customers still value personalized services and want to be in contact with the product in order to buy it. The fact is that there is only 0.6 %¹⁰ of FMCG sales made online and despite this tendency is expected to change,¹¹ there is still an opportunity to explore the traditional channel. Also, technology allows companies to have a closer contact with consumers, communicating better their message through easier ways as social networks, television, packaging and leaflets posters. Finally, brands as Lipton could benefit from its certified tea, since now tea comes from a healthier supply chain.

II. Market analysis

⁷ To understand the Portuguese environment and how can Lipton benefit from it, in order to increase its leaf tea market share, a PEST analysis was made; for more information, please consult Appendix 2.

⁸ In fact, Portuguese expenditures on food suffered a decrease of 2.3% from 2012 to 2013; for more information please consult Appendix 2.

⁹ This will be better explained in *Market needs and trends* section.

¹⁰ Source: HiperSuper, January 2012.

¹¹ In 2015 it is expected that FMCG sales made online increase to 2.1% (source: HiperSuper, January 2012).

At the Present | In tea category, there are six players in the market: Lipton, Tetley, Tley, Private Labels (PL), Rótulo Azul¹² and Ahmad. This market is segmented according to Herbal infusions, black, green and white tea, having the first two the highest slice of the market. Unilever-JM,¹³ under Lipton brand, is the leader in this category, having a market share of 43.6%¹⁴ in 2013. Lipton is leader in herbal infusions and black tea category, with a market share of 54.6% and 32.9% in 2013, respectively. Today, the biggest competitor of Lipton is not Tetley but, in fact, PL. These ones, over the last three years have been gaining relevance, increasing its market share to 17.6% in 2013.¹⁵ Although they are a smaller player when compared with Lipton, they are gaining market share and, in fact, overpassed Lipton in the green tea category, with 24.7% and 20.6% of market share in 2013, respectively.

Market Potential | Tea category has been increasing over time in Portuguese market; in fact, the category value, in million euros, has been suffering, since 2000, an increase every year. In the last three years, although in 2011 there was a decrease of 0.9%¹⁶ in category value, the tendency remains: in 2010 there was an increase of 4% and in 2012 this increase was 6.3% in category value, recovering the decrease saw in 2011. Plus, in 2010 there was an increase in volume by 2.8% and in 2012 this increase was 12.2%; although in 2011 the volume suffered a decrease of 2.7%, this one was recovered in 2012. Furthermore, looking at the penetration of leaf tea category, it still has potential consumers: there are 66.2%¹⁷ of people who enter in the store and buys leaf tea, meaning that this percentage has space to increase. In addition, the idea that companies as Delta are investing in the tea category suggests that these ones believe in the potential of this market. Actually, Delta Cafés, established a partnership with

¹² Note that Rótulo Azul is going to leave the market.

¹³ Unilever-JM stands for Unilever Jerónimo Martins.

¹⁴ Regarding all market shares referred in this sector of market analysis, they referred to January 2013 and have as source Brand audit leaf tea Report, key players. For more information, please consult Booklet 2, Appendix 3, graphs 28,29,30 and 31.

¹⁵ In fact, in 2011 Private labels had a market share in leaf tea category of 10.6% and in 2012 they were able to increase it to 13.4%. In 2013, they saw, again, an increase of their market share, this time to 17.6%, gaining relevance in this market (source: Brand audit leaf tea report, key players).

¹⁶ Regarding all growth rates concerning category value and volume, they have as source Brand audit leaf tea report, market size and growth.

¹⁷ Source: Brand audit leaf tea report, buyer behavior.

the British company Tetley, in order to create tea pods to serve the market. In summary, tea category has potential to increase, meaning that there is space within the Portuguese market for an increase in the consumption of leaf tea, in general, and Lipton leaf tea, in particular. In fact, despite the economic recession that Portugal is facing, Portuguese are able to consume more tea; there is an evidence of customer value: 41%¹⁸ of consumers considered price as a dimension not so relevant to their consumption, as the benefits perceived and valuable when drinking tea, as taste, variety and contribution to well-being, leaving room for Lipton improve its brand communication.

Competitive Assessment | Although Lipton is the major player in the market, it is not increasing at the same pace as tea category: the category saw an increased of 4.4%,¹⁹ while Lipton growth rate was 3.6%, in 2013. This means that Lipton is not exploring some opportunities in the market, which probably are being explored by its competitors. So, to increase its tea consumption, Lipton needs to understand where is the gap and take some actions to steal market share from its competitors, by capturing other-brand switchers,²⁰ developing the brand. For this understanding, a perceptual map was made:²¹ in fact, consumers value dimensions as price, quality, convenience and variety.²² Lipton stands out from its competitors, in terms of quality and products' diversity. However, it is one step behind concerning convenience: although it is offering more convenient solutions when compared with PL through its patented pyramid tea bags,²³ it is not yet present into tea pods market. Hereupon, Lipton should start investing in this market, in order to be positioned as the higher convenient tea brand, as well. Also, there is a complementary gain coming from the development of the category; in

¹⁸ For more information regarding these dimensions valued when drinking tea, please consult Booklet 2, Appendix 1- Section IV, graph 14.

¹⁹ Source: Nielson Marketrack.

²⁰ Here, these consumers consider a set of brands, in which Lipton is not yet included. So, the goal is to make part of consumers' considerations concerning leaf tea brands.

²¹ For a closer look, please consult Appendix 4.

²² Looking at products substitutes, and market needs and trends, it was possible to infer which dimensions consumers value most.

²³ In *market needs and trends* section, it is going to be explained the pyramid tea bags' advantages.

fact, only 15% of tea consumers are considered as frequent consumers,²⁴ showing how undeveloped the category is. Notice that, besides wanting to make actual Lipton consumers take more tea,²⁵ the tea category development also implies capturing new category users, i.e. Lipton wants to reaching up.²⁶ The main constraints for a higher level of tea's consumption over the day are: preference by other drinks and lack of habit to drink tea, with 33%²⁷ and 28% of consumers considering these as main constraints to a higher level of tea's consumption/per day, respectively. So, besides direct competition, Lipton also needs to deal with product substitutes: in different consumption occasions, consumers drink different beverages; however, milk and coffee stands out, since they were the most chosen in breakfast and before bedtime occasions, breakfast and during the afternoon occasion, respectively.²⁸ So, it is important to understand what companies are doing in order to make part of consumers' routine and how can Lipton learn from them. First, coffee: it is a long-standing drink in Portuguese culture.²⁹ It is perceived as a social drink and, consequently, consumed mostly out-of-home; in 2006, 70%³⁰ of this consumption was made out-of-home. However, this tendency is changing; in 2009, 63%³¹ of coffee's consumption was made out-of-home, i.e. Portuguese are starting to reverse their consumption's habits and take coffee in-home. Companies started to see new needs unexplored and a new revolution era in coffee market has occurred: coffee pods were the main responsible for this changing habit, enabling Portuguese to drink coffee at home with highest levels of quality, convenience and with a lower price per unit. In fact, consumers are becoming more demanding in terms of quality and variety, meaning

²⁴ Frequent consumer is the one that consume tea at least three times during the day. For more information, please consult Booklet 2, Appendix 1 - Section IV, graph 10.

²⁵ Here are included brand loyal and favorable-brand switchers.

²⁶ According to Unilever Annual report and Accounts, "reaching up" means encouraging more consumers to use their premium brands.

²⁷ More information available in Booklet 2, Appendix 1 – Section IV, graph 13.

²⁸ For more information, please consult Booklet 2, Appendix 1- Section IV, graphs 3,4 and 5.

²⁹ In fact, 80% of Portuguese population consumes coffee (source: Distribuição Hoje, October 2010). Plus, 6,267,000 coffees are consumed, on a daily basis, only under Delta Cafés brand (source: Delta Cafés website), and on average, each Portuguese drinks 2.2 cups of coffee per day (source: Distribuição Hoje, October 2010).

³⁰ Source: Distribuição Hoje, October 2010.

³¹ Source: Distribuição Hoje, October 2010.

that pods have a good chance of satisfying these new needs.³² Its market is increasing over the years; in 2010 it saw an increase of 102.9 % and 116.8%,³³ in volume and value, respectively. Furthermore, in 2012, coffee pods were the leaders in coffee consumption in-home segment. This market is in such expansion that coffee brands as Delta decided to create tea pods as well. In fact, they saw an opportunity in the market, since 67%³⁴ of coffee consumers are also tea consumers, which means that by offering tea pods, they are now able to consume tea with more comfort and in a convenient way. Moreover, Delta has the advantage that its Delta Q's machine is prepared to receive tea pods too, meaning that consumers do not have to incur in costs with other machines. Second, milk: it stands out due to its contribution to health and, mostly, due to its convenience, being easy to be prepared and carried, through milk packs. In summary, looking at these substitutes, it is possible to infer that consumers value dimensions as quality, variety, convenience and contribution to health.

III. Segmentation and Targeting | The market is segmented through age and life stages of consumers.³⁵ The question is, what is the most adequate positioning for Lipton's brand, in accordance with the chosen target. Since the focus of this project is on traditional supermarkets, and the goal is to increase Lipton's market share, the target is going to be chosen considering the distribution channel, frequent consumers that go to that channel and from those who consume tea only one or two times per day.³⁶ Bearing this in mind, it is possible to say that the target will be: those who have 35-49 and 50-64 y.o., since are the ones who shop frequently at traditional supermarkets³⁷ and do not consume

³² Coffee pods stands out due to its quality and diversified coffee's blends.

³³ Both increases in volume and value of coffee pods market have as source Distribuição Hoje, October 2010.

³⁴ According to Rui Miguel Nabeiro, Delta Cafés administrator.

³⁵ Lipton has already defined how market segmentation should be: consumers are grouped accordingly to age ranges, *up to 34*, *35-49*, *50-64* and *more than 65* y.o.; and accordingly to life stages, i.e. *single young couples without kids*, *single adults or adult couples without sons*, *couples with young kids*, *couples with teenagers*, *couples with grown up sons*, *single parents HH* and *retired* (source: Brand audit leaf tea report, key HH driving Market growth).

³⁶ These are considered as not frequent consumers of tea.

³⁷ Note that from the Market research conducted, it was not possible to infer who shop frequently in traditional supermarkets, i.e. which age range goes more often to this point-of-sale. In this sense,

frequently Lipton tea during the day.³⁸ However, looking at the strategic option that Lipton wants to follow,³⁹ the age range of 35-49 y.o. is the most appropriate. This target decision is reinforced through the comparison between both ranges. In fact, the first one is more valuable since people have a higher volume and spend per act: on average, they spend 61 grams on volume per act,⁴⁰ while 50-64 y.o. has a volume per act, on average, of 48 grams. Also, 35-49 y.o. has a spend per act, on average, of €2.16, while 50-64 y.o. has, on average, €2.13. So it makes sense for Lipton to focus on consumers with age between 35-49 y.o. Since Lipton wants to catch new category users as well, these ones, characterized as non-consumers of tea, and with ages between 35-49 y.o., also make part of the target segment. It is relevant to refer that this chosen target is characterized⁴¹ as *couples with young children and teenagers*, i.e. they are able to influence the youngest target; only 15%⁴² of consumers with ages *up to 34* agree that tea is a drink to older-people, meaning that youngest consumers see tea as drink direct to them, too.

IV. Market needs and trends | Due to economic conditions, Portuguese consumers saw their purchasing power decrease,⁴³ changing their consumption behavior. A new profile of consumer has appeared: there is a more rational, informed and restrained shopper, who is increasingly consuming at home. Also, consumption trends are changing; consumers are spending less on food, with an exception of basic goods, and other products as tea. In fact, in 2012 leaf tea category saw an increase on its value,⁴⁴ not due to an increase on price, but to an increment in volume. Despite there are less

interviews to 5 traditional supermarkets were made, to infer who are the frequent consumers of this channel. For more information, please consult Appendix 5, interview to traditional supermarkets.

³⁸ In fact, within age ranges 35-49 and 50-64 y.o. only 19% and 13% of consumers are considered as frequent ones, respectively. For more information, please consult Booklet 2, Appendix 1 – Section IV, graph 11. In addition, Lipton has a low penetration rate in both age ranges, with 17.8% and 22.8%, respectively (source: Brand audit leaf tea report, key HH driving market growth).

³⁹ Remember that Lipton is focused on young adults who search for change and new things; more information, please review *Lipton's business description* section.

⁴⁰ All information regarding volume and spend per act are referred to 2012 and have as source Brand audit leaf tea report, key HH driving market growth.

⁴¹ According to Brand audit leaf tea report.

⁴² Source: Market research, Portuguese perception regarding tea.

⁴³ For more information, please consult PEST analysis, on Appendix 2.

⁴⁴ For more information, please review *Market potential* section.

consumers acquiring tea, the ones who buy tea, buy it in more quantities.⁴⁵ Actually, in 2012 there was a slight decrease of 0.15%⁴⁶ of HH, and an increase of 22% in grams bought by HH. Also, consumers are increasingly appealing to PL.⁴⁷ Although this tendency had become a reality concerning tea, consumers are still characterized as smartshoppers.⁴⁸ In fact, Lipton is still a market leader and 35.8%⁴⁹ of consumers are loyal to this brand. From this, it is also possible to say that, at least for now, leaf tea category is considered as a blocked category.⁵⁰ In table 1, it will be presented market needs.

Table 1. Market needs

Consumers need...	Lipton should...
This new trend of reverse the consumption to in-home, instead of out-of-home, is not new in what concerns tea. In fact, tea consumers considered home as their elected place to drink tea, being home chosen 95% ⁵¹ of the time. This leads to demands as quality and convenience .	Lipton can bet in tea pods . This is an attractive market, which is increasing, and is recognized by its convenience. Lipton is thinking about a partnership with Nespresso: as was said, 67% of coffee consumers are tea consumers too, i.e. both pleasures can be joined. Lipton could also influence this target consumption through their pyramid tea bags : they have no longer to hold and shake their tea bags; it has the ability to spread its components by itself.
Although home is the main market, there is also a need to consume tea out-of-home; in fact, workplace was chosen 45% of the time, as a place to take tea. In this sense, convenience is also a need for those consumers too, more precisely the transportation factor.	Lipton can benefit from cross-selling : nowadays, it is fashion and convenient to have Sigg Bottles, which can be sold together with leaf tea in traditional point-of-sale. Consumers could perceive value when acquiring both products: they get a trendy product, which allows them to take their tea anywhere they want. Plus, it is a transversal idea: it can attract other segments rather than 35-49 y.o. ⁵²
Variety is another need felt by consumers. Actually, 72% ⁵³ of tea consumers assume that they drink tea since there are a large variety of existing flavors.	Tea pods , offer different blends, enabling variety. Lipton should also invest in tasting actions , enabling consumers to try innovations within point-of-sale. This is possible in traditional supermarkets since there is a closer relationship between consumers-owner/employee, which does not occur in hiper or supermarkets. Although consumers have a busy life, they are willing to try and savor a cup of tea while they have a moment of conversation with employee, with whom they have a relationship.

⁴⁵ This could be due to the fact that consumers are now more present at home. They are consuming more in-home, arousing their desired for tea.

⁴⁶ Source: Brand audit leaf tea report, buyer behavior. Notice that HH stands for Household Buyers.

⁴⁷ For more information, please review *At the present* section.

⁴⁸ According to Kantar Worldpanel, a smartshopper is a person who buys from more expensive brands when he sees a clear value to him; by contrast, in the rest of the cases, he buys from cheaper brands taking into consideration the relation between price/functionality.

⁴⁹ Source: Brand audit leaf tea report, buyer behavior.

⁵⁰ A blocked category is a category in which Private labels cannot impose to manufacture brands.

⁵¹ Both percentages about place to take tea have as source Booklet 2, Appendix 1- Section IV, graph 16.

⁵² The youngest segments might feel attracted since Sigg bottles are nowadays a trendy product. In addition this cross-selling might be successful among older segments as well, since it is not an idea which makes them provide high levels of resistance.

⁵³ More information available in Booklet 2, Appendix 1 – Section IV, graph 14.

Nowadays people have to reconcile many responsibilities, making them feel stressed. In this sense, people feel tea as an attractive drink: it leads them to stop for a while, sit and enjoy a moment of relaxation .	Lipton should reinforce this idea of tea as a way to relax , in its communication strategy .
Consumers also need energy .	Consumers do not appeal to tea in order to get energy; only 29% ⁵⁴ of consumers stated that they drink tea to get energy; the majority of them appeal to coffee/other drinks in order to be satisfied. Lipton could aware the efficacy of black tea to get energy : while coffee is drunk and has its peak of energy right away, black tea is enjoyed through longer minutes and it gives energy, which lasts more time.
Portuguese needs a social drink .	However, coffee is the elected drink, having only 35% ⁵⁵ of respondents who see tea as social beverage.
Consumers drink tea for therapeutic manners and to obtain well-being , with 74% and 75% ⁵⁶ of respondents associating tea as a therapeutic drink and stating that they drink tea to obtain well-being, respectively.	Lipton should reinforce this idea of tea as a way to obtain well-being , since consumers are increasingly searching for new ways to achieve it.
Portuguese do not demand certified products .	Lipton should not make much efforts to communicate its certified tea, since consumers do not value it.

Source: own representation

V. Consumer buying behavior | It is important to analyze consumers' buying behavior⁵⁷ in order to Lipton understand when/how/where/whom it should initiate its marketing activities. Looking at the BSM,⁵⁸ there are two interveners in the decision-making process: women are simultaneously initiators, analyzers, deciders, buyers and users, since they are the ones who have the need, brand considerations, decide which product to buy, realize the purchase and use it for their own consumption. Men are initiators and users, leaving the other roles to their wives. Moreover, the need for tea emerges at home, meaning that Lipton should start its marketing activities at home, too. In fact, the majority of target consumers have already in mind buy their tea when they go shopping in the usual point-of-sale.⁵⁹ Also, point-of-sale is the elected place for consumers make their brand considerations, i.e. they considered

⁵⁴ More information available in Booklet 2, Appendix 1 – Section IV, graph 14.

⁵⁵ Percentages regarding social and therapeutic dimensions are available in Booklet 2, Appendix 1 – Section IV, graph 26.

⁵⁶ More information available in Booklet 2, Appendix 1 – Section IV, graph 14.

⁵⁷ Note that these consumers are tea consumers in what concerns the chosen target, i.e. those with ages between 35-49 y.o. For more information in terms of target's choice, please review *Segmentation and targeting* section.

⁵⁸ BSM stands for Behavioral Sequence Model. For the purpose of this research, some interviews were conducted; for more information please consult Booklet 2, Appendix 5, interviews to tea consumers, following the Consumer Buying Behavior research. The final results are presented in Booklet 2, Appendix 6, table 1.

⁵⁹ More information available in Booklet 2, Appendix 1 – Section IV, graph 20. Notice that this graph is relative to the total tea consumers surveyed. However, the conclusions are the same for these target consumers.

tea as a product which does not required an extensive search of information, and to realize their purchase. Home, was also their selected place to consume tea.⁶⁰ Each stage is short-lived, since it does not last much time. In fact, this target goes shop at least 2 times in a month, meaning that the gap between need arousal and need satisfaction is small. Additionally, consumers/buyers do not take much longer considering brands; actually, some of them do not take brand considerations at all, since they have already their product of choice. Even in the case of consumers/buyers who acquired their tea in weighted manner,⁶¹ this does not take to long, too: tea is frequently bought,⁶² which means that the post-sales' implications are not significant enough to waste much time considering brands. Since tea is a convenience product, consumers purchase it in the same moment they decide which tea to buy. Finally, the need for tea appeared from two stimulus: an internal stimulus, or because of an external stimulus. For this last one, the word-of-mouth and television have the highest contribution.⁶³ However, internal stimulus was pointed out as the main driver to consume tea. Furthermore, consumers/buyers only consider brands that have stayed in their memory,⁶⁴ i.e. accordingly to their brand awareness.

VI. Positioning | Looking at perceptual maps, Lipton stands out from competition in quality and variety dimensions. In this sense, Lipton's positioning should be to adults with ages between 35-49 y.o., who are constantly overlap by their busy life and searching for new concepts of lifestyles, Lipton's leaf tea offers a me-time moment combined by unequal standards of quality and tastes, more than other beverages, due to its patented technologies and enthusiastic innovations.

Internal analysis

I. Marketing mix

Product | Looking at the Ansoff's matrix, Lipton wants market penetration, but also it wants market

⁶⁰ According to the answers obtained through interviews made.

⁶¹ A weighted choice is the one where the consumer arrives at tea's shelves, compare different types/brands/prices/promotions of tea and goes away with his product.

⁶² Tea is frequently bought when compared with more complex products.

⁶³ Accordingly to the answers obtained through the interviews made.

