



**CATÓLICA
LISBON**
BUSINESS & ECONOMICS

**PINGO DOCE CHALLENGE:
How to shift to a new positioning strategy
without losing consumers' loyalty?**

Maria Margarida Crespo Silva Marques

152116025

Dissertation written under the supervision of Professor Rita Coelho do Vale

Dissertation submitted in partial fulfillment of the requirements for the
degree of MSc in Management with Specialization in Strategic Marketing,
at Católica Lisbon School of Business and Economics

January 2018

I. Abstract

This thesis was developed based on a real company, Pingo Doce, a 200 years old Portuguese retailer. The goal was to understand its current positioning in the market and how a different positioning strategy could beneficiate the firm. More specifically, it focused on comprehending the event that happened on the 1st of May 2012, when the company shifted from an Every Day Low Price strategy to a continuous promotional cycle. Since then, Pingo Doce is offering promotions to its consumers, immediate or delayed, but without extracting key information about its consumers which enables the company to build a strong customer's data base and to tailor their offers. The purpose was to identify who Pingo Doce's consumers are, what do they value and how the company could obtain relevant data about them to have a well-defined Customer Relationship Management (CRM) strategy. This strategy must be incorporated within the consumers' needs in order to change the firm's current price positioning to a more sustainable one in the long-term.

Keywords: Retailing, Positioning, Price strategy, Loyalty Schemes

A presente tese foi desenvolvida com base numa empresa real, o Pingo Doce, um retalhista português que opera no mercado há 200 anos. O objectivo foi o de perceber o posicionamento atual da marca e de criar uma estratégia de posicionamento diferente de forma a beneficiar a empresa. Mais concretamente, o foco foi em compreender o que aconteceu no dia 1 de Maio de 2012 quando a empresa passou de uma estratégia de preços sempre baixos para um ciclo promocional contínuo. Desde então, o Pingo Doce tem oferecido aos seus consumidores promoções, imediatas ou tardias, mas sem extrair informação relevante sobre os mesmos, o que o impossibilita de construir uma base de dados de clientes sólida e de personalizar ofertas. O propósito foi o de identificar quem é o consumidor pingo doce, o que este valoriza e de que forma a empresa poderia obter dados relevantes sobre o mesmo de forma a construir uma estratégia de CRM. Esta estratégia terá de ser incorporada conforme as necessidades dos seus consumidores de forma a alterar o posicionamento da marca para uma mais sustentável a longo prazo.

Palavras-Chave: Retalho, Posicionamento, Estratégias de Preço, Programas de fidelização.

II. Acknowledgements

I would like to sincerely thank Prof. Rita Coelho do Vale for her advices and support during the development of this study, her guidance and feedback were crucial in the process. I would also like to express my sincerest gratitude to Jerónimo Martins for offering me this challenge as well as providing me with valuable information to develop the case study, more specifically to Sandra Brito Pereira and Fábio Vitorino, as well as Sara Pinto, Ana Cristóvão Ferreira, Ana Sofia Silva, Paulo Dias, Rita Fragoso, Tânia Rodrigues and Henrique Costa for their availability for answering my questions regarding the first of May 2012.

I am deeply thankful to my family, more specifically to my parents and to Miguel Alves, for their love, patience and support in this last months. Additionally, my friends were a key asset in the construction of this thesis providing me the strength and motivation to believe that I would successfully finish my Master's program. A kind appreciation to Manuel Ventura for his patience, advices and knowledge shared.

III. Table of Contents

| | |
|---|----|
| I. Abstract | 2 |
| II. Acknowledgements..... | 3 |
| IV. List of Tables..... | 6 |
| V. List of Abbreviations | 7 |
| 1. Introduction | 8 |
| 1.1. Topic Presentation | 8 |
| 1.2. Pingo Doce Challenge and Problem Statement | 8 |
| 1.3. Academic and Managerial Relevance..... | 9 |
| 1.4. Research Questions..... | 9 |
| 1.5. Methodology..... | 10 |
| 1.6. Thesis Organization | 10 |
| 2. Case Study- Labors Day 2012: The beginning of a new era for Pingo Doce | 11 |
| 2.1. The Challenge | 11 |
| 2.2. Pingo Doce Retail Chain- Background..... | 12 |
| 2.3. The Turnabout Mark: 50% off Promotion on May 1 st , 2012..... | 13 |
| 2.3.1. The Reactions..... | 14 |
| 2.3.2. Promotion Immediate Benefits..... | 15 |
| 2.3.3. Promotion Disadvantages and Criticisms | 16 |
| 2.4. The Portuguese Market..... | 17 |
| 2.5. Future Direction | 17 |
| 3. Literature Review | 19 |
| 3.1. Price Positioning | 19 |
| 3.2. Consumer Behavior | 20 |
| 3.3. Loyalty Schemes..... | 21 |
| 3.3.1. Loyalty Benefits | 22 |

| | |
|---|----|
| 3.3.2. Loyalty Related Metrics | 23 |
| 3.3.4. Customer Relationship Management (CRM)..... | 23 |
| 4. Methodology and Result Analysis..... | 25 |
| 4.1. Methodology | 25 |
| 4.1.1. Consumers Consumption Habits..... | 25 |
| 4.1.2. Consumers’ perceptions about loyalty programs | 26 |
| 4.1.3. Consumers’ Perceptions about Pingo Doce | 26 |
| 4.1.4. Consumers’ Perceptions about Coupons and Point Systems | 27 |
| 4.1.5. Demographic Analysis | 28 |
| 4.2. Result Analysis | 28 |
| 4.2.1. Sample Description | 28 |
| 4.2.2. Scale Reliability Analysis | 29 |
| 4.2.3. Pingo Doce Consumers | 31 |
| 4.2.4. Consumers Segmentation..... | 34 |
| 4.2.4. Segments Perceptions about Coupons and Point Systems..... | 36 |
| 5. Teaching Note..... | 39 |
| 5.1. Synopsis..... | 39 |
| 5.2. Learning Objectives | 39 |
| 5.3. Position in Course..... | 39 |
| 5.4. Recommended Readings..... | 40 |
| 5.5. Discussion Questions | 40 |
| 5.6. Case Conclusion | 42 |
| 6. Main Conclusions and Recommendations | 43 |
| 6.1. Main Conclusions | 43 |
| 6.2. Recommendations..... | 45 |
| 7. Limitations and Future Research..... | 46 |
| 7.1. Limitations and Future Research | 46 |

| | |
|---|----|
| 8. Reference List..... | 47 |
| V. Appendices | 53 |
| Exhibit 1- Jerónimo Martins Business- Some story and background..... | 53 |
| Graph 1- Jerónimo Martins Business Structure..... | 55 |
| Exhibit 2- 1 st of May, 2012 at Pingo Doce Stores | 56 |
| Exhibit 3- Letter from Mr. Soares dos Santos (CEO) to the employees | 57 |
| Exhibit 4- PD’s competitors’ promotion strategy..... | 58 |
| Appendix 1- In-depth Interviews | 60 |
| Appendix 2- Questionnaire Script | 62 |
| Appendix 3- Sample Description..... | 68 |
| Appendix 4- Variables Analyzed and Respective Items and Scales..... | 71 |
| Appendix 5- Chi-square Analysis..... | 72 |
| Appendix 6- Non-Parametric Test: Mann-Whitney U test..... | 73 |
| Appendix 7- Segments Descriptive Analysis | 74 |
| Appendix 8- Non-Parametric Tests: Kruskal-Wallis Test..... | 75 |

IV. List of Tables

| | |
|--|----|
| Table 1: Reliability Analysis | 30 |
| Table 2: Attributes valued by consumers’ | 32 |
| Table 3: T-test..... | 33 |
| Table 4: Personas..... | 35 |
| Table 5: PD consumers and non-consumers divided by Segments..... | 35 |
| Table 6: Attributes valued by Segments..... | 36 |
| Table 7: ANOVA | 37 |
| Table 8: Multiple Comparisons | 38 |

V. List of Abbreviations

| | |
|-------|----------------------------------|
| CRM | Customer Relationship Management |
| EDLP | Everyday Low Price |
| JM | Jerónimo Martins |
| PD | Pingo Doce |
| PROMO | Promotion |

1. Introduction

1.1. Topic Presentation

In the current, fast evolving, retail landscape the need of constant evolution and diversification is urged. Information gathered about consumers, pricing strategies and positioning are some of the most important tools a retailer can use to improve its strategy.

The company under analysis in this thesis is Pingo Doce- Distribuição Alimentar S.A., a retailer operating in Portugal that belongs to Jerónimo Martins SGPS, SA group. The purpose is to describe and understand the change in positioning that Pingo Doce (PD) achieved after the 1st of May 2012, when they decided to launch a fifty percent discount sale in all its products. PD was, until that day, positioned in the retail market as an everyday low price supermarket, promising its consumers that their prices were low every day, and where no promotions or loyalty cards existed, with the intent to offer a simpler purchase for the consumer. After this promotion day, that marked a change in its price positioning strategy, PD started to offer several promotions in its stores that came with several benefits but also some challenges. One of today's biggest challenges is to make consumers less sensitive and demanding to constant promotions. Nowadays consumers are investing more effort in their purchases, doing more research, and shop in a smarter way than ever before. Consequently, it is necessary to study who PD's current customers are, what they value and what drives their purchase behaviors. With both of this analysis we will design different possible strategies the company could adopt to overcome the challenges found, keeping, at the same time, the loyalty of its consumers.

1.2. Pingo Doce Challenge and Problem Statement

Consumer shopping patterns are fluctuating due to socioeconomic changes, such as smaller households and increasing level of education (Atkins and Kim 2012), leading to a more conscious shopping behavior. Data collection on consumers allow retailers to connect with their target by providing them with specific and valuable information to create a deeper customer engagement (Grewal, Roggeveen and Nordfält 2017). Bradlow and colleagues (2017) explained the importance of big data in Retailing, usually the data collected is composed by “good data” (new data) and the “bad data” (old data) that does not reflect the needs and wants of the customer anymore. Therefore, to fight this phenomenon, new sources of retailer interest data have born, including loyalty or bonus card discounts. These sources enabled the estimation of household specific parameters

and their usage in designing specific targeted communications (Brandlow *et al* 2017). Customers' relationships and retention were proven to be better with the presence of loyalty cards (Demoulin and Zidda 2008; Demoulin and Zidda 2009), each time a consumer uses its loyalty card retailers can use this purchase data for future promotional purposes. Additionally, loyalty programs can increase customers' share of wallet (Leenheer *et al.* 2007) and share of visit (Mägi 2003).

To summarize, the purposes of this thesis is to study PD current consumers and their perceptions towards loyalty schemes such as Coupons and Point Schemes. The research is three-fold, first, we contextualized and study PD's current positioning by going back to May 1st, 2012 and analyze this mark day and its implications. Second, we explore and investigate who are PD's current consumers, what do they value and how would they react to a set of different loyalty programs. Third, we will propose a different price positioning strategy for PD with the intent of keeping its consumers loyal and satisfied.

1.3. Academic and Managerial Relevance

The topic proposed is extremely relevant in an academic perspective since it is a real case study that will show several learning applied into practice. Subjects such as consumer behavior, management and strategic marketing will be used as the basis of analysis and will demonstrate how reality can be applied into several concepts.

In a Managerial view, this research will provide relevant data to Jerónimo Martins, developing a line of understanding and a set of possible future strategies. This case study can also be used as a base of following researches or be applied in different fields within the company's strategic management.

1.4. Research Questions

Research Question 1: What is PD current positioning?

With this Research Question we will be able to understand how PD became one of the main players in the Portuguese retail market and how it is currently operating. With the 1st of May 2012 campaign the company changed its positioning by starting to offer several promotions to its consumers. The goal here is to understand why did they have changed their positioning at that time and where did this strategy lead them to. To do so, a case study will be developed.

Research Question 2: Who are PD current consumers?

It is crucial to study and gain knowledge about consumers in any business. In this case, it is necessary to characterize the company current consumers, who they are, their values, aspirations and shopping behaviors. This will provide relevant data that can be used to design possible future strategies.

Research Question 3: What other strategies may be valued by PD consumers?

With PD's current price positioning strategy, the company is not able to segment and identify who are their main consumers are and those who should exclusively benefit from special offers and prices. The aim is to identify which loyalty programs would best suit the firm's positioning strategy (coupons and point schemes).

1.5. Methodology

In an initial stage, personal interviews were conducted among Jerónimo Martins (JM) employees who have experienced the first of May 2012 with the objective of understanding the main challenges and goals with this promotion and to learn about the legacy that PD heritage. Afterwards, an online experimental survey was conducted. Here the participants were asked about their consumption habits, their attitudes towards loyalty programs, their perceptions towards PD insignia and were presented with two different types of loyalty schemes, coupons and point systems. This allowed to identify and understand consumers acceptance towards these programs and their viability in the market.

1.6. Thesis Organization

This thesis will be organized as follow. In the next chapter we have the case study about the first of May 2012, followed by the literature review where we will cover all the theoretical lessons about the main issues raised from the research questions, about price positioning, consumer behavior and loyalty schemes. Then, will be present the methodology used throughout this project to collect the necessary data to answer the research questions. This data collected will then be analyzed, and the results presented. After an understanding and learning about consumers, a teaching note was developed as a guidance tool for further discussion. Finally, in the last section we will be able to find the major conclusions of this study, as well as the recommendations for future research made in this subject.

2. Case Study- Labors Day 2012: The beginning of a new era for Pingo Doce

2.1. The Challenge

Everything started on the 1st May, 2012. It was Labor Day and it looked like it would be a regular holiday for most people. However, something happened in the Portuguese market, that was never experienced before, and that changed the retail sector dynamics. Without having engaged in any prior marketing communication efforts or pre-announcements, PD stores opened at 9am advertising a 50% off discount in all products for shopping baskets above 100€¹. The buzz started early in the morning with an overflow of customers, in every store around the country. Everyone was eager to buy as much as possible and to take the most out of this opportunity. This was something that marked the beginning of a new retailing era and a complete twist in PD's promotion positioning strategy. From that day onwards, their strategy became focused on offering daily promotions, in a high number of SKUs.

However, five years later (2017) this promotion positioning strategy is revealing not to be sustainable eternally. The constant need to have a high number of SKUs in promotion not only puts a lot of pressure in the daily store management, but also shrinks the sales margins. Additionally, since PD focused on offering daily promotions in a high number of SKUs, consumers also started exhibiting a “cherry picker” behavior, always in search for the best promotion. Indeed, consumers seem willing to stockpile when products are on promotion and not willing to buy several product categories at its regular price anymore (e.g. laundry detergents).

PD is therefore facing a critical challenging situation and, thus, is studying what is the best strategy to follow next. Should they continue focusing on a highly intensive and aggressive promotions' policy, contributing for a smarter shopping behavior? Or, should they change its promotion positioning strategy, eventually trying to capture consumers' loyalty through different mechanisms?

Both these questions were a concern for the company and, at the end of the year 2017, when the managing team was leaving an internal company meeting, it seemed to exist an overall consensus among that something had to be done. Many said that “It has been a

¹ Only Bazaar Products, Household Appliances, Textiles and Pharmacy products were not included

good year for PD, but we need to go one step further, we need to surprise our consumers and to leave this almost endless promotions' cycle, because now we are just offering promotions to everyone without even awarding those who are with us for more years".

2.2. Pingo Doce Retail Chain- Background

In 1978, JM group, a food specialist founded in 1792 (see Exhibit 1 for full history), decided to get into the modern food distribution business by setting up PD retailing chain. This new food retailer opened its first store in 1980 and in 1982 the company joint ventured with a Belgian food retailer, Delhaize, which brought know-how and an increasing interest for perishables to PD. This partnership ceased when JM expanded into the wholesaling sector, in the beginning of the 90's, since there was some lack of convergence regarding the company's future strategy. In 1992, the company repositioned its strategy and partnered with Ahold group, a Dutch food retailer, which provided PD with support and development, allowing the company to grow its business. At that time, PD differentiated itself mainly by its proximity to customers, having small stores format in the majority of main neighborhoods.

