

MARKETING BUSINESS PLAN: MARQUÊS DE BORBA



MASTER IN MANAGEMENT

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1. Executive Summary

Marquês de Borba is a premium wine brand from J. Portugal Ramos which has faced a drop in sales in the latest years (8% from 2008 to 2009, according to the latest data available from the company). In this Marketing Business Plan we addressed this problem over a 5-year plan, finding its source and proposing sustainable solutions with return on investment.

About the product, Marquês de Borba is the best-selling brand of J. Portugal Ramos and currently sells 55.000 cases of 9 liters annually (12 bottles). It has 6 SKUs, including a red vintage wine and 75cl and 37,5cl bottles of regular white and red wine. The regular red wine is priced at 5,89€ and the regular white wine is priced at 5,19€. It is the third most sold brand in the Premium A segment, after Monte Velho and EA. Marquês de Borba is distributed through Active Brands, the exclusive distributor of J. Portugal Ramos. Afterwards, the product is sold directly to the off trade channel and to regional distributors who sell the product to the on trade channel.

The first step to develop the business plan was to gather information on the market, industry and company in order to gain sensibility to accurately define the problem. To do so, we did an external and internal analysis, taking advantage of secondary data, such as Euromonitor, Nielsen and online articles. Afterwards, we performed an extensive Marketing Research with three parts: two exploratory researches and one quantitative research. Exploratory researches focused on final consumers and on restaurant managers. We used this to build hypotheses about

consumption and purchase behavior that we further tested in a quantitative research to final consumers. Besides, this quantitative research allowed us to confirm our marketing problems and test several concepts we already had in mind. We did two extraordinary internet surveys regarding two specific topics: distribution channels and usage-based segmentation.

We have concluded that Marquês de Borba has two main problems: a distribution gap and a lack of communication which affects brand image. Numeric distribution in the on trade channel is stagnated at 25% and so far the company has failed to have an effective integrated marketing communications strategy which is crucial not only to create brand awareness but to build an appropriate brand image.

We also found that the current economic crisis and the aggressive competitiveness of the industry is affecting the brand's profits. Even being external variables that we cannot control, these factors should be considered.

Also, during the environmental analysis, we found several opportunities that Marquês de Borba should take advantage of. First, white wine is increasing sales volume in Portugal, while all other wine categories are decreasing sales. Second, wine per glass sales in the HORECA channel is an increasing trend, since this is being promoted by institutional entities and final consumers eager for smaller quantities consumed since legal restrictions have been increasing in the latest years.



1. Executive Summary

Other environmental factors should also be taken into account while developing the marketing plan. There is a shift to home consumption because of the current economic crisis, moreover households are getting smaller. The Portuguese wine industry is a very fragmented market with hundreds of wine brands.

We have concluded that for most consumers this is a low involvement purchase. Thus, and due to the low concentration ratio, a strong brand, communicating credibility and security towards quality as well as brand recognition and a positive attitude towards the brand is crucial to succeed in this category.

The marketing strategies will re-launch the brand Marquês de Borba and we will focus primarily on the previously mentioned problems of distribution and communication. We aim at increasing the perceived value of the brand.

First, we will define more accurately the brand's positioning and we will launch Marquês de Borba Reserva Branco, a product so far not produced by J. Portugal Ramos. This launch will justify the re-launch of the Marquês de Borba brand and will highly contribute to increase the perceived value of the brand. Other changes will be made to the regular wine bottles.

Regarding pricing, we will maintain the current price level of all Marquês de Borba's SKU's, keeping the skimming strategy.

The main investment of our plan is in promotion and place. We want to build a strong communication plan which includes a

strong trade promotion component in order to solve the channel gaps and communication problems.

We propose J. Portugal Ramos to invest in an advertising campaign that equally communicates white and red wine, as well as regular and vintage wine. We propose an emotional selling proposition focused on a transformational motivation. This advertising campaign would be accompanied by consumers' promotions, events' sponsoring and stronger participation on competitions and wine events nationwide. Altogether, the integrated marketing communications will increase brand recognition and brand preference leading current non-users of the brand to trial and repeat purchases.

Then, J. Portugal Ramos should also invest in trade promotions over the distribution channel in order to increase distributors' commitment and commercial pressure. Several trade promotions will be targeted at the main distributor, Active Brands, regional distributors and the HORECA channel. Here, we will also take advantage of the wine per glass trend. These trade promotions include missionary sales and best seller awards.

Our project has a Net Present Value of 695.572 €. Overall, by the end of year 5, we expect to increase annual sales by 59% and annual profits by 54%, comparing with data of 2010. The discounted return on investment of our project is 114%. The main objective of the plan is to reach the 2nd place in the Premium A segment, increasing the annual sales to 87.000 cases of 9 liters.

2. Internal and External Analysis

2.1. The five C's - Context



The five C's Analysis is an environmental scan on five key areas especially applicable to marketing decisions. It covers the internal, the micro-environmental and the macro-environmental situation. The five elements are: context, customers, company, collaborators and competitors. Then, we start the report by describing the external and internal environment of Marquês de Borba brand.

Context

Portuguese population is **ageing rapidly**. The median age rose from 39,2 years old in 2005 to 40,4 in 2009. This tendency is expected to continue. Besides, the trend of moving from rural areas to towns is also expected to go on. By 2020, there will be 6,9 million urban population.

Portugal's **internal debt** led the country to ask for external help, which imposed severe austerity measures that are having a negative impact in GDP growth and in consumption, which is expected to decrease 1,7% in 2011. These austerity measures should result in lower available income for the Portuguese, since tax raises are taking place (VAT is up to 23%, among the highest in the EU and income tax has raised up to 1,5%) while tax breaks are being voided. Plus, public workers' compensation is being cut and these workers have seen their benefits cut and pay levels frozen. Recently, HORECA VAT has increased from 13% to 23%.

Annual disposable incomes have risen steadily, growing from

€9,726 per capita in 2005 to €10,936 in 2008. However, the figure had declined by 2009 to €10,647. **Unemployment reached 11%** in 2010 and it is predicted to be 11,9% in 2011. The lower-middle class represents 48% of the population, being the younger and the elderly the ones with less disposable income. From a different perspective, geographically, **Lisbon and Vale do Tejo, Norte (mainly Oporto) and Algarve are the regions with more expenditure per household**. Algarve consumer expenditure is expected to increase 11,5% in the next 4 years.

The number of single-person households grew from 751,000 in 2005 to 845,000 in 2009, while the number of two-person households rose from 1.2 million to 1.3 million in the same period. All other household size categories decreased during the same period.

In Portugal there is also an **increasing tendency to sell "wine in a glass"**. For example, in the major cities (Oporto and Lisbon) there is the "Festa Vinho a Copo" where the main target is young people who want to taste premium wines for the first time.

People are **concerned about what they eat and drink**. They are eager for healthy and natural food and no longer want conservatives or additives. Portuguese are also trying different kinds of food outlets and have grown an interest in international cuisine.

Data from Euromonitor



2. Internal and External Analysis

2.1. The five C's – Context & Customers



Some **innovations** have been made in countries that are relatively new to the wine industry (USA, Australia, Argentina, among others). These are linked to a more capital-intensive production process where automation, larger vineyards (with an average 80% lower acquisition costs) and scale economies are key. Such allows these producers to mass-produce wines, keeping quality higher and costs lower than European in vineyards. Despite the fact that imported wines do not currently hold a significant market share in Portugal, they have a high growing rate. According to ViniPortugal, in the 2005-2009 period **imported wines have increased** 19,4% annually, on average. This happens mainly because of Chilean wines. This menace will only be felt in the long term.

Legally, **communicating a wine brand has its restrictions**. It is forbidden to advertise alcoholic drinks in television between 7 a.m. and 9.30 p.m. Besides no communication can: be targeted at underage; encourage excessive drinking; mock non-consumers; link drinking to social success; suggest the existence of therapeutic properties or sedatives in alcoholic drinks; associate the consumption of alcoholic drinks to driving or to sports; and emphasize alcoholic content as a positive feature (see Appendix 1).

Besides, **laws regarding alcohol consumption and driving** are becoming more restrictive: penalties have increased, especially for repetition of offenders, fines have gotten more expensive and the length of license suspension has gotten longer.

Customers

In Portugal, the wine categories available are fortified wine and vermouth (4,2% of the market), sparkling wine (1,5%) and still light grape wine (94,3%). Inside the still light grape wine, **red wine represents 62,6% of the market, white wine represents 25,6%**, the remaining 11,8% of sales are due to rosé wine. The total value (of wines sold in Portugal) in 2010 was €2,7 thousands of millions. Over the last 5 years the total value of the market, as well as the total sales volume has been **decreasing steadily**, from €2,9 thousands of millions in 2005. While red wine has been following this trend, **white wine sales have shown a countercyclical evolution in volume** (2,3% in the 2005-10 period) **and value** (2,4% over the same period).

Wine is distributed through two main channels: on and off-trade. On-trade channels refers to HORECA, while off-trade to retailers. Over the last 5 years, a **trend towards off-trade** has been visible with the share of sales done through this channel increasing from 61% (of total volume) in 2005 to 66,6% in 2010 and increasing from 36,8% (of sales value) in 2005 to 41,1% in 2010. The share of the off-trade sales in value is substantially lower than the in volume, since prices in this channel are substantially lower than the ones practiced by on-trade distributors. This evolution implies a decrease in margins. The reduction in on-trade sales is linked to a **shift to home consumption** instead of in restaurants.

Data from Euromonitor

2. Internal and External Analysis

2.1. The five C's - Customers



Regarding still red wine presence in the off-trade channel, the price range of €2 to €3,5 has been the leading one, followed by the under €1,99 segment, except for 2005. **The price segment between €3,51 and €8,5 has shown some stability until 2008** (when it represented 23,2% of sales volume), but started to decrease slowly after that year (reaching 21,4% in 2010). Regarding the still white wine, there is a larger share of sales volume for the €3,5 to €8,5 segment, when compared to red wine. It increased smoothly from 29,4% in 2005 to 30,1% in 2008, but decreasing to a historically lowest level of 27,9% in 2010.

Officially, there are three main wine quality categories: vinho de mesa, vinho regional and VQPRD (Vinho de Qualidade Produzido em Região Determinada). The first has the lowest certifications, the second is already subjected to some quality-related constraints and the third is subjected to the most demanding quality controls. Over the last few years, **consumption of the higher quality VQPRD has been decreasing after a peak in 2008**. This effect has been more obvious in red wines (from a 47% to 42,5% sales volume share of VQPRD) than in white wines (a decrease from 44% to 41,5% in sales volume share).

The industry presents a **low concentration level**, with a 4-Firm ratio of wineries of 31% in 2010, practically unchanged for the last 5 years. There is a high number of new product launches every year both by newcomers and incumbents. In this very competitive market with hundreds of brands, it is essential to have the knowhow of wine production, which entails several activities,

such as plantation, harvest, wine making, bottling, etc. It is also important to have knowledge about the different wine categories, the castes and their features to have a high level of wine quality.

To complement the customers' analysis we have conducted a **Marketing Research Project** with three different parts: a qualitative research, a quantitative research and quick internet surveys. There are limitations regarding this research that should be considered when looking at the results. Our results are not conclusion, but rather insights that we needed to conduct this project (see Appendix 2 for full description of limitations).

We begun the first part of our Marketing Research, the **Qualitative Research**, by gathering with category experts and doing some literature review in order to get initial insights about the industry we are working on. According to our exploratory research we have defined the target market.

- **Potential Future Consumers:** <25 years old, do not drink wine in a regular basis, are interested in wine and do not have knowledge about wine;
- **Average Joes:** >25 years old or older, drink wine in a regular basis, buy wine at least once a week and do not actively seek for wine information;
- **Connoisseurs:** >25 years old or older, drink wine in a regular basis, actively seek for wine information and have experienced at least one wine tasting.



2. Internal and External Analysis

2.1. The five C's - Customers

Then, we conducted in-depth interviews with the main objective of exploring how the buying and consumption processes take place according to the different segments, so we can better understand and select our target and make it profitable. See Appendix 3 for our Research Proposal.

As a result of our Qualitative Research, we found four main consumption occasions (informal and formal consumption at home/restaurants) and five buying occasions (the ones already mentioned above plus buying as a gift for others).

For the different groups we were able to define a pattern of consumer behavior, which is presented on the table below. For each segment, influencer factors of decision making are represented on a descendent order, below the price range:

Table 1 –Target Market Segments

Potential Consumers	Average Joes	Connoisseurs
Price range: <6€	Price range: 3€ to 10€	Price range: 4€ to 20€
Brand recognition	Region loyalty	Price/Quality
Price/Perceived Quality	Price/Quality	Region
Visual aspect	Recognition and references	Brand
	Visual aspects	Grape varieties

Curiously, for each considered segment, buying behavior is similar across the different occasions. There are, however, several exceptions: on formal occasions, where maximum price increases and in restaurants there is a special focus on P/Q relation.

Regarding the **Quantitative Research** it was possible to gather a greater number of responses than in the qualitative research and gain further insights. Nevertheless, we cannot consider our sample statistically representative (See Appendix 4).

The objectives of this Research was to better define the possible causes of the problems Marquês de Borba is now facing, to test possible concepts we found interesting to implement in order to overcome the problem and to have a perception regarding brand awareness, buying and consumption behavior, brand image and perceptions.

We will now present to you the most relevant findings of our research:

- Between Monte Velho, Marquês de Borba and EA, the former is the most bought brand in the supermarket (40% of the interviewees have already bought it in the supermarket) and Marquês de Borba is the most bought brand in restaurants (17% of the interviewees have already bought it in the restaurant). Considering both channels, 71,4% of interviewees have already bought Monte Velho and 57,1% had bought both Marquês de Borba and EA.



2. Internal and External Analysis

2.1. The five C's - Customers

- The **satisfaction level** when consuming Marquês de Borba is higher than the other Alentejo Wines (except EA), but lower than other wines (not competing directly with Marquês de Borba).
- **Consumption Frequency:** 65,7% of the interviewees consume wine from 1 to 3 times a week, 9% from 4 to 5 times a week, 20% consume wine between 6 to 9 times a week and 6% 10 or more times a week.
- **The top 5 information sources** are: *Friend's Advice* referred by 94% of the sample, *Specialists' Advice* (51%), *Label* (49%), *General Magazines* (31%) and *Info in the Sales Point* (26%).
- Quality, price and brand recognition are the main **drivers for choice** in both supermarkets and restaurants. The less relevant features are the enologist and the packaging.
- **Perceived Quality:** from 1 to 10, Marquês de Borba scores on average 6,68 followed by EA and Monte Velho. On the bottom we have Porta da Ravessa, the only brand assessed below indifference.
- Regarding Marquês de Borba Branco awareness, only half of the sample knew about its existence.