⁶⁴ Accordingly to the answers obtained through the interviews made.

development. To achieve these goals, it is necessary to understand what Lipton's products could offer to consumers. One of the main drivers for consumers drink tea has to do with the variety of existing flavors, which creates an advantage for Lipton, the mother of tea innovation and diversity; it offers black, green/white and herbal/infusions tea. Within each line consumers have the chance to choose simple or tea with flavors. In addition, Lipton's products are an adaption of consumers' needs and desires, which creates a competitive advantage to the brand.⁶⁵ Aligned with its differentiation strategy, Lipton invested in pyramid tea bags and tea with a cupcake flavor, a product completely different from the others presented at the market. However, it is a step behind concerning the new market trends. In fact, Lipton is not yet in the market offering its product in a more convenient version: tea pods. Also, one important component of the product mix is packaging: it assumes an important role since it captures consumers' attention, describe the product and make the sale (Philip Kotler, 2008). An innovative package could lead to the perception of an innovative product, which could catch consumer's attention, leading them to desire it. In fact, some research had pointed out that visual attributes such as color, shape and size, lead to the so-called tipping point where "consumers stretch out their hand and enter the physical action phase, which probably results in a purchase" (Jesper Clement, 2007). This means that consumers/buyers could consider the brand not only through its awareness and image,⁶⁶ but also because there was some visual aspect that woke their interest. In other words, packaging could have an important role for their consideration too; actually, 40% of consumers change their minds because of something they see, learn, or do at this point, i.e. packaging, placement or interactions with salespeople (David Court and colleagues, 2009). To verify if Lipton is able to outstand from other brands in the shelve three non-consumers were tested:⁶⁷ they considered Lipton as

⁶⁵ An example of this is the re-launch of Lipton Yellow Label, which was previously considered by consumers as a bitter and without novelties tea.

⁶⁶ As was stated by tea consumers, following the Consumer Buying Behavior research.

⁶⁷ To understand how Lipton's packaging is affecting consumers buying behavior, three non-consumers were asked to go at a supermarket and look at tea shelves. This mini-test was done at non-consumers of

a possible brand to buy due to its flashy colors, large variety of flavors, different packages sizes, which calls their attention. Also, if you want some dimension and value information, in the case where purchasers are not familiar with the brand (Jacob Jacoby and colleagues, 1977), Lipton also disposes that, making a difference regarding other brands; however, there is a lack of this information concerning its 10 bags' format, meaning that Lipton should also dispose nutritional information in these ones. Furthermore, it was acknowledged that tea with flavors are not available in 10 tea bags format; this has implications in terms of purchase, since for a first trial, consumers do not want to buy 20 tea bags. So, Lipton should be able to offer its flavor teas in 10 tea bags format, too. Also, Lipton's package is not environmental friendly, which is something that Lipton should work on, since consumers are increasingly environmental conscious.⁶⁸

Price | According to Lipton's differentiation strategy, consumers pay a premium price for an unique product. However, there are differences in terms of prices according to the point-of-sale. Lipton sells its products to wholesalers at a defined price called GSV. In turn, these ones establish their prices accordingly to their margins, charging a PVP price. Though, this is not the price that end-consumers pay; when traditional supermarkets buy tea to wholesalers, they established their own margin, meaning that depending on where consumers buy their products, they are able to pay a different price. For e.g., in one traditional supermarket at Telheiras linden infusion costs €1.02, while in another at Laranjeiras this same infusion costs €0.85.⁶⁹ However, despite this difference, price is still considered as premium. In addition, Lipton organizes promotional pricing approaches as BOGOF;⁷⁰ i.e. a sell-out technique to encourage traditional supermarkets to buy its leaf tea. Also, one wholesaler could sell tea products at a lower price than other wholesaler, when it get an opportunity to do so; for e.g., from an arrangement

tea, who are buying tea for the first time, since tea consumers have already some brands in mind, influencing their ability to take significant conclusions regarding packaging.

⁶⁸ For more information, please review PEST analysis, Appendix 2.

⁶⁹ Visits were made to two different traditional supermarkets, one in Telheiras and one in Laranjeiras, in order to infer the difference in prices.

⁷⁰ BOGOF stands for buy one get one free.

between Lipton and Macro, this last one could be able to buy leaf tea at a lower price, meaning that it could sell it to a lower price, too. Since, it is expected that the chosen target increase its Lipton's leaf tea consumption with the predefined price, there will be no recommendations regarding it.

Place | Lipton has a different distribution path concerning traditional supermarkets, i.e. between them, there is a wholesale channel.⁷¹ Thus, it is essential that wholesalers are able to store Lipton's products; while that are increasingly more products available to consume, the space available to store all of them is limited, meaning that wholesalers have to displace some products in favor of Lipton's ones (Greg Thain and John Bradley, 2012).⁷² Farther, there are two aspects that Lipton should consider: it needs to take actions not only for the end-consumer, making them buy its leaf tea, but also, to make traditional supermarkets buy their tea.⁷³ This last one is crucial since there is a relationship between the extent retail Distribution achieved and market share. Since the focus is to increase Lipton's leaf tea market share, it has to embrace in actions that make its products available in more traditional supermarkets and in more quantities; by increasing distribution, market share accelerates, since product reaches more triers and is more available to them repurchase it (John R. Rossiter and Steven Bellman). Lipton is also committed to implement the concept of Perfect Store.⁷⁴ By Perfect Store, Unilever wants to ensure that there are not ruptures in terms of stock, avoiding that consumers switch to other brand,⁷⁵ the space in the shelves are fair according to each tea brand's market share, promoting some visibility to Lipton's products,⁷⁶ tea products are displayed accordingly to a certain planogram defined by Lipton, which

⁷¹ Here traditional supermarkets appeal to wholesalers as Macro and Recheio, in order to be supplied, as opposed to big retail, where Lipton sells directly to them.

⁷² Lipton appeals to sell-in actions, in order to induce wholesalers to put its products available in the shelves. These ones are going to be seen at the *Promotion* section. Plus, Lipton makes its products available to wholesalers through Luís Simões company, which core business is focused on transportation and logistics.

⁷³ Contrary to big retail, where there is only the retailer between Lipton and end-consumer, here Lipton have to influence both traditional supermarkets and consumers, besides the wholesalers, to buy its products. To do this, Lipton takes some actions, which are going to be explored in the next section.

⁷⁴ At least for now, this concept is only being implemented in the big retail, as Pingo Doce.

⁷⁵ If brands are most of the time unavailable, there is a probability to switch to other brands or to switch to other stores, if these ones do not have constantly the products consumers want.

⁷⁶ Lipton is the market leader in leaf tea, meaning that it is entitled to have more space in the shelves, benefit from a higher product's visibility.

decreases confusion in consumers when they arrive at tea shelves, facilitating their purchase experience,⁷⁷ and there are visibility materials in the shelves. A better experience in-store leads to an improvement in terms of sales, since consumers are willing to purchase more frequently tea. Pilot studies in India and Argentina show that outlets joined for the Perfect Store program grow on average 4% more than other outlets (Unilever Annual report and Accounts, 2012). Though, this concept is not yet implemented in traditional supermarkets. However, clear benefits for both parties are evident.

Promotion | Promotions activities are not directed only for the end-consumer but also to Lipton's intermediates. Lipton has to battle to put their products within wholesale stores; this is made through sell-in actions as price and slotting allowance.⁷⁸ Also, this work becomes easier when Lipton is dealing with Recheio; in fact, Lipton has an advantage over its competitors, since Recheio is more flexible to receive its tea products and put them into its shelves.⁷⁹ These actions are important, especially for innovations since induce wholesalers to have a first trial, or encourage them to repurchase these products. Lipton should also make traditional supermarkets buy its tea; from a visit made at Macro and Recheio,⁸⁰ it was found that traditional supermarkets were appealing to PL in what concerns tea, buying only the core Lipton's products, i.e. melissa, camomile and linden infusions. This could affect the consumption of Lipton by the end-consumer, since black, green and tea novelties are not available in the traditional point-of-sale. Aware of this, Lipton has already taken some sell-out actions, namely premiums, i.e. gifts directed to traditional supermarkets, influencing them to buy its tea.⁸¹ These actions

⁷⁷ Tea products are organized according to Lipton brand and types, being each type of tea organized in a vertical way. For a closer look, please consult Booklet 2, Appendix 6, figure 1.

⁷⁸ These actions are, for instance, as with the purchase of one car the store can have a discount on price or with the purchase of one car the wholesaler receives 100 packages of leaf tea free, respectively. Notice that one car means a set of leaf tea's packages; for e.g., 300 packages of yellow label.

⁷⁹ This is due to the fact that Unilever has established a joint-venture with Jerónimo Martins, where Unilever holds 55% of participation, while Jerónimo Martins holds 45% of participation, and Recheio belongs to this last one.

⁸⁰ For the purpose of this project, some visits were made to the wholesale channel and big retail. These ones were guided by two different Unilever's salesmen: one of them responsible for the big retail (as Pingo Doce) and the other responsible for the wholesale channel (as Macro and Recheio).

⁸¹ These gifts are different from the ones seen at the big retail. These are, for instance, teapots and cookies, which are intended for traditional supermarkets, and not for the end-consumer. They could be on

should be continued in order to encourage traditional supermarkets to buy Lipton's leaf tea, besides the core ones. Lipton is also committed to establish products' visibility:⁸² it is determined to create islands, displays and tops to change traditional supermarkets' behavior concerning tea purchase. Also, Lipton has already created a planogram in order to define tea's disposition in the selves, catching traditional supermarkets' attention and promoting a purchase experience less confused. Still, some problems were detected over the visit at wholesalers: the fact that different types of black tea are all together and the packages are very similar, seems that they are all the same, at the traditional supermarkets' eye, making them despise certain types of tea that could be purchase to their stores. So, Lipton should look at its defined planogram or try to distinguish its products' package. Notice that, by changing the package Lipton incurs in costs, while in planogram it does not, seeming this last one the most viable choice.

The consumption of Lipton's tea among Portuguese is not only a problem of product, but also an issue in terms of distribution channels management. In fact, consumers' experience, within traditional supermarkets, could have an impact in their consumption. Furthermore, 43%⁸³ of tea consumers stated that there is a lack of product's visibility, when they are buying tea at traditional supermarkets. This is a problem, since lack of visibility impacts consumers buying behavior: consumers/buyers are bombarded with different brands of different categories, meaning that they spend few time searching for their tea; if they do not find it, they goes away without it. Moreover, by creating tea visibility could lead to an increase of purchase frequency since consumers/buyers, who do not have tea in their shopping list, remember to buy it; essentially, 63% of tea consumers, who remember to buy tea in result of a visibility action, stated that product visibility is important.⁸⁴ Also, there is a possibility for consumers/buyers have an impulsive purchase, having for some of them their first trial, enabling

charge of traditional supermarkets' owners/employees for their personal use, or they could be sold at a price defined by traditional supermarkets to the end-consumer.

⁸² Lipton has two teams working "on the ground": there is a salesmen team, belonging to Lipton, who visit a certain number of wholesale stores; and there is an outsourced team, belonging to Selplus company, who is in charge of the remaining wholesale stores. Both teams are in charge of negotiations in terms of space for the product and visibility actions.

⁸³ More information available in Booklet 2, Appendix 1 –Section IV, graph 25.

⁸⁴ More information available in Booklet 2, Appendix 1 –Section IV, graph 21.

Lipton to increase penetration. Farther, since consumers need variety, it is important to implement sampling actions within traditional point-of-sale, so that these consumers/buyers get to know Lipton's innovations. This is an effective way to induce a first trial and to result in an actual purchase since there is a reciprocal obligation; they might feel obligated to buy, since they are trying a product in front of traditional supermarket's owner. In summary, brands are spending much of its budget with trade and merchandising activities; they are recognizing the impact these channels have in consumer behavior, despising a direct contact with the end-consumer via advertisement, for e.g. However, the impact of promotion within traditional point-of-sale is not enough to increase Lipton's market share among the chosen target. So, it is important to appeal to mass media channels to increase penetration and purchase frequency, through new category users, other-brand switchers and actual Lipton consumers. It can use these channels, since it is present in supermarkets, which have a weighted distribution superior to 50%,⁸⁵ i.e. when dealing with Lipton's communication, consumers/buyers do not feel defrauded. Also, since the need for tea arises at home,⁸⁶ it is crucial for Lipton to establish a contact with its target here and not only when he arrives at the point-of-sale. Plus, looking at BSM, it is feasible to influence consumers, since their need arousal can be instigate by external factors.⁸⁷ As a result, a communication plan will be proposed, and discussed in recommendations section.

II. Capacities, processes and critical success factors

Capacities | Lipton stands out for its differentiation competitive advantage. In fact, Lipton is able to deliver quality and innovation to their consumers, which is reinforced by its present product portfolio. It was the first tea brand to deliver pyramid tea bags⁸⁸ to the market, which shows the constant innovation and adaption to consumers needs and desires. However, consumers are increasingly demanding concerning quality and innovation, meaning that despite Lipton has a valuable and rare

⁸⁵ Lipton is able to appeal to mass media, in order to communicate with its target audience, in the sense that its products are available at supermarkets, which represents at least 50% of category sales.

⁸⁶ For more information, please review Consumer Buying Behavior section.

⁸⁷ For more information, please review Consumer Buying Behavior section.

⁸⁸ And until now, Lipton is the only one that sells these tea bags' format in the Portuguese leaf tea market.

product portfolio, this is only a temporary competitive advantage.⁸⁹ Lipton is seen as valuable brand: its well-known reputation as innovative, reliable and tea's expert,⁹⁰ enable the brand to benefit from a valuable resource, having a competitive parity. Lipton is also present in the ready-to-drink tea market, creating a relationship and brand image among consumers, which could be transfer into the leaf tea market, so that they consider Lipton as valuable and non-tradable brand. Moreover, Lipton's reputation is not enough to guarantee a leader spot in this market. Having this in mind, Lipton invests in R&D,⁹¹ and register patents; in fact, it has already obtained patents in its pyramid tea bags, as well as in an innovative way of tea manufacture.⁹² Though, these mechanisms only avoid Lipton to be replicated in the short-run, i.e. Lipton should ensure its competitive advantage through other resources. Also, Lipton has a team of excellence, i.e. a team of tea tasters, whose role is to make sure that tea is blended impeccably in order to meet Lipton's standards of quality. This skill is obtained by years of training and experience, obtaining a tacit knowledge that is inimitable by other tea brands, in the short-run. That is, Lipton has a temporary competitive advantage, and so should use other resources to sustain it. Finally, Lipton is able to enhance and sustain its differentiation advantage by its relation with distribution channels. Since Recheio belongs to JM,⁹³ Lipton could take some advantage in terms of negotiations for visibility actions and space for Lipton's leaf tea products; there is a higher flexibility by Recheio concerning Unilever's brands. This negotiation ability has to do not only with the partnership between Unilever-JM, but it is also reinforced by the relationship between the salesmen and the store.

Processes | Lipton's Portugal has no responsibility concerning inbounds and logistics, and operations.

⁸⁹ In order to evaluate Lipton's ability to sustain its competitive advantage, a VRIO analysis was made. For more information, please consult Booklet 2, Appendix 6, table 2.

⁹⁰ Source: Brand audit leaf tea report, brand positioning profile.

⁹¹ It has two main research centers: one of them located in Bangalore, India, while the other is located in Shanghai, China. Both centers are shared with other Unilever brands as Knorr and Hellmann's, and they look at aroma, taste and nutrition benefits, by considering the bio-chemistry of tea plant and improving blends; and also, seek to integrate consumer and market understanding into their innovations, enabling customer responsiveness.

⁹² This patent allows process all leaf tea, taking advantage of thermodynamic properties of carbon dioxide as a way to originate fermentation reactions.

⁹³ JM stands for Jerónimo Martins.

⁹⁴ By contrast, it is responsible for ordering and purchasing its leaf tea, paying a transfer price and shipping costs, make its own marketing and sales activities and distribution to the wholesalers. So, there are activities that Lipton Portugal could optimize. In reality, it cannot sustain its competitive advantage only through its capabilities; it should be focused on managing its supply chain, by optimizing its relation with wholesalers and traditional supermarkets. Today, it is clear that there was a transfer of power from manufacturers to retailers; if at some years ago brands decided where to make their products available and at what terms, today they have no choice than operate accordingly to retailer's terms.⁹⁵ That is, it is crucial for Lipton to establish strategic partnerships with wholesalers in order to have a SCC⁹⁶ over its competitors. It has an advantage since it has already built a strategic alliance with Recheio, through Unilever-JM's alliance. Even with other wholesalers, it is optimizing its relation with them, through the reinforcement of strong relationships between salesmen team and wholesalers' stores. In fact, according to João Arroz,⁹⁷ as the relationship between him and wholesalers becomes better, it becomes easier for them to negotiate spaces and visibility actions, which ultimately impact sales for both wholesalers and Lipton. Yet, Lipton's relationship with traditional supermarkets is still unexplored. By optimizing it, Unilever-JM is able to benefit, since traditional supermarkets' willingness to buy Unilever-JM's brands increase; it can also instigate traditional supermarkets' effort in order to make end-consumers buy Unilever-JM's brands, within their point-of-sale, increasing sales for both Unilever-JM and traditional supermarkets. The possibility of a direct contact between them might seem plausible,⁹⁸ at first. Still, this traditional channel does not even represent 50% of weighted

⁹⁴ In fact, Unilever, in Europe, is the responsible for raw materials and its delivery, and tea manufacture.

⁹⁵ Over the years, retailers, due to its discounters' strategies, had become more concentrated and so, winning bargaining power. So, these ones use their power to decide which products do they want in their stores and in what terms do they want to, i.e. how many of the product do they want to order, what is the margin they going to add to the product (PVP), how many shelves and space this product is allowed to use, and so on.

⁹⁶ Remember that SCC stands for supply chain competitiveness.

⁹⁷ João Arroz is a salesman responsible to visit and make visibility actions and negotiation of spaces in some Macro and Recheio stores.

⁹⁸ Here the idea is similar as the one Unilever-JM has with big retail: it has teams, which visit directly these stores to negotiate visibility actions and ensure that Perfect store concept is being implemented.

distribution, meaning that the cost Unilever-JM will have, only with human resources in order to be in contact with all these fragmented stores, is very high when compared with these stores' contribution to Lipton's turnover. Thus, to optimize this relation, Unilever-JM has to make efforts within the wholesale channel: it can benefit from its sales team and encourage them to create bonds with traditional supermarkets' employees, with the ultimate objective of making them try and repurchase Lipton's tea. Also, it could organize an annual event, direct to this channel, to present and encourage them to implement changes in their business model,⁹⁹ by explaining the concept of Perfect store, the importance of visibility and sampling actions, and most of all, how can they benefit from these actions not only for Unilever-JM's products, but in general, increasing their sales, and so, their profits.

Critical success factors | Lipton wants to increase its market share as well as stay at a leader position in leaf tea market. So, it is essential to consider brand, distribution, innovation and communication; these are the key success factors. In fact, brand is crucial since Lipton could only increase its market share if it is considered as a possible brand to be purchased. Consumers make their brand considerations accordingly to their brand awareness and attitude.¹⁰⁰ Hereupon, communication strategy is also vital for Lipton's objectives: it establishes a direct contact with consumers, reminding their need for tea, creating awareness and giving reasons to choose Lipton rather than its competitors. Also, Lipton has to increase its products' distribution, reaching more triers and placing their products more available for a repurchase, increasing market share. Finally, to succeed in this FMCG industry, speed to delivery innovation is crucial. In fact, PL are gaining relevance within Portuguese market, meaning that one way to ensure that they are lag behind, is through constant innovation and products' improvements (Ivan Bascle and colleagues, 2012). Since, PL' focus is based on imitation, by guaranteeing constant

⁹⁹ To understand if traditional supermarkets were willing to participate in these presentations, interviews were made to some of them; for more information, please consult Appendix 5, interview to traditional supermarkets. In fact, they declared interest in these kinds of presentation, and their willingness to implement some of these actions within their store, if they understand how can they benefit, from them, in terms of profits. Notice that the majority of the proposed measures, including the concept of Perfect store, are only possible to implement if the relation Unilever-JM - traditional supermarkets be optimized.

¹⁰⁰ For more information, please review Consumer Buying Behavior.

innovation, Lipton could maintain its successful position in the market. Looking at Lipton’s business model, it is a top-of-mind brand, it has the highest presence in traditional supermarkets when compared with other tea brands, being responsible for 46.3%¹⁰¹ of leaf tea sales in this channel, and it is the leader in innovation. Yet, a communication strategy is failing, to Lipton gather all key success factors.

Risk analysis | In table 2 it will be presented some of the major risks associated with this project.

