



A Work Project, presented as part of the requirements for the Award of a Masters Degree in Finance
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Lemonaid and ChariTea — Evolving Social and Organic Soft Drink Brands in California

Carlos Eduardo Marques Rodrigues

Student Number 851

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Economics and Business, under the supervision of:

Jonas Puck and Florian Klein

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Abstract

This Work Project results from a CEMS MIM Business Project developed with Lemonaid Beverages in Vienna, Austria. The project aims at developing a successful market entry strategy for the company upon its expansion to California in the Summer of 2016. Insights will be drawn regarding brand perception, purchasing behaviour, market trends and size, competition, and marketing mix strategy — including recommendations on Product, Place, Price and Promotion. In addition, a link between this practical project and the field of Finance will be provided. Through a thorough literature review, a theoretical discussion on the most appropriate valuation methods for startups will be presented.

Keywords: Ready-to-Drink Beverages; Startups; Market Entry; Valuation Methods

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1. Context

a. Client: Lemonaid Beverages

Lemonaid Beverages — commonly know as Lemonaid — is a German producer of soft drinks which are made out of organic and fairly traded ingredients, sourced from certified small farming cooperatives. The company was born in 2008 with the purpose of offering delicious and high-quality drinks while doing something good for the society. Its mission is “to change the world drink by drink”. As such, the company supports its charitable organisation with 5 cents from every bottle sold. Since January 2010, it has managed to raise more than € 1.200.000 that was put to good use for the development of several aid projects in developing countries. In order to communicate properly this social message to consumers, the company named its two product lines of Lemonade and Tea, Lemonaid and ChariTea respectively¹.

Lemonaid grew up with limited resources in a kitchen in St Pauli, a bohemian and vibrant neighbourhood in Hamburg. To make a long story short, a group of friends decided to quit their jobs to juice limes, brew tea and crush sugar. Suddenly, a small kitchen was not enough to meet all the demand. In 2009, the company decided to outsource the process of filling in the bottles to a small organic firm in the south of Germany. Nowadays, Lemonaid is present in Germany, Austria, Switzerland, Netherlands, Denmark, France, England, Belgium and South Korea. Leveraging from a shift in consumer preferences, the company has grown at a fast pace in the past 8 years. In 2015, more than 9 million bottles were sold.

b. Industry and Market Overview

Lemonaid operates in the premium segment of the ready-to-drink (RTD) beverages industry — i.e. only beverages with a package size lower than 500ml are included, also known as Grab and Go beverages. Within this premium segment the company competes mainly against RTD Teas, Lemonades and Organic Juices.

¹Please refer to appendix 1 for further details on the company’s product portfolio

As mentioned before, the markets where Lemonaid operates are mostly located within Europe, with the exception of South Korea. However, the company wants to expand to the United States of America and this Business Project will be exclusively related to that market. According to Euromonitor International, the forecasted growth rates for the period 2015/2016 in the U.S. are 18% for Carbonated RTD Tea, 4% for Still RTD Tea and 5% for Organic Juices — meaning that the consumption of these products in the U.S. is growing at a fast pace. Furthermore, California is seen by Lemonaid’s executives as the most attractive state to start selling Lemonaid and ChariTea. The main reason for this feeling has to do with the consumer preferences observed there, especially in the Bay Area. In fact, several organic brands are available in California and experiencing an outstanding success.

Having a closer look at the market dynamics, it is important to mention that new players are entering the U.S. market with value propositions that leverage on the so called “evolving purchasing drivers²”. To better explain this concept, it is important to historically explain the trends affecting the purchasing behaviour of consumers in the United States in what concerns food and beverages. In the past, consumers used to make decisions mostly based on taste, price and convenience — also know as the “traditional drivers”. While they have always considered some other attributes beyond the ones just mentioned, only a few consumers made purchase decisions based on them. However, preferences have shifted and most consumers have begun to weigh more significantly a new group of purchasing drivers. Although the traditional drivers of the consumer value equation remain important, the reality is that a significant amount of consumers in the U.S. give as much or even more importance to the evolving drivers, which are presented below.

1. Health and wellness: including attributes such as natural content, organic ingredients and fewer artificial additives.
2. Safety: including the absence of allergens, fewer ingredients, and accurate labelling.

² Source: Deloitte (2015), “Capitalizing on the shifting consumer food value equation”

3. Social Impact: including sustainability, contribution for social projects and fair treatment of employees.
4. Experience: including brand interaction, channel innovation, as well as retail store layout and services.

This increase in the importance of the evolving drivers in the consumer value equation implies some implications for Lemonaid. First, the low levels of sugar, calories and additives of its drinks together with the Organic and Fair Trade certifications appear to suit perfectly in the U.S. market. Second, consumers tastes and preferences are fragmented, creating therefore new opportunities for Lemonaid's brand portfolio. Third, fostering purpose-driven business propositions — such as Lemonaid's social commitment — might create an important competitive advantage in this market. Last but not least, it is important to bear in mind that larger competitors recognise the importance of the evolving drivers and are adjusting accordingly, becoming a potential threat for Lemonaid. In fact, two of the potential direct competitors of Lemonaid in the U.S. — Sweet Leaf and Honest Tea — were acquired in 2011 by Nestlé and The Coca-Cola Company respectively.

c. Lemonaid's Current Situation

Having sold more than 9 million bottles in 2015 and experiencing a very fast growth, Lemonaid has the ambition to continue this success path while exploiting exciting opportunities in promising markets. Although other product lines are being tested and may be implemented in the long-run, its product portfolio is not predicted to change in the recent future. As such, the value proposition offered to consumers will continue to focus mainly on the high-quality of its drinks — which are made out of organic ingredients, have low levels of sugar and calories, and do not contain additives, preservatives, or artificial colours. Moreover, Lemonaid intends to keep the same bottle design in both current and new markets. According to studies performed by the enterprise, its transparent glass bottle is considered attractive by most consumers, playing an important role in their purchasing decision. Last but not least, the company will continue to communicate its social

commitment, as consumers have shown appreciation for the fact that the company uses fairly traded ingredients and contributes to social projects in underdeveloped countries.

Summing up, Lemonaid is financially healthy and aims to tap into new markets with its current product portfolio and value proposition. However, the company recognises that different markets pose different challenges, meaning that there is the need to adapt its Marketing Mix strategy when expanding outside Europe.

d. The Business Project challenge

The Business Project was assigned to a group of 5 students. Throughout the semester I worked together with 4 colleagues from Italy, Chile and Poland — a very diverse team, not only in cultures but also in academic and professional backgrounds. An important challenge that came up right in the beginning was getting to know better all the team members and understanding each other's core skills, in order to get the most out of the group.

It was clear since the beginning that the Business Project was seen as highly relevant for Lemonaid Beverages. In the first meeting, the client expressed us the company's intention to enter the Californian market in the Summer of 2016, highlighting that our help would be fundamental to understand the best ways to approach this market. Working with a startup posed challenges that none of the members had faced before. First, it implied a more informal relationship with the client than when working with big corporations. However, we still had to ensure that the team was perceived as professional and competent by the client. Second, the person in charge for the Californian market that would be in direct contact with us throughout the semester, had an academic background in Psychology and was slightly uncomfortable with some technical business concepts. As such, our team needed to make sure that the presented content was clear and easy to understand, regardless of one's background. Lastly, and also related with the informal setup earlier mentioned, we noticed that the first meeting with the client transformed into a conversation after a few minutes, lacking structure and organisation. From there on, we decided to prepare an agenda for each

meeting and to send it to the client in advance, in order to ensure efficiency. Summing up, finding the right balance between informality, professionalism, organisation and effectiveness in the communication of results was the main challenge of the project.

II. Reflection on the Work Done

a. Problem Definition

Lemonaid plans to enter the U.S. market, namely in California, in the summer of 2016. The CEMS business project will be used as a base for better decision making conquering this market. The stated objectives for the business project were the following:

1. Estimate the market size of RTD Tea, Lemonade and Organic Juices in California.
2. Assess the brand perception and purchasing behaviour in the United States market, understanding how future customers perceive the product and how they make their purchasing decisions.
3. Analyse the competitive environment and understand who are the relevant competitors.
4. Provide advice on the most appropriate price point to charge for both of the company's product lines.
5. Briefly evaluate the distribution channels — on-trade and off-trade — and understand which ones should be approached by Lemonaid.
6. Outline final recommendations on Lemonaid's Marketing Mix strategy.

b. Methodology, Hypothesis and Analysis of the Results

Three main methodologies were used to test the defined hypothesis.

1. Secondary research was carried out through several resources such as online databases and websites of competitors/retailers in the United States.
2. Primary research was carried out through a focus group conducted at WU (Vienna University of Economics and Business) on April 26th 2016, with the purpose of gathering insights on brand perception and purchasing behaviour. The group of participants was

composed by 7 students from 19 to 24 years old and from different locations across the United States — namely California, North Carolina, Pennsylvania, Texas, Illinois and Iowa. The duration of the focus group was 1 hour and 15 minutes and the conversation was recorded with authorisation of the participants. In the first part of the focus group, products were not shown and the group discussed current trends and purchasing drivers of RTD beverages in the United States, with a special focus in California. In the second part, bottles of Lemonaid and ChariTea were shown as well as some products of the current competition in Europe and a bottle of a potential competitor in the U.S.. In this part, the group shared its impressions on Lemonaid's specific features — such as design, packaging material, price, and promotion — and compared them with the competitors. To conclude the meeting, free samples were distributed as a reward for the enriching insights given by the participants.

3. Primary research was also carried out through an online survey. Taking into account all the insights gathered from secondary research and from the focus group, a survey³ was prepared and then launched on May 12th 2016. Its main purpose was to collect information on purchasing behaviour and distribution channels. The sample was composed by 134 respondents from the United States and 75% of them were living or had previously lived in California. In addition, 43% of the participants were aged between 18 and 23 years — the lower end of our target group, mainly composed by university students — and 38% of them were aged between 24 and 29 years — the upper end of our target group, mainly composed by young professionals. Furthermore, 60% of the respondents were females and 40% males. The survey was launched on the online platform Qualtrics.com and had a total of 24 questions. Respondents took on average a duration of 7 minutes to complete it.

³ Please refer to Appendix 5 for further information on the survey questions

The scope of the Business Project was fairly broad since it required an extensive analysis on several different topics, meaning that hypothesis had to be defined on 6 different levels — Market Size, Brand Perception, Purchasing Behaviour, Competition, Pricing and Distribution Channels. As such, the previously mentioned methodologies were used to test more than one hypothesis. Below, all of them are clarified, their specific methodology is explained, and the results are analysed.

i. First Hypothesis: Market Size

The first topic our Team had to address was related to the market size. The client had a strong belief that the Californian market was extremely profitable but had never run any calculations. Moreover, although RTD Tea was expected to represent the biggest share of the pie, it was not clear yet how the market size was split between the two categories — RTD Tea and RTD Lemonades/Organic Juices. Based on the inputs transmitted by the client, the following hypothesis was formulated and tested: *The market size of RTD Tea, Lemonade and Organic Juices in California is valued at least at \$ 1 Billion. Furthermore, the biggest share of this value is attributed to RTD Tea.*

Specific Methodology

This hypothesis was exclusively tested through secondary research. Using Euromonitor International as a source, we were able to collect the market size of RTD Tea, Lemonade and Organic Juices in the United States. Then, we needed to adjust this value to various factors. First of all, the size of the population had to be taken into consideration. Since 12,2% of the U.S. population lives in California, this percentage was multiplied by the market size value. Then, we carried out further desk research and found out a potential positive correlation between consumer expenditure per household, as well as education level, and the willingness to buy organic and social drinks. We also found a potential negative correlation between age and the willingness to buy this kind of drinks. As such, we took these insights as assumptions and adjusted the market size to them. First, we computed the difference, in percentage, between the values lastly reported by the U.S. Census

Bureau for these 3 factors in California and the average of these values reported in the country as a whole. We observed that the consumer expenditure per household was 6.3% higher in California, there were 6.7% more people having a bachelor's degree in that State, and the median age of the population was 4.3% lower than the median age of the country. As such, all the 3 factors were positively influencing the potential market size in California. To incorporate them in our estimated market size, we had to compute a weighted average of these percentages. In order to do so, we attributed unbiased weights that were defined in consensus by the CEMS team — 40% for consumer expenditure, 30% for education level and 30% for median age. Finally, we computed the respective weighted average and multiplied the market size (already adjusted for the Californian population size) by 1 + weighted average of the 3 factors, meaning 1 + 5.8%. All these procedures were separately applied to 2 categories — RTD Tea and RTD Lemonades/Organic Juices.

