



Estrella Damm

A Star's Positioning in a New Sky

José Maria Sousa Franco
152112089

Advisor: Pedro Celeste

Dissertation submitted in partial fulfillment of requirements for the degree of MSc in
Business Administration, at the Universidade Católica Portuguesa, date 2013

I. Acknowledgments

During this year and a half I have been taking the Masters degree, and as a requirement to finish it, I had to do a Dissertation, which I considered to be the biggest obstacle to overcome in my academic life. The journey throughout these last eighteen months has been heavy in terms of workload; still there are a lot of good things to take from it. One of the most important things was my group of friends, without whom this Masters would have been much more difficult. With them, I was able to transform times of stress, in times of pleasure. So my first acknowledgment goes to them.

I would like to dedicate this dissertation to my family. They have supported me financially and given me strength throughout my entire life.

Another person that I need to thank is my girlfriend, Francisca, who has always been there for me, giving me unconditional support all the time.

I would also like to thank Enrique Miro Sans, from Grupo Damm, who made all of this possible. I thank him for all the time spent with me working on this dissertation, and I will be forever grateful for his help.

Finally, a special thank to my advisor, Professor Pedro Celeste, for all the guidance and marketing skills he taught me.

To everyone I have forgotten to mention, I apologize and thank all the support given.

II. Abstract

Dissertation Title: Estrella Damm: A Star's Positioning in a New Sky

Author: José Maria Sousa Franco

The aim of this thesis is to study Estrella Damm's internationalization and Positioning in Portugal. These decisions take a lot of responsibilities and risk, but are necessary for any company, in the globalized world. To understand the reasons behind these decisions, it is necessary to explain the motivations to go international, how the company has done it and at last, how it wants to be perceived by the new costumers.

Grupo Damm, one of the leading breweries in Spain, has recently increased operations, in the Portuguese market. This internationalization has been prepared for a long time: in 2009, one of the brands of the group bought a plant in Santarem; after that, it was only a matter of time until operations increased. To support this process, Grupo Damm has made a strategic alliance with Sumol+Compal. From the side of the Spanish company, this partnership allows them to have a better access to the market, and take advantage of the strong position S+C has, in the Portuguese market.

Afterwards, comes the decision of how should the brand position in the new market. Until now, this positioning has been similar to the one in Spain. It has targeted the premium segment, with special focus on the gourmet sub-segment.

In order to understand this process, it was necessary to resort to two sources of data: Secondary and primary. The first one, Secondary, was collected from the company. This information allowed me to have a complete background about the strategy behind this whole operation. Secondly, there was also a need to gather primary data, an online survey, which allowed me to understand, from a reasonable sample, what were the perceptions of beer consumers towards Estrella Damm.

To conclude this analysis it was deducted that consumers understand Estrella Damm's positioning and have good references about it. Still, there is a lot to be done, it needs to increase awareness, since most of the respondents had never drunk or even know about the brand Estrella Damm.

III. Abstract (Português)

Título da Dissertação: Estrella Damm: A Star's Positioning in a New Sky

Autor: José Maria Sousa Franco

Esta tese tem como objetivo o estudo da internacionalização e posicionamento da marca Estrella Damm em Portugal. Estas decisões acarretam muita responsabilidade e risco para a empresa, mas elas são necessárias para competir neste mundo empresarial globalizado. Para perceber as razões por detrás destas decisões, é necessário explicar as motivações para uma empresa se internacionalizar, como ela deve ser feita e por último como pretende ser percecionada junto dos seus novos clientes.

O Grupo Damm, uma das principais empresas cervejeiras em Espanha, aumentou recentemente as suas operações em Portugal. Esta internacionalização estava a ser preparada já há muito tempo: em 2009, uma das marcas do grupo comprou uma fábrica em Santarém; depois disso era apenas uma questão de tempo até esta aumentar as operações em Portugal. Para apoiar este processo, o Grupo Damm fez uma aliança estratégica com a Sumol+Compal. Do ponto de vista da empresa espanhola, esta parceria permite a marca ter um melhor acesso ao mercado e obter vantagens competitivas da forte posição que a S+C tem no mercado português.

Depois, veio a decisão de como a marca se devia posicionar neste novo mercado. Até ao momento, este posicionamento tem sido semelhante ao praticado pela empresa em Espanha. Escolheu com target o segmento premium, com especial atenção para o subsegmento gourmet.

De maneira a entender melhor todo este processo, foi necessário recorrer a duas fontes de informação: secundária e primária. A secundária foi na sua maioria recolhida junto da empresa. Esta informação permitiu ter conhecimento total acerca da estratégia por detrás de toda esta operação. Em segundo lugar, foi ainda necessário colecionar informação do tipo primário, questionário online. Este permitiu perceber, a partir de uma amostra, como é que a cerveja da marca Estrella Damm era percecionada pelos consumidores de cerveja.

Como conclusão desta análise, foi deduzido que os consumidores entendem o posicionamento da Estrella Damm, e que têm em conta as suas reais características. Ainda assim, há muito para ser feito, a marca precisa de aumentar a consciencialização no mercado português, porque grande parte dos inquiridos nunca bebeu ou pior, não conhecia as cervejas da marca Estrella Damm.

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1 Problem Statement

The beer industry is one of the most dynamic industries and in a recent past it has evolved a lot. Before, brands tended to be concentrated in their homelands, because beers tended to be a cultural tradition. Now, with the big process of globalization local brands have lost their power and have been bought by Multinational National Enterprises. MNE's see local brands as an opportunity to enter in a new market and to be one step head of the competition.

After finding a way to enter the new market, brands need to start planning the future. How they want to achieve competitiveness: through cost or differentiation? This question will mark the positioning of the company and the feasibility of the brand in the new market.

The aim of this work Project is to study the whole process from the internationalization to the positioning of a company in a new market. Recently, **Grupo Damm** has entered in the Portuguese market and is giving the first steps. I have considered this company an interesting case study given the positioning in Spain and how is entering the Portuguese market. Afterwards, I pretend to put some questions to be taken into account by the company in the future.

1.1 Key Research Questions

In order to make this case study, I have taken in to account five research questions to be answered during this dissertation.

- **What is the current situation of Grupo Damm?**
- **What were the motivations behind the expansion to Portugal?**
- **What is Grupo Damm's positioning in Portugal? And how it is perceived?**
- **What are the major problems/risks?**

1.2 Methodology

With the purpose of answering all the research questions and the problem stated I have collected data on a primary and secondary basis. The primary has come from 1on1 interviews that I had with Grupo Damm's Country Manager in Portugal: Enrique Miro Sans. Moreover, I have done a questionnaire to the Portuguese market in 2013, with the objective of knowing more about the consumer's behaviour towards beer, especially Estrella Damm. To make the Survey I have used the three step approach: first I asked about the consumer behaviour; in a second step I asked in specific about the object of study (Estrella Damm); in the last step are asked the demographic questions. It was answered through the internet and a social media platform. To complement this information I have collected information (secondary) from the company's website, from other author's works, articles from remarkable newspapers and websites about similar topics.

2 Literature Review

To better understand the Case study there are some key theoretical concepts about marketing that should be previously explained. The two main theoretical concepts discussed in this section will be brand management and internationalization. In a more thorough the first topic will be described what brand equity and brand positioning are and how these concepts can influence a company's strategy. Afterwards, in the second topic will be explained what is to go international and how to do it.

In addition, there will be a last topic summarizing these two topics concerning the alcoholic beverage industry. This last topic will serve as an introduction to the case study, since some of the assumptions of the case will be taken from this last topic.

2.1 Brand Management

In the whole process of internationalization, the management of the brand is one of the key aspects that need more attention. In order to make the internationalization a success the brand should be well perceived by the new market. Especially in the beverage industry, which the consumers used to be very conservatives, the concept of brand equity should really be taken seriously, because in new markets this concept can either make the internationalization a success or a total failure if not well manage.

2.1.1 Brand Equity

In some industries a strong brand can surpass the product and its innovations, but what is a strong brand? The power of a brand lies in what customers have learnt, felt, seen and heard about, in another words, if the brand resides in the minds of the consumers. Brand is the image and all the values the company passes to the "outside", this image and values can be measured by brand equity. Brand equity was first discusses by Farquhar (1989), he said that brand equity brought added value to the product. More recently Keller (2003) and Kapferer (2005) stated that brand equity is often created by products or services that bring value **directly** or **indirectly**.

To know to what levels corresponds the brand equity of a product/company, we can do it through two different approaches: **Financial** and **Customer perspective**. The first one more quantitative, brand equity is evaluated according to the market value of the company (Simon and Sullivan, 1990; Farquhar, 1991). On the other hand, a more qualitative approach, customer perspective is how and when the brand is recalled by the consumer (Keller, 1993; Shocker & Weitz, 1994).

According to a study made by Erfan Severi & Kwek Choon Ling (2013) they have reached the conclusion that: “the relationship between brand awareness and brand equity is mediated by brand association; relationship between brand association and brand equity is mediated by brand loyalty; relationship between brand loyalty and brand equity is mediated by brand image and finally relationship between brand image and brand equity is mediated by perceived quality.”

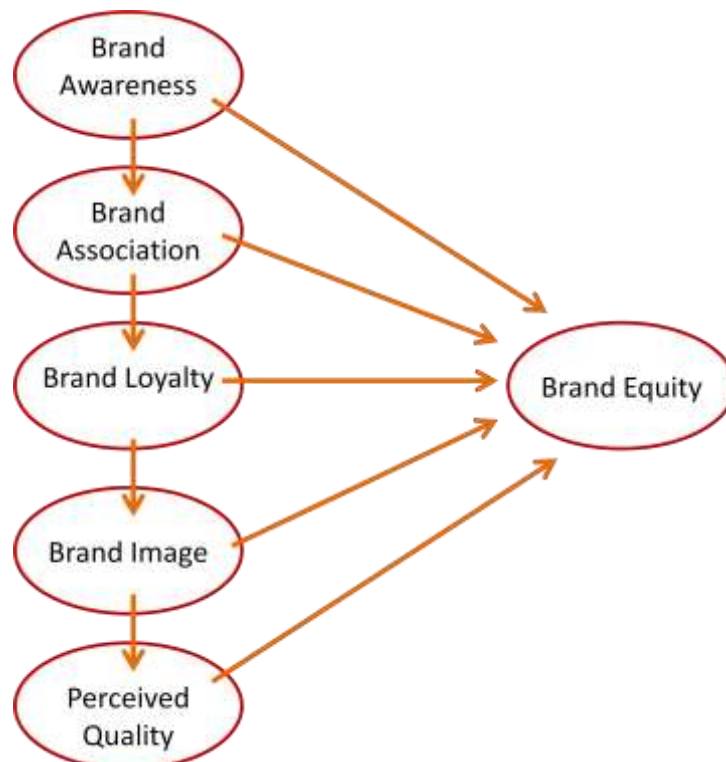


Fig. 1- Framework developed by Erfan Severi & Kwek Choon Ling (2013).