In 2017, PD has 413 stores in Portugal, generating 3.558 million euros in sales and an EBITDA of 192 million euros². It offers consumers every day promotions in several different products (an average of 1300 promotional SKUs per week) and it differentiates from main competitors by being an expert in perishables, offering high quality and variety as if it was a "traditional local market". Additionally, its own brand (private label PD) is one of the most important pillars in its positioning strategy, present in about 260 categories. It claims to offer the highest quality at the lowest prices and in the last few years expanded to the ready meal solutions, trying to strengthen the idea of "next door neighbor". In line with this proximity positioning, the store environment has also become a priority, trying to make it as familiar as possible for consumers to feel the "local market" environment.

According to the JM 2016 annual report, the current focus is on PD's expansion, opening new stores that are each time closer to the consumer, as well as on remodeling existent stores to guarantee a quality shopping experience and the right store environment.

However, back in 2012, the reality was totally different. At that time, both Portugal and most of other European countries were immersed in one of the biggest financial and

² According to JM Annual Report 2016

economic crisis. This crisis started in 2008 in the United States and had serious repercussions to the Euro Zone Economy and, consequently, to the Portuguese market. In 2011 Portugal had to ask for financial support from the IMF to surpass these difficult times. The years that followed were hard, with the majority of the Portuguese seeing their salaries going down, unemployment and poverty rates going up, oil prices and taxes increasing.

It was then under this scenario that most retailers had to adjust their strategy. They were experiencing each time lower shopping baskets' value, since people were cutting their expenses in food and buying only the essentials. Consequently, retailers were each time registering lower revenues. The solution that was thought by PD at that time was to change the company's positioning of an Every Day Low Price (EDLP) strategy to start offering strong promotions. PD competitors were more focused on developing strong Customer Relationship Management (CRM) systems, offering coupons and loyalty cards, but PD decided to offer a more price cut oriented strategy. But PD did not change their value proposition until May 1st, 2012. It was on this date that the company entered the promotion positioning strategy to fulfill customers' needs as well as match competition.

2.3. The Turnabout Mark: 50% off Promotion on May 1st, 2012

A few months before the 1st of May 2012, a group of around twelve collaborators came up with the idea of changing PD's current price positioning. At that time PD was losing sales and market share, so they felt there was the need of doing something. They decided to create a campaign of 50% off in all products (Exhibit 2- Image 1) on shopping baskets above 100 euros³. The aim was to leave the EDLP positioning to start adopting a heavy promotions strategy. This idea was held internally with high secrecy to be an unexpected event and to prevent competitors to react. Furthermore, no publicity or marketing efforts were made to advertise this action. Most of the collaborators only knew that the event was taking place when it was already happening.

At that time, the promotions held by other players in the market were mostly delayed incentives, meaning that you could only benefit from the discount in your next purchase. This can partially explain the buzz and excitement that aroused with PD's campaign on the 1st of May. For the first time a retailer was offering a promotion that was immediately discounted at the purchasing moment.

³ Except on Bazaar Products, Household Appliances, Textiles and Pharmacy products.

On April 30th, 2012, since there was already some buzz in the market, several media channels contacted JM asking for what was going to happen the day after, but the company never revealed the truth, only confirming that it would be a special day at PD's stores. Despite all the secrecy, the message was spread and before the stores opened the next day, there were already several lines of consumers waiting for the doors to open. In most stores the chaos was quickly installed, with consumers buying in a very impulsive way all kinds of products. 50% off in an immediate discount was a novelty, and everyone was eager to get what they needed, especially since Portugal at that time was in the peak of its crisis.

In that day, PD had to reinforce security and to enlarge the number of employees per store. Already in the previous day, PD's employees had to work extra hours to make sure the store was fully stocked, creating some stress on the human resources management side.

According to PD management team, the decision to have the 50% off promotions was based on two main factors: available budget and time. It had to be done in the beginning of the month so that consumers were comfortable in doing 100 euros purchase and people needed to have time to take advantage of this campaign, so a national holiday was a perfect day to disrupt the market.

2.3.1. The Reactions

Since Labor Day is a national holiday, usually companies would be closed, and there are several demonstrations scheduled for this day. In 2011, PD had already opened its doors during Labor Day but with no promotions attached to it, and it already generated several controversies among the syndicates and the left-wing parties. When PD announced they would have their stores open again in 2012, this event generated a wave of criticisms. The leftist parties interpreted this decision as a willingness to change the meaning of Labor Day, attaching to it some political meaning. But it was much more than that. It was a statement to the community.

The stores became chaotic minutes after opening the doors with consumers running through the store trying to get as much products as possible. The shopping carts were soon not enough to fulfill the consumer demand so people went to PD's competitors around the corner to get them. Some people even started making a deal out of borrowing shopping carts in exchange for money. Due to the high number of customers, there were no parking spots available, so people parked their cars in the middle of the road. Inside,

the scenario was chaotic (Exhibit 2- Image 2). There was an overload of consumers trying to buy as much as possible, leaving store shelves completely empty (Exhibit 2- Image 3). Plastic bags to accommodate perishables soon run out so people started using any container available to carry them. The products that employees were trying to bring from the warehouse to refill the shelves did not even pass the service door because consumers were waiting to grab whatever was coming out of it. There were even families placing small babies in empty shelves to make their shopping easier and people fighting because of products or negotiating trades between them. Several stores had to close doors only two hours after opening because there were too many people inside; while others closed doors at 6 pm but the last customer only left the store approximately 8 hours after (at 1:45am). Furthermore, there were abandoned carts spread around the store, some with perishables that were no longer edible, from people that abandoned the store without products, after waiting for too long in the checkout lines.

Despite all these negative stories and events, there were also many positive ones. For example, people that had not had the opportunity to eat some categories of products in the past few months were being presented with the opportunity to do so. Letters of thankfulness were sent to the company in the days after. A survey done at that time revealed that 63% of the interviewers rated this initiative as a positive one.

2.3.2. Promotion Immediate Benefits

For the company, this Labor Day brought several benefits. They had full media coverage on that day free of charge, opening all television news and being the first page of most newspapers on the 2nd of May (Exhibit 2- Image 4). Moreover, the stress caused by this promotion day, made employees realize that after that day they could manage almost anything inside the store. According to PD, its employees felt empowered, they considered the day as almost a teambuilding experience, the relationships between them grew and the sense of belonging was higher than ever. PD's brand awareness also grew exponentially and its sales volume increased 8.8% from April to May 2012. They were able to generate high in-store traffic without spending one euro in advertising. PD sold in one day what would usually sell in 3-4 days.

The 15.241 employees that worked that day were also later rewarded by the top management. They received their salaries of that day with a 500% bonus, and they were presented with the opportunity of benefiting from the same 50% off promotions later. Additionally, each of the five commercial regions was given the opportunity to choose

one representative member to participate in a lunch offered by the CEO Mr. Pedro Soares dos Santos. A personal letter was also sent by the CEO to all the employees of the firm (Exhibit 3), thanking them for their support and commitment in that special day for PD, strengthening employees sense of belonging. The gratitude for their work recognition was felt in such a way that many employees made videos, letters, songs, paintings and so on and sent them to the Administration to thank the CEO.

2.3.3. Promotion Disadvantages and Criticisms

This event was highly followed by every media channel and, as mentioned before, several criticisms came along with it. The media wanted to go to the stores and collect images, videos and testimonials from consumers and employees, the amount of questions during the day seemed to never end so PD had to choose a spokesperson to deal with the media that day, Mr. João Neves from PD in Sintra.

The following days were also extremely challenging since DECO, a Portuguese consumer's defense association, blamed PD for incentivizing people to buy more than they could actually put into their cars and houses. Moreover, the news focused on the employees that worked that day, saying that it was not fair since they were not allowed to shop and to benefit from the 50% off promotion. Furthermore, PD was blamed to be responsible for the emptiness of the social manifestations scheduled for that day, supposedly impairing the Labor Day symbolic meaning. One of the most serious accusations was that PD was charging the costs of this campaign to its suppliers ("pass-through promotions").

Despite all the messages of PD refuting this practice, this topic lasted several weeks and only stopped after the company presented the Account Report regarding that semester. Besides these accusations, PD was also investigated for selling products below cost something that was only confirmed for three product categories (whisky, oil and rice), but even so leading PD to pay a penalty of 12 thousand euros.

Nevertheless, this promotion was an important mark for the company and a new era for the retail market in Portugal.

2.4. The Portuguese Market

The food retail environment in Portugal represented in 2016 a 11.65 billion euros market⁴, with PD competing with four main players: Continente, a Portuguese player that belongs to SONAE Group, that is currently the leader in this market; LIDL a hard discount chain from Germany; Jumbo and Intermarché both French from Auchan Group and Les Mousquetaires Group, respectively. PD and Continente are the two biggest players in the food retailing environment, holding together more than 50% of the market (about 7245 million euros in 2016, a 5%⁵ sales increase compared to 2015). However, most of Continente stores are hypermarkets and other large format stores while PD stores have typically smaller formats (e.g., supermarkets).

Although PD and Continente have the highest market shares in the market, PD's closest competitor is in fact LIDL since it is the insignia that offers the most similar value proposition. In the last few years, this German hard discount chain invested heavily in Portugal, remodeling its stores with lighter and brighter colors, opening new stores in strategic neighborhoods and offering a larger fresh section and other services inside its stores.

Regarding promotion policies, each player has its own strategy: some are focused in brochures with weekly discounts, others on offering special discounts associated to loyalty cards, while other players are focused on developing CRM programs and online retailing (Exhibit 4).

2.5. Future Direction

When leaving the internal company meeting, several ideas were immerging inside the managers' heads. But they knew that before choosing a specific strategy they needed to think carefully and analyze which ones were achievable and indeed profitable for the business.

They kept thinking about PD's current strategy, with its weekly brochure with several promotions and its "Poupa Mais" card, a card where customers could gain money to discount on BP (British Petroleum) gas stations. What else could they do? What other initiatives could be undertaken to break this cycle of aggressive daily promotions?

⁴ Accessed in November 9th, 2017 at: <https://www.publico.pt/2017/04/11/economia/noticia/vendas-do-retalho-alimentar-crescem-para-1165-mil-milhoes-em-2016-1768419>

⁵ Accessed in November 9th, 2017 at: <https://www.publico.pt/2017/01/23/economia/noticia/pingo-doce-e-continente-alcancam-as-maiores-vendas-desde-2010-1759073>

Despite the different ideas popping up in their heads, they all agreed on one thing: to define the best strategy to follow, they really needed to deepen the knowledge about their customers, in order to determine how effective the current promotions' strategy was in terms of building customer loyalty. So, several questions had to be answered:

1. Who are PD's consumers?
2. What are their shopping habits?
3. How important are the promotions for them?
4. Are there segments of consumers that could prefer an alternative loyalty scheme?

3. Literature Review

For PD to stay competitive in the food retailing market it should implement a different strategy to leverage the current promotion cycle as much as possible. PD poor customer relationship management left the company with little knowledge about its current consumers as well as in disadvantage to its main competitors.

The following literature review will focus on three main areas: Price Positioning, Consumer Behavior and Loyalty Schemes.

3.1. Price Positioning

The food retailing environment is a highly competitive market where several brands, using different positioning strategies, fight for their place in the market as well as in the consumers' choice (Tate, 1961). According to Lal and Rao (1997), a retailer's approach to pricing and price promotion comes from strategic decisions related to competitive positioning. Promotions (PROMO's) are one of the most common strategies applied by retailers. They are designed to communicate a price position to consumers and influence short-term sales response and overall market performance (Kumar and Pereira, 1995, 1997; Lal and Rao, 1997). However, it is important to know why retailers shifted towards this strategy instead of staying or adopting another one, for example, an Everyday Low Price (EDLP) strategy. Ellickson and colleagues (2012) found in their research that promotions produce higher revenues for a company, comparing both EDLP and PROMO strategies. Additionally, in their study, PROMO was proven to yield incremental revenue of approximately \$6.2 million annually when comparing to an EDLP, in a median store market.

Additionally, price promotions are affected by several factors including manufacturers' promotional policies, perishability and assortment heterogeneity (Voss and Seiders, 2003). For instance, in the food retailing business, the assortment is predominantly homogeneous across stores. Nevertheless, retailers can avoid direct competition by creating a distinctive position on several dimensions, including customer service and store environment (Mazursky and Jacoby, 1986). Understanding how a retailer should be positioned and how its brand assortment should be sold is extremely important. Some retailers have managed their brands more effectively than others, as is evident in their performance (Ailawadi and Keller, 2004).

3.2. Consumer Behavior

Although positioning is essential in business, it is not the only aspect to consider. Consumers are becoming more and more demanding, knowledgeable and smart (De Mooij and Hofstede, 2002). Smart shopping can be considered as a job, consumers dedicate considerable time and effort and they will feel satisfied when achieve a good deal because of their work (Schindler, 1998). This satisfaction towards a smart purchase may drive a motivational feeling and may increase the consumer's involvement with the marketplace (Mano and Elliot, 1997). When a consumer finds for example, a coupon or a promotion in store, it tends to feel proud and it accentuates a positive consequence in its actions (Holbrook et al., 1984). However, in a company's perspective, coupons and promotions can attract the wrong consumers by adverse selection (Reichheld, 1996). Niren, McLaughlin and Wittink (1998) mentioned an example of temporary price cuts and coupons, proving that these practices tend to attract cherry pickers- consumers who are always looking for the best prices going from store to store to find them- whose purchases often detract from profits.

When companies focus on retaining current consumers, profits tend to increase (Reinartz, Thomas and Kumar, 2005). Even small increases in retention rates can lead to increase profits (Reichheld and Sasser, 1990; Fornell and Wernerfelt, 1987, 1988). The concept of smart shopping can be associated with Market Mavenism which is, as defined by Feick and Price (1987, p.85) as, "the degree to which an individual has information about many kinds of products, places to shop, and other facets of markets, and initiates discussions with consumers and responds to requests from customers for market information". As we can see, there are several aspects in common. In both concepts the consumer looks for information to achieve a considerable relevant knowledge about the marketplace.

It is now clearer that consumer's behaviors had changed and, consequently, their consumption habits (Rana and Paul, 2017). The tendency of filling up storerooms with food for the month vanished, consumers go shopping for their weekly or daily needs (Pitts *et al.*, 2017). Furthermore, the time available for shopping had also reduced substantially, hence new and faster ways of shopping had emerged such as on-line shopping or "on the go" strategies (Benoit, Schaefer and Heider, 2016). For example, Amazon on the go, it provides consumers with the ability to not waist time in check-outs, they get what they need and leave the store, "just grab and go".

Nowadays, the trend in retailing is to move from a multichannel strategy to an omnichannel one (Verhoef, Kannan and Inman, 2015). Omnichannel strategies are simply the most convenient for consumers, they buy a product in one place and collect it wherever it is most suitable for them (Ailawadi and Farris, 2017). In food retailing, we have the example of on-line shopping where a consumer purchases on-line and collects the item at the store or it is delivered at his/her place (e.g: Continente Click&Go). Besides, consumers are more demanding in terms of price, quality, convenience, service, etc. and they no longer buy from only one store, they tend to purchase different items in different stores, destroying the idea of true loyalty.