You can see on the Appendix 3 and 4 the applied qualitative and quantitative questionnaires, samples characterization and the statistical analysis that support these findings.

To specifically address the question of what service outputs

consumers demand the most in the different consumption occasions, we developed a **quantitative internet survey** (see Appendix 5).

The results led us to conclude that in the off and on trade consumers want to have objective information about wines (present in the point of sale) and a good variety for choice. This survey results also yielded the construction of channels segments, which were useful for our distribution recommendations. This segmentation is fully explained in Appendix 5.

We also conducted an internet survey to find the segmentation of the usage-based approach of final consumers, according to the framework proposed by John R. Rossiter in "Marketing Communications" (see References). The results of this research are presented on the discussion of the target audience on the Integrated Marketing Communications section (see slide nº39 and Appendix 6).

Company

The **mission** of the company is: *"Ser a referência de Vinhos Portugueses a nível Mundial conferindo Identidade a vinhos diferentes e acessíveis em que o consumidor confia. Oferecer aos nossos clientes em todos os países que operamos vinhos e azeites que representem o melhor que Portugal tem em cada região e representar um símbolo de qualidade nos nossos produtos do Alentejo, Tejo, Beiras e Douro."*

2. Internal and External Analysis

2.1. The five C's – Company



After having a wine consulting firm, the winemaker João Portugal Ramos founded his own winery in 1990. Gestvinus SGPS started with a 5 hectare plantation of vineyards in Estremoz, Portugal. The first wine was marketed in 1997. Today **Gestvinus is an umbrella holding with four different wineries**: J. Portugal Ramos (Alentejo wines which include Marquês de Borba, Vila Santa, Loios and Ramos), Falua (Ribatejo wines), Duorum (Douro Wines) and Quinta Foz de Arouce (Beiras wines).

Currently, **J. Portugal Ramos is the Gestvinus' most well-known and old winery** with 9,000 square meters of production facilities which include a modern winemaking technology with a daily production capacity of 30,000 liters, a bottling area, and wine cellars. Different quality wines have different winemaking and ageing processes.

The area of vineyards has been **growing steadily over the last years** from 5 hectares to nearly 600 hectares today. The company does not own all vineyards, but has a high control over them. The company aims at maintain a growth in production and land.

Currently there are **100 contracted employees** in the company, including 3 head-vintners who control all the 600 hectares of vineyard. In addition, it is important to refer that the workload in a wine company is seasonal meaning that in the harvest period it is needed 25/30 additional not specialized workers.

Gestvinus produces 4,5 Million bottles annually, exporting

already more than one half of its production.

The brand **Marquês de Borba was launched to target the high quality consumer**, after the success of the company with Vila Santa, a wine for a more premium segment.

Marquês de Borba is now the **bestselling brand** of J. Portugal Ramos and Gestvinus. It represents 35% of J. Portugal Ramos sales through its red, white and vintage (higher quality, higher priced wine, which is not produced every year, depending on the yearly quality of the harvest) labels.

Marquês de Borba is seen as a Premium A wine, the 4th segment considering a 8 scale stratification of quality wines in Alentejo made by Active Brands (See Appendix 7 for the full stratification made by the distributor).

The brand has currently 6 SKUs: Marquês de Borba Tinto 75cl, Marquês de Borba Branco 75cl, Marquês de Borba Tinto 37,5cl, Marquês de Borba Branco 37,5cl, Marquês de Borba Reserva 75cl, Marquês de Borba Reserva Magnum 1,5L.

So far, **the communication of the brand has been mostly centred in opinion leaders and specialized magazines**, targeting sommeliers of restaurants and journalists writing for specialized magazines. Like all wines from this winery, Marquês de Borba image is associated with the famous Portuguese winemaker, João Portugal Ramos.

2. Internal and External Analysis

2.1. The five C's – Company



In a market with very low concentration levels where the brand leader Portas d'el Rey sells 725 000 of 9 liters cases annually, **Marquês de Borba sells 55 000 cases**. It has 8,6% market share in the Alentejo Premium A segment, the 4th segment in terms of Alentejo wine sales volume (Appendix 7).

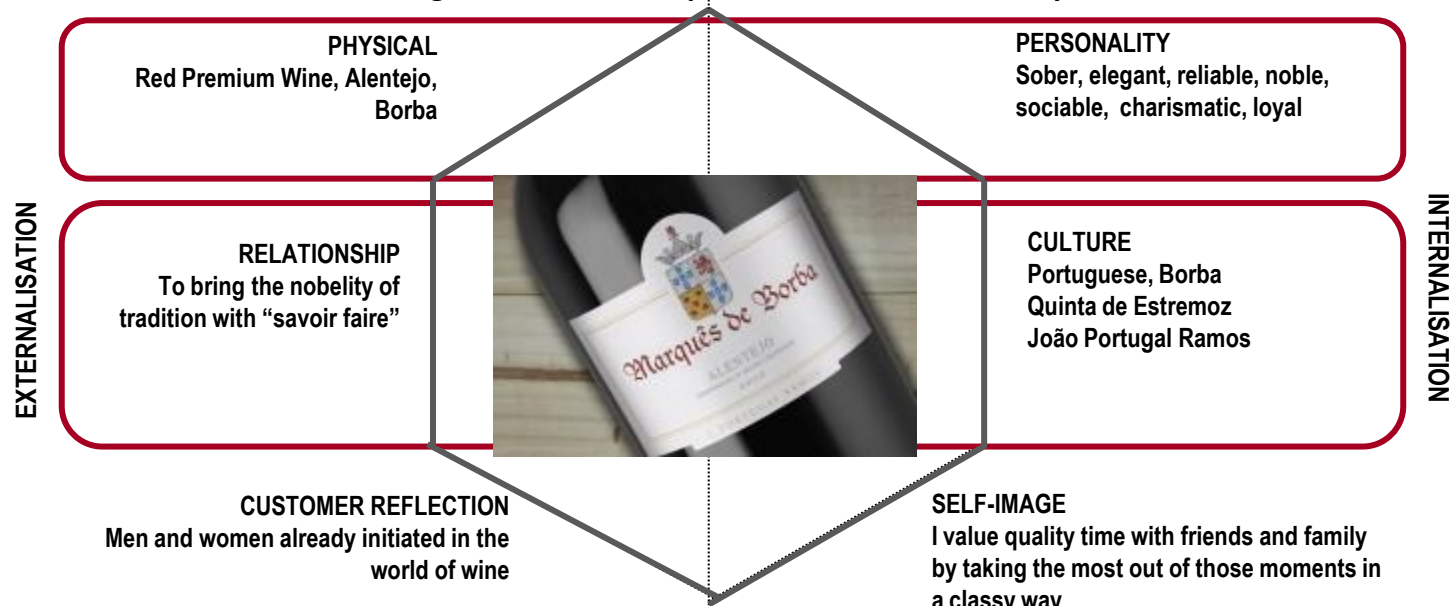
J. Portugal Ramos has already defined a brand platform for Marquês de Borba which includes Identity and Positioning. Its values include tradition, loyalty and “savoir faire”.

You can find the identity the brand wants to communicate

currently below in Image 1. We transformed the Brand Platform data from 2010 given by the company into the Kapferer prism of Brand Identity (see Appendix 8). We also added:

- the current unique selling proposition: “Attracts who knows how to choose”;
- the current target: Men and women above 30 already initiated in the world of wine from A, B and C social classes;
- against whom the brand compete: quality wines from Premium A and B segments.

Image 1 – Current Marquês de Borba Brand Identity





2. Internal and External Analysis

2.1. The five C's – Collaborators

Gestvinus and J. Portugal Ramos are proud of having **long lasting relationships** with their collaborators.

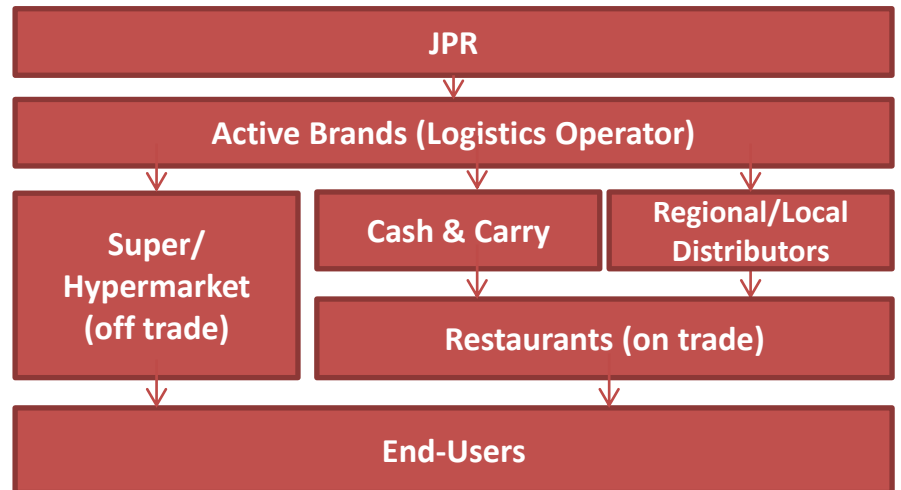
J. Portugal Ramos employs **permanent and seasonal collaborators**. Seasonal employees are hired when the workload is higher, which is typically during the harvests in September. Harvesting is made 80% manually and 20% with use of machinery, being a very labor-intensive practice. J. Portugal Ramos chooses to employ people from the area around Estremoz, deliberately creating employment in the region and showing social commitment to the region. **Permanent employees are centered in primary activities** of the value chain. They are about 100 and their main activities are production (viticulture, winemaking, quality control and bottling), marketing and sales. Secondary activities are managed by the heads of each function.

Part of the job of the heads of viticulture is to **control viticulture** in lands owned by third-parties, producing grapes for J. Portugal Ramos. These landowners and producers are an important set of collaborators for the company. They allow the company to produce more and with a higher quality than if just exploring its own land or buying grapes from uncontrolled third parties. J. Portugal Ramos pays a price-premium to these producers to ensure stable relationships.

A very important set of collaborators are those who participate in the distribution of Marquês de Borba, since spatial convenience proves to be very important except for a small segment of consumers. Therefore, we will now analyze the members of the

distribution channel. The following table summarizes graphically the path through which Marquês de Borba products reaches its final consumers:

Table 2 - Marquês de Borba's distribution chain



The first member in the channel after J. Portugal Ramos Vinhos is **Active Brands**, the exclusive distributor of J. Portugal Ramos' wines. This company is owned by Gestvinus (33%) and by two other wine and spirits producers (Sogevinus Fine Wines and J. Carranca Redondo), being J. Portugal Ramos Vinhos' wines the only Alentejo wines sold by Active Brands. Marquês de Borba represents a figure near 10% of Active Brands' sales volume, belonging to what the company calls its key-brands, making 80% of the distributor's sales.



2. Internal and External Analysis

2.1. The five C's – Collaborators

Active Brands subcontracts a logistics operator and employs **two commercial teams**, one directed at the off trade and the other at the on trade.

The off trade team (6 collaborators) consists of 1 director, 2 key accounts and 3 account managers and deals with hyper and supermarket chains. The on trade team (9 collaborators) has 1 director, 5 key account/area managers and 3 account managers. These work mainly with Cash & Carries, regional and local distributors and wholesalers, making also visits to HORECA members (less important and frequent activity). Gestvinus also has a 2-promoter sales force, who makes strategic commercial visits to restaurants in the Lisbon area. **Active Brands and Gestvinus' collaborators cannot directly sell to the HORECA channel** and they can only take orders and forward them to the assigned on trade local distributors (see Table 2 above).

Active Brands purchases and stocks on average 2 weeks in inventory through its logistics operator and payment terms for immediate downwards members of the channel are between 60 and 120 days. This puts a pressure in Active Brands and J. Portugal Ramos who have to finance downwards members of the chain. **This exclusive distributor is also responsible for negotiating with the next members of the channel**, being therefore responsible for a great part of the implementation of promotional initiatives. In fact, the branding plans for Marquês de Borba are developed jointly by J. Portugal Ramos and Active Brands.

About the off trade channel, **hyper and supermarket chains**

represent few, but crucial accounts. There are two very large customers, representing the two largest Portuguese retail chains, namely SONAE and Jerónimo Martins, which together represent 25% of sales in quantity (see Appendix 9 to see the sales breakdown per key account).

Important off trade accounts have very high negotiation power, not just because of the size of their accounts, but also because of their reach to consumers and business model. Such leads them to have longer payment terms than other customers, the power to appropriate margins (at the expense of the J. Portugal Ramos and Active Brands) and have very low inventory levels and costs. Their inventory turnover is therefore much faster than their payment terms. On the other hand, they are not prone to default any payments and when promotions are made (and the selling price is cut, generally in seasonal “wine fairs”), off trade distributors sometimes cut their own margins.

On trade channel members after Active Brands are cash & carry chains and regional and local distributors/wholesalers. They are generally pulverized accounts, as one can see in the sales breakdown table in Appendix 9. Regional and local distributors and wholesalers are mostly small and medium businesses and sell directly to the HORECA channel. The latter are the most pulverized members in the chain, but it is through these that most Marquês de Borba bottles reach their consumers (64% of sales in quantity happen in the on trade channel).



2. Internal and External Analysis

2.1. The five C's – Collaborators & Competitors



According to exploratory research, **it is mostly in the HORECA channel that brand is built**. Yet, J. Portugal Ramos and Active Brands have almost no control over where the consumption experience occurs in these point of sales.

In this channel, payment and financing terms are very important, since delays or default in payment to Active brands will imply the suspension of a distributor's account, leading to lost numeric distribution in the on trade. **HORECA, by their nature and spatial constraints, generally holds small quantities in inventory**, buying and paying on a weekly basis to distributors, with whom lasting relationships emerge, or using cash & carries. **Margins for the HORECA channel are very high**, easily reaching values over 200%. **Promotional price cuts made by Active Brands may not pass through at all to consumers**.

Additionally, Marquês de Borba is distributed to small grocery stores and specialized stores (for strategic reasons, like brand building, according to the line manager of Marquês de Borba). Yet, presence in these outlets is negligible.

