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# Compal Família

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Changing Consumption Behavior  
in the Juice and Nectars Category

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## Abstract

Title: “Compal Família” – Changing Consumption Behavior in the Juice and Nectars Category

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Sumol+Compal is a beverage Portuguese company, responsible for 25% of the non-alcoholic segment, present in the market for more than 50 years. It resulted from the merger of two of the strongest player on the soft drinks market: Sumolis and Compal. The company is present on the J&N category with the brand Compal, a premium leader brand that offers high quality juices, made from real fruit. On 2012, on the Portuguese recession apogee, the brand launch on the market Compal Família, a more diluted product, proper for new ways of consumption. With the increase of private labels power and the changing on consumers’ private consumption, Compal decided to expand its total market demand by addressing a different consumption occasion: main meals.

After two years of Compal Família launch, Rodrigo Costa, the brand marketing manager and his team, realized that consumers haven’t perceived the new product positioning properly, especially because juices were not adequate for main meals. A new challenge emerged and for 2015, the team had to establish a new strategic plan for Compal Família. After several analysis, they knew that the only options available to reach their objectives would passed by repositioning the product, investing on packaging proper for family consumption or reducing its value to a product line extension.

## Resumo

Título: “Compal Família” – Alteração dos Momentos de Consumo na Categoria de Sumos e Néctares.

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Sumol+Compal é uma empresa portuguesa de bebidas, responsável por 25% do mercado de bebidas não alcoólicas em Portugal, com experiência no mercado há mais de 50 anos. A empresa resultou da fusão de dois fortes concorrentes no mercado de bebidas: Sumolis e Compal. S+C está presente no mercado de sumos e néctares com a marca Compal, uma marca de estatuto premium que lidera a categoria, graças à qualidade dos seus produtos, resultado de uma produção natural à base de fruta. Em 2012, no apogeu da crise económica portuguesa, a marca lançou o Compal Família, um néctar mais diluído apropriado para novas formas de consumo. Com o aumento de poder das marcas brancas, em conjunto com a diminuição do consumo privado, a marca Compal decidiu tentar expandir a procura através de novas formas de consumo às refeições principais.

Passado dois anos do lançamento de Compal Família, Rodrigo Costa, o responsável de marketing da marca e a sua equipa, verificaram que o posicionamento do produto não tinha sido percepcionado pelos consumidores correctamente, principalmente devido à forma de consumo proposta para os sumos. Assim, um novo desafio surgiu e para 2015, a equipa ficou responsável por estabelecer uma nova estratégia para o Compal Família. Tendo por base alguns estudos de mercado e com um objectivo em mente, as únicas hipóteses passam por reposicionar o producto, investindo numa alteração de embalagem apropriada para consumo familiar ou através da comunicação do producto como mais uma sub-marca de Compal.

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## Compal Família: Changing Consumption Behavior in the Juice and Nectars Category

It was the beginning of 2012 and Sumol+Compal was entering in their worst year, since the beginning of Portuguese crisis. Consumers were changing their behavior, moving their purchase towards low price products and private labels, leaving behind the branded quality products and leading brands. For the very first time, Sumol+Compal, a company leader in the juice and nectars (J&N) segment and one of the strongest Portuguese companies in the soft drinks market, was struggling to compete with private labels. It was a war that every branded product was facing and any move could be catastrophic to their relationship with retailers.

The challenge was to increase the market share in order to fight against this new competition, without penalizing their product's quality image and price. A diverse and extent portfolio was available, but the only category strong enough to be successful was J&N. To compete against other leading brands, like Coca-Cola, in the soft drinks market represented a huge investment. So, what better than use Compal, a leading brand in the mature category of J&N in Portugal, with a market share of 63,8%<sup>1</sup>? **(see Exhibit 1)**

Rodrigo Costa, Compal Marketing Manager, was the person responsible for taking the hard decision of developing a strategy to compete with private labels. Together with his team, they were facing a difficult situation that no team likes to be in: they had to increase the market share in a market moved by trade promotions and where competing in price was the most powerful way to increase sales' volumes. Furthermore, they were dealing with a premium brand and any move could damage the whole Compal portfolio. So, how could Rodrigo and his team change consumers' behavior and increase company's revenues without jeopardizing Compal brand?

### Company Overview

Sumol+Compal was a beverages Portuguese company, originated from the union of two Portuguese players with more than 50 years of success in the national soft drinks market: Sumolis and Compal. Together since 2008, the group was the leader in Portugal in the non-

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<sup>1</sup>Market Share in value, 2012 Nielsen Portugal Database

alcoholic beverages' segment, with a market share of 25%<sup>2</sup>, by offering a strong brand portfolio of soft drinks, waters, juices/nectars and beers.

Focused on satisfying the desires and needs of their consumers, the company offered quality, innovative and distinctive products with natural and nutritional ingredients, essential for consumers' daily life. Present in more than 70 international markets, it was in Portugal where the company maintained its strong and leading position, basically thanks to its brand heritage and distribution network developed over the years.

Mainly in Portugal, Sumol+Compal was responsible for a wide and complete brand portfolio, which included Compal, Sumol, B!, Um Bongo, Frize, Água Serra da Estrela and GUD, and represented brands like Pepsi, 7up, Guaraná Antarctica, Gatorade, Tagus and Estrella Damm, . With the ambition of being consumers' top of mind brand, in every category, the company tried to be involved in the natural environment of consumers' life **(see Exhibit 2)**.

## **The story behind a successful company**

### **The Compal Group**

The origins of Compal Group dates back to 1952, when the company started its business by producing and selling concentrated tomato. Although it started on the tomato industry, over the years, Compal expanded its portfolio through soft drinks, concentrated vegetables and waters.

The company was set up by a group of growers that, in order to attract capital from the region's major landowners, established demanding quality and production standards. These requirements together with a close customer relationship led Compal to develop a recognized and successful brand. However, in the 60's, the Colonial War affected the Portuguese market conditions and together with the lack of funding for the company's development, Compal faced a complicated financial situation. Given the need of new capital injection, the concentrated tomato producer was incorporated into CUF, the largest industrial corporation at the time in Portugal. This synergy gave access to a totally different business situation, allowing the company to build its factory in Almeirim, concentrating every production operation in the same place.

Despite all investments, the Portuguese social and political situation was not helping and Compal continued to struggle to survive, but this time at a different level. In 1974, on April

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<sup>2</sup>Sumol+Compal Management Report 2012

25<sup>th</sup>, Portugal faced a social revolution that freed the country from a dictatorship and open doors to a democratic regime. With the revolution came a period of instability, where most companies were facing a nationalization process, characterized by financial and labor problems.

Since there is always a rainbow after the storm, in 1986, Compal re-emerged in the market under the joint supervision of IPE<sup>3</sup> (Instituto de Participações do Estado) and Tabaqueira<sup>4</sup>. Once again, capital was injected creating a boost on investment and production capacity. In 1997, Compal entered again in the private sector, being the last acquisition of Jorge de Mello Group, on the Nutriveste<sup>5</sup> business. Two years later, and to enter in the new century in the best possible way, Frize became part of Compal Group's portfolio. Launched in the market in 1994 by the Bem Saúde Company, Frize was a carbonated mineral water that acquired the youth and irreverent style with Compal.

The century began with Compal's 50 years anniversary and in order to celebrate it, the company entered into a rebranding and packaging innovation process. The new visual was a combination of the brand's modern and traditional elements and the new packaging was a 1 liter Tetra Prisma Aseptic Square. This type of packaging did not exist in the Iberian market and was the third time that was launched worldwide.

In order to continue the group development and to bring value to its portfolio, B! and Um Bongo started to be produced and commercialized in the market. These two non-carbonated soft drinks were made to reach a younger target and, consequently, increase the company's market share. B! born in September 2002 as a young, happy and attitude soft drink. Within its category, it was a distinct drink, with low calories, that represented the "B side of life", which meant something irreverent and without restrictions. The product was proper for dreamers and adventurers that looked for the positive side of life. Um Bongo was created in the same year, defined as the brand that took children to the amazing world of the jungle. With a lion, a crocodile, a hippo, a gorilla, a giraffe, a snake and a rhino as main characters of that world, this juice was "the jungle's great flavor" aiming to involve the little ones in an amazing adventure. Still in 2002, Frize extended its line, launching Lemon Frize, a flavored carbonated water.

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<sup>3</sup> State Portuguese institution.

<sup>4</sup> Portuguese tobacco producer. In 1986, it had the Portuguese monopoly of tobacco production.

<sup>5</sup> Agro industrial Company responsible for 4 different categories: oils, juices and waters, cookies and coffee.



2003 was the year responsible for Compal going outside national borders. The company started its international project by expanding their core business to Spain, where after 2 years grew more than 100%, being considered the 4<sup>th</sup> main player<sup>6</sup> in the Spanish nectars market. This was the first step into an international strategy, based in where the Portuguese community was more present.

With such a variety of product in its portfolio, and in order to be coherent in both national and foreign markets, the company decided to create a distinctive logo from the brand Compal to represent the Compal Group worldwide. Since the beginning, the company was easily recognized from its first and main product, Compal, what was easier for consumers' mind considering the brand history and equity. However, given the different values and positioning each brand had, it seemed relevant to create a more cooperative and institutional logo, in order to not confuse consumers' mind. After that, in 2005, Compal became a consortium of Caixa Desenvolvimento, SGPS, S.A. and Grupo Sumol, its future ally.

In 2006 and before the merger of Sumol and Compal, the company innovated once again by creating a product equivalent to a shot of fruit. In order to increase the fruit consumption, something that was decreasing in the world, Compal invested 7 million euros in the creation of Compal Essential. The idea was to offer a product that could facilitate fruit's consumption everywhere and any time, with similar nutritional ingredients.

### The Sumol Group

The Sumol Group was set up in 1945 in Algés by Refrigor, a Portuguese soft drinks producer. Although the company went through a slightly period of struggle in its first five years, in 1950, under the ownership of António João Eusébio, Refrigor reborn and quickly achieved a sustainable and fast market growth. António João Eusébio was the motor that guide the company to such a successful stage. His innovative and broad vision resulted in an organizational group focused in consumers' needs, innovation, quality and a wide distribution network.

The 50's were marked by a constant rampage, with companies trying to survive in an industry that was considered seasonal. Most companies were facing financial problems and the soft drinks market was very rudimental in terms of technology and know-how. So, the proper conditions to innovate were set and Refrigor decided to revolutionize the market by

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<sup>6</sup>Source: Company Website.

creating a totally different product: a “natural soft drink”. After a huge investment in R&D<sup>7</sup>, the company launched an orangeade made with real oranges. This new product immediately caught consumers’ attention, since until 1951 the soft drinks market was only based on fruit fragrances. Three years later, after some improvements, Refrigor rebranded the product and Sumol was born. It was the first pasteurized fruit soft drink in the Portuguese market, which required an investment from the company in its production process in 1956<sup>8</sup>.

Taking advantage of Sumol success, in the 60’s, Refrigor generated an industrial franchising and commercial network that ensured the national production and distribution of Sumol. There were three companies that enrolled in this project: Sureno, covering the north part of the country; Cial, responsible for the south; and Sumolis, securing the center. Together, they attained a larger market and realized that both product innovation and distribution network were the key to success. Therefore, in 1960, Refrigor created a concentrated fruit beverage to mix with water, followed by a line of nectars and juices with high nutritional value. Such success attracted a large number of competitors. So the company decided to invest in communication to reinforce the brand’s recognition and equity, bearing the company to a leading position.

Contrary to what happened to Compal Group during the Portuguese revolution, Refrigor achieved a consolidated development, thanks to the franchising network created in a decade before. The company continued increasing its production capacity and, after the revolution, it added another brand to the group: Sumolis<sup>9</sup>. With the political regime change, Portugal started to grow economically, the consumption increased and the Group Sumol introduced new and improved existing beverage brands. Brands like Seven-Up<sup>10</sup> and Suco<sup>11</sup> emerged during this period.

The successful growth was extended until the end of the century. Refrigor continued to develop new ways to produce and sell, increasing the company’s brand portfolio. Partnerships with different companies made possible the establishment of a franchising contract that allowed Pepsi and Água da Estrela to be trade in the Portuguese market. With such products’ variety, Refrigor decided to invest in its traditional independent distribution system by setting up a group of distribution companies to provide a diverse portfolio to

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<sup>7</sup> R&D stands for Research and Development.

<sup>8</sup>The bottling machine increased its capacity to 3500 bottles filled per hour.

<sup>9</sup>Sumolis belonged to Madibel, a company with operations in Madeira, responsible for the largest soft drinks bottling line in Portugal (capacity of 50 000 bottles/hour).

<sup>10</sup>Lemon-lime flavored and carbonated soft drink. A leader in its segment.

<sup>11</sup> Fruit flavor soft drink.

retailers. With such a strong business established in Portugal, Sumol Group ended the century abroad with the development of low calories soft drinks and with its business' expansion.

The century began and with it a new company re-emerged. In 2001, Refrigor merged its business with Sumolis, the company that was responsible for the bottling process of Refrigor since 1999. This joint venture made possible the creation of a strong group: Sumol, in which Sumolis accepted to be responsible for all the business management activities, while Refrigor was the group's main shareholder.

### The birth of Sumol+Compal

The merged of both companies only happened in 2008, but the process began 3 years before. It was the end of 2005 and Sumolis and Caixa Geral de Depósitos Group (CGD)<sup>12</sup> announced the acquisition of Compal from Nutrinveste. With this acquisition and once the right conditions were established, both organizations merged and Sumol+Compal was born.

Sumol+Compal was established through the merger of two of the most prestigious brands within the Portuguese industry. Given the huge size of both companies, it was required the creation of common facilities, in order to be successful in covering the whole country. The national distribution and logistics were extended and consolidated. So, in less than four years, the group expanded its business to the African market. In April 2012, the group restored a factory to start producing in Mozambique, creating Sumol+Compal Moçambique, S.A, which ended to be its heart in Southern Africa, reaching the neighbor markets. The factory was responsible for the production and packaging of two Compal brands (Classic and 100% line) and also GUD.

Since then the company offered a wide and diverse portfolio, present in five distinct categories: juices and nectars (J&N), soft drinks, waters, beers and vegetables. Those categories included national and international brands, in which some were the result of partnerships with other market players (**see Exhibit 2**). The Sumol+Compal's portfolio was available in two different distribution channels: food service sector (hotels, restaurants and coffee shops) and mass market. The company sold directly to both points of sales, but there was also the possibility to go through Cash & Carries, or distributors, to reach retailers and, consequently, final consumers.

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<sup>12</sup> A Portuguese state-owned banking corporation and the largest bank in Portugal.

## Portuguese Soft Drinks Industry

Soft drinks were one of the most dynamic categories in the fast-moving consumer goods industry. Innovation and diversification were frequently applied in a sector characterized by beverage variety. Even so, this market was facing a decrease in consumption since 2008, especially with carbonated and functional soft drinks. Nevertheless, crisis periods were the best moments to find new opportunities, to innovate, to be creative and to change. And that was what every company in the market was trying to do.