3.3. Loyalty Schemes

The new tendencies in consumers shopping behaviors are creating a huge challenge for retailers (Pantano and Viassone, 2015). That is why it is so important to find ways to try to make consumers more loyal and make them feel a part of the business. Loyalty programs can be a tool towards these goals (Lewis, 2004). These schemes create a sense of belongingness among consumers and tend to change the shopping behavior of some segments after joining the program. If consumers were already loyal to the brand, they were also being rewarded for their current shopping patterns (Dowling and Uncle, 1997).

Loyalty programs are important to create relationships between retailers and consumers because they have attached a sense of collaboration between the two. A crucial element in these programs is to be the value it creates for the consumer otherwise he/she will look for it elsewhere. Value in supermarket shopping consists of several benefit components such as variety, service, facilities, quality, nutrition, convenience, and freshness (Bishop, 1984; Doyle, 1984; Schechter, 1984). Beyond the need for superior value, a necessary condition for any relationship to develop is the commitment of both parties in the relationship (Morgan and Hunt 1994). These loyalty schemes allow companies to retain consumers and make them more committed with the firm (Lewis, 2004). This is important because, today, with the number of competitors in the market and the low switching barriers, consumers can easily move to another competitor. Moreover, at a chain level, loyalty programs membership increases a consumer's share of wallet and store visit and decreases shares for competitors (Mägi, 2003). Share-of-wallet is a tool that measures, during a certain period, the total spending of a consumer at a certain company, which integrates choice behavior and transaction (Leenheer *et al.*, 2003). An important goal for retailers is to increase customer share in their expenditures (Mägi, 2003), this customer

share is defined as the ratio of a customer's purchases of a category of products or services from a supplier to the customer's total purchases of that category of products or services from all suppliers (Peppers and Rogers, 1999). To maximize customer's share and their retention, loyalty programs could be one path (Verhoef, 2003).

3.3.1. Loyalty Benefits

Companies can better know their customers and therefore be able to segment them through loyalty schemes. This segmentation is crucial to make these programs successful, without it firms are treating everyone equally, a consumer that shops every day in that store, as well as another one that buys there once a month. Segmentation would enable a better measurement of consumers' sensitivity to loyalty-developing actions and an assessment of customers' potential value (Meyer-Waarden, 2007). Nevertheless, this segmentation should be much more than just special targeted offers and promotions to consumers, they should add value and build trust in order to really know who the client is and what does he value mostly (Lockshin, Spawton and Macintosh, 1997). Depending on consumers' existing usage levels, a loyalty program may be appealing to various degrees. If a consumer buys little from the firm, he or she will need to wait a long time for a reward (Liu, 2007). Thus, the consumer may not consider the program relevant. In contrast, heavy and moderate buyers have an effort advantage over light buyers because they do not need to work that hard or to wait that long for the rewards (Kivetz and Simonson, 2003). This effort advantage can enhance the perceived fit and attractiveness of the loyalty program to such consumers.

The problem with rewards is that they are benefiting past actions or present ones through delayed incentives and instant rewards, respectively. Kumar and Shah (2004) used the example of airlines, such as Lufthansa, explaining that only recently companies started to recognize customers that paid a ticket's full price (directly in the company's website) instead of rewarding the distance flew (travelled miles). Hence, firms tend to launch loyalty programs as a defensive marketing strategy (Dawkins & Reichheld, 1990) rather than a well thought out CRM initiative. Here technology plays a major role because it will allow retailers to shape their loyalty programs in the future and to improve the speed and precision of customer related data (Parasuraman and Grewal, 2000). Moreover, customer data will define heterogeneity in terms of psychographic and demographic descriptive to predict future customer profitability (Reinartz and Kumar, 2003) as well as for relationship marketing (Sheth and Parvatiyar, 1995).

3.3.2. Loyalty Related Metrics

As seen before, the main idea is to look forward instead of backwards, the company's marketing vision has to be proactive. The problem here is that most of the metrics used to analyze consumers' behaviors uses previous data. To design customized and segmented programs for consumers we will need to have a metric that can predict the value of a consumer, this metric is called Customer Lifetime Value (CLV) (Berger and Nasr, 1998). CLV is defined as "the present value of the future cash flows attributed to the customer relationship" (Farris et al., 2006, p. 143). This measure helps marketers to use proactive actions and it helps defining the right CRM strategies (Anderson, Jolly and Fairhurst, 2007).

Consumers may be dissatisfied and find better value elsewhere (Oliver, 1999), they can also lose the need of the product by changing their lifecycle. Meyer-Waarden (2007) includes in his research the solution of the phenomenon's above: Companies try to find ways to influence customers across their lifecycles through adequate acquisition and development strategies (e.g., delivering customized products, cross-selling, up-selling) and use retention strategies to enhance the total lifetime of the customer base. If those efforts focus effectively on the retention of valid customers, a longer lifetime should lead to higher customer lifetime value (CLV), which is associated with lower operational costs in subsequent transactional flows and increased cross buying, as well as greater share of wallet (SOW) (Dwyer, 1989; Berger and Nasr, 1998; Gupta et al., 2004).

3.3.4. Customer Relationship Management (CRM)

CRM is a process designed to collect, store and analyze data from a company's consumers and, therefore, develop specific marketing activities (Swift, 2001). CRM systems help companies to acquire and generate continuous knowledge about consumers. The knowledge a company have on its consumers is a critical asset and a valuable competitive activity for organizations (García-Murillo and Annabi, 2002; Winer, 2001). Additionally, if a company can leverage from the information it has, their consumers' lifetime value will increase resulting in customers' equity (Berger and Nasr, 1998; Schulze, Skiera, and Wiesel 2012).

According to several authors (Bose and Sugumaran, 2003; Geib, Kolbe and Brenner, 2006; Henning *et al.*, 2003; Iriana and Buttle, 2007; Meuter *et al.*, 2000), CRM systems fall into three categories: Operational (customer service, support systems, sales force and marketing automation), Analytical (data mining, data warehouse and online analytical

processing) and Collaborative CRM (website, e-mail, customer portals and web/video conferencing). A company that successfully manages these categories will be always one step ahead of its competitors since it will be able to predict and detect certain customer patterns and, therefore, design powerful loyalty schemes for each of its customers (Xu and Walton, 2005).

4. Methodology and Result Analysis

4.1. Methodology

The methodology used in this analysis incorporated both qualitative and quantitative research. At an initial stage, seven in-depth interviews were conducted among JM employees who experienced the first of May 2012 (main findings in Appendix 1). The objective was to do an internal analysis on how it was perceived by employees, media and end consumers, what were the main challenges and goals with this promotion, and to learn about the legacy of PD heritage. All this information was gathered and led to the writing up of the case-study presented before. After understanding PD's trajectory and its current positioning problem, an online survey was conducted with the objective of gathering concrete data about consumers shopping habits, their behaviors and their acceptance towards new loyalty schemes. This type of research methodology has several advantages such as time and low costs, it allows us to get quick information, it is easy to distribute and allows us to reach larger audiences. On the other hand, we do not control the environment where the respondent is answering to the survey and who he/she is. Furthermore, there is no opportunity to clarify responses and the sample may not always be representative of the population.

The survey was divided into five different sections (Appendix 2): 1. Consumers' consumption habits, 2. Consumers' perceptions about loyalty programs, 3. Consumers' perceptions about PD, 4. Consumers' perceptions about Coupons and loyalty schemes and 5. Demographic Analysis.

4.1.1. Consumers Consumption Habits

The first section introduced the questionnaire and had eight questions about consumers' consumption habits regarding supermarket shopping. After a brief introduction about the survey and the clarification of its purpose and usage, respondents were asked if they do their shopping online or offline (e.g., "Please indicate where you usually do your grocery shopping", 5-point scale, 1= Never and 5=Always). Following the channel usage, respondents were asked to define how often they go to a supermarket and shop online, (e.g., "How many times do you usually go to a supermarket for grocery shopping?", 6-point scale, 1= More than once a week and 5= Never). Furthermore, it was important to know how much a consumer spent, on average, on its monthly grocery shopping. Moreover, four statements were asked to be ranked regarding consumers' shopping

behavior (e.g., “When I need to do my grocery shopping, I always go to the same supermarket”, 5-point scale, 1=It doesn’t describe me at all and 5=Describes me extremely well). The following questions in this section addressed the places where consumers do their grocery shopping, both online and offline, presented in a list including PD insignia as well as its main competitors in Portugal (e.g., “To which stores do you usually go for grocery shopping?”). Lastly, it was critical to identify the main attributes a consumer value when choosing a supermarket (8 items; e.g., service quality, price charged; 1=Not at all Important and 5=Extremely Important).

4.1.2. Consumers’ perceptions about loyalty programs

The second section was dedicated to understanding consumers’ perceptions about loyalty programs, more specifically loyalty cards and coupons. The first objective was to identify who already had a loyalty card from a supermarket (e.g., “Do you have any loyalty card from a grocery shop?”; Yes, I have from: /No) and, if the answer was positive, from which insignia (open question). Furthermore, the frequency of usage of three specific loyalty programs was addressed: loyalty cards, coupons and brochures (e.g., “Please indicate with what frequency you use the following loyalty programs”, 5-point scale, 1=Never and 5=Always). Since this section was thought to assess consumers’ perceptions about these types of programs, participants were asked to answer to several statements about the feelings and thoughts about the programs (6 items, e.g., “They are useful because they provide me with special offers”, “They provide me with relevant information and discounts on the products that I like”, 5-point scale, 1=“Totally Disagree” and 5=“Totally Agree”). The last question in this section was already an introduction for the next group, respondents were asked to provide their opinions regarding the launch of a coupon system and its availability (e.g., “If a supermarket launched a new loyalty card or coupon system would you like it to be physically (e.g: in paper) or virtually (e.g: in an app) available”).

4.1.3. Consumers’ Perceptions about Pingo Doce

Furthermore, the third section was about consumers’ perceptions about PD. The focus here was on identifying, from the sample, who were PD’s current consumers and what do they value the most (11 items, e.g., “I do my grocery shopping at PD stores”, “PD offers me promotions that I value”, 5-point scale 1=“It doesn’t describe be at all” and 5=“Describes me extremely well”).

4.1.4. Consumers' Perceptions about Coupons and Point Systems

Additionally, Coupons and Point schemes were presented in order to evaluate their viability. Regarding the coupon system, an example was presented as the idea of how the coupon would look like (Figure 1) and after respondents were asked to rank several statements expressing their opinions on the subject (8 items, e.g., “I would use these coupons while shopping at PD”, 5-point scale, 1=“Totally Disagree” and 5=“Totally Agree”).



Figure1: Coupon example

As far as the possibility of PD switching to a Point Scheme based loyalty program, the viability of this system was tested by using an example to explain how it would work. The system was designed in the following terms: 1€ spent in a PD store equals 1 Point; consumers could accumulate points to later collect personalized offers designed to their own personal taste; in order to have customized offers, consumers needed to provide personal data to PD; and the number of points collected would be available in PD's App (Figure 2).

After the visual presentation of the idea, the respondents were asked to express their thoughts about the point scheme presented (7 items, e.g., “I would provide personal information to benefit from personalized offers such as the ones presented before”, “I would feel proud that PD knows what I like”, 5-point scale, 1=“Doesn't describe me at all” and 5=“Describes me extremely well”). Furthermore, respondents were asked about brand switching in case PD left the promotion cycle to enter the points scheme strategy (6 items, e.g: “If PD stop offering promotions I wouldn't buy again in its stores”, 5-point-scale, 1=“Totally Disagree” and 5=“Totally Agree”).



Figure 2: Point System- PD Express

4.1.5. Demographic Analysis

Lastly, the fourth section gathered demographic information about respondents such as gender, age, nationality, living area, educational level, occupation, household, number of children and monthly income.

4.2. Result Analysis

From the 440 participants in the questionnaire, only 308 completed it fully. All data was analyzed using IBM SPSS Statistics.

4.2.1. Sample Description

Starting by characterizing our sample (Appendix 3), from the 308 respondents, 68% were females and 32% were male, only two were not Portuguese, there was a Brazilian and an Italian respondent. The most popular district area of living was Lisbon (89%), followed by Setúbal (2,6%) and Porto (2,3%). The majority had between 26 and 33 years old (26,3%), currently employed (73,1%). As far as household composition, three and four members were the most common, 24,7% and 23,4%, respectively. Since the majority of our sample was quite young, there are 46,1% with no children. Regarding household monthly income the most common values were above 3000€ (19,2%) even though all other options presented similar values.

Regarding consumption habits, most of the respondents shop always offline (55,2%) and never online (65,6%). As far as value spent on grocery shopping, most respondents spend

less than 200€ (50,3%). The top three insignias chosen for physical shopping were PD (28%), Continente (24%) and Lidl (19%), there was also a group that did their shopping in the local grocery shops as well as in biological supermarkets (3%). On the other hand, almost half of our sample uses also online shopping (46%), in this channel the main insignia was Continente (52%).

Concerning loyalty programs, 80% of the respondents claimed to have a loyalty card from one or more supermarkets. From those who have a loyalty card (n=246) the majority have from Continente, followed by PD and Minipreço and they tend to use it always (58%) while shopping for groceries. When it comes to coupons, they use them less than half of the times (63%) and brochures are rarely or never used (68%). As far as the ones that do not possess a loyalty card (n=62), they never use coupons (66%) or brochures (65%).

4.2.2. Scale Reliability Analysis

A reliability analysis was performed for every scale used in the survey to guarantee internal consistency (Table 1). From the eight variables that were evaluated in this study (Appendix 4), only six revealed a reliable Cronbach alpha (for 3 or more item scales). To be reliable, the presented value has to be above 0.7 (Pallant, 2005; Leech, Barrett and Morgan, 2005). Since the other two items revealed an alpha much lower than 0.7 they were analyzed separately. The variables defined and used in the study were Attributes valued when choosing a supermarket, with an α of 0.724, Attributes towards loyalty programs, with a Cronbach alpha of 0.802, Attributes towards PD Products as well as Service revealed the same alpha of 0.855, Attitudes towards Coupons presented a value of $\alpha=0.856$ and Attitudes towards Point Systems a Cronbach Alpha of 0.677, which was used since it was in the minimal limit necessary to be valid (Pallant, 2005).

| Variable | N° Items | Item Description | α | α if item deleted |
|--|----------|---|----------|--------------------------|
| Attributes Valued when choosing a Supermarket | 8 | Service Quality | 0.724 | 0.694 |
| | | Price Charged | | 0.680 |
| | | Promotions Offered | | 0.725 |
| | | Store Layout and Design | | 0.693 |
| | | Store Proximty | | 0.720 |
| | | Products Quality | | 0.693 |
| | | Speed of Service | | 0.674 |
| | | Store Convinience | | 0.688 |
| Attitudes towards loyalty programs | 6 | They are useful because they provide me with special offers | 0.802 | 0.764 |
| | | I feel I am a part of the company | | 0.829 |
| | | They provide me with relevant information and discounts on the products that I like | | 0.782 |
| | | I personally don't like these programs | | 0.732 |
| | | I find these programs annoying | | 0.731 |
| | | I tend to forget these programs exist | | 0.770 |
| Attitudes towards PD Products | 3 | PD Fresh products | 0.855 | 0.836 |
| | | PD variety products | | 0.752 |
| | | PD brand products | | 0.802 |
| Attitudes towards PD Service | 4 | PD shopping experience | 0.855 | 0.768 |
| | | PD Service Quality | | 0.780 |
| | | PD proximity | | 0.888 |
| | | PD store environment | | 0.826 |
| Attitudes towards coupon system | 8 | PD should offer coupons | 0.856 | 0.821 |
| | | Use PD coupons | | 0.820 |
| | | Save money with coupons | | 0.827 |
| | | Share coupons with family | | 0.854 |
| | | E-mail and App availability | | 0.850 |
| | | Home delievery by mail | | 0.844 |
| | | Online and by mail | | 0.831 |
| | | Outdated programs | | 0.859 |
| Attitudes towards Point Systems | 6 | Share personal information | 0.677 | 0.599 |
| | | Proud PD knows my tastes | | 0.609 |
| | | System not interesting | | 0.682 |
| | | Try to never share personal info | | 0.693 |
| | | PD shopping more often with Point scheme | | 0.593 |
| | | Share with friends and family | | 0.622 |

Table 1: Reliability Analysis

4.2.3. Pingo Doce Consumers

Before presenting the results analysis, it was important to define, from the sample, who PD consumers are. To do so, when respondents were asked to rank “I do my grocery shopping at PD stores” on a Likert Scale (5-point scale, 1=“It doesn’t describe me” and 5=“Describes me extremely well”), the ones who rank it as a 4 or 5 were defined as PD Consumers (n= 164) and all others as Non-Consumers (n=144).