Analysis of the results

The formulated hypothesis was confirmed. The market is worth \$ 1.6 Billion according to our estimations. Moreover close to 80% of this valued is attributed to RTD Tea and 20% to RTD Lemonades and Organic Juices. Furthermore, the market is expected to continue to grow at a fast pace. The forecasted growth rates in the U.S. in the 2015/2016 period are 18% for Carbonated RTD Tea, 4% for Still Tea and 5% for Organic Juices.

Additionally, the client provided us its target sales for the first and second year of operations in California — 250 thousand bottles in the first year and between 1 million and 1.5 million bottles in the second year. Knowing these target values, as well as the total estimated market size and the predicted growth rates of the market, we were then able to compute the targeted market shares for the company in California — 0.04% for the first year and between 0.17% and 0.26% for the second year. Our team believes these market shares are fairly reasonable and plausible to reach with an appropriate Marketing Mix strategy.

ii. Second Hypothesis: Brand Perception

Due to valuable insights that our team gathered in meetings with the client and based our personal observation and assessment of Lemonaid's product portfolio, we were able to formulate the following hypothesis for the brand perception: *Lemonaid and ChariTea are perceived by U.S. consumers as healthy and premium brands with an attractive package design.*

Specific Methodology

To assess the brand perception of Lemonaid's product portfolio primary research had to be used — specific questions about the topic were asked both in the earlier mentioned focus group and survey conducted by the team. Regarding the focus group, participants were shown bottles of Lemonaid and ChariTea and were asked to comment on specific features such as design, materials, size and colours. As for the survey, two specific questions were asked to understand if some of the insights gathered from the focus group were still valid when using a substantially bigger sample of respondents (134). Pictures of Lemonaid were displayed together with pictures of other RTD Lemonades and respondents were asked to rank them according to their aesthetic appeal. Since the sample was composed by people from the United States, all the pictures included in the question were from bottles not present in the country, in order to avoid biased answers. After that, respondents were asked to choose the main reason explaining their choice from a pool of 5 options — material, colour, size, bottle design or any other reason.

Analysis of the results

We concluded that the initially formulated hypothesis was correctly defined. In the focus group, Lemonaid and ChariTea were perceived as premium brands by all the participants. In fact, many of them described what they consider a perfect balance between a simple but refined and appealing package. Furthermore, they were also attracted by the fact that the bottles were made out of glass and explained that was one of the reasons why they considered both Lemonaid and ChariTea as premium brands. In addition, colours played an important role in formulating their

perception of the products. Since most of the bottles are transparent and the labels are simple, the colour of the drinks themselves — i.e. the colour of the liquid — attracted the attention of most the participants. In fact, they described this as a distinctive factor in comparison the other competitors' bottles since they quickly noticed Lemonaid and ChariTea on the table. Moreover, as they could see the liquid inside the bottles, they had a feeling that the content and ingredients were natural and healthier than the other drinks showed to them. Lastly, without showing them prices, we asked participants to choose among the options on the table the bottles they considered to be the most expensive. Lemonaid and ChariTea were perceived as the most costly, confirming that they are seen as premium brands. However, the size of the packages was a concern for some of the attendees. They explained that in the U.S. most of the RTD beverages have a size of 500ml while Lemonaid and ChariTea only had a size of 330ml, which was considerably lower. In fact, two participants argued they would think twice before “paying more for less quantity”, regardless of the quality of the ingredients and attractiveness of the package.

In regards to the survey, respondents ranked all the 5 displayed bottles very similarly according to their aesthetic appeal, meaning that no relevant conclusions can be stated. However, the bottle with the best position on the ranking was one with a very similar design to Lemonaid which was also made out of glass. More relevant than this ranking was the fact that, when asked what they liked the most about their top choice, 39% of the respondents answered materials and 27% answered colours. This goes in line with the insights gathered on the focus group, in which participants considered Lemonaid and ChariTea as attractive premium brands mainly due to their appealing bottles and natural colours.

iii. Third Hypothesis: Purchasing Behaviour

Lemonaid Beverages shared with our team the current trends they were able to identify in Europe and expressed their feeling that these trends were spreading to the U.S. market. Moreover, we read some articles and were able to collect a general overview of the purchasing behaviour

trends recently observed in the U.S. market. As such, we were able to define the following hypothesis: *Evolving purchasing drivers related to health, wellness and social impact are increasingly more important in the United States.*

Specific Methodology

First, secondary research was carried out to understand better the industry trends affecting the United States. Online resources were the main source of knowledge, especially industry reports from well-known institutions. Second, in the earlier mentioned focus group, we asked participants to discuss the industry trends in the U.S. market, with a special focus in California. Moreover, they were asked to highlight the main purchasing drivers that lead them to their final consumption choice. Third, two questions were tested in our survey. Firstly, respondents were asked to evaluate — from not important at all to extremely important — different traditional and evolving purchasing factors. Then, they were also asked to evaluate different certifications — namely Organic, Fair Trade, Vegan, Gluten Free and Kosher — from not at all important to extremely important.

Analysis of the results

According to secondary research, evolving drivers — related to health and wellness, safety, social impact and experience — are increasingly more valuable to consumers in the United States. Although traditional drivers such as price, taste and convenience remain relevant, consumers tend to choose healthier beverages with organic ingredients and lower levels of sugar and calories. Moreover, many consumers care about social impact and prefer food and beverages that have a Fair Trade certification.

The insights gathered through the focus group were in line with the secondary research carried out. Price was considered important, especially in particular occasions — e.g. during quick breaks at school “what can I buy with 1 buck?.” At the same time, all the participants mentioned that some of the most important purchasing factors for them were caloric intake and sugar. In addition, an attitude towards organic ingredients and fair trade was verified. According to the

participants, there is indeed an increasing amount of people buying products with a fair trade certification. Interestingly, the students shared that they pay more attention to this certification than to the organic one, as they know “you are doing something good for someone.” Lastly, the traditional drivers package design and size were also considered as important purchasing drivers, especially when seeing the beverages on the shelf for the first time.

Regarding the survey analysis, the evolving drivers were considered almost as important as traditional drivers. On average, taste and price were the most valued traditional drivers while sugar and caloric intake were the most valued evolving drivers. The two mostly valued certifications by the respondents were organic and fair trade. However, the average scores of certifications as a whole were lower than expected. In fact, none of them had a mode of “extremely important.” Nevertheless, organic was the certification with the highest average score and highest mode — “very important.” Another important remark is that most consumers considered Vegan, Gluten Free and Kosher certifications as not at all important.

iv. Fourth Hypothesis: Competition

The client explained us its view on the competition, which was extremely relevant because the company’s executives had recently visited the Bay Area in California. In events and conferences they attended and by talking with several managers from local supermarkets, they managed to get an overview of the products that will compete against them. We were thus able to formulate the following hypothesis: *Lemonaid and ChariTea’s direct competitors are organic lemonades, juices and teas with low or no additives, and containing low levels of sugar and calories.*

Specific Methodology

The starting point to test this hypothesis was primary research previously carried out by the client. Shelf pictures taken in Californian supermarkets and other small retailers were provided to us, which was very valuable because our team was located in Europe and did not have financial resources to travel to the U.S.. As such, we individually analysed the brands observed on the

pictures and complemented this analysis with the help of secondary research tools — going through the websites of the respective observed brands and finding additional competitors on various websites of Californian retailers. Finally, on the survey, names of some potential competitors were displayed and respondents were asked to choose the brands they recognised and how often they bought them.

Analysis of the results

The hypothesis was partly well defined. Indeed, following up on the purchasing behaviour trends, we observed that there are several organic brands in California with low levels of sugar/calories and without artificial additives. Moreover, these brands are located in specific shelves and fridges within the stores, separated from the well-known traditional soft drinks. This means that they do not compete directly against big brands such as Lipton Ice Tea and Nestea. However, even though we were able to find several organic teas and juices, many of the lemonades we investigated were not organic and contained, on average, more sugar and calories than most teas. Thus, we concluded that ChariTea is likely to compete within a rather healthy category of organic teas, while Lemonaid's range of competitors should include organic juices as well as non-organic and organic lemonades with higher levels of sugar. Lastly, from the brands tested in the survey, Honest Tea and Sweet Leaf were the most recognised — 31% and 21% of the respondents knew them respectively, while 14% and 9% had previously bought them. This finding is in line with secondary research we carried out.

v. Fifth Hypothesis: Pricing

The client expressed us its intentions of charging a price of \$ 2.90 per bottle in California, for both Lemonaid and ChariTea. However, our team was asked to test this assumption and to recommend an appropriate price point. As such, we formulated the following hypothesis: *The retail price for a bottle of Lemonaid and ChariTea should be \$ 2.90.*

Specific Methodology

To test this hypothesis we used the Van Westendorp's price sensitivity model, developed by the economist Peter Van Westendorp in 1976. This model constructs a range of acceptable prices for a given product by asking four questions. Hence, we asked the following four open questions on the survey after displaying pictures of Lemonaid's product portfolio with their description.

1. At what price would you begin to think this product is so cheap that you would question its quality?
2. At what price would you think this product is a great deal, a bargain?
3. At what price would you begin to think this product is getting expensive, but you still might consider it?
4. At what price would you begin to think this product is too expensive to consider?

Answers to each question were graphed as cumulative percentages (see Appendix 9).

Analysis of the results

The range of optimal prices was from \$2.08 to \$3.00, the indifference price point was \$2.50 and the optimal price point \$2.75. Although the initially formulated hypothesis was not entirely verified using this methodology, the assumed price of \$ 2.90 was still very close to the optimal price found in the model. Further considerations on pricing will be presented in the recommendations section.

vi. Sixth Hypothesis: Distribution Channels

Lastly, the team was asked to briefly evaluate the distribution channels. The following hypothesis was formulated: *Independent small grocers and supermarkets are the most suitable retail categories for Lemonaid Beverages in California.*

Specific Methodology

To test this hypothesis we used mainly secondary research. First, we analysed the breakdown of organic beverages sales among different categories of retailers in the United States,

since no specific data for California was available. After that, we excluded the categories with a low share of organic beverage sales. Finally, from the remaining categories we excluded those that did not fit in the client's strategy. At the same time, we also asked in the survey how often respondents visit different channels and where do they expect to find products like Lemonaid.