A soft drink is a non-alcoholic beverage, composed by 90% water, usually but not always carbonated, with natural or artificial sweetening agent, natural or artificial flavors and sometimes with fruit juice, occasionally containing minerals. With different tastes and combinations, soft drinks were present across several product categories, such as carbonates, bottled waters, fruit juices, functional drinks, fruit flavors, concentrates, or even smoothies.

With such diversity and variety, companies developed products according to consumer's needs, lifestyles and preferences, making the consumption adaptable to each occasion. There were energetic beverages, as Gatorade or Redbull, which were normally consumed during sport or study activities. There were available fruit juices, as Compal, flavored waters, as Vitalis Sabores and carbonates, as Coke, Pepsi, 7up and Sumol, appropriated for family and friend occasions. There were also flavored or plain sparkling waters, as Água das Pedras, and cold ice teas, as Ice Tea and Pleno, served every time someone needed a refreshing and light drink. Even though, at the end, there was still room for new products to emerge **(see Exhibit 3)**.

In a society extremely concern with health, weight and wellbeing since the beginning of the century, most companies were trying to follow this trend by introducing products that could meet consumers' needs. Since this market valued 630 million of liters every year<sup>13</sup>, including appetite control products to beverages that act against consumers' body problems, most brands were focused in delivering the proper drink to help consumers fulfilling their needs. Furthermore, in 2012, Portugal was facing the higher decrease on GDP<sup>14</sup>, since the beginning of the economic recession. GDP decreased 3.2%<sup>15</sup>, mainly because most people had less money to spend and, consequently, the levels of private consumption declined **(see Exhibit 4)**. Consumers had to change considerably their consumption habits, by reducing the

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<sup>13</sup> Source: <http://www.hipersuper.pt/>.

<sup>14</sup> GDP stands for Gross Domestic Product.

<sup>15</sup>Source: [www.countryeconomy.com](http://www.countryeconomy.com).

shopping units, opting to purchase the same amount but at a lower price or choosing different brands from the ones they were used to purchase.

As a result of this economic situation and to reverse the Portuguese state budget deficit, government increased taxes for the beverage market. Not helping to reverse the low levels of private consumption, the VAT<sup>16</sup> applied to soft drinks increased from 6% to 23%<sup>17</sup> (except for juices) and changed to 13% in waters. In what concerns restaurants and supermarkets, the VAT applied was the same. The obvious result was a significant reduction in out-of-home consumption sales, followed by an opposite trend in the mass market. Consumers began to be more careful about their options and companies started to offer more competitive solutions to the market, in terms of price and quantity.

### **The Juicy side of the Industry**

Since 2008, the juice category, part of the soft drinks market, was also facing similar difficulties. Even being a healthier beverage, in comparison with most soft drinks, it suffered a contraction of 5% in its value in 2012. Nevertheless, most brands took advantage of this situation to match consumers' consumption with their savings. By providing "concern solutions" and investing in in-home consumption, most brands overturned its results in this critical situation.

The juice and nectars (J&N) category represented 10,7% of the market's total value, more or less 146 million Euros<sup>18</sup>. This market category consisted of nectars (30%-99% juice), fruit drinks (0%-29% juice, which included light and vitamin), 100% fruit juice (from concentrate or not) and vegetable juice. Nectars and fruits drinks were market leaders in sales, with 43.4% and 39.9%, respectively, given a total market value of 182 million Euros<sup>19</sup>. As in any other category, there were two main players: manufactures and distributors. Manufactures were present in most of the abovementioned segments, what basically differed were the brands and product types. Distributors were mainly represented by retail chains, which offered private labels at competitive prices.

Considering the manufactures' group, there were four main brand players: Sumol+Compal, Parmalat, Unicer and Orangina Schweppes. Sumol+Compal was leader with a

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<sup>16</sup>VAT stands for Value-added Tax.

<sup>17</sup>Source: Expresso Journal news.

<sup>18</sup>Source: Soft Drinks in Portugal 2012, Marketline Industry Profile, Informa Business, September 2013.

<sup>19</sup>Source: Juices in Portugal 2012, Marketline Industry Profile, Informa Business, September 2013.

market share of 74,2%<sup>20</sup> and a portfolio mostly focused in juices and soft drinks. It was mainly recognized in this category with Compal, a national juice and nectar brand. The brand enriched its strategy by innovating and working its brand equity. Its levels of brand recognition and awareness were essential for consumers to choose their product and for their business development. The second one, Parmalat, with 0,4% of market share, was a milk pioneer in Portugal, with an extent portfolio in the beverage market, competing in the juice industry with Santal, also a juice and a nectar. Santal enhanced its strategy by investing in product innovation, while providing juices and nectars with additional nutritional ingredients, as milk, vegetable juices and herbs. The third player was Unicer, with a market share of 0,8%. Unicer was a multinational company recognized in the beverage industry by its beer and water portfolio. Although its reputation was mainly due to Super Bock and Carlsberg success, the company was present in this category with Frutis. The brand portfolio was mainly composed by juices and it was more successful in the in-home channel rather than in the out-of-home, given its low price strategy. And finally, also a company that competes in price in the mass market, with a market share of only 0,1%, Orangina Schweppes was a carbonated water seller, which also compete in prices and was responsible for the brand Trina in this category. Trina was a very strong juice in the immediate consumption channel, which offered a lighter product in comparison to Compal. It was developed to reach a younger target due to its image and characteristics.

Aside from competing with each other in terms of brand, the four players had to be concerned with private labels and the other non-alcoholic beverages players. More and more, they were innovating in terms of product, aiming to provide healthy solutions to consumers. In the second group of players mainly belonged mass market retail chains, such as: hypermarkets (as Continente, Jumbo or El Corte Inglés), and supermarkets (as Pingo Doce, Lidl or Mini Preço). While large retailers worked with standard price levels, applying promotional campaigns once in a while, supermarkets had an everyday low price policy and target more price sensitive consumers. With or without promotional activities, or even with high or low price products, most retails had their own “branded” products. The advantage here was that they offered similar quality products, in comparison with manufactures’ products, while selling it with a more competitive price (**exhibit 5**). This was what led branded players to play with promotions to grab consumers’ attention. Furthermore, the retailers were the ones who decided which products would be available in their shelves. So, apart from competing in price and product, manufacturers had to offer the best conditions to match their strategy with the

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<sup>20</sup> Value Market Share, Nielsen 2012, include Compal and Um Bongo brand on the data

one from distributors. With this perspective began an era of conscious purchases, while companies became desperate to sell, they also need to match consumers' economic constraints with their offer, without prejudicing retailers' activities.

The competitive prices and consumers more focused on managing their incomes, the juice and nectars industry was being overrun by private labels in 2012. Since the beginning of the crisis, private labels were revolutionizing the way consumers purchase. They offered similar quality at a significant low price, turning them into a really strong competition. Although these types of products were gaining market power, it was really interesting to notice that branded natural and healthier products, as nectars, still had a significant share in consumers' mind (**see Exhibit 6**). Brand trust and loyalty were the key elements to help branded products to survive. Beyond that, those product types mainly competed on price and promotions, given the strong benefit consumers had in buying private labels. In this sense, trade promotions were also another way to grab consumers' attention and, consequently, increase the company's sales. The more attractive the promotion is, more desirable will be to consumers and more sales will be generated.

Apart from being such a competitive market, in what concerns consumption moments, juice and nectars were mainly consume at breakfast or in small and light meals. Portuguese consumers asked for juices or nectars, if they were having breakfast with their families, if they were enjoying a small meal or even if they were hanging out with their friends on a sunny afternoon. However, almost always, it was not an option to drink it at lunch or dinner, giving place to carbonated and less natural soft drinks to act. Furthermore, these types of products were consumed more out-of-home: at restaurants, coffees and bars; having the weather as main factor to increase sales. Following the same trend were juices, nectars and other soft drinks. So, when consumers were able to stay outside and enjoy the sun, sales increased, being a good day for consumers and companies.

## **In Compal shoes: Brand Management and Portfolio**

Compal was the pioneer brand that gave its name to Compal Group, and it is offering, for more than 60 years, juices and nectars to Portuguese consumers. The brand focused its strategy in real fruit, providing natural and nutritional products, based on the principle that great fruit, made great juice. Combining "undeniable sources of pleasure, hydration and

nutrition”<sup>21</sup> with consumers’ need for healthy and quality products, Compal explored disruptive opportunities, challenging the market.

In Portugal, Compal was positioned as a premium brand with a genuine and natural taste, being present in three categories within the market: Juices and Nectars, Concentrated Juices and Vegetables. Since consumers enjoy experimenting new things, the brand offered a dynamic and innovative portfolio in different shapes and sizes, which are strongly communicated in order to be clearly recognized. This variety allowed Compal to sell its products at a higher price than competition, continuing to maintain its leading position in the Portuguese market. Notwithstanding, consumers felt that the brand cared about their needs and desires especially in this difficult period, since Compal prioritized Portuguese ingredients and producers to streamline the Portuguese economy.

With the purpose of being the first choice for consumers, the brand was organized in five categories of juices and nectars: Compal Classic, Compal Vital, Compal Fresh, Compal Light and Compal Essential. Each one was created according to a specific target, in different formats and shapes (**see Exhibit 7**). Since 2009, the brand was focusing its approach on the fruit concept, working with Portuguese ingredients available in Portugal. Although most of the flavors already present in the market were made from Portuguese fruit, this information was not released in the products’ communication. However, after the beginning of the crisis, the company realized that Portuguese consumers started to prefer national products, once it worked as a way to help the country reversing its economic situation. Consumers became more concerned about their product purchase and, against all odds, they were willing to pay a higher price for a product made in Portugal. So, Compal followed this trend and added to its premium brand the concept of Portuguese fruit. This minor change was part of the solution to Compal decreasing in revenues trend, leading to more produced flavors that stand a whole new “Frutologia<sup>22</sup>” concept.

Until 2014, the brand was facing a portfolio reorganization and to celebrate the 60 years of existing, Compal changed its image to a more dynamic and young presentation. Additionally, it continued to focus its strategy on real fruit, but trying to be perceived as more economic brand. The portfolio was reduced to three sub-brands, in which specific prices and sales promotions were applied. The classic range is composed by consumers’ preferred flavors

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<sup>21</sup> Sumol+Compal Website

<sup>22</sup> The name given by Compal that represents the art, science and ideology of producing a Compal nectar, for more than 60 years. This idea appeared during the campaign developed in 2012, when the brand accomplished 60 years of existence.



and an everyday low price was applied, being offered at 0,99€. The second sub-brand as the name of Compal Balance, includes Compal Light and Vital in the same group, was sold in the market at a higher price of 1,34€, but it used quantity sales promotions to increase sales. And, finally, a special range, which represent innovative flavors launched temporally on the market, being offered at the same price as Compal Balance.

The idea behind this reorganization was to structure the brand portfolio to a broader target and change consumers' perceptions about the price brand. With this objective in mind, Compal also change its strategy in terms of production and sales. The juices and nectars changed, in part, its production process from pasteurization to high pressure production, reducing costs and creating more healthy products. Apart from that, on the in and off trade the brand started to offer economic solutions<sup>23</sup> to help client sales and change how consumers perceived Compal.

## Uncharted Waters

Facing such competitive market, Rodrigo Costa and his team realized that fighting in price was not a sustainable option. Private labels could always offer a better option in terms of value for money and, additionally, it was not viable for a premium brand to change so dramatically its price, given its market positioning. So, the question remained, how could Compal increase its market share without jeopardizing the brand? They decided to look not only inside the category, but also to non-carbonated soft drinks' competitors, especially the ones presented at a room temperature. In what concerns the J&N category, Compal was already an unquestionable leader and winning that additional market share would be easier if the brand entered in a competitor segment. Therefore, when analyzing the other players of the non-carbonated segment, they tried to focus their approach on the main issues that differentiate one category from the others.

After several analyses, they ended with some relevant conclusions. Firstly, juices and nectars were not perceived as proper to consume during main meals, as most of its indirect competition, being one of the main reasons for that behavior: the product concentration. Furthermore, and taking into consideration the economic situation lived in Portugal, the J&N category was one of the few industries that was not overwhelm by aggressive pricing

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<sup>23</sup> In the out-of-home channel, the brand created the "Compal Menu", in which consumers could purchase for 1,50€, a Compal and a sandwich for breakfast; and for 3€, they could lunch a soup, a savory and a Compal. On the in-home channel, they reduced same prices and started to do more quantity sales promotion.

promotions. Still, this becomes a problem every time consumers needed to decide on how to manage their income. Considering all the above mentioned economic restrictions, consumers tended to reduce their impulsive behavior when purchasing, focusing only in what was essential to them. This meant that, if consumers wanted to spend money in soft drinks, they would chase the most economic offer that fitted their budget, in terms of price and quantity. Based on this, the products inside the J&N category were not the best suitable option for consumers.

With this in mind and considering their initial objective, Rodrigo Costa and his team recognized that the best way to solve their problem was to fulfill the gap in terms of consumption occasions already established in the market. The idea was to try to change consumers' habits by encouraging them to drink juice during meals, while offering a product proper for family consumption. Rodrigo explained the decision:

*“We know that this is usually a soft drinks territory and we always saw it as a challenge. Working with “Associação Portuguesa de Famílias Numerosas<sup>24</sup>” and with “Associação Portuguesa dos Nutricionistas<sup>25</sup>”, we conclude that juices with high nutritional value can gain importance on main meals, in a context of looking for more healthy solutions, especially if Compal texture and flavors were meant for the occasion.”*

Therefore, they created a brand extension called Compal Família, a more diluted and healthier product compared to other Compal portfolio. Compal Família's goal was to compete with other non-carbonated soft drinks, as ice teas and diluted beverages, but also with carbonated ones, with the same consumption purpose. Since it was the best channel to compete against private labels, the brand was only launched in the mass market. The idea was to be an economic and competitive product, located between private labels and the Compal's main portfolio **(see Exhibit 8)**.

The new juice was available in the already existing Compal format, as a way to reduce production costs and charge a psychological price of 0,99€ per liter **(see Exhibit 8)**, easily grabbing consumers' attention. With this, Compal was able to offer a solution that matched consumers' needs with market demand. Their target were mainly represented by non-carbonated soft drinks' consumers, concerned about their health and who enjoy family moments, while having a light beverage, which was proper for everyone.

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<sup>24</sup> Portuguese organization for numerous families

<sup>25</sup> Nutritionist association

## The Dilema

Compal Família was launched in 2012 aiming to increase market share and fight against private labels. After two years, this innovation was generating results and, actually led consumers to shift between categories (**see Exhibit 10**), being private labels the most affected players. Although on creators' mind, Compal Família was developed to reach new ways of consumption, consumers did not perceive that. Therefore, even being in line with their initial objective, the new product line was not fulfilling its purpose. In fact, it was cannibalizing more sales inside the category than outside, what could jeopardize Compal in the long term, instead of benefiting it by expanding the category (**see Exhibit 11**). This led to a more complex situation, in which, changing consumers' perceptions of the new product could reverse the initial result of its introduction in the market.