Firstly, the differences between consumers and non-consumers in terms of demographic characteristics were analyzed. From this analysis, it was concluded that no major differences exist between groups. Anyhow, PD consumers are mainly women, young adults, Portuguese, with a University Degree, currently employed, with a household composition of 3 or 4 elements and no children. Nonetheless, to guarantee that no differences exist between the groups, a chi-square analysis was conducted (Appendix 5). As expected, no significant differences exist in all variables studied (p was higher than 0.05 for almost all the variables) except in the number of children, where statistically significant differences were found ($X^2_{(6)}=5.479$, $p<0.05$), meaning that even though the majority of PD consumers in the sample not having children, they tend to have more children than non-consumers. Regarding purchasing habits, PD consumers tend to do their grocery shopping more than once a week and spend less than 300€, they are more loyal to a specific supermarket chain than non-consumers.

In this context, it was studied what the main attributes PD consumers’ value when doing their grocery shopping comparing to non-consumers, through an analysis of the different variables means (Table 2). Conclusions displayed that PD consumers and non-consumers value the same attributes when choosing for a Supermarket, since the variables with the highest means were the same in both groups ($M_{\text{Cons-Product Quality}}= 4.49$; $M_{\text{NCons-Product Quality}}= 4.44$; $M_{\text{Cons-Price Charged}}= 4.30$; $M_{\text{NCons-Price Charged}}= 4.15$; $M_{\text{Cons-Store Proximity}}= 4.18$; $M_{\text{NCons-Store Proximity}}= 4.03$). However, neither Products Quality nor Price Charged are statistically significant ($p>.05$) since both groups value the same attributes. Besides, it is important to highlight that for both groups Promotions’ variable mean was only ranked in sixth place as an attribute influencing respondents’ choice of a Supermarket.

| | Means of PD Consumers | Means of PD Non-Consumers | t-tests | Sig. |
|-------------------------|-----------------------|---------------------------|---------|------|
| Products Quality | 4.49 | 4.44 | -.670 | .093 |
| Price Charged | 4.30 | 4.15 | -1.746 | .259 |
| Store Proximity | 4.18 | 4.03 | -1.493 | .340 |
| Speed of Service | 4.01 | 4.03 | .170 | .069 |
| Service Quality | 3.97 | 3.88 | -.941 | .090 |
| Promotions Offered | 3.89 | 3.69 | -1.602 | .001 |
| Store Convenience | 3.81 | 3.76 | -.440 | .151 |
| Store Layout and Design | 3.27 | 3.11 | -1.414 | .385 |

Table 2: Attributes valued by consumers'

Nonetheless, it seems that promotions are still an important behavior influencer to consider and the only statistically significant variable ($M_{\text{Cons-Promotions Offered}} = 3.89$; $M_{\text{NCons-Promotions Offered}} = 3.69$; $p < .05$), PD consumers value promotions more than non-consumers. Hence, an analysis to identify if any differences exist between consumers and non-consumers among the five out of the eight variables analyzed in this research was performed (attitudes towards loyalty programs, attitudes towards PD products, attitudes towards PD service, attitudes towards coupons and attitudes towards point scheme).

When deciding which tests we should use to analyze the relationship between variables some assumptions had to be met. To use an Independent Sample t-test analysis, the following assumptions have to be met: independence of observations, normal distribution of the results, and homogeneity of variances and non-presence of outliers (Pallant, 2005). In this case, normality of the sample results could not be assumed. By doing a Normality test on SPSS, that provides Kolmogorov-Smirnov statistic results, it was possible to check whether the distribution of the scores in one specific variable is normally distributed ($p > 0.05$) or not. The five variables considered in this analysis, presented a significance value both for consumers and non-consumers group lower than 0.05, meaning that normality in the distribution could not be assumed. From this analysis of the variables, we must use non-parametric techniques to do the same tests with the variables that we have, since these tests do not require the sample to follow a normal distribution. In the case of the t-tests, we had to do the Mann-Whitney U test. However, and according to Fay and Proschan (2010), if the sample size is large enough ($n > 30$) and if there are no differences among the significance level between the parametric and non-parametric techniques, the violation of the normality assumption should not cause any trouble in the analysis and the parametric test is accepted to provide reliable results even with non-

normal data. Hence, and since both analysis provided the same results (Appendix 6) and the sample of the study can be considered as large (n=308), the present analysis only presents the results of the parametric test, meaning, the independent sample t-test.

| Means | PD Consumer | PD Non-Consumer | t-test |
|------------------------------------|-------------|-----------------|--------------------------|
| Attitudes towards Loyalty Programs | 3.45 | 3.20 | $t_{(306)}=-2.75^{**}$ |
| Attitudes towards PD Products | 3.75 | 2.31 | $t_{(275)}=-13.99^{***}$ |
| Attitudes towards PD Service | 3.61 | 2.14 | $t_{(269)}=-16.15^{***}$ |
| Attitudes towards Coupons | 3.09 | 3.18 | $t_{(305)}=0.80$ |
| Attitudes towards Point System | 2.90 | 2.69 | $t_{(306)}=-2.30^*$ |

Note: * $p<.05$, ** $p<.01$, *** $p<.001$

Table 3: T-test

This analysis proved that PD consumers have a stronger preference for loyalty programs than non- consumers, and this difference is, according to the t-test results (Table 3) statistically significant ($M_{\text{Cons-Loyalty Programs}}= 3.45$; $M_{\text{NCons-Loyalty Programs}}=3.20$; $p<.01$), the same is visible for consumers attitudes towards PD Products ($M_{\text{Cons-PD Products}}= 3.75$; $M_{\text{NCons-PD Products}}= 2.31$; $p<.001$) and towards PD Service ($M_{\text{Cons-PD Service}}= 3.61$; $M_{\text{NCons-PD Service}}= 2.14$; $p <.001$). Moreover, for consumers attitudes towards Point Systems, the t-test revealed that PD consumers have a stronger preference than non-consumers ($M_{\text{Cons-Point Systems}}= 2.90$; $M_{\text{NCons-Point Systems}} = 2.69$; $p<.05$). However, and even though consumers seem to value Coupons ($M_{\text{Cons-Coupons}}= 3.09$), no statistical significance difference was found between PD consumers and non-consumers.

Summarizing, it is possible to see that the results previously presented are in line with the Case Study, meaning that consumers are in a promotional cycle that it is still active and important. However, it is important to note that both consumers and non-consumers seem to value promotions a lot, despite not being their first-choice driver. This conclusion can be drawn since the averages in these variables (attitudes towards loyalty programs, attitudes towards coupons and attitudes towards point systems) for both groups was considered as relatively high, since it was higher than 2.5 (in a 1 to 5 scale).

Therefore, this analysis allowed concluding that PD, by introducing new loyalty schemes, particularly Point Systems where statistically significant differences exist, might be able to retain current customers, since it seems that they tend to value these programs more

strongly than non-consumers. Even so, and since both groups presented relatively high scores in these variables, PD might also be able to attract new consumers segments with this introduction. As this analysis did not allow such conclusion, an additional study to the different segments analyzed (segment A = Light consumers, segment B = Moderate Consumers and segment C = Heavy Consumers) was conducted below.

4.2.4. Consumers Segmentation

To analyze different consumers, a segmentation analysis was made. The interpretation of consumers' segments behavior is important to understand their beliefs and acceptance towards loyalty schemes. The segments created in this study were divided into three groups, Heavy Consumers, Light Consumers and Moderate Consumers.

Starting by defining Segment A, Light consumers, these group is characterized by low frequency purchases (one every two weeks, once a month and less than once a month) and low purchase amounts (less than 400€). Classifying segment B, named as Moderate Consumers, these are consumers that have a low frequency of purchase but high amounts spending, or high frequencies but low purchasing amounts. As far as Heavy consumers (segment C) these are characterized to have a high frequency of purchase (more than once a week and once a week), as well as spending larger amounts when doing their grocery shopping (over 400€). Hence, they are the ones that actually represent sales for a company since they are the ones that spend larger amounts on purchasing. This group is the one that PD should focus on retain and increase, increasing their spending amounts or converting Moderate or Light consumers into this group.

All the three segments are described in the Table 4 as personas, further data about these personas can be found in Appendix 7. There was only one respondent that claimed to never do its own grocery shopping, so it was not considered in this analysis (n=307).




| Segment A | Segment B | Segment C |
|---|--|--|
| Light Consumers | Moderate Consumers | Heavy Consumers |
|  |  |  |
| <p>Jack is a 30 years old man, currently employed as a Designer. He is single and lives alone. His job provides him with a regular lifestyle with not much left for extravaganzas (800€ per month). He tends to do his grocery shopping in two in two weeks and tries to not spend much on it (usually less than 200€), he always uses his loyalty card but never checks supermarkets brochures or coupons offers. He tends to shop at PD, Continente and Lidl.</p> | <p>Mary is a 25 years old young independent woman that just started working as a junior consultant. She is an only child that still lives at her parents and usually the supermarket shopping is her responsibility. Consequently, she has to go once a week and spends a regular amount of money according to her household composition (less than 400€) and uses her loyalty cards to save as much as possible. She doesn't have a particular supermarket where she does her grocery shopping more frequently, she tends to buy wherever is more convenient for her.</p> | <p>Anna is a successful woman, in her forties, working at Multinational Company as a Marketing Director. She has two children and a high income (more than 3000€ per month). Anna tends to go to the supermarket more than once a week in order to buy the products she needs on her daily basis, she always uses her loyalty card and often coupons to get the best deals. Despite of the frequent visits to the supermarket, she tends to spend quite a high amount of money (more than 400€) to provide her family with the best products. Hence, she chooses mostly PD shop for daily needs.</p> |

Table 4: Personas

From this segmentation, we could identify who PD's consumers and non-consumers are. Heavy ones tend to shop at PD more often than Light consumers. However, the values are extremely alike for both groups (Table 5).

| Segments | PD Consumers | PD Non-consumers |
|-----------------|--------------|------------------|
| Light | 48% | 52% |
| Moderate | 53% | 47% |
| Heavy | 60% | 40% |

Table 5: PD consumers and non-consumers divided by Segments

In this context, it was analyzed what were the main attributes each segment value the most when doing their grocery shopping through the analysis of the correspondent means (Table 6). Conclusions displayed that all segments have the same priority aspect when choosing a supermarket that is Product Quality ($M_{\text{Light-Products}}= 4.42$; $M_{\text{Moderate-Products}} = 4.45$; $M_{\text{High-Product}}= 4.56$; $p<.011$). On the other hand, for Heavy consumers the second determinant attribute is Service Quality ($M_{\text{High-Service}}= 4.21$), opposing to the other two segments that value more price ($M_{\text{Light-Price}}= 4.28$; $M_{\text{Moderate-Price}}= 4.25$).

| Means | Light | Moderate | Heavy | F-test | Sig. |
|-------------------------|-------|----------|-------|--------|-------|
| Products Quality | 4.42 | 4.45 | 4.56 | .718 | .489 |
| Price Charged | 4.28 | 4.25 | 4.10 | .898 | .408 |
| Store Proximity | 4.05 | 4.15 | 4.06 | .462 | .630 |
| Speed of Service | 3.95 | 4.00 | 4.15 | 1.010 | .366 |
| Promotions Offered | 3.88 | 3.82 | 3.60 | 1.153 | .307 |
| Store Convenience | 3.78 | 3.78 | 3.79 | .000 | 1.000 |
| Service Quality | 3.72 | 3.91 | 4.21 | 4.595 | .011 |
| Store Layout and Design | 3.13 | 3.11 | 3.56 | 4.201 | .016 |

Table 6: Attributes valued by Segments

As far as promotions, Light Consumers ranked it in fifth place ($M_{\text{Light-Promotions}}= 3.88$), Moderate Consumers in fourth ($M_{\text{Moderate-Promotions}}= 3.82$) and Heavy Consumers ranked it in seventh place ($M_{\text{Heavy-Promotons}}= 3.60$). This analysis shows that both Light and Moderate Consumers prefer a supermarket that offers promotions more than Heavy Consumers. However, only Service Quality and Store Layout and Design were proven to be statistically significant aspects between Segments when choosing for a Supermarket ($p>0.05$).

In conclusion, it is now possible to infer that most of PD consumers are in fact Heavy ones, they spend large amounts on their grocery shopping and they visit PD stores often. This is a good indicator since these are the most precious type of consumers.

4.2.4. Segments Perceptions about Coupons and Point Systems

Therefore, an analysis to identify if there were any differences between segments was conducted among three out of the six variables analyzed in this research (attitudes towards loyalty programs, attitudes towards coupons and attitudes towards point scheme). In this context, an analysis of the variables means – divided between segments – was conducted (Table 7). From the comparison of the different means it is possible to conclude that there is a stronger tendency towards the use and a more positive attitude towards loyalty

programs among Heavy Consumers ($M_{\text{Heavy-Loyalty Programs}} = 3.37$) when comparing with those who are not in this group. On the other hand, when it comes to accurate loyalty schemes, such as coupons and point systems, Light Consumers presented to have a stronger tendency towards both these factors ($M_{\text{Light-Coupons}} = 3.18$; $M_{\text{Light-Point Schemes}} = 2.95$). However, these differences are not necessarily relevant. In order to understand how relevant they are, it was used an analysis of variance (one-way ANOVA). An ANOVA is a Parametric Technique that compares the variance between the different groups (in this case, segments) with the variability within each group. The assumptions for this test are the same as the ones for t-test seen before. All assumptions were tested and met except for the assumption of normality. In this case, by doing a Normality test on SPSS, that provides Kolmogorov-Smirnov statistic results, it was possible to check whether the distribution of the scores in one specific variable is normally distributed ($p > 0.05$) or not. Most of the characteristics analyzed for the different segments presented a significance value lower than 0.05 as displayed in Table 11, meaning that normality in the distribution could not be assumed. To overcome this barrier, a Non-Parametric Technique, Kruskal-Wallis test was used (Appendix 8). However, and as it happened before with PD consumers and Non-consumers, the non-parametric test provided the same results as the ANOVA test and therefore this last will be the test analyzed.