Analysis of the results

Independent small grocers and supermarkets were indeed among the retailers with the highest share of organic beverages sales, confirming our hypothesis. Hypermarkets had also considerable share of organic beverages sales. However, our client had specifically told us that this channel was not an option on an initial phase. As a matter of fact, the company prefers to have a wider distributor network composed by smaller retailers to ensure independency and safety. Moreover, introducing new products with no awareness in hypermarkets would imply giving these players excessive retailer margins, a fact that we verified through desk research and from the previous experience of the client in Europe.

The survey results confirmed part of the hypothesis as well. Hypermarkets and supermarkets were the most visited retailers among the 134 respondents. However, most of them expect to find products similar to Lemonaid in small organic retailers as well.

c. Recommendations

Besides presenting the results of the above mentioned hypothesis, our team advised the company on specific measures for the Marketing Mix strategy. The following recommendations are subdivided into 4 separate sections — Product, Place, Price and Promotion.

Product

We recommend Lemonaid to exploit the growing Tea and Lemonade's Californian market and enter with its full current brand portfolio. By doing so, the company would be able to achieve greater market coverage and increase brand awareness — shelf presence is especially crucial for low-market-share brands. Moreover, by offering different product lines and tastes it would be able

to attract consumers who seek variety and that like to try different products. Last but not least, this measure would allow the company to exploit economies of scale in advertising, sales, merchandising, and physical distribution.

Place

Regarding off-trade distribution channels, Lemonaid should pick small organic stores and supermarkets that are less likely to compromise its brand image. Furthermore, the company should approach these channels through specialised brokers, since they have a wider network of contacts in the United States. We further advise the company not to focus too much on off-trade channels before increasing its awareness in the market. However, on-trade channels should not be entirely ignored. In fact, we believe it is key to be present at universities, namely at on-campus bars and cafeterias, and close to companies where young professionals work (e.g. Silicon Valley). A list of recommended strategic retailers is provided in Appendix 8.

Finally, our team recommended some strategies for shelf-placement. According to secondary research, visual equity is becoming as important as brand awareness. Additionally, some studies show that doubling the amount of “facing” increases by 67% the chances for the product to be chosen. Moreover, top-shelf placement increases product visibility by 20% and the checkout aisle is one of the most profitable areas of stores. As such, we believe Lemonaid’s optimal in-store positioning should include middle-high shelves and checkout aisles together with secondary placements.

Price

The optimal price point we calculated using the Van Westendorp Pricing Model was \$2.75 per bottle. However, we believe this price could be at least increased up to \$2.79 given the pricing strategies of Lemonaid and ChariTea’s competitors. In fact, since many of them lack the fair trade certification, Lemonaid could take advantage from it and charge a premium. In addition, no statistical evidence for Lemonaid to charge a higher price for one of the categories (tea vs

lemonade) was found in the survey. As such, we recommend the company to charge the same price for ChariTea and Lemonaid, which is also the strategy already applied in the European market.

Promotion

Regarding in-store promotions, based on the survey results and desk research, we advise Lemonaid to include several POS materials together with price discounts and coupons. However, some caution is needed as Lemonaid's premium brand image might be compromised if such price reductions are too high and/or very frequently applied.

As for out-of-store promotions, we suggest two initiatives. First, the use of customised vehicles for product distribution in the Bay Area with the purpose of building brand awareness. Second, we suggest the implementation of a QR Code in the bottles to facilitate the communication of the company's social commitment to costumers. After being scanned, this QR code would directly take customers to a website displaying the social projects they helped by buying that specific bottle (e.g. "The ingredients used in this ChariTea were sourced from Sri Lanka and 5 cents from this bottle were donated to a non-profit organisation that offers English courses to local kids").

Finally, we believe Lemonaid should leverage on social media, exploit its existing demo tools, and increase brand visibility through event sponsorships (e.g. National Iced Tea Day). Additionally, the company should focus on increasing brand awareness in places often visited by its target group. Two ideas we came up with were promoting campus contests to target students and introducing Lemonaid machines in working environments to target young professionals.

d. Limitations and Concerns

Regarding the methodology there are some limitations. First, we would have liked the focus group participants to be exclusively from California. However, since it was conducted in Vienna, it was already a challenging task to find 7 American students willing to participate. Managing to have a student from California attending was already an important achievement for us. Second, some caution is needed when inferring results from our survey sample to the population. Once again,

convincing Californian people to answer the survey was a long and difficult step in the process. Indeed, taking into account the resources the team had, getting 134 valid answers from the U.S. (75% of them from people who had lived in California) exceeded the initial expectations. Moreover, we believe that the sample is representative as 81% of the answers were from respondents belonging to Lemonaid's target group — either university students or young professionals.

Regarding the marketing mix strategy, there are also some concerns one should consider. First, the bottle might not show enough information about Lemonaid's mission. However, the QR code introduction is a potential mitigation measure. Second, the price we recommended is similar to competitors offering bottles with bigger sizes. As such, it is very important that Lemonaid stresses on the social projects and fair trade certification to justify this “more for less quantity” issue. Third, low negotiation power might be an obstacle in finding a good broker to approach strategic distribution channels. However, this can be mitigated with due diligence and seeking advice from Californian contacts that the company already has. Lastly, as agreed with the client in advance, the promotion recommendations did not take into account budget constraints Lemonaid might have, especially in comparison to bigger competitors. However, there are less costly alternatives presented in the recommendations section as well, such as the use of digital marketing tools, personal networks and direct interaction with the customer.

e. Individual Contribution

During the semester, the team worked as a group and everyone contributed to the success of the project. On a personal level, I would start by highlighting my early engagement and consistent work. Although the team did not have a hierarchy or an appointed leader, I took high levels of responsibility on a regular basis. First, I was the team member in charge of running the meetings with the client. This was a very enriching experience as it allowed me to improve my communication skills. As time passed by, I was able to develop a more personal relationship with the client beyond the professional one. Second, due to my financial background I volunteered to be

responsible for quantitative tasks. As such, I was the team member in charge for everything that involved numbers. Some examples include the market size assessment and statistical analysis of the survey results. Third, I was responsible for finding participants to attend the focus group and the person who moderated it. This required a considerable preparation from my side as questions had to be put in a way that did not bias the answers of participants. Moreover, I had the difficult task of making everyone comfortable enough to share their thoughts, as they did not know each other before. Lastly, I was one of the 3 members that presented the final presentation to the client.

On top of these responsibilities, I was always available to help my colleagues in whatever they needed. Overall, I am very satisfied with my performance throughout the semester and received a very positive feedback from my colleagues.

III. Academic Discussion

a. Possible Links with Finance

Lemonaid is a fast-growing start-up with only 8 years of existence. It was created in 2009 and most of its sales come from Germany. Although it is now present in 8 more countries, it is highly difficult to predict if it will experience the same success there as in Germany. In fact, Lemonaid and ChariTea were only introduced in most of these markets after 2013 and are still building up awareness there. As a result, operational metrics are still lacking and the current sales figures might not be an accurate starting point to forecast future performance. All this uncertainty, lack of data and fast growth common among start-ups arises an academic question directly related with my MSc in Finance — Valuation Methods for Startups. How should one value these early-stage businesses and which valuation techniques are most appropriate?

Valuing a start-up company poses different challenges than valuing a well-established corporation. Early-stage companies are difficult to value for a number of reasons. First, most of them do not have revenues yet. Even if they do, they are still likely to have operating losses. Furthermore, those few that manage to be profitable on an initial phase have short historical data for

analysts to take into consideration in their estimations. As a result, various standard valuation methods commonly used to estimate future cash flows provide unrealistic forecasts. Moreover, a high probability of failure faced by these companies makes it even harder to accurately value them. However, cash flow estimation is not the only problem when valuing startups. Other factors such as discount rates, terminal values and growth rates are challenging to assess in this context. In this section, some theories and empirical studies about the topic will be presented and discussed.

b. Relevant Theories and Empirical Studies

According to finance theory, the economic value of any investment is the present value of its future cash flows (Brealey and Myers 2001). However, this definition of economic value poses several challenges to valuation techniques when considering early-stage companies. Some of the most used valuation techniques in corporate finance are the Discounted Cash Flow Method (DCF), Earnings Multiple Method and Net Asset Method. However, the most commonly used by Venture Capital funds, as the name suggests, is the Venture Capital Method. Although these techniques are different from each other, they have something in common. All of them depend on the ability of the companies to generate future cash flows and on investors' assessments of these future cash flows' risk (Smith and Smith, 2000). This being said, some authors challenge the underlying assumptions of these models due to some special characteristics shared among most startups.

Damodaran (2009) wrote a paper on this topic and argues that there are 6 characteristics common to most young companies which create valuation issues. First, they have very limited histories, meaning that few or no data on operations and financing is available. Second, revenues are small or non-existent and they often have significant operating losses. Third, young businesses depend on private investors rather than on public markets. Fourth, the rate of failure is substantially high among young companies, as studies like (Knaup, 2005) and (Watson and Everett, 1996) also suggest. Fifth, current equity investors want to protect themselves from subsequent investment rounds and demand special clauses on their term sheets. These clauses can go from first claims on

cash flows to control or veto rights. As such, the cost of equity for investors with a first claim on the cash flows might be lower than the cost of equity for an investor who has a residual cash flow claim. Last but not least, investments in startups are most of the times illiquid. In fact, these firms tend to be privately held and this lack of liquidity has an effect on how much value investors attach to them. Taking these characteristics into account, the earlier mentioned four financial valuation methods are argued to have several limitations when used to value new ventures.

Regarding the Discounted Cash Flow approach, Damodaran (2009) argues it is difficult to estimate future cash flows and to determine the appropriate discount rate due to those specific characteristics of startups. However, other authors argue that the DCF method may still be an important tool to understand the value of high-growth companies when having the right adaptations. These adaptations include starting from the future rather than the present when making forecasts, and assigning probabilities to cash flows, weighting scenarios consistently with historical evidence from comparable companies within the industry (Koller, Goedhart and Wessels, 1990). The problem with this point of view, however, is the accuracy of the estimation of the probabilities, which requires difficult judgements and questionable assumptions (Damodaran, 2009).

The above mentioned issues in valuing young companies using the DCF technique led some analysts to consider using relative valuation techniques, as known as Multiples approach. This method assumes that a company will be worth a multiple of a key statistic (e.g. future earnings), assuming that a given ratio (e.g. price-earnings ratio) is the same across comparable companies in the industry (Koller, Goedhart and Wessels, 1990). Using this approach to value startups arises however some concerns for some authors. First, comparability problems, since comparable ventures are usually not publicly traded and have no multiples that can be calculated. Moreover, finding a comparable business is not always possible. Second, strategic acquirers are often willing to pay more than simply the fair market value. Third, most of the times early-stage companies do not have earnings or other disclosed statistics to apply multiples to (Goldman, 2008; Damodaran, 2009).

Another valuation possibility is the Net Asset method. This is a very simple approach which consists in assessing the fair-market value of a company's total assets minus its total liabilities. However, there are obvious limitations when using this technique. It ignores the economic value of growth opportunities and early-stage companies do not have many tangible assets to take into consideration in the calculations (Ge, Mahoney and Mahoney, 2005).