Table 2. Major risks

Possible risks are...	One way to reverse the situation is...
Leaf tea does not have a higher contribution to Unilever’s turnover, when compared with other brands, so there is a high possibility that Unilever-JM might not implement these recommendations into their business. ¹⁰² Actually, the investment Unilever-JM makes in this category is very low when compared with other brands, as Knorr, being evident through the differences in their budget. ¹⁰³	By demonstrating to Unilever-JM that Lipton can take advantage of the Portuguese market growth, through the implementation of marketing activities and supply management , mentioned above. Lipton could request Unilever-JM for a financial reinforcement during the first quarter of 2014 ¹⁰⁴ and evaluate if these implementation actions pay-off Unilever-JM’s extra financial support.
Relation between Unilever-JM and traditional supermarkets ; in fact, there is a significant possibility to this relation may not be optimized , since Unilever-JM’s sales team could not be able to convince traditional supermarkets to buy its products. Plus, even if Unilever-JM agrees with the annual event proposed, traditional supermarkets may not show up; although interviewed owners stated that they would be interested in this event, they were a small number, so they could not be significant.	In this sense, Unilever-JM should encourages sales teams to create bonds ¹⁰⁵ and receive training , with the ultimate objective of persuade traditional supermarkets to buy its leaf tea products and to participate in this annual event, in order to learn best practices and increase their profits, too.
By realizing that the partnership with Recheio gives an advantage, Unilever-JM may start doing partnerships with other wholesalers , for instance with Macro. On the other hand, there is a low possibility to Recheio feel threatened by this , since although Unilever and JM have made an alliance, they both have self-interests that they need to pursue.	Recheio, is giving Unilever-JM’s competitors advantages that could compromised Unilever-JM’s brands ; for eg., it is giving, in exchange of money and counterparts in coffee, ¹⁰⁶ the same space in the shelve for Tetley, ¹⁰⁷ jeopardizing Lipton leaf tea brand. So, by doing partnerships with other wholesalers, Unilever-JM does not compromise its relation with Recheio , since they both fight for common goals but also for their self-interests .

Source: own representation

¹⁰¹ Accordingly to Lipton’s brand manager, Mariana Esteves, Lipton is the main responsible for leaf tea sales in traditional supermarkets, accounting at the end of 2012 with 46.3% of leaf tea sales.

¹⁰² The refreshment category, which embraces Lipton and Magnum, contributes with only €9.7 billion in turnover, compared with €51 billion achieved, in 2012, by Unilever (source: Unilever annual report and accounts 2012).

¹⁰³ Lipton’s brand manager emphasized this difference in terms of budget between Unilever-JM’s brands; however, she did not reveal the amount each brand receives.

¹⁰⁴ Since these are the months where there is the highest demand, and so high probability to be succeed.

¹⁰⁵ From the visit made to Macro and Recheio, it was possible to see the importance of relations: in fact, João Arroz, one Unilever’s salesmen, have already created bonds with some of traditional supermarkets, becoming easier for him communicate and convince them to buy Lipton’s leaf tea products.

¹⁰⁶ Delta and Tetley made a partnership, meaning that Tetley is having advantages within point-of-sale since Delta gives to wholesalers counterparts in coffee.

¹⁰⁷ In fact, brands should receive space in the shelve accordingly to their market share. Yet, Tetley, one of Lipton’s competitors, with 11.9% market share is receiving almost the same space as Lipton with 43.6% market share, in 2013. For more information, please consult Booklet 2, Appendix 3.

Recommendations and conclusions | Over the discussion, it was presented some recommendations to Lipton's business model, so that it increases its market share. Yet, options to enter in the tea pods market and a communication plan still need to be explored. First, similarly to Delta-Tetley, Lipton could be associated with a market leader coffee brand. Also, by being associated with Lipton, Nespresso would avoid being overcome by its competitors, since these ones are now investing in multifaceted machines.¹⁰⁸ However, Nespresso is committed to develop their own network distribution, meaning that they are not interested in sell its products in large retail stores; by contrast, Lipton's goal is to growth its market share through large retail and traditional supermarkets, leading us to think that this partnership does not make sense. Even if both brands agree to sell its tea pods within Nespresso boutiques, there is still a cannibalization risk for Nespresso: despite consumers would be able to perceive value, since 67% of tea consumers are simultaneously coffee consumers, they would take less quantities of coffee than they are used to, to take some tea, as well. Though Lipton should be able to offer a percentage of its sales, this could still represent a decrease in Nespresso core-business sales. Plus, both brands should make efforts in terms of coordination, for e.g. in marketing and sales activities. So, Lipton should have doubts about this partnership. One alternative could be for Lipton create its own tea pod machine, which is not a great idea since the habit of drinking tea is not yet implemented in Portuguese routine, i.e. Portuguese are not willing to buy a tea pod machine; also machines as DeltaQ are multifaceted. Another option is to make a partnership with Nestcafé Dolce Gusto, for eg., in which Lipton can create tea pods to a multifaceted machine. Despite both brands should study pros and cons and evaluate if this partnership makes sense, at least in terms of distribution, they are aligned: consumers can find their products available in big and traditional supermarkets.

Second, Creative Brief Structure for the Communication Plan: here it is presented how Lipton should

¹⁰⁸ Looking at Delta-Tetley example, Delta adapted its machine in such a way that this one is able to receive Tetley tea pods as well. Another example is the partnership between Kraft Foods and Bosh, through which a multifaceted machine was created, able to prepare coffee, tea and hot milk with the use of pods (source: Distribuição Hoje, October 2010).

communicate with its target audience, to achieve its goal of penetration and repurchase, and consequently increase its leaf tea market share. First, target audience: looking at BSM, it is possible to see that women and men are both initiators and users of tea; yet, women have an additional role: they are also analyzers, deciders and purchasers. Also, women are the main initiators and users, having 66% of women against 31%¹⁰⁹ of men, stating they take tea at least once per day. So, by focusing on women with 35-49 y.o., Lipton has a higher probability to be succeed with this campaign. At the same time that Lipton is remembering women their need for tea, since it does not make part of Portuguese routine yet, it is also convincing the purchaser to buy Lipton, instead of other brands. Second, insight: consumers believe that by drinking tea, they can enjoy a moment of relaxation.¹¹⁰ Women play different roles, as parents, professionals, wives, meaning that their busy lifestyle expose them to high levels of stress with no room to their personal needs and requirements; so, the idea is to give them a moment of relaxation and, at the same time, pleasure, instigating the me-time moment. Third, advertising objectives: since consumers/buyers make their own brand considerations within point-of-sale, considering mainly brands that are in their minds, it is important for Lipton to generate brand recall and attitude, creating positive associations between Lipton and consumers' needs. Despite Lipton is the preferred brand,¹¹¹ this is not so clear regarding other-brand switchers and new category users. So, Lipton wants to induce its target audience to have a trial or in the case of favorable-brand switchers and loyals, increase repurchase. Forth, message: consumers are increasingly worried about health and value products, which conferred them well-being;¹¹² in this sense, the message should include the benefits tea has for consumers' health. It should also emphasize the sense of relaxation

¹⁰⁹ These percentages have as source the Market research conducted.

¹¹⁰ 70% of tea consumers stated that, one of the reasons for them to drink tea has to do with the fact that tea makes them more relaxed (source: Booklet 2, Appendix 1- Section IV, graph 14).

¹¹¹ From interviews conducted, it was possible to realize that consumers prefer Lipton to other leaf tea brands; for more information, please consult Booklet 2, Appendix 5, interview to tea consumers. Also, Lipton is the brand with the highest penetration rate, suggesting that Portuguese prefer Lipton rather than other leaf tea brand (source: Brand audit leaf tea report, buyer behavior).

¹¹² By showing how tea can contribute for health and well-being, it is possible to attract new category users. In fact, from the PEST analysis made, it is possible to see that Portuguese are getting more conscious regarding health issues, and are increasingly looking for healthy food.

combined with Lipton's ability to give consumers pleasure through unequalled innovation, which embraces quality, variety and customer responsiveness.¹¹³ To transmit this message successfully, Lipton needs to give a reason to believe: it should use their patented technologies, certified tea bags and innovative process of tea manufacture. It can also use real testimonials, to better engage its target audience. Regarding, media selection: even though social networks are gaining extremely relevance in Portuguese life, the most appropriate media channel to get exposure from this audience is through tv.¹¹⁴ Finally, media schedule: tv ad should be transmitted especially at night; and not only in FTA channels, but also in pay tv.¹¹⁵ It should be transmitted during all next year: despite in the first quarter there is a higher probability to increase penetration and purchase frequency,¹¹⁶ it is necessary to be in contact with consumers/potential consumers for more than 3 months, to increase the category need. Create a habit of drinking tea among Portuguese is a time-consuming task. To track its performance, Lipton should use measures as effective reach, ad-recognition, brand-prompted ad recall, category-prompted ad recall, and changing incidence of prospect group membership index. To evaluate if Lipton communicated effectively with its audience, sales are a good measure. Summing up, by implementing these recommendations, Lipton would be able to increase its leaf tea market share, especially in traditional point-of-sale, where 48% of tea sales corresponds to Lipton. For 2014, Lipton wants to increase its slice of the pie in this channel, desiring to be responsible for at least 51.7%¹¹⁷ of leaf tea sales in this channel.

¹¹³ By communicating Lipton's points-of-difference, it can attract other-brand switchers and reinforce its products' purchase by favorable-brand switchers, creating brand attitude among both of them.

¹¹⁴ From interviews made, it was observed that tv is the media channel, where there is a higher probability of exposure, since this target spends more time seeing tv, rather than using other media channels, at home. For more information, please consult Booklet 2, Appendix 5, interview to tea consumers.

¹¹⁵ FTA stands for the main Portuguese tv channels as Rtp1, Sic and TVI. Also pay tv is gaining relevance in Portuguese Market; in fact, in 2012, consumers spent 161 min watching pay tv, compared with 185 min spent on FTA channels (source: Brand audit leaf tea report, media trends).

¹¹⁶ In fact, 51% of tea consumers still prefer to drink it in Autumn/Winter season; for more information, please consult Booklet 2, Appendix 1 – Section IV, graph 17.

¹¹⁷ In fact, in 2012 Lipton was responsible for 46.3% of the tea sales in this channel, having suffered an increase to 48% in November 2013 (these percentages have as source: Lipton's brand manager). In this sense, Lipton wants to be responsible for at least 51.7% of leaf tea sales in this channel, in order to maintain its growth.

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¹¹⁸ Complete references available in Booklet 2, Appendix 7.



A Work Project, presented as part of the requirements for the Award of a Masters Degree in
Management from the NOVA – School of Business and Economics.

Improvement of Lipton’s business model through wholesalers and traditional supermarkets channel

Appendixes

Cláudia Sofia Vieira Santos, 1245

A Project carried out on the Field Lab in Entrepreneurial Innovative Ventures, under the supervision
of:

Professor Filipe Castro Soeiro

Lisbon, 2014

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Appendix 1 – Market Research

I. Methodology

The main objective of this research is to understand which are the main external factors that are influencing the consumption of tea, in order to be able to increase the consumption of it on a daily basis. In this sense, an analysis and evaluation of the market has to be done. This market research was conducted by an online survey, launched at Facebook's platform. It includes qualitative questions, in which the respondent only need to pick the option(s) that most fit him, and quantitative questions, in which the respondent needs to pick the number he considers to be the most appropriate to him. Here, scales such as Likert Scale were used. Note that, since this survey has as main goal observe the Portuguese market, and so oriented to Portuguese people, it is written in Portuguese.

In addition, some interviews were conducted in the sense that some questions needed to be clarified: they were poorly structured and so, it induced to different interpretations, meaning that a quantitative approach was not possible.¹ There were 10 chosen interviewees, 5 of them were consumers and 5 of them were non-consumers of tea. These interviews² showed the reasoning of the respondents concerning these problematic questions and last for 5 minutes. Furthermore, 5 traditional supermarkets, in Lisbon's area, were interviewed, since from this survey it was not possible to infer who are the frequent consumers of this point-of-sale. These ones last for 5 minutes, too.

¹ These questions are going to be presented in section II.

² Notice that the results from these interviews were not shown, since they did not represent meaningful conclusions.

In conclusion, the survey involved 148 non-consumers and 152 consumers of tea, making a total of 300 respondents, which is considered a statistical significant sample. In the next sections, it will be presented the online survey launched and corresponding analysis and conclusions.

II. Online Survey

1. Dados gerais

1.1. Indique o seu género

1.2. Indique o concelho onde mora

1.3. Indique a sua idade

1.4. Indique a sua Ocupação

2. Hábitos

2.1 O que é que costuma beber ao pequeno-almoço? (pode escolher mais que uma opção)

Leite

Café

Água com sabores

Chá

Sumos

Iogurtes

Outros _____

2.2 O que é que costuma beber durante a tarde? (pode escolher mais que uma opção)

Leite

Café

Água com sabores

Chá

Sumos

Iogurtes

Outros _____

2.3 O que é que costuma beber antes de se deitar? (pode escolher mais que uma opção)

Leite

Chá

Café

Água com sabores

Iogurtes

Sumos

Outros ____

2.4 Quantas vezes por mês se dirige a um estabelecimento comercial destes?

0 1 2 3 >3

Mercearias e lojas de conveniência

Mini mercados de rua

Híper e supermercados

2.5 No estabelecimento onde habitualmente efetua as suas compras aprecia...

(1= Indiferente, 2=pouco importante, 3=importante, 4=muito importante,
5=extremamente importante)

1 2 3 4 5

Distancia de casa

Distancia do trabalho

Acessos

Atendimento personalizado / apoio

Variedade de produtos disponíveis

Bom atendimento

Preços

Existência de cartões de desconto e promoções

Qualidade

Pouco tempo de espera no acto do pagamento

Diversidade de métodos de pagamento

Arrumação das prateleiras

Existência de entrega ao domicílio

Existência de canais na internet para me informar sobre os produtos

Existência de catálogos para me informar sobre os produtos

3. Consumo de chá

3.1 Quantas vezes por dia consome chá?

- 0
- 1
- 2
- 3
- >3

Não consumidores de chá

3.2 Concorda com as seguintes afirmações? (sendo 1=discordo completamente, 2=discordo, 3= indiferente, 4=concordo, 5=concordo totalmente)

Não consome chá porque...³

Não gosta de chá

Não bebe porque não é um hábito

Compra mas esquece-se que comprou

Não compra porque acha caro

Não compra porque as embalagens têm demasiadas saquetas de chá

Não compra porque com a crise dá prioridade a outros bens alimentares

Não tem tempo para fazer chá

Não sabe que tipo de chá escolher

Prefere outras bebidas ao chá

³ As questões que se seguem não foram analisadas quantitativamente pois estas encontram-se mal estruturadas, dando origem a várias interpretações:
“ Compra mas esquece-se que comprou”, “ Não compra porque acha caro”, “Não compra porque as embalagens têm demasiadas saquetas de chá” e “Não compra porque com a crise dá prioridade a outros bens alimentares”.

3.3 Em que circunstâncias ouviu falar de chá? (pode escolher mais que uma opção)

Redes sociais

Televisão

Publicidade na rua

Promoções

Catálogos de retalhistas

Por outras pessoas

Outros ____

3.4 Concorda com as seguintes afirmações? (sendo 1=discordo completamente, 2=discordo, 3= indiferente, 4=concordo, 5=concordo totalmente)

Associo o chá a...

Bebida social

Bebida terapêutica

Bebida direcionada para idosos

Bebida sofisticada/chique

Bebida que contribui para o seu bem-estar

Bebida que é mais valorizada quando certificada pela sua sustentabilidade
(preocupações com o ambiente, direitos humanos e do consumidor)

Consumidores de chá

3.2 Concorda com as seguintes afirmações? (sendo 1=discordo completamente, 2=discordo, 3= indiferente, 4=concordo, 5=concordo totalmente)

Não consome chá mais regularmente porque...⁴

Não bebe porque não é um hábito

Compra mas esquece-se que comprou

Não compra porque acha caro

Não compra porque as embalagens têm demasiadas saquetas de chá

Não compra porque com a crise dá prioridade a outros bens alimentares

Não tem tempo para fazer chá

Não sabe que tipo de chá escolher

Prefere outras bebidas ao chá

3.3 Concorda com as seguintes afirmações? (sendo 1=discordo completamente, 2=discordo, 3= indiferente, 4=concordo, 5=concordo totalmente)

Consome chá porque...

Gosta de chá

É energético (no caso dos chás com cafeína)

É relaxante (no caso das infusões de ervas e frutos)

É um substituto mais saudável ao café/ outras bebidas

⁴ As questões que se seguem não foram analisadas quantitativamente pois estas encontram-se mal estruturadas, dando origem a várias interpretações:

“ Compra mas esquece-se que comprou”, “ Não compra porque acha caro”, “Não compra porque as embalagens têm demasiadas saquetas de chá” e “Não compra porque com a crise dá prioridade a outros bens alimentares”.

É um ritual

Contribui para o seu bem-estar

É mais barato do que outras bebidas

Gosta da variedade de sabores existentes

3.4 Em que ocasiões consome chá? (pode escolher mais que uma opção)

Pequeno-almoço

Meio da manhã

Durante a tarde

Lanche

Depois do jantar

Ceia

3.5. Com que frequência diária consome chá em...

0 1 2 3 >3

Casa

Trabalho

Cafés/ restaurantes

Casas de chá

Outros _____

3.6. Consome chá igualmente ao longo do ano?

Sim, consumo regularmente

Não, consumo mais no outono/inverno

Não, consumo mais quando estou de férias

Outra razão ----

3.7 Qual o tipo de chá que bebe? (pode escolher mais que uma opção)

Preto simples

Preto com sabores

Verde simples

Verde com sabores

Branco

Infusões (ex. Camomila, cidreira ou outras ervas e frutos)

3.8 O chá que bebe...

É adquirido juntamente com o restante cabaz de bens de consumo porque está na lista das compras

É adquirido juntamente com o restante cabaz de bens de consumo quando há uma promoção ou visibilidade que faz chamar a atenção para o produto

É adquirido num estabelecimento diferente dos restantes bens de consumo

3.9 Quando se encontra no estabelecimento comercial, lembra-se de comprar chá porque...⁵

(atribua o seu grau de importância, sendo 1= Indiferente, 2=pouco importante, 3=importante, 4=muito importante, 5=extremamente importante)

Viu o produto no catálogo

Há acções de degustação

O produto está mais visível

⁵ Esta pergunta dirige-se apenas àqueles que escolheram a opção “É adquirido juntamente com o restante cabaz de bens de consumo quando há uma promoção ou visibilidade que faz chamar a atenção para o produto” na pergunta anterior 3.8.

Há publicidade ao produto fora do estabelecimento

Há publicidade ao produto dentro do estabelecimento

Há oferta de brindes na compra do produto

3.10 No acto da compra...

A escolha de chá é rápida /pouco ponderada

A escolha de chá é ponderada

3.11 Concorda com as seguintes afirmações? (sendo 1=discordo completamente, 2=discordo, 3= indiferente, 4=concordo, 5=concordo totalmente)

É rápida porque...

“Já sei o que quero porque decidi em casa”

“Tenho o meu produto de eleição”

“Escolho um qualquer que me agrada em termos de preço”

“ Trago aquele que mais me chamou a atenção no estabelecimento comercial”

3.12 Se a sua escolha é ponderada, no momento de decisão de compra, o que é mais importante? (1= Indiferente, 2=pouco importante, 3=importante, 4=muito importante, 5=extremamente importante)

Preço

Promoções

Marca

Tipo de chá (chá preto, chá verde, etc.)

3.13 Concorda com as seguintes afirmações? (sendo 1=discordo completamente, 2=discordo, 3= indiferente, 4=concordo, 5=concordo totalmente)

Ao comprar chá...

“deparo-me com prateleiras confusas”

“tenho falta de conhecimento e/ou apoio na minha decisão de compra”

“ há pouca variedade”

“o meu chá de eleição está geralmente esgotado”

“há pouca visibilidade deste produto nos estabelecimentos comerciais”

3.14 Concorda com as seguintes afirmações? (sendo 1=discordo completamente, 2=discordo, 3= indiferente, 4=concordo, 5=concordo totalmente)

Associo o chá a...