Finally, there are some alliances with companies helping to market the brands. An example is Wine Element in LxFactory (Lisbon), a trendy snack bar which sells only Gestvinus' wines by the glass.

Competitors

Due to the highly fragmented market, we considered as direct competitors **the premium wines of Alentejo in the same price range as Marquês de Borba, from €4 to €6,49 price to the public**. According to the Active Brands report, they are **Monte Velho, EA, Chaminé, Roquevalle, Monte da Cal, Tinto da Ânfora e Vinha do Monte** (again, see Appendix 7).

In 2010, the undisputed leader of this segment was Monte Velho with 440 000 cases of 9 liters sold. EA is the second brand with 90 000 cases sold and only then Marquês de Borba with 55000 cases sold.

Regarding wines from the Alentejo Premium A segment, Monte Velho has 65% market share, EA has 13%, Marquês de Borba has 8,6% and Chaminé has 5,9% in sales volume.

Profit margin of the segment is 1,90€ on average and the weighted average price to the public is €4,73. This is the most profitable segment of Alentejo wines, with a total profit of 15,5 million Euros.

2. Internal and External Analysis

2.1. The five C's - Competitors



Monte Velho is the best selling brand from Herdade do Esporão wineries. They own grapes and also buy from third party producers, controlling their grapes' quality. They have three wineries: one for red wine, other for white wine and other for high quality wine. Besides Monte Velho, Esporão also produces Vinha da Defesa. By the end of 2009 they had sales of €35,4 million euros and 10 million bottled wine litres, 76% of which red, 23% of which white and 1% rosé. They have 268 employees. It is positioned as a brand of simplicity and quality. The price to the public of the red wine is €4,39.

EA is a brand from Adega Cartuxa, a winery which also markets Pêra Manca and Cartuxa. Adega da Cartuxa is owned by Fundação Eugénio de Almeida, a non-profit organization and it finances the foundation's projects. The current price to the public of the red wine is €4,69.

Then, we have the indirect competitors. In the above segment

of Alentejo wines, we have the **Premium B brands** that are more expensive. The total profit of the segment is 2,7 million Euros. The leading wines in this segment are **Vinha da Defesa** (40 250 cases sold, with a price to the public of €6,89) and **Dom Rafael** (13 400 cases sold with a price to the public of €8,59).

We found important to distinguish between the two different trade channels because, as we can see in the following table, figures indicate some variation. The off trade benefited from the growing at-home consumption trend, with a 2,5% and 1,2% increase in 2008-2009 and 2009-2010 in sales volume. Regarding value, the off trade channel also increased: 1,2% and 2,5% in 2008-2009 and 2009-2010. On the other hand, the on trade declined. It decreased 5% and 4% in volume and 3,4% and 2,4% in value over the sale period.

The sales evolution of the still light wine in the different trade channels is presented on the table below (white, red and rosé).

Table 3 - Sales of wine by on trade and off trade between 2005 and 2010: in Million of litres and in Million of Euros

Million litres	2005	2006	2007	2008	2009	2010
Off-trade	316.8	311.5	308.6	319.4	327.1	331.1
On-trade	201.7	193.0	189.1	182.2	173.2	166.1
Total	518.5	504.4	497.7	501.6	500.3	497.2

EUR million	2005	2006	2007	2008	2009	2010
Off-trade	1,049.8	1,040.5	1,038.4	1,079.8	1,093.8	1,121.4
On-trade	1,802.6	1,746.7	1,728.2	1,705.4	1,646.0	1,606.3
Total	2,852.5	2,787.1	2,766.6	2,785.2	2,739.9	2,727.8

2. Internal and External Analysis

2.2. Points of Parity and Points of Difference



Points of Parity

In this very competitive market with hundreds of brands, it is essential to have the knowhow of wine production (**Technical Expertise**), which entails several activities, such as plantation, harvest, winemaking process, bottling, etc. It is also important to have knowledge about the different wine categories, the grape varieties, their features and the best way to match them in order to have a high level of quality.

Technical Expertise and **Quality Control Mechanisms** are interrelated since the last allows Technical Expertise to be carried out successfully generating **Product Quality**. It is necessary for a producer to have a tight control over its whole production process since it can easily get out of hand. Of course, in this process there are several exogenous variables, such as slight variations in the soil/weather or delays in the harvest that can compromise a year production. However, with accurate quality control mechanisms it is possible to forecast and anticipate the quality variations allowing early interventions.

Furthermore, since consumers have several alternatives in each price range with similar perceived quality showing low product differentiation in the industry, it is crucial to keep one's products available effortlessly to the consumer. It is, therefore, important to have a well defined **Distribution** strategy in order not to overlook potential selling opportunities. This accurate distribution strategy will affect brand image in the sense that

placement impacts on consumers' perceptions. Moreover, distribution through the on trade channel is believed to positively impact off trade sales. Consumers purchase the product in HORECA and afterwards recognizes it in the off trade channel.

Points of Difference

Reputation plays an essential role in a wine company's success. "More important than to keep up with quality, it is crucial to keep up with perceived quality" said one of the company's managers.

Awareness and **credibility** influence consumer's perceptions about wine quality and are a major issue in this competitive industry. Perceived wine quality has fluctuations and most consumers cannot distinguish between wines with different quality thresholds. It is important that the opinion leaders (such as enologists and journalists) communicate a good opinion about a wine in order for it to have success and to generate a positive word of mouth. In this market, reputation is built up on opinion leaders, wine contests, the winemaker reputation, appearance in specialized magazines and word of mouth.

Visibility is also crucial due to the high fragmentation of the market. The label appearance along with all the merchandising efforts in the points of sale is considered to be differentiators and consequently choice inducers.

2. Internal and External Analysis

2.3. Marquês de Borba's SWOT Analysis



Strengths

- Production control and modern winemaking technology.
- J. Portugal Ramos wine expertise and trademark.
- Good relationships with collaborators and retailers.

Weaknesses

- Distribution: lack of control over local distributors and low numeric distribution.
- Little defined segmentation and positioning strategy.
- Lack of a structured Integrated Marketing Communications.
- Lack of systematic information about point of sales presence.

Opportunities

- There is an institutional effort to increase the sales of “wine per glass” in Portugal.
- White wine is being consumed more and more in Portugal and consumers spend more in it.
- Smaller households may ask for different needs.

Threats

- Economic crisis is leading prices down.
- People are spending less in wine and spending less per bottle, specially red wine).
- People are spending more on supermarkets and less in the HORECA channel, which drives margins down.
- Consumption of higher quality wines is decreasing, since its peak in 2008.
- Portuguese consumers are becoming more interested in wines from unknown regions.

2. Internal and External Analysis

2.4. Marquês de Borba's Porter's Five Forces



Threat of new entries

High initial investment and need for expertise and distribution control.



Supplier Power

High availability of substitutes to the suppliers' products and the buyer's switching costs are low.



Competitive Rivalry

Fragmented market with more than 200 brands. 7 direct competitors.



Buyer Power

Final consumers and the on-trade channel have a high bargaining power.

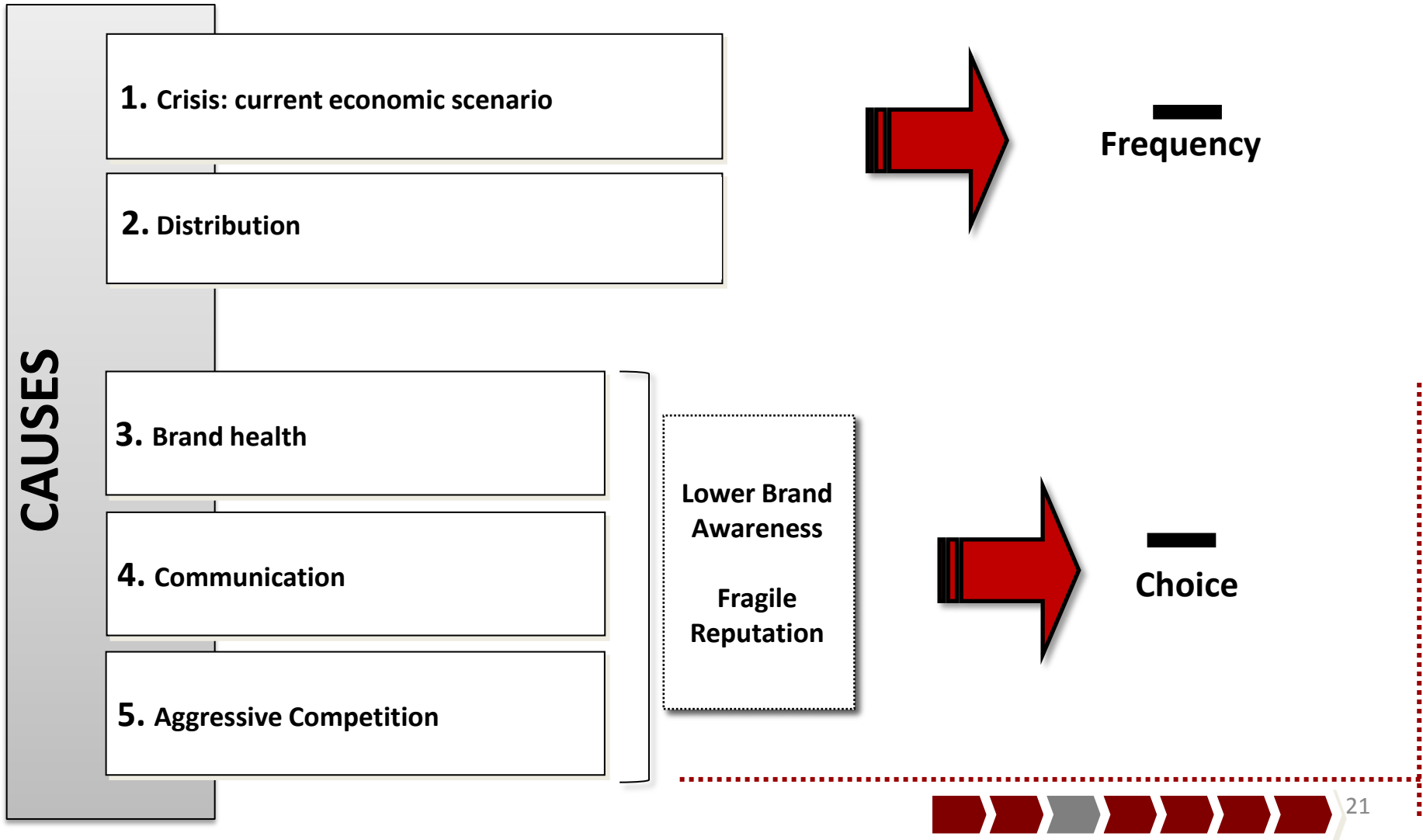


Threat of Substitution

No other alcoholic drink that perfectly substitutes wine.

3. Problem Definition

 Sales are dropping (4% in 2008-2009 and 3,2% in 2009-2010)



3. Problem Definition

3.1. Economic Crisis in Portugal

To start defining the causes of the problem Marquês de Borba is facing currently we need to consider the economic crisis in Portugal and its effects on the consumption behavior.

Being an external condition, it is affecting not only our brand but the whole industry. On the following table we can see an overall decrease of the total volume growth of the different categories:

Table 4 - Percentage total volume growth of the still light grape wine

(Euromonitor)		2009/10	2005-2010 CAGR	2005/10 Total
Still Light Grape Wine	Red	-0,9	-1,4	-6,7
	Rosé	-1,8	-0,1	-0,7
	White	0,3	0,4	2,3
	Total	-0,6	-0,8	-4,0

According to Euromonitor, **consumers have tended to buy cheaper wines** due to a lower purchasing power. In fact, red and white wine under €3.50 increased by 4% and 5%, respectively, while those above €3.51 declined by 6% and 3%, respectively.

As the economic situation adversely impacts the disposable incomes of many Portuguese, they have cut back on some of their leisure spending, particularly at restaurants and bars

to stay more often at home. This combined with the high margins applied to these kinds of products by on trade outlets also dissuaded the Portuguese from consuming. As a consequence, in the Portuguese market, the off trade is increasing sales while the on trade is decreasing sales. Plus, the increase to 23% VAT of the HORECA channel will probably help this trend.

The forecast economic crisis recovery will be progressive because the economic climate is expected to affect consumers' disposable incomes until 2013, according to Euromonitor. **The current events regarding Portuguese need of external help to avoid bankruptcy may aggravate this situation.**

The on trade channel is forecast a negative volume CAGR of 1% over the forecast period. The trend towards at-home consumption will continue, benefiting the off trade, which is expected to post a 1% volume CAGR over the period 2010-2015.

Although the economic crisis is an external factor it is important to consider as a mean to adapt to the current scenario and better address the consumers. Forecasts should be studied and taken into account when defining forthcoming marketing objectives. In this sense, it is possible to counteract the negative impact of the economic crisis and take advantage of the new trends.

3. Problem Definition

3.2. Distribution



Being distribution a key driver in this industry we soon questioned its effectiveness and through our marketing research, category experts and company's collaborators we found some critical flaws. **The major gap in Marquês de Borba' distribution is the stagnation of the numeric distribution in both channels.**

According to the company, Marquês de Borba has an on trade **numeric distribution of 25%** and regardless of past efforts to increase this number. The company has failed to increase it to 30% in 2010, as stated in their objectives, which indicates a demand and supply-side gap. Spatial convenience is provided under the desired level at a too high cost. Furthermore, on trade sales have decreased about 3% from 2009 to 2010, which, considering the current economic crisis and the shift to home consumption, is expected to keep decreasing.

The lack of effectiveness in on trade distribution is partly explained by the **change of the main distributor** a few years ago. The exclusive distributor is now Active Brands and Marquês de Borba represents 10% of its sales volume as opposed to the former distributor for whom this figure was near 50%. Active Brands' bestselling product is Licor Beirão which puts Marquês de Borba in an unfavorable position, competing for the commercial teams' attention. Even though there is a positive effect in off trade performance, through increased negotiation power, on trade distribution needs are different for the two products.