There is a fourth valuation technique specifically used to value young ventures known as the Venture Capital Method. As the name suggests, it is the most used technique by Venture Capital funds. This approach involves forecasting a future value and discounting that terminal value with a high discount rate (Sahlman and Scherlis, 1987). The inputs needed for this model are the required Internal Rate of Return (IRR), the amount of the investment, its term, the terminal net income, and the price-earnings ratio in that same year. Then, the "basic venture capital formula" can be applied to calculate the ownership required by the investor. $Final\ ownership\ required = ((1 + IRR)^{years} \times investment) / (PER \times (terminal\ net\ income))$. After knowing the ownership required, it is also possible to compute the number of new shares that the venture needs to issue with the formula $new\ shares = ((\% \text{ ownership} \times old\ shares) / (1 - (\% \text{ ownership})))$. Finally the share price can be calculated by applying the formula $share\ price = investment / new\ shares$. However, some authors consider the venture capital method a very subjective and essentially an internal-oriented technique, which is many times inaccurate and difficult to justify (Gompers, 1999). Problems in finding an appropriate and comparable PER persist, as well as in estimating the net income in the terminal year. Moreover, the discount rate is also highly subjective. As a "rule of thumb", venture capitalists use very high discount rates between 50-70% for early stages, 40-60% for first stage, 35%-50% for second stage and 25-35% for Bridge/IPO stage (Damodaran, 2009). Finally, this same author claims that this method can easily become a bargaining point between entrepreneurs and venture capitalists rather than a serious valuation technique.

Further studies have tried to justify how venture capitalists value early-stage companies. An empirical study (Ge, Mahoney and Mahoney, 2005) found that valuations are usually higher if (1) the new venture is in an industry with higher product differentiation and high growth; (2) the founder has top management experience and startup experiences before having found the current company; (3) the startup was founded by more than one person, and major management tasks are assigned to a management team; and (4) the startup has a wide network of external partners.

c. Implications for Theory and Future Research

Several authors agree that traditional valuation techniques are highly difficult to apply when valuing new ventures. Even some VC's assume that "the truth about valuing a startup is that it is often a guess" (May and Simmons, 2001:129). However, research is lacking on this field.

In further research, it would be interesting not only to highlight additional flaws on the existing valuation methods for startups, but also to address solutions for the observed issues. In my view, the major challenge is to understand how to quantify and include in the valuation procedures some qualitative variables that may influence the success of a new venture. Empirical studies have already showed that valuing startups might not be an exclusively financial topic anymore. In fact, there is already some research (Ge, Mahoney and Mahoney, 2005) showing that venture capitalists tend to give higher valuations to startups that fulfil some qualitative managerial requirements. Strategic management theories maybe indeed useful inputs to explain venture capitalists' valuation of early-stage new ventures (Miloud, Aspelund and Cabrol, 2012).

To conclude, the true challenge lies on learning to adapt existing valuation methods or even to develop new models from scratch that are able to incorporate as much financial and managerial inputs as possible, generating accurate estimations of the value of early-stage ventures.

IV. Personal Reflection

a. Personal Experience

This Business Project was a very challenging and rewarding experience. For the first time, I was able to work in a startup environment and to put myself in entrepreneurs' shoes, while addressing interesting topics and trying to solve some of the company's issues. This experience allowed me to expand my knowledge and to think "out-of-the-box" in a very dynamic atmosphere. Additionally, I would like to mention I am very happy with the performance of the team as a whole. As time passed by, by the 5 members were able to know themselves better and to leverage from each other's major capabilities.

On a personal level, this Business Project was my major focus for the semester. As a matter of fact, I put in a lot of effort and worked an average of 20-25 hours per week. Among my major strengths were my high commitment, hard work and goal-orientation. This allowed me to deliver tasks on time and to help my colleagues whenever they needed. Moreover, I always tried to see the whole picture in every task I performed, meaning that the outcomes were often very comprehensive. Throughout the semester I also tried to be straightforward with my colleagues, as I believed effective communication was very important for the success of the team. As such, I told them my honest opinion in most occasions in an objective, constructive and friendly way. Besides that, I was always happy to receive feedback. This posture was appreciated among the team and contributed to an open and healthy communication throughout the semester. Last but not least, I enjoyed very much taking responsibilities such as moderating the focus group, conducting the meetings with the client or being one of the members in charge of the final presentation. These tasks helped me to increase my soft and hard skills on a personal and professional level.

The major weakness I observed in myself was overseeing too much others' activities, especially in the beginning of the semester when I did not know my colleagues well. However, I understood after a short period of time that this attitude could compromise trust among team

members. Although it is important to oversee, the right balance has to be found. As such, as I got to know my colleagues better I also learned to trust them. I learned that empowering them can bring new points of view that I had never thought about before. A good strategy to solve this issue was agreeing on internal deadlines with them. By doing so, they had freedom to perform their tasks and we could still discuss among us some of the details before deliveries. Lastly, both on a personal and on a team level, time management and defining priorities was a weakness we had to develop during the semester. After some difficulty in the beginning, we concluded that clear communication with both our academic supervisors and the client was very important. We were then able to align expectations with them, to understand which tasks required a more detailed analysis and to establish milestones accordingly.

b. Benefit of Hindsight

Taking into account all the challenges and difficulties we faced throughout the semester, what we achieved as a team was truly remarkable. As any other project, ours had ups and downs and times when we doubted about our own capabilities to meet the client's demands. In the end, the rewarding feedback we received from the company's executives and from our academic supervisors made all the effort worth it.

There is however a major learning lesson I took from this project. One should never underestimate the difficulty of working with startups. Just because the setup is usually more relaxed and informal, that does not mean for a second less workload or lower expected quality of deliverables. On the contrary, working with early-stage ventures requires not only professionalism but also the ability to adapt to this special environment. Fortunately, we were able to learn this lesson very soon and to find the perfect balance between these requirements. As a curiosity, the client specifically asked us not to suit up for the final presentation. However, we still knew our recommendations mattered and were expected to be at the highest quality level possible. This is the perfect balance I was mentioning before.

V. References

a. Academic discussion

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VI. Appendices

Appendix 1 — Product Portfolio

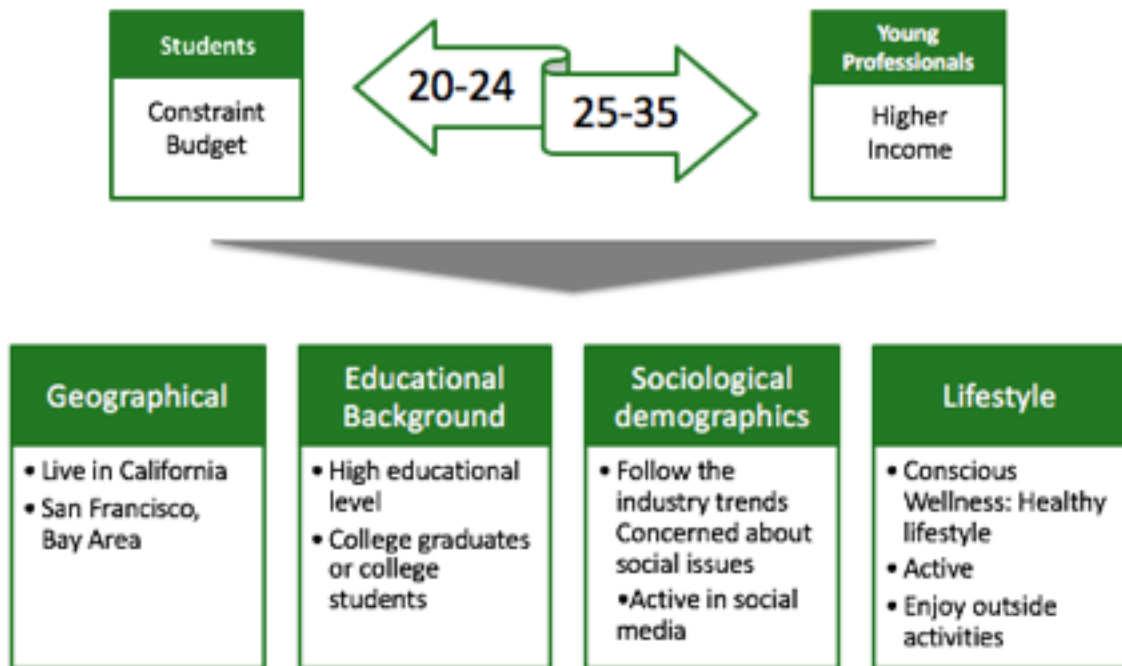
Lemonaid



ChariTea

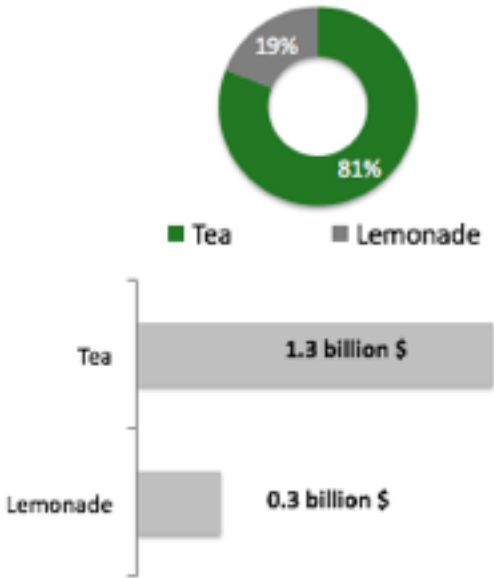


Appendix 2 — Target Group

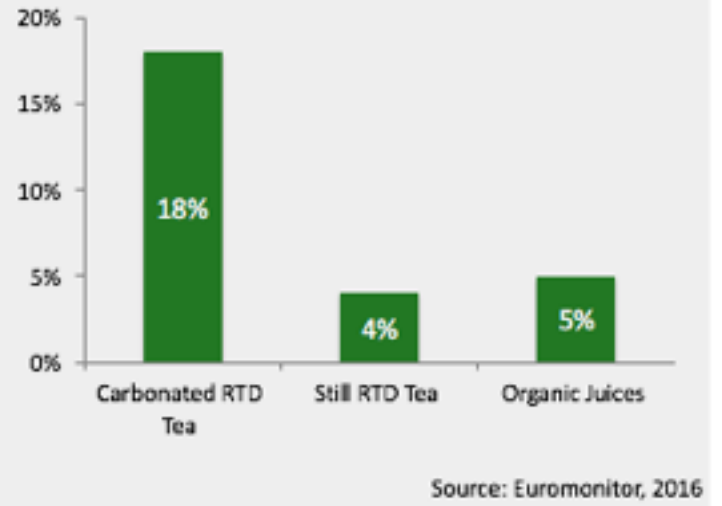


Appendix 3 — Market Assessment

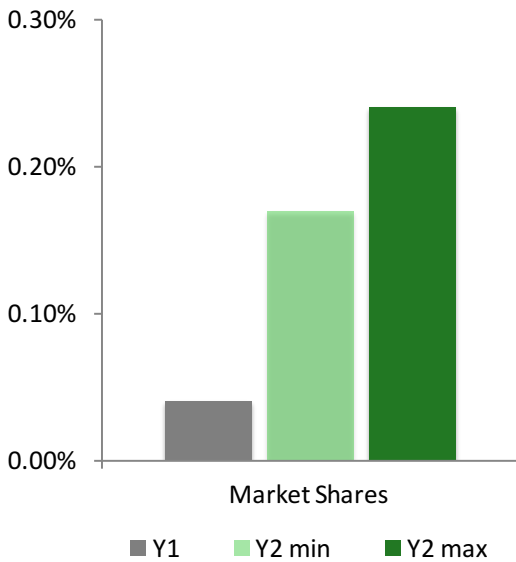
Current Market Size in California



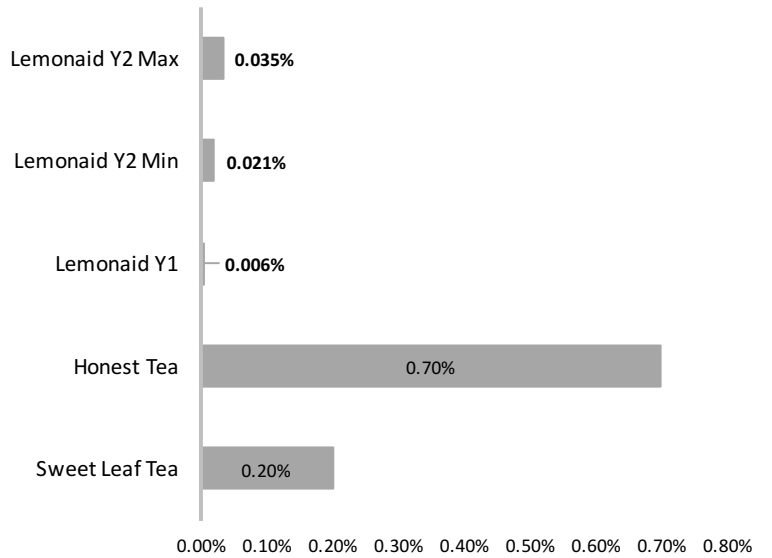
Forecasted Market Growth Rates in the US 2015/2016