Bebida social

Bebida terapêutica

Bebida direcionada para idosos

Bebida sofisticada/chique

Bebida que contribui para o seu bem-estar

Bebida que é mais valorizada quando certificada pela sua sustentabilidade

(preocupações com o ambiente, direitos humanos e do consumidor)

3.15 - Em que circunstâncias houve falar de chá? (pode escolher mais que uma opção)

Redes sociais

Televisão

Publicidade na rua

Promoções

Catálogos de retalhistas

Por outras pessoas

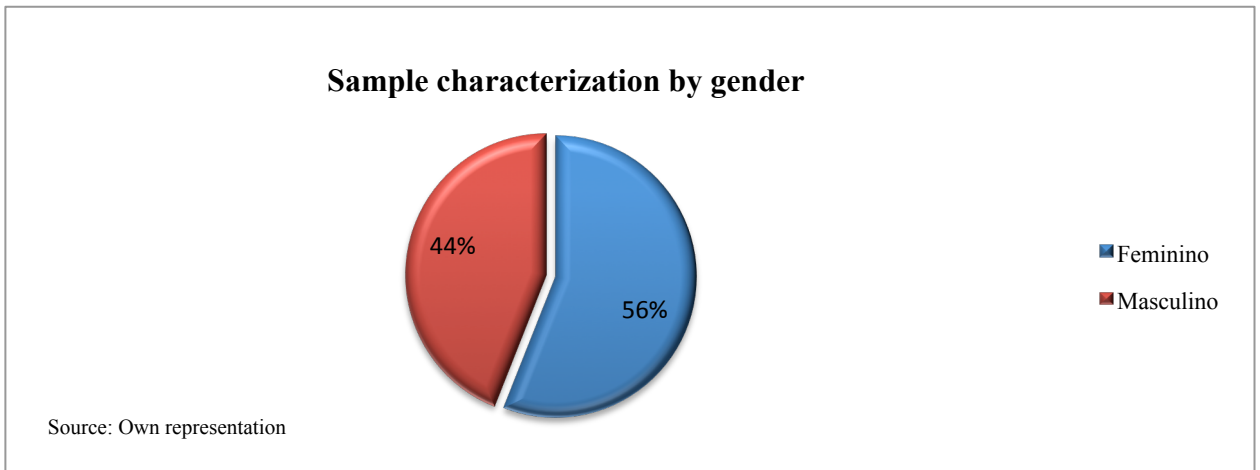
Outros ____

III. Sample characteristics

For the purpose of this research, a sample with 300 respondents was composed. These respondents are characterized through gender, county, age and occupation. From the graph 1 it is possible to conclude that 56% of the total population is female, while 44% of the total population is male. Additionally, from 63 occupations indicated, students are the ones that have the biggest slice of the pie, with 46% of the total population, followed by professors, administratives, unemployed and managers, with 5%, 4.7%, 4.7% and 3.7% of total population, respectively. Concerning ages, these ones are grouped regarding Lipton's segmentation, having 4 different ranges: *up to 34* years old, followed by *35-49*, *50-64* and, finally, *more than 65* years old. The range *up to 34* is the one with the highest number of respondents, counting for 72% of total population, followed by *35-49*, *50-64* and *more than 65*, having 17%, 9% and 2% of the total population, respectively (see graph 2).

Finally, the respondents are divided concerning counties. However, since there were counties such as Alenquer, that only count with one person, people are grouped by districts, where Lisboa and Setúbal are the ones with the highest number of respondents (see figure 1).

Graph 1: Sample characterization by gender



Graph 2: Sample characterization by age

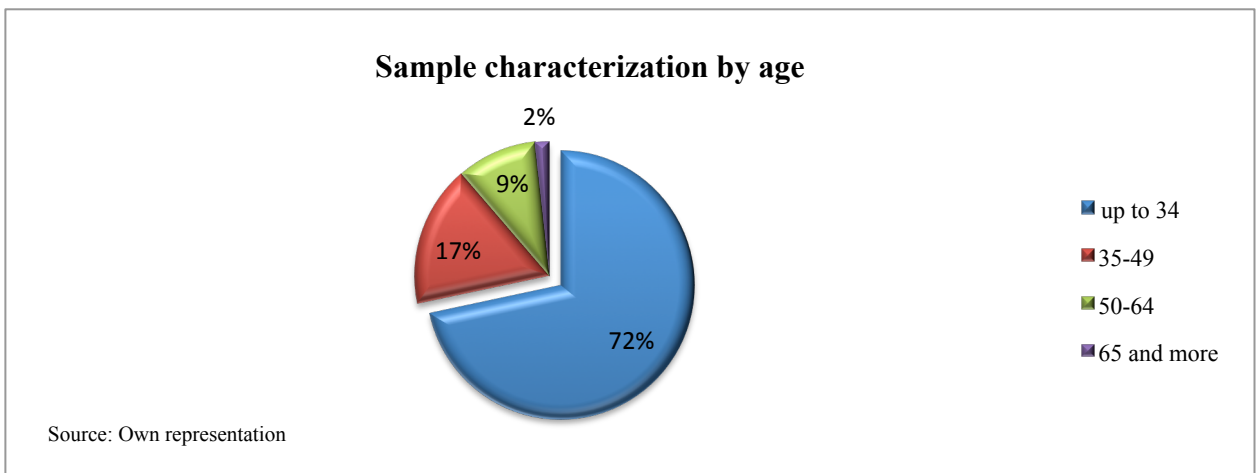
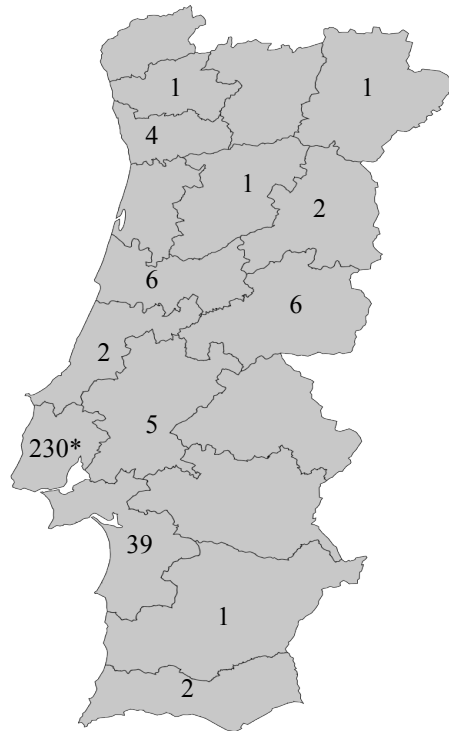


Figure 1: Sample characterization by district



*This number corresponds to the number of people who indicated Lisbon as their own district (the same to the other districts).

Source: Own representation

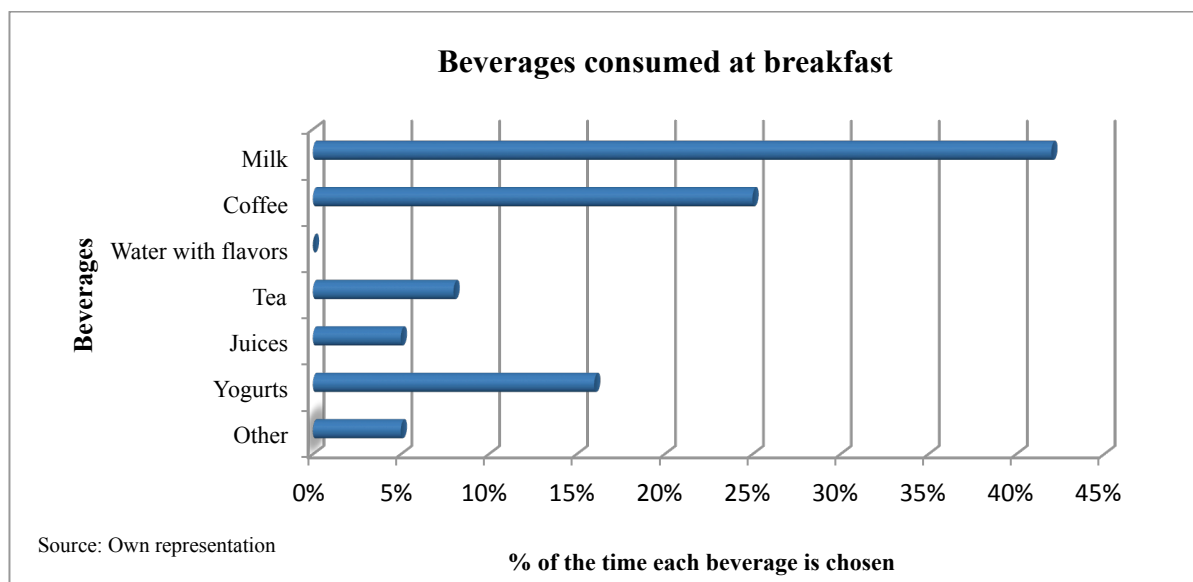
IV. Analysis

One of the goals of this research is to understand what are the possible substitutes to leaf tea consumption. Looking at the answers gave in questions “O que é que costuma beber ao pequeno-almoço? ”, “O que é que costuma beber durante a tarde? ” and “O que é que costuma beber antes de se deitar? ”, it is possible to infer what are the potential tea substitutes in each consumption occasion. It is possible to observe that milk and coffee are the most preferable drinks in breakfast time, being chosen 42%⁶

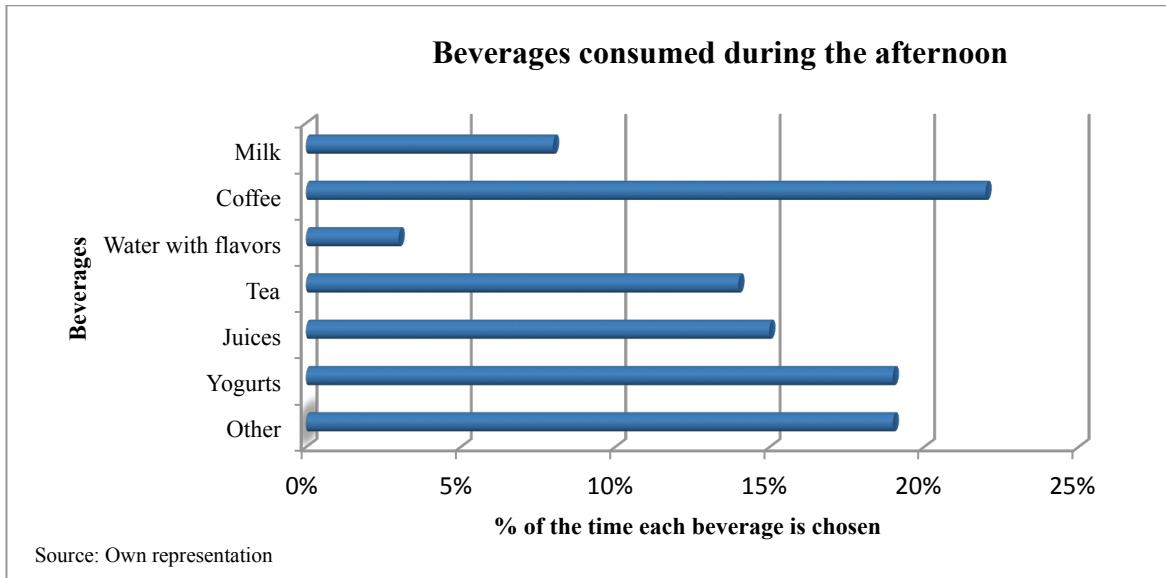
⁶ In these questions, respondents could choose more than one option, meaning that it is possible to have more answers than the number of respondents. In this sense, this percentage means that milk was chosen 42% of the time.

and 25% of the time, respectively (see graph 3). During the afternoon, it is possible to infer that the most preferable drink is coffee, being chosen 22% of the time. Yogurts can also be considered as substitutes of tea, during the afternoon occasion, being chosen 19% of the time (see graph 4). Regarding before bedtime occasion, it is possible to infer that the most preferable drinks are milk, which gains again relevance, being chosen 25% of the time, and tea, which gains relevance when compared with coffee, being chosen 20% and 4% of the time, respectively (see graph 5). Looking at these analyzes, it is interesting to see that during the day the consumption of tea is changing, having its highest level at before bedtime occasion and its lowest level in breakfast occasion; this one is the most unexplored occasion. Also, it is possible to see that the main substitutes to tea are coffee and milk.

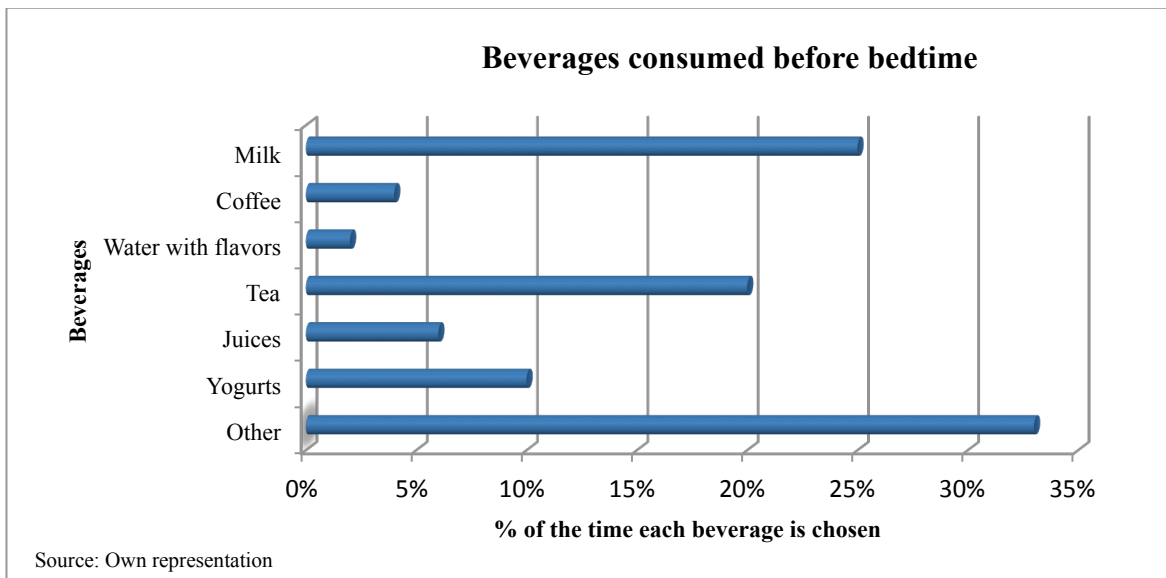
Graph 3: Main beverages consumed at breakfast time occasion



Graph 4: Main beverages consumed during afternoon occasion



Graph 5: Main beverages consumed at before bedtime occasion

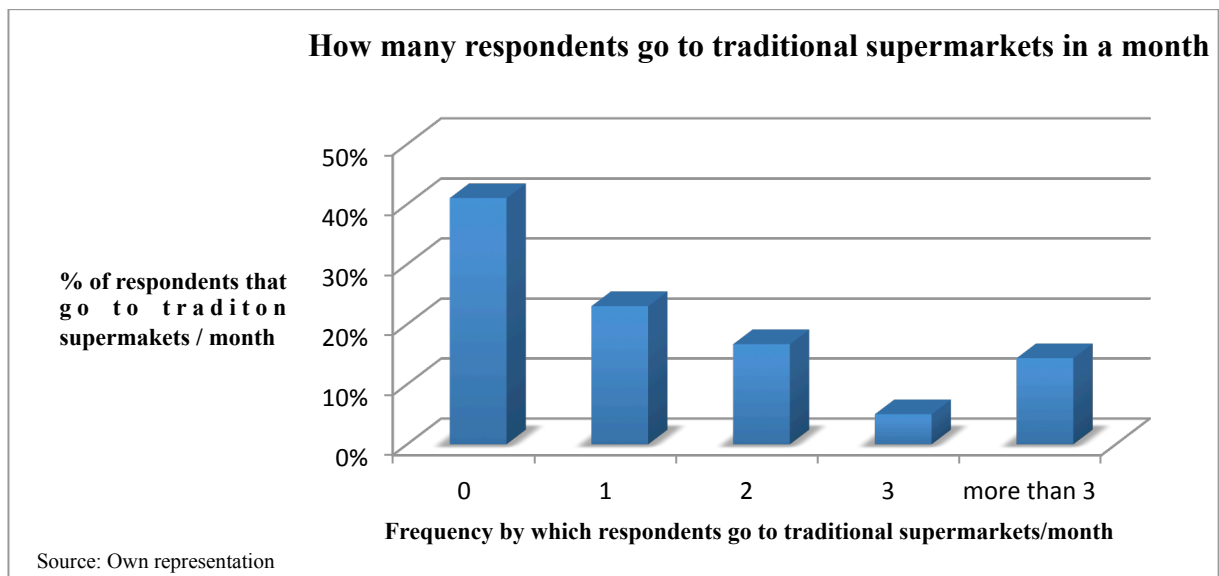


Another goal of this research is to understand if the management and in-store experience within Traditional Supermarkets is influencing the consumption of tea. In

this line, it is going to be analyzed how many respondents still shops in traditional supermarkets, what are their range in terms of ages and what do these respondents value more when they are shopping in this point-of-sale.

Assuming that a frequent consumer is the one that goes to the traditional supermarkets two or more than twice a month, from the question “Quantas vezes por mês se dirige a um estabelecimento comercial destes?” it is possible to infer from our sample how many respondents go to traditional supermarkets, frequently. From graph 6, it is possible to observe that 41% of total population does not go to traditional supermarkets at all, meaning that more than 50% of total population goes at least one time/month. However, only 36% of total population goes to traditional supermarkets frequently, that are the ones who go two, three or more than three times a month to this point-of-sale.

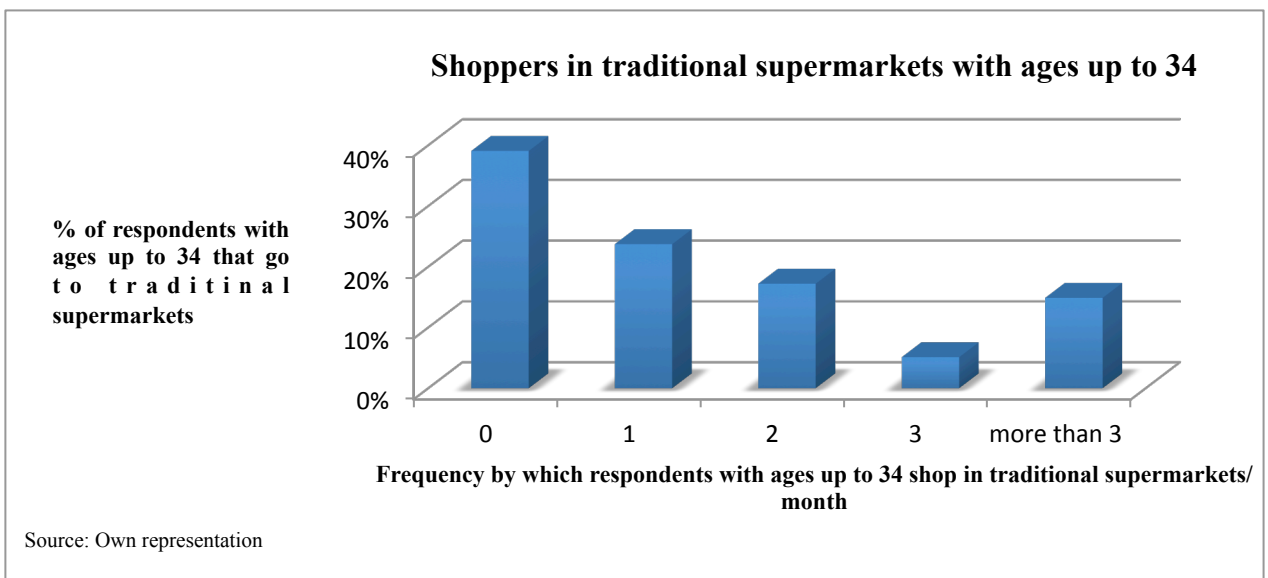
Graph 6: Respondents that shop in traditional supermarket, in percentage



It is also interesting to point out that from the youngest range, *up to 34*, one unexpected conclusion had appeared: more than 61% of the respondents belonging to this age range, stated that they go to the traditional supermarkets at least once per month. However, there are few frequent consumers since only 37% of the respondents belonging to this age range go to traditional supermarkets at least two times / month (see graph 7).