With this situation in hands, Rodrigo Costa and his team were looking for a different approach to Compal Família. After reviewing several research results, they realized that while some recognized the brand as another group of flavors from Compal line extensions, others looked at it as a promotion and some, after 2 years, even did not know Compal Família. A situation that could be easily reversed, if the proper clarification was made. However, taking into consideration the initial potential of expanding the category to new consumption moments, the team was concerned about the best approach for doing it. From one perspective, if consumers perceived the product as another Compal product line extension, the new strategy could rely on that. The brand could easily communicate the product as another juice, more diluted and with fewer calories more appropriate for the main meals occasions. On the other hand, if Compal Família was developed to reach family consumption, innovating inside the category by offering a more economical solution to consumers, another approach could pass by increasing the packaging format from 1 liter to 2 liters, a size more adequate for family meal occasions.

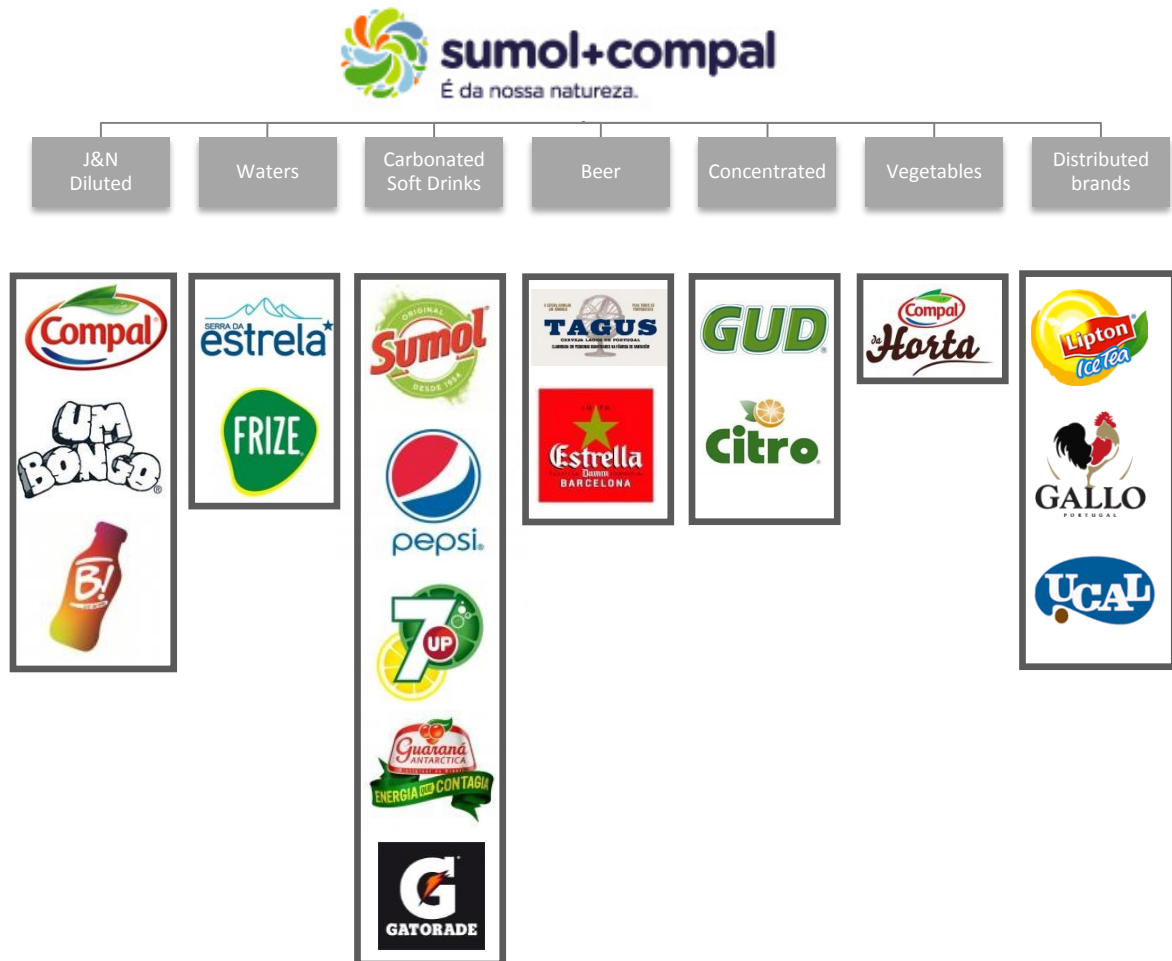
For 2015, one of the brand's main objectives was to develop a new strategy to Compal Família. The two proposals were on Rodrigo Costa's desk and he needed to choose which one would be presented to the board, when defining 2015 plan goals. Any decision could damage what was already achieved since 2012. With no guarantees of what the future will behold, he knew that without brand recognition, Compal Família would never have the change to survive in the Portuguese market.

**Exhibit 1 – Private Labels vs Manufacturers Sales Value in Portugal, by Category, 2012 (Mass Market)**

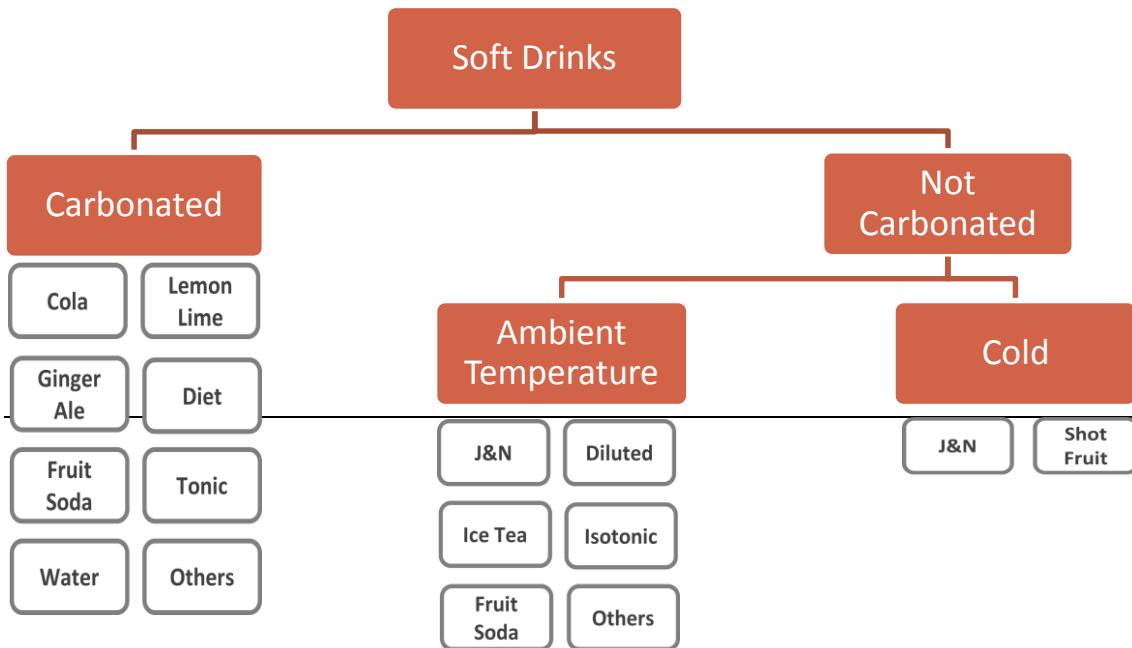
Sales Value (%)	Ice Teas	Colas	Lemon Lime	Fruit Flavours	Diluted Juices	J&N	Carbonated water
<b>Manufacturers</b>	33,6%	89%	80,8%	81,1%	58,7%	60%	91,5%
<b>Private Labels</b>	66,4%	11%	19,2%	18,9%	41,3%	40%	8,5%

Source: Nielsen, provided by Sumol+Compal

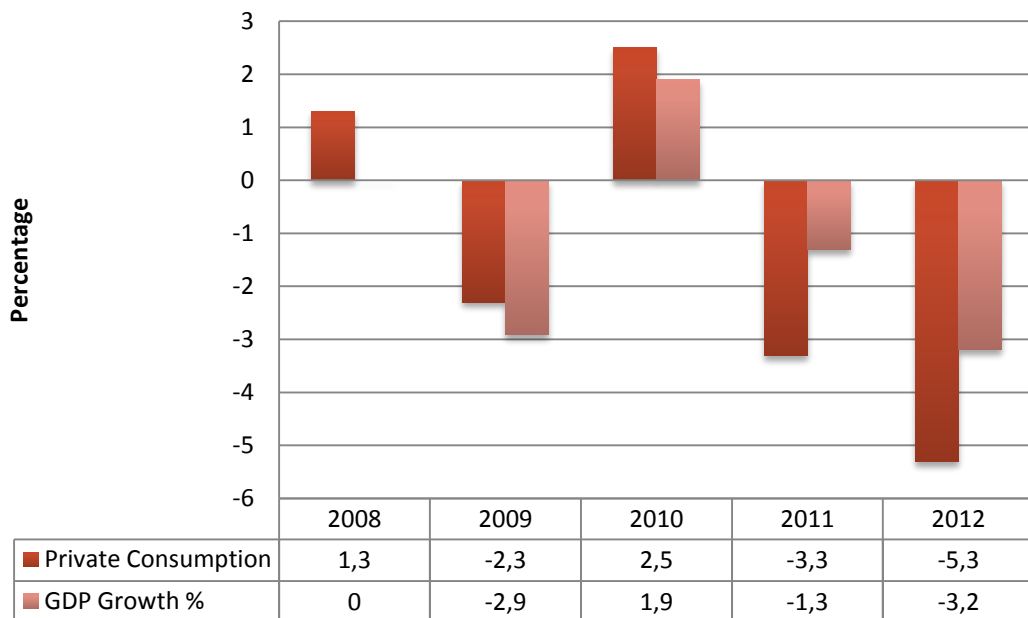
**Exhibit 2–Company Brand Portfolio Structure 2012**



### Exhibit 3 – Soft Drinks Industry Structure



### Exhibit 4 – Portuguese Private Consumption and GDP growth (2010 – 2012)



Source: OECD.StatExtracts

## Exhibit 5 – Continente Selling Price (August 2014)

### Compal

	330 ml	1l	200 ml
Fresh	0,74€	1,34€	0,413€
Classic	0,69€	0,99€	0,413€
Light	0,69€	1,34€	0,413€
Vital	0,69€	1,34€	0,413€
Familia	-	0,99€	-

### Santal

	330 ml	1l	250 ml
Nectar	-	1,29€	0,69€
Plus (with milk)	0,79€	1,59€	-
100%	-	1,29€	-
Light	-	1,29€	0,69€

### Continente Juices (Private Label)

	330 ml	1l	1,5l	200 ml
Nectar	-	0,79 €	-	0,413 €
100%	-	1,89 €	0,99 €	0,256 €
With Vitamin	-	0,95 €	-	-
Light	0,49€	0,74 €	-	-

### Carbonated Soft Drinks

	330 ml	500ml	1l	1,5l	2l
Coca-Cola Reg.	0,62 €	0,89 €	-	1,25 €	1,59 €
Pepsi Reg.	0,498 €	-	-	1 €	-
Sumol	0,58 €	-	-	1,49 €	1,59 €
Fanta	0,49 €	0,89 €	0,95€	1,19 €	-
Continente Fruit Flavor	0,30 €	-	-	0,74 €	-
“É” Continente	-	-	-	-	0,41 €
Continente Colas	0,30 €	-	-	-	0,79 €

### Non-Carbonated Soft Drinks (Ice teas)

	330 ml	200 ml	250 ml	500 ml	1l	1,5l
Lipton Ice Tea	0,64 €	-	0,475 €	0,95 €	0,94 €	1,39 €
Nestea	-	-	-	0,95 €	-	1,29 €
Continente	0,30 €	0,16 €	-	-	-	0,58 €
Pleno	0,67 €	-	-	-	-	1,39 €

Source: Case Writer, based in Continente Online selling prices

## Exhibit 6 – Branded vs Private labels volume on the Fruit Juice and Nectars Market (2008-2012)

	2008	2009	2010	2011	2012	
<b>Fruit Juice</b>					<b>Volume</b>	<b>%</b>
Total Fruit Juice	27	28	27	24	21	-
Branded	17	14	12	9	7	33,2%
PrivateLabel	11	14	15	15	15	67,9%
<b>Nectars</b>						
Total Nectars	84	86	89	81	74	-
Branded	70	63	63	56	50	67,2%
PrivateLabels	14	23	26	25	26	34,8%
<b>Total</b>	<b>111</b>	<b>114</b>	<b>116</b>	<b>105</b>	<b>95</b>	<b>-</b>

(Volume, million liters)

Source: AIJN, European Fruit Juice Association

## Exhibit 7 – Compal Portfolio on Juices and Nectars (2012)



Product	Description	Target	Sizes		Flavours
Compal Classic	The traditional recipe of fruit juice and pulp	All type of consumers	Tetra Pack	Bottle Glass	Pear Peach Mango Multi Fruit Apricot Guava Plum Cherry
			1l 0,33l 0,20l	0,20l	



Product	Description	Target	Sizes		Flavours
Compal Vital	A functional juice that helps youth to be timeless by offering a product made of the best antioxidant fruits	Consumers concerned about nutritional benefits for health and youngness	Tetra Pack	Bottle Glass	Orange/Carrot/Mango Mango/Acerola Orange/PassionFruit Red Fruits Pomegranate/Green Tea Tomate Mulberry/Red Tea Raspberry
			1l 0,33l	0,20l	



Product	Description	Target	Sizes			Flavours
CompalFresh	100% juice, which offers pure pleasure, by mixing 100% of fruit, purity, freshness, natural and no sugar	Young consumers that look for fresh moments of pleasure	PET	Tetra Pack	Bottle Glass	Passion Fruit Pineapple Orange Tropical fruit Apple
			1,5l	1l 0,33l 0,20l	0,20l	





Product	Description	Target	Sizes		Flavours
Compal Light	A fruit juice with half of the calories, but with the same flavour as Compal Classic	Women that care about their body and weight	Tetra Pack	Bottle Glass	Tropical/Carrot Mango/Orange Pineapple/Coconut Strawberry/Apple Guava/Strawberry Orange/Papaya Pineapple/Mint Watermelon/Strawberry
			1l 0,33l	0,22l	



Product	Description	Target	Sizes	Flavours
Compal Essential	The recommended daily amount of liquid fruit on a single beverage	All type of consumers (There is one flavor proper for kids)	0,11l 0,22l	Strawberry Mango Peach Pear Apple Pineapple Orange Plum Kiwi Banana

## Exhibit 8 – Compal Familia Selling Prices and Costs

		€/liter		
<b>Retailer Selling Price (with VAT)</b>		0,99 €	<b>Fixed Costs</b>	
<b>Retailer Margin</b>		34%	Marketing	800.000€
<b>Compal Margin</b>		40%	Labeling	20.000€
<b>Variable Costs</b>			Other production costs	0,03€/liter
Transfer costs		0,05 €		
Production costs		0,22 €		
Packaging costs		0,10 €		