Lemonaid’s Target Market Share in CA

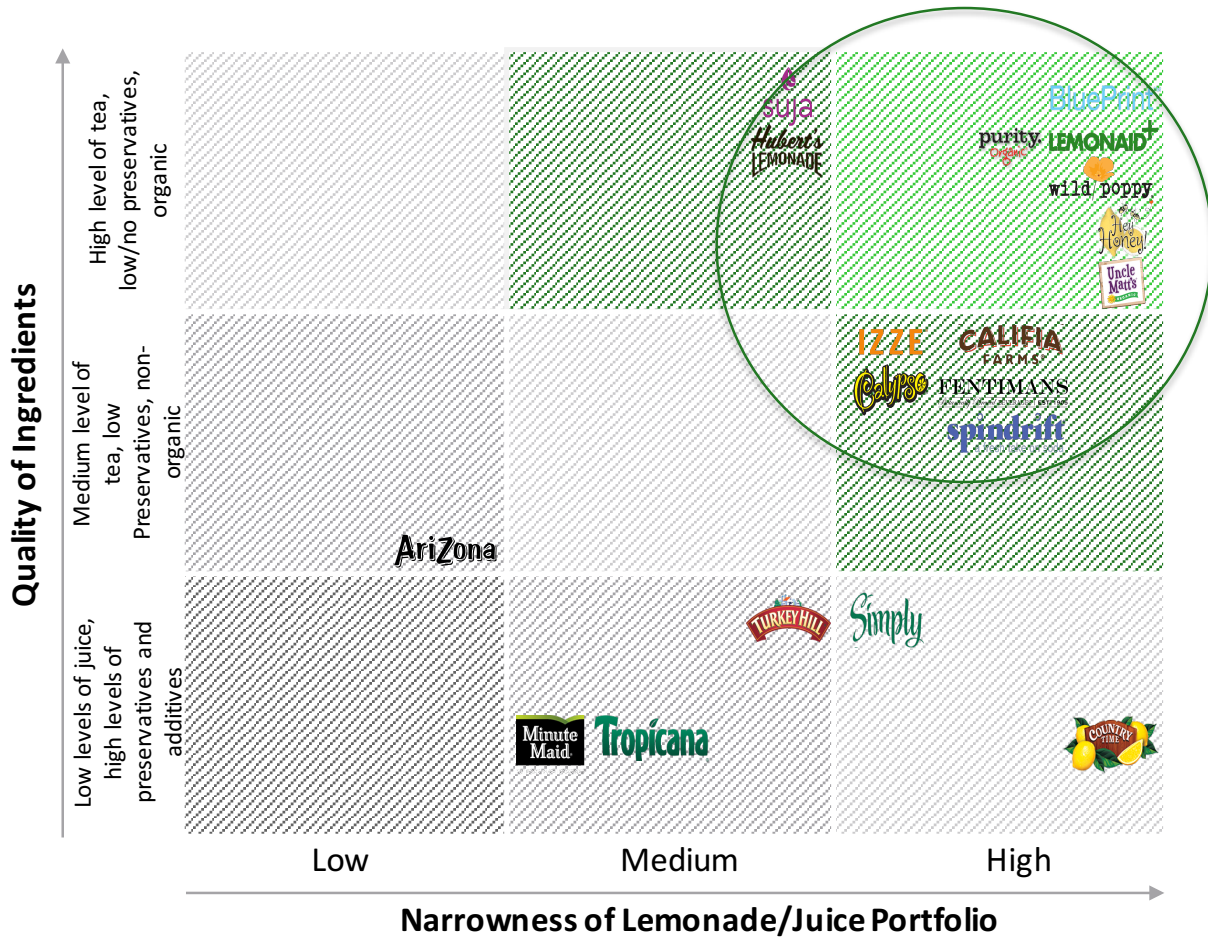







Market Shares in the US



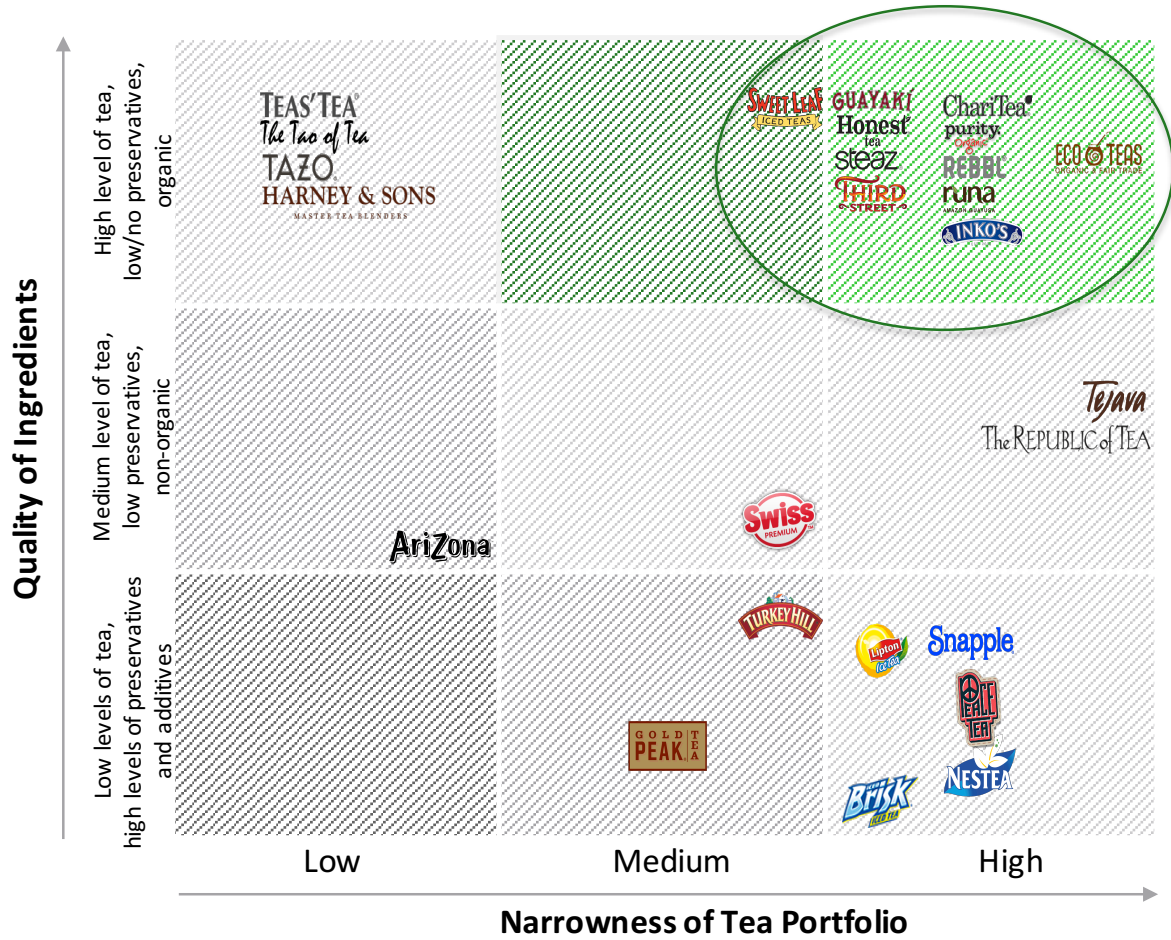
Appendix 4 — Direct Competition Analysis











RTD Lemonades/Organic Juices



Product Line	Bottle Similarities	Fair Trade Certification	Level of Calories (per 8 fl oz)	Level of Sugar (per 8 fl oz)	Price
 <p>wild poppy "Liquid goodness"</p>	<ul style="list-style-type: none"> Transparent Glass Similar shape & size Label without drawings 	No	80 - 90	13g - 20g	\$2.39
 <p>Hubert's LEMONADE "Organic Lemonade"</p>	<ul style="list-style-type: none"> Transparent Glass 	No	60	16g	\$2.99
 <p>Uncle Matt's "Artisanal Lemonades"</p>	<ul style="list-style-type: none"> Transparent Label without drawings 	No	120	28g	\$2.59
 <p>suja "100% juices"</p>	<ul style="list-style-type: none"> Transparent Glass 	No	130 - 146	26g - 29g	\$5.99
 <p>CALIFIA FARMS "Citrus Juice"</p>	<ul style="list-style-type: none"> Similar size 	No	100 - 115	23g - 27g	\$2.99

RTD Tea



Product Line	Bottle Similarities	Fair Trade Certification	Level of Calories (per 8 fl oz)	Level of Sugar (per 8 fl oz)	Price
 Honest tea "Glass Bottles"	 <ul style="list-style-type: none"> Transparent Glass 	Yes	0 - 35	0g - 9g	\$2.19
 SWEET LEAF ICED TEAS "Zero-calorie" & "Sweet Tea"	 <ul style="list-style-type: none"> Transparent 	No	0 - 80	0g - 19g	\$2.09
 SOLIDARITY TEA "For the community"	 <ul style="list-style-type: none"> Transparent Glass 	No	35	8,5g	\$2.79
 purity. Organic "Super Premium Tea"	 <ul style="list-style-type: none"> Transparent Glass 	No	20 - 50	5g - 9g	\$2.49
 GUAYAKÍ "Mate Glass Bottles"	 <ul style="list-style-type: none"> Transparent Glass 	Yes	5 - 12	1g - 14g	\$2.89

Appendix 5 — Survey Questions (Screenshots taken from Qualtrics)

Where are you currently living?

Select your state:

What is your gender?

To which racial or ethnic group do you most identify?

How old are you?

Less than 18

18-23

24-29

30-35

36 and over

What is your education level?

High school graduate

Some college

Associate and/or bachelor's degree

Bachelor's degree

Master's degree

Doctorate or professional degree

What is your current occupancy?

Employed

Unemployed

Retired

Student

Disabled

How often do you go to these stores?

	Never	Sometimes	About half the time	Most of the time	Always
Hypermarkets / Supermarkets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Convenience stores	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Farmers' markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Small organic stores	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other small grocers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The following are examples of organic grab & go drinks. Which of these brands do you recognize?