Furthermore, according to our qualitative research on restaurant managers, **local distributors lack commercial pressure in selling Marquês de Borba**, which is possibly a consequence of

a low commitment of the downwards members of the distribution channel. To aggravate, there are **plenty of sales people visiting the HORECA channel promoting plenty of wine brands** and the **lack of commercial pressure leads rapidly to a decrease in numeric distribution.**

This is a very delicate subject since it is not entirely under the company's competences. In fact, J. Portugal Ramos does not have a direct selling relationship with HORECA, as opposed to Esporão, which sells Monte Velho. Besides, J. Portugal Ramos does not have information neither control over which restaurants sell their products, how much they sell and how the product is sold (service outputs). This information can only be estimated through external means, such as Nielsen's INCIM, which is considered to be an expensive and imprecise indicator of the on trade performance.

Furthermore, there is **financial instability** of this channel's downwards members. SMEs, as local and regional distributors are, are starting to face liquidity problems, which leads to a decrease on the on trade presence through account suspensions.

About the **off trade, Marquês de Borba's numeric distribution in supermarkets is 55%** (even though this figure for hypermarkets is 100%). In a time when consumers are shifting from hyper to supermarkets, this indicates a spatial convenience demand-side gap, that needs to be closed, even though weighted distribution is expected to be higher than numeric (because the product is distributed more intensively in areas where the population is denser – Great Lisbon and Great Oporto).

3. Problem Definition

3.3. Brand & Communication



We found from the qualitative and part of the quantitative research that Marquês de Borba, from a total of 39 interviewees, was only recalled in 9% of the times as opposed to 89% in which it was recognized. Furthermore, Nielsen's study assesses that the brand has 52% awareness (see Appendix 10). These results give us a glance of the current awareness of Marquês de Borba. It means that consumers actually know the brand but the capacity of the brand to be evoked spontaneously in consumers' minds as soon as the need to buy the product type appears has been lost. These results reveal an actually good **Brand Awareness** if we rely our analysis on **Brand Recognition**. However, as we have explained on the industry points of difference, a good brand recognition is not enough to be the chosen product. It has to have a great Brand Reputation along with strong credibility and visibility.

Regarding **Brand Reputation**, it is not at its full potential, as respondents in the qualitative research did not demonstrate a strong positive attitude towards the brand. So far, Marquês de Borba communication has not received the attention we believe it deserves. Sporadically, it has had ads in specialized magazine made by a freelancer. However, the company has not invested in an integrated marketing strategy and has not advertised in mass media. The communication of the brand has been centered in ads in specialized magazines and opinion leaders, targeting restaurants sommeliers and press releases in specialized magazines.

Since **communication** is linked to brand awareness and can influence reputation, this lack of communication can partly explain

the fact that the brand has decreased sales. Furthermore, if the brand does not communicate, it cannot contradict potential negative and misleading information created by consumers, opinion leaders and competitors.

Also from the quantitative research we found out that the current **Point of Difference** of Marquês de Borba, being produced by an experienced and respected Portuguese enologist, is not sufficiently valued by consumers. In fact, the importance of the enologist reputation from 1-5 (being 1 not important at all and 5 very important) had a mean of 2,23 on the off trade and a mean of 1,9 in the on trade. We believe this happens because consumers have little knowledge about it, since only 39% of respondents knew the producer of Marquês de Borba (Appendix 4).

Another conclusion from our marketing research was that the current **positioning** is too premium for the current economic scenario. According to the quantitative research, the main reason to make someone not buy a wine would be its inflated price. Besides, we also concluded that, from the wines of the same segment, Marquês de Borba is best rated in terms of quality. However, **when aware of the Marquês de Borba prices, the likelihood to buy Marquês de Borba decreased significantly**. This means that price/perceived quality ratio is a key factor. The direct competitors, EA and Monte Velho, have a closer relationship between the likelihood to buy and the P/Q ratio than Marquês de Borba. We conclude that Marquês de Borba price is above what consumers are willing to give for the current perceived quality.

3. Problem Definition

3.4. Aggressive Competition



As stated before, still light grape market is strongly fragmented, presenting a low concentration level. **This happens because in this industry loyalty does not imply exclusiveness**, meaning that consumers like to vary its consumption choice and do not stick with only one brand. This particular attitude increases competition in the sense that there is a constant need to be ahead and to attract usual and potential clients. As it has been stated above, there are over 200 wine brands marketed in Portugal and Marquês de Borba only has 7 direct competitors.

Hence, there is a very aggressive competition between players in the industry, as well as in the Premium A segment. Although this fact is external to the brand, when allied to weak communication efforts and weak brand reputation, it intensifies the consequences.

Therefore, we consider the aggressiveness of the competition a factor that took part on the Marquês de Borba's sales decrease.

Marquês de Borba competes, within its segment with 3 main brands, as we stated before: Monte Velho, EA and Chaminé. **On the following table it is possible to see how close brands prices are to each other and how many brands are in the same price level.** This reinforces the need for a brand to differentiate itself from competition through marketing tools and stand out as a way to increase brand awareness and consequently increase sales.

Table 5 - Most relevant brands in the Premium A segment, according to Active Brands

Marcas de Referência	Volume (Cxs 9 L)	Tendência	Margem Unidade	Margem Média cx 9 Lts	Lucro Cat €	PVP	PVP Médio
Monte Velho	440.000	Queda	1,90	22,80	15.464.100	4,39 €	4,73 €
EA	90.000					4,69 €	
Chaminé	40.000					5,89 €	
Marquês de Borba	55.000					5,49 €	
Roquevalle	14.500					5,59 €	
Monte da Cal	15.000					5,98 €	
Tinto da Ânfora	15.000					5,99 €	
Vinha do Monte	8.750					6,19 €	

4. Marketing Strategies

4.1. Overall Strategy



Regarding the different problems found with Marquês de Borba brand throughout our analysis, we will not address current economic crisis and the aggressive competition in our Marketing Mix strategy since they are external variables that we cannot control. Regarding distribution, brand and communication problems we will work on them in our marketing strategies as a mean to overcome them and increase the brand's profits.

Starting with **brand** issues, we will define a slightly different Brand Identity we want to communicate and build a more accurate positioning, defining a specific target, category need and unique selling proposition. These improvements will allow us to better align our marketing strategies.

Regarding the product, we propose the **launch of a new product: Marquês de Borba Reserva Branco**. This is a high quality wine that will be the motive of the re-launch of the Marquês de Borba brand and, increasing its perceived value and helping to boost the white regular wine sales. Besides, we will make slightly changes on the product label in order to increase visibility. By opting to increase the perceived value of our brand we will be able to keep the price level of all SKU's.

Then, we propose a great investment on the **Integrated Marketing Communications** component of the Marketing Mix. This will include an advertising campaign in the mass media, such as print ads, press releases, and outdoor publicity. The communication should be based on an emotional selling proposition. Consumer's promotions in the point of sale will also

happen. Besides, we propose a significant investment on events sponsoring and wine events presence.

Regarding **distribution**, we have seen in previous slides that there is a spatial convenience gap on the demand side that needs to be covered. Our recommendations to close this existent gap on the on trade is by increasing investment in trade promotions and applying management measures all through the distribution channel.

Thus, in order to increase numeric distribution and commitment within distributors in the on trade channel we will focus on creating a missionary sales force and incentives over the channel structure. This action along with the implementation of a customer relationship management program is expected to increase commercial pressure over the HORECA channel and consequently increase numeric distribution.

It is our objective to increase the promotion flow, and members under J. Portugal Ramos control must have an active role in this specific action by bringing new distribution specialists. To ensure distribution runs smoothly, we also make recommendations aiming at ensure the clear and effective functioning of the payment flow throughout the channel.

Finally, we will increase distribution in the off trade channel by increasing presence in more supermarkets and having a higher budget for listing fees.

4. Marketing Strategies

4.2. Marketing Objectives: OGSM



Marketing goals will be achieved in the end of the marketing project, after the four years of its implementation:

Table 6 – OGSM Plan

Objectives	Goals	Strategy	Action Plan	Measurement
Become a solid 2nd in the Premium A segment, right after Monte Velho	<p>Increase overall sales by 59%</p> <p>Increase the brand annual profits by 54%</p> <p>Increase market share in the Premium A segment from 8,6%* to 13%</p> <p>Increase numeric distribution from 25% to 40% in the on trade channel</p> <p>Increase awareness from 54%** to 70%</p>	<p>1. Launch Marquês de Borba Reserva Branco Repositioning of Marquês de Borba brand</p> <p>2. Keep the price premium</p> <p>3. Reorientation of the integrated marketing communications strategy; use aggressive trade promotions and consumer promotions</p> <p>4. Implement a distribution gain program and increase commitment</p>	<p>- Keep in pace with Marquês de Borba Reserva Tinto strategy, having low production with high quality</p> <p>- There will be an event on May 2013 to launch Marquês de Borba Reserva Branco</p> <p>- Actively control the price practiced on the different channels and restrict commercial discounts for Active Brands</p> <p>- At the same time change the brand label, make logo adjustments and add a color thermometer and a QR code</p> <p>- Use mass media as internet (Facebook) and print media (newspapers, magazines and specialized magazines)</p> <p>- Great investment on sponsoring, PR and promotion</p> <p>- Implement missionary sales program</p> <p>- “Best Seller Award”, brochures, promote wine per glass</p>	<p>- Number of prizes for the vintage wine</p> <p>- Surveys and qualitative research to final consumers to assess brand image and perceived value</p> <p>- Numeric distribution in on trade</p> <p>- Analysis of sales and market share</p> <p>- Perform surveys of Customer Value and Satisfaction</p>

*Market share calculated based on data from Plano de Marca 2010 (Active Brands), considering only the brands in the Premium A segment given by the distributor and its productions, as shown in the above slide.

**Data from Nielsen “Qual o envolvimento dos consumidores com os Vinhos de Qualidade?” report, July 2009. See Appendix 10 to consult all information.

4. Marketing Strategies

4.3. Marketing Mix: Product Brand Identity



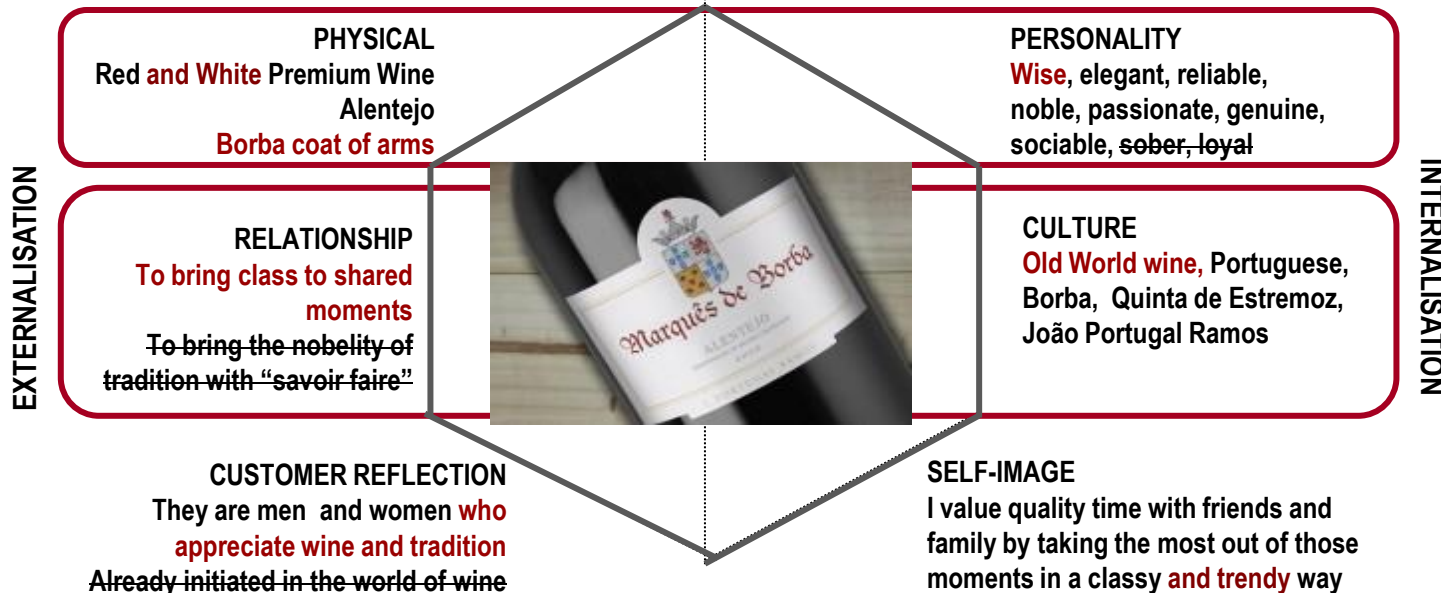
It is very important to develop a consistent brand identity and positioning in order to surpass the difficulties Marquês de Borba is facing. For any organization, a sharp and precise definition of its brand platform is crucial for its strategic infrastructure: it provides uniformity in the way the organization interfaces with the targeted marketplace and it also acts as a practical and usable tool to guide all members of the organization on how to support the brand through words and actions with consistency. As a management tool it must be concise, sharp and interesting.

Although the composition of the brand platform may differ from

company to company, most consist of dominating the following basic elements: a well defined brand identity, which tells who you are, your core values and competences and the brand's objectives and promise; and an accurate positioning, why, when, against whom and for whom the brand will compete in a certain market. (KAPFERER, 2008)

Below you can find the changed **Brand Identity** we have developed in order to be communicated from now on. As it can be seen, we softened the noble, sober and loyal part of the brand and emphasized tradition, shared moments and white wine. We will now build the Marketing Mix strategies based on this Identity.

Image 2 – Proposed Marquês de Borba Brand Identity



4. Marketing Strategies

4.3. Marketing Mix: Product Positioning



Because much of the skill of marketing and branding nowadays is concerned with building equity for products whose characteristics, pricing, distribution and availability are really quite close to each other the role of the brand as a name and its actions' strength will determine the awareness and consequently the success of a product.

In fact, the brand name is one of the most powerful sources of identity and Regarding Marquês de Borba, the brand name perfectly matches the identity of the brand: Marquês refers to the most important and distinguishable noble of a certain region, in this case Borba - a small city in Alentejo Central very close to Estremoz, where Marquês de Borba vineyards are (both Borba and Estremoz are known for producing high quality wines.

However, according to the company's general manager and our marketing research a problem with the brand name arise because of the existence of another wine brand from the same region with the name Adega de Borba. Having the same last name seems to confuse the consumers. For our brand this is a major concern since this wine is in a lower segment, costs half the price and the quantity produced is almost four times the Marquês de Borba production (Appendix 7) – clearly a different positioning. Of course, the intent is not to change the product's name, but instead to reinforce Marquês de Borba's identity and highlight its uniqueness. The objective is to clearly differentiate it from every other competitor in the wine market even in the case when brands' names are so close.

