SUMOL

Leading Brand in a Changing Market

Eduardo Macedo Santos

Supervisors:

Professor Paulo Gonçalves Marcos

Professor Paulo Borges de Assunção

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Abstract

Title: SUMOL – Leading Brand in a Changing Market

Author: Eduardo Macedo Santos

SUMOL+COMPAL is a Portuguese beverage company founded in 2009 as a result of a merger of two major competitors within the beverage industry, SUMOL and COMPAL. This case study portrays the carbonated flavoured soft drinks (CFSD) industry in Portugal, where SUMOL+COMPAL compete with others through their brand SUMOL – leading brand.

During its lifetime, SUMOL tackled several challenges, but in the last couple of years, another one has emerged– private labels such as Continente and Pingo Doce. Firstly these private labels started selling their own-branded “niche” products and as time passed they became mainstream brands. Due to the current economic crisis established in Portugal, people look for more economical solutions for their food needs and assume that private labels give them more economical options. Years passed and in 2012, it was clear it is no longer a cyclical reaction to the economic crisis; it is the new market landscape. Sílvia Rebelo, SUMOL+COMPAL strategic marketing manager for soft drinks, and her team are responsible for addressing this issue and decide which strategy they should adopt: compete against private labels or cooperate with them.

In a fast moving consumer goods industry, retailers are a key player and CFSD industry is no exception but besides that SUMOL, as a leading brand, have been able to keep their market share intact in the last few years without any direct effort towards the matter.

Resumo

Título: SUMOL – Marca líder num mercado em mudança

Autor: Eduardo Macedo Santos

SUMOL+COMPAL é uma empresa portuguesa de bebidas fundada em 2009, resultado da fusão de dois grandes competidores da indústria de bebidas, SUMOL e COMPAL. Este caso de estudo retrata a indústria de bebidas de fruta gaseificadas (CFSD) em Portugal, onde a SUMOL+COMPAL compete através da marca SUMOL- líder de mercado.

Durante a sua existência, a SUMOL ultrapassou diversos desafios, mas nos últimos anos outro começou a emergir: marcas brancas tais como Pingo Doce e Continente. Inicialmente, as marcas brancas começaram a vender produtos de nicho com a sua própria marca mas com o passar do tempo começaram a vender produtos com um target mais alargado. Devido à atual crise económica em que Portugal se encontra, as pessoas começam a procurar soluções mais económicas em termos de bens alimentares e assumem *a priori* que as marcas brancas lhes conseguem oferecer soluções mais viáveis. Os anos foram passando e em 2012 já era claro que não se tratava de uma reação temporária à crise económica mas sim o novo panorama do mercado alimentar. Sílvia Rebelo, gerente da área de marketing estratégico da SUMOL+COMPAL para refrigerantes, e a sua equipa são responsáveis por lidar com este assunto e decidir qual a medida a tomar: competir contra os retalhistas que tenham as suas próprias marcas (brancas) ou tentar cooperar com estes.

Quando se trata de indústrias de grande consumo, os retalhistas são uma peça fundamental e a indústria de CFSD não foge à regra mas apesar disso a SUMOL, como líder de mercado, tem sido capaz de manter a sua quota de mercado intacta durante os últimos anos sem ter feito qualquer esforço direcionado diretamente a este tema.

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SUMOL: Leading Brand in a Changing Market

On an unseasonably warm Friday afternoon in Lisbon, Portugal, in early May 2013, Sílvia Rebelo was sighing on her chair trying to measure the performance of the marketing strategies employed over the last few months, all over the country. She had scheduled a meeting with her team in 20 minutes time and the importance of this meeting was paramount. The following Monday, Rebelo had planned to travel for a few days to attend the opening of SUMOL's new factory in Mozambique and wanted to arrive with sound marketing actions for the upcoming months.

Rebelo is the SUMOL+COMPAL strategic marketing manager for soft drinks. Having worked for SUMOL