Guayaki
Honest Tea
Solidaritea
Sweet Leaf
Wild Poppy
Purity
Suja
None of them

How important are the following factors when purchasing bottled teas and lemonades to go?

	Not at all important	Slightly important	Moderately important	Very important	Extremely important
Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Taste	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Size	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Package design	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Desire to try something new	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Absence of allergens (e.g. gluten free)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Certification by trusted third parties	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Caloric intake	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Amount of sugar	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Locally produced	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How many new grab & go teas and lemonade did you try in the last two months?

0
1
2
3 or more

Which factors influenced your decision? (Choose one or more)

Social media

Celebrity endorsement

Ease of availability

Word of mouth

Other (Please specify)

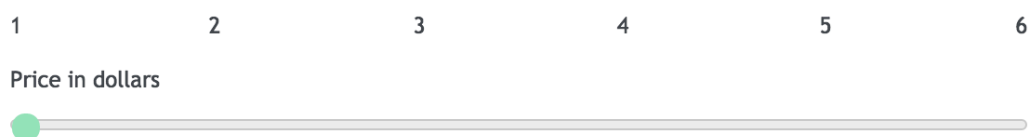
Which of the following certifications do you value the most?

	Not at all important	Slightly important	Moderately important	Very important	Extremely important
Organic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fair Trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Vegan	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Gluten Free	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Kosher	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How much would someone you know be willing to pay for a grab & go tea with organic ingredients?



How much would someone you know be willing to pay in a store for a grab & go lemonade with organic ingredients?



How much more would someone you know be willing to pay for an organic beverage with fairly traded ingredients?

Nothing

1-14 cents

15-29 cents

30 cents or more

Please rank the following products from 1 to 5 according to their aesthetic appeal (1 being the most appealing).

1 2 3 4 5

Plastic bottle, 14 oz



Plastic bottle, 16.9 oz



Glass bottle, 12 oz



Plastic bottle, 16.9 oz



Glass bottle, 16.9 oz



What did you like the most about your top choice? (Choose one or more)

Bottle design

Size

Color

Materials

Other (Please specify)

Where would you expect to find these products? (Choose one or more)

Hypermarkets / Supermarkets

Convenience stores

Farmers' markets

Small organic stores

Other small grocers

Where would you be more likely to consume these products? (Choose one or more)

Bar

Cafeteria

Home

Workplace / School

Restaurant

On the go

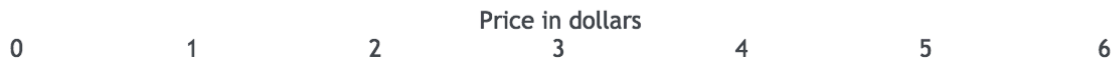
Club

Other (Please specify)

Please consider these 12 oz freshly brewed lemonades made out of real juices, and produced with organic and fairly traded ingredients. A part of the revenues is going to a variety of development aid projects.



Considering that the typical price for a 12 oz organic lemonade in a supermarket is \$2.29, please answer the following questions.



At what price would you begin to think this product is so cheap that you would question its quality?

At what price would you think this product is a great deal, a bargain?

At what price would you begin to think this product is getting expensive, but you still might consider it?

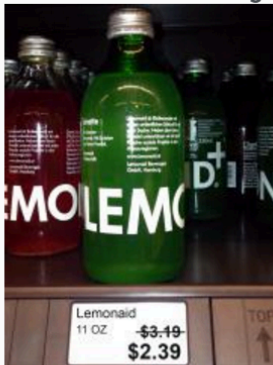
At what price would you begin to think this product is too expensive to consider?

Which of the following promotions looks more attractive for these products?

Buy 1 and get a different flavor at half the price



25% discount on the regular price of one bottle



30% off coupon



Buy 2 and get 1 free



Which of the following food items do you associate with the products shown above?
(Choose one or more)

Peanuts

Popcorns

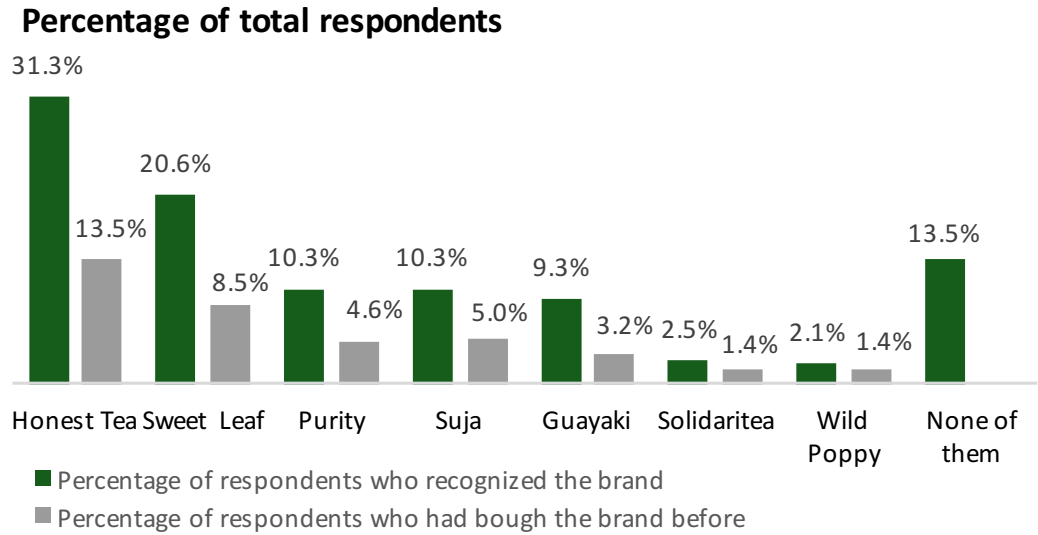
Pretzels

Sandwiches

Salads

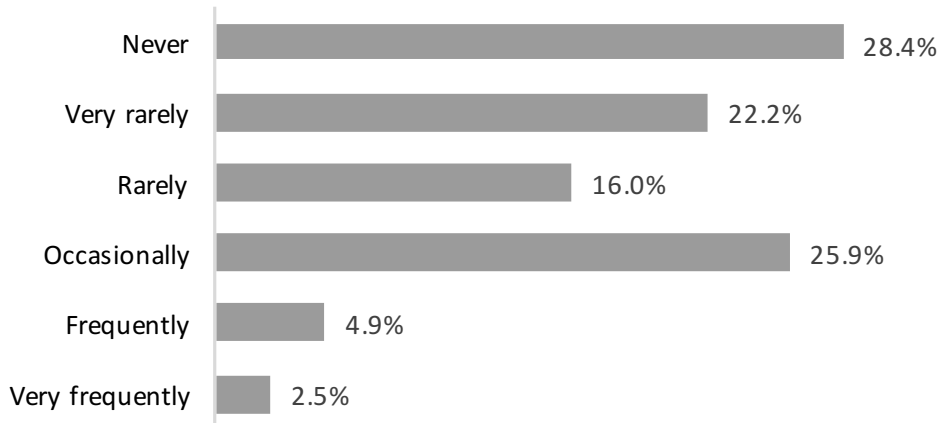
Other (Please specify)

Q: Which of these brands do you recognize?



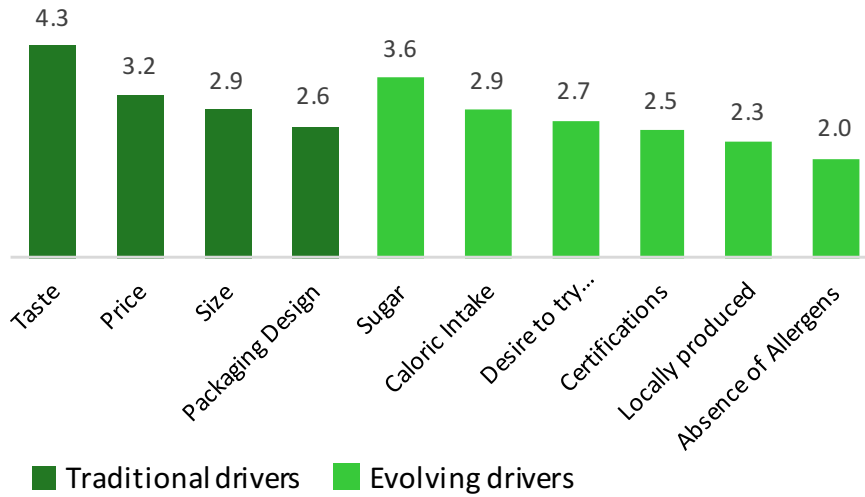
Q: How often do you consume them?

Honest Tea — Percentage of total respondents

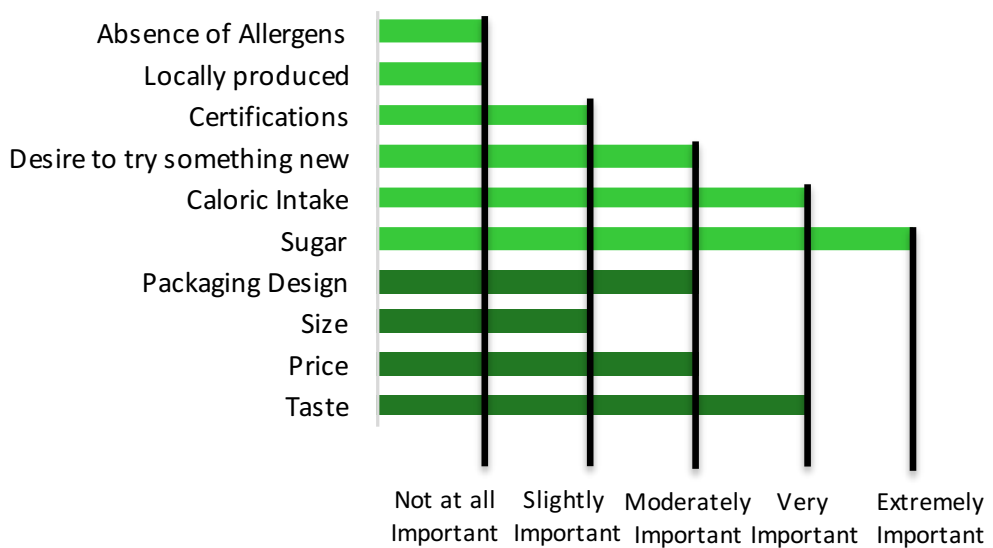


**Q: How important are the following factors when purchasing bottled teas and lemonades to go?
(From extremely important to not at all important)**

Average Score (from 1 to 5)