Concerning the customer perspective we now know that to increase brand equity it implies brand awareness, but how much is necessary to invest in brand awareness to increase brand equity? This answer was developed by a research done by Marc

Fischer, Franziska Volkner, and Henrik Sattler (October 2010). They studied how relevant are brand-building activities for a company's success compared with other investment alternatives. They have considered that brand management is highly relevant to top management to many firms but still there are a few ones that it is not relevant. Therefore, managers are advised to carefully manage the economic potential of brand investments. The success of brand investments is not equal across all categories, it depends on several factors: customers' predispositions toward brands, own management capabilities, and competitors' activities.

Customer's predispositions towards brands are important because, are those factors that will influence the loyalty of the customer and the consequent economic value to the company. If this factor is high the elasticity across brands will be high, because as it was said previously to get to perceived quality it is necessary to create awareness that for itself will create association, then loyalty... This way it will provide an important function along the purchase decision and consumption process.

A good brand have a lot of benefits, among all of them one that is really important is to reduce perceived risk; this explains the formation of brand equity from an information economics perspectives (Erdem and Swait, 1998). Now knowing that perceived risk affects the brand equity and that it is different across categories, the conditions to build Equity is also probably different. This difference it is not only different across categories but also across countries. Research on cultural values (Hofstede, 2003) says that the value system varies between dissimilar societies. They even give an example: the American society emphasizes individualism more than the German society. As a consequence brands in America may help consumers become unique and differentiate from other people, so brand have a bigger impact in America than in Germany.

After stating that the impact of brands is different across categories and cultures, we can talk about a keyword that will help us to go deeper in this subject, "Brand Relevance in Category" (BRiC). It measures the overall role of brands in customers' decision making in a specific category (Fischer, Volkner and Sattler, 2010). This works under the assumption that the brand name provides an additional benefit to the customer. They emphasize that the proposed BRiC is defined at the category level.

Hence, it will not vary across brands but only across categories, giving the possibility to measure the relevance before a new brand has been introduced into the market. It can work as a pre-launch diagnostic.

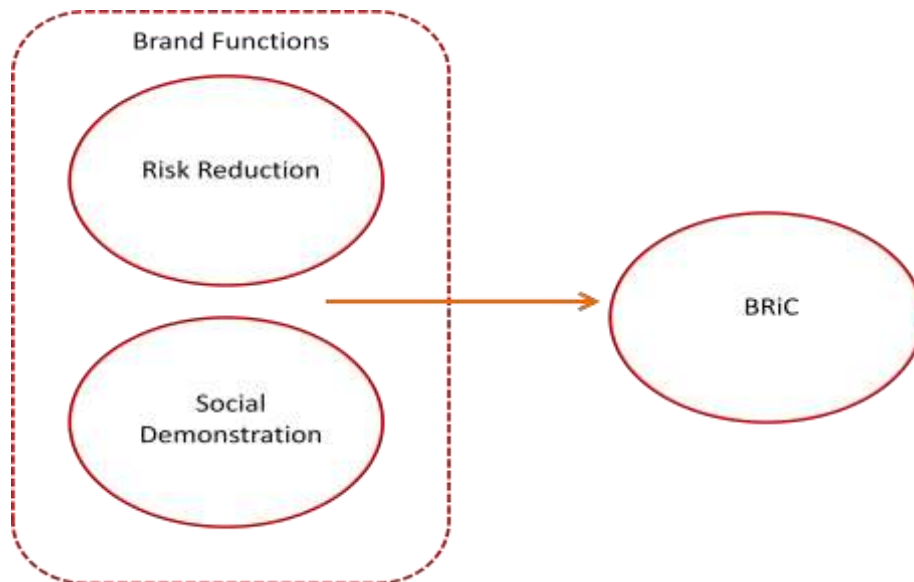


Fig. 2- Developed by Fischer, Volkner and Sattler (2010).

Risk reduction function: this function creates relevance because brands will have a connection to the source or maker of the product. Consumers recognize a brand and activate their knowledge about it (Zhang and Sood, 2002). When consumers have positive associations towards the brand the consumers will create expectations that will add benefits to it. Brands contribute to reduce the consumer's (Subjective) risk of making a purchase mistake (Kapferer, 2008; Keller, 2008).

Social demonstration function: Besides the primarily function of risk reduction, brands can also provide different experiences taking into account what and who consumers want to convey to society (Levy, 1959). Grubb and Grathwohl said in 1967 that in symbolic communication processes brands may have intrinsic values (e.g. confidence) or extrinsic values (e.g. power), these values will vary depending on what they want to pass and to be perceived by society.

As a conclusion, the paper published by the Journal of Marketing Research (October 2010) says that: "In categories with higher brand relevance, customers have a greater demand for brand benefits, such as reduced risk, and the brand name plays a

pronounced role in the buying decision. As a consequence, when brands are more relevant to customers, customers should be more willing to pay a higher price for a brand name product and should be more loyal to their preferred brand. Price premium and brand loyalty are important drivers of financial brand equity (Kapferer, 2008). Thus, if customers' willingness to pay a price premium and to build a loyal brand relationship is greater as a result of BRiC in some categories, this should translate into a higher overall level of brand equity".

2.1.2 Brand Positioning

"The act of designing the company's offering and image to occupy a distinctive place in the mind of the target market" (Kotler, 2003)

Concerning brand management: brand positioning is a key issue towards a successful management of a brand. Sometimes this concept is misunderstood, thinking that brand equity and brand positioning is the same thing. In brief, this concept indicates what consumers may achieve when the brand is used. This result will always be affected by the position the brand has in the market (Kotler, 2003). The positioning of a brand can either be considered a segmentation question or an image question (Aaker, 1982). In the end both have the same idea: where/what is the place of the company in the market?

The choice of positioning is crucial so as a first step the brand needs to settle what type of associations the brand wants to send out as points of parity and points of difference (Keller, Sternthal & Tybout, 2002). The brand Positioning should be consistent at every level (Czajkowski & Long, 2007), because only that way the company will pass the right image which will lead to achieve brand Equity.

To define a positioning strategy it is necessary to formulate a process that can be described in six steps: Identification of competitors, determination of how competitors are perceived, determination of the competitors' position, analyze the customers, Selection of the position and at last monitor of the position.

In this whole process, there are some key procedurals that will define the positioning strategy. The first one is to define who the competitors are. Secondly, to analyze the

customers, this usually needs a marketing research activity. Finally, the selection of a position that can be chosen according to 6 types of position (Aaker, 1982):

Positioning by Attribute

This positioning is the most frequently used and is related with an attribute, a specific product feature or benefit to the customer. This position is very common in the automotive industry where brands tend to praise unique benefits.

Positioning by Price/Quality

In this positioning brands use higher price to indicate a better product. This is very unconventional, because standards of the service need to be high otherwise will only destroy value.

Positioning by Use or Application

This positioning is related with the use or main goal of the product. A company can have more than one positioning strategy; this one is usually used as a complementary one. It helps expand borders.

Positioning by Product User

Another approach is to create a strategy based on the segment of customers that will provide the company with more outcomes. Segments may change so companies to be adapting to every move by the customers.

Positioning by Product Class

Sometimes, the product is so specific since the beginning that forces the company to have a positioning strategy focused only on the product class.

Positioning by competitors

This approach is to use the competitors' position to then state the company's position. In this strategy, one company exploits the other ones position to communicate a differentiated message. A very go example: Avis stated that they were number two so they work even harder.

2.2 Brand Internationalization

The topic of internationalization is the main issue in this research, to comprehend it well we first need to know all the theoretical concepts around it, like: what is to go international; why go abroad and how to do it and to achieve competitiveness at a global scale. According to Welch and Luostarinen (1988) “internationalization is the process of increasing involvement in international operations”. But with all of the recent developments this definition needed to adapt given the organizational and environmental complexity that increases with the international activities. In 1995 Calof & Beamish stated: “internationalization as the process of adapting firms’ operations (strategy, structure, resources, etc...) to international environments”. Concerning this approach they don’t just consider the internationalization as the process to go abroad but more broadly. To go abroad is no just to sell a product in a new market, because as Calof & Beamish said the company needs to adapt: define a strategy, implement operations and organize the structure. Going international can also be the opportunity to innovate and seek risk which can constitute a source of value creation (McDougall & Oviatt, 2000).

There are a lot of reasons to go abroad; according to the book Transnational Management written by Bartlett and Beamish the motivations can be divided in two segments: the traditional and the Emerging. The first one encompasses the most common ones such as: need to secure key supplies, market seeking behavior and access to low-cost factors. The other group incorporates the motivation to seek for: economies of scale, increase R&D investment, scanning opportunities and learning on a global scale and at last to enhance their competitive position.

After understanding meaning of going international and why do it, we can start to explain how it can be done. This part is the key to success, because the initial mode is crucial to create the first impact and create the foundations for further market penetration (Benito & Welch 1994; Welch & Luostarinen 1988). In this first stage of the process the entry mode will transmit how committed the company is to the foreign market. Nowadays, newcomers tend to have different operation modes; as a consequence we should not evaluate the process only by the depth but also by the diversity of entry modes (Benito, Petersen & Welch, 2009). The type of entry that a company decides to have will affect their international market share (Chetty, 1999).

Thus, the international strategy should have the analysis about the extension of the geographic scope of operations, and do a trade-off analysis between different markets to understand which can bring more value to the company (Welch & Luostarinen, 1988). There are some key aspects that should be taken into account when choosing the foreign market: cultural identification, past experience, unique opportunity and vicinity.

When moving to a different geo-location a company should first decide what products from their portfolio do they want to take international, because that may influence the decisions about the product to market approach. Then, different product divisions will be evolved in the internationalization strategy. As a result Internationalization can be initiated not only at the corporate level, but also at a strategic business unit level, offering different product lines and thus constituting separate decision centers within the corporate network (Forsgren & Johanson 1992).