To do so, as stated before, it is very important to have a clear definition of the brand identity and having an accurate positioning. The former was already presented, as to the latter we first need to identify our target audience.

Marquês de Borba's primary target are 30-55 years old men and women who are socially and professionally active and like to feel they are climbing the social ladder (B and C1). They like to give themselves and others the best, without showing much effort, valuing their scarce free time, hosting friends and relatives in a traditionally Portuguese hospitable way, as Traditional Portuguese Men of the XXI Century. They drink wine more than once a week and like to show others that they know to distinguish a good from an average wine.

Accordingly, we propose the following **Positioning Statement**:

For regular consumers and socially active wine lovers, Marquês de Borba is a premium wine from Alentejo which always provides an optimal experience because it is produced in the winery of one of the most experienced and respected Portuguese enologist, João Portugal Ramos, and because it reflects a famous region tradition.

The regular consumers of our target audience refer to the *Average Joe* and *Connoisseurs* of our target market.

It is also important to refer that the brands from J. Portugal Ramos are considerably different regarding their positioning, being placed in different segments (see Appendix 7). This means that they do not compete with each other, there is no cannibalization.

4. Marketing Strategies

4.4. Marketing Mix: Product



Marquês de Borba Tinto wine is the brand's prototype, the flagship product which is the product that spontaneously comes into mind when thinking about the brand.

In fact, in our quantitative research, we have found that respondents associate Marquês de Borba with red wine. Only 53% of respondents knew that the brand has white wine, 39% said they did not know and 8% were sure Marquês de Borba did not have white wine (See Appendix 4).

As white wine consumption percentage of overall wines is increasing in Portugal (see table below), we believe Marquês de Borba should take advantage of this market opportunity and generate awareness about its white label.

Table 7 – Percentage of total volume growth of the still light grape wine

(Euromonitor)		2009/10	2005-2010 CAGR	2005/10 Total
Still Light Grape Wine	Red	-0,9	-1,4	-6,7
	Rosé	-1,8	-0,1	-0,7
	White	0,3	0,4	2,3
	Total	-0,6	-0,8	-4,0

To do so we suggest creating **Marquês de Borba Reserva Branco**, a product never made by J. Portugal Ramos. So far he has only produced Marquês de Borba Reserva Tinto. The core objective of this product would be to increase awareness about

vintage and create word-of-mouth and awareness about the regular white Marquês de Borba.

Vintage wines produced in small quantities serve mainly to increase **brand reputation**. Hence, we want to remember final consumers that Marquês de Borba also has white wine, helping boost the sales of this product.

Vintage wine, or Reserva in Portuguese, is a limited edition wine produced from the best grapes, aged longer and in the best conditions. It is more expensive than its regular label and may not be produced every year, depending on the grapes' quality. For example, J. Portugal Ramos has produced red Marquês de Borba Reserva only in 2005, 2006, 2008 and 2009.

In 2010 J. Portugal Ramos has produced 294 cases of 9 liters of Marquês de Borba Reserva Tinto which represents 0,55% of total bottles of the brand sold. Its price in the off trade channel is €29,8, which is 500% more than the regular red wine. **Thus, we recommend creating a white vintage wine, pricing and marketing it with the same logic as the red vintage.** The initial production should have between 100 and 200 cases of 9 liters.

Regarding regular Marquês de Borba packaging, we found in our quantitative and qualitative research that the wine's trademark is hard to see from a shelf in the supermarket. As a matter of fact, in our quantitative marketing research, 17% of respondents would increase the lettering size of Marquês de Borba's label.

4. Marketing Strategies

4.4. Marketing Mix: Product



Thus, our first recommendation is to **enlarge the brand name of the wine in packaging**, giving special focus do the letter M from Marquês and B from Borba. Consequently, consumers would spot easily our brand in the shelves – **increase Visibility**, one of the main points of difference in this category. Furthermore, by giving emphasis to the “M” letter, we would be able to better differentiate ourselves from Adegas de Borba brand, a cheaper wine from the same region in Alentejo that is frequently confused with our brand.

Making the coat of arms larger is our second recommendation, since it is a very distinctive feature of the brand which should be used to **differentiate the wine**.

Finally, it is our opinion that some changes should be done to “J. Portugal Ramos” lettering, in the bottom of the label. Given the traditional design of the whole bottle, this trademark is too modern. We recommend changing it in order to be more in pace with the rest of the bottle.

These changes would happen gradually over the next years. We will not expect a sales increase directly associated to these changes however we believe that along with all the other actions taking place from now on, these changes are important as to enhance visibility and differentiation and turn the whole product homogeneous and coherent.

The proposed changes to the current Marquês de Borba label can be seen in Image 3.

Image 3 – Marquês de Borba label modifications



4. Marketing Strategies

4.4. Marketing Mix: Product



According to our qualitative research we concluded that the label is considered an important source of information to the consumers. In fact, 51% of the interviewees pointed the bottle label as a source of information (see Appendix 4). That said, both the front and back label should have specific information valued by the consumer.

Furthermore, in our quantitative research, 11% of respondents said they would change the information in the back of the bottle of Marquês de Borba (see Appendix 4). Analyzing it, we have concluded that the back label should be used more efficiently since it is a powerful source of information.

First, we **propose rewriting the description of the wine**, making it more appealing for consumers and giving valued information about it, such as where it is produced and by whom, giving a brief background of J. Portugal Ramos, the grape varieties used and the winemaking process.

In order to **increase the label reading**, we would also include tips about which foods go well with the wine and how to serve it in order to keep regular consumers interested by giving them some curiosities.

Finally, we would also add two features to the bottle:

- A **color thermometer** which indicates the temperature at which the wine is and a brief informative description of the temperature at which each wine should be consumed (in both white and red

wines). This would take a form of a stamp included in the packaging. Image 4 shows an example of an existing color thermometer that can be purchased separately from the bottle. We proposed a smaller thermometer, occupying just a small space in the back of the bottle.

Image 4 – Color Thermometer



Image 5 – Quick Response Code



- A **Quick Response Code** next to the stamp that will be accessible to Smart phones. The code would lead to information about the wine, J. Portugal Ramos, and eventually information regarding promotions. An example of the QRC is shown in Image 5.

These two features would attract younger consumers, recently initiated in the world of wine, by making information easily accessible. Besides it would generate word of mouth about Marquês de Borba and consequently enhance awareness.

4. Marketing Strategies

4.4. Marketing Mix: Price



The role of a pricing strategy is to set a price that minimizes erosion and maximizes profit over time. As the pricing strategy of Marquês de Borba is already defined, we will use as a guide tool the **Strategic Pricing Pyramid**, to assess the accuracy of the current strategy. (NAGLE, 2011)

Value Creation

The price should capture the value offered by the product and also maximize profit. Therefore, we need to understand the value that the product represents to a potential consumer.

In our quantitative research we concluded that despite the fact that respondents recognize the quality of the red wine (more than 50% of respondents say that Marquês de Borba Tinto has a quality of 7/10 or more), when aware of the price they are not likely to buy it, as 36% probably would not buy it and 6% would definitely not buy it.

We can then conclude that Marquês de Borba's price is above what consumers are willing to pay for the wine's perceived quality. Nevertheless, we will chose not to decrease the price and put into action a strategy that increases perceived value in order to increase consumers' price range for this product. This will be done through the remaining marketing tools: product, place and promotion.

Price Level

The price composition of Marquês de Borba is the **costs of the**

product production and an added **profit margin**. Basically, this approach sets prices that cover the cost of production and provide enough profit margin for the firm, so it earns a certain rate of return.

Defining the costs of production is a simple task based on production numbers analysis. However, in this industry, the profit margin, as the remaining part of the price, does not rely entirely on the company's targeted rate of return. Thus, when Marquês de Borba was launched, the pricing strategy adopted was **Market Based**, where the prices were set according to the general market and competition.

To first identify the segment in which we would be placed, we needed to compare our wine's quality with the other wines existent in the market as to accurately define the wine's price and consequently positioning. As we are working on a very fragmented market, it is mandatory to have a good price-quality ratio in order to be competitive. This means that, in this industry it is **crucial to scrutinize and consider the market and the competitors' price and quality** in order to be aligned with it and therefore to be competitive in terms of price-quality ratio.

These are the main reasons why a **Market based Strategy** was adopted, which might be the most safe way to play the pricing game however it may also not maximize profits since it does not capture all the value of the product.

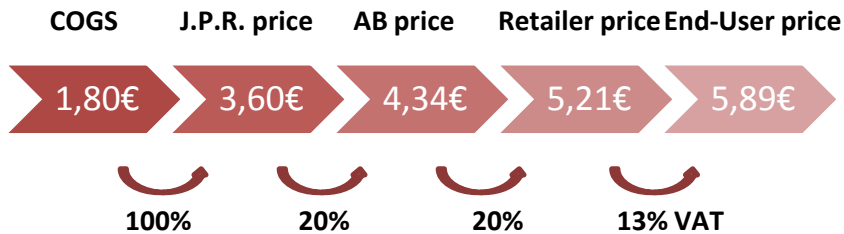
4. Marketing Strategies

4.4. Marketing Mix: Price



We have built a price break down of Marquês de Borba Tinto, to better understand the current pricing strategy of J. Portugal Ramos.

Graphic 1 – Price breakdown of Marquês de Borba Tinto 75cl



As we can see, the company assumes a **production cost** of 1,80€ per unit and a **profit margin** of 100% representing 1,80€ per unit. This percentage of profit margin was defined according to the market and competitors in order to be aligned with them.

Table 8 – Prices of Marquês de Borba SKU's

	Off trade PVP (w/IVA)		Wine cellar w/IVA	Cash & Carry	HORECA w/IVA
	Promo	Regular	Regular	Regular	Regular
MB Tinto 75cl	4,99 €	5,89 €	7,12 €	4,49 €	16 €
MB Branco 75cl	4,79 €	5,19 €	5,79 €	4,15 €	14 €
MB Tinto 37,5cl	n.a.	3,49 €	n.a.	2,69 €	9 €
MB Branco 37,cl	n.a.	3,09 €	n.a.	2,49 €	8 €
MB Reserva 75cl	n.a.	29,99 €	36,40 €	25,00 €	55 €

The values in Table 8 represent the current prices of the different Marquês de Borba SKU's given by the company. Table 9 represents the current prices of the bottles of 75cl of the main competitors of the brand. (Source: Plano de Marca 2010)

As we can see, currently, Marquês de Borba Tinto and Branco 75cl have a premium price above the prices of its main competitors. What happened was that as the economic crisis took place and consumers' purchasing power decreased, the other wines' managers decided to lower their price in order to be aligned with the market trends.

However, Marquês de Borba managers decided to maintain their price and contradict the market trends. We have changed our strategy. This is why we can see on the table that when compared with its main competitors, Marquês de Borba practices a premium price.

Table 9 – Prices of Marquês de Borba's main competitors

	Off trade PVP
	Regular
EA Tinto 75cl	4,99 €
EA Branco 75cl	4,36 €
Chaminé Tinto 75cl	5,69 €
Chaminé Branco 75cl	4,99 €
Monte Velho Tinto 75cl	4,49 €
Monte Velho Branco 75cl	3,89 €

4. Marketing Strategies

4.4. Marketing Mix: Price



Today we follow a **Skimming Strategy** meaning that we set the price based on the perceived value of the product according to the company experts towards the product. Instead of basing the price on the market, a skimming price strategy comes from within the company and the value that the product represents to the customers capturing, therefore, all the product value. This strategy works well in a mature market, as ours, where customers supposedly already realized the value of our product and are willing to pay for it.

We have, however, a problem regarding the value the product represents to the consumer. As we explained before, in consumers opinion the price is not adjusted to the perceived quality of the product.

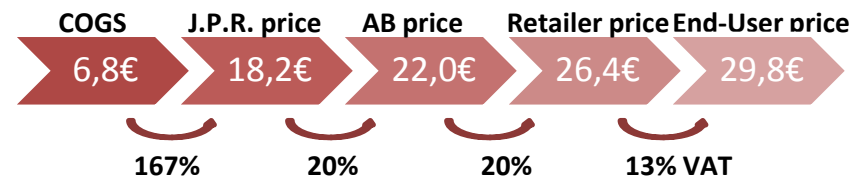
Our objective is not to adjust the price according to market fluctuations and competitors, instead we intend to increase consumers' perceived value through other marketing tools and therefore better align price with the consumers' perceived value. As a consequence we expect to have a good price-quality ratio, crucial in this industry. In order to maintain a premium price we plan to have a tight control over the prices practiced to the final consumer on the different channels and eventually restrict the commercial discounts from our main distributor.

Regarding **Marquês de Borba Reserva Tinto** we have already explained how the price is built. As a wine that needs a longer aging period, its price also increases. In fact, its price in the off trade channel is priced at €29,8, which is 500% more than the

regular red wine.

Based on available data, such as the End-User price, the average margin per bottle in this segment and the margin of each element of the distribution channel, we were able to construct the **price break down** of the **Marquês de Borba Reserva Tinto**:

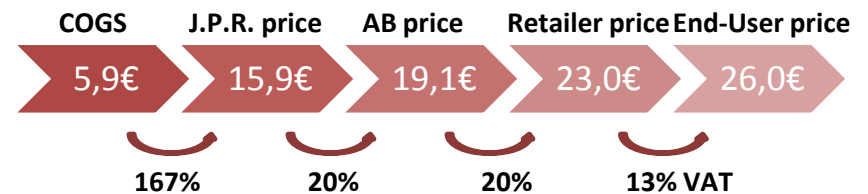
Graphic 2 – Price breakdown of Marquês de Borba Reserva Tinto 75cl



As we intend to launch a new product in the vintage category, namely **Marquês de Borba Reserva Branco**, we recommend pricing it with the same logic of the red vintage. This means that the price on the off trade channel will be five times higher than the regular Marquês de Borba White, (5,19€). We assume that the profit margin is also 167% and the production cost 5,9€.

Below you can find the **price break down of the Marquês de Borba Reserva Branco**:

Graphic 3 – Price breakdown of Marquês de Borba Reserva Branco 75cl



4. Marketing Strategies

4.4. Marketing Mix: Place



We now turn to distribution. Very important for this section is that all research we conducted points to the fact that failing to be in convenient points of sales will lead to lost sales opportunities – with the exception of one off trade and one on trade distribution segments, respectively: the non give-up'ers (27% of respondents) and the careful choosers (9% of respondents), yet targeting just these segments would not suffice to achieve our goals.