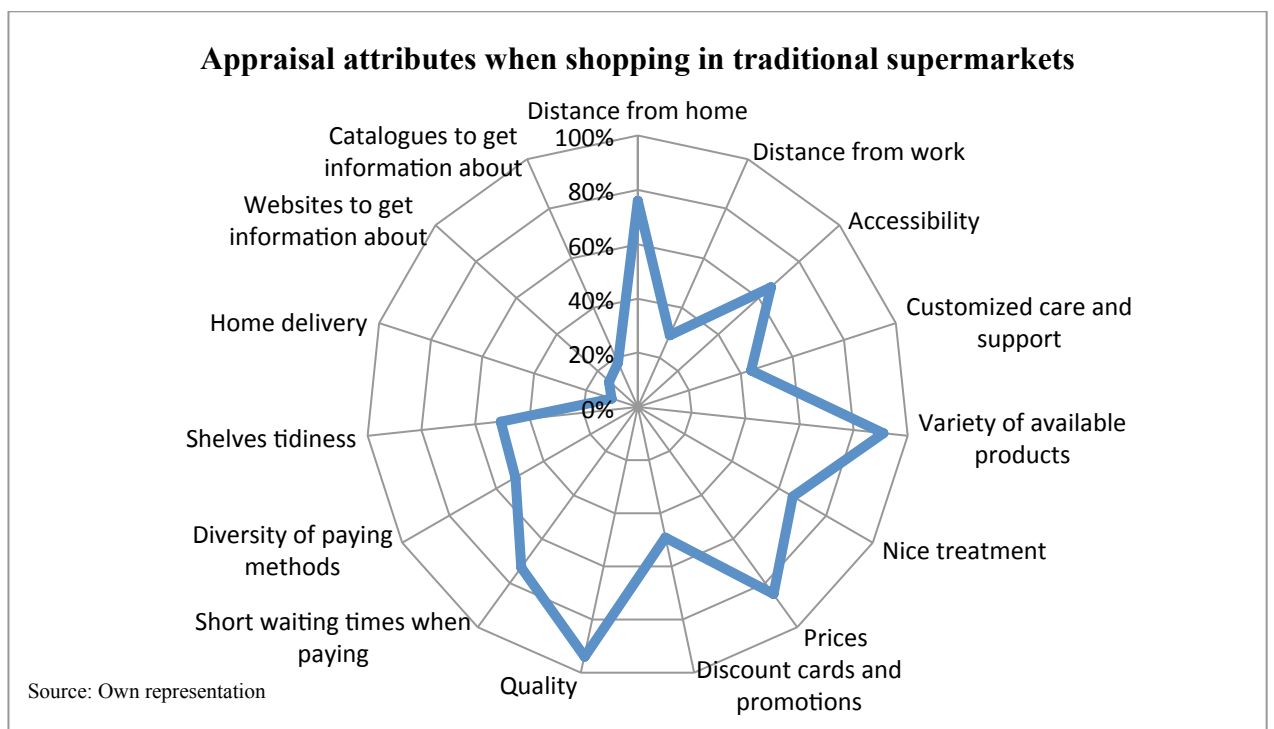
Looking at other age ranges, such as *35-49* and *50-64*, the same conclusions in terms of frequency can be taken: there are few respondents who stated that they go to traditional supermarkets at least 2 times per month, with only 35% and 31% of the respondents belonging to each age range, respectively. Since, from this research it is not possible to infer who are traditional supermarkets' frequent consumers, interviews are going to be made in 5 different grocery stores. Note that in what concerns the age range *more than 65* years old, it is not possible to infer any conclusion, since there are only 5 people on this range, and so it is not significant.

Graph 7: Respondents with ages *up to 34* that shop in traditional supermarket, in percentage



It is also important to understand what are the main attributes valued by consumers who shop in traditional supermarkets. By analyzing graph 8, it is possible to conclude that the most valued attributes for the respondents who shop at least one time/month in traditional supermarkets are: quality, variety of available products and prices, with 94%, 91% and 85% of these respondents considering these attributes as very important, respectively. By contrast, the least valued attributes for the respondents who shop at least one time in traditional supermarkets are: home delivery, websites and catalogues to get information about products, with only 10%, 14% and 18% of these respondents considering very important, respectively.

Graph 8: Appraisal attributes when shopping in traditional supermarkets

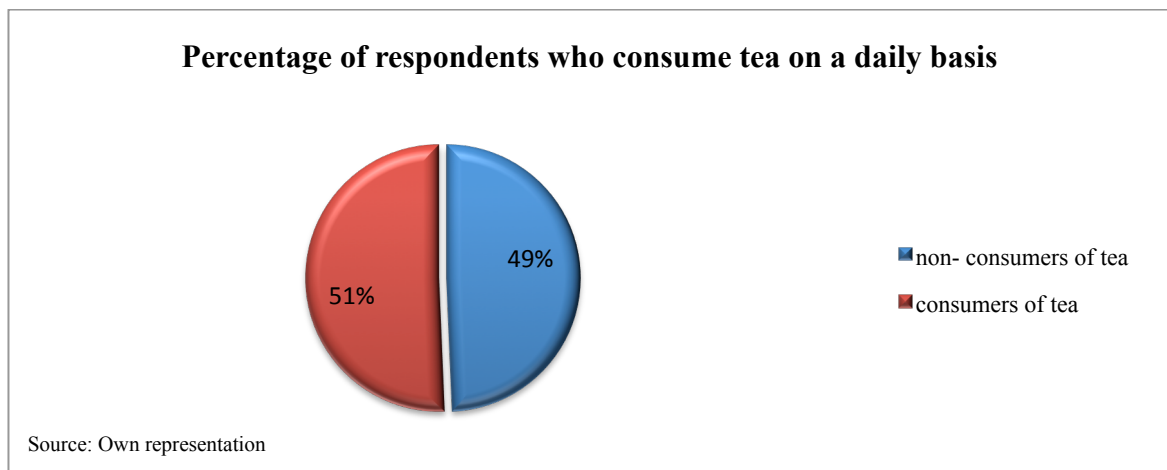


Note that each percentage represents the number of respondents, from the total respondents who shop at least one time/ month in traditional supermarkets, that considered each attribute as very important (for this analyze, the option very important and extremely important were grouped).

Since the main goal of this research is to evaluate which factors are influencing the consumption of tea in Portugal, the following analyzes are of utmost importance: who consume tea on a daily basis, which are the factors that create barriers to a higher frequency in terms of tea's consumption, what makes respondents to buy tea, how is their behavior and experience when they are purchasing tea at traditional supermarkets, what are their perceptions concerning tea and, also, in what circumstances they hear talk about tea.

From graph 9, it is possible to observe that 49% of the total respondents are non-consumers of tea, while 51% are consumers of tea. Note that non-consumers of tea are the ones who do not consume tea on a daily basis; while consumers of tea are the ones who consume tea at least one time per day.

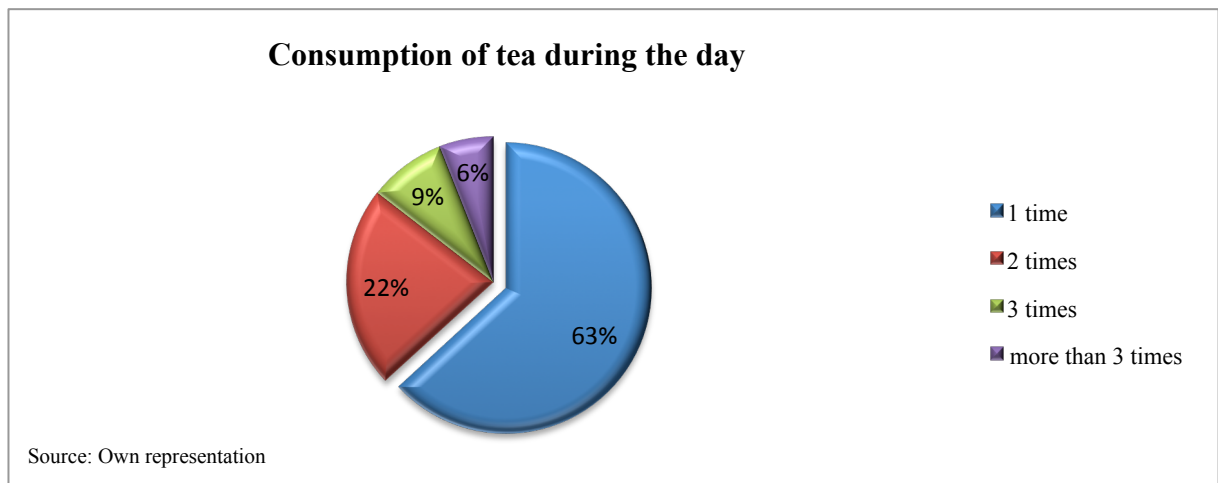
Graph 9: Percentage of respondents who consume tea on a daily basis



It is also important to understand, if the consumers of tea are frequent consumers or not. Frequent consumers are the ones that consume tea at least three times during the

day.⁷ In this sense, looking at the graph 10, it is possible to infer that 63% of the consumers take tea only one time per day; while only 15% of the consumers take tea three or more than three times during the day. Furthermore, only 15% of the consumers are considered as frequent consumers, meaning that there are few consumers of tea that see it as a habit.

Graph 10: Consumption of tea during the day



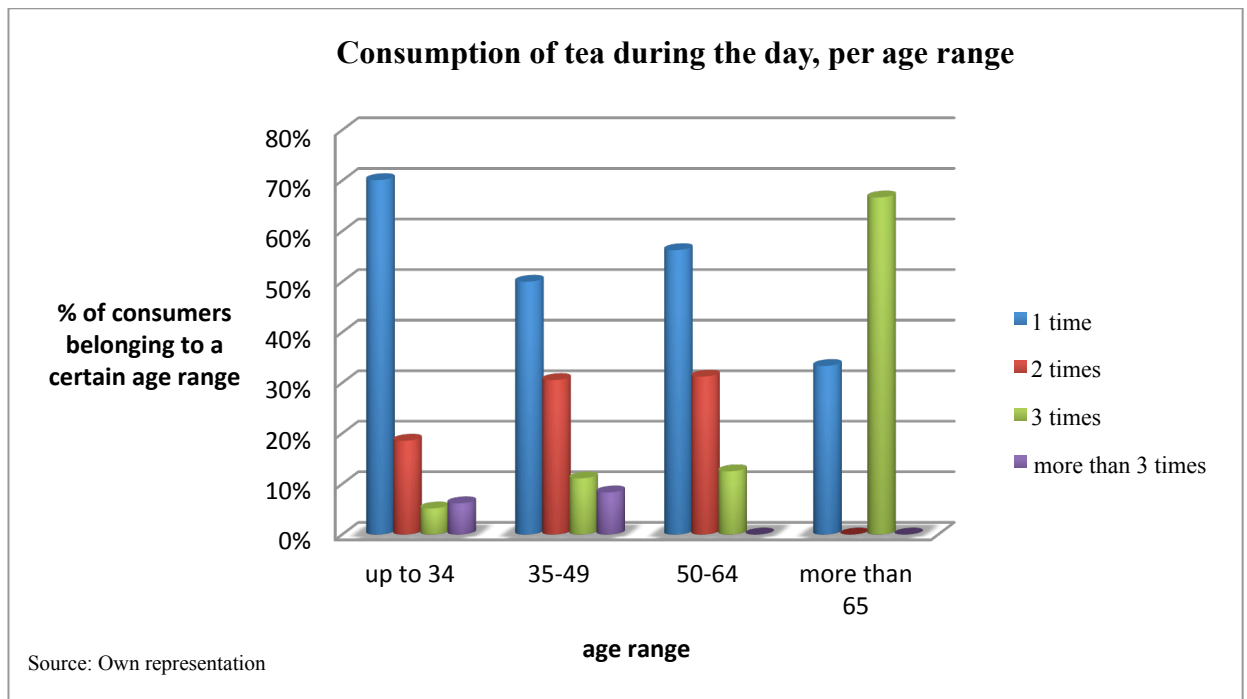
Another interesting analyze is to evaluate the consumption of tea during the day through different age ranges. From graph 11, it is possible to infer that almost in all age ranges, the majority of respondents consume tea one time per day. Looking at the youngest age range, *up to 34*, it is possible to conclude that these consumers are not frequent ones: only 11% of the consumers of tea with ages *up to 34* consume tea at least 3 times per day. Looking at an older age range, *35-49*, it its possible to see that, although these ones are not frequent consumers either, they consume more times tea during the day, when compared with *up to 34* range: 19% of the consumers belonging to this age range consume tea three or more than three times per day. In another

⁷ According to Mariana Esteves, Lipton's brand manager.

extreme, the oldest consumers are the ones that have the highest consumption of tea per day: 67% of the consumers belonging to this age range consume tea three times per day. Notice, however, that these consumers only represent 2% of the total consumers of tea, meaning that these ones are not enough to have a significant conclusion.

One conclusion, with a higher degree of confidence, can be made: younger ranges are unexplored concerning tea's consumption during the day; the challenge is to increase the percentage of consumers, in both age ranges, that consume tea three or more than three times per day.

Graph 11: Consumption of tea during the day, per age



Looking at graph 12, it is possible to understand the reasons that constraint the consumption of tea during the day, by the non-consumers. The majority of them, i.e.

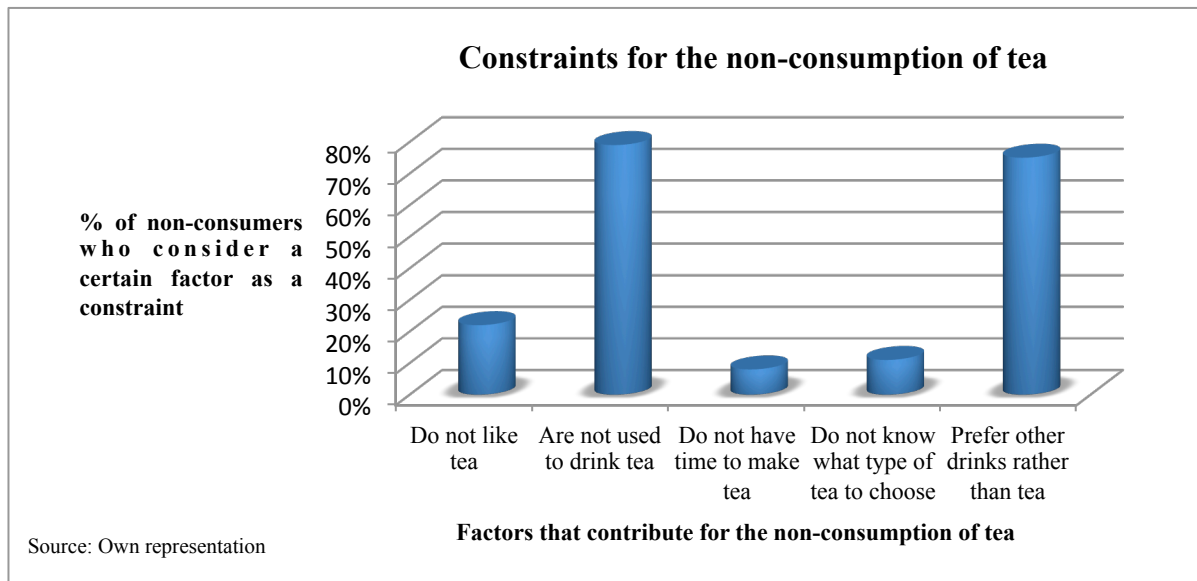
79% of the non-consumers of tea, stated that the main reason for the non-consumption of tea on a daily basis has to do with the fact that they are not used to drink it during the day; it is not a habit for them. The other reason that stands out is the preference for other drinks rather than tea, with 75% of the non-consumers stating that they do not consume tea because they prefer to consume other drinks during the day rather than tea.

Looking at graph 13, it is possible to see that consumers of tea do not drink it more often during the day for the same reasons that non-consumers do not consume tea on a daily basis: they prefer other drinks rather than tea, having 33% of consumers that agree with this statement, and they do not consider drinking tea a habit, with 28% of consumers that agree with this statement.

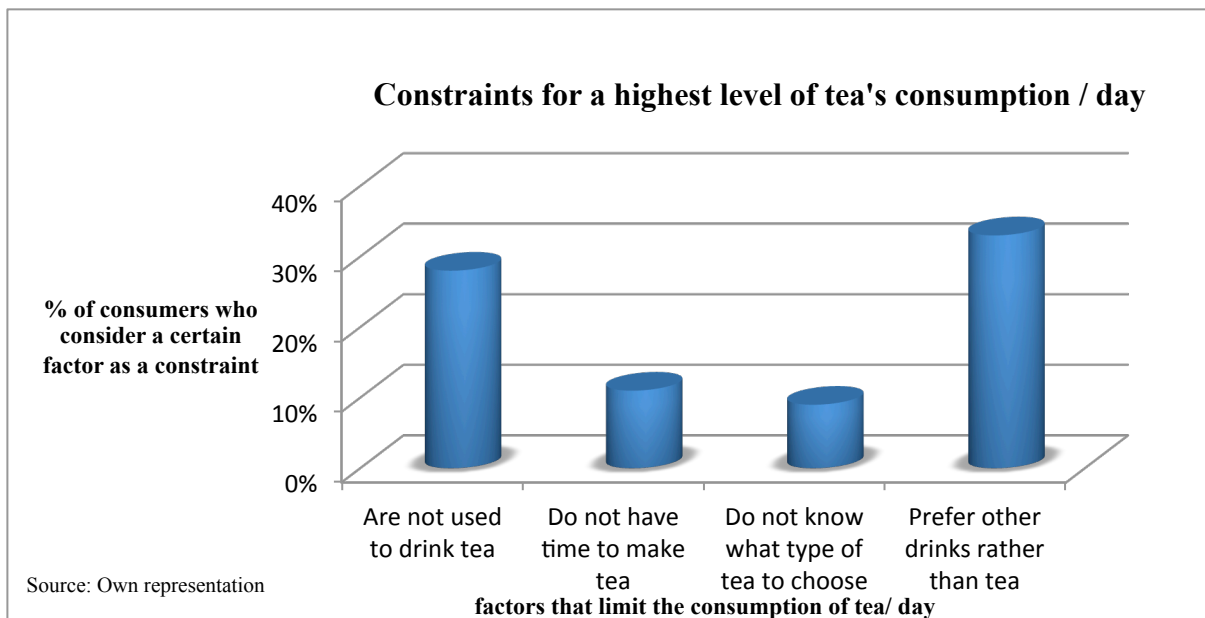
Two unexpected conclusions have appeared in these analyzes: one has to do with time to make tea: only 8% of the non-consumers and 11% of the consumers confirmed that they do not drink tea on a daily basis or, in the case of consumers, more often, because they do not have time. This is good since time is no longer a constraint when Lipton try to instill the consumption of tea in occasions where time is crucial, specially during the breakfast occasion. The other has to do with the difference between types of tea: it was expected that non-consumers do not know the difference between types of tea; however, only 11% of the non-consumers stated that they do not drink tea because they do not know what type of tea to choose. The same has occurred in the consumers: only 9% of them stated that they do not drink tea more often during the day since they do not know the differences between different types of tea. The rest of them did not agree with this statement, meaning that they know the difference between different types of tea, and so, they are educated consumers.

However, according to Mariana Esteves,⁸ they think they know the difference between different types of tea while, in reality, when they are in front of tea's shelves they get confused.

Graph 12: Constraints for the non-consumption of tea



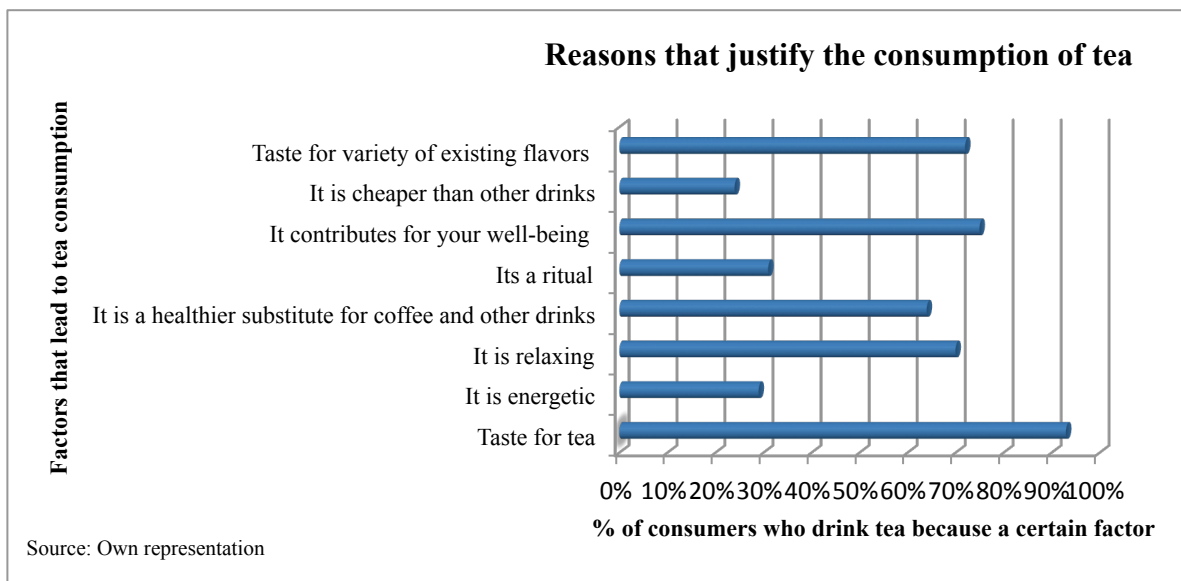
Graph 13: Constraints for a highest level of tea's consumption during the day



⁸ Mariana Esteves is a brand manager in Lipton Unilever Jerónimo Martins.