Afterwards, the company still has a big challenge ahead; they need to decide how they will do it. According to the book Transnational Management, the internationalization process needs to be gradual and based on the learning and experience curve. There are many ways to implement operations “outdoors”, first of all you can decide between doing all by yourself or find a local partner. This local partner can be a key to achieve competitiveness: they possibly have more knowledge about this new market, a supply chain already implemented and a set of suppliers and customers who can help you entering the market.

Then, you still have a set of options to implement operations, will vary depending on: the commitment, product portfolio and geo-location. To describe better the process of internationalization I will present you with a graph to summarize the whole process.

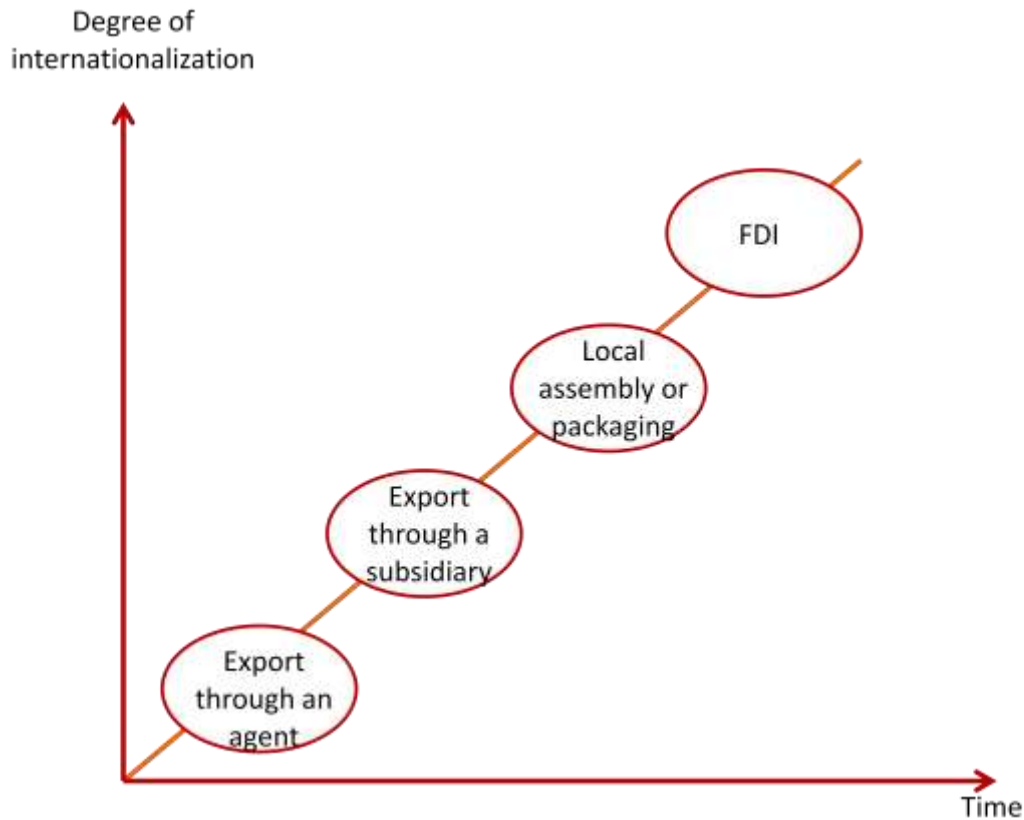


Fig. 3- Gradual process of internationalization, developed by the book “Transnational Management”.

One of the questions that are still to be answered is how it can achieve competitiveness in a sustainable way? Johanson & Mattson in 1988 said that the network of customers, competitors, suppliers and other actors in international markets plays a crucial role in achieving the firm's long-term goals. This way we can say that a company, to achieve success should first have a good implementation plan and then create a supply chain which can create share value to the business environment (Porter, 2006).

2.3 Brand Internationalization in the Beverage Industry

After discussed more general concepts we are prepare to filter and start talking about the industry which this case study will be about, the beverage industry. Almost all of this topic will be based on a paper written by Teresa Silva Lopes in 2002 about the evolution of brands and multinational companies.

Alcoholic beverages provide an interesting case of an industry in which firms have both survived a long time, as the longevity of their products and brands testifies, and have grown internationally very large, appearing among the world's largest industrial multinationals MNE.

Prior to talking about how they went international is good to refer how the first topic of the literature review has influence them during the past years. As I said previously, this is an industry where brands can be expected to play a greater role than science and technology in firm strategies. In alcoholic beverages, the customer perspective is an intangible element which is especially important in making the uniqueness of brands.

Brand personalities accumulate over time, and are embedded in particular cultures or associated with particular set of values, such as heritage or images associated with certain region or country. The personality of brands is particularly important in the alcoholic beverages industry, where products tend to have long life cycles, and brands have very strong associations with tradition, heritage and country of origin. While country of origin is highly significant in wines, beer and spirits (being sometimes perceived as even more relevant than proprietary brands), the ability of a brand to indicate age tradition is also very important. Consequently, it is not surprising to see some remarkably old brands in this industry.

The significance of brand in alcoholic beverages has grown in the recent past. During the 1980s firms, to respond to forces of globalization, rationalized their portfolio of products by concentrating on a small number of successful brands holding international reputations for quality and prestige. There have also been new strategies of brand extensions and line extensions.

Empirical evidence has suggested that these extensions have yet to account for a significant proportion of the total sales by firms. Their main purpose of these extensions have been to take advantage of the reputation of the brand, to keep the brand alive in the eyes of consumers and to target new market segments, notably young people, who might later become consumers of the main brand. Nevertheless, the cost and risk involved in launching new brands have become huge. Consequently firms have often chosen to grow and internationalize by focusing on long-established successful brands with potential to become global.

One thing that is relevant to this case is the change in the ownership of the alcoholic beverage companies. This industry was traditionally dominated by a large number of individual family owned, small medium sized firms, usually active in a single product and a small portfolio of brands, and producing in a restricted geographical region, into one high levels of concentration, in which large multinational firms account for an increasing share of world output.

The process of going international in this industry is very complex due to the challenges and risks that the company will face in the host country. This way the process is gradual: first they start to export to markets culturally, politically and geographically close; then if they find an opportunity they try to find a local partner to create an alliance who can help to split and reduce the risk; only after that it may happens a merger or an acquisition.

Afterwards, if the company has an international structure and is ready to embrace a global culture, they can try to reach market culturally, politically and geographically distant and to appropriate more value-added by acquiring firms which owned successful brands that would increase the availability and diversity of their portfolio of drinks.

The emphasis in this globalization is on the creation of brands with the potential to be sold globally and to have a wider portfolio of brands that provide access to multiple market segments, allowing the firm to respond to the increasing power of channels of distribution and to take advantage of scale and scope economies in marketing and physical distribution, along with other economies that improved the efficiency in the operations of the firm.

Mergers and acquisitions, in this industry has the advantage of giving the firm fast market access and increasing the probability of success as the risk of damaging the original brand by adding new unknown brands is high. The history of this industry is full of examples where this happened, all of the top5 MNE of this industry has at least made one merger or acquisition.

3 Case Study

Enrique Miro-Sans, Country Manager of Grupo Damm at Sumol+Compal in Portugal is facing a new challenge. After a successful first year of implementation in Portugal the Beer is ready to go for the next step. The brand has made a first good impact on the Portuguese market but this is only the beginning, now it is necessary to settle new objectives in order to increase sales while maintaining the same positioning.

3.1 Grupo Damm

The brand Damm was created in 1876 by August Kuentzmann Damm. He was a former Alsatian beer producer that immigrated to Barcelona searching for a better life, due to the war in his homeland. There, he found an opportunity



where he can combine his know-how of beer with Barcelona's gastronomy which was already very well-known. This brand end-up being a success that still continues after eleven generations.

Grupo Damm is 100% independent from big multinational companies, unlike it is characteristic in this industry. It struggle to find space in the market with a fierce competition from companies such as Anheuser-Busch InBev and SABMiller. Grupo Damm is the oldest beer company in Spain, with more than 130 years of production and distribution of beer which allows them to have a big knowledge of the Spanish market while creating brand personality that may be determinant in the consumer's decision process.

Damm has grown through time and has evolved from a beer from Barcelona to a national beer. To do that it has acquired several regional beer companies like: **Keler** (North of Spain), **Estrella Levante** (Levant) **Victoria** (Malaga) **Estrella Del Sur** (Andalucía) and **Marzen Turia** (Valencia). Moreover, it owns brands from other segments such as **Aqua Veri** (water) and **Cacaolat** (milk shakes).

3.2 The Star's Internationalization

In the beginning of the 1900, Estrella Damm was ready to grow its operations: the market was increasing in depth and width, the frequent consumers were drinking more and consumers from outside Catalonia were starting to drink Estrella Damm. It decided to open 6 subsidiaries: Valencia, Granada, Seville, Murcia, Majorca and Ceuta; this was considered a pre-stage for the next step: the internationalization.

At a first stage of internationalization, Damm decided to export because it was less expensive. But by that time, 30's, Spain and the world were facing tough times so it was suspended indefinitely. Only in 1954, with the end of the war and the plan marshal in motion, was possible to start exporting. The first country that Damm exported for was the USA; at that time was a big market with the purchasing power missing in Europe.

Now, 50 years after the first exportation, Grupo Damm is present with regular sales in more than 40 countries, spread across the five continents. The main markets are the UK, USA and some countries from the north of Europe. Recently it has been studied a potential opportunity in the African market.

3.2.1 A Star is born in Portugal

The internationalization was a success but only 40 years after the first exportation it started planning to expand to Portugal. Nonetheless, it was a small country with an even smaller population; it had all the necessary characteristics to result in a success, in case of internationalization: it had cultural identification and vicinity. Portugal and Spain were always considered brothers: they share the same history; have 1200km of terrestrial borders; the habits and the gastronomy are almost the same. Damm just needed to wait for an opportunity...

In 1996, it started exporting to Portugal through 4 agents. The results were not the expected: the distributors did not have access to several markets and even worst, it was inefficiently distributed through the channel HORECA, which is the main distribution channel (**Exhibit 1**). As a consequence, the brand was not strong enough to compete with strong national brands such as Super Bock or Sagres.

In 2009, there was a turning point in this whole history, the company Font Salem, which belongs to Grupo Damm, bought a plant in Santarem for 15,5 million Euros. This plant was previously owned by the beer company Cintra which filed for insolvency. When Font Salem bought the factory, it did not just buy the building but also all the net of distributors. Thus they passed from 4 agents to 44.