When analyzing ANOVA's table (Table 7), it is possible to see that there is a significant difference somewhere among the means scores on the attitudes towards point systems ($F\text{-test} = 3.405$; $p < 0.05$) for the three segments.

| | Mean Light Consumer (N=60) | Mean Moderate Consumers (N=195) | Mean Heavy Consumers (N=52) | F-test (ANOVA) | Sig. |
|------------------------------------|----------------------------|---------------------------------|-----------------------------|----------------|-------|
| Attitudes towards Loyalty Programs | 3.21 | 3.37 | 3.37 | 0.964 | n.s. |
| Attitudes towards Coupons | 3.18 | 3.17 | 2.94 | 1.203 | n.s. |
| Attitudes towards Point Systems | 2.95 | 2.82 | 2.57 | 3.405 | 0.034 |

Table 7: ANOVA

To learn more about this difference the analysis moves towards the Multiple Comparison table (Table 8) which gives the results of the Post-Hoc tests. In this table, it is now possible to conclude that, regarding attitudes towards point systems Light consumers

prefer these schemes over Heavy consumers ($M_{Diff} = 0.376$; $p < .05$). All other variables did not present a significant mean difference ($p > .05$) and therefore were not presented in the table.

| Multiple Comparisons | | | | | | | |
|--|--------------------|--------------------|-----------------------|------------|-------|-------------------------|-------------|
| Tukey HSD | | | | | | | |
| Dependent Variable | | | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval | |
| | | | | | | Lower Bound | Upper Bound |
| Attitudes towards Point Systems | Heavy Consumers | Ligh Consumers | -.376* | 0.147 | 0.030 | -0.72 | -0.03 |
| | | Moderate Consumers | -0.250 | 0.121 | 0.099 | -0.54 | 0.04 |
| | Ligh Consumers | Heavy Consumers | .376* | 0.147 | 0.030 | 0.03 | 0.72 |
| | | Moderate Consumers | 0.126 | 0.115 | 0.516 | -0.14 | 0.40 |
| | Moderate Consumers | Heavy Consumers | 0.250 | 0.121 | 0.099 | -0.04 | 0.54 |
| | | Ligh Consumers | -0.126 | 0.115 | 0.516 | -0.40 | 0.14 |

*. The mean difference is significant at the 0.05 level.

Table 8: Multiple Comparisons

Moreover, when the three segments were asked if they would stop buying at PD if the supermarket did not offer promotions in the future, in all segments the answer was homogeneous, this would not shift their behavior to a different insignia.

To summarize this analysis, despite both coupons and point schemes being preferred by Light consumers, the mean for Heavy consumers, in both systems, is also relatively high. Hence, this may be a possible strategy to attract new heavy consumers. Moreover, Light consumers can also be moved towards a heavier purchase path, meaning that with the right tools, such as the introduction of point systems they could become more loyal and spend higher amounts on their grocery shopping at PD.

5. Teaching Note

5.1. Synopsis

In 2012, under a financial and economic crisis, Portuguese's were struggling to survive with low incomes, high prices and taxes. It was under this atmosphere that retailers started to offer promotions to attract and retain consumers. PD joined the majority of these players in May 2012 with an absolute innovative campaign, 50% direct discount on the purchase moment on the first day of the month. This isolated act marked both a turnover on the company's side as well as new way of doing business in the sector.

Five years later the PD positioning strategy is still the same and that is creating some doubts about what to do next. This case aims to address these doubts, illustrating how the company can re-define its strategy in order to grow and fulfill current consumer's needs.

5.2. Learning Objectives

After a full and deep analysis of the study, attendees should be able to

- Comprehend how PD achieved its positioning in the market as well as identify relevant market factors;
- Recognize the different implications of a company's actions and their impact on the business performance;
- Analyze the case study and define alternatives for a positioning strategy that could be successful today;
- Propose a short and long-term strategy plan for PD's positioning.
- Apply knowledge acquired – Management and Marketing Tools – on the development of PD's positioning strategy and discuss its implications in this market;
- Understand the importance of primary, qualitative and quantitative research;

5.3. Position in Course

This case was developed as a marketing and strategy internal training tool for JM general management team. It aims to offer background insights and to stimulate discussion on a completely change in the company's positioning.

5.4. Recommended Readings

For the development of attendee's knowledge on Marketing Mix tools and Services Marketing concepts the following readings are advised:

- Wilson, A., Zeithaml, V. A., Bitner, M. J., & Gremler, D. D. (2012). Services marketing: Integrating customer focus across the firm. McGraw Hill;
- Armstrong, G., Kotler, P., Harker, M., & Brennan, R. (2012). Marketing: an introduction. Pearson Prentice-Hall, London;
- https://www.mindtools.com/pages/article/newSTR_94.htm;
- <http://marketingmix.co.uk>

For deeper comprehension of CRM and loyalty strategies:

- TESCO: The Customer Relationship Management Champion (2003), Ref 503-108-1.

5.5. Discussion Questions

To help the discussion flow among the management team, the following questions can be raised next to the audience.

1. Evaluate which are the firm's competitive advantages. How can PD leverage from these advantages in the national retailing environment in order to become more competitive?

The purpose of this question is to understand and analyze PD's current positioning in the market. From the firm's competitive advantages discussion, the following topics should emerge:

- Store Proximity- This is one of PD's goals, to be close to consumers. This strategy of PD presence in several locations allows the company to reach a high number of consumers as well as develop its brand awareness.
- Product Quality- PD's portfolio of brands is vast and deep, providing consumers with several choices for each product.
- Private Label Strategy- PL are profitable until some point, PD offers high quality in these products, making its margins small and they do not generate consumers loyalty.
- Promotions Strategy- PD offers weekly promotions to its customers, complete change from the previous EDLP strategy.

- Service Quality- The fact that PD's strategy is based on proximity, there is a strong focus on service quality since consumers know the employees and vice-versa. This creates a friendly shopping environment and a "must have" on service quality.
- Store Format- PD has different store formats according to the places where they are positioned. This allows the firm to be present not only in small neighborhoods as in shopping areas.

2. Develop a SWOT analysis on PD positioning. What are its strengths and weaknesses? What do you identify as the market opportunities and threats?

The main objective with this question is to make the audience analyze and understand what the company provides (good and bad) and what is happening in the market. Some of the issues raised can be:

- Strengths: Store proximity, products quality and assortment, service quality, relationship between employees and consumers, PL quality, Ready-Meals and Restaurants, weekly promotions, PoupaMais card advantages.
- Weaknesses: Lack of well-structured and defined CRM strategies, lack of consumer's knowledge, no tailor-made promotions, no loyalty schemes and not enough partnerships association.
- Opportunities: CRM development, consumer's data collection, tailor-made campaigns.
- Threats: New competitors entering the market (Mercadona), Continente investments on consumers' satisfaction and loyalty through CRM, strong loyalty programs from other insignias, LIDL repositioning, online shopping growing tendency.

3. Analyze consumer's preferences and their shopping habits. How could CRM foster their knowledge about consumers?

Gather knowledge about consumers is the key to success. It is crucial for PD to start developing its CRM strategies, developing PoupaMais card with tailor-made promotions, develop new loyalty programs to retain consumers and increase consumer's loyalty rates. To do any of this information development in its data base has to happen. They have to keep on testing the market, listen to what consumers want, evaluate alternatives and stay active.

4. Search for alternative strategies to promotions. What are their advantages and disadvantages?

If the promotions are no longer the key driver of a consumer to choose a supermarket over other, it's because they value something else. This "else" can be a lot of things, different strategies. Is it products differentiation? Is it the store itself? Is in the speed of service? Is technology? Cases like Amazon Go or Tesco are good examples of the new retailing era that can be thought to bring to the Portuguese market. Innovation is the secret to success.

5.6. Case Conclusion

The strategies proposed above should be considered however, there are other possible solutions for PD current positioning problem that can be identified and discussed among the attendees. Hence, a deep analysis on the case study presented and on the questionnaire information gathered should be the basis of a relevant and well-structured conclusion.

6. Main Conclusions and Recommendations

6.1. Main Conclusions

The aim of this study was to develop a long-term positioning strategy for PD based on the company's goals. The case study developed allowed to understand the firm's path and the need to change from an EDLP to a promotional cycle back in 2012. This shift of positioning strategy happened because consumers were changing their consumption habits, looking for better price offers since Portugal was going through a hard-economic crisis and therefore families were seeing their disposable income shrinking. Hence, literature also revealed that, in order to stay competitive, a retailer's approach to price and price promotions comes from strategic decisions (Lal and Rao, 1997), such as this one. From this date on PD did not make further changes or adjustments to its strategy and therefore the present study was developed in order to achieve a deeper consumers knowledge and define a long-term strategy to follow. Further analysis of the questionnaire, from a sample of 308 respondents, allowed to characterize the PD consumer as young women, educated, currently employed, with a household composition of three or four elements. They like to shop more than once a week, spending on average less than 300€ per month on groceries, these characteristics go in-line with current literature that explains that consumers no longer fill their store rooms, they now tend to shop as they need (Pitts *et al.*, 2017). The attributes mostly valued by PD consumers are products quality, price charged and store proximity. Regarding loyalty schemes, these consumers have a strong positive preference towards these offers being Point Systems the preferred type. According to Wulf, Odekerken-Schröder and Iacobucci, (2001) when companies invest in the relationship with its consumers their loyalty increases. As current PD consumers value Point Systems, PD should invest in this type of strategy to develop the relationship. Moreover, and through a segmentation analysis it is possible to infer that even though for Light consumers there was a stronger preference towards coupons and point schemes, these schemes are also relatively important for Heavy consumers. These indicator makes the loyalty schemes proposed interesting to attract new consumers as well as shift light consumers into heavy ones.

With this study it was possible to answer the three research questions proposed in the beginning:

RQ1: What is PD current positioning?

From the development of the case study presented previously, it is possible to understand that PD current positioning has shifted from an EDLP to continuous Promotions. This change occurred in 2012 and it is still the company's strategy. In 2012, the need of shifting to a promotion cycle was clear, sales were dropping, Portugal was in the beginning of a tremendous crisis and consumers were fluctuating their shopping baskets into competitor's stores since these players were already offering price advantages.

RQ2: Who are PD current consumers?

From the sample collected and from the analysis presented above, PD current consumers main attributes valued, when choosing a Supermarket, are Products Quality, Price Charged and Store Proximity. Quality is becoming more important in products, consumers look for the most suitable products, according their needs, with the highest quality. Moreover, the fact that Promotions Offered were not chosen to be the main driver indicates a difference in consumer's behavior. However, Price Charged occupies one of the top places which indicate that it is an important influencer on consumers' shopping behavior, but it is not necessarily delivered through promotions.

From the survey analysis it is possible to infer that PD consumers focus on good value for money products, so they use loyalty cards to get the best offers. However, PD Poupá Mais card is not corresponding to consumer's expectations since it could offer more advantages to its consumers. Additionally, the freshness of the products is a relevant characteristic that PD consumers look for in a supermarket. Moreover, at PD, the time spent in the store is considered to be pleasant that is something valued by this group as well as the service provided and the proximity of the stores.

This knowledge allows PD to focus on specific items, design different strategies and improve the main attributes valued in order to maintain the current consumers and attract new ones (since they also value the same characteristics).

RQ3: What other strategies may be valued by PD consumers?

PD's current price positioning strategy leads us to believe that consumers are starting to adopt a smarter way of purchase. With PDs current strategy, it is not possible to segment and identify who are their main clients and those who should exclusively benefit from special offers and prices. The aim is to identify what other strategies could be developed

by the company to keep consumers loyalty, such as a well-structured CRM strategy using different purchase stimulus.

In this study, there were two strategies studied, Coupons system and Point Schemes. PD consumers value more Point Systems than non-consumers, however, the opposite occurs when it comes to coupons, where PD consumers do not value this offers as much as non-consumers. Regarding the segments defined, coupons and point schemes were mostly valued by Light consumers, and however, for Heavy consumers the impact was lower, it was still relatively high. Hence, and since PD consumers also value these schemes, PD should develop a Point System in order to retain and satisfy its current consumers as well as attract new heavy consumers.

6.2. Recommendations

Heavy consumers are the ones any company should focus on since they are the ones that bring the higher revenues. What PD needs to develop is a strong consumer's data base to develop a CRM strategy. In a first stage this could be developed through an analysis of PD Poupa Mais card information if these data collection already exist or, if not, create a new loyalty card to start this process from the beginning. The idea behind the purposed Point Scheme in this study was to gather this data while bringing additional personal value to consumers. The problem with PD current strategy is that a PD consumer has the same perks as the non-consumer. The Heavy segments are not being rewarded by their effort and amount spent in store, they benefit from the same offers as the Light ones. This strategy of defining segments and prioritize consumers is crucial to have more satisfied customers and therefore more loyal ones. Moreover, the analysis above allowed understanding that Light consumers do use loyalty cards and value coupons and point schemes. If PD attracted this segment by offering Coupons, it could later change some into Heavy consumers based on the data collection and CRM analysis.

On the other hand, since both PD consumers and heavy ones expressed that they would still do their groceries shopping at PD if it stopped offering promotions, the idea of ending the promotion cycle is not as far as it once was. With the tailored promotions, through a CRM strategy PD can maintain their consumers satisfied and select the target that is interesting for them.

7. Limitations and Future Research

7.1. Limitations and Future Research

From the analysis made some limitations were found. Firstly the sample was not heterogeneously, the majority of the respondents were from Lisbon district which limits the viability of the answers and may lead to biased results regarding groceries shopping habits and preferences. From other metropolitan areas or less urban the results would be certainly different. Secondly, the method chosen to gather data, an online survey mainly done through online social networks only that provide a low representativeness of the whole population of the study. Moreover, the design of the questionnaire should not have been so long, or it should have been more interactive since more than 100 respondents did not finish the survey. Regarding the analysis of variables, there were two variables, Loyalty Programs Usage and Attitudes Towards PD changing Positioning, with a Cronbach Alpha much lower than 0.7 and therefore had to be analyzed as individual items. Another potential limitation could be the simplicity of the tests used, they were mainly t-tests and ANOVA studies, other tests could also be interesting to develop.

Future Research should include broader responses to deliver a more heterogeneous sample, the data collection should also be done in the format of in-depth interviews at PD stores in a random selection of consumers to better understand consumers believes, needs and wants. Furthermore, an experimental analysis could be interesting, by selecting several consumers and provide them with different stimulus in order to study the viability of each one.

8. Reference List

- Ailawadi, K. L., & Farris, P. W. (2017). "Managing Multi-and Omni-Channel Distribution: Metrics and Research Directions". *Journal of Retailing*, 93(1), 120-135.
- Ailawadi, K. L., & Keller, K. L. (2004). "Understanding retail branding: conceptual insights and research priorities." *Journal of Retailing*, 80(4), 331-342.
- Anderson, J. L., Jolly, L. D., & Fairhurst, A. E. (2007). "Customer relationship management in retailing: A content analysis of retail trade journals." *Journal of Retailing and Consumer Services*, 14(6), 394-399.
- Benoit, S., Schaefer, T., & Heider, R. (2016). Understanding on-the-go consumption: Identifying and quantifying its determinants. *Journal of Retailing and Consumer Services*, 31, 32-42.
- Berger, P. D., & Nasr, N. I. (1998). "Customer lifetime value: Marketing models and applications." *Journal of Interactive Marketing*, 12(1), 17-30.
- Bishop, W.R.J. (1984). "Competitive Intelligence," *Progressive Grocer*, (March): 19-20.
- Bradlow, E. T., Gangwar, M., Kopalle, P., & Voleti, S. (2017). "The Role of Big Data and Predictive Analytics in Retailing." *Journal of Retailing*, 93(1), 79-95.
- Dawkins, P., & Reichheld, F. (1990). "Customer retention as a competitive weapon." *Directors and Boards*, 14(4), 42-47.
- De Mooij, M. & Hofstede, G. (2002). "Convergence and divergence in consumer behavior: implications for international retailing". *Journal of Retailing*, 78, pp. 61-69.
- Demoulin, N. T., & Zidda, P. (2008). "On the impact of loyalty cards on store loyalty: Does the customers' satisfaction with the reward scheme matter?" *Journal of Retailing and Consumer Services*, 15(5), 386-398.
- Demoulin, N. T., & Zidda, P. (2009). "Drivers of customers' adoption and adoption timing of a new loyalty card in the grocery retail market." *Journal of Retailing*, 85(3), 391-405.
- Dowling, G. R., & Uncles, M. (1997). "Do customer loyalty programs really work?" *Sloan Management Review*, 38(4), 71.