Source: Case Writer, based in Sumol+Compal approximated values

## Exhibit 9 – Compal Familia Image, Packaging, Line and Communication



**The nectar for the main meals**

More diluted and less sweet

Sugar free, with the ideal nutritional quality for any age

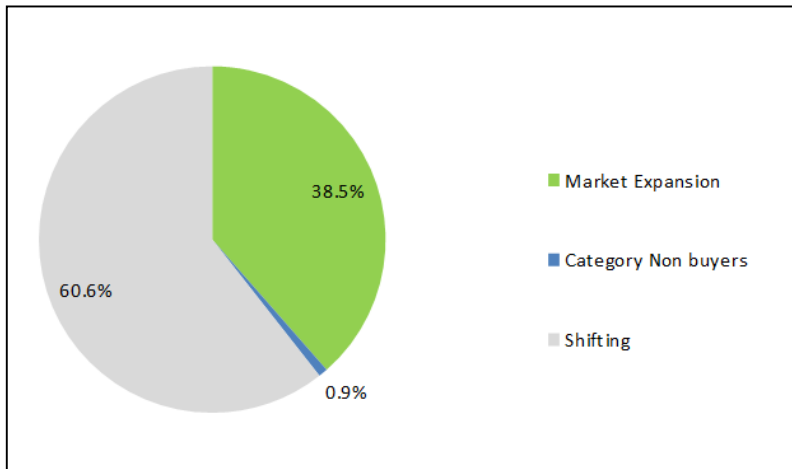
With fruit 100% portuguese



<b>Flavors</b>	“Rocha” Pear and Apple	Peach and Apple	Mix of Portuguese fruits
<b>Format</b>	Tetra pack 1L		

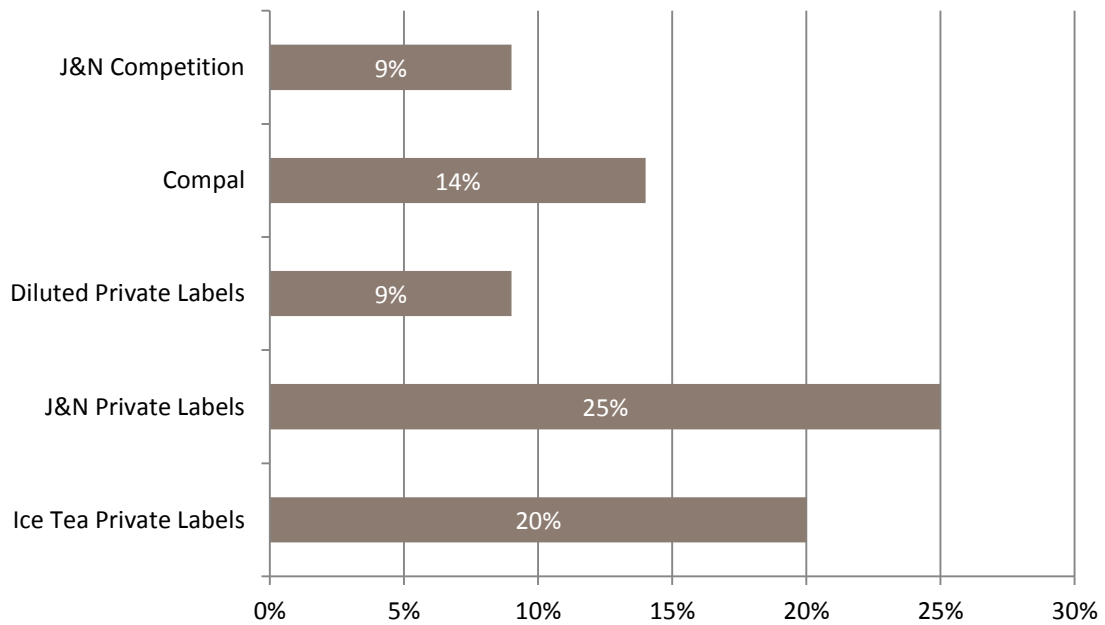
Source: Case Writer, based in Sumol+Compal information

### Exhibit 10 – Compal Familia Homescan Brand Shifting (2013)



Source: Nielsen October 2013, provided by Sumol+Compal

### Exhibit 11 – Homescan Compal Familia Shifting (2013)



Source: Nielsen 2013, provided by Sumol+Compal

## Exhibit 12 – Primary Research: Survey Outline

First of all, thank you for taking your time to answer our questionnaire. I'm a Master student from Católica Lisbon School of Business and Economics and I'm developing my thesis about a sub-brand present in the Juice and Nectars market. The purpose of this questionnaire is to understand consumers' preferences and perceptions of the soft drinks market and their consumption occasions.

There are no wrong or right answers. This questionnaire will only take you 5 minutes and it is completely anonymous. All the data provided will only be used for this specific research.

1. Do you usually consume juices or nectars?

- Yes
- No

2. For the following categories, please indicate which are the occasions where you usually consume them?

	Dinner	Breaks	Breakfast	Lunch	All occasions	None of the occasions
Ice Tea						
Coke						
Juice and Nectars						
Diluted Drinks						
Fruit Flavors (eg. Sumol, Fanta)						

3. Do you know the brand Compal?

- Yes
- No (Skip to Question 16)

4. On a scale from 1 to 5, how do you perceive the following soft drinks brands according to the characteristics below?

- 1 – Not descriptive
- 2 – Somewhat Descriptive
- 3 – Descriptive
- 4 – Very Descriptive
- 5 – Exactly Descriptive

	Expensive	Natural	Light	High Perceived Quality	Don't know the brand
Lipton Ice Tea					
Sumol					
Coke					
Pepsi					
Nestea					
Compal					
Santal					
Trina					
B!					
Pleno					
Juice Private Labels					

5. When purchasing juices or nectars, which brand do you usually purchase?

- a. Santal
- b. Compal
- c. Trina
- d. Joi
- e. Private Labels
- f. Other

6. Do you usually purchase the same brand?

- Yes (Go to next question)
- No (Skip to Question 8)

7. Please select the reason(s) for purchasing the same brand

- a. Price
- b. Quality of the product
- c. Habit
- d. Affinity with the brand
- e. No reason

f. Other \_\_\_\_\_

8. Which are the first 3 things that come to your mind when you think about the brand Compal?

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9. Thinking about Compal, which are the key words that best describe the brand?

- National   - Value for money   - Traditional   - Tasty
- Healthy   - Innovative   - Premium   - Irreverent
- Classic   - Heritage   - Sweet

10. Do you know Compal Família?

- Yes
- No (Skip to question 16)

11. Have you ever purchase Compal Família?

- Yes
- No (Skip to question 15)

12. Why did you do it?

- a. Price
- b. Curiosity
- c. Flavors
- d. Influenced by Publicity
- e. Other

13. After trying the first time, did you repeat the purchase?

- Yes
- No

14. For each occasions to you purchase Compal Família?

- a. Dinner
- b. Breaks
- c. Breakfast
- d. Lunch

e. Other \_\_\_\_\_

15. For you, which are main differences between Compal Família and the rest of Compal juice and nectars portfolio (Compal Light, Compal Fresh, Compal 100%, Compal Classic)?

- a. Price
- b. Quality
- c. Taste
- d. Amount of sugar
- e. Less calories
- f. Dilution
- g. Other group of fruit flavors
- h. Don't Know
- i. Other \_\_\_\_\_

16. Gender

- Female
- Male

17. Age

- < 18
- 18-24
- 25-29
- 30-39
- 40-49
- 50-59
- ≥ 60

18. Net monthly income

- < 500€
- 500€ - 999€
- 1000€-1499€
- 1500€-1999€
- ≥ 2000€

## Exhibit 13 – Primary Research: Survey Results

1. Do you usually consume juices or nectars?

Do you usually consume juices or nectars?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	106	76,8	76,8	76,8
No	32	23,2	23,2	100,0
Total	138	100,0	100,0	

2. For the following categories, please indicate which are the occasions where you usually consume them?

	Dinner	Breaks	Breakfast	Lunch	All occasions	None of occasions
Ice Tea	24,6	20,3	0	34,8	8,7	39,1
Colas	31,9	20,3	1,4	46,4	7,2	33,3
J&N	11,6	39,1	34,8	29	11,6	11,6
Diluted	11,6	14,5	0	17,4	0	68,1
Fruit Flavours	20,3	17,4	1,4	21,7	2,9	56,5

\*Percentage of total responders

3. Do you know the brand Compal?

Do you know the brand Compal?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	138	100,0	100,0	100,0



4. On a scale from 1 to 5, how do you perceive the following soft drinks brands according to the characteristics below?

**Weighted average values**

	Expensive	Healthy	Quality
Lipton Ice Tea	2,38	2,01	3,12
Sumol	2,35	2,94	3,06
Coke	2,46	1,49	3,2
Pepsi	2,32	1,36	2,46
Nestea	2,12	1,8	2,22
Compal	2,97	3,7	4,17
Santal	2,36	2,33	2,33
Trina	1,94	1,97	2,22
B!	2,45	2,03	2,52
Pleno	2,87	3,07	2,97
Juice Private Labels	2,26	2,35	2,49

5. When purchasing juices or nectars, which brand do you usually purchase?

**When purchasing juices or nectars, which brand do you usually purchase?\***

	Frequency	Percent	Valid Percent	Cumulative Percent
Compal	110	79,7	79,7	79,7
Trina	2	1,4	1,4	81,2
Valid Private Labels	20	14,5	14,5	95,7
Other	6	4,3	4,3	100,0
Total	138	100,0	100,0	

\*The brand Santal and Joi were not selected by any respondent

6. Do you usually purchase the same brand?

**Do you usually purchase the same brand?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	120	87,0	87,0	87,0
No	18	13,0	13,0	100,0
Total	138	100,0	100,0	

Do you usually purchase the same brand? \* When purchasing juices or nectars, which brand do you usually purchase? Crosstabulation

		Please, select the reason(s) for purchasing the same brand						
		Compal	Trina	Private Labels	Other	No reason	Other	Total
Do you usually purchase the same brand?	Yes	73,9%	0%	8,7%	4,3%	0	4,3%	87%
	No	5,8%	1,4%	5,8%	0%	0	0%	13%
	Total	79,7%	1,4%	14,5%	64	0	4,3%	100%*

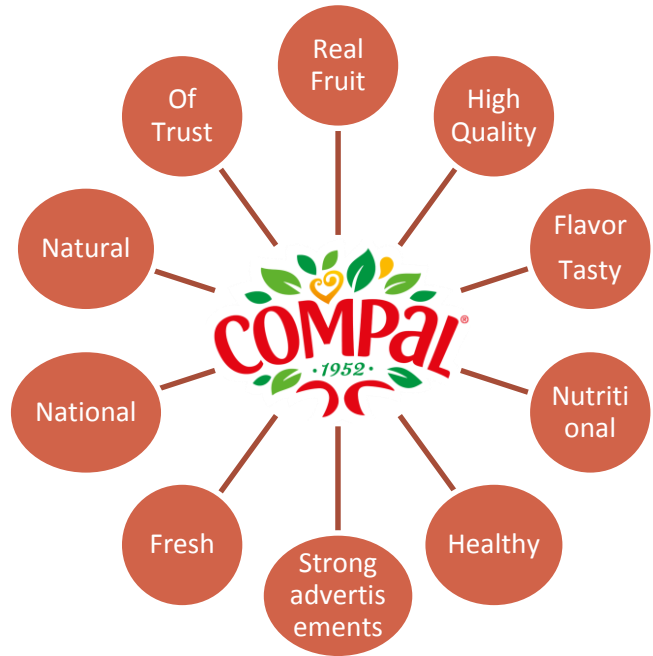
\*% total responses

7. Please select the reason(s) for purchasing the same brand

		Please, select the reason(s) for purchasing the same brand						
		Price	Quality of the product	Habit	Affinity with the brand	No reason	Other	Total
When purchasing juices or nectars, which brand do you usually purchase?	Santal	0	0	0	0	0	0	0
	Compal	20	100	28	54	0	4	108
	Trina	0	0	0	0	0	0	0
	Joi	0	0	0	0	0	0	0
	Private Labels	8	6	2	4	0	0	12
	Other	2	4	0	6	0	0	6
	Total	30	110	30	64	0	4	126

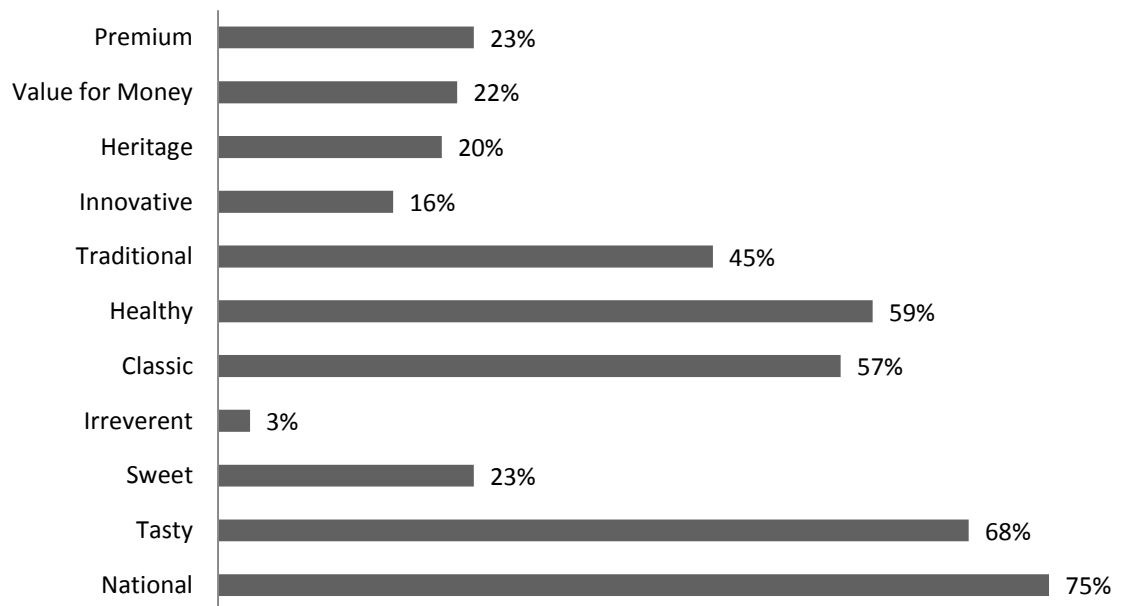
\*number of respondents

8. Which are the first 3 things that come to your mind when you think about the brand Compal?



**Note:** Selection of the words and expressions that were more repeated in the answer

9. Thinking about Compal, which are the key words that best describe the brand?



10. Do you know Compal Família?

**Do you know Compal Família?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	96	69,6	69,6	69,6
Valid No	42	30,4	30,4	100,0
Total	138	100,0	100,0	