Grupo Damm decided to increase its operations in Portugal due to two main reasons: possessing a plant which can help them to respond to changes in demand and to facilitate all the logistic of distribution; the other reason was the change of strategy by Grupo Damm, the Spanish market was in crisis (-1,5% beer consumption volume per capita from 2011 to 2012)(**Exhibit 2**) so it was time to have an Iberian strategy to overcome this problem.

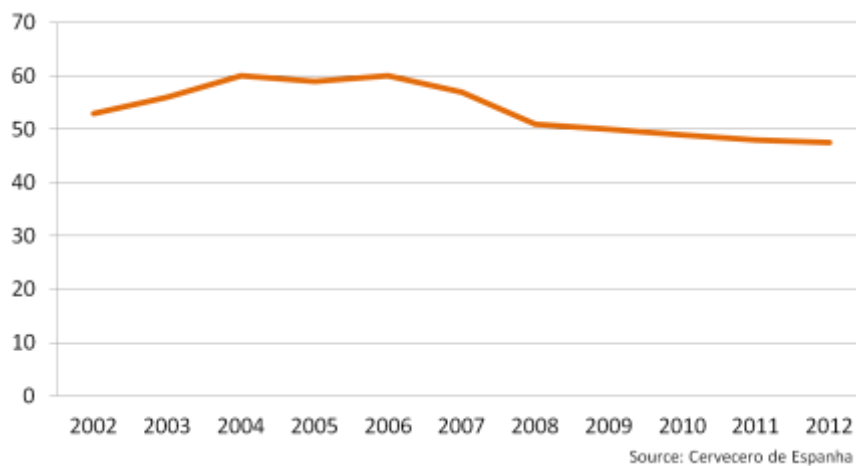


Fig. 4- Annual evolution of beer consumption volume per capita in Spain.

Grupo Damm had a plant but was missing a sales force, a good net of distributors and know-how of the market, so in 2012 it celebrated a contract with Sumol+Compal. This agreement covers the sale of brand Tagus and all of its assets to Estrella Damm for 2,6 million Euros. Moreover, the deal states that Sumol+Compal will have the exclusive distribution of the Grupo Damm's beer for the next five years, with option to renew for another five years. These two companies also agree to cooperate with each other in international markets.

Both companies had interests when they did this deal, Sumol+Compal was searching for a big beer player to enrich their product portfolio, while Grupo Damm wanted access to the best distribution channel in Portugal.

*"This is a very exciting project because we are launching a unique product with an unusual quality. The Damm has over a century of history of making beer, and we are fortunate to have this experience on our side. We believe that Damm beers are a different product and the consumer will recognize the difference."*¹ Luis Marques, former Account Manager of water and beer at Sumol+Compal

3.3 Competitive Analysis

*"We are not super premium or mainstream, but to say that competitors are Heineken and Carlsberg, which have so little expression on the market (Portuguese), it would be very limiting"*² Luis Marques, former Account Manager of water and beer at Sumol+Compal

When Estrella Damm entered the Portuguese market it faced two main competitors, Sagres and Super Bock, which together account for more than 80% of the market³ (**Exhibit 3**) and with a big consumers' loyalty. Knowing that would be difficult to compete against them, Damm knew that these two beer companies would serve as a reference when looking to competitors.

Another two competitors that Grupo Damm has paid attention are Heineken and Carlsberg. These two multinational companies have invested recently in the Portuguese market and now it is paying dividends, the Share of both in the premium beer segment has increased exponentially.

¹ Source: Almeida, Daniel (2012); Marketeer magazine; <http://marketeer.pt/2012/06/06/erveja-estrella-damm-entra-em-portugal-com-aposta-na-tradicao/>;

² Source: Almeida, Daniel (2012); Marketeer magazine; <http://marketeer.pt/2012/06/06/erveja-estrella-damm-entra-em-portugal-com-aposta-na-tradicao/>;

³ Source: APCV; <http://www.apcv.pt/>;

Sagres

Created in 1940, as a quality beer to represent Sociedade Central de Cervejas outside Portugal. Now after more than 70 years it has won many awards and loyalty from the Portuguese consumers. In 2008, the Heineken Group bought Sociedade Central de Cervejas, now as most of other beer companies; it is controlled by a multinational company.

The positioning of Sagres is to be the beer of Portugal, with extensions to every taste, to satisfy every Portuguese. Recently it has launched a new campaign, which says that “where is a Portuguese, in Portugal or abroad, there must be a Sagres”. In addition, Sagres has a close relationship with sport, especially with football, which it gives name to the Portuguese premier league: “Liga ZONSagres” and supports the football club SL Benfica.

The distribution is made through every channel: non-organized HORECA⁴, organized HORECA and modern distribution. Sagres is produced with natural ingredients, mixing water, malt and hops. It is offered in many sizes and through many extensions. The promotion is made essentially through: mass media advertisements and in-store promotions.

Heineken

The Heineken group was founded in 1860 in Amsterdam, and since then it is considered a successful company. Now after more than one century it is present in 70 countries with more than 140 different beers. Heineken is the international premium beer most recognized throughout the world, and the group is the third biggest brewer company.

In Portugal, Heineken is distributed by Sociedade Central de Cervejas, in a way that enables them to have access to one of the best distribution channels in Portugal.

⁴ The concept HORECA: distribution channel of food service industry (HO- hotels; RE- restaurants; CA- cafeterias). This concept can be divided in two: non-organized (the channel which supplies small restaurants, bars and hotels) and organized (chains of hotels, restaurants and bars such as: Macdonalds restaurants and Pestana hotels);

Heineken position itself as a premium brand, and is one of the major brands in that segment.

In the recent past, Heineken has increased its situation in Portugal through its new positioning (“Heineken, open your world”). Heineken to reach consumers uses the music, this way it passes the idea that it is modern and follows the trends of the world. Among other events Heineken is the sponsor of music festivals, such as Rock in Rio and Otimus Alive.

Super Bock

The brand Super Bock was created in 1927 by the merger of two beer plants in the north of Portugal, which end up to be named as Unicer. In 1992, as usual in this industry, the multinational company: Carlsberg Group, bought part (44%) of Unicer. Super Bock is typically recalled as a beer of the north, with plenty of product extensions and big connections to sport and culture. Throughout the history it has won many awards, among them, it has to be point out the 33 gold medals in the international competition *Monde Selection of la Qualité*.

Super Bock was the leader of the market until 2008, year that Sagres exceeded it and became the number 1. In order to increase brand equity, Super Bock has supported many events, being the most important one, the music festival: Super Bock Super Rock. Super Bock also supports sports and the main flags in this area are the FC Porto and Sporting CP.

Recently to recover the leadership of the market, it has launched a new positioning campaign: “Life is super!”⁵ This campaign aims to remind the Portuguese population that despite Portugal being in crisis life should be lived, and there are moments of happiness that do not need big budgets. Although, Sagres and Super Bock try to differentiate from each other, both have a similar positioning.

⁵ Translated from Portuguese: “A vida é Super!”;

Carlsberg

Original from Denmark and founded in 1847, Carlsberg is one of the most remarkable brewer companies. It is present with regular sales in more than 140 markets and in the product portfolio it has more than 340 beers between brands and extensions.

Carlsberg was launched in 1972 in the Portuguese market and after two decades it had already bought part of Unicer. This strategy, of acquiring Unicer, has brought good results since it gives opportunity to have access to one of the best distribution channels and now, is the leader of the premium segment in Portugal, with more than 60% of share⁶.

The strategy of Carlsberg is not unique to each market, what leads them to have a global image with a global positioning. For many years it used the slogan: "Carlsberg, probably the best beer in the world". It is known for quality and innovation, with great concern for the community: it has its own foundation for science research.

In 2011, it launched a new global positioning: "That calls for a Carlsberg!" This new strategy intends to rejuvenate the brand, being the main target the teenagers. To promote this campaign, Carlsberg is doing parties and other events in Portugal and in the rest of Europe.

3.4 Brand Positioning

3.4.1 Compilation of Stars

*"More than a new beer, it is a new concept, which is based on brewing tradition and product portfolio"*⁷ Luis Marques, former Account Manager of water and beer at Sumol+Compal

In order to assert the desired positioning in Portugal, Grupo Damm in partnership with Sumol+Compal has established that would be present in Portugal with a portfolio of

⁶ Source: Carlsberg website

⁷ Source: Almeida, Daniel (2012); Marketeer magazine; <http://marketeer.pt/2012/06/06/erveja-estrella-damm-entra-em-portugal-com-aposta-na-tradicao/>;

five different beers. These five beers were chosen from a portfolio of 25 beers, these beers were considered the ones that would go out to the consumers in different consumption moments. These portfolio go from the traditional lager pilsner until the black lager, moreover will have a beer with double malt, one without alcohol and a more sophisticated one to go along with the best gastronomy.

Estrella Damm

Made according to an original receipt from 1876, it has tradition from more than 130 years of history, throughout eleven generations of brewers. A combination of water, barley malt, rice, hops and yeast result in a golden, clean and shiny beer. This beer was awarded many times across its history: Vienna (1904), London (1905), Munich (1906), Paris (1964), The World Beer Championship (Australia, 1998) and The World Beer Championship (Chicago, 2004). It belongs to the pilsner category and is known across the globe, it is the star of Grupo Damm, the perfect beer to drink at every moment. It has a content of alcohol of 5,4% and should be drunk between 4° and 6°C. The beer is sold in individual packages of 0,25L and 0,33L in glass bottles and for exclusive use in the HORECA channel through kegs of 30L and 50L.

Bock Damm

Formulated in 1888 from the Munique styled beer, it is a black lager with an intense flavor of roasted cereal. It is a bitter beer balanced with a touch of sweetness, dark in color and creamy foam. The Bock name remote to the past, derivate from Einbeck, local of origin of the beer in the XIV century. This beer has 5,4% content of alcohol and the perfect temperature to drink it is between 6° and 8°C. It is available for individual consumption in glass bottles of 0,25L and in the HORECA channel in kegs of 30L.