- Doyle, Mona. (1984). "New Ways of Measuring Value," *Progressive Grocer-Value, Executive Report*: 15-19.
- Dwyer, F. R. (1989). "Customer lifetime valuation to support marketing decision making." *Journal of Direct Marketing*, 3(4), 8-15.
- Ellickson, P. B., Misra, S., & Nair, H. S. (2012). "Repositioning dynamics and pricing strategy". *Journal of Marketing Research*, 49(6), 750-772.
- Farris, P. W., Bendle, N. T., Pfeifer, P. E., & Reibstein, D. J. (2006). "Marketing metrics: 50+ metrics every executive should master". *Pearson Education*.
- Fay, M. P., & Proschan, M. A. (2010). Wilcoxon-Mann-Whitney or t-test? On assumptions for hypothesis tests and multiple interpretations of decision rules. *Statistics surveys*, 4, 1.
- Feick, Lawrence F. and Linda L. Price (1987), "The Market Maven: A Diffuser of Marketplace Information," *Journal of Marketing*, 51 (January), 83-97.
- Fornell, C., & Wernerfelt, B. (1987). Defensive marketing strategy by customer complaint management: a theoretical analysis. *Journal of Marketing Research*, 337-346.
- Fornell, Claes and Birger Wernerfelt. (1988). "A Model for Customer Complaint Management," *Marketing Science*, 7 (Summer): 271-286.
- García-Murillo, M., & Annabi, H. (2002). "Customer knowledge management". *Journal of the Operational Research Society*, 875-884.
- Geib, M., Kolbe, L. M., & Brenner, W. (2006). "CRM collaboration in financial services networks: a multi-case analysis". *Journal of Enterprise Information Management*, 19(6), 591-607.
- Green Atkins, K., & Kim, Y. K. (2012). "Smart shopping: conceptualization and measurement." *International Journal of Retail & Distribution Management*, 40(5), 360-375.
- Grewal, D., Roggeveen, A. L., & Nordfält, J. (2017). "The future of retailing." *Journal of Retailing*, 93(1), 1-6.
- Gupta, S., Lehmann, D. R., & Stuart, J. A. (2004). "Valuing customers." *Journal of Marketing Research*, 41(1), 7-18.

- Holbrook, Morris B., Robert B. Chestnut, Eric A. Greenleaf (1984), "Play as a Consumption Experience: The Roles of Emotions, Performance, and Personality in the Enjoyment of Games," *Journal of Consumer Research*, 11 (Sept.), 728- 739.
- Iriana, R., & Buttle, F. (2007). "Strategic, operational, and analytical customer relationship management: attributes and measures". *Journal of Relationship Marketing*, 5(4), 23-42.
- Kivetz, R., & Simonson, I. (2003), "The Idiosyncratic Fit Heuristic: Effort Advantage as a Determinant of Consumer Response to Loyalty Programs," *Journal of Marketing Research*, 40 (November), 454–67.
- Kumar, V. and Denish Shah (2004), "Building and Sustaining Profitable Customer Loyalty for the 21st Century," *Journal of Retailing*, 80 (4), 317–29
- Kumar, V., & Pereira, Arun. (1995). "Explaining variation in short-term sales response to retail price promotions". *Journal of the Academy of Marketing Science*, 23(3), 155–170.
- Lal, Rajiv, & Rao, Ram. (1997). "Supermarket competition: The case of everyday low pricing". *Marketing Science*, 16(1), 60–80.
- Leech, N. L., Barrett, K. C., & Morgan, G. A. (2005). *SPSS for intermediate statistics: Use and interpretation*. Psychology Press.
- Leenheer, J., Bijmolt, T. H., Van Heerde, H. J., & Smidts, A. (2003). "Do loyalty programs enhance behavioral loyalty? A market-wide analysis accounting for endogeneity". *Cahier de recherche*, Université Tilburg, Pays-Bas. ISO 690
- Leenheer, Jorna, Harald J. van Heerde, Tammo H.A. Bijmolt and Ale Smidts (2007), "Do Loyalty Programs Really Enhance Behavioral Loyalty? An Empirical Analysis Accounting for Self-Selecting Members," *International Journal of Research in Marketing*, 24 (1), 31–47.
- Lewis, M. (2004). "The influence of loyalty programs and short-term promotions on customer retention". *Journal of Marketing Research*, 41(3), 281-292.
- Liu, Y. (2007). "The long-term impact of loyalty programs on consumer purchase behavior and loyalty". *Journal of Marketing*, 71(4), 19-35.

- Lockshin, L. S., Spawton, A. L., & Macintosh, G. (1997). "Using product, brand and purchasing involvement for retail segmentation". *Journal of Retailing and Consumer Services*, 4(3), 171-183.
- Mägi, Anne W. (2003), "Share of Wallet in Retailing: The Effects of Customer Satisfaction, Loyalty Cards and Shopper Characteristics," *Journal of Retailing*, 79 (2), 97–106.
- Mano, H., & Elliott, M. T. (1997). "Smart shopping: the origins and consequences of price savings". *ACR North American Advances*.
- Mazursky, David, & Jacoby, J. (1986). "Exploring the development of store images." *Journal of Retailing*, 62(2), 145–165.
- Meuter, M. L., Ostrom, A. L., Roundtree, R. I., & Bitner, M. J. (2000). "Self-service technologies: understanding customer satisfaction with technology-based service encounters". *Journal of Marketing*, 64(3), 50-64.
- Meyer-Waarden, L. (2007). "The effects of loyalty programs on customer lifetime duration and share of wallet." *Journal of Retailing*, 83(2), 223-236.
- Morgan, R. M., & Hunt, S. D. (1994). "The commitment-trust theory of relationship marketing". *Journal of Marketing*, 20-38.
- Oliver, R. L. (1999). "Whence consumer loyalty?" *Journal of Marketing*, 33-44.
- Pallant, J. (2005). SPSS survival guide. *Crow's Nest, NSW: Allen & Unwin*.
- Pantano, E., & Viassone, M. (2015). "Engaging consumers on new integrated multichannel retail settings: Challenges for retailers." *Journal of Retailing and Consumer Services*, 25, 106-114.
- Parasuraman, A., & Grewal, D. (2000). "The impact of technology on the quality-value-loyalty chain: a research agenda". *Journal of the Academy of Marketing Science*, 28(1), 168-174.
- Peppers, D., Rogers, M., & Dorf, B. (1999). "Is your company ready for one-to-one marketing". *Harvard business review*, 77(1), 151-160.
- Pitts, S. B. J., Hinkley, J., Wu, Q., McGuirt, J. T., Lyonnois, M. J., Rafferty, A. P., ... & Phillips, L. (2017). "A possible dose–response association between distance to farmers' markets and roadside produce stands, frequency of shopping, fruit and

- vegetable consumption, and body mass index among customers in the Southern United States". *BMC public health*, 17(1), 65.
- Rana, J. and Paul, J. (2017), "Consumer behavior and purchase intention for organic food: A review and research agenda", *Journal of Retailing and Consumer Services*, 157-165.
- Reichheld, F. F. (1996). Learning from customer defections.
- Reichheld, Frederick F. and W. Earl Sasser, Jr. (1990). "Zero Defections: Quality Comes to Services," *Harvard Business Review*, 68 (September-October): 105-111.
- Reinartz, W. J., and Kumar, V. (2003). "The impact of customer relationship characteristics on profitable lifetime duration." *Journal of Marketing*, 67(1), 77-99.
- Reinartz, Werner, Jacquelyn Thomas, and V. Kumar (2005), "Balancing Acquisition and Retention Resources to Maximize Customer Profitability," *Journal of Marketing*, 69 (1), 63-79.
- Schechter, L. (1984). "A Normative Conception of Value," *Progressive Grocer*, Executive Report: 12-14.
- Schindler, R.M. (1998). "Consequences of perceiving oneself as responsible for obtaining a discount: Evidence for smart-shopper feelings." *Journal of Consumer Psychology*, 7, 371- 392.
- Schulze, C., Skiera, B., & Wiesel, T. (2012). "Linking customer and financial metrics to shareholder value: The leverage effect in customer-based valuation". *Journal of Marketing*, 76(2), 17-32.
- Sheth, J. N., & Parvatlyar, A. (1995). "Relationship marketing in consumer markets: antecedents and consequences." *Journal of the Academy of Marketing Science*, 23(4), 255-271.
- Simonson, I. (2005). "Determinants of customers' responses to customized offers: Conceptual framework and research propositions." *Journal of Marketing*, 69(1), 32-45.

- Sirohi, Niren, Edward McLaughlin, and Dick Wittink (1998), "A Model of Consumer Perceptions and Store Loyalty Intentions for a Supermarket Retailer," *Journal of Retailing*, 74 (2) 223–45.
- Swift, R. S. (2001). "Accelerating customer relationships: Using CRM and relationship technologies". *Prentice Hall Professional*.
- Tate R S., 1961. "The supermarket battle for store loyalty". *Journal of Marketing* 25, 8}13.
- Verhoef, P. C. (2003). "Understanding the effect of customer relationship management efforts on customer retention and customer share development". *Journal of Marketing*, 67(4), 30-45.
- Verhoef, P. C., Kannan, P. K., & Inman, J. J. (2015). "From multi-channel retailing to omni-channel retailing: introduction to the special issue on multi-channel retailing". *Journal of Retailing*, 91(2), 174-181.
- Verhoef, P. C., Stephen, A. T., Kannan, P. K., Luo, X., Abhishek, V., Andrews, M., Bart, Y., Datta, H., Fong N., Hoffman, D. L., Hu, M. M., Novak, T., Rand, W., and Zhang, Y. (2017). "Consumer connectivity in a complex, technology-enabled, and mobile-oriented world with smart products" (Northeastern U. D'Amore-McKim School of Business Research Paper No. 2912321. *Fox School of Business Research Paper No. 17-013*). doi: 10.2139/ssrn.2912321
- Voss, G. B., & Seiders, K. (2003). "Exploring the effect of retail sector and firm characteristics on retail price promotion strategy." *Journal of Retailing*, 79(1), 37-52.
- Winer, R. S. (2001). "A framework for customer relationship management". *California management review*, 43(4), 89-105.
- Wulf, K. D., Odekerken-Schröder, G., & Iacobucci, D. (2001). "Investments in consumer relationships: A cross-country and cross-industry exploration". *Journal of Marketing*, 65(4), 33-50.
- Xu, M., & Walton, J. (2005). "Gaining customer knowledge through analytical CRM". *Industrial management & data systems*, 105(7), 955-971.

V. Appendices

Exhibit 1- Jerónimo Martins Business- Some story and background

Jerónimo Martins group is a food specialist founded in 1792 in Lisbon that soon became an international group based in its country of origin. The company operates in two different areas, on one hand, as a food distributor and, on the other, as a specialized retailer. On the food distributor side, Pingo Doce supermarkets and Recheio cash & carry in Portugal, Biedronka in Poland and Ara in Colombia, are the leaders in the food distribution channel. This area is supported by an area of Agro-business that aims to guarantee that strategic products categories are distributed at the banner's supply chain. As far as the second business area, as a specialized retailer, the group identifies, develops and implements specialized retail concepts, both in Portugal and Poland, through its banners Hebe, Jeronymo and Hussel.

In 1792, Jerónimo Martins (JM), a young man who came from Galiza to Lisbon, opened a small fashion store in Chiado, right in the center of Lisbon, and named it Jerónimo Martins & Son. Throughout the XIX century his store became extremely famous, building a strong reputation.

A few years later (1920), the five owner partners of the Grandes Armazéns Reunidos do Porto wanted to establish a branch in Lisbon. Due to financial problems of Jerónimo Martins and Son, two of the five partners agreed on buying the business for 1 million escudos that is the equivalent of 4,988 Euros. In 1938, Francisco Manuel dos Santos, one of the two partners that bought the firm, appointed his son in law Elísio Alexandre dos Santos to take over the position. Elísio Alexandre dos Santos invested in the manufacturing area, changing JM activity completely. In 1949 there was a partnership between Unilever and JM for the development of the margarine and detergents businesses. In 1968, Alexandre Soares dos Santos take over the family business due to his father's death, he had the conviction that in order to grow they had to reinvest in the distribution business as well as focus on distribution and retailing, their initial business focus.

Pingo Doce first supermarket stores opened in 1980 offering a great proximity to consumers and fresh products. In addition, in 1988 JM entered the wholesaling sector with Recheio Cash&Carry chain, and in 1990 the group acquired the largest wholesaler

in the country Cash&Carry (C&C) Armindo from Braga, to reinforce its present in this sector. However, the need to do so led JM to joint venture with the largest wholesaler in UK, Booker group in 1991.

In 1992, JM acquired Feira Nova insignia, and entered in the hypermarket format. At this point in time, JM group integrated super and hypermarket stores as well as its wholesaling business. In 1995, the firm decided to expand its business to Poland and, with a joint action with Booker, acquired EuroCash, a polish C&C, which was re-branded as Biedronka. This ladybug had three different store formats, C&C, Hypermarkets and Discount Supermarkets. In 1997 the group purchased 243 stores allowing a fast growth and brand awareness. During the same year, JM bought in Brazil the Sé Supermarkets and in UK Lillywhites a sports retailer. A year after, Mr. Pedro Soares dos Santos moved to Poland since it decided to focus on Biedronka. At the beginning of the 21st Century, Biedronka was converted into a Discount Store, abandoning its multi-format strategy, and became the market leader in that country.

However, things didn't always go well for the group. From 1999 until 2004 JM faced some hard times due to its strong investments, with the need of a debt restructuring plan. The group had to sell the Sé Supermarkets, Lillywhites, EuroCash and Expresso Atlântico, a banking system developed in 1995. Only in 2004 the firm was able to recover from this downfall and bought, both in Portugal and Poland, the Plus Supermarket chain. In 2007, PD opened its first branded restaurants, Recheio obtained its first certificate in its Private Label and Biedronka opened its 1000th store. It was a strong and focused recovery. Recheio Private Label was branded as "Amanhecer", and are mostly sold in the traditional shop format.

JM is currently operating in Portugal and Poland. In 2011, they decided to expand the business to Colombia and in 2011 the first Ara store opened there. In Poland, the year after, Hebe was born, a chain of drugstores.

Until the 2016, the group operated in four business sectors (Exhibit 2), Distribution, Services (JMD, JMRS and Hussel), Manufacturing (Unilever JM and Gallo Worldwide) and Agribusiness (see Graph 1). Though, at the end of 2016, JM allocated its manufacturing to a subsidiary giving up its control in it.

At the end of 2016, the group had 14,622 million euros in sales, an EBITDA of 862 million euros, with 92,233 employees and 3,748 stores.