11. Have you ever purchase Compal Família?

**Have you ever purchased Compal Família?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	56	40,6	60,9	60,9
Valid No	36	26,1	39,1	100,0
Total	92	66,7	100,0	
Missing System	46	33,3		
Total	138	100,0		

12. Why did you do it?

**Why did you do it?**

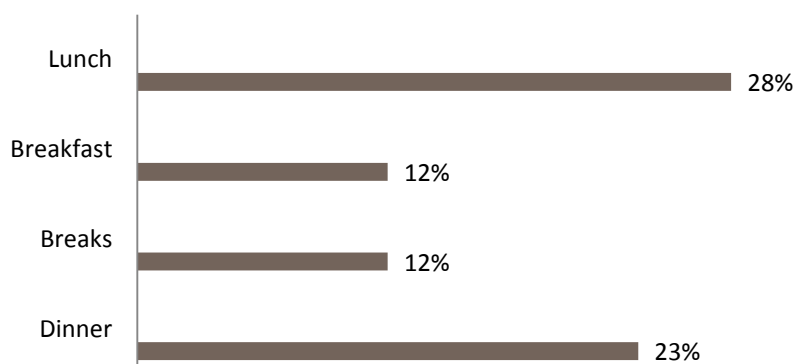
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Price	16	11,6	25,8	25,8
Valid Curiosity	16	11,6	25,8	51,6
Valid Flavors	20	14,5	32,3	83,9
Valid Influenced by publicity	6	4,3	9,7	93,5
Valid Other	4	2,9	6,5	100,0
Total	62	44,9	100,0	
Missing System	76	55,1		
Total	138	100,0		

13. After trying the first time, did you repeat the purchase?

**After trying the first time, did you repeat the purchase?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	52	37,7	83,9	83,9
	No	10	7,2	16,1	100,0
	Total	62	44,9	100,0	
Missing	System	76	55,1		
Total		138	100,0		

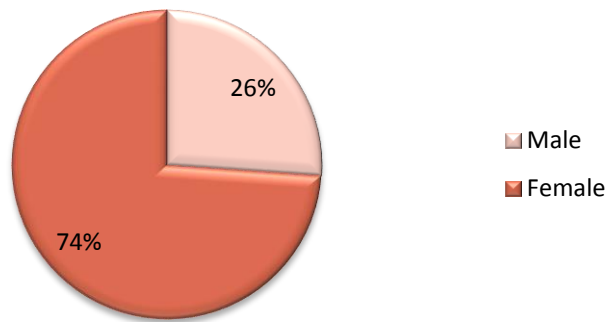
14. For each occasions to you purchase Compal Familia?



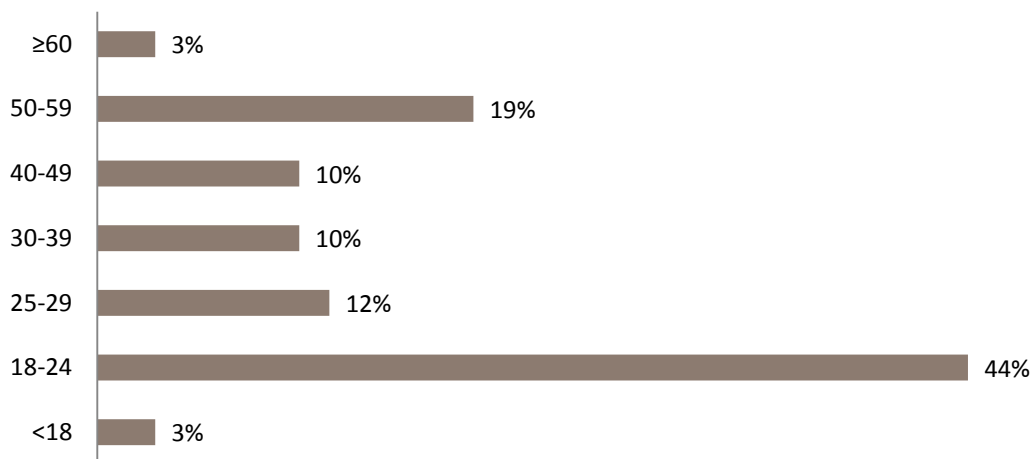
15. For you, which are main differences between Compal Familia and the rest of Compal juice and nectars portfolio (Compal Light, Compal Fresh, Compal 100%, Compal Clásico)?

Price	Quality	Taste	Amount of sugar	Less Calories	Dilution	Other group flavours	Don't Know	Other
34,8%	13%	18,8%	11,6%	10,1%	29%	8,7%	13%	1,4%

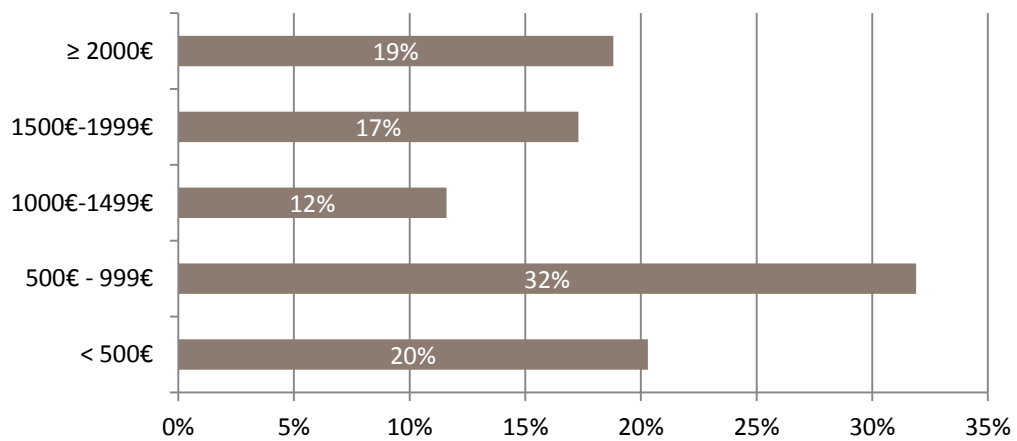
## 16. Gender



## 17. Age



## 18. Net monthly income



## Teaching Note

*Compal Família Case was written under the supervision of Professor Paulo Gonçalves Marcos and Professor João Borges de Assunção and it should be used as basis for class discussion. This case is based on real events, but the data and the history are disguised, in order to preserve confidentiality. However, since the main purpose is to illustrate a management decision, all essential facts were preserved.*

*For a better understanding and resolution of the case the following additional readings are recommended:*

1. Kotler, P., Armstrong, G., Wong, V. and Saunders, J., 2008. *Principles of Marketing*. Fifth European Edition. Pearson Education Limited
2. Moon, Youngme, 2005. "Break Free from the Product Life Cycle". Harvard Business Review.
3. Solomon, M., 2010. "Consumer Behavior: Buying, Having and Being", 9<sup>th</sup> edition, Pearson Education Limited.

## Synopsis

Compal is a Portuguese market leader brand on the J&N category, responsible for a wide portfolio of juices, nectars and vegetables. The brand belongs to Sumol+Compal, a beverage Portuguese company that resulted from the merger, on 2008, of two stronger players on the soft drinks market: Sumolis and Compal Group. S+C is responsible for more than 18 brands (of juices & nectars, waters, beers and soft drinks), having a market share of 25% on the non-alcoholic beverage segment. Compal is the golden goose of the company, with a market share of 63,8% on the J&N category. It focuses on providing real fruit that makes great juice, presenting a high quality product dignified of a premium brand.

Since the beginning of the crisis in Portugal, most consumers change their purchasing behaviors, leading to a decrease on private consumption and a switching between out-of-home and in home channels occurred. Consequently, private labels started to be a more significant competition to manufacturers, offering similar quality products at a more competitive price for consumers. In order to respond to this threat, manufacturers invested considerably on cut prices and sales promotions, but there were still few that bet on different strategies to compete with private labels, without jeopardizing their value and price.

In 2012, on the apogee of the Portuguese recession, Compal team, led by the Brand Marketing Manager Rodrigo Costa, had the challenge in hands of presenting a solution to compete with private labels and increasing market share. Being the market leader and taking into consideration the existent brand equity, they decided to launch a juice proper for new ways of consumption. Once, the team realized that if they could not gain much more power inside the category, they had to look outside of it and tried to expand their demand to other soft drinks consumers. The new product developed was a more diluted juice, proper to be consumed during main meals and sold at a very competitive price on the market, with the name of Compal Família.

After two years, the product achieved partially its objectives, but consumers did not perceive its conceptual idea on the correct way. The brand was not well positioned on the market and instead of competing only with other soft drinks; it was also cannibalizing the parent brand sales. So, Rodrigo Costa and his team realized that a changed has to be made on the product, in order to reverse this situation. For the 2015 marketing plan, they have to develop a new strategy to Compal Família to better fit consumers' needs and perceptions.

### Suggested Assignment Questions

Students should read the case and be prepared to discuss the following questions:

1. How do you characterize the Portuguese soft drink market in 2012 and illustrate Compal's brand situation, in 2012. **(5 C's)**
2. Taking into consideration the decision making process made by consumers, what influence them to purchase Compal? And which are the stimuli to change their behavior?
3. Considering the values provided in the case study, design a soft drink perceptual map, and explain the positioning adopted by Compal Família to disrupt the market.
4. Which were the managerial considerations made to create a Compal brand extension? In this case, what were the advantages and disadvantages of creating a brand extension? And why wasn't the conceptual idea well perceived by consumers?
5. Analyze the competition of Compal Família, applying the levels of competition framework.
6. Considering exhibit 5 and 8, evaluate which is the best alternative to implement on Compal Família, by calculating the break-even point of each hypothesis. For the



analysis assume a volume target of 6.850.032 liters and the same retailer margin of Compal Família.

**Option 1:** Compal Família becomes a Compal product line extension

- Marketing costs: 500.000€

**Option 2:** Increase packaging format to 2L, adapting the price

- Marketing costs: 100.000€

## Teaching Objectives

This case has the following teaching objectives:

1. To acquire a good understanding on how manufactures could compete with private labels in crisis periods, without relying only in price.
2. To highlight the relationship and competitiveness between private labels and manufacturers.
3. To show the importance of a strong market analysis and consumers' needs on the company's strategic decisions.
4. To illustrate the complexity of the decision making process on low involvement products, especially considering players with strong brand equity.
5. To highlight the importance of brand awareness and equity, in order to be successful in a competitive market, such as the Soft drinks one.
6. To have students explore how brand positioning should be made to change consumers' perceptions and fulfill market opportunities.
7. To have students evaluate with are the advantages and disadvantages of creating a brand extension and when they should rely on the parent brand to launch a product into the market.
8. To have students explore the difference between what the company established and how consumers perceive it. In particular, how that disparity could lead to a distinct perceived positioning of a new brand, in terms of competition.
9. To have students calculate and interpret sales forecasts in order to take managerial decisions.

## Use of the case

This case allows the understanding of different forms of new product introduction, in a context of critical economic situations and facing a highly competitive market. It explores ways of competing with private labels, without using only price reductions, but taking advantage of brand associations and market leadership to be make successful decisions. The case also raise issues associated with relevant positioning, in order to reach a significant stage on consumers' mind, and how brand equity and awareness could be used to change consumers' perceptions.

The Compal Família case will fit well at an undergraduate and master level, on marketing management related courses. It is also an adequate case for more specific courses in brand management, consumer behavior and strategic marketing decisions.

## Relevant Theory

- 5C'S

It's a tool that helps on the development of a marketing strategy. In order to satisfy consumers' needs, companies have to understand their internal and external situation, in which it is included the company itself, its collaborators, the customers, the competition and the surrounding context. For an easier and better understanding of the company market, SWOT and PEST analysis are usually used on it.

- SWOT Analysis

A framework that is used for understanding the internal strengths and weakness of a company, as well as identifying both external opportunities and threats, which a company is facing or could be presented with on a short term.

- PEST Analysis

A company environmental analysis based on four factors: political, economic, socio-cultural and technological. It is used by companies to understand the market, where they are operating or that they want to enter in.

- Levels of Competition Framework

A framework that allows delineating the set of competition, that a brand is facing, considering the proximity and the attributes of the company's product comparing with other

products. It identifies three different levels of competition: product form, product category, generic and budget competition. On the first level, product form, are the products that pursue the same market segment and have similar characteristics. The product category level is represented by products that have similar features. Usually, this competition is the one that companies consider as industry. The third level is based on generic competition, which are the substitute products that fulfill the same customer need. And finally the broadest view of competition is based on budget. "It considers all products and services competing for the same customer dollar as forming a market"<sup>26</sup>. For this case in particular, the budget competition was not considered relevant for analysis.

- Decision Making Process

Once most decisions are not conscious, the decision making process allow managers to understand with are the relevant considerations that consumers made before and after purchasing a product. On the process used in the teaching note, consumers passed by four phases: need recognition, evaluation of alternatives, purchasing choice and post-purchase behavior. The aspects that influence each stage determine with are the important factors that companies should work, in order to fit on consumers decisions.

- Breakaway positioning

A method used in positioning strategies when companies want to associate its product with a radically different category. It cuts through the industry by making a connection with customers, but differentiating completely from all competition. Usually this type of positioning is adopted, when brand want to create a new meaning for consumers, without destroying the brand association already established, but reaching a different target.

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<sup>26</sup> Lehmann, D. and Winer, R., 2008. Analysis for Marketing Planning, 7<sup>th</sup> edition, McGraw Hill International Edition.

## Analysis and Discussion

In order to analyze this case, there are six discussion questions that have to be addressed. For better improve and structure class discussion, they have been divided in two main groups. The class discussion was prepared for a 90-minutes class and the suggested timeline is presented below:

1. External and Internal Analysis
  - a) **Question 1** Company Situation and Market Analysis 20 minutes
  - b) **Question 2** Consumers Decision Making Process 15 minutes
2. Brand Marketing Strategy
  - a) **Question 3** Perceptual Map and Brand Positioning 10 minutes
  - b) **Question 4** Brand Extension 10 minutes
  - c) **Question 5** Levels of Competition 10 minutes
  - d) **Question 6** Calculation of Dilemma Hypothesis 20 minutes
3. Summary and Wrap-up 5 minutes

The following case discussion is proposed:

### Question 1. Company Situation and Market Analysis

*20 minutes*

The purpose of this question is to make sure that students understood the situation presented in the case, in 2012. For this answer, students should focus their response on the Marketing 5C's analysis, in order to have a broader perspective of the market, from a macro and micro perspective. The approach followed by the brand through the case is mainly supported by the environment lived at that period, so it's crucial for the students to fully understand it, before analyzing the rest of the case. Furthermore, this question will allow them to make the bridge between the case and Compal's Marketing strategy. So, their focus should be on the brand Compal and not on the company as whole, regarding the extent portfolio presented by Sumol+Compal (S+C) and its variety in terms of strategies explored by each brand.