Voll Damm

This beer, known as beer of *Märzenbier*⁸ (*March beer*), was created by folding the amount of malt, with the intent of endures all summer, in cold and dark caves. This way it would make it to the Oktoberfest (leading global event for brewers) with a fresh and intense flavor. Voll Damm was first launched to the market in 1953, as a limited

⁸ category of beer that is produced and consumed only during the months from September to March;

edition, Thanks to the unforgettable intense bitterness of hops, creamy foam and orange tone, after one year it had already its place in the market. Due to the success in the first two years, Grupo Damm, in 1955, decided to start producing it continuously until today. Voll Damm is known for its intense flavor and thick body, throughout the years it has won many awards and now is considered a star between other high quality beers. It has an alcohol content of 7,2% and should be consumed between 6° and 8°C. It is available only for individual consumption in glass bottles of 0,25L.

Free Damm

This beer comes from an evolution in the production process, which enables the consumer to drink a Damm beer without any content of alcohol and still have the same experience. It is also considered a healthy beer, since it only has 10kcal per 100ml. as a consequence, this beer appears with the intent of go out to the consumers that want to have a healthy lifestyle and still drink beer. It should be drunk between 4º e 6ºC and will be sold for individual consumption in glass bottles of 0,25L.

Inedit

Inedit was created with the objective of satisfying the need of having a beer to go along with every meal. This beer has the intent of being different, unique and special, to be the best among the best. Inedit, with its 3 years of existence, has won already many awards, and all result from the partnership between Ferran Adrià(one of the best *chefs* in the world), Juli Soler and his team of sommeliers, with the brewers from Grupo Damm.

It fits in a new concept, where beer replaces the wine when to follow the best cuisine. It should be served almost like a white wine: in wineglasses and the bottle should stay in a frappe with ice. Inedit is made by a mixture of wheat, barley, flavored with orange peel, licorice and coriander. This mixture of ingredients praises the fruity aroma which brings sweetness to taste. It has 4,8% content of alcohol, should be consumed between 4º e 6ºC and is sold in glass bottles of 0,75L in restaurants and modern distribution.

3.4.2 The Star's Positioning

Tradition, quality and lifestyle are the main drivers for Estrella Damm and since the beginning it has been very coherent with those values. Even today, after 136 years, those values are implicit in the products.

These values are just the result from the statement that best resumes the beer positioning: “Estrella Damm, the beer of Barcelona”. Barcelona has always been known for cultural and gastronomic: tradition and quality which result in a great lifestyle. Grupo Damm has taken advantage of the strong impact the concept Barcelona has, to state to everyone that Estrella Damm is from Barcelona and it is very proud of it. Nowadays, it is considered by many, one of the symbols of Catalonia.

Partnerships

To enhance its positioning, Estrella Damm has supported many institutions that represent Barcelona. It has a partnership with FC Barcelona; another symbol of Catalonia, this has been one of the most effective agreements Estrella Damm has. This agreement enables the brand to consolidate the positioning as beer of Barcelona and also to be recalled abroad. Barcelona is one of the most remarkable football clubs across the globe; moreover it shares the same values of Estrella Damm.

The company has also supported sports events such as the Olympic games of 1992, held in Barcelona and the American's cup in Valencia (2010). These events gave great international visibility, since they are one of the most watched sporting events worldwide.

However, Estrella Damm does not communicate only through sports. The Brand gives a great support to cultural events, with special attention to music. It has its own music festival held in the Grupo Damm's old plant and is also the official beer of the Sonar music festival.

New campaign

The positioning of Estrella Damm has not changed much during its history. Nevertheless, there is a key turning point in the brand positioning. In 2009, Estrella launched a new campaign: “Mediterraneamente”. This was based on the

Mediterranean and the hot summer days. Estrella did not want anymore to be recalled only as the beer of Barcelona but also as the beer of the Mediterranean. The first advertisement of the campaign was filmed in Formentera. It wanted to convey the message of how life is great in summer with friends, a couple of beers and an amazing place, in this case Formentera. This ad was a success, since then it has been released, year after year, a new summer ad presenting different spots of the Spanish Mediterranean.

In Portugal, there is also a key a turning point in the positioning strategy. Before the agreement with Sumol+Compal, Estrella Damm had a more premium positioning, like any other international beer. Nowadays, with the increase of operations there is a lot more room to improve and find the right place in the beer market in Portugal.

Marketing Mix

Estrella Damm to state the desired positioning in Portugal has used four components of marketing: Product, Distribution, Pricing and Promotion. The product has already been described in a previous topic, the compilation of stars.

Distribution

Estrella Damm uses the Sumol+Compal distribution chain, this way it has access to points of sale that was difficult to reach before. It is distributed in three different channels: non-organized HORECA, organized HORECA and modern distribution. In the non-organized HORECA it is distributed through regional distributors and is present between Estrella and Tagus beer in more than 3200 points of sale. The organized HORECA has a similar distribution model and the points of sale are mainly hotel chains (Pestana, Vila Gale...) and a few franchisees (Grupo Alentejo, Burger Ranch...). The modern distribution is centralized by the Sumol+Compal operations. It is present in several hypermarkets: Elecrec, Sonae, Elcorte Ingles, lidle and Auchan; in addition is present in the cash and carry Macro and Recheio. According to the desired Estrella Damm's positioning, the main focus of the distribution channel is the HORECA.

Pricing

Even though Estrella's positioning is premium, the pricing strategy is different across the distribution channels. It is cheaper than the other international competitors, who claim to be premium, in the modern distribution. On the other hand, in the HORECA, the brand has a pricing strategy in line with Heineken and Carlsberg.

€/L	Jumbo	Continente	Average
Estrella Damm	2,53	2,59	2,56
Sagres	2,52	2,54	2,53
Super Bock	2,44	2,44	2,44
Heineken	2,72	2,93	2,83
Carlsberg	2,85	2,86	2,86

Fig. 5- Price/Liter comparison in different retailers.

As a pricing strategy, Estrella has not done any price promotion in this first year, because it believes that in short term it would increase results but in the long term it may destroy value for the brand.

Promotion

In Portugal, all Estrella Damm's promotion is from the responsibility of Sumol+Compal. With the exception of the webpage and the facebook which are directly managed from Barcelona.

Estrella wants to be perceived as an alternative brand to the two major beer brands that have a duopoly in Portugal. This way, it has positioned itself as a gourmet beer, a beer to go along with a meal. Estrella has targeted the gourmet segment which is not well exploited in Portugal, besides, is where the brand can really distinguished from the other ones. To promote this desired positioning, Estrella has been communicating through magazines, newspapers.

Rota das Tapas

To promote the gourmet positioning Estrella has been using a campaign called *rota das tapas*. This event has already been used several times in Barcelona and it had successful results.

The concept of *rota das tapas* is to propose a gastronomic experience to consumers while exploring Lisbon, knowing new restaurants and always with Estrella Damm by their side. The first *rota das tapas* took place in 12 restaurants between Bairro Alto and Principe Real, from 23rd of May until 3rd of June of 2013. In this first event it was possible to taste in every restaurant a unique tapa created exclusively to the event, accompanied by Estrella Damm's beer (bottle of 0.25L) at a fixed price of 3 Euros.

Estrella Damm also offered maps (**Exhibit 4**) to customers know which restaurants have joined the event, and the tapas presented in each one of them. Moreover, while going through the participating restaurants it was possible to win a trip to Barcelona, entitled to a meal at Ferran Adriá's Restaurant, Tickets.

Estrella Damm considered this first event a success what made them repeat again from 19th of September until the 6th of October of 2013. This time the event had 35 restaurants from Bairro Alto, Principe real and Alfama.

These events were considered a success by Estrella Damm because it created shared value to the company and the restaurants. While Estrella is promoting the brand and stating what is the desired positioning, the restaurants are promoting their food and knowing possible future customers, it is a win-win situation.

3.5 What will happen next?

However, the Estrella Damm's life in Portugal has not been at all a bed of roses⁹, the internationalization and positioning process has not been easy. Grupo Damm has been dealing with a lot of challenges: from the openness of the Portuguese towards foreign products till the economic crisis which led the consumers to spend less budget in the

⁹ Bed of roses: Portuguese expression to say that everything went according to plan;

channel HORECA. Last but not the least the increase in VAT in restaurants from 13% to 23%.

When Grupo Damm made the deal with Sumol+Compal in 2012, set the goal of selling 20 million liters of beer in 5 years, reaching a market share of 3,5%. Now after more than one year, Estrella is still far away from that objective. How will Enrique make Estrella Damm meet the goals set in 2012? Should the company maintain the same positioning?

4 Market Research

In order to answer the Research questions previously defined, I had the need to collect data besides the one provided by Grupo Damm. To collect data I have used an online survey; with the objective of better understand the consumers' behavior towards beer and the awareness of Estrella Damm's presence and positioning in Portugal.

4.1 Online Survey

The Survey was created with the intention of having a broader perspective about the relationship between the Portuguese consumers and Estrella Damm. It was randomly distributed, therefore without any control of the sample. Although it was made an effort to erase any bias towards a youngster population, in the end this bias was not bad since the target market is consumers between the 20 and 30 years.

The Survey was distributed online, through a mailing list and a social network platform. It was accessible for one month: during this period, effort was made in order to have the most unbiased sample possible. In the end, 184 people answered the survey but only 163 have completed it, giving a completion rate of 88,59%.

To this analysis I have only considered the 163 people who completed the survey. Given this sample there are questions which end up to be difficult to take conclusions or make assumptions.

4.1.1 Sample Description

The sample was mostly constituted by the age group of 15-24(60,7%). Then followed by the age groups between the ages of 25 to 34(15,3%) and the group of 45 to 54(13,5%)(Table 1). Even though I have tried to have an equal number of individuals in each group, there has been a gap between the ages of 35 to 44 that would be interesting to study. As for the gender, there was a greater response rate by the females (51,5%) compared to males (48,5%)(Table 2).

As another constrain to this analysis was the high concentration of respondents from the metropolitan area of Lisbon (84,7%), especially from Cascais (36,8%). As a consequence it is difficult to take conclusions to a national level (Table 3).

From the 163 respondents, 136(83,4%) answered Yes, when asked if they consume beer. The ones who answered No (16,6%), as expected were most of them women (81%), were forwarded for the last three questions, the Demographic questions. Since the object of study was the beer consumers, there was no need for them to continue the survey (Table 4).

Then, there was a question to know the frequency of consumption per week; the results were almost like a normal distribution, being the ones who drink 1 to 3 times per week with a highest result (50,7%). Interesting was also to know that 75,7% of the respondents, men and woman, drink beer at least once in a week (Table 5).

When asked if it is usual to drink beer at a meal, only 22,8% said Yes (Table 6). This one was followed by the question: where it is usual to drink, and here the sequence was: Bars (78,7%), Restaurants (58,1%), Disco clubs (56,6%) and at last at home (47,8%)(Table 7).