Looking at the channels' end-users' segmentation we built (Appendix 5), one can see that in the **off trade** there is a spatial convenience gap for most segments: **even though numeric distribution is excellent in hypermarkets (100%), this figure in supermarkets (55%) needs to be increased.**

About the **on trade**, our research results point to the fact that close to 50% of consumers are demanding drinkers, meaning they show high demand levels for almost every service output (demanding glass drinkers and demanding bottle drinkers). Furthermore, only a small segment affirmed that, with a high probability, will it let spatial inconvenience avoid their purchase of a desired brand of wine (careful choosers).

Linking these results to the current numeric distribution in restaurants (25%), a spatial convenience gap in the on trade, present for most segments is therefore an important problem, that needs to and can be addressed. Note that J. Portugal Ramos and Active Brands are unable to directly influence restaurants to always deliver Marquês de Borba with the demanded levels of the

different service outputs.

Important for this section, is the fact that increasing the push in the on trade will increase consumers' interactions with the brand, leading to increased brand awareness (Kotler, 2006). These, linked to satisfaction (which our marketing research allows us to predict high), will generate repeat buys for both, on and off trade – thus increasing the pull for the off trade.

Recommendations about **place** are therefore aligned with **solving the on and off trade demand-side spatial convenience gaps, by increasing the push through the on trade channel and simultaneously gaining distribution in supermarkets.**

The goal of increasing the on trade push is also approached in other elements of the marketing mix, especially in promotion, where sales force and trade promotions will be discussed. In this section we include initiatives that strictly belong to the place P, aiming at increasing distribution figures and the efficiency of these activities – such as selecting priorities for distribution, aligning incentives of the members in the distribution channel and ensuring the maintenance of the payment flow, which, as discussed previously, is increasing the risk of distribution loss.

4. Marketing Strategies

4.4. Marketing Mix: Place



Essential to keep and increase distribution in the **off trade** is providing **margins and turnover** to the retailers, therefore measures to maintain and increase the distribution figures are linked to price and other aspects of brand performance, that generate a market pull. Yet, to ensure the closure of the supermarkets spatial convenience gap, **listing fees** should additionally be paid. For its cost, such must be done selectively. Priority should be given to supermarkets in denser, higher income areas, with higher turnover (Great Lisbon and Great Oporto). Thus, maximizing weighted distribution – an indicator that the company should track, complementarily to numeric distribution.

About the **on trade**, as a way to increase the efficiency of the distribution efforts, we recommend selecting **regional and local distributors**, as the preferred way to increase distribution in restaurants. These are more prone to participate in the promotion flow, resulting in the intended push for this channel, for the relationship they create with their restaurant customers, through regular sales visits – as opposed to cash & carries. Cash & carry accounts should nevertheless be maintained, as an alternative way to reach restaurant-customers that buy independently (without being served by regional and local distributors) and according to their sensitivity of what their clients want – therefore, depending on a brand related pull by consumers (according to our marketing research results).

Such will mean an effort to build and maintain relationships with customers of this kind, which can be made using

promotional tools (discussed further in the promotion section), and by linking relational and transactional aspects of these relationships to the commercial teams' evaluation.

Preferential on trade distribution areas should be Great Lisbon, Great Oporto and Algarve (the latter, for its seasonal increase in the restaurants' sales in the summer, according to the company), as currently and prioritize higher end and mid market restaurants (estimated by average meal price and served meals), as a way to reach the maximum amount of targeted consumers and to keep Marquês de Borba being sold in the regions where it has a higher concentration of sales volume.

Another recommendation aiming at increasing efficiency is reducing the cost of information. The current method of obtaining information about on trade performance is too costly and imprecise – Nielsen's INCIM should be cancelled, while keeping the Nielsen's INA index (about off trade performance, considered a good estimate). This way, the company could still estimate brand and sales performance, with its own sales information, which is currently broken down by product and distributor/retailer account, and a cheaper and more precise indicator. Information gathered in commercial visits and condensed into an internal integrated customer database (shared by J. Portugal Ramos Vinhos and Active Brands) should also be used as a qualitative and quantitative information source for on trade performance. The recommendation of cancelling the INCIM is supported by an industry expert's suggestion.

4. Marketing Strategies

4.4. Marketing Mix: Place



As a way of controlling and aligning the performance of the sales force, we recommend the creation of customer listening tools, used to measure transactional and relational aspects of customer accounts (every downwards members in the channel).

Therefore, yearly surveys to customers, critical incident surveys, won-lost-and-why surveys and a qualitative assessment of each commercial visit should be condensed into the above mentioned integrated customer database. Reporting should be made to the on trade team director and quantitative measures assessed by these tools should also have an impact on the variable pay of the sales force.

To mitigate the increasing risk cost of default, that negatively impacts distribution, we recommend developing an analysis of all current local and regional distributors, ranking them by sales volume evolution and financial stability indicators (such as liquidity ratios). According to this analysis, preferred distributors for each region should be selected, and the importance of downwards members that are the most likely to see their accounts suspended should be decreased. To complement this analysis, new options should be considered; by seeking new distributors to substitute the financially unsound ones, through a similar analysis (of financial stability).

Measures about incentives to channel members will be further discussed on IMC strategy as trade promotions.

Regarding the launch of Marquês de Borba Reserva Branco, we propose developing a specific place strategy, different from the one of the regular Marquês de Borba bottles.

Our objective for the product is to be present in all possible cellars and specific wine point of sales, as well as in Class A HORECA channels. Regarding mass retailer we also aim at being present in the biggest supermarkets and hypermarkets of Lisbon and Oporto area and littoral north. The largest retailers in these locations usually have gourmet areas or biggest wine departments where our vintage wine can easily fit and find an appropriate demand.

In our financials analysis we contemplate the adequate listing fees to have our product properly distributed.

4. Marketing Strategies

4.4. Marketing Mix: Integrated Marketing Communications



In order to solve Marquês de Borba's brand and communication issues we will develop an integrated marketing communications strategy.

Our positioning statement target is the final consumer. In our communication strategy we will address this target. However, we will also propose trade promotion actions aiming at retailers in the HORECA channel and distributors.

T-C-B Model (Rossiter)

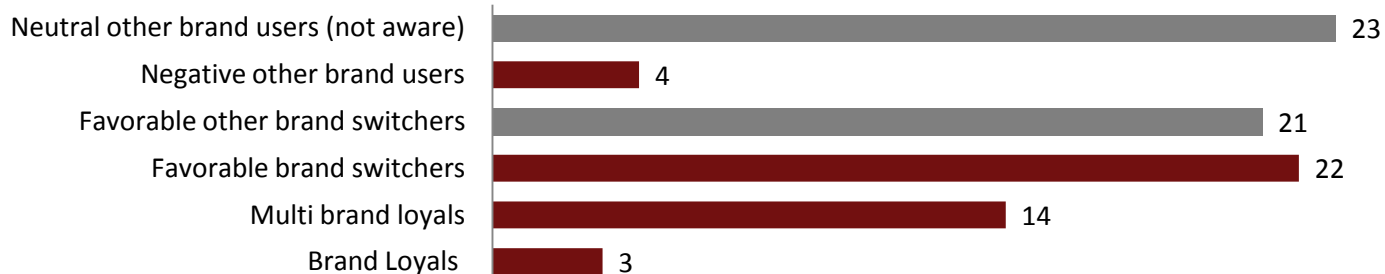
We have defined positioning according to the T-C-B model (target, category need and benefit) to build the creative strategy. According to the new positioning statement, our target are men and women regular consumers and socially active wine lovers. In order to find out the appropriate **target audience** according to the usage-based approach, we also conducted an internet survey with the purpose of segmenting our customers in the usage-based approach. As we can see in the graphic below, neutral other-

brand switchers, favorable brand switchers and favorable other-brand switchers are the largest segments with 23%, 22% and 21% of responses. We used the framework proposed by Rossiter (see References) and collected 87 responses from people who drink wine at least once a week. The results can be found in Graphic 4. Aiming at sales growth, our primary target audience will be **neutral other brand-switchers**, currently not aware of our brand. The secondary target will be **favorable other-brand switchers**, who would consider switching to our brand.

Regarding the **category need**, Marquês de Borba is a premium wine from Alentejo and we propose the brand to engage in a differentiated strategy, as Monte Velho is the brand leader in the segment. Our brand is in 3th in the segment.

Regarding the point of difference, the "best wine experience" is the **key benefit**. Other benefits that will be communicated are "tradition", "João Portugal Ramos" and "Borba".

Graphic 4 - Regular wine consumers' attitude towards Marquês de Borba



4. Marketing Strategies

4.4. Marketing Mix: IMC



Selling Proposition

The brand's communication will be centered in a **emotional selling proposition** that will give consumers personal fulfillment and self-indulgence. Our strategic option is to increase Marquês de Borba's perceived optimal experience delivery by communicating its traditional root and the link to J. Portugal Ramos (as a winemaker and as the winery). Thus our logic will be an end-benefit focus: $b \rightarrow e+$

Tradition is the targeted attribute we have chosen and it will be very important in Marquês de Borba's communication. As such, we suggest that the claim for the brand should be "keeps tradition alive".

Action and Communication Objectives

In our communication strategy we have both action and communication objectives. We want consumers to have a certain attitude towards our brand and we want consumers to act upon that attitude.

Regarding **action objectives** we have purchase action objectives and post-purchase action objectives for our brand.

Regarding purchase action objectives, we aim at increasing **trial** and **repeat purchase** rate amongst other-brand switchers not aware of Marquês de Borba and favorable other-brand switchers. Trial is the most important since we are targeting consumers who

have not experienced our brand yet.

In relation to post-purchase action objectives, we aim at **recommendation** by consumers. **Word-of-mouth** is a key success factor in the category since many consumers lack expertise in evaluating wine quality and rely on friends and relatives. According to our quantitative marketing research, 95% of respondents said to get information about wine through friends.

In order to set the **communication objectives**, we have built a behavioural sequence model, as seen in Appendix 11. We assumed favourable and neutral other-brand switchers to have the same model.

We will use a demographic proxy to identify the media target. We want to reach women and men, aged between 35 and 64, from A, B and C1 social classes which live in big cities, such as Lisbon and Oporto.

We have two main communication objectives:

- **Brand Awareness:** In regards to brand awareness, we have chosen **brand recognition** as our communication objective for final consumers. **Visual recognition** of the package in the supermarket and **echoic recognition** of the name in the restaurant are crucial in consumers' decision making processes.

4. Marketing Strategies

4.4. Marketing Mix: IMC



In the case of the restaurant situation, customers are presented with a list of several wine brands and they have to remember having heard “Marquês de Borba” previously.

Similarly, in the supermarket/hypermarket shelves, consumers have plenty of choice and they have to remember having seen the “Marquês de Borba” brand before.

- **Brand Preference:** Create preference for neutral other-brand switchers and increase to strong preference for favorable other-brand switchers. We will do this by emphasizing the key benefit of the brand and the emotional weight associated with it.

Key Customer Insight

During both our qualitative and quantitative studies, our team gathered plenty information about Marquês de Borba and was able to find a customer insight:

Uma marca quando tem tradição é porque tem qualidade. Nos vinhos isso é muito importante porque é difícil escolher entre as dezenas de garrafas à venda. Saber que uma marca é tradicional e que é feita por um expert dá segurança. Segurança de que estamos a comprar algo que é muito bom.

Creative Idea

The creative idea selection and execution should be developed using a freelancer designer and a copywriter. The creative briefing

that should be delivered to them can be seen in Appendix 12. As an example, an object that exaggeratedly possesses the tradition benefit is “Boneca de Estremoz”, a traditional element linked to the Alentejo wine region of Estremoz, where the wine is made. The tagline must also convey this idea. As an example, it would be “A tradição mantém-se” (“Tradition remains”).

Furthermore, we also suggest one ad to increase awareness about white Marquês de Borba. A proposed tagline would be: “*Por trás de um grande de um grande homem (red wine) está sempre uma grande mulher (white wine)*”. This appeals not only to the white wine segment, but also to tradition.

As a final remark, both wine bottles (white and red) should be present in all ads to remind consumers of the existent variety and the shape of the packaging. This will teach and remind consumers what to look for in the point of sale. Plus, during the launch of the campaign, the four varieties must be present in the ad, demonstrating a now “complete family”: Marquês de Borba Reserva Branco, Marquês de Borba Reserva Tinto, Marquês de Borba Branco and Marquês de Borba Tinto.

4. Marketing Strategies

4.4. Marketing Mix: IMC



Communications Tactics

Our communication strategy will integrate tactics related with the IMC objectives: awareness and preference. Plus, we also propose some attention tactics.

Regarding **brand awareness tactics**, we suggest exposing bottles as much as possible in all communications. Packaging exposure is crucial to brand recognition. Both white and red bottle should be showed. This should happen in all print and web ads, internet communication, events, etc..

In relation to **brand preference tactics**, we have chosen a transformational motivation strategy because of our positive-ending strategy. Thus, we assume that in trial purchases we will need transformational/high involvement tactics since we are targeting neutral other-brand switchers and favorable other-brand switchers who have not experienced our brand before. For repeat purchases, we choose transformational /low involvement tactics, as the brand works as a reward. Wine is a low involvement category because it is usually low priced and consumers do not think about which brand they will buy before entering in the point of sale. Our brand preference tactics will be:

Regarding high involvement tactics, we will reinforce **branding**. We suggest improving Marquês de Borba's brand image, by adding associations related to tradition and J. Portugal Ramos. Its logo should be given special focus, as well as the brand's logo (coat of

arms). The transformational benefit (tradition) will be **over claimed**. Other informational benefits should be added in a credible way, such as the grape types mixed in the product and the link to the winemaker J. Portugal Ramos.

Regarding low involvement tactics, we suggest that emotional authenticity should be conveyed through **identification**. Brand delivery on the benefits should be given by association. Besides, the target audience must like the ad.

J. Portugal Ramos should be the face and presenter for the brand since he is already an expert and the spokesperson of the company. He can be present not only in the ads, but in all communication.

Finally, our communication plan will also take into account **attention tactics**.

Marquês de Borba print and online ads will be in four-color and should have lead-in headline, body copy up to 200 words, picture occupying great part of the ad and maximizing the size of the bottle. The focus of the ads should be in one or two simple subjects, leaving a white or one color space behind.