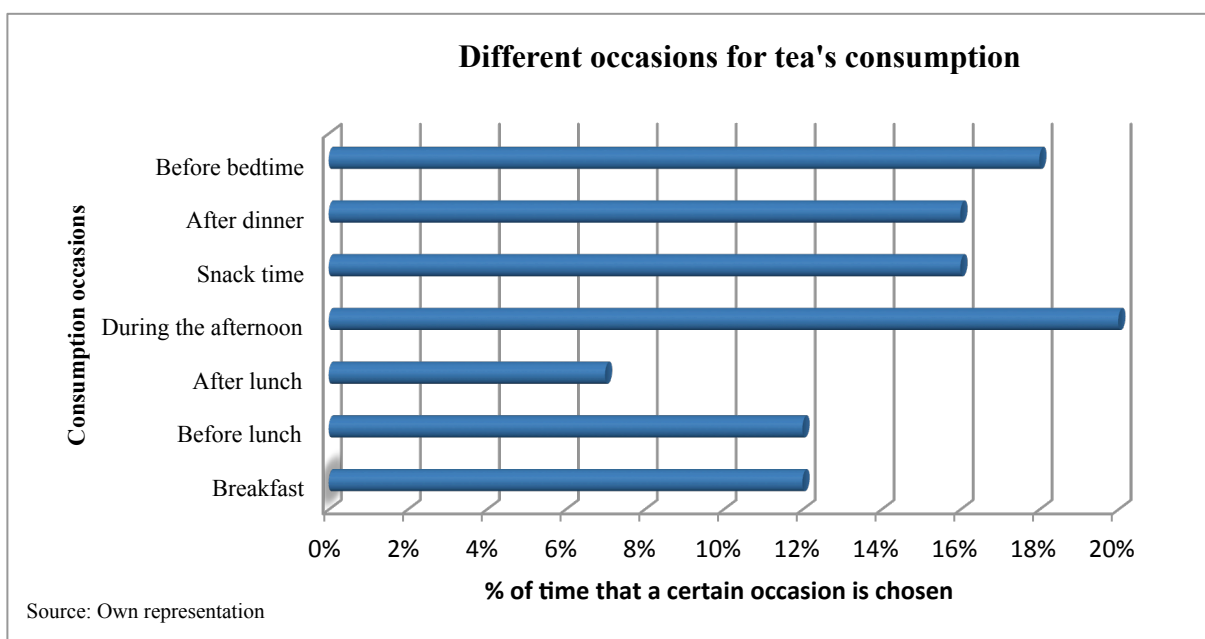
It is also important to know why consumers drink tea, i.e. what is the meaning of tea for them. From graph 14, it is possible to realize that consumers drink tea because they enjoy the taste of it, with 93% of consumers who consider that taste lead them to drink tea, the contribution to their well-being and the variety of existing flavors, with 75% and 72% of consumers, respectively. On the other hand, consumers do not drink tea because it is energetic, even in the case of teas with caffeine or because it is a ritual: only 29% of consumers agree that they consume tea because it is energetic, and also, only 31% agree that they drink it because it is a ritual. This means that, when they want energy, they look for coffee and other energetic drinks and, also, that tea is not seen as a habit. In addition, only 24% of consumers agree that they drink tea since it is cheaper than other drinks, which means that the majority of consumers does not drink it because of price. In fact, 41% of consumers considered price of tea as indifferent to their consumption.

Graph 14: Reasons that justify the consumption of tea



With the goal of increasing the consumption of tea during the day, it is important to know what are the main occasions that are unexplored, yet. Looking at graph 15, it is possible to observe that consumers drink more tea during the afternoon, meaning that this occasion was chosen 20% of the time.⁹ This is followed by before bedtime occasion, being chosen 18% of the time. The most unexplored occasions are breakfast, before lunch and after lunch, being chosen 12%, 12% and 7% of the time.

Graph 15: Different occasions for tea's consumption, during the day

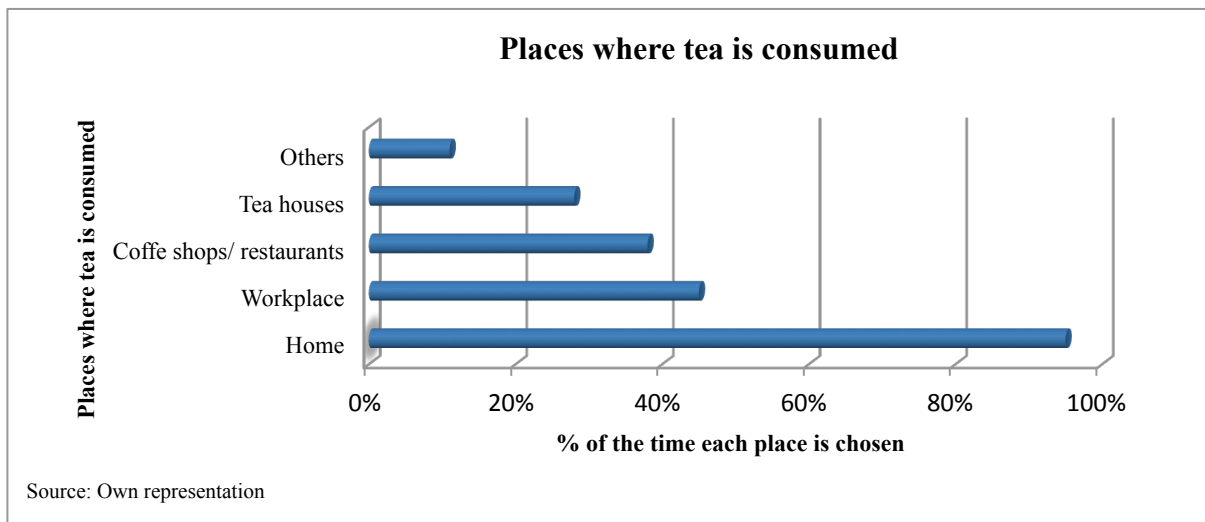


One more analyze have to be made in order to achieve the research's goal: it is crucial to understand where consumers usually drink tea, i.e. in-home or out-of-home (workplace or Horeca channel). This is important in the sense that depending on the place where consumers have the habit of drinking tea, the study and recommendations are going to be pointed in different directions. Looking at graph 16, it is possible to say

⁹ In these questions, respondents could choose more than one option, meaning that it is possible to have more answers than the number of respondents. In this sense, this percentage means that during the afternoon occasion was chosen 20% of the time.

that home is the elected place to drink tea, being chosen 95% of the time.¹⁰ This is followed by workplace and coffee shops/restaurants, being chosen 45% and 38% of the time, respectively.

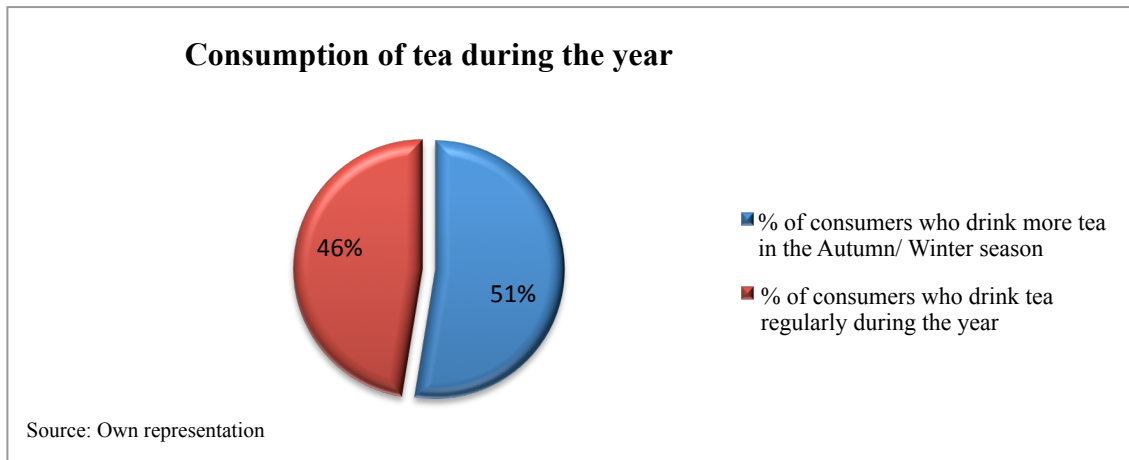
Graph 16: Places where tea is consumed during the day



An additional information is related to the consumption of tea during the year. It is important to understand if tea is seen as a seasonal beverage or if it is consumed regularly during the year, as coffee. Actually, there was a surprise concerning this issue: it was expected that the majority of consumers think about tea as a seasonal beverage, which is more consumed in Autumn/Winter. However, there is an unexpected result: 51% of the consumers stated that they consume more in Autumn/Winter, while 46% of the consumers stated that they consumed regularly during the year, making a slightly difference of 5% (see graph 17).

¹⁰ Since consumers can drink tea in more than one place, this percentage is interpreted as home being chosen 95% of the time for the consumption of tea.

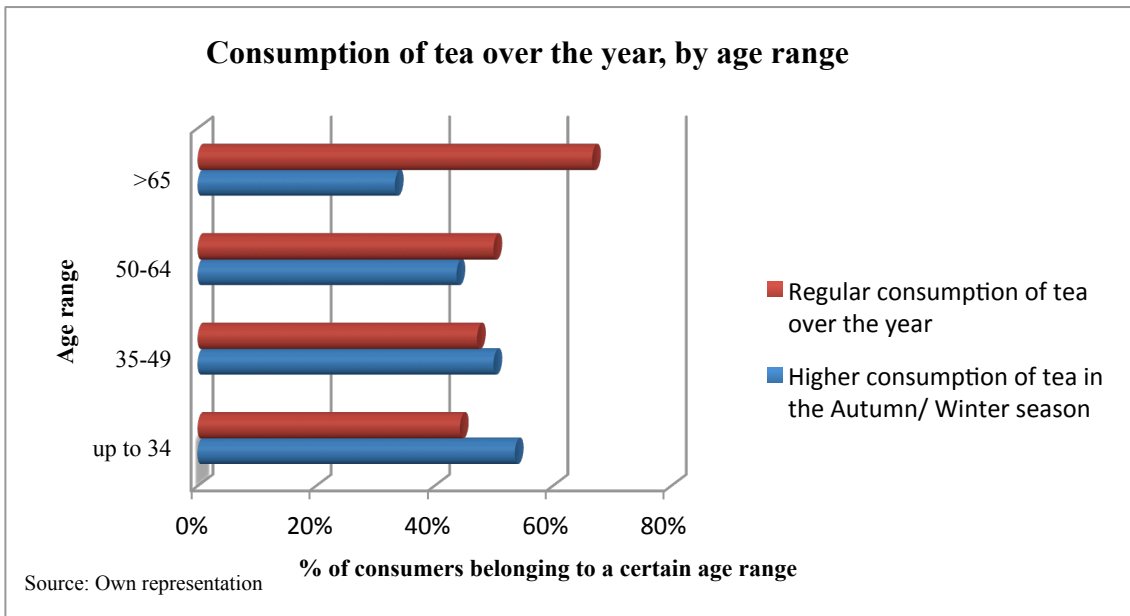
Graph 17: Consumption of tea during the year



Moreover, looking at graph 18 it is possible to observe which age ranges are more regular in terms of tea consumption during the year: regarding *up to 34* range, there are more consumers stating that they consume more in Autumn/Winter season than consumers affirming that they consume regularly over the year, with 54% and 44% of consumers with ages *up to 34*, respectively. In the *35-49* range, there is a lower difference, i.e. 3%, between the consumers who drink tea more in Autumn/Winter and the ones who drink tea frequently all over the year. However, in this age range there is, still, a high percentage of consumers who do not drink tea regularly. Looking at *50-64* and *more than 65* years old, it is possible to see that there is a reversion of the situation: here there are more consumers that consume tea regularly during the year than the ones that consume more tea in the coldest season.

Since the main goal is to have frequent consumers not only during the day, but also during the year, the main focus will be on the youngest generations, i.e. *up to 34* and *35-49* years old. These are the ones that have, still, at least 50% of their consumers drinking more tea during the coldest season.

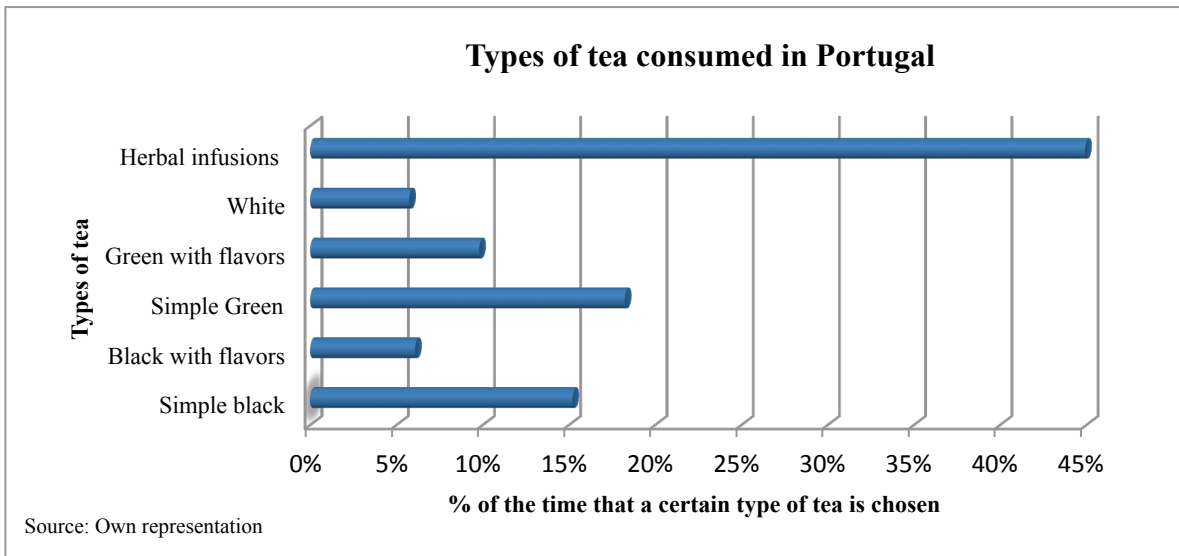
Graph 18: Consumption of tea over the year, by age range



To increase the consumption of tea on a daily basis, it is also critical to understand which types of tea are more valued by consumers. From graph 19, it is possible to see that Portuguese consumers prefer, clearly, Herbal infusions, meaning that this type of tea was chosen 45% of the time.¹¹ This was followed by Simple green and Simple black, being chosen 18% and 15% of the time, respectively. This means that these three types of tea are the strongest in the Portuguese tea market.

¹¹ Since in this question consumers could choose more than one option, it was possible to have more answers than the number of consumers. In this sense, this percentage should be interpreted as 45% of the time Herbal Infusions was chosen by consumers of tea.

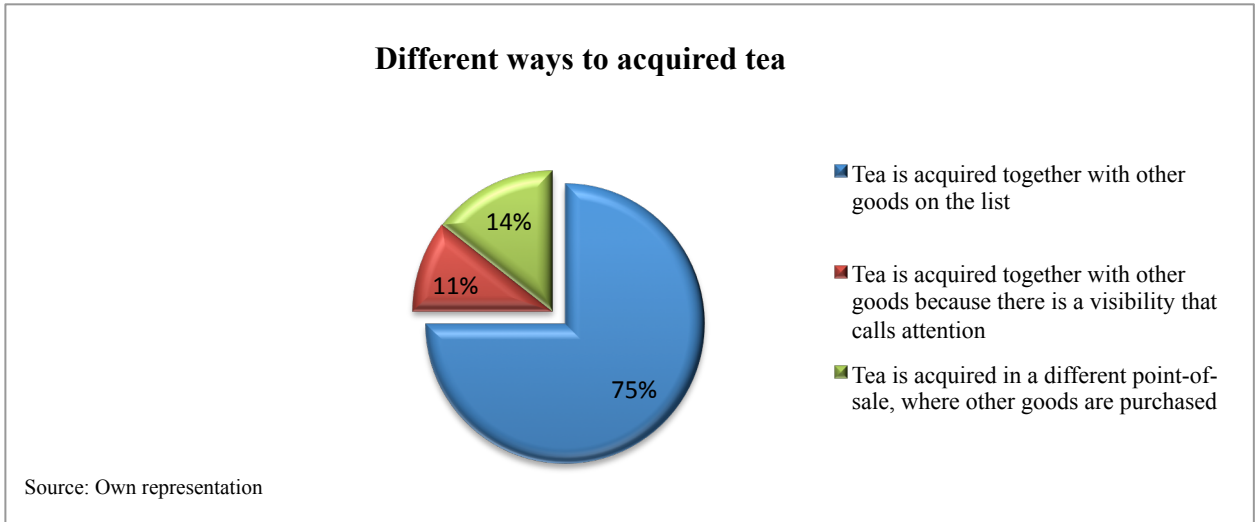
Graph 19: Types of tea consumed in Portugal



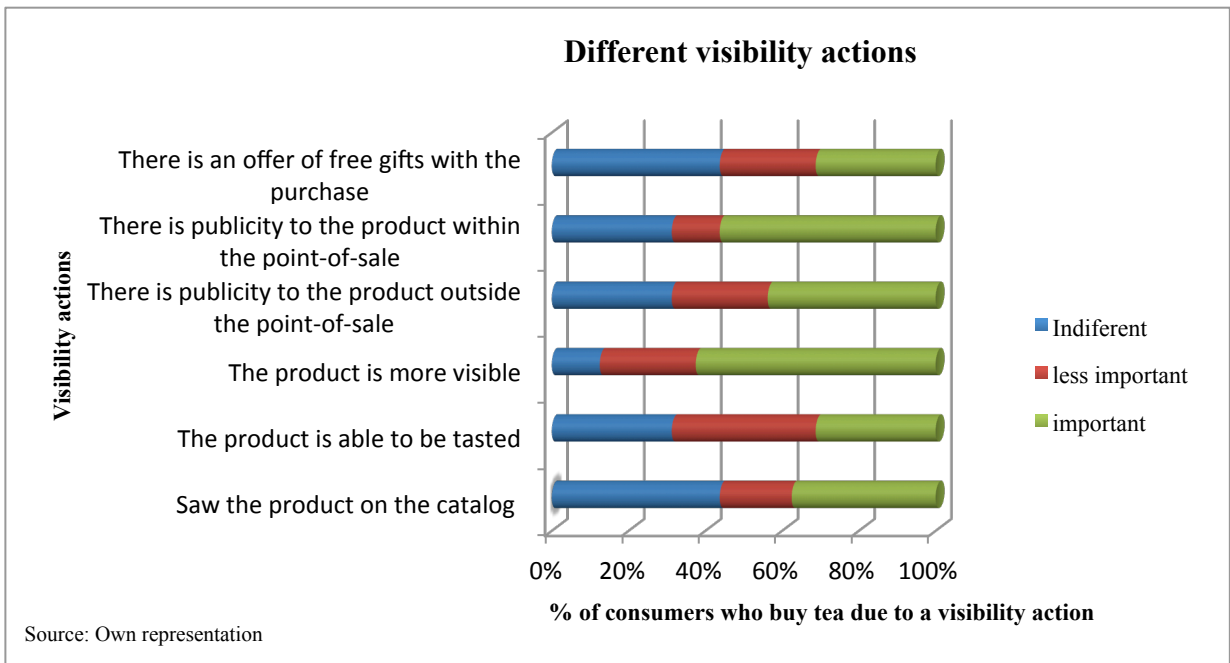
It is also important to have an overlook regarding the purchase of tea. Looking at graph 20, it is possible to infer that the majority of consumers buy their tea because it is on their list, together with other goods. From here, it is possible to say that 75% of consumers have in mind buy their tea when they go shopping in the usual point-of-sale. From this figure, it is also possible to infer the impact some visibility actions have in the purchasing of tea: only 11% of consumers stated that they buy tea due to some visibility in the point-of-sale. In these cases, these consumers remember to buy tea, mainly because the product is more visible, with 63% of consumers who buy tea because of a visibility action considering this one as important (graph 21). Also the fact that they see publicity to tea within the point-of-sale remember them to buy tea, with 56% of consumers who buy tea because there is a visibility action considering this one as important. Notice that these consumers assume some actions of visibility as indifferent to them: in fact, 44% of consumers who remember to buy tea because there

is a visibility action stated that free gifts in the purchase of tea and the presence of tea in catalogs are indifferent to them.