Another question was to know how consumers prefer to drink beer: 73,5% said that prefer draught beer, while 23,5% prefer in a glass bottle and almost insignificant: only 2,9% prefer in a can (Table 8).

When asked to put in order the characteristics they most value in a beer, quality (120 times) was the characteristic more times in the first 3 places, followed by brand (101) and price (101). On the other hand, the characteristics with least importance to the respondents were: size (39) place of origin (30) and the % of alcohol (17). All the results are presented in the table below.

Put in order the features that are most important when choosing a beer?						
	1º	2º	3º	4º	5º	6º
Price	26	39	36	19	6	10
Brand	35	33	33	18	11	6
Quality	64	37	19	14	2	0
Place of origin	6	11	13	26	38	42
Size	2	11	26	45	30	22
% of alcohol	3	5	9	14	49	56
Total	136	136	136	136	136	136

The last question in this part of the survey asked the consumer's preference towards a brand. The brand with a higher number of respondents was Super Bock (56,6%) proceeded by Sagres (32,4%). There was still some share to other brands: Heineken (2,9%), Carlsberg (1,5%), Estrella Damm (1,5%)(Table 9).

4.1.2 Brand Awareness

The second part of the survey was meant to test the relationship the consumer had with Grupo Damm and its product portfolio. This section was the first time it was referred the brand Estrella Damm; all the questions are about it and its extensions.

61,8% of the respondents who drinks beer claimed to know the brand Damm (Table 10). Then was presented to them the product portfolio of Damm and it was asked again if they recognized any of the beers. The percentage that in the first question said No (38,2%), was now less(26,5%)(Table 11). This, results from the recognition the consumers have about the brand image. The respondents who answered No to both questions were forwarded to the next section.

When questioned about the consumption of Damm beers, 61% of the ones who said they recognize the brand; have already drunk at least once (Table 12). Of these 61%, all of them have drunk Estrella Damm, followed by Voll Damm and Inedit with 13% and 8% (Table 13).

Regarding where the beer has been consumed, 54% answered in Portugal (Table 14). Of those respondents who never drank in Portugal (46%), 54% knew that it is distributed in Portugal while 46% did not know (Table 15).

The last question of this section asked, where (in Portugal) they drank Damm's beer. The most usual places to drink were: in restaurants (85%) and Bars (85%) proceeded by at home (42%) and in Disco clubs (24%)(Table 16).

4.1.3 Brand Positioning

The last part of the survey was meant to evaluate how the brand was perceived and to test the consumer's awareness of the marketing strategy. This part adds all respondents who said they know the brand, consumers and non-consumers of Damm.

Concerning the opinion about the brand Damm, the results were influenced by the high number of "do not have opinion". Although, there are some conclusions to take: most of the respondents totally agree that Damm's beer has quality, is different, is true for consumers and is refreshing. To point out also the opinion about the price, the respondents considered it a little bit expensive. The entire outcome is presented in the table below.

What is your opinion about Damm's beers. Rate your response from "1.Totally Disagree" to "4.Totally Agree"?											
	1.Totally Disagree		2.Disagree		3. Agree		4.Totally Agree		Do not have opinion		Total
Innovative	3	3%	4	4%	32	32%	23	23%	38	38%	100
Quality	1	1%	3	3%	27	27%	36	36%	33	33%	100
Reliability	1	1%	6	6%	24	24%	27	27%	42	42%	100
Funny	1	1%	7	7%	27	27%	22	22%	43	43%	100
Modern	1	1%	5	5%	28	28%	27	27%	39	39%	100
Dynamic	1	1%	6	6%	28	28%	22	22%	43	43%	100
Different	6	6%	5	5%	22	22%	30	30%	37	37%	100
True	2	2%	3	3%	25	25%	30	30%	40	40%	100
Bold	4	4%	9	9%	33	33%	14	14%	40	40%	100
Press button 1	50	50%	0	0%	5	5%	2	2%	43	43%	100
Healthy	11	11%	21	21%	20	20%	10	10%	38	38%	100
Traditional	3	3%	9	9%	30	30%	20	20%	38	38%	100
Irreverent	4	4%	10	10%	33	33%	11	11%	42	42%	100
Timeless	6	6%	9	9%	30	30%	12	12%	43	43%	100
Refreshing	0	0%	7	7%	23	23%	33	33%	37	37%	100
Expensive	2	2%	15	15%	33	33%	13	13%	37	37%	100
Original	2	2%	5	5%	28	28%	26	26%	39	39%	100

Regarding the marketing strategy, was asked if the respondents knew any marketing campaign (Table 17). 65% of them have never heard of any, and from the 35% that

said Yes most of them only remember the Spanish summer videos of “Mediterraneamente”.

Then, was presented the poster of *rota das tapas*¹⁰, and asked if they had participated. From the sample almost anybody (5%) participated in the campaign, and 60% of those who did not participated, have not even heard about it (Table 18).

Afterwards, was asked to the ones who heard of the campaign, participants and non-participants, if they considered a good campaign, and if they would like to participate again (Table 19). 95% said Yes, and of these, 37,5% would like to participate again. At last, 95% of the respondents considered that the Estrella Damm's marketing campaigns fits its products and the desired positioning (Table 20).

¹⁰ The survey was made at the time of the first edition of *rota das tapas*;

5 Conclusions

Grupo Damm, the oldest brewery company in Spain, announced in May 2012 a partnership with Sumol+Compal to the Portuguese market. Currently, after more than one year, this dissertation comes to analyze the positioning strategy implemented by both companies. Using the information from the Literature Review, Case Study and Market Research, this section intends to answer the problem statement, and more, in detail with what the research questions defined in the research proposal.

RQ1: What is the current situation of Grupo Damm?

Grupo Damm is present with regular sale in more than 40 countries. It owns several plants and brands around Spain which enables Damm to have a big control over the Spanish beer market.

In 2009, Font Salem, brand from the portfolio of Grupo Damm, bought a plant in Santarem previously owned by the beer company Cintra. This was the first step to what happen next.

In 2012, Damm decided to expand to Portugal, the internationalization process followed the strategy defined by Bartlett and Beamish (2011). The brand has made a partnership with Sumol+Compal: for 2,8 million Euros Grupo Damm bought the brand and all the assets of Tagus, on the other hand, S+C would have exclusive distribution over the next 5 years with possibility to expand over more 5 years.

RQ2: What were the motivations behind the expansion to Portugal?

As it was discussed in the Literature review there are always motivations behind internationalization. In this, case there some that need be referred.

Firstly, the change in strategy by Damm. The market in Spain has been decreasing so the brand to face that, has decided to adapt the strategy and bring it to another level: a global strategy for Iberia (Portugal and Spain). This way it would have a common strategy for both countries, with room to improve economies of scale and scope.

Secondly, Cultural identification between the two countries. That is the reason of why Portugal was chosen and not another country. Portugal and Spain have a lot in

common, that would facilitate and decrease costs in market study and implementation.

In addition, the plant which Font Salem owns in Santarem, was underexploited, and would facilitate even more the implementation in Portugal.

At last, the Opportunity to have a partnership with S+C. It has a strong position in the Portuguese market, and was looking for a partner. While Damm wanted access to a strong net of distribution channel, S+C wanted a strong beer brand to complement the product portfolio. This partnership still leaves a door open for future partnerships in other markets.

RQ3: What is Grupo Damm's positioning in Portugal? And how it is perceived?

Grupo Damm in Portugal went after a segment of the market that was not exploited by the direct competitors, the Gourmet Segment. It wants to position itself as an alternative to the two major players in Portugal: Sagres and Super Bock. These two have market control, so for now, there is no chance to Estrella Damm to enter in direct competition with these two. To state this position Damm has developed an implementation plan across the whole marketing mix, which allows it to differentiate from these two players.

Product

From a portfolio of 25 beers, Damm decided to enter in the Portuguese market only with 5. These beers would allow Damm to state the premium position to consumers, a product portfolio to every taste.

Among the portfolio there is one beer that best represents the positioning in Portugal, Inedit. This beer was created by one of the best chefs (Adrià Ferran) with the intention of being the best beer in the market. This beer would go after the restaurant segment, and would be an alternative to wine; this can be considered an upgrade in the beer product.

Price

Since Damm wanted to target the gourmet segment, it needed to set a premium price to increase value/quality to the product. Still this premium pricing is not present as in other international brands.

Distribution

Regarding the distribution, Damm uses the net of S+C, which grants the access to high number of points of sale. Although, the positioning is premium; the distribution is on the line with the competitors. The 5 beers are distributed over the modern distribution and HORECA channel.

Promotion

Over this first year of operations, Damm has done only campaigns that enhance the positioning strategy. It has done two *rota das tapas*, these campaigns are the ex libris of the positioning statement. It promotes a diversified gastronomic experience while drinking Estrella Damm in a cool and “trendy” way.

These campaigns permit to create a share value situation between Damm and the restaurants. The restaurants, promote their food while Damm promotes the beer and the desired position.

When looking to the market research, the company is going towards the desired positioning, but it is still a long way to go. In the second section of the market research it is clear that most of the respondents (46% of the one who have already drunk Estrella Damm) never drunk in Portugal or even heard about the distribution in Portugal.

Concerning the positioning, most of the respondents considered Damm a beer with quality, different and refreshing. Another outcome interesting to point out is the opinion about the price; most of them agree that is expensive. All of these elements go in the line with the desired positioning.

Finally, from the marketing strategy questions, it is possible to reach the conclusion that most of the people never heard about any marketing campaign (65% of the ones who knew Damm's brand), which makes it harder to create brand awareness.

RQ4: What are the major problems/risks?

The gap in the market found by Damm has been exploited, but there are some externalities that put this positioning at risk. Portugal is facing hard times, and if the economy does not recover in the next few years, it may put in risk this positioning. Not that Damm depends on the Portuguese economy, but it needs the Portuguese consumers to meet the selling goals.

The main focus in Damm's positioning is the HORECA channel. However, this channel has been the most buffeted throughout this crisis. The austerity plan, imposed by the FMI, has decreased the Portuguese purchasing power and increased the VAT in some areas such as the Restaurants. As a consequence, consumers are spending less money outdoors and the restaurants practice higher prices. These reasons put this whole positioning in stand when looking towards the future.