#### Company

S+C is a Portuguese company responsible for 25% of the Portuguese non-alcoholic beverage market, with a strong and diverse portfolio of soft drinks, juices & nectars, waters and beers. It is responsible for national and international brands in the beverage industry, being leader in most of the categories. On the Juice & Nectars (J&N) category, S+C is market leader with the brand Compal, which together with Um Bongo represented 74,2% of the category. (page 13)

As explained before, students should focus their approach on the brand Compal, since the company has more than 18 brands and their sub-brands to work with it. Furthermore, on each category, each brand has its strategy, so different opportunities might exist. For Compal, students should develop a SWOT Analysis, in order to understand the strengths and weaknesses of the brand as well as the opportunity and threats present in the market. It will allow them to realize why S+C decided to deliver the challenge of competing with private labels to Compal and perceive the path followed by the brand to reach its objective.

**SWOT Analysis**

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>Market leader</li> <li>Differentiation strategy</li> <li>Brand equity, awareness and prestige</li> <li>Wide distribution network</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>Product consumption occasions</li> <li>Low power on Soft Drinks</li> <li>Premium price</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Expansion of total demand</li> <li>New consumption occasions</li> <li>J&amp;N more similar with natural real fruit juices</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Substitutes' power</li> <li>Purchasing power/economic environment</li> <li>Private labels' increase in power</li> <li>Promotions</li> </ul>

Strengths

- **Market leader:** Compal is the market leader on the J&N category, with a value market share of 63,8% (page 6). For more than half a century it has been considered the brand of reference in Portugal, focusing its strategy on the quality of its products. Even being a market leader, it is common to challenge the market by presenting disruptive innovations that change consumers' perceptions of a nectar. (page 15)
- **Differentiation Strategy:** Compal concentrates its strategy on creating a highly differential product line based on quality. As mentioned in the case "the brand focuses its strategy on fruit, by providing natural and nutritional products based on great fruit that makes great juice". (page 15)
- **Brand Equity, Awareness and Prestige:** Compal is considered a brand of reference for consumers, as most of the time it is the first choice when it comes to J&N. The brand position relies on its brand equity and prestige. Even charging a more expensive price than competition, consumers are willing to pay more for the brand given its product quality. In Portugal, Compal is one of the brands that most invests on advertisement, in order to be on consumers' top mind when purchasing a juice. The brand tries to reach consumers by fulfilling their needs, but at the same time works on their emotional side.
- **Wide distribution network:** This network was created by Sumol, before the merger, but allows the brand to be present throughout the country. It is an advantage since it gives 100% coverage of the market and makes product penetration much easier.

### Weakness

- **Product consumption occasions:** In Portugal, J&N are mainly consumed during breaks and light meals, not being common to drink during lunch and dinner. This behavior reduces and limits consumption occasions, being harder when competing against other soft drinks. Furthermore, J&N are a seasonal type of product that is more consume out-of-home, when weather conditions are favorable. (page 16)
- **Lower power on soft drinks:** apart from being a strong brand on the J&N category, in the soft drink industry, the category only represents 10,7% of the market's total value (page 13). This means that when competing with big players on the soft drinks market, Compal has a small value and force on it.
- **Premium Price:** Even being a brand that some consumers are willing to pay a higher price for, Compal is still considered an expensive product, especially when comparing with competition. So, with price sensitive consumers and income restrictions, this could be a lost purchasing opportunity, leading to a shift from one brand to another.

### Opportunities

- **Expansion of total demand:** As a market leader brand, one of the strategies that the brand might follow is to expand the industry for new users. In this case, the J&N category is in a mature stage, where the only way for a leader to increase market share is to add value to it. So, an opportunity from the market could pass by changing consumption occasions of J&N, in order to recruit new consumers for the category.
- **New Consumption Occasions:** As explained in the case, the consumption occasions of J&N are very limited considering the purchasing moments. Therefore a new challenge could pass by trying to change consumers' perceptions and behaviors.
- **J&N more similar with natural real fruit juices:** Even being one of the healthier beverages on the market, when compared with homemade juices, Compal is still less natural. So, one opportunity could pass by offering juices with less validity period that could be more similar with the ones made by consumers. This change could fulfill more properly consumers' needs and intensify the Compal brand image of healthy and real fruit.

### Threats

- **Substitutes' Power:** On the case of J&N, substitutes are mainly other soft drinks, from carbonated ones to non-carbonated, but it also could be waters and alcoholic beverages. Although some of these products are proper for different consumption occasions, they perform the same purpose. Moreover, most of them offer more competitive solutions in terms of price, especially in the off trade channel, reducing potential profit increases and reducing demand in crisis periods.
- **Purchasing Power/economic environment:** Due to the economic situation lived since 2008; consumers changed their purchasing behavior and started to become more concerned about where to spend their money and how to make economic constraints regarding their income. So, with less money to spend their private consumption declined and they started to change their behavior. This is a threat for the brand, especially with the increase on taxes and the substitute power. If consumers had to make saving choices, they would opt for more conscious solutions in terms of price, rather than in quality or brand preference. (page 12)
- **Private labels increase of power:** Since 2008, private labels are gaining power on the J&N category, as well as on the soft drink market. There are still categories where their market share is not that significant, like with Colas and carbonated water, but private

labels are definitely increasing their sales in the market (Exhibit 1 and 6). Additionally, with the economic situation lived in 2012, this type of products were obtaining significant relevance, since they offer similar quality products, comparing with manufacturers brands, selling it at a lower price. So, given the quality of the beverages, consumers do not find the difference between manufactures and private labels that significant and choose the best option in terms of price. (page 14)

- **Price Promotions:** For being a premium brand and facing a market full of cut prices and price promotions, this could influence sales and demand since consumers have better options in terms of substitute products.(page 15 and exhibit 5)

### **Collaborators**

Sumol+Compal sales team is responsible for selling the product through a conventional marketing channel, with three different members: Cash-and-Carries (C&C), Resellers and Retailers. Usually, the company sells directly to the C&C's and retailers, and subsequently, they made the product available to the final consumer. With Resellers, their business is to purchase the merchandise and place it on the market at a more competitive price, making sales profitable for them (page 11). Apart from it, the company maintains its strong and wide traditional independent distribution system developed by the Sumol Group, making it possible to reach every side of the country, in one day. (page 10)

### **Customers**

For being a company that works in the soft drinks market, S+C has an extent portfolio available for every type of consumer. Most brands are proper for any age and gender, so what differs is consumers' lifestyle and consumption occasions. However, there are still some exceptions. Um Bongo is a brand proper for children that love to dream and follow adventures that involve them by drinking a simple juice. On the other hand, B! tries to reach a younger age, where teenagers and young adults have an irreverent lifestyle without forgetting to be concerned about their health. (page 8)

For Compal customer analysis, students should focus their answer on psychographic characteristics. Most of Compal consumers are people who want to have a healthy lifestyle and look for quality products, in order to fulfill their needs. At the same time, these customers are experimentalists, who don't mind to pay more for a real fruit beverage that meets their desires (page 11).In Portugal, everyone drinks Compal, no matter what their target sub-brands is, but in fact the brand portfolio was created according to a specific target. There are



products that focus their strategy on consumers concerned with nutritional benefits (body health), others that care about their body and weight and, even, for people that just love to live fresh moments of pleasure. (Exhibit 7)

### **Competitors**

This analysis should be made, considering that there are two types of competitors: manufactures and private labels. In both cases, there is direct and indirect competition, depending if they are in the category of J&N or outside of it.

#### **Direct Competition (inside J&N Category)**

##### ❖ **Manufacturers**

**Santal:** is a fruit juice and nectar brand that belongs to Parmalat, a milk pioneer company in Portugal. The brand has a total market share of 0,4% in the category and its strategy relies on product innovation and differentiation. It is one of the few brands in the category that offer juices and nectars with additional nutritional ingredients like milk, vegetable juices or herbs. (page 14)

**Frutis:** is a juice brand that is part of Unicer, a multinational company mainly recognized on the market for beer and water, with brands like Super Bock, Carlsberg and Vitalis. On the J&N Category, the company detains a total value market share of 0,8% and has a stronger position on the off-trade channel. On the mass market, its success is thanks to its low price strategy that became a strong competitor when talking about price sensitive consumers or people with economical constraints. (page 13/14)

**Trina:** a juice brand that belongs to Orangina Schweppes, a carbonated water player, that is responsible for 0,1% of the total value market share on the J&N Category. Its image and light characteristics fit properly for a younger target, presenting competitive prices in the mass market, but being a stronger competitor, in terms of brand, on the immediate consumption channel. (page 14)

##### ❖ **Private Labels**

Inside the J&N Category, private labels represent more or less 40% of the mass market sales value, in Portugal, being one of the categories with more pressure from this type of players (Exhibit 1). They are mainly represented by retail chains that work strongly in the mass

market, by offering similar quality products, comparing with manufacturers, at a significant lower price. Over the years, they have been gaining more and more volume on J&N, but they are still far away to beat branded products on nectars. (Exhibit 6)

Depending if the retailer is a hypermarket or a supermarket, the strategies adopted are very different. On large retailers, their approach relies on standard price levels and promotional campaigns, which are applied considering the market needs and demand. The small retailers use an everyday low price strategy, focusing on price sensitive consumers and adopting promotional campaigns that could support their approach by benefiting consumers. (page 14)

#### Indirect Competition (outside J&N Category)

The indirect competition is a long list of players that belong to alcoholic and non-alcoholic beverages. Since any product that works as a substitute for Compal could be considered an indirect competitor, what differentiates them are the consumption occasions. Each category on the beverage market is usually consumed at proper moments, so some beverages would be more appropriate for main meals, others for breaks or even for light meals, but there is always exceptions on consumers. This group of players is composed by manufacturers and private labels.

On the specific case of Compal, the most powerful substitutes are the ones present on the Soft Drinks Industry. The carbonated are usually consumed during meals, but there are still people that enjoy drinking them during breaks. When talking about not carbonated soft drinks, most of room temperature categories have similar consumption occasions, being some more appropriate for main meals, like ice teas, fruit flavors and diluted drinks; others more used in breaks and breakfast, like J&N; and there are also the isotonic beverages, which are more commonly consumed for specific purposes, like hydration. (Exhibit 3 and 13)

#### **Context**

For the context analysis, students should do a PEST analysis in order to have a full understanding of the macro environment factors that the company is engage in.

#### Political Factors

**Tax Policy:** Considering the economic situation lived in 2012, one of the measures implemented by the government, to reverse the Portuguese state budget deficit, was a change on the taxes applied to the food service sector and on fast moving consumer goods. In this

case in particular, VAT on soft drinks increased to 23%, with exception of juices (VAT=6%) and waters (VAT=13%). In addition, the VAT applicable to the food service sector also changed to 23%, which led to a significant reduction on consumption. Most suppliers had to increase prices to their customers and, as a consequence, most retailers added the same differential to their products. So, in order to maintain margins, the final consumer was presented with an increase on sales price, followed by an increase on consumption tax.

### Economic Factors

**Crisis and customers' disposable income:** In 2012, Portugal was on the apogee of the economic recession, showing the worst results since 2008. It was facing a GDP decrease of 3,2%, followed by a private consumption reduction of -5,3% (Exhibit 4). People had less money to spend, so together with the increase on taxes, most consumers started to reduce their out-of-home consumption, leading to a decrease on sales in the food service sector. At the same time, and as a consequence, the in-home consumption increased significantly (page 9), thanks to retailers and manufacturers who applied extremely competitive strategies based on cut prices and trade promotions, which completely transformed the market. (page 15)

### Social Factors

**Lifestyle changes/Consumption behavior:** With the economic situation lived in 2012, most people started to change their lifestyle. They became more concerned about where to spend their money and how to take the most profitability of it. Purchasing behaviors changed and consumers began to enjoy more the in-home moments than the ones outside, which led to a significant reduction of sales in the food service sector and an increase in the mass market. (page 12/13)

**Healthy trend:** Since the beginning of the century, consumers have become more and more concerned about their health and wellbeing. Besides becoming more concerned about their weight and starting to exercise more, people are starting to change their consumption habits and increasing their purchases on health options. They are looking for light and natural products that could reduce their appetite or even act against weight and body problems (page 12). So, in order to fulfill consumers' needs, companies are responding to that trend and offering products that meet those specifications. From light products to intestinal regulators, over time new and different solutions have appeared for consumers.

### Technological Factors

From the begging, S+C is trying to improve its production methods, in order to reduce cost and reduce its green print. Over the years, the company invested on industrial improvements and innovative production methods, being more recently focused on changing from pasteurization to a high pressure method, in order to offer products more similar with real fruit and with less production costs. (page 17)

## **Question 2. Consumers Decision Making Process**

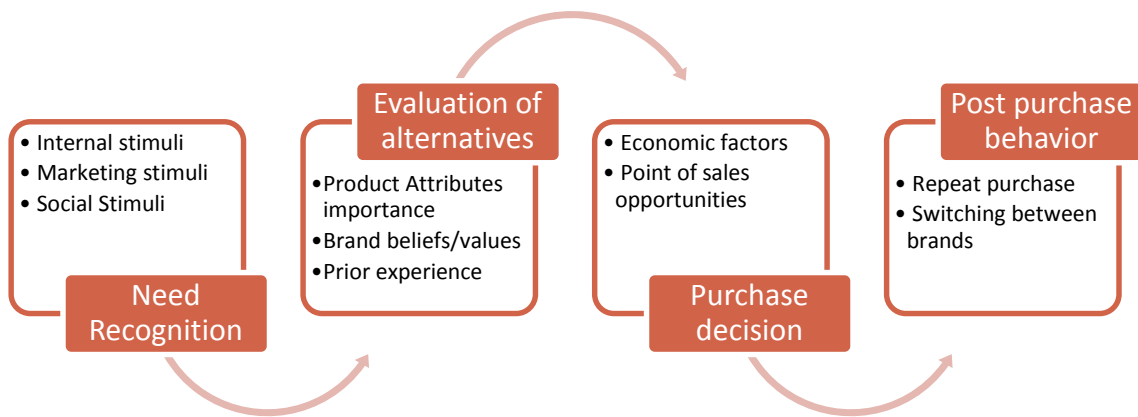
*15 minutes*

When purchasing a product, there are many factors that can influence our behavior. As consumers, our decision is a learned response to environmental and organizational cues that change our reactions as a buyer. In a world overwhelmed by a wide variety of products, most of the times the brand is the only point of reference that consumers have. Therefore, this question will allow students to understand what influences people on purchasing and which factors can change their behavior. Aspects that are crucial to build a strong marketing strategy, when introducing new brands or products in the market. For this case in particular, considering that Compal is a brand of reference in the J&N category, it will help students to comprehend consumers' actions when Compal Família was launched and the power that a parent brand has.

For the analysis, students should take into consideration the product degree of involvement and how rational consumers' decisions would be, in order to understand what could influence the decision buying process. Juices and nectars are usually products that require low involvement from consumers, since they do not feel the need to search extensively for information or make weighty decisions about which brand to buy. Therefore, it's very common for people to adopt an intuitive behavior when purchasing this type of products. As humans, it is very hard to make rational decisions without being influenced by feelings, perceptions and judgments. That is why people respond differently according to different stimuli, based on what they are exposed to.