4. Marketing Strategies

4.4. Marketing Mix: IMC



Pre-testing rough ads

As final consumers must like the ads, two focus groups should be conducted in order to assess the ads perceptions by the consumer before the launch of the campaign. As a pretest measure, we also suggest to use the **management judgment ad test** (MJAT). It does not require a high budget and it indulges the staff to focus on the creative brief guidelines. It builds responsibility and commitment about the advertising campaign. The MJAT should involve several managers of the company, not only the Marketing department to assure impartiality. The MJAT should test if the ads have the target audience well-addressed, the brand awareness and preference tactics present as well as the mandatory content (see Creative Brief). Attention factors should also be checked regarding each medium.

Media Strategy

The primary media type for the campaign should be **print media** and **outdoors**. As print media, we suggest Portuguese newspapers and magazines such as Expresso, Público, Visão, Evasões, Revista de Vinhos, Revista Wine. This is where we believe we will find the target audience for Marquês de Borba. Specific newspapers supplements should also be used such as Fugas, which makes wine recommendations regularly. Sporadic wine publications should also include Marquês de Borba ads. Regarding outdoors, we will prioritize the city centers of Lisbon, Oporto and north littoral, having the campaign running for three

weeks in the launch of the campaign.

Regarding the **online presence**, the company should pay search in online search engines like Google and Yahoo. J. Portugal Ramos' website must be the first or the second to appear when we insert Marquês de Borba. Besides, when searching words like "vinho alentejano", "vinho Alentejo", "vinho Borba" or "Monte Velho", J. Portugal Ramos' should also be one of the first to appear. The brand ads should be present in J. Portugal Ramos website, as well as all communication. The ads should be reformulated to appear in the online versions of Revista de Vinhos and Revista Wine. Banners should also be present in wine blogs and cooking and rural tourism websites.

A J. Portugal Ramos winery **Facebook page** should be created. This would create a communication platform between the brand, the winery and consumers. This is a place for consumers to link the winemaker to the brand. Secondly, the page should generate awareness through posts related to wine, the winemaking process and Alentejo. Finally, the page would suggest product usages and would have competitions targeted at younger segments. Consumers' questions must be **all** answered in the page (see Appendix 13 for the Facebook page proposal).

4. Marketing Strategies

4.4. Marketing Mix: IMC



Public Relations Targeting the Final Consumer

Marquês de Borba will have a **brand re-launch event** in Lisbon, where great part of the target audience is located as well as opinion leaders such as journalists. It should be held in a traditional place in the heart of Lisbon, such as “Ritz Salão Nobre” or “Palácio da Cruz Vermelha”.

It should be a **private event** that should happen immediately before the beginning of the advertising campaign with guests such as specialized journalists (in wine, cooking, travelling), wine experts and sommeliers of important restaurants nationwide. This event should be a traditional-themed party with “Fado” from Alentejo, traditional and regional food and a handicraft exhibition. This should be a crucial event since it will transmit to the opinion leaders the **new positioning** of the brand and communicate the **new vintage wine**, creating **word-of-mouth**.

Communication about the new positioning of the brand, the launch of the new wine and the re-launch event should be sent before and after the traditional-themed event in the form of press releases. Different communication tones should be applied, depending on the target media. For journalists in the specialized media and to wine and gourmet bloggers, the focus should be on the high quality of Marquês de Borba and the expertise of J. Portugal Ramos and the vintage wine. For generalist media, the focus should be in the traditional roots of the brand and the re-launch events. The second type of communication should also be targeted at socialite magazines such as Caras and Lux.

During the whole timeframe of the marketing plan, J. Portugal Ramos should also try to have **signed articles** in wine magazines. In a one-to-one interaction, the winemaker should talk about its wine brands and specially the new positioning of Marquês de Borba. This should be in pace with the communication in the official website of the company, where J. Portugal Ramos is already the presenter. J. Portugal Ramos signed articles aim at giving authenticity and increasing perceived quality of the wine, having the benefit of increasing proximity between the company and final consumers.

Furthermore, J. Portugal Ramos representatives should always be present in **events related to wine**, such as “Festa do Vinho a Copo”, “Essência do Vinho”, “Encontro de Vinhos e Sabores”, etc. There are about 40 events related to wine annually in Portugal and Marquês de Borba has to take advantage of it. This is a moment to increase **trial** amongst other-brand users in a place where consumers are already willing to experiment new wines. J. Portugal Ramos should pay attention to the representatives in these events, since it will be the first contact with the brand for several consumers.

4. Marketing Strategies

4.4. Marketing Mix: IMC



J. Portugal Ramos should also develop efforts in order to win **wine competitions** with Marquês de Borba, specially the vintage edition, a higher quality wine. We believe this to be effective since an external authority would be certifying the wine quality of the brand which would act as a **brand activation mechanism** for the final consumer. This will generate awareness for the brand and increase the perceived value of the brand with the **awards**. Likewise, efforts should be made in order for the brand to be recommended in TV shows about wine and cuisine, such as “A Hora de Baco” and “Chakall e a Pulga”.

Marquês de Borba Reserva should **sponsor** some events such as tennis and golf tournaments since the target of these events are high class, such as Taça Kendall and Estoril Open.

Besides the public relation actions targeted at final consumers and opinion leaders, J. Portugal Ramos would also have public relations aimed at its own partners.

Public Relations Targeting Channel Partners

Thus, we recommend an initiative aimed at the **distribution channels employees**: a yearly **reception**, where the largest distributors’ and retailers’ account representatives would be present, as well as the on trade commercial team of Active Brands, the Gestvinus representatives and the sales force hired for the missionary selling program (which will be explained in the next slides about trade promotions). The **event** should happen in an afternoon, starting with a lunch, in the headquarters of J.

Portugal Ramos Vinhos, in **Estremoz**, on a weekend in May. This would capture the availability of the guests and their interest in the event and it would be a way for partners from the whole country to know where the wines are produced, initiating an emotional bond with the company. Not only the facilities and wine production would be shown but J. Portugal Ramos would organize a tour in the land, having the opportunity to show the vineyards.

The **awards** received by J. Portugal Ramos Vinhos’ wines during the year would be communicated in this opportunity, as well as the wines’ characteristics – reinforced by a **wine tasting session**. This is a way to show the quality of the winery and convince the sales force of J. Portugal Ramos’ expertise.

In order to reinforce the **trust building** objective of this event, some time for information exchange among distributors and restaurants’ representatives should be given, as a way to signal J. Portugal Ramos Vinhos’ benevolence. Furthermore, a preoccupation with distributors’ and retailers’ margins should be communicated.

Apart from the promotion for Marquês de Borba, the **social reinforcement** and **benevolence** of the company shown through this event should also boost **commitment and loyalty** of the participants (Rossiter & Percy, 1998 and Davis-Sramek, Droge, Mentzer, & Myers, 2009).

4. Marketing Strategies

4.4. Marketing Mix: IMC



Consumer Promotions

Competitors are decreasing its price levels pressuring Marquês de Borba and shrinking margins. This happens because of the competitive market but also due to the current economic crisis. Thus, we propose some customer promotions, as we will keep our price level.

Brand's penetration is determinant regarding the sales level and market share. Since we are targeting current Marquês de Borba's non-users, the action objective of the promotions is **trial**.

In the off trade channel, we propose having product **sampling** immediately after the advertising campaign launch, after ad insertions in the media (which occur twice a year) and in special occasions, such as Christmas. This should boost brand preference.

From our quantitative research, 27% of respondents have said that they get information about wine in the point of sale. Promotions should take advantage of this fact.

Marquês de Borba would have representatives in the main supermarkets and hypermarkets promoting the brand and giving information about J. Portugal Ramos winery. They would give free samples of both red and white wine in a glass. This will work also to remind consumers of white wine. The samples should be given next to the wine shelves so the consumer can easily locate the brand and purchase it and Marquês de Borba's communication

should also be present, such as the ads. Marquês de Borba representatives should be trained to answer all consumers' questions and show potential buyers the new features of the packaging, such as the thermometer and the quick response code.

This sampling would be accompanied by a **price off** through a **direct coupon**. This would lead to a price reduction of 15%. In the off trade selling point, the vouchers would be given to consumers in hand by the brand representatives. The discount would be given immediately to the consumers when paying for the bottle. Afterwards, J. Portugal Ramos would refund the off-trade retailers. Finally, the coupons would be distributed in Marquês de Borba's events, such as the launching event and events related to wines throughout the country where the brand is present.



4. Marketing Strategies

4.4. Marketing Mix: sales force and trade promotions



As numeric distribution is low, we will increase spatial convenience with a combination of a missionary selling sales-force promotion with a trial trade promotion for the on trade.

The **missionary selling initiative** should consist of a hired sales force who would work jointly with Gestvinus' and Active Brands' salespeople in a campaign to increase numeric distribution in restaurants. This would consist of a sales force of six highly qualified people, hired for two years to promote and sell wines exclusively from J. Portugal Ramos (Marquês de Borba, Vila Santa and Loios).

This campaign should target primarily restaurants with higher turnover and average meal price, namely the **40% more expensive restaurants** in the areas of Great Lisbon, Great Oporto and Algarve. The hired sales force should have a proportion of variable pay linked to the number of new customers acquired as a way to align their incentives with those of the company: 70% variable and 30% fixed income.

Aligned with this, we recommend a **trade trial promotion** as a pretext to enter the points of sales and to offer, for the first time, Marquês de Borba. This promotion would happen for each new client in the HORECA channel for the first purchase. Concretely, it should consist of a 15% direct price-off in the first order and a sampling (tasting). According to our qualitative research to restaurants, restaurant managers do not buy a wine they do not know. With this initiative, we intend to increase our restaurant customer base, not expecting the price cut to pass through to

final consumers.

After two years of missionary selling, the hired sales force should be dismissed and the relationships with the acquired customers should be maintained by Gestvinus and Active Brands' on trade team. Yearly visits by Active Brands to make social reinforcement should be made to keep the selling relationship.

Note that our direct collaborators (J. Portugal Ramos and Active Brands collaborators) cannot directly sell to restaurants. So, in order for these promotions to work, it is very important to **engage distributors**, so that they end up delivering the orders achieved by the sales force with the price-off. The main argument to gain the engagement of these elements will be that through the action, they will gain new customers.

Consumers are willing to buy wine by the glass. According to our secondary research, we found a key insight: "it is hard to find good wine sold by the glass". To take further advantage of this opportunity and the missionary sales force, we propose the creation of a **sales-education-kit** to influence the HORECA channel to sell Marquês de Borba by the glass. This kit should include a brochure and point-of-sale displays. It should be distributed to restaurant customers already selling Marquês de Borba and to new customers.

4. Marketing Strategies

4.4. Marketing Mix: trade promotion



The **brochure** would convince restaurant managers and waiters to sell wine by glass, by communicating the advantages of it: higher margins per meal served. The brochure would also explain why Marquês de Borba fits this kind of offering, describing its characteristics. Furthermore, technical information about the wine in a more complete way should also be provided.

The **point of sales displays** should include information in a less extensive way about both the red and white. The selling proposition of this ad would be “It is no longer hard to find quality wine by the glass”. The display would also include a Quick Response Code, similar to the one included in the bottle, that would link to the website, where more information about the wine would be provided. It should be a poster, that could be easily seen, without taking usable space to the restaurant,.

The target HORECA channel for these two measures are the least expensive 25% visited by the sales force, placed near business centers, assuming these will have higher turnover.

Finally, we will create a “**Best Seller Award**” targeting the salespeople of local and regional distributors. This aims at increasing their incentives and effectiveness when selling Marquês de Borba. This award should be given quarterly in order to benefit the best employee of this area. The prize would vary: paid trip in a national location, computers, net books, Smart phones, televisions, vouchers in clothes’ stores, etc.

The award must be communicated to all small distributors

nationwide through their supervisors and through e-mail, since this would be an external promotion regarding the company that employs the salespeople.

Brochures for sales people would be given to these employees in order to inform them about the brand and J. Portugal Ramos expertise, in order to improve their selling capabilities. Tips like “mention tasting notes when selling” and “Marquês de Borba is a complete wine that goes well with any kind of food” should be added.

4. Marketing Strategies

4.5. Marketing Plan Timeline



Our Marketing Plan Timeline has two stages: before $t=0$ and after and we assume that the re-launch will take place on $t=0$. However, there are several actions that need to be prepared and worked through before appearing to the public.