Another Problem that Estrella is facing is the "Portugality", as was stated by Teresa Silva Lopes (2002): consumers, in what concerns, prefer local beer, the one that has a certain heritage in their homeland. Beer can behave like a symbol of patriotism. To face this problem Damm needs to declare that it is supporting the Portuguese economy: partnership with S+C and has a plant in Portugal.

As a conclusion, Grupo Damm should continue with this approach towards the Portuguese market, and moreover, it should increase awareness with more promotions that add value to the brand (brand equity/differentiation). This path is long, but it is necessary to make solid foundations with consumers and suppliers. Only with this position it will grant a place in the Portuguese market and in the consumers' mind. Otherwise, it will enter in direct competition with Sagres and Super Bock, what would end up in an aggressive price war that may have results in the short term, but would destroy the brand in the long term.

6 Limitations and Future Research

During this Dissertation there were some limitations, most of them in the market research chapter. Despite the fact that the results from the survey were useful to make the conclusion, there were limitations that not helped to make statistic inference with a certain level of confidence.

The first limitation was the size of the sample. Although I made the effort to have a representative sample, the size of the sample was not big enough to represent the Portuguese population, especially the beer consumers.

Secondly, there was bias in the sample. Even though, I have tried to have an equally distributed sample over the age groups, the results were not as expected. This limitation results from the way the survey was distributed over the internet. A great part of the respondents were between the age of 15 and 24, which is limitative to make conclusions to this product category.

Regarding the future research there is still a lot o study in this case study. As possible alternative to future study I would recommend to follow up this history and see how Estrella Damm will behave in the next years. Another alternative is to have another approach and study the product portfolio, maybe in specific the Inedit beer which is totally new in this market segment.

7 Teaching Notes

7.1 Synopsis

Grupo Damm was founded in 1876 by the hands of August Kuentzmann Damm. It operates in the food business and is well known for its quality beer. The beer industry was dominated by local beers that had tradition in their market. Over time, this trend has changed: now most of the brands are owned by few multinational companies. Grupo Damm, acted differently, it is 100% independent from big MNC and has positioned itself as an alternative to all other beers, stating that is a gourmet beer, a beer to go along with a meal.

Grupo Damm has been the market leader in Spain, but in a globalized market it is not enough. Thus, in 2012, it decided to grow its operation in Portugal. To grow, Grupo Damm did an agreement with Sumol+Compal for the five following years. During the first year, it has maintained a similar positioning to the one it has in Spain.

This case study focuses on the steps which Estrella Damm did until its internationalization to Portugal. Highlighting the key element in this internationalization, the brand's positioning in a new market.

7.2 Target Audience of the Case Study

Estrella Damm's case study covers several topics as strategic management, brand management, strategic marketing, marketing research and managing in a global context. This case study can be used by undergraduate and master students, since it has some useful theoretical concepts: positioning, brand equity, internationalization process and marketing mix; these are applied in a simple but efficient way to the real world.

7.3 Teaching Objectives

This Case study has practical relevance for management students in many ways:

- I. Understand a complex industry, such as the beverage one: How it has evolved and specific characteristics of it;
- II. How to go international: motivations to do it, processes and alternatives;
- III. Get to know better the concepts of brand equity and brand positioning, and the usage in a real case;
- IV. Analyze the internationalization strategy of Grupo Damm to Portugal: motivations, how it has done it, competitors, product portfolio and marketing mix;
- V. Given the information provided both, in the case study and in the survey results, Understand if it is feasible to Estrella Damm to have the same positioning in different markets;

7.4 Teaching Plan

In order to take the most from this case study is recommended that students prepare themselves by reading the following articles regarding brand equity, brand positioning and internationalization:

- Aaker, D. A. and Shansby J. (1982) "Positioning Your Product", Business Horizons, pp. 56-62;
- Erfan Severi & Kwek Choon Ling (2013) "The Mediating Effects of Brand Association, Brand Loyalty, Brand Image and Perceived Quality on Brand Equity", Canadian Center of Science and Education, pp. 125-137;

7.4.1 In class discussion: Case Analysis

It is recommended a brief review of the case study before starting to make the questions. This review should take into consideration all of the topics discussed and the decisions made in the case study.

7.4.2 Questions to Develop

After making a brief review it is proposed to students to answer and discuss some questions about the case. The answers can be present in the literature review, the case study and the market research. Although, there are questions which don't have just one correct answer, to guide these questions it is proposed some topics that should be covered in the answers.

I. Describe all the steps to make internationalization, taking into account this case study: From the motivations, to how to do it.

There are two types of motivations: traditional and emerging.

Traditional:

- Need to secure key supplies;
- Market seeking behavior;
- Access to low-cost factors;

Emerging:

- Economies of scale;
- Increase R&D investment;
- Scanning opportunities and learning on a global scale;
- Competitive position;

After having the required motivations to go abroad, the company needs to define a strategy.

Where to go? What products to take with the company? How to do it?

When choosing a place to go, companies should have among other "characteristics" these four in their minds:

- Cultural identification;
- Past experience;
- Unique opportunity;
- Vicinity.

Then, it should adapt the strategy to the new market. Choose well what products will satisfy the need of the consumers. Sometimes from a portfolio of 20 products only one will fit in the new market, the other would be just a waste of resources.

At last the key issue in an internationalization, how to do it. According to the book transnational management, the process is gradual. It is like a learning curve: first exporting, second export through a subsidiary, then have a local assembly line and last but not least foreign direct investment. This process can be done alone, but can be facilitated with a partnership in the new market.

In the case of Grupo Damm, the process was not different. The main motivation was competitive position, but there were other important ones like: economies of scale and learning at a global scale.

It has chosen Portugal because of some reasons stated previously:

- Cultural identification (Portugal and Spain have a similar culture);
- Unique Opportunity (Grupo Damm has a factory in Santarem which was not in use at that time);
- Vicinity (Portugal and Spain have common borders);

Regarding the products, Grupo Damm from a portfolio of more than 25 products it has chosen only 5 beers.

In addition, the strategy followed by Grupo Damm was to have a partnership with a local company. This partnership gave possibility to have access to new distribution channels, which were impossible to reach before.

II. Evaluate and compare the desired positioning of Estrella Damm and the one perceived by the Consumers?

To answer this question is necessary to take into account four marketing dimensions; these correspond to the marketing mix: Product, Pricing, Placement (distribution) and Promotion.

The desired positioning of Estrella Damm:

- Product- Offer quality products with extensions to every taste; The packaging was adapted to the Portuguese market(0,25L); be recognized as a gourmet beer;

- Pricing- Premium pricing; Estrella does not want to enter in price wars: it would decrease value to the brand;
- Distribution- focuses in their main target, the HORECA channel;
- Promotion- focuses in the uniqueness of the brand, and states the gourmet positioning; No price promotion; Promotion based on a strategy of shared value: marketing campaign, *rota das tapas*;

The Perceived positioning of Estrella Damm (taking into account the survey results):

- Product- the characteristics of Estrella that had a higher score by the respondents were: quality, different, true and refreshing; most of the respondents never heard or tried other Damm's beer besides Estrella Damm;
- Pricing- many considered the beer to be a expensive;
- Distribution- when asked about where did they consumed Damm, most of them said bars and restaurants, still many of them didn't know that the beer was distributed in Portugal.
- Promotion- most of the respondent who said that recalled a marketing campaign of Estrella Damm, remembered the Summer campaign of "mediterraneamente", then most of them considered the *rota das tapas* a good campaign, but not that effective because most of them didn't participated or even heard of it.

As a conclusion, after more than one year after the increase of operation in Portugal, the desired position is still not implemented in the mind of the consumers.

III. In order to meet the goals set in 2012, should Estrella Damm maintain the same positioning?

This question has many possible answers, all of them may be correct as long as they are well explained and substantiated.

One possible answer:

The managers should get together a settle a more reasonable goal. Many events are affecting the beer market (decrease in consumption, increase of the VAT, austerity

program); Estrella is not the only beer company which is in difficulty to meet the goals.

Estrella should not change the positioning, as long as it is considered an alternative to the duopoly of Sagres and Super Bock, it will have its own space in the market. Otherwise it will enter in a fight for share which would result in a price war, where neither Estrella nor any of the other companies would benefit.

7.4.3 Group Assignment

For the group assignment, students are supposed to form groups of three people and develop a three page work about the following question. To answer this question Students may search other sources besides the case study, in line of having the best possible answer.

I. Considering that you are the new Country Manager of Estrella Damm, what would you do to increase results?

Possible topics and structure to answer this group assignment:

Estrella has the right positioning in Portugal?

The positioning strategy should have a local or global approach?

What is Estrella Damm's place in a perceptual beer map?

What would you change?

- Price?
- Product?
- Placement?
- Promotion?

State the positioning that would give the best results (short-term/ long-term). Then, regarding the positioning chosen, design a new marketing mix.

8 Appendix

8.1 Survey

Este questionário foi desenvolvido no âmbito da Tese: MARKETING CASES, que se insere no programa de Mestrado de Gestão da Católica Lisbon School of Business and Economics. Através deste questionário, pretendo estudar os diversos perfis de consumo, em relação ao mercado da cerveja, em especial a Estrella Damm. Peço que tente responder da forma mais verdadeira, para assim ter uma amostra o mais perto possível da realidade. Desde já agradeço a sua participação.