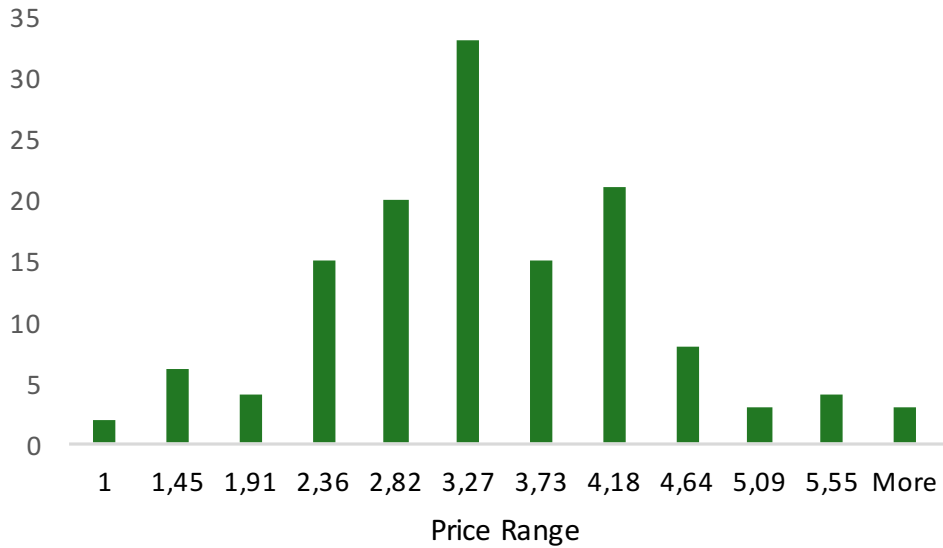


Mode

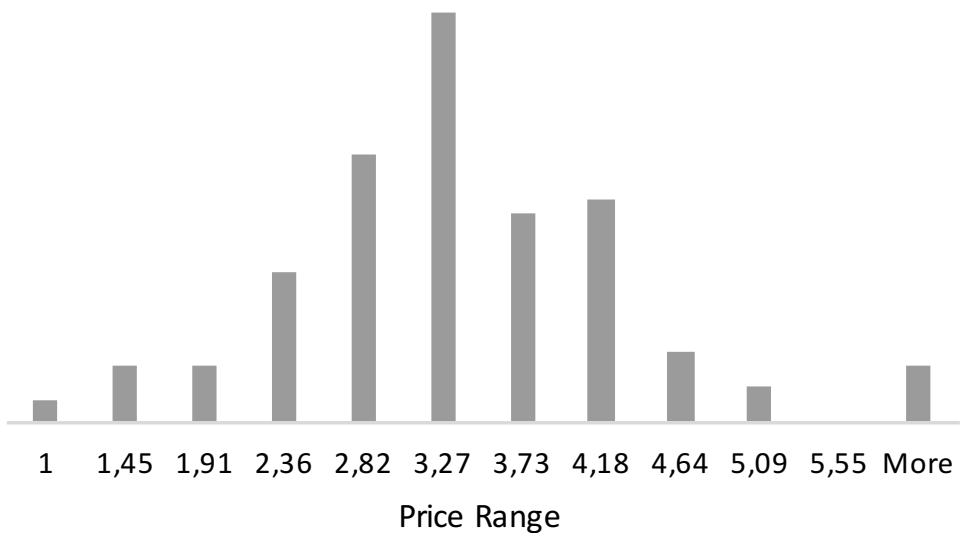


Q: How much would someone you know be willing to pay for a grab & go tea/lemonade with organic ingredients?

Histogram Tea

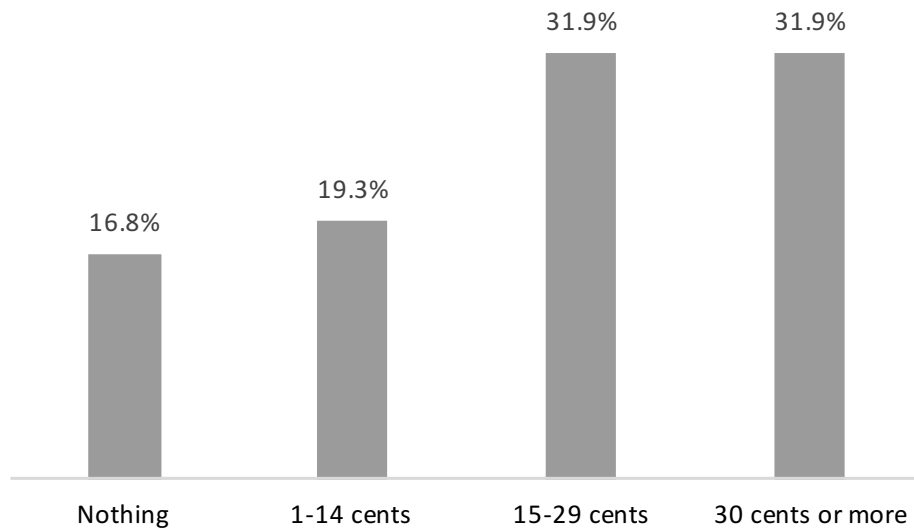


Histogram Lemonade



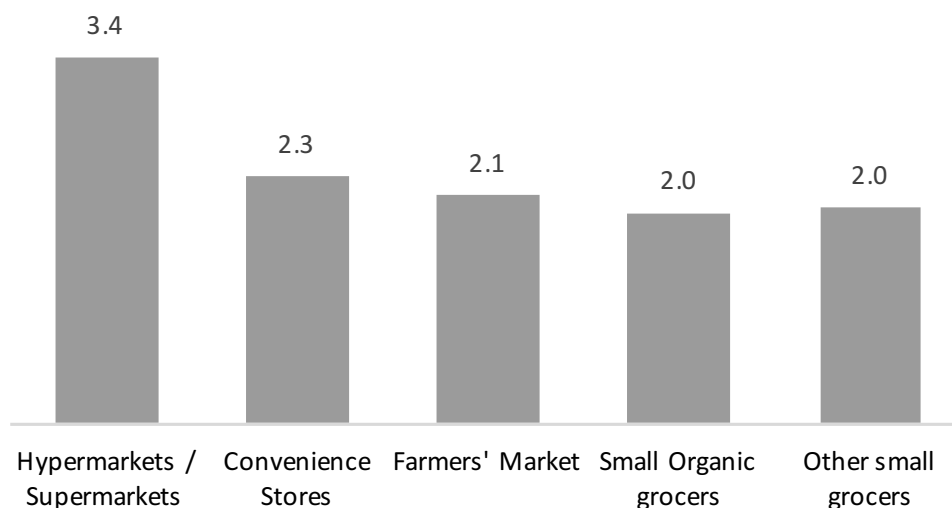
Q: How much more would someone you know be willing to pay for an organic beverage with fairly traded ingredients?

Percentage of total respondents



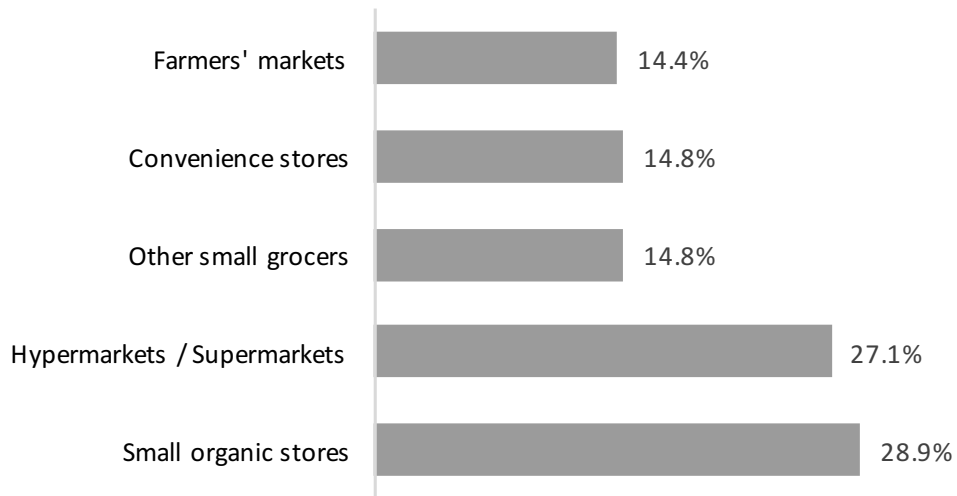
Q: How often do you go to these stores? (from always to never)

Average Score (from 1 to 5)



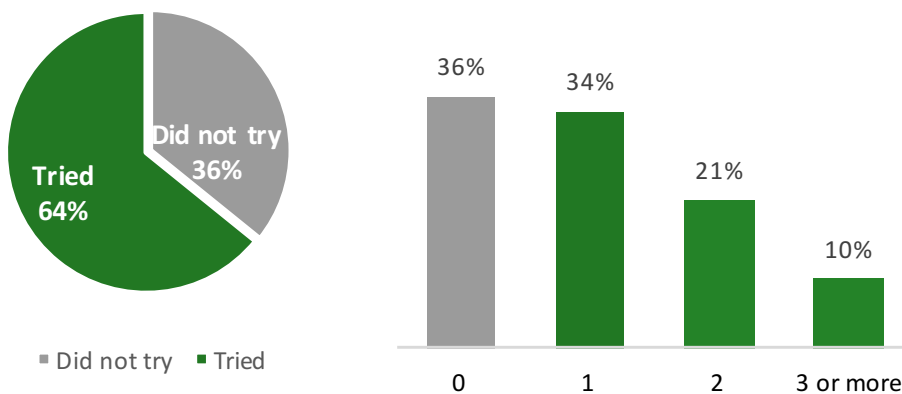
Q: Where would you expect to find these products?

Percentage of total respondents



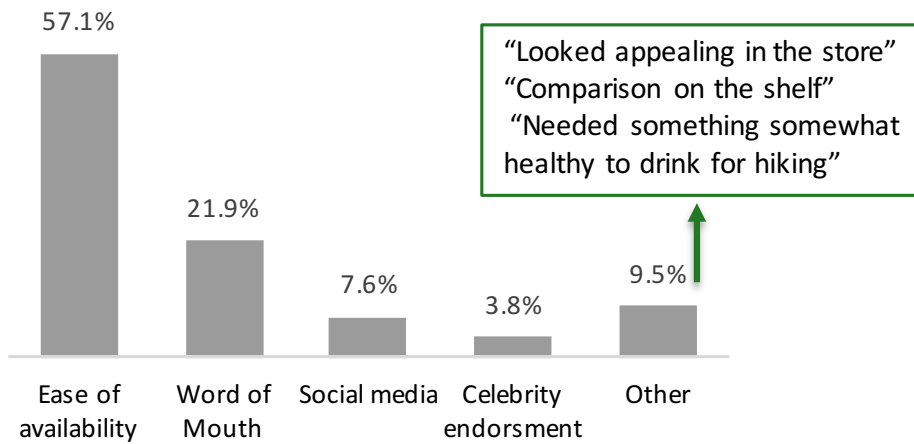
Q: How many new grab & go teas and lemonades did you try in the last two months?

Percentage of total respondents



Q: Which factors influenced your decision?