Graph 1- Jerónimo Martins Business Structure

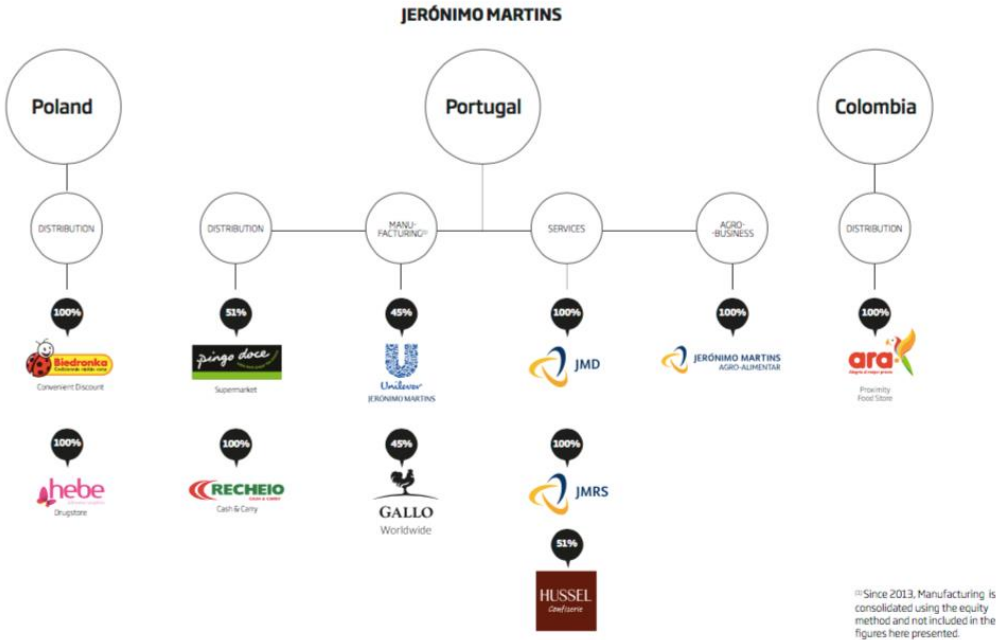


Exhibit 2- 1st of May, 2012 at Pingo Doce Stores



Image 1- PD 50% off promotion



Image 2- Chaos at PD's Stores



Image 3- Empty Shelves at PD



Image 4- Television News on May 2nd, 2012

Exhibit 3- Letter from Mr. Soares dos Santos (CEO) to the employees

“Ontem foi um dia muito diferente nas lojas do PD sendo o 2º ano consecutivo em que abrimos as portas no dia 1 de Maio, este ano dado o agravamento das condições socioeconomicas em Portugal decidimos fazê-lo com uma proposta de poupança para as famílias que pudesse fazer verdadeiramente a diferença nas suas compras do mês. Não publicámos previamente esta acção nos meios de comunicação mas o passa palavra dos nossos clientes transformou-a numa acção que ultrapassou as nossas expectativas. A afluência às lojas foi massiva que colocou uma pressão sem precedentes sobre as nossas operações apesar da venda máxima segundo a qual as boas noticias não são noticia, a verdade é que a esmagadora maioria das nossas 369 lojas o dia decorreu sem incidentes de maior, ficando para a história sobretudo como um dia em que os consumidores portugueses aproveitaram o mais que puderam a vantagem que lhes foi proposta nestes tempos difíceis. Devo-vos depois a cada um de vocês um sincero agradecimento, pelo vosso irrepreencível profissionalismo, o vosso esforço e a vossa vontade que tornaram possível o dia de ontem. São também para vós os inumeros agradecimentos da iniciativa do PD que continuamente estamos a receber dos nossos consumidores através dos mais diversos canais. Muito já se disse e ainda se tirar o negativo sobre o facto da acção ter sido implementada no 1º de Maio. A coincidência nada tem de ideológico muito menos de afrontamento como se tem afirmado. Respeitamos o dia do trabalhador e respeitamos muito os nossos trabalhadores, é no principio de cada mês que as famílias se abastecem e o facto de ontem ser um dia feriado fez com que mais pessoas tivessem disponíveis para irem as lojas. Os trabalhadores são também consumidores e não compreendemos quem independentemente condena a liberdade dos cidadãos escolherem o que fazer com o seu tempo livre. É um facto que ontem se trabalhou nas nossas lojas muito mais do que num dia normal, trabalhou-se muito mais na placa de vendas, nos armazéns, na logística mas não tivemos no nosso fecho tempos normais e é portanto maximizar o tanto quanto possível o número potencial de beneficiários da oportunidade que temos para oferecer, foi exactamente isso que o nosso trabalho permitiu e esta vantagem de que ontem centenas de milhares de clientes para beneficiar será estendida também a todos vós que estiveram a trabalhar nesse dia, numa data à escolha entre o dia 7 e 11 de Maio. Muito obrigado por participarem e pelo vosso esforço que transformou o dia de ontem numa verdadeira oportunidade para a maioria dos nossos clientes.”

Exhibit 4- PD's competitors' promotion strategy

| Insignia | Loyalty Schemes |
|-------------------|---|
| <p>Continente</p> | <p>Weekly promotions in their brochure;</p> <p>For those who their loyalty card some customized promotions;</p> <p>Immediate discount in some products;</p> <p>Accumulate money and discounts (in any Continente store, Continente Modelo, Continente Bom Dia, Continete Online, Note!, Pets&Plants, ZU, Bagga, Well's, MO, Zippy, Meu Super, Galp's gas stations that are currently partnering with them, as well as several restaurant chains) in the Continente Card;</p> <p>Card discounts valid for 1 year after the last shopping date in Continente stores;</p> <p>2% discount in the total shopping value in any of the stores mentioned above;</p> <p>Accumulated money can be used it the day after the purchase is made.</p> |
| <p>Lidl</p> | <p>Weekly Promotions in their brochure;</p> <p>No loyalty card;</p> <p>No partnerships.</p> |
| <p>Jumbo</p> | <p>Weekly promotions in their brochure;</p> <p>10% immediate discount for customers who pay with Jumbo Card (this discount works on a daily basis within product categories);</p> <p>2% coupon from Jumbo Gas stations to latter discount in a Jumbo store;</p> <p>10% immediate discount in Ópticas Jumbo (in values equal or superior to 180€);</p> <p>Tax fee associated to Jumbo Online and Box Online;</p> |

| | |
|-------------|---|
| | Discount club with several advantages in some categories. |
| Intermarché | <p>Weekly brochure;</p> <p>Loyalty card with daily advantages for consumers;</p> <p>No connection or reward system for having Intermarché Card in its gas stations;</p> <p>10% promotion associated with the “Extra saving programs” designed and customized for different customers, Baby Program +, Large Households + and Generation +;</p> <p>Partnerships with Zoomarine and Internorte (Intermarché Card provides a 15% off in both tickets).</p> |

Appendix 1- In-depth Interviews

| Interviewed | 1st of May 2012- Job Title | Main Statements |
|------------------------|---|--|
| Sara Pinto | Marketing- National Communication | “The market started to ask for help, discounts and spending savings. In 2012, PD lost market share and it was under this scenario that there had to do a change in the brand’s positioning. This change had to be done in a remarkable way.” |
| | | “For the marketing department, before the 1st of May the challenge was to develop with an agency an image, that was extremely confidential, that communicated the 50% off in all of PD’s stores and that would have all the conditions to make it legal” |
| | | “The main consequences of that day were positive and we made PD the supermarket that is close to the Portuguese consumers that care about them, offering the lowest prices. This was the changing point from an EDLP strategy to offer the best promotions.” |
| Ana Cristovão Ferreira | Human Resources Technology and Analytics | “There was a blog that on April, 30th 2012 published what was going to happen at PD stores so there were some people that already knew” |
| | | “PD gave to all employees that worked that day a payoff of 500% and the possibility to benefit from the 50% in the following days (...) There was an agglomeration of benefits to all employees for their effort and dedication” |
| | | “It had a significant impact on the business since an EDLP strategy allow us to plan in advance and the promotion strategy does not, it puts all store teams under pressure because they need to constantly change product prices (...) PD had to restructure the commercial team, logistics, transportation, etc.” |
| Ana Sofia Silva | Internal cooperative Communication | <p>“We started to receive from HR directors messages thanking PD for the initiative. We had from all employees’ letters, paintings, movies, etc. (...) we did a digital book and a paper one and we delivered them to Mr. Soares dos Santos that was so surprised that he decided to offer a lunch and every country region choose a person to represent them.”</p> <p>“When the 1st of May ended, the stores were completely empty and some PD’s employees voluntarily helped to restock the stores so that they would normally work the next days.”</p> |

| | | |
|-----------------------------------|--|--|
| | | <p>“After this day, we had stronger teams, more connected and with a higher feeling of belonging (...) this was also a different way to make all messages delivered to the administration, different from a regular day. People felt proud.”</p> |
| <p>Paulo Dias</p> | <p>Director of PD Store in Telheiras</p> | <p>“In that day I remember the bustle, the craziness of people entering the store (...) after the word of month spread our store was completely blocked”</p> |
| | | <p>“We had about 200-300 shopping carts and around 11am all we could see was our main competitors’ carts inside the store (...) there were some customers outside the store selling carts for 20€”</p> |
| | | <p>“It was hard to keep the peace inside the store (...) there was nothing to bad, we helped everyone the best we could, providing food and water, saving their spot on the counters so that they could go to the bathroom (...) there were no negative consequences, only positive for our consumers as well as for PD”</p> |
| <p>Rita Fragoso</p> | <p>Institutional Communication</p> | <p>“May 1st was the day we thought most people would have 100€ to spend and availability (since it was a holiday) to go shopping (...) no one regrets this event, everyone said that at the stores it was a really special day.”</p> |
| | | <p>“For the communication department was an extremely challenging day, started at 7am (...) several criticisms emerged during the 1st of May from different entities and in different matters”</p> |
| | | <p>“We opened every tv journal on that day, but this continued to be news the whole month (...) the challenge was to know when and where we should speak (...) we had several members of the administration, including Mr. Soares dos Santos himself, explaining, in several media channels, all the details pointed to the campaign.”</p> |
| <p>Tânia Rodrigues</p> | <p>HR Director in Lisbon</p> | <p>“We split our team to monetarize the stores and help in any way (...) at the end of the day everyone was proud and satisfied, it was a team building. (...) Anyone who survived that day believe they can survive through all”</p> |
| | | <p>“I believe the promotions are positive but, in the long run, are not sustainable (...) at the end of the day the margins are really low, products rotation is not enough to produce enough cash-flows and our suppliers will only collaborate until certain point, this strategy will need to be changed.”</p> |

“Consumers are more than price sensitive, they are more informed (...) today we have cherry pickers that do their grocery shopping at 3 or 4 different insignias, 1 or 2cents will make their purchase decision. These discounts also make consumers less loyal to brands.”

Appendix 2- Questionnaire Script

Introduction

Dear Participant,
Welcome to my thesis survey. My name is Margarida Marques and I am finishing my Masters' Degree in Business with Specialization in Strategic Marketing at Católica Lisbon School.

The following questionnaire will take you about 10 minutes to complete, there are no right or wrong answers, and you just need to be honest. The questionnaire will be kept confidential, anonymous and only used for the study purposes. Thank you in advance for the time spent and collaboration!

Section I- In this section I would like to know your consumption habits regarding grocery shopping.

1. Please indicate where you usually do your grocery shopping (1= Never, 5=Always):
online; offline
2. How many times do you usually go to a supermarket for grocery shopping? (1= More than once a week; 5= Never)
3. How many times do you do your grocery shopping online? (1= More than once a week; 5= Never)
4. How much do you spend on average per month on your grocery shopping? (< 100€ - >500€)
5. Please indicate which answer best describes your current shopping behavior (1= doesn't describe me at all; 5= Describes me extremely well:
- When I need to do my grocery shopping, I always go to the same supermarket;

- When I need to do my grocery shopping, I usually go to a supermarket for some products (e.g: fresh products) and to other for other products (e.g: detergents);
 - When I need to go to the supermarket, I go to the one that offers me the biggest promotions;
 - When I need to go to a supermarket, I go to the one closest to me or the most convenient
6. To which stores do you usually go for grocery shopping? Continente, PD, Intermarché, Mini Preço, Jumbo, Lidl, Aldi, Super Cor, Outro:
7. Where do you usually do your grocery shopping online? Continente, Intermarché, Jumbo, El corte Inglés, Outro:
8. Please indicate to what extent the following attributes are important to you, when choosing a supermarket (1= Not at all important; 5= Extremely important): Service Quality, Price Charged, Promotions Offered, Store Layout and Design, Store Proximity, Products Quality, Speed of Service, Store Convenience.

Section II- In this section I would like to know your opinion about loyalty programs in supermarket chains. Examples: loyalty cards and coupons.

9. Do you have any loyalty card from a grocery shop? If yes, which ones?
10. Please indicate with what frequency you use the following loyalty programs (1=Never; 5=Always): Loyalty Cards, Coupons, Store Brochure
11. What do you think about these programs? On a scale from 1 to 5, where 1= “Strongly Disagree” and 5= “Strongly Agree” please rank the following statements about loyalty schemes:
- They are useful because they provide me with special offers
 - I feel I am a part of the company
 - They provide me with relevant information and discounts on the products that I like
 - I personally don’t like these programs
 - I find these programs annoying
 - I tend to forget these programs exist
12. If a supermarket launched a new loyalty card or coupon system would you like it to be physically (e.g: in paper) or virtually (e.g: in an app) available?

Section III- In this section I would like you to answer to some questions about Pingo Doce.

13. Please indicate to what extent the following statements describe you (1= It doesn't describe me; 5= Describes me extremely well):

- I do my grocery shopping at Pingo Doce stores
- I like the freshness of Pingo Doce products
- I like to shop at Pingo Doce
- I enjoy the service Pingo Doce provides me
- I shop at Pingo Doce because it is close to my house
- I enjoy the variety of products Pingo Doce offers
- I like the products from Pingo Doce brand
- Pingo Doce offers me promotions that I value
- It annoys me that Pingo Doce doesn't have coupons
- Pingo Doce store environment is nice
- I would like that Pingo Doce Poupa Mais card could provide me with more and better discounts.

14. Please imagine that Pingo Doce started to offer coupons as the one we can see below:



15. A coupon is "a voucher entitling the holder to a discount off in a particular product".

Please rank the following statements (1= Strongly Disagree; 5= Strongly Agree):

- Pingo Doce should offer coupons to its consumers
- I would use these coupons while shopping at Pingo Doce

- I save a lot of money with coupons
- I share/exchange coupons with my family
- These Pingo Doce coupons should be available through e-mail and in the App
- These Pingo Doce coupons should be delivered by mail at my house
- These Pingo Doce coupons should be available both in paper and online.
- I believe that these types of programs are no longer used/are outdated.

16. Imagine that Pingo Doce launches, in its current App, the following options:

- Current Offers (Ofertas em Vigor)
- Accumulated Points (Pontos Acumulados)
- My weekly promotions (As minha promoções da Semana)
- Coupons (Cupões)



17. Imagine that Pingo Doce creates a Point System (1€= 1Point) where consumers could accumulate points in order to receive personalized gifts according to their personal tastes. Now imagine that you are married and you live with your wife/husband and you have three sons, Michael, Mary and John. Inside Pingo Doce App, in the Current Offers folder there would be the following offers according to your personal taste:



18. Please rank the following statements regarding the rewarding point system presented above to the most suitable square (1= It doesn't describe me: 5= Describes me extremely well):

- I would provide personal information to benefit from personalized offers such as the ones presented before
- I would feel proud that Pingo Doce knows what I like
- I believe that this system is not interesting
- I never or at least try to never share my personal information with companies
- Promotion are enough to make me satisfied
- Personalized offers with Points collection would make me shop more often at Pingo Doce stores
- I would share this initiative with my friends and family

19. Please answer to the following statements (1= Strongly Disagree; 5= Strongly Agree):

- If Pingo Doce stopped offering promotions, I would not buy there again
- I value more this point system (1€=1 Point) than promotions
- If Pingo Doce offered points (1€= 1Point) I would do my grocery shopping there

- Pingo Doce promotions correspond to my consumption habits
- I value more personalized offers than product discounts
- I do my grocery shopping at Pingo Doce because of its promotions, however I would like to have other benefits.

Section IV- Thank you so much for answering the sections above. This will be the last section of the survey where I would like to know some details about you. Remember that the questionnaire is confidential and the data provided by you will only be used for study purposes.