Graph 20: Different ways to acquired tea



Graph 21: Different visibility actions

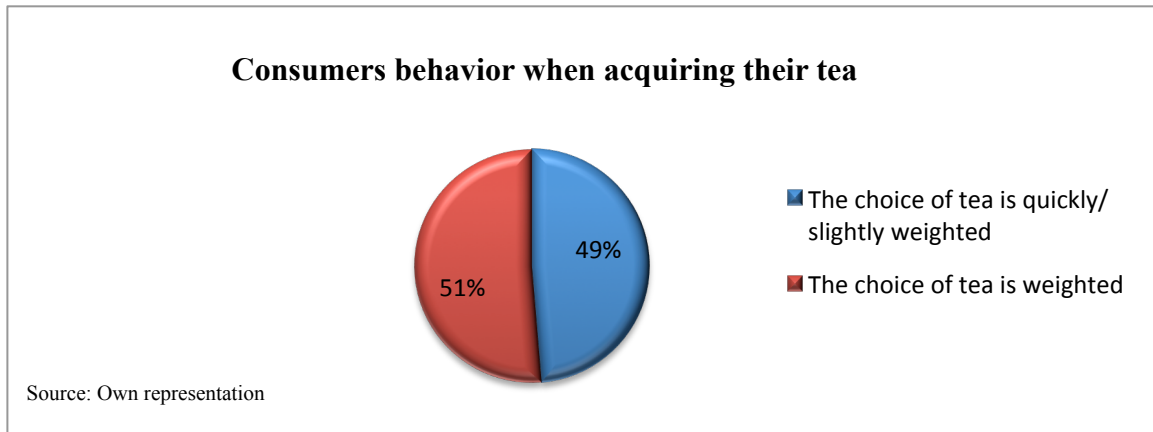


To understand how consumers behave in their point-of-sale, when they are acquiring their tea, a question regarding their behavior, i.e. if the choice of tea is quickly/ slightly weighted or if it is weighted, is made. A quickly choice is the one that the consumer arrives at the tea's shelves, pick his tea and goes way; by contrast, a weighted choice is the one where the consumer arrives at tea's shelves, compare different types/brands/prices/promotions of tea and goes away with his product. Looking at graph 22, it is possible to see that almost 50%-50% of the consumers choose quickly and in a weighted manner; in reality, 49% of consumers choose quickly their tea while 51% of consumers have a weighted choice. Consumers have a quickly choice of tea mainly because they have their product of choice; in fact 78% of consumers who have a quickly choice, in their point-of-sale, refer this one as the main reason to do that. The other main reason has to do with the fact that they have already decided in home which product do they want, with 66% of consumers who have a quickly choice agreeing with this option (see graph 23). Notice, however, that a quick choice does not mean that consumers are indifferent regarding the product they consume, i.e. they do not decide only because of price or visibility. This could have to do with the fact that tea has an impact on health, and so consumers are not careless regarding their choice of tea.

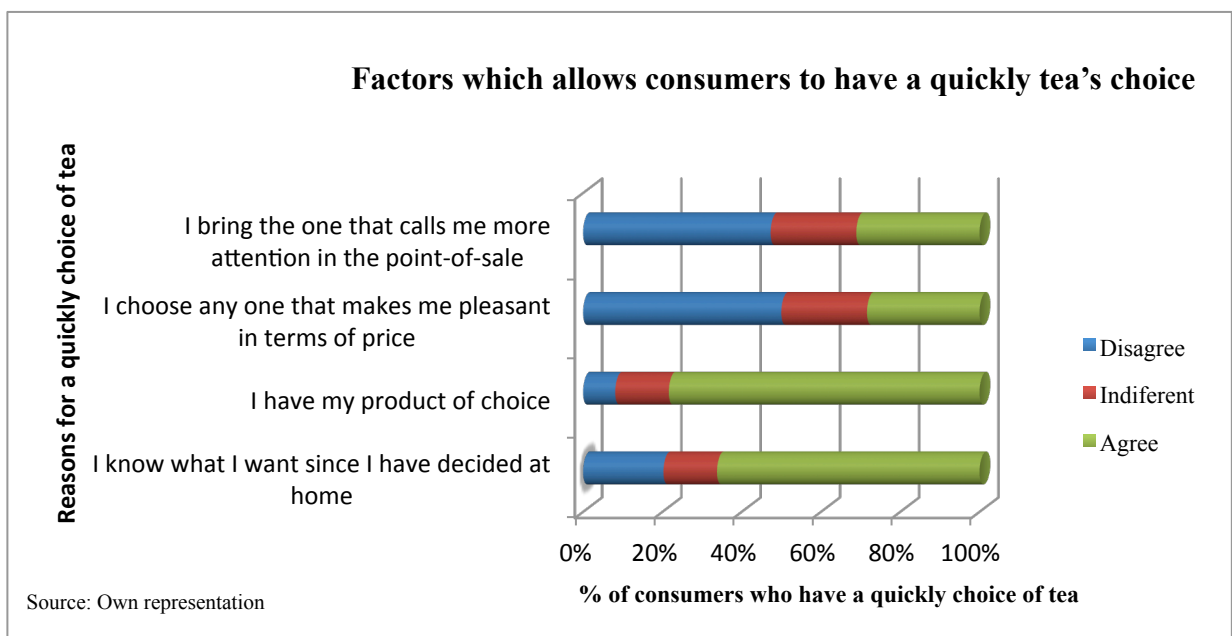
Consumers who have a weighted choice of tea pointed out as main reasons for their behavior, the type of tea and brand; in fact, all of consumers who have a weighted choice stated type of tea as the main reason, followed by brand with 74% of them considering this option as important (see graph 24). For these consumers, it is not indifferent between the consumption of a black tea or green tea, for instance, and the brand of tea, which suggests that there is brand awareness. Price and promotions come

at last, but with higher percentages of consumers too: 71% and 59% of consumers with weighted choice consider price and promotions as important items too, respectively.

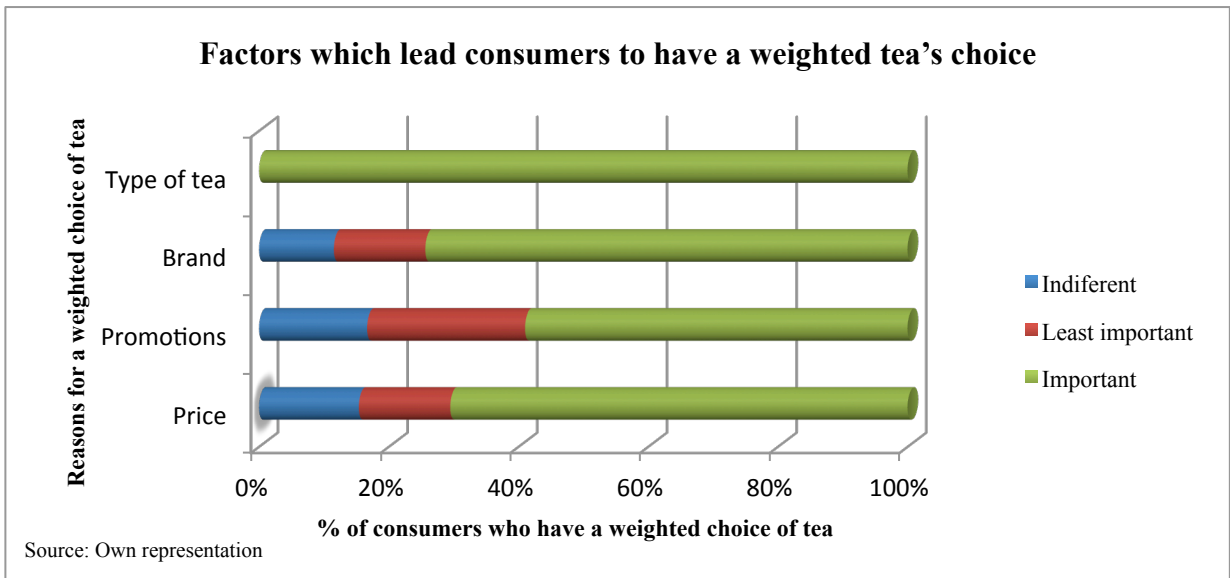
Graph 22: Consumers behavior when acquiring their tea



Graph 23: Factors which allows consumers to have a quickly/slightly weighted tea's choice

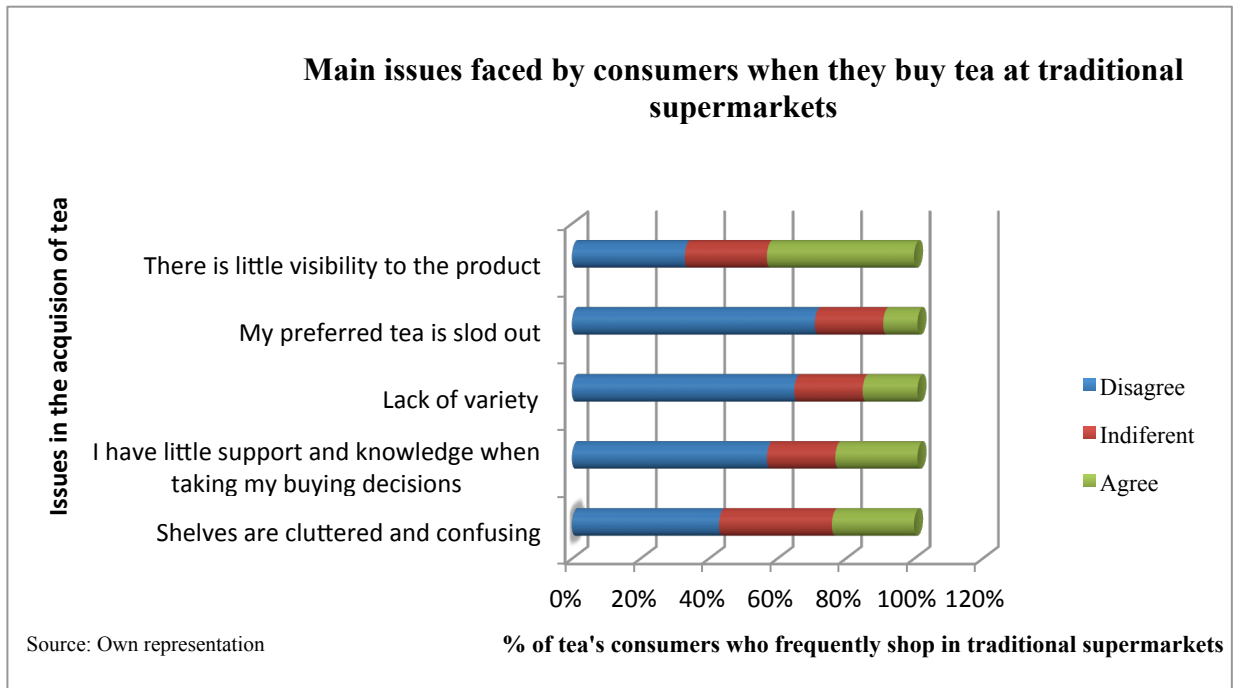


Graph 24: Factors that lead consumers to have a weighted tea's choice



An evaluation of the consumer experience when buying tea in traditional supermarkets is also needed, to understand if there are some problems in this point-of-sale, which could impact the consumption of tea. Looking at graph 25, it is possible to infer that the main problem in traditional supermarkets, when consumers are acquiring tea, is the little visibility of the product, with 43% of tea's consumers who shop frequently in traditional supermarkets agreeing with this option. The other options have pleasant feedback, in the sense that each of them has more than 50% of tea's consumers who shop frequently in traditional supermarkets stating that they disagree with those options. So, the main issue presented at this point-of-sale is visibility and a study regarding the impact of lack of visibility in the consumption of tea has to be made.

Graph 25: Main issues faced by consumers when they buy tea at traditional supermarkets

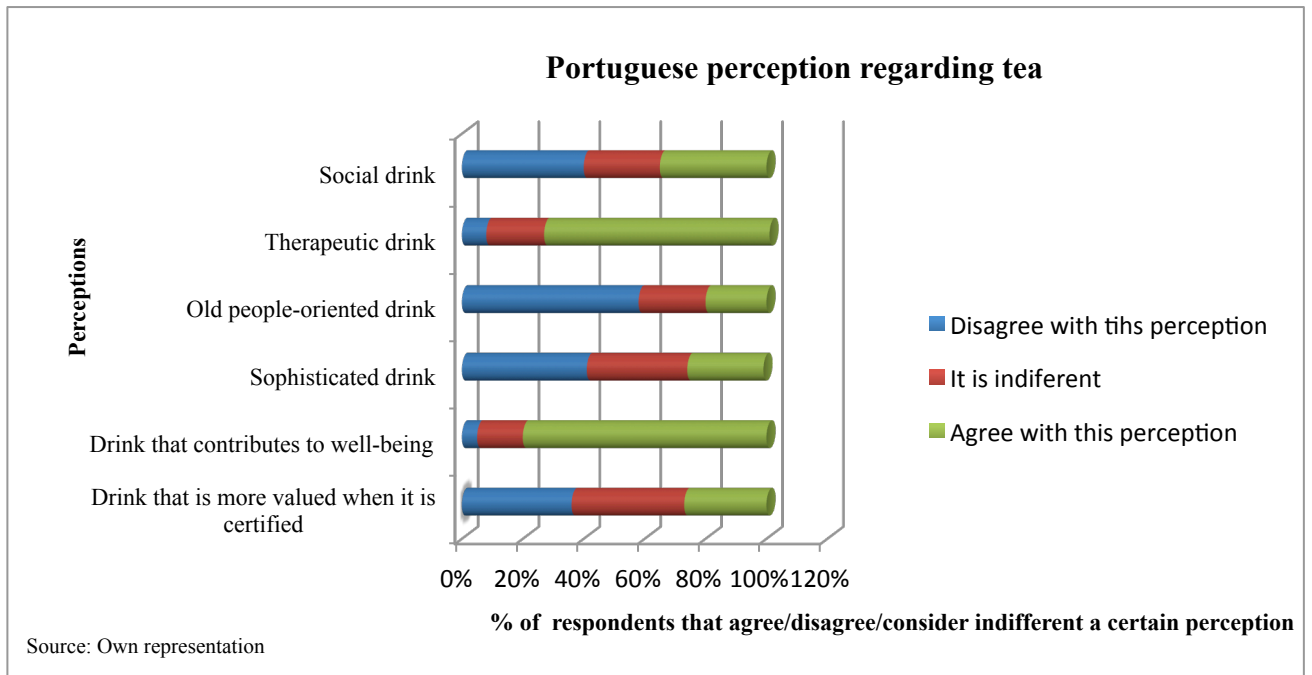


It is at utmost important to understand how tea is perceived among Portuguese and in what circumstances they hear talk about tea.

From graph 26, it is possible to see that respondents¹² associate, immediately, tea to its contribution to people’s well-being, having 80% of respondents who agree with this perception of tea. They also associate tea as a therapeutic drink, having 74% of respondents agreeing with this perception. This means that tea is still associated with a myth of treating diseases, which needs to be overpassed. However, one unexpected result concerning the old people-oriented drink perception has appeared: only 20% of the respondents see tea as a beverage oriented to older people, having more than 50% of the respondents disagreeing with this perception.

¹² Here non-consumers of tea are being considered too, since they have a perception concerning this beverage, even though they do not consume it.

Graph 26: Portuguese perception regarding tea

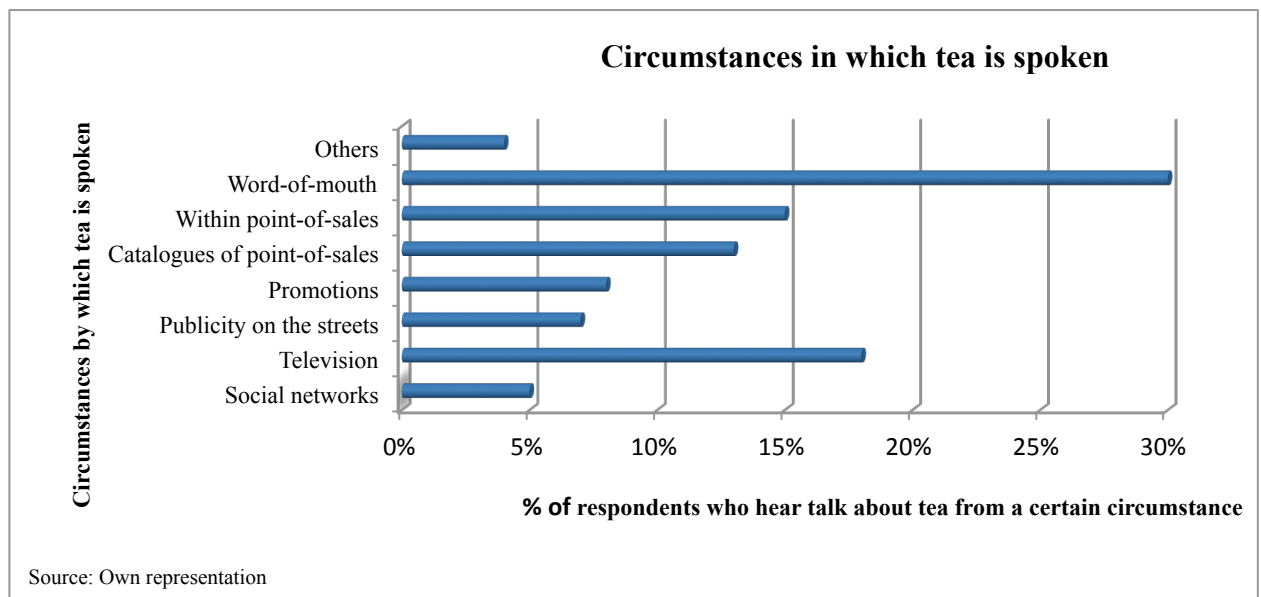


From graph 27, it is possible to infer that respondents¹³ hear talk about tea, mainly, through the word-of-mouth, since this option was chosen 30% of the time.¹⁴ This is followed by television and within point-of-sales, being chosen 18% and 15% of the time, respectively. By contrast, social networks and publicity on the streets are the ones least chosen, besides the others option: social networks were only chosen 5% of the time and publicity on the streets 7% of the time.

¹³ Here non-consumers of tea are being considered too, since they hear talk about tea, even though they do not consume it.

¹⁴ In this question, respondents could choose more than one option, meaning that there are more answers than the number of consumers. In this sense, the word-of-mouth option was chosen 30% of the time.

Graph 27: Circumstances in which tea is spoken



Appendix 2- PEST analysis

For Lipton be able to understand the Portuguese environment and take advantage of it, increasing its market share, a PEST analysis was needed. First, legal factors: since companies are currently focused on Western markets, and in this case in particularly in Portugal, they need to show that they are socially responsible corporations. In this sense, companies embrace standards regarding food safety, environmental friendly production practices and working conditions. To ensure that Lipton' self-declaration in terms of sustainability was credible, i.e. consumers associate sustainability efforts in tea production to the brand, a third party certification was needed: here Lipton chose as their certification Rainforest Alliance. This one is composed by several regulations¹⁵ concerning the production of tea. Lipton is compromised to have all their tea certified

¹⁵ These standards has to do with social and environmental management system, ecosystem conservation, wildlife and water conservation, fair treatment and good working conditions for workers, occupational health and safety, community relations, integrated crop and waste management and soil management and conservation.

by 2015. In addition, since the project's aim is to increase the consumption of Lipton tea, taxes, such as IVA,¹⁶ are also an important factor to take into consideration. Second, economical factors: Portugal is facing an economic recession, meaning that people faced a decrease in their purchasing power. Looking at the inflation rate, this one suffered a decrease of 2.4%¹⁷ from 2012 to 2013. However, this deflation does not mean that Portuguese saw an increase in their purchasing power. In fact, from 2012 to 2013, the annual disposable income in Portugal has suffered a decrease of 2.8%,¹⁸ higher than the decrease in inflation rate. On the positive side, the unemployment rate has been decreasing over time: in the beginning of the year, Portugal was facing an unemployment rate of 17.7%; in September the unemployment rate dropped to 16.3%, lower than the homologous month in the previous year, where the unemployment rate was 16.4%.¹⁹ Since tea belongs to the beverage/ food sector, it makes sense to understand how Portuguese are spending in terms of food: actually, since 2011 expenditures on food are suffering a decrease. From 2012 to 2013, it is possible to observe a decrease of 2.3%²⁰ in the Portuguese expenditure on food. However, in what concerns tea category, this trend does not verify.²¹ Third, social factors: Portugal is a country where people are increasingly worried about their image. People look for their ideal of beauty and make strong efforts to achieve that. In this sense, there is a tendency to practice physical exercise, go to the gym and look for healthy food. Additionally, there is also a tendency concerning the environment. People is getting more conscious regarding green issues and are taking measures to reverse the situation;

¹⁶ Currently, there is a 6% IVA for infusions and 23% IVA for the rest of tea. Infusions have a lower percentage of IVA due to its production process.