Percentage of total respondents



Q: Please rank the following products from 1 to 5 according to their aesthetic appeal (1 being the most attractive)

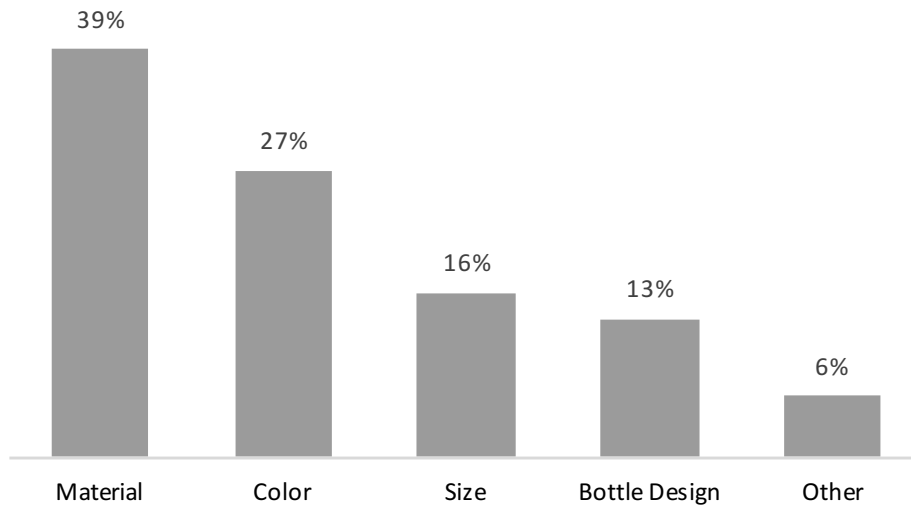
Average Rank



Note: these brands are not available in the US in order to avoid biased answers

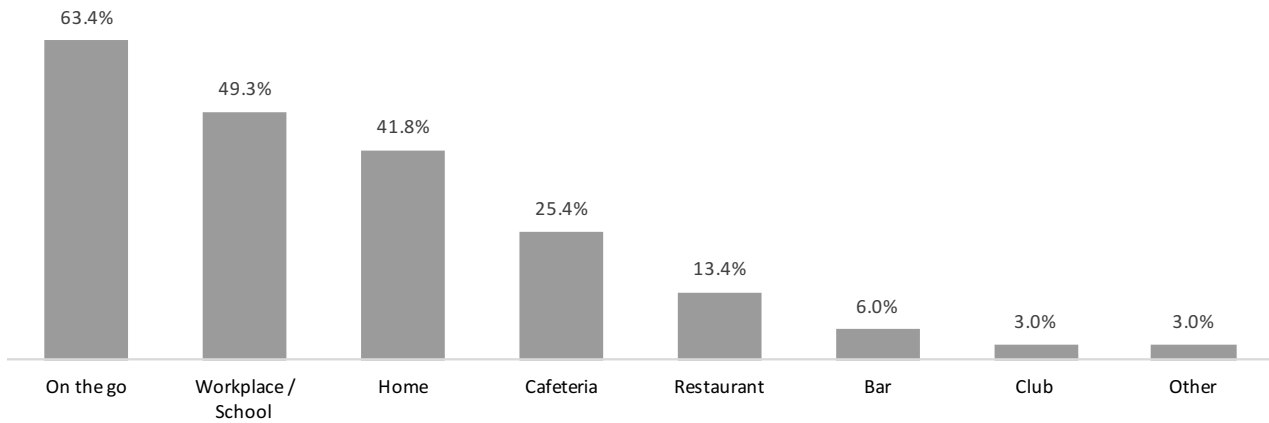
Q: What did you like the most about your top choice?

Percentage of total respondents



Q: Where would you be more likely to consume these products? (more than 1 choice is possible)

Percentage of total respondents

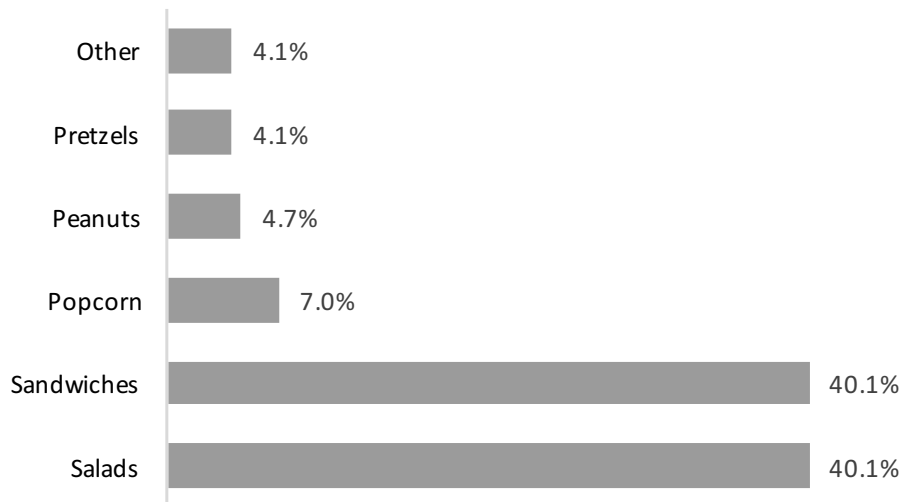


Q: Which of the following promotions looks more attractive for these products?

Percentage of total respondents



Q: Which of the following food items do you associate with the products shown above?



Appendix 7 — Shelf Simulation



Appendix 8 — List of Recommended off-trade retailers: Independent Small Grocers and Supermarkets

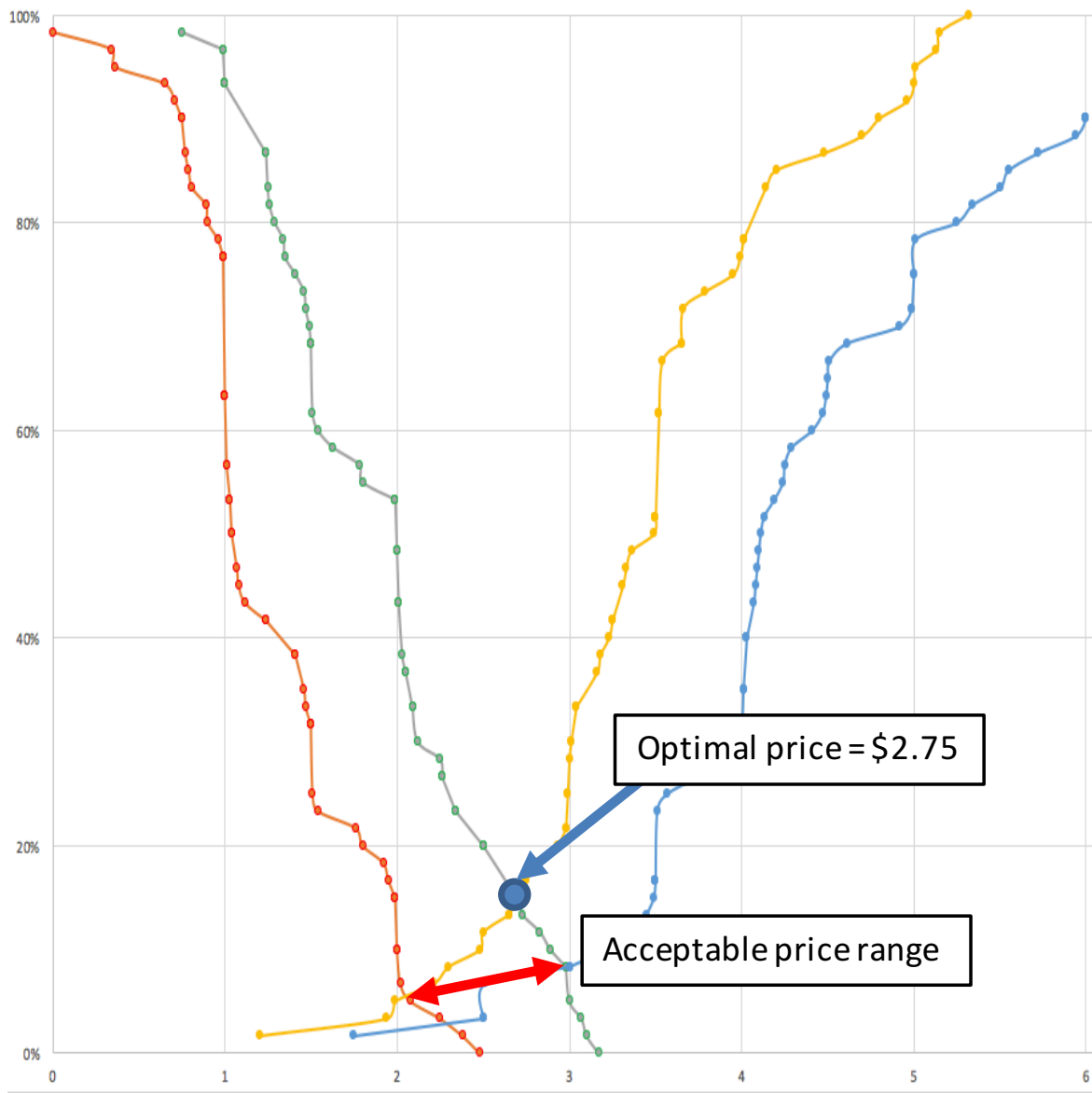
Independent Small Grocers	Revenues (millions \$)	ORG	FT	Total number of stores
26 th and Guerrero Market	0.25	YES	NO	1
Buffalo Whole Foods	7.5	YES	YES	1
Other Avenues	0.75	YES	YES	1
Real Food Company	17.5	YES	NO	2
Rainbow Grocery	0.25	YES	YES	1
Bi-Rite Market	1.2	NO	NO	1
Valencia Farmers Market	0.25	YES	NO	1
Nick's Supermarket	2.5	NO	NO	1
Golden Natural Foods	0.25	YES	NO	1
Driver's Market	0.75	YES	NO	1
Farm Fresh To You	n.a.	YES	NO	1

ORG = Organic commitment, i.e. the presence of organic products or the commitment of the store towards natural/organic products

FT = Fair Trade commitment, i.e. specifically stated endorsement towards fairly traded products by the retailer

Supermarkets	Revenues (millions \$)	ORG	FT	Number of stores in the Bay Area
Piazza's Fine Foods	37.5	YES	NO	2
Freeland Foods	17.5	YES	NO	3
Andronico's Community Market	N.A.	YES	NO	5
Draeger's Market	112.5	YES	NO	5
Raley's Supermarkets	3,000	YES	NO	12
Whole Foods Market	15389	YES	YES	18

Appendix 9 — Van Westendorp's pricing model

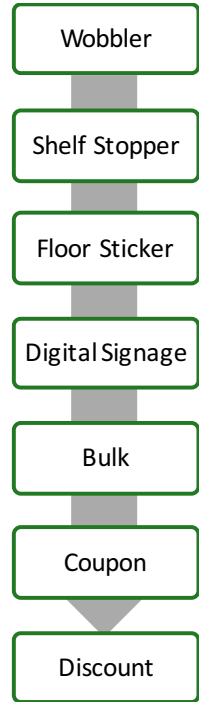
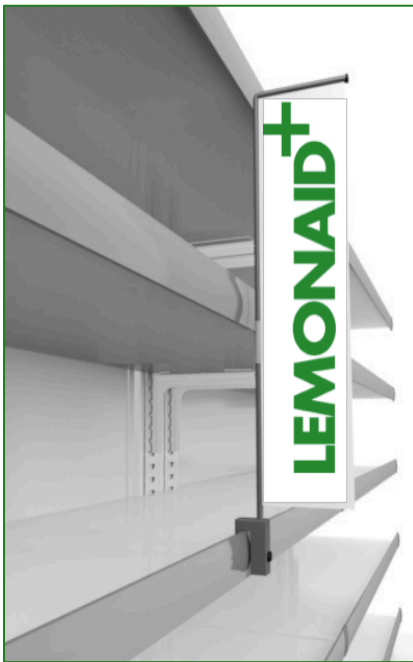


Legend:

Too cheap – Bargain – Getting expensive – Too expensive

Appendix 10 — Promotion Recommendations

In-store promotions



Out-of-store promotions

1 "Lemonaid on the wheels" – Ape Car ☆

2 "Twist and Discover" – QR Code* ☆

3 Press Release

4

Social Media



f "GO BEYOND THE APPEARANCE!"
Sharing platform for innovative ideas and usage



g "A GOOD LIFE WITH LEMONAID!"
Consumer interactions with the product

5

Demo



6

Event Sponsorship

**NATIONAL
ICED TEA
DAY**

10th of June



7

Students: "ON CAMPUS CONTEST"



8

Young Professionals: "LEMONAID DISTRIBUTOR"