1. É consumidor de cerveja?
 - Sim
 - Não

2. Em média, quantas vezes por semana consome cerveja?
 - Mais de uma vez por dia
 - 1 vez por dia
 - 4 a 6 vezes por semana
 - 1 a 3 vezes por semana
 - Menos de uma vez por semana

3. É habitual consumir cerveja às refeições?
 - Sim
 - Não

4. Onde é hábito consumir?
 - Casa
 - Restaurantes
 - Bares
 - Discotecas

5. Sempre que possível, qual a maneira que prefere que a cerveja seja servida?
- Barril de pressão (imperial)
 - Garrafa
 - Lata
6. Ponha por ordem as características que considera mais importantes na escolha de uma cerveja?
- Qualidade
 - Preço
 - Marca
 - Local de origem
 - Tamanho
 - Teor de álcool
7. Qual a cerveja que mais consome?
- Sagres
 - Super Bock
 - Heineken
 - Carlsberg
 - Estrella Damm
 - Cristal
 - Outra: _____
8. Conhece as cervejas da marca Damm?
- Sim
 - Não



9. Reconhece alguma destas cervejas?
- Estrella Damm
 - Voll Damm
 - Bock Damm
 - Inedit
 - Free Damm
 - Nenhuma
10. Já consumiu alguma das cervejas anteriormente descritas?
- Sim
 - Não
11. Se Sim, qual?
- Estrella Damm
 - Voll Damm
 - Bock Damm
 - Inedit
 - Free Damm
12. Onde é que a consumiu?
- Portugal
 - Espanha
 - Outro: _____

13. Sabia que a Cerveja Estrella Damm é vendida em Portugal?

- Sim
- Não

14. Em que situação é habitual encontrar/ consumir?

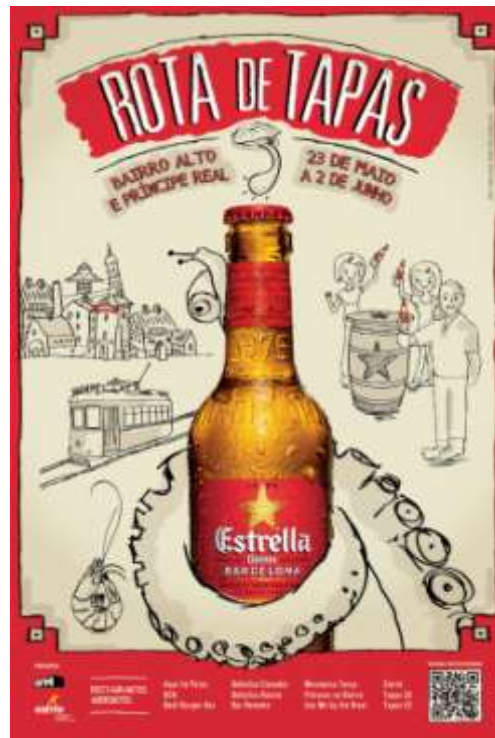
- Casa
- Restaurantes
- Bares
- Discotecas

15. Qual a sua opinião acerca das cervejas da marca Damm. Classifique a sua resposta de "1.Discordo Completamente" a "4.Concordo Completamente"?

	1.Discordo Completamente	2.Discordo	3. Concordo	4.Concordo Completamente	Não tenho opinião
Inovadora					
Qualidade					
Confiança					
Divertida					
Moderna					
Dinamica					
Diferente					
Verdadeira					
Arrojada					
Carregue no botão 1					
Saudavel					
Tradicional					
Irreverente					
Intemporal					
Refrescante					
Dispendiosa(preço alto)					
Original					

16. Está familiarizado com alguma campanha de marketing desta marca?

- Sim, Qual? _____
- Não



17. Participou nesta campanha de marketing?

- Sim
- Não, mas ouvi falar
- Não, e não ouvi falar

18. Considerou uma boa campanha?

- Sim
- Sim, espero que haja outra vez
- Não

19. Considera que as campanhas de marketing desta marca se adequam ao seu produto?

- Sim
- Não, porque?

20. Sexo:

- Masculino
- Feminino

21. Idade:

- Menos de 15
- 15- 24
- 25-34
- 35-44
- 45-54
- 55 ou mais

22. Concelho de residência: _____

8.2 Case Study Exhibits

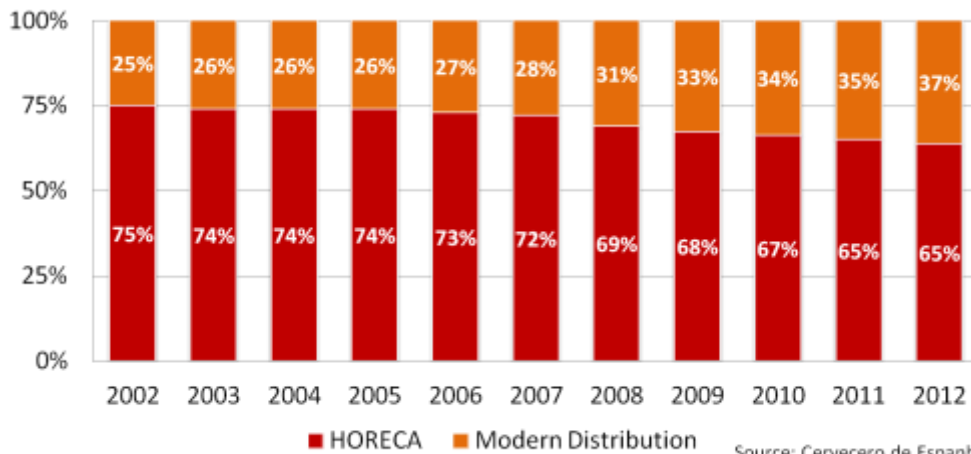
Exhibit 1: Consumption trends in the distribution channels in the Portuguese market

	2011	2012	2013*
Mordern Distribution	-2%	-8%	8%
HORECA	-5%	-12%	-7%
Market	-4%	-10%	-1%

Source: ACNielsen

*Note: study made in September 2013

Exhibit 2: Evolution of the weight of each distribution channels in the total consumption in Spain



Source: Cerveceros de Espanha

Exhibit 3: Brands market share in Portugal

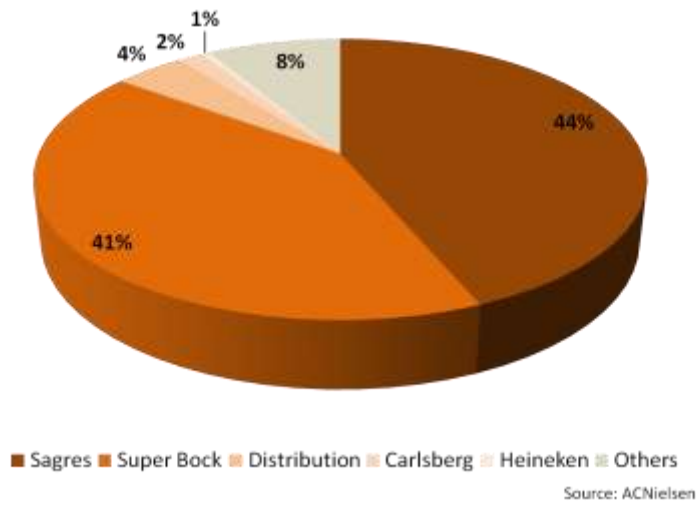


Exhibit 4: Map of rota das tapas (2º event)



8.3 Survey Results

Table 1

Idade:		
Menos de 15	0	0,0%
15-24	99	60,7%
25-34	25	15,3%
35-44	6	3,7%
45-54	22	13,5%
55 ou mais	11	6,7%
Total	163	100%

Table 2

Sexo:		
Masculino	79	48,5%
Feminino	84	51,5%
Total	163	100%

Table 3

Concelho de residencia:		
Cascais	60	36,8%
Lisboa	59	36,2%
Oeiras	14	8,6%
Sintra	5	3,1%
Santarem	5	3,1%
Outro	20	12,3%
Total	163	100%

Table 4

É consumidor de cerveja?					
		Sim	%	Não	%
Sexo	Masculino	74	54%	5	19%
	Feminino	62	46%	22	81%
	total	136	100%	27	100%

Table 5

Em média, quantas vezes por semana consome cerveja?		
Mais de 1 vez por dia	4	2,9%
1 vez por dia	11	8,1%
4 a 6 vezes por semana	19	14,0%
1 a 3 vezes por semana	69	50,7%
Menos de 1 vez por semana	33	24,3%
Total	136	100,0%

Table 6

É habitual consumir cerveja às refeições?		
Sim	31	22,8%
Não	105	77,2%
Total	136	100%

Table 7

Onde é hábito consumir?		
Casa	65	47,8%
Restaurantes	79	58,1%
Bares	107	78,7%
Discoteca	77	56,6%
Total	136	100%

Table 8

Sempre que possível, qual a maneira que prefere que a cerveja seja servida?		
Barril de pressão (imperial)	100	73,5%
Garrafa	32	23,5%
Lata	4	2,9%
Total	136	100%

Table 9

Qual a cerveja que mais consome?		
Sagres	44	32,4%
Super Bock	77	56,6%
Heineken	4	2,9%
Carlsberg	2	1,5%
Estrella Damm	2	1,5%
Outra	7	5,1%
Total	136	100,0%

Table 10

Conhece as cervejas da marca Damm?		
Sim	84	61,8%
Não	52	38,2%
Total	136	100%

Table 11

Reconhece alguma destas cervejas?		
Estrella Damm	101	74,3%
Voll Damm	12	8,8%
Bock Damm	8	5,9%
Inedit	7	5,1%
Free Damm	6	4,4%
Nenhuma	36	26,5%
Total	136	100%

Table 12

Já consumiu alguma das cervejas anteriormente descritas?		
Sim	61	61,0%
Não	39	39,0%
Total	100	100%

Table 13

Se sim, qual?		
Estrella Damm	61	100%
Voll Damm	8	13%
Bock Damm	4	7%
Inedit	5	8%
Free Damm	1	2%
Total	61	100%

Table 14

Onde é que a consumiu?		
Portugal	33	54%
Espanha	43	70%
Outro	5	8%
Total	61	100%

Table 15

Sabia que a Cerveja Estrella Damm é vendida em Portugal?		
Sim	15	54%
Não	13	46%
Total	28	100%

Table 16

Em que situação é habitual encontrar/ consumir?		
Casa	14	42%
Restaurantes	28	85%
Bares	28	85%
Discoteca	8	24%
Total	33	100%

Table 17

Está familiarizado com alguma campanha de marketing desta marca?		
Sim, qual?	35	35,0%
Não	65	65,0%
Total	100	100,0%

Table 18

Participou nesta campanha de marketing?		
Sim	5	5,0%
Não, mas ouvi falar	35	35,0%
Não, e não ouvi falar	60	60,0%
Total	100	100%

Table 19

Considerou uma boa campanha?		
Sim	23	57,5%
Sim, espero que haja outra vez	15	37,5%
Não	2	5,0%
Total	40	100%

Table 20

Considera que as campanhas de marketing desta marca se adequam ao seu produto?		
Sim	38	95%
Não	2	5%
Total	40	100%

8.4 Interview Guidelines to Enrique Miro-Sans

There were 3 meetings with Enrique (Country Manager of Estrella Damm in Portugal), during these meetings were discussed a lot of topics concerning Grupo Damm, below is presented a brief resume of what was debated.

- Presentation and explanation of the thesis objectives;
- Grupo Damm's history;
- Internationalization of the company;
- Partnership with Sumol+Compal;
- Positioning in Spain;
- Competition in Portugal;
- Positioning in Portugal: Marketing mix;
- Rota das tapas;
- Main challenges and risks;

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