Even being an intuitive behavior, cognitive decision making was establish in consumers' minds. So in order to understand what influenced them to purchase Compal, students should pass through every stage of the buyer decision process. For this brand in

particular and taking into consideration that is a low involvement purchase, the information search is usually skipped by consumers.



### Need Recognition

A juice or nectar is a routine purchasing product that usually fulfils a person’s normal need, thirst or hunger. Even not being an actual state, at the moment of purchase, consumers know that in the near future they will feel the need to consume it. Most of the times, it comes from an internal stimulus, but it could also be triggered by an external one.

There are many external stimuli that could influence consumers to recognize a need to purchase a specific product or brand. In this situation, there are two different stimuli that could trigger consumers: social and marketing stimuli. In terms of social, consumers might be influenced by the healthy trend described in the case. This need is usually recognized, when social pressure exists. Not always consumers are concerned about their weight and wellbeing, so sometimes it could be a question of seeing more natural and light products on the market or simply by group influence that could lead people to recognize it. On the other hand, from a marketing perspective, advertisement is the most powerful tool that Compal has in its favor. Consumers already know the brand and most of the time only understand that they should opt for natural and healthy solutions, when they see publicity that reminds them of it. Examples of that include the communication focus on healthy lifestyles like running or even evidence of product characteristics (light or with low calories). People only feel the need when they are confronted with the problem or with something they “aim” to be or to have.

## Evaluation of alternatives

Since consumers do not search extensively for information before purchasing, their evaluation of alternatives has to be based on three factors: importance given to product attributes, brand beliefs and values and prior experience. For this analysis, students should focus their answer on the J&N category, since that is where the brand Compal is present.

- Product Attributes Importance

When looking for a drink to fulfill their needs and assuming that consumers have already established that they want to buy a juice, their choice has to be taken considering the relevant importance given to product attributes. As we are able to see on exhibit 13 (question 7 and 8), in the J&N category, what influences consumers to be loyal to specific brands is the quality and price of the products. In fact, looking in more detail into Compal, a brand that has 79,7% of respondents' preferences, in which 74% are loyal, we realize that healthy and tasty are also significant attributes on the moment of purchase. So, when deciding which alternative to choose, consumers will opt for the brand that has the most adequate ratio between price and quality, but also that matches consumers' preferences in terms of taste and calories.

- Brand beliefs

In Compal's case, this is the factor that most influences consumers on their purchase. The beliefs that a person has about a brand is what would give equity to it. In Portugal, Compal is a brand of trust, so when consumers are looking for high quality juices made from real and national fruit, they know which is the option to take. When consumers are searching for specific attributes and characteristics to fulfill their needs, the best option is to rely on the set of associations established on their minds. Therefore, in the particular case of Compal, students will be able to understand that beliefs and values made by consumers to the brand, like traditional, healthy, classic, tasty and national (see exhibit 13), are also relevant product attributes when choosing between alternatives. This means that Compal is one of the brands that already represent what consumers need to be fulfilled.

- Prior Experience

The prior experience that consumers had with the brand is also relevant for their choice. In Compal, consumers continue to purchase their products, since they are satisfied with the quality that the brand presents. On a long term, this is the most powerful tool for a brand to use. If consumers are happy with their relation and experience with Compal, the most

common action is to become loyal in its purchase. It is easier in terms of decision and it is an option that consumers already know that is going to fulfill their needs.

### Purchase Decision

In the moment of purchase, when consumers are going to take the final decision, there are always unexpected factors that have to be considered. Based on the economic situation lived in Portugal, consumers are more susceptible to low price and sales promotion than a decade ago. Even if consumers had already establish in their minds that they are going to buy a juice from Compal, depending on the point of sale, different opportunities and situations could change consumers' decision.

In the food service sector, the most common situation that could change consumers' decision is if the product is out of stock. If a specific flavor is not available at the coffee shop, consumers would probably opt for another flavor or even consider drinking a substitute product. In this case, brand is no long consider a priority, but consumption occasion and need to satisfy is. If the moment of purchase happens in the mass market (supermarket or hypermarket) sales promotions and cut prices could be a reason for adjusting the decision already made. According to the strategies implemented by each type of store and considering the economic situation lived at the moment, most consumers will opt for more economic opportunities that could bring a more optimistic solution for their needs. In most situations, low prices or promotions are the key stimuli to change consumers from Compal to another brand.

### Post Purchase behavior

At this point, the decision making is already taken, but it is only after trial that consumers will be able to make their judgments and perceptions about a brand. Their experience with Compal will be determined for consumers to repeat the purchase and establish the same decision making process in the next purchase. If they were unhappy with the result, the most common action is to switch between brands, until they find the best solutions to meet their needs.

### Question 3. Perceptual Map and Brand Positioning

10 minutes

For a marketing strategy to be successful, the key factor to achieve it is to position the brand/product correctly in consumers' minds, relative to competition. A good position gives to the product a unique selling proposition in the market, making it possible to stand out from other brands. For that reason, this question will allow students to understand how the positioning is defined on managerial situations and to realize the importance of creating a positioning strategy that fits market opportunities and demands.

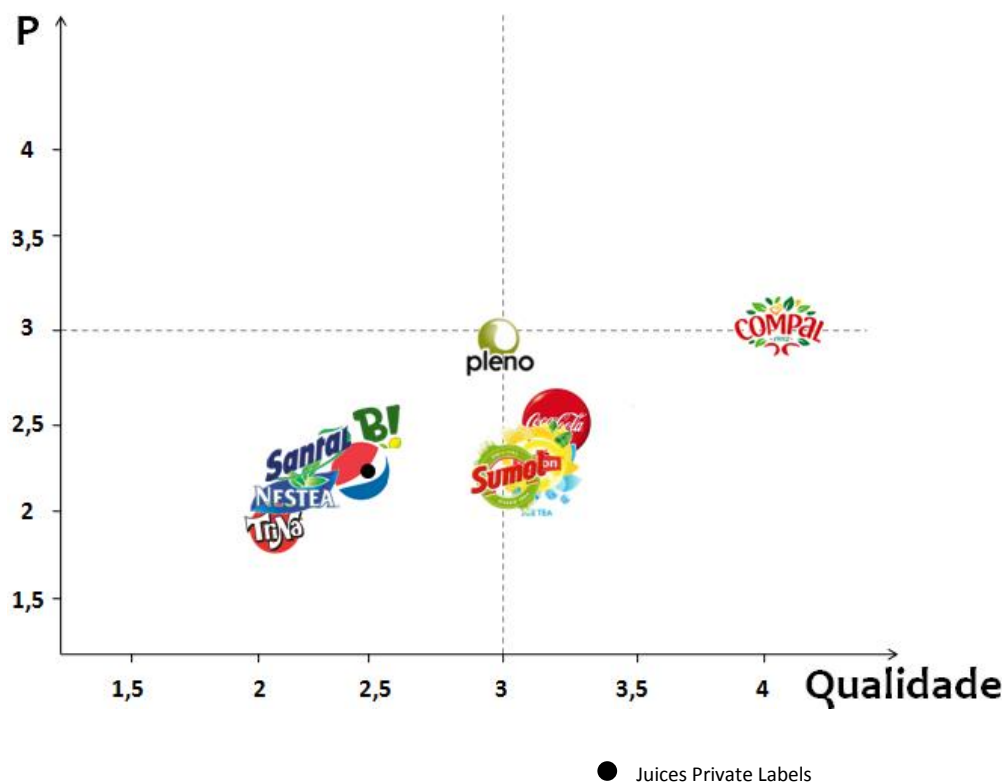
To simplify the analysis and in order to be easier for students to work with the data available, the perceptual map should be designed taking into consideration the survey results presented. Although it would be more accurate to create a perceptual map based on standardized values, for this case in particular and given the standardized data that resulted, it would be easier and more perceptive for students, if they work with a positive scale (weighted average of perceived value).

	Weighted Average Values			Standardized Values		
	Expensive	Healthy	Quality	Expensive	Healthy	Quality
Lipton Ice Tea	2,38	2,01	3,12	1,014E-06	5,7971E-07	-5,7971E-07
Sumol	2,35	2,94	3,06	-4,34783E-07	-3,76812E-06	4,34783E-07
Coke	2,46	1,49	3,2	-1,73913E-06	7,24638E-07	1,44928E-07
Pepsi	2,32	1,36	2,46	-1,01449E-06	3,33333E-06	-2,41353E-18
Nestea	2,12	1,8	2,22	-8,69565E-07	-1,30435E-06	-2,17391E-06
Compal	2,97	3,7	4,17	-1,5942E-06	-3,18841E-06	-1,01449E-06
Santal	2,36	2,33	2,33	2,17391E-06	2,02899E-06	1,5942E-06
Trina	1,94	1,97	2,22	-2,8986E-07	-4,3478E-07	-2,1739E-06



BI	2,45	2,03	2,52	5,7971E-07	2,8986E-07	-1,7391E-06
Pleno	2,87	3,07	2,97	1,30435E-06	1,5942E-06	1,44928E-07
Juice PL	2,26	2,35	2,49	4,82706E-18	-7,24638E-07	7,24638E-07

First of all, it is important to select which are the most relevant variables to use in order to create the map. As we were able to conclude from question 2, price and quality are the product attributes that consumers most value when purchasing a J&N, so the best way to position the new brand extension is by looking at the competition on a price vs quality perspective. After creating the perceptual map, students should interpret the results to figure out what is the best approach that the brand should have. For this analysis, they should focus, first, on the competition inside the J&N category and then, understand what type of positioning will make a difference comparing with the other categories.

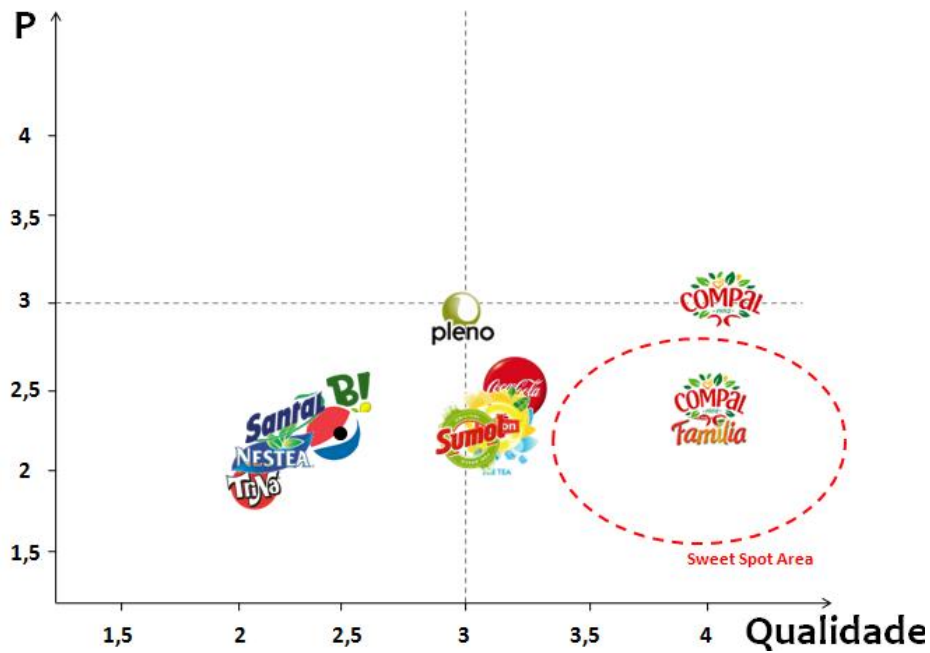


From the perceptual map, Compal is considered the best brand on the ratio proposed. Consumers perceived Compal as a high quality brand that usually according to some brand beliefs is linked with a price, considerably higher. When looking to the competition inside the

J&N category, the other players are positioned next to the private labels, being Santal and Trina, brands with relatively less quality than retailers' products. Outside the category most players are grouped into two types of clusters, in which their main difference is the perceived quality of brands.

By analyzing the perceptual map, students would be able to understand the opportunity that the company saw when analyzing the market, since it is possible to see that there is a sweet spot on the down right corner of the map. Until 2012, there were no high quality products at a competitive price to "fight" with the rest of the players in the market. So, Rodrigo Costa decided to grab the opportunity and challenge once again the industry with the brand Compal. They launched Compal Familia with the purpose of competing with low price brands, but, at the same time, they matched this opportunity with the need to increase market share and grab users' and non-users' attention. Therefore, they positioned Compal Familia as a high quality juice, proper for new ways of consumption, thanks to its diluted characteristics, that could offer the same quality of a Compal juice.

For Compal Familia, taking into consideration that the product was launched as a brand extension, the strategy adopted was a breakaway positioning. It is an approach that cuts through the category and stands out from the competition, since the company is basically associating the brand to a totally new category. By introducing Compal Familia as a juice proper for main meals, they added to the "common juice" features that are not usual on it and tried to explain, using a psychological price and a communication focus on the new way of consumption, what the product was meant for. The type of communication worked as a way to introduce in consumers' minds the brand to a new "culture", by establishing a connection. The price proposed made it possible for Compal Familia to compete against its new competition, carbonated soft drinks, ice teas and diluted products.



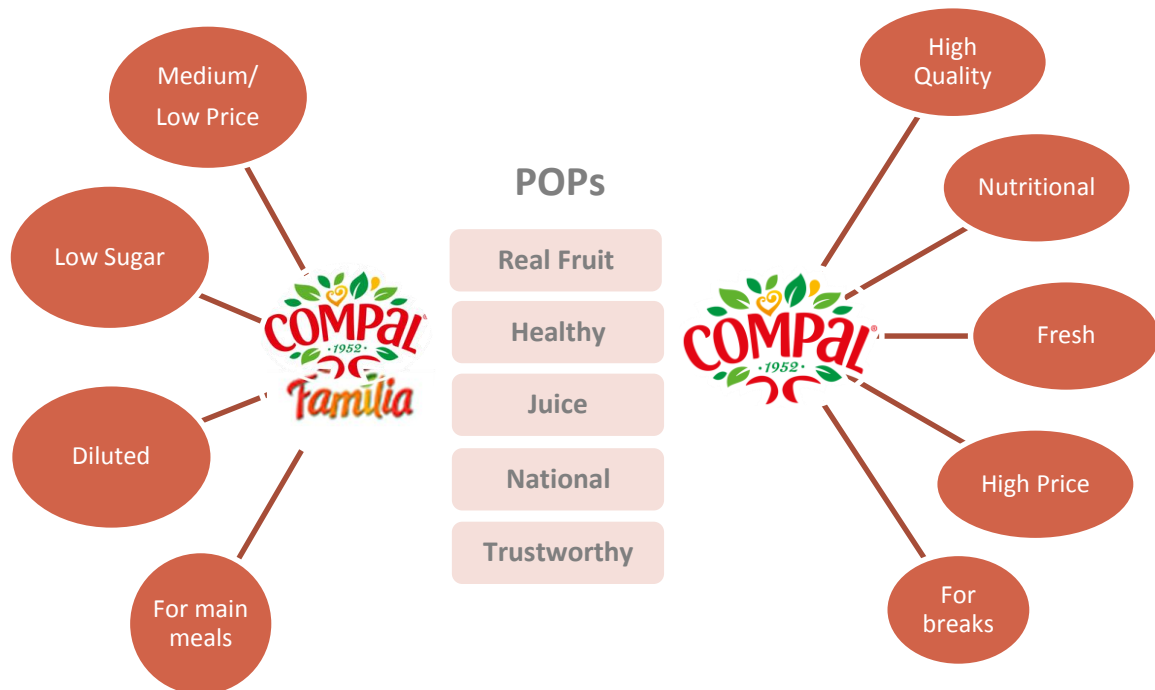
#### Question 4. Brand Extension

10 minutes

Brand associations are the strongest link for brand extensions. Having Compal as parent brand, it would be almost guaranty that Compal Família was going to be a successful brand extension. Nevertheless, brand associations not always led a brand to achieve its objectives, especially if the right points of parity are not establish. For that reason, the objective of this question is to make students understand which baselines managers consider to create a brand extension of success and how strong brand associations could change consumers' perceptions. The question will also allow students to see how a successful brand like Compal, achieved its initial objectives, but failed considerably in transmitting the conceptual idea of Compal Família to the market.