20. Gender

21. Age

22. Nationality

23. In which Portuguese district do you live

24. Education Qualification

25. Occupation

26. Household

27. Number of children:

28. Household disposable income (per month)

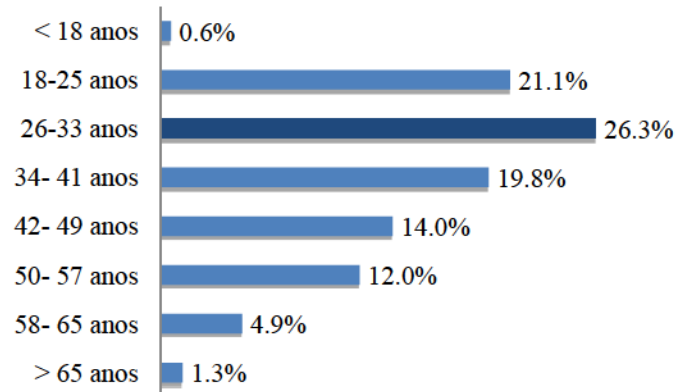
Thank you for your participation in this questionnaire.

Appendix 3- Sample Description

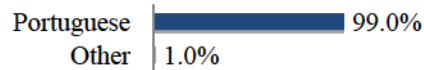
Gender (n=308)



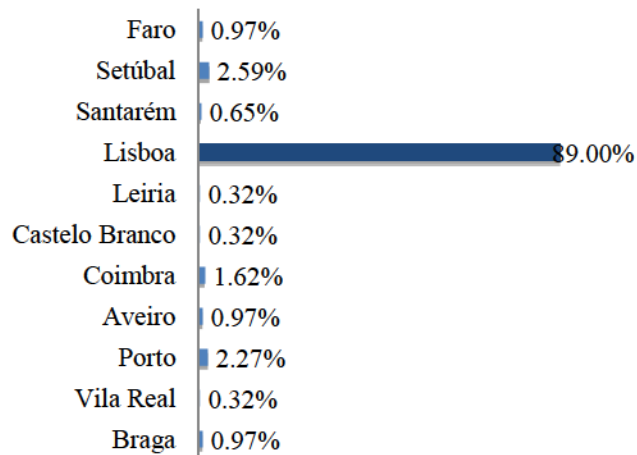
Age (n=308)



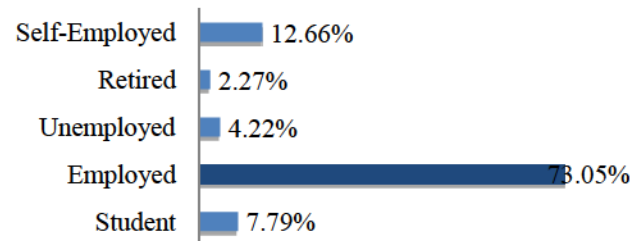
Nationality (n=308)



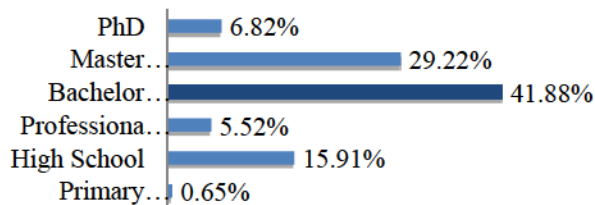
District (n=308)



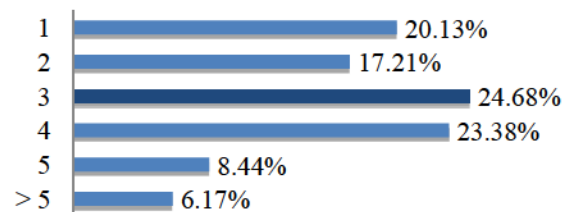
Occupation (n=308)



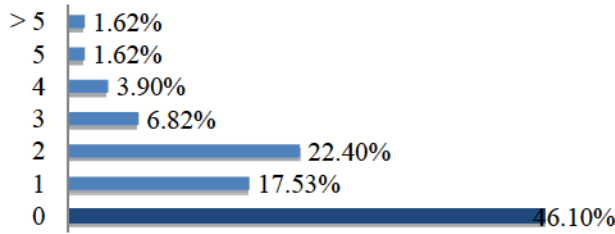
Qualifications (n=308)



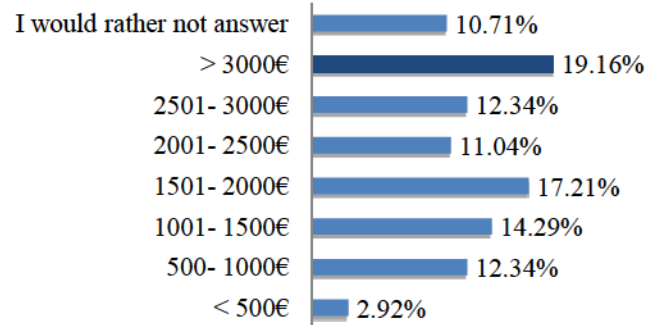
Household Composition (n=308)



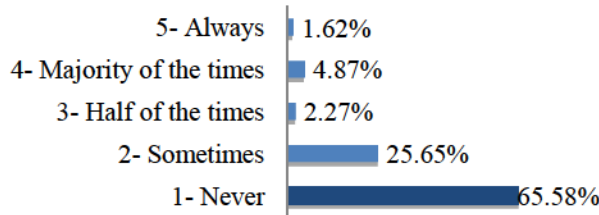
Number of Children (n=308)



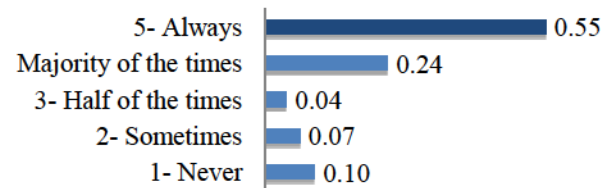
Monthly Household Disposable Income (n=308)



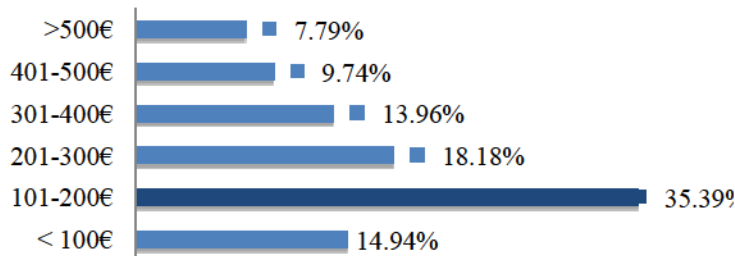
On-line Shopping (n=308)



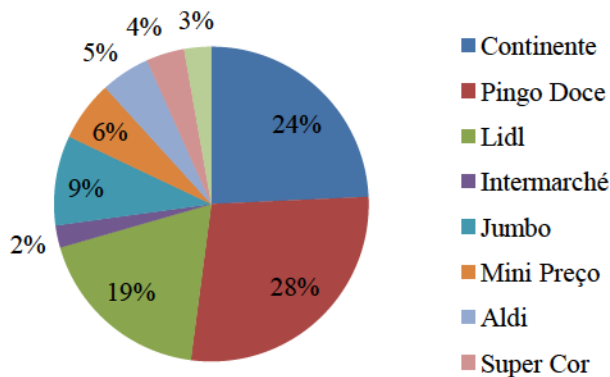
Shopping at physical stores (n=308)



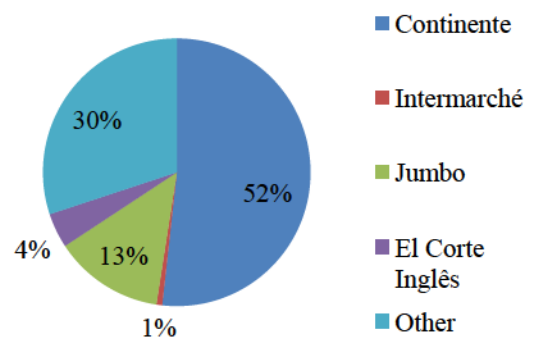
Average grocery spending per month (n=308)



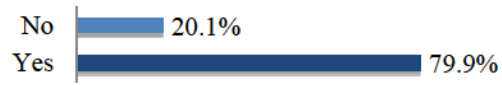
Supermarket Chain (n=308)



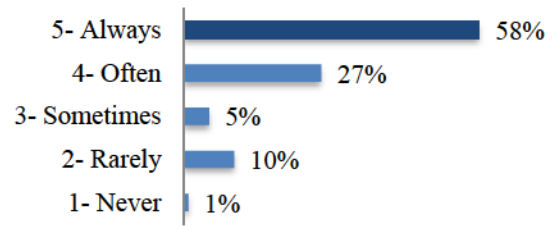
On-line shopping platform (n=143)



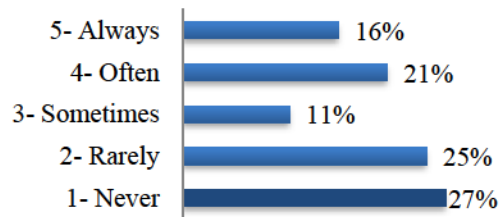
Loyalty Card Possession (n=308)



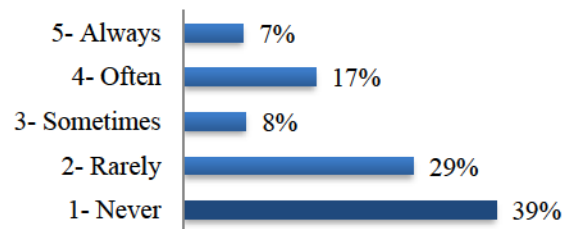
Loyalty Card Holder- Frequency of usage (n=246)



Usage of Coupons n=308



Usage of Brochures n=308



Appendix 4- Variables Analyzed and Respective Items and Scales

| Variable | Items | Scale |
|--|---|--|
| Attributes Valued when choosing a Supermarket | Service Quality | 1="Not at all Important"; 5="Extremely Important" |
| | Price Charged | |
| | Promotions Offered | |
| | Store Layout and Design | |
| | Store Proximity | |
| | Products Quality | |
| | Speed of Service | |
| | Store Convenience | |
| | Use Coupons | |
| Use Brochure | | |
| Attitudes towards loyalty programs | They are useful because they provide me with special offers | 1="Strongly Disagree"; 5="Strongly Agree" |
| | I feel I am a part of the company | |
| | They provide me with relevant information and discounts on the products that I like | |
| | I personally don't like these programs | |
| | I find these programs annoying | |
| I tend to forget these programs exist | | |
| Attitudes towards PD Products | PD Fresh products | 1= "It doesn't describe me"; 5="Describes me extremely well" |
| | PD variety products | |
| | PD brand products | |
| Attitudes towards PD Service | PD shopping experience | 1= "It doesn't describe me"; 5="Describes me extremely well" |
| | PD Service Quality | |
| | PD proximity | |
| | PD store environment | |
| Attitudes towards PD Promotions | PD promotions | 1= "It doesn't describe me"; 5="Describes me extremely well" |
| | PD lack of coupons | |
| | PD Poupa Mais card | |
| Attitudes towards coupon system | PD should offer coupons | 1="Strongly Disagree"; 5="Strongly Agree" |
| | Use PD coupons | |
| | Save money with coupons | |
| | Share coupons with family | |
| | E-mail and App availability | |
| | Home delivery by mail | |
| | Online and by mail | |
| | Outdated programs | |
| Share personal information | | |

| | | |
|--|---|--|
| Attitudes towards Point Systems | Proud PD knows my tastes | 1="It doesn't describe me"; 5="Describes me extremely well" |
| | PD shopping more often with Point scheme | |
| | Share with friends and family | |
| Attitudes towards PD changing Positioning | PD no promos, don't buy there | 1="Strongly Disagree"; 5="Strongly Agree" |
| | Value more points than promos | |
| | PD offer points, buy there | |
| | PD promos equal my consumption habits | |
| | Value more personalized offers than discounts | |
| | PD Poupa Mais should provide more benefits | |

Appendix 5- Chi-square Analysis

| Variables | X ² | Sig. |
|-------------|----------------|------|
| Sex | 1.952 | 0.16 |
| Age | 0.260 | 0.87 |
| Nationality | 0.219 | 0.64 |
| Education | 1.090 | 0.30 |
| Occupation | 0.738 | 0.69 |
| Children | 5.479 | 0.02 |
| Household | 0.758 | 0.38 |
| Income | 0.506 | 0.78 |
| District | 3.589 | 0.17 |

Chi-Square

Appendix 6- Non-Parametric Test: Mann-Whitney U test

| Tests of Normality | | | | |
|------------------------------------|---------------|-----------|-----|-------|
| Kolmogorov-Smirnova | | | | |
| | | Statistic | Df | Sig. |
| Attitudes towards Loyalty Programs | Non-consumers | 0,09 | 144 | 0,006 |
| | Consumers | 0,097 | 164 | 0,001 |
| Attitudes towards PD Products | Non-consumers | 0,125 | 144 | 0,000 |
| | Consumers | 0,155 | 164 | 0,000 |
| Attitudes towards PD Service | Non-consumers | 0,133 | 144 | 0,000 |
| | Consumers | 0,081 | 164 | 0,010 |
| Attitudes towards Coupons | Non-consumers | 0,088 | 144 | 0,009 |
| | Consumers | 0,097 | 164 | 0,001 |
| Attitudes towards Point System | Non-consumers | 0,1 | 144 | 0,001 |
| | Consumers | 0,081 | 164 | 0,010 |

T-test Assumptions Verification

| Mann Whitney U results (significance) | |
|---------------------------------------|-------|
| Attitudes towards Loyalty Programs | 0,007 |
| Attitudes towards PD Products | 0,000 |
| Attitudes towards PD Service | 0,000 |
| Attitudes towards Coupons | 0,735 |
| Attitudes towards Point System | 0,025 |

Mann-Whitney U results

Appendix 7- Segments Descriptive Analysis

| | Light | Moderate | Heavy |
|---------------------------------|-------------------------|-------------------------|-------------------------|
| N | 60 | 195 | 52 |
| Gender | 52% Masculin | 29% Masculin | 21% Maculin |
| | 48% Feminin | 71% Feminin | 79% Feminin |
| Age | 18-41 | 18-33 | 34-57 |
| Occupation | Employed | Employed | Employed |
| Household | 1 a 3 | 3 a 4 | >4 |
| Children | 0 | 0-2 | 2 |
| Disposable income | 500-1000€ | 1501-2000€ | >3000€ |
| Type of Shopping | Physical Stores | Physical Stores | Physical Stores |
| Frequency of shop | 2 in 2 weeks | once a week | > once a week |
| Amount spent on shopping | < 200€ | < 400€ | More than 400 |
| Insignia offline | PD, Continente and Lidl | PD, Continente and Lidl | PD, Continente and Lidl |

Segments Analysis

Appendix 8- Non-Parametric Tests: Kruskal-Wallis Test

| Test of Homogeneity of Variances | | | | | |
|---|----------------|---------------------|-----|-----|-------|
| | | Levene Statistic | Df1 | df2 | Sig. |
| Attitudes towards Loyalty Programs | towards | 1.853 | 2 | 304 | 0.159 |
| Attitudes towards coupons | towards | 0.633 | 2 | 304 | 0.532 |
| Attitudes towards point system | towards | 0.896 | 2 | 304 | 0.409 |

Normality Test

| Test Statistics ^{a,b} | | | | |
|--------------------------------|------------------------------------|---------------------------|--------------------------------|---------|
| | Attitudes towards Loyalty Programs | Attitudes towards coupons | Attitudes towards point system | towards |
| Chi-Square | 1.993 | 2.590 | 7.140 | |
| df | 2 | 2 | 2 | |
| Asymp. Sig. | 0.369 | 0.274 | 0.028 | |

a. Kruskal Wallis Test

b. Grouping Variable: Segmentation

Kruskal Wallis Test