¹⁷ Calculations based on Euromonitor international information.

¹⁸ Calculations based on data given by Euromonitor international.

¹⁹ All percentages concerning unemployment rate have as source Jornal Expresso, October 2013.

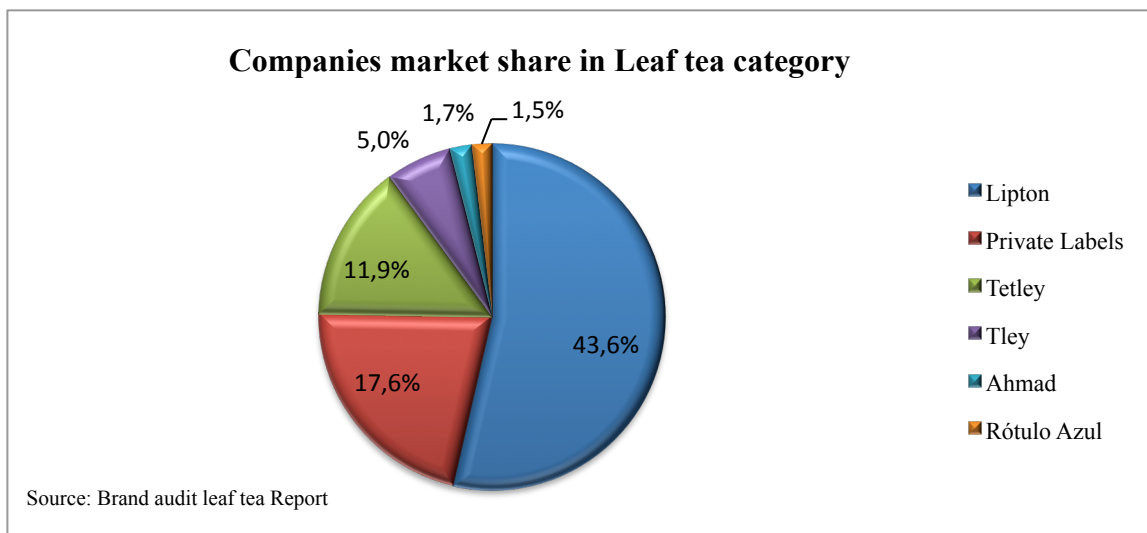
²⁰ Source: Euromonitor international.

²¹ This will be better explored in Market needs and trends section.

for instance, Sociedade Ponto Verde record a 3%²² increase in the amount of urban waste that went to recycle. Portuguese are also aware of new trends; they want to follow what makes them fashion, different, or give them a status. In this sense, they are open to accept new concepts of lifestyle. Forth, technological factors: technology assumes a relevant role in businesses. This enables firms to make improvements in terms of costs and quality, and communication between company/product and customer/consumer. Furthermore, technology allows companies to innovate and make their distribution channels more efficient.

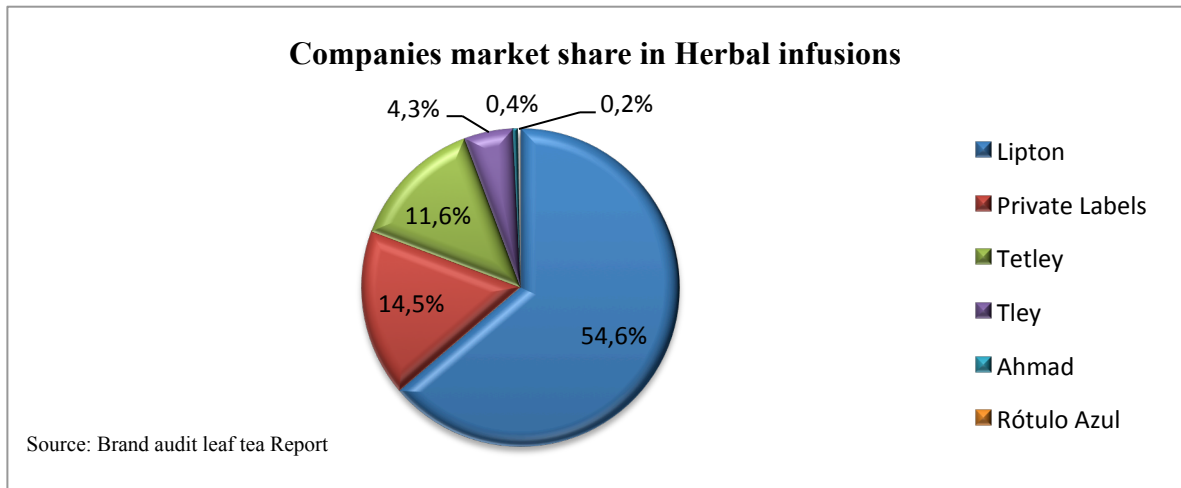
Appendix 3 – Market Shares of tea brands

Graph 28: Companies market share in leaf tea category, in January 2013

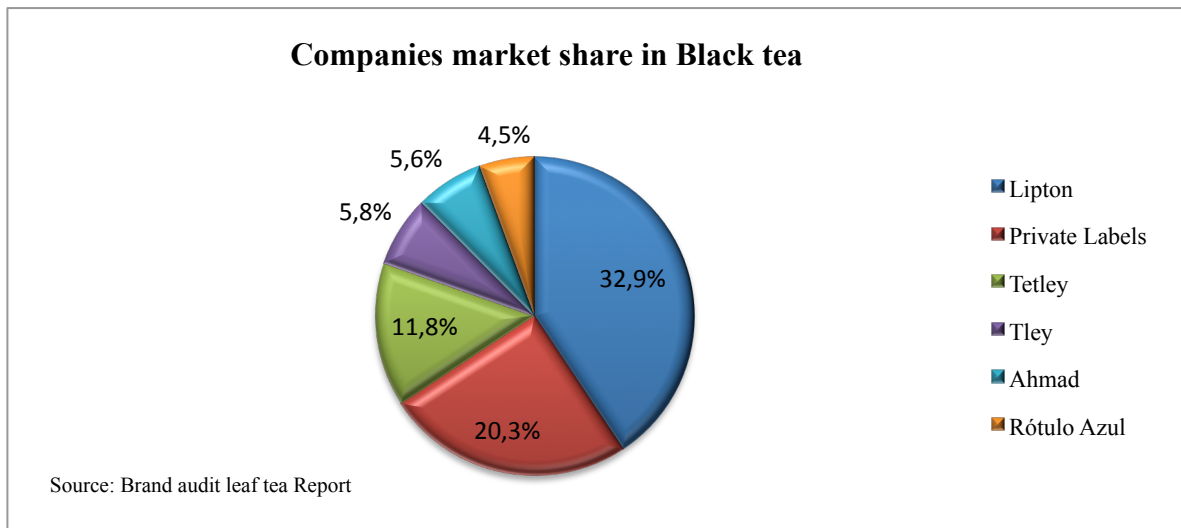


²² This increase came from a comparison between the first 6 months of the year 2012 and 2013.

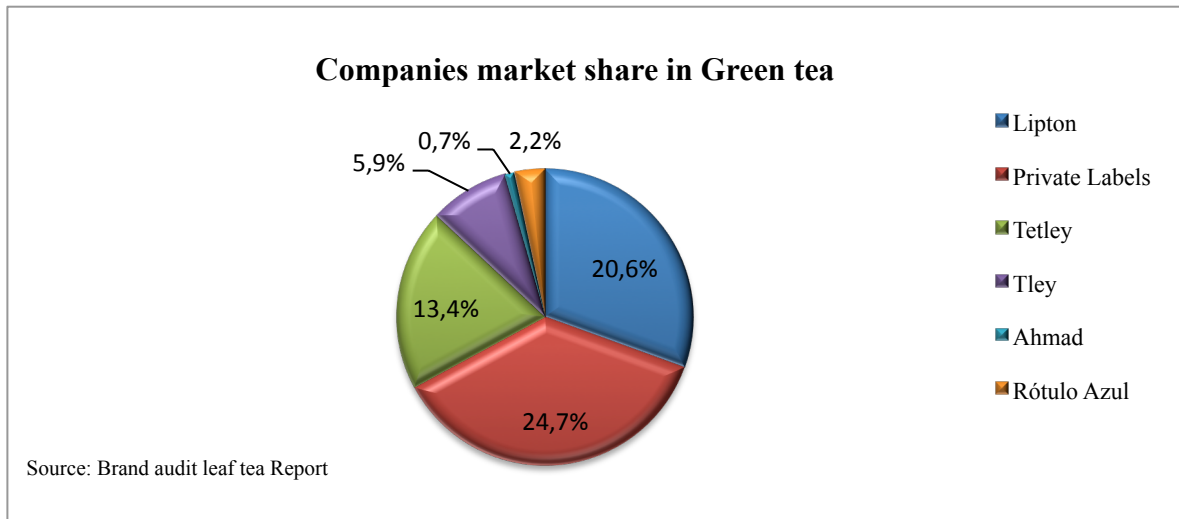
Graph 29: Companies market share in Herbal infusions, in January 2013



Graph 30: Companies market share in Black tea, in January 2013

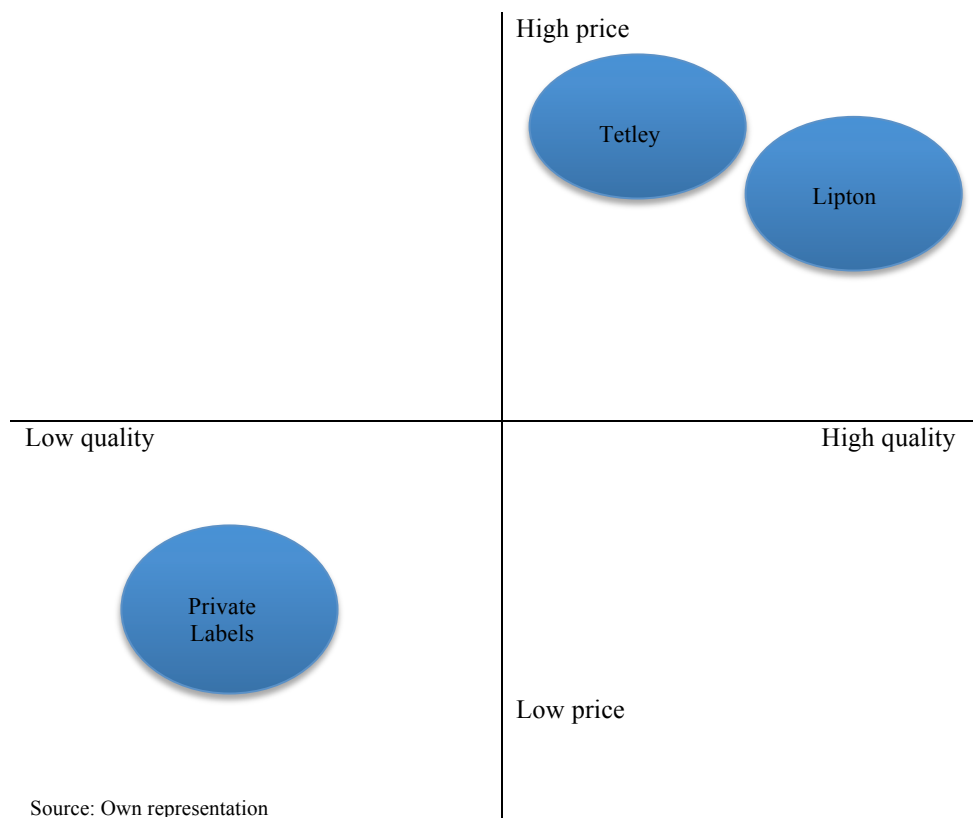


Graph 31: Companies market share in Green tea, in January 2013

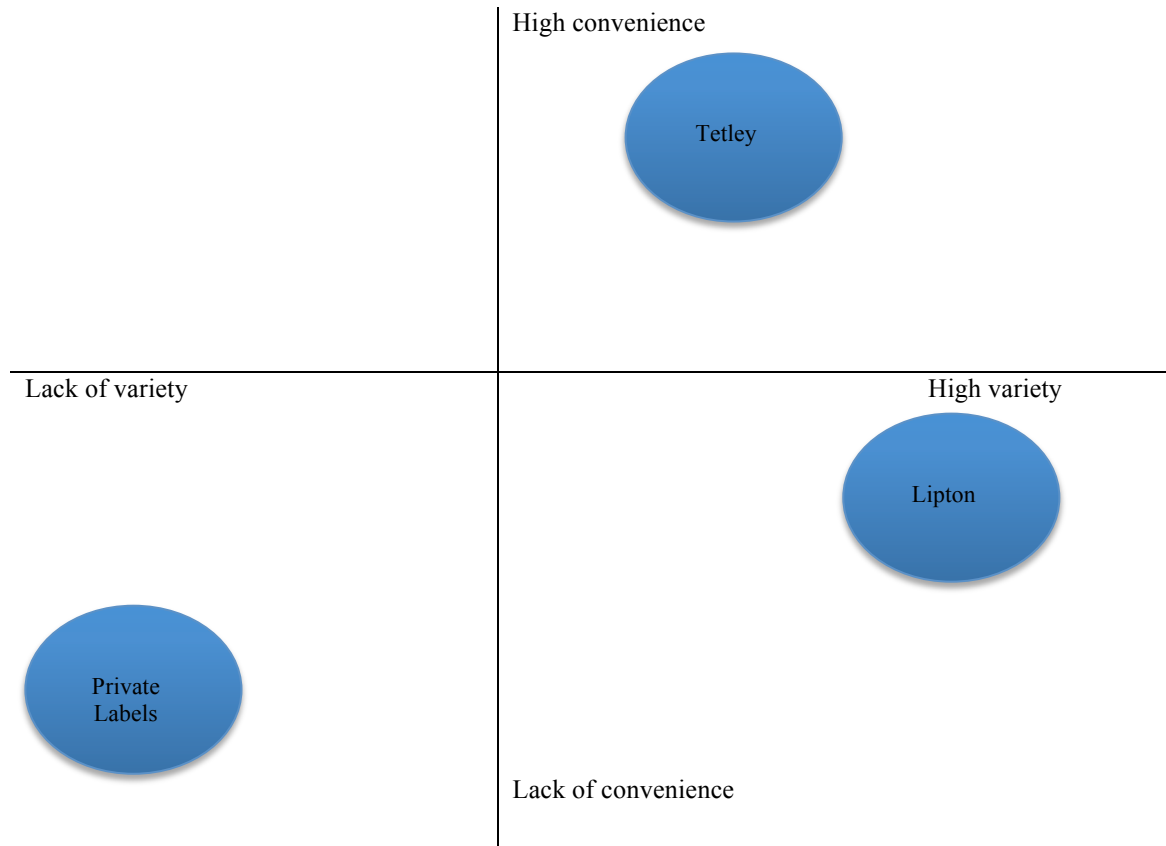


Appendix 4 – Perceptual maps

Perceptual map 1: Quality – Price relation



Perceptual map 2: Variety – Convenience relation



Source: Own representation

In fact, Lipton is one step behind, when compared with Tetley, concerning convenience, since it is not already present in tea pods market. However, Lipton can offer more convenience than Private Labels, since it has patented pyramids tea bags, allowing consumers to drop their tea bags into the cup, without holding and shaking their tea bags, since these ones have the ability to spread its components by itself. On the other hand, Lipton stands out from its competitors, being able to offer high quality standards combined with high variety. Note that, these perceptual maps only include the main competitors of Lipton, i.e. Private Labels and Tetley. The others only represent, all together, 8.2% of the market.

Appendix 5 – Interviews

Since from the market research conducted it was not possible to infer some key aspects regarding the consumers' behavior in what concerns tea purchase, interviews were made. In addition, this research was focused on consumption of tea in general, and not on leaf tea brands, in particular. In this sense, it was asked which brands consumers prefer and their reasons for that choice. Finally, to evaluate which type of media is more effective to get exposure from this target, a question regarding this issue was also made.

Furthermore, from this market research it is not possible to infer who are the consumers that frequently shops at traditional supermarkets, requiring some interviews as well. Additionally, questions to traditional supermarkets were made, in order to understand how Lipton could optimize its relationship with this channel, in order to benefit from Supply Chain Competitiveness.

I. Interview to traditional supermarkets

In fact from the market research conducted, it was not possible to understand who are the frequent consumers of traditional supermarkets, i.e. the ones who go shop at this point-of-sale at least 2 times/month. In fact, looking at the analyze made on pages 17 and 18, the youngest age range of respondents, i.e. *up to 34*, was considered as the main client of traditional supermarkets: there were 37% of the respondents belonging to this age range stating that they shop at traditional supermarkets at least 2 times/month; while in the other age ranges, *35-49* and *50-*

64 years old, only 35% and 31% of respondents stated that they shop at traditional supermarkets at least 2 times/month, respectively. Since, this was considered as an unexpected and inconclusive result, 5 traditional supermarkets, located at Telheiras, Laranjeiras and Benfica, were interviewed. To each point-of-sale was asked who are the main clients in terms of ages. From these interviews, it was possible to conclude that the main clients of traditional supermarkets have ages between 40 and 80 years old, depending on the location; for instance, in Benfica, there are more people with ages between 60's and 80's, while in Telheiras there are more people with ages ranging from 40's to 50's.

The other question had to do with their willingness to show up in an annual presentation organized by Unilever-JM, in order to they understand some changes in the business environment and how can they react to that. From these interviews, it was possible to understand that while younger owners declared their interest in showing up to these kinds of presentation, the older owners are not willing to stand by. In fact, these last ones declared resistance to changes in the way they make business.

Despite the fact that the younger owners (in traditional supermarkets located at Laranjeiras and Telheiras) demonstrate their interest in make part of these presentations, some terms were imposed: they only want to show up, if the purpose of these presentations and the benefits are clear to them, and also if these presentations wont take much of their time; actually, these owners are at the same time the only employee, meaning that they have to close the store during the presentation, and so representing in lost of sales.

II. Interview to tea consumers, following the consumer buying behavior research, brand preference and media selection

These interviews have as the main purpose understand the consumer behavior in what concerns the purchase of tea. For this, an understanding of the Behavioral Sequence Model (BSM) is essential. BSM was performed based on individual interviews, with a qualitative research purpose, called depth interviews. For the chosen target, i.e. consumers with ages between 35-49 years old, 10 people were interviewed, from both genders. Each person was challenged to think out loud concerning his/hers last tea purchase. Here each person was able to indicate how was his/hers path since his need arousal to usage phase. Since tea is a non-durable and complex product, there is no need to make interviews with couples. The results of these interviews, concerning BSM, are presented in Appendix 5, table 1.

In addition, it was asked which brand consumers prefer most. More than 50% stated that they prefer Lipton due to its product's variety and quality.

Finally, a question regarding which type of media this target consumers use more while staying at home, was made. In fact, consumers, with ages between 35-49 y.o., spend more time seeing tv than using other type of media, at home.

Next, it will be presented how each interviewee was approached:

Good morning / afternoon / evening. My name is Cláudia Santos and I am currently a master student at the NOVA School of Business and Economics. Since my thesis is related to the consumption of Lipton's tea in Portugal, a research concerning tea purchasing, brand preference and media selection is needed.

Despite the fact that you have already answer my survey regarding tea consumption, some issues remain unclear, especially in what concerns the consumer buying behavior.

For this purpose, I would like to interview you for approximately 10 to 15 minutes, by a depth-interview, which means that, for the most part, I will not ask you questions but, instead, let you talk freely after the first initial question. This also means that there are not right or wrong answers and you are free to say whatever comes to your mind on the subject. In addition, for the purpose of analyzing our interviews later, I would like to write our conversation. It will remain anonymous and you will not be contacted further past this interview.

Appendix 6 – Figures and tables

Table 1. Behavioral Sequence Model

Considerations at each stage	Decision stages			
	Need arousal	Brand considerations	Purchase	Usage
Decision roles involved	Women/ Men	Women	Women	Women/ Men
Where stage is likely to occur	Home	Traditional supermarkets	Traditional supermarket	Home
Timing of stage	Short-lived	Short-lived	Short-lived	Short-lived
How stage is likely to occur	Both internal and external stimulus	Brand awareness	In traditional supermarkets, after choosing which tea to buy	At home, in front of tv

Source: Own representation

Figure 1: Lipton’s leaf tea planogram, according to the Perfect Store program, in big retail



Table 2: Vrio framework

	Valuable	Rare	Inimitable	Organized
Product portfolio	✓	✓	X	✓
Presence in other markets	✓	X	-	✓
Reputation	✓	X	-	✓
Patents (R&D)	✓	X	X	✓
Team of excellence	✓	✓	X	✓
Distribution processes	✓	✓	✓	✓

Source: Own representation

Appendix 7 – Complete references

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