Students should make an analysis based Compal and Compal Família. Therefore, it would be interesting and easier for them, if they define the points of parity and the points of difference that exist between the parent brand and the brand extensions. Brand extensions most of the time gain from being associated with the parent brand, making success and profitability more likely. But, before creating a brand extension managers usually take into

consideration 4 strategic managerial considerations: Perceptual fit, benefit transfer, competitive advantage and minimizes dilution.



### Perceptual fit

Compal is the brand of reference in Portugal for J&N, it relies on a strong brand equity to be a market leader in the category. So, when creating a brand extension, Rodrigo Costa knew that the product was going to be well received by consumers, especially since the extension was using the parent brand name. Although it was a logical fit in the market, for the target consumer proposed, the extension wasn't perceived in the right way. Compal Família is targeting new consumption occasions, which are mainly represented by carbonated soft drinks and ice teas. Therefore, by introducing a product in this category that usually does not fulfill the same purpose and needs, it became a strange innovation to the segment.

We are able to see that consumers started to drink Compal Família during main meals. However it was not a question of perception, but because it was a more diluted product than a nectar (one of the reasons that people consider that nectars are not proper for main meals).

### Benefit Transfer

As we are able to see from the survey, 60,9% of the respondents purchased Compal Família, which means that the parent brand had a strong equity to lead consumers to experiment the new brand extension. From that percentage 84% of them repeat the purchase, which means that similar benefits are present in both brands.

### Competitive Advantage

Only for using the parent brand in the name, Compal Família creates a strong competitive advantage in the new category. Consumers already know the brand and trust it, so acceptance is an easy step to pass through successfully. Apart from the points of parity that are established from the beginning for both brands, the real competitive advantage of the brand extension is the fact that it is proper for new consumption occasions. Usually products consumed during main meals are less healthy and natural than juices, so this is an advantage when meeting consumers' needs and trend (switching between categories should be easier).

### Minimizes dilution

In this case, since the product was different from Compal, there was a risk of quality tarnishing, which in this situation was not significant. The quality didn't change, it was only perceived that way thanks to the dilution of the product.

Since every decision has advantages and disadvantages, it would be interesting for students to understand why in this case the creation of a brand extension was beneficial for the company. They could opt between creating a new brand, totally distinct from Compal, or even augmenting its product line portfolio, but they chose to do a brand extension. So, this analysis will help them to understand in which situations brand extensions should be made.

### Advantages

- **Improve Brand Image:** For a long time, Compal has been offering quality products at higher price than competition. However, with the economic situation lived in Portugal since the beginning of the crisis, consumers are opting for more economic solutions that have a good price vs quality ratio. For that reason, and in order to be perceived more as a medium price brand, the brand decided to create a brand extension that could fit their image and change a little how consumers see Compal.
- **Trial Facility:** for being already involved with the parent brand and considering its strong awareness, initial trial is much easier for consumers

- **Reduce costs of marketing, packaging and labeling:** since the company is not creating something from the beginning, the costs are lower. In Compal Família's case, packaging format already exist in the rest of Compal's portfolio, so packaging production only had to be increased in terms of quantity. In labeling and marketing, the costs are reduced comparing with creating a new product, since the new extension is already benefiting from Compal's awareness and equity.
- **Opportunity to expand demand:** by creating a brand extension, Compal is able to grow into new categories, by proposing a new consumption occasion. With Compal Família, the parent brand is able to expand the meaning of consuming a J&N to different segments, increasing market share by bringing non-users to the category.

#### Disadvantages

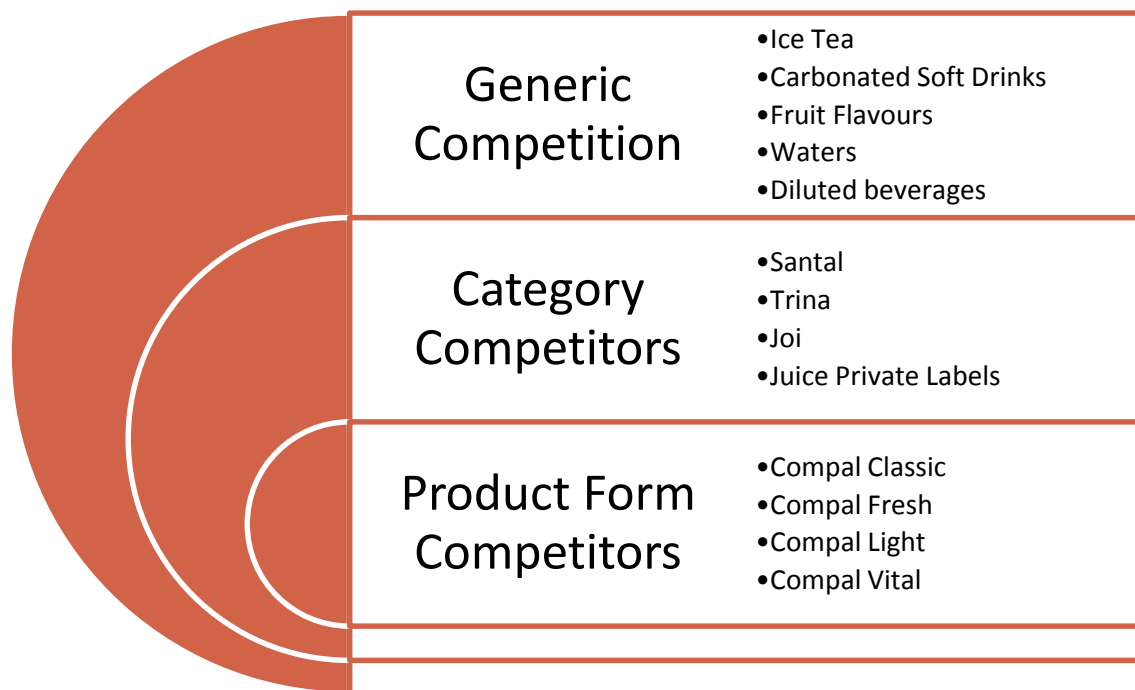
- **Penalize Parent brand image:** by offering a similar product, but at a lower price than the rest of Compal's portfolio, it could influence the way that consumers perceived the brand. As explained before, high prices are associated with high quality, so if Compal Família is launched in the market with similar quality but at a significant lower price, it could jeopardize Compal's brand image, and influence consumers' value perception.
- **Brand associations:** in this case in particular, it was easier for Compal Família to be introduced in the market, but it also becomes more difficult to conceptualize the ideal established for the brand. One of the reasons for consumers not to associate Compal Família with main meals, is basically thanks to Compal's common juice occasion consumptions.

Despite all the advantages that exist in creating a brand extension for Compal, it levels of awareness and recognition enable Compal Família to be seen as a beverage proper for new consumption occasions. Compal's associations and characteristics penalize the success of Compal Família, because they end up becoming more powerful than the marketing efforts made.

## Question 5. Levels of Competition

10 minutes

In order to create a strong strategy to compete in the market, it is very important to understand who our real competition is. In this case, Compal Família was created to compete against other brands that are consumed in different occasions than a common juice and nectar. For that reason, this question will help students to delineate the competitive set, considering the proximity of other products to the physical attributes of Compal Família. It is a perspective that reflects not only which products are direct or indirect competition, according to their characteristics, but also in terms of categories and substitutes. At the same time, this will help students to realize why analyzing competition the right way is so crucial for a product's success. It is relevant to mention that apart from what the company initially thought, this framework should be used according to consumers' perceptions.



Product Form Competitors: the rest of Compal's portfolio is Compal Família first level of competition. These sub-brands "look" the same as the new product, since they have similar characteristics.

Category Competitors: the second level of competition is based on products that are in the same category as Compal Família, since they have similar features and perform the same purpose. Most of these players are competitors from the parent brand, which are present in the J&N category.

Generic Competition: The third level of competition is focused on product substitutes. In this case, they are the ones that fulfil the same customer need. These are the other soft drinks that are used in the same consumption occasion that Compal Família was made for.

As we are able to see from Compal Família level of competition framework, the reason why the conceptual idea of the product was not perceived by consumers is due to the fact that, the company was seeing the competition in a different way from their target. For S+C, the new product was competing only against brands and categories that have distinct consumption occasions from that of J&N. Which means that, from the company's point of view, Compal Família was created to fight against beverages consumed during main meals, which are their actual generic competitors.

However, from a consumer perspective and considering the brand associations already established in their minds (see exhibit 13), Compal Família is a product that “looks” the same as their product form competitors, so this is where the problem begins. By creating a very similar product to the rest of the portfolio (same format, different flavor as any other sub-brand), consumers would not be able to see the competitive set established by the company. Even being a more diluted product, their conceptual ideal was difficult to understand, considering the “jump” made in competition levels.

## **Question 6. Calculation of Dilemma Hypothesis**

*20 minutes*

In the managerial world, decisions are not only made based on market information and company opportunity analysis, every move has a cost and a profit associated with it and managers are always concerned about what is more profitable for them. For that reason, this question will give a perception to students about how financial forecasts can help managers to make decisions, based on the profitability of their ideas.

Students have to consider that the selling price present in the case study refers to the price with VAT and for the break-even point it should be used without consumption taxes. In the fast moving consumer goods industry, when price is negotiated, VAT is not considered.

$$\text{Break – even point sales(liters)} = \frac{\text{Fixed Costs}}{\text{Contribution Margin}}$$



$$\text{Break – even point sales(€)} = \text{Break – even point sales}(lt) \times \text{Unit Selling Price}$$

**Option 1: Compal Familia becomes a Compal product line extension**

In this option, students should assume the same retailer selling price used for Compal Familia. Since the product was introduced “recently” in the market and consumers already see it as promotion, a price change will dramatically alter their perception.

Retailer Selling Price (with VAT)	0,99€
VAT	6%
Retailer Selling Price (without VAT)	0,93€

$$\text{Compal Selling Price} = \text{Retailer selling price} \times (1 - \text{Retailer margin})$$

$$\text{Contribution margin (unit)} = \text{Compal Selling Price} - \text{Variable Costs}$$

$$\text{Contribution Margin (unit)} = \text{Compal margin} \times \text{Compal Selling Price}$$

Compal Selling Price	0,68€
Variables Costs	0,37€
<b>Contribution Margin (unit)</b>	<b>0,31€</b>
(Retailer unit margin = 0,25€)	

**Fixed Costs**

Marketing Costs	500.000€
Other Production Costs	0,03*6.850.032 = 205.500,96€
<b>Total Fixed Costs</b>	<b>705.500,96€</b>

$$\text{BEP (lt)} = \frac{705.500,96}{0,31} = 2.275.809,55 \text{ liters}$$

$$\text{BEP (€)} = 2.275.809,55 \times 0,68 = 1.547.550,49 \text{ €}$$

**Option 2: Increase packaging format to 2L, adapting the price**

For this option, students should assume a minimum retailer selling price. So, in order to establish the selling price, three considerations should be taken into account:

- Competition selling prices

- Be positioned between private labels and Compal's portfolio, in terms of price per liter
- Compal is considered as a premium and healthy brand

If Compal Família is going to compete against soft drinks proper for main meals, its main competition is going to be carbonated soft drinks and ice teas. For that reason, and considering Compal Família's rule of being positioned between private labels and Compal's brand portfolio, the best option is to sell 2L Compal Família at price higher or equal to 1,59€<sup>27</sup>. Offering the brand extension at the price per liter (2L price = 1,98€), it would not be perceived as more economic offer for consumers. First, it would not be perceived as better option since it is the same as purchasing two different flavors of 1 liter and, second, comparing with competition it would be much more expensive that purchasing a carbonated soft drink like Coca-Cola. So, in order to be competitive in the market and to grab consumers' attention at the purchasing moment, the selling price of Compal Família should be, at least, 1,59€.

Also, in terms of variable costs, we should consider the double value of each cost, since we are duplicating the packaging size (in liters).

Retailer Selling Price (with VAT)	1,59€
VAT	6%
Retailer Selling Price (without VAT)	1,5€

$$\text{Compal Selling Price} = \text{Retailer selling price} \times (1 - \text{Retailer margin})$$

$$\text{Contribution margin (unit)} = \text{Compal Selling Price} - \text{Variable Costs}$$

$$\text{Contribution Margin (unit)} = \text{Compal margin} \times \text{Compal Selling Price}$$

Compal Selling Price	0,99 €
Variables Costs	0,74 €
<b>Contribution Margin (unit)</b>	<b>0,25 €</b>
(Retailer unit margin = 0,51€)	

#### **Fixed Costs**

Marketing Costs	100.000€
Other Production Costs	0,06*6.850.032 = 411.001,92€
<b>Total Fixed Costs</b>	<b>511.001,92€</b>

<sup>27</sup>The Compal portfolio price per liter is 1,34€ and Compal Família is 0,99€

$$BEP (lt) = \frac{511.001,92}{0,25} = 2.044.007,68 \text{ liters}$$

$$BEP (\text{€}) = 2.044.007,68 \times 0,99 = 2.023.567,60 \text{ €}$$

Even if the company chose to implement option 1, causing Compal Família's margin cost to be higher, the company has to sell more units than in option 2, to have profits. By increasing the packaging, less volume has to be achieved and, consequently, fewer units consumed. So, it would be more profitable to opt for an increase in the packaging to 2 liters, since the costs are lower and the return on investment will consolidate sooner. At the same time and considering the need to meet new consumption occasions, this decision would be more suitable considering the market demands and the opportunities that the company has to reach. As explained in the case, it would be more profitable for the company to expand market demand than try to earn market share in a category in which Compal is already an unquestionable leader.

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