On the table below you can find all the actions taking place previous to the re-launch ($t=0$):

Table 10 – Marketing Plan Timeline before $t=0$

t	-11	-10	-9	-8	-7	-6	-5	-4	-3	-2	-1
	2012							2013			
	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
New Label									Creation		Production
Vintage White production*	Ageing									Bottling and Distribution	
White vintage negotiation process over the distribution channel in order to certify that in $t=0$ the product will be available to the final consumer					Active Brands plan aproval	Retailers (on and off trade) negotiations				Distribution	
Print Ads									Creation		Production
Outdoors									Creation		Production
Online Ads									Creation		Production
POS Display & Brochures									Creation		Production
Facebook Page											Creation
Sponsorships	Work throughout the year in order to assure our sponsorships on the chosen events.										
Missionary Sales Force		Recruiting process							Training		

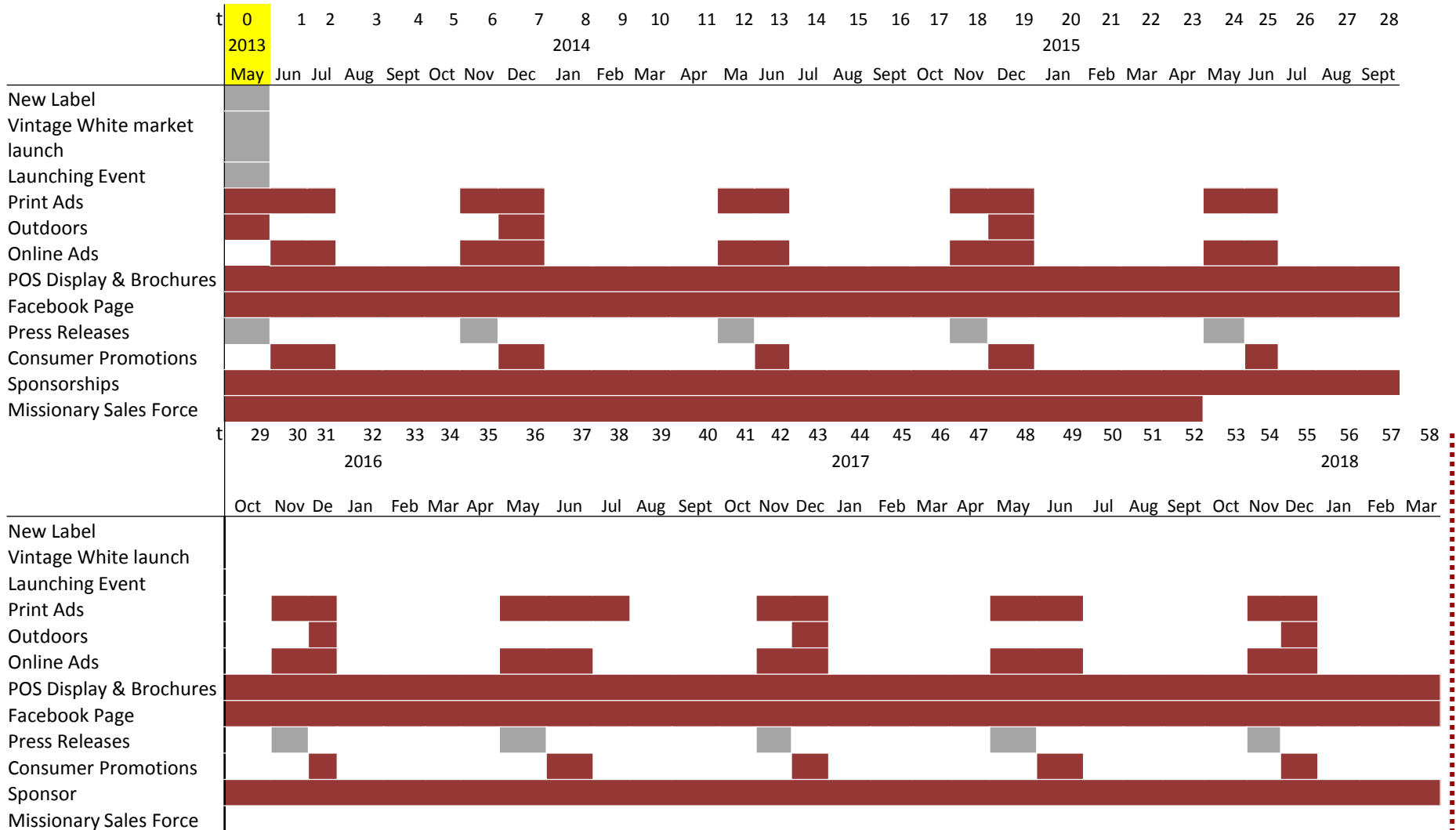
*ageing period started before (it has an ageing period of 12 months)

4. Marketing Strategies

4.5. Marketing Plan Timeline



Table 11 – Marketing Plan Timeline after t=0





5. Financial Budgets and Forecasts

Overall Outcome

The brand Marquês de Borba will be re-launched on May of 2013, accompanying the launch of Marquês de Borba Reserva Branco. The marketing plan will be implemented throughout five years from May 2013 to March 2018.

On the following tables you can find the assumed rates and period of the project as well as the IRR and discounted ROI.

EAR	8,0%
Period	5 years
IRR	75%
Discounted ROI	114%

The NPV for the 5-year project:

Project NPV	695.572€
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With this, we are able to increase annual profits by about 60% by the end of year five. This increase concerns the total profits at the last year of the project compared with the expected profits in the same year if the project was not implemented (we assumed a 2% sales decrease in the first two years following the current trend). The cost and revenues structure will be further explained below.

Great part of the investment will be focused on the beginning of May 2013. However there will be other investments progressively implemented throughout the five years of the

marketing plan. The re-launch investment will focus on three different elements of the marketing mix: distribution, communication and product. It is important to refer that we made assumptions about the costs and increase in sales and profits throughout the five years of the marketing from May 2013 to March 2018 that will be further developed.

Product

Regarding the product we have decided to make slight changes on the bottle label in order to make it more informative, homogeneous and consistent. Besides, we have decided to add to the label a thermometer and a digital code with promotions and info attached. We expect, therefore, to increase penetration and loyalty. This is a variable cost. The current margin per bottle is 1,80. We will assume from now on that the margin per bottle will be 1,75€, due to the cost of 0,05€ per bottle of the thermometer and quick response code. We assumed this margin for overall sales of Marquês de Borba Red and White (based on the value provided by the company).

We will also launch a Marquês de Borba Reserva Branco, which we expect to boost the awareness and perceived quality of the Marquês de Borba White. The production cost of this wine will be 5,9€ per bottle with a contribution margin of 10€ per bottle. The production will be only of 200 boxes of 9liters (2400 bottles of 75cl) which consequently has a gross profit margin of 24000€ per year. Detailed information will be presented in the Profit & Loss analysis (Appendix 14).



5. Financial Budgets and Forecasts

Integrated Marketing Communications

As to communication, the main objective of this tool is to create awareness among current customers and potential consumers and to build reputation. With a strong communication plan we intent to increase the penetration rate on both channels and to enhance repeat buys. As a consequence loyalty should be created. The costs of these actions will be further presented on the Profit & Sales analysis.

Missionary Sales Impact and Distribution

Our plan regarding increasing the numeric distribution on the on trade channel rely on two main actions: a missionary sales force and an improved sales force. With both, the objective is to increase numeric distribution from 25% to 40% in the on trade channel (value negotiated with the company).

On total there are 5432 restaurants on the Lisbon, Porto and Algarve region, from those we assumed that our target will approximately be 45%, which are for class B and C. Thus, there are 2444 target restaurants and we are currently present in 1358. Our objective is, therefore, to be present in 2161 restaurants by the end of the second year.

Regarding the missionary sales force, we will hire a team of 6 sellers who will make 15 visits to the HORECA channel weekly, our insight from the restaurants research lead us to assume this value as feasible. The missionary sales will only be active in the first two years of the project.

In the financials section, the assumptions and impact estimations of this measure can be seen.

Besides having a missionary sales team, we expect to increase the numeric distribution and maintain the current customers by organizing and enhancing visits to distributors and restaurants and turn the existent sales force more effective.

There will be several actions taking place such as: to motivate and educate distributors throughout the channel increasing sales force effectiveness and consequently increasing the numerical distribution on the on trade (HORECA); educate HORECA elements and final consumers of the on trade which we expect to lead to an increase in the number of clients on the on trade.

Profit & Loss Analysis

On the following slide is presented the a summarized Profit & Loss analysis were the yearly Net Operating Incomes with and without the project are compared, and the associated Incremental NPV is shown.

5. Financial Budgets and Forecasts

Table 12 – Profit & Loss Analysis

	t=0	t=1	t=2	t=3	t=4	t=5
Marquês de Borba						
Units sold	660.000,00	755.078,50	921.961,61	1.003.203,50	1.024.186,53	1.042.721,54
Contribution margin per unit	1,80 €	1,75 €	1,75 €	1,75 €	1,75 €	1,75 €
Gross Contribution Margin	1.188.000,00 €	1.321.387,37 €	1.613.432,82 €	1.755.606,13 €	1.792.326,43 €	1.824.762,69 €
Red Vintage						
Units sold	1.800,00 €	1.800,00 €	1.800,00 €	1.800,00 €	1.800,00 €	1.800,00 €
Contribution margin per unit	11,40 €	11,40 €	11,40 €	11,40 €	11,40 €	11,40 €
Gross Contribution Margin	20.520,00 €	20.520,00 €	20.520,00 €	20.520,00 €	20.520,00 €	20.520,00 €
White Vintage						
Units sold		2.400,00 €	2.400,00 €	2.400,00 €	2.400,00 €	2.400,00 €
Contribution margin per unit		10,00 €	10,00 €	10,00 €	10,00 €	10,00 €
Gross Contribution Margin		24.000,00 €	24.000,00 €	24.000,00 €	24.000,00 €	24.000,00 €
Operating Margin	1.208.520,00 €	1.365.907,37 €	1.657.952,82 €	1.800.126,13 €	1.836.846,43 €	1.869.282,69 €
Product Costs		2.000,00 €				
Distribution Costs		224.750,00 €	136.750,00 €	750,00 €	750,00 €	750,00 €
Advertising Costs	49.000,00 €	215.080,00 €	183.080,00 €	153.080,00 €	153.080,00 €	153.080,00 €
Promotion Costs	111.780,00 €	286.661,06 €	252.815,98 €	103.820,00 €	103.820,00 €	103.820,00 €
Fixed Costs	160.780,00 €	728.491,06 €	572.645,98 €	257.650,00 €	257.650,00 €	257.650,00 €
EBT	1.047.740,00 €	637.416,31 €	1.085.306,84 €	1.542.476,13 €	1.579.196,43 €	1.611.632,69 €
Corporate Tax 28%	293.367,20 €	178.476,57 €	303.885,92 €	431.893,32 €	442.175,00 €	451.257,15 €
Net Operating Income	754.372,80 €	458.939,74 €	781.420,93 €	1.110.582,81 €	1.137.021,43 €	1.160.375,54 €
Baseline	754.372,80 €	724.806,43 €	710.310,30 €	710.310,30 €	710.310,30 €	710.310,30 €
Incremental NPV		- 265.866,69 €	71.110,62 €	400.272,51 €	426.711,12 €	450.065,23 €

Project NPV: We estimated na NPV of €695.572,49, associated to an internal rate of return of 75%.

Assumption: without implementing this plan, sales would continue to decrease 2% for the next 2 years, then come to a stalemate.

5. Financial Budgets and Forecasts

On Table 13 you can find the sales evolution and the increase of the numeric distribution over the five years of the project in both in the off and on trade. The evolution on the different channels comprise the impacts of all the actions taking place in our project, such as the missionary sales and the efforts towards the existent sales force. Regarding the impact of the communication in our sales you can find a yearly evolution in percentage of the incremental sales. In this Appendix one can find further information about the project's Financials.

Assumptions

We sell in the new Points of Sale as much as in the old Points of Sale.

Variation in frequency increases more in first years thanks to promotion and advertising impacts, plus WOM. In the last years they keep growing thanks to the same investment, that allows to keep the growth base with impacts of recognition and WOM.

On trade does not have an increase in frequency, just in POS. The on trade push will, however, generate a pull in the off trade, which is considered in its frequency growth.

Bottles per day in Super and Hypermarkets are estimated based on INE data, Nielsen's Numeric Distribution and the channel mix of Marquês de Borba. In restaurants, we used Nielsen Data about restaurants in Great Lisbon, Great Oporto and Algarve.

Table 13 – Sales Evolution over the Project Plan

Year	0	1	2	3	4	5
Yearly growth in bottles/day (Comm Impact)		8%	8%	7%	6%	5%
Supermarkets						
Points of sales (Supermarkets)	773	899	983	983	983	983
Cases sold in Supermarkets	15090	18955	22385	23952	25389	26658
Hypermarkets						
Points of sales (Hypermarkets)	142	142	142	142	142	142
Cases sold in Hypermarkets	4160	4492	4852	5191	5503	5778
Total off trade sales (cases of 9l)	19250	23447	27237	29143	30892	32436
Restaurants						
Average restaurants over the year (points of sales)		1567	1968	2161	2161	2161
Cases sold in Restaurants		39476	49594	54457	54457	54457
Total on trade sales (cases of 9l)	35750	39476	49594	54457	54457	54457
Total Sales (cases of 9l)	55000	62923	76830	83600	85349	86893



6. Controls

In order to control the marketing plan implementation, we will set several controls:

Customer surveys: in order to assess if the marketing plan regarding brand image and perceived value the is having the expected success, we recommend to conduct customer surveys. This should take place one year after the plan implementation and should test:

- if the target audience recalls or recognizes the ads from the primary media;
- the communication effects addressed in the campaign (brand recall, recognition and preference) and compare the results with previous years;
- changes in brand image (through in-depth interviewees).
- Customer value satisfaction

Sales Analysis: Check sales status quarterly since the beginning of the plan implementation (in the on-trade and off-trade channels).

Market Share: Check if market share has change by the end of each year of the project plan.

Numeric and Weighted Distribution: Buy Nielsen researches

every year in the first three years of the project in order to check the numeric distribution evolution on the off trade, afterwards buy these reports biannually;

HORECA promotion analysis: Keep track of the number of spots where there is Marquês de Borba merchandising (point of display ad).

Prizes & Awards: It is important to keep track of the prizes and awards both the red and white vintage wines win in order to evaluate the need of bigger efforts to be present in more wine events.

Word-of-mouth: Analyze systematically critics written in the media (including social media, such as blogs and the Facebook page and press releases).

6. Controls

6. Contingency Planning



To finish our marketing business plan, we propose a contingency planning to mitigate possible worse case scenarios or unexpected events.

Price wars amongst competitors

In the case of price wars in the wine industry, we will maintain our skimming price strategy. We will keep deciding the price according to the perceived value of the product and we will not react to sudden decreases in competitors' price. We chose to capture all the value from consumers and therefore not competing in price with other brands.

On trade distribution

The missionary sales proves to be unsuccessful if, after one year, the number of new restaurants acquired by the missionary selling team does not exceed 50 the program should be aborted (Project NPV= 15000€). If after one year the number of retained new restaurants (acquired by missionary salespeople) is between 50 and the target (207), then J. Portugal Ramos should perform a survey to the HORECA channel in order to find the reasons why the brand is not selling. This would give the company further insights about the on trade channel and allow the missionary sellers to redefine their strategy.

Advertising and Consumer's Promotion Failure

If, after analyzing annual customer surveys, J. Portugal Ramos

finds that Marquês de Borba's awareness is not increasing and the brand image does not match brand identity, the company has to invest more on the IMC strategy in order to meet the brand's goals. For this, the company has to take into account the feedback given by consumers about brand image, opinions about the campaign.

Overall sales growth strategy failure

In order to have a plan of action for sales growth failure, we have defined a boundary:

- Along the five years of the marketing plan, if sales increase is 30% less than the expected increase, J. Portugal Ramos should decrease the marketing investment to its value of 2010. The company should further invest on marketing research in order to assess why the project has not been successful.
- Along the five years of the marketing plan, if sales growth are 30% to 90% of the expected sales growth, the company should increase its investment.
- Along the five years of the investment, if sales growth are more than 90% of the expected increase in sales, the company should keep the planned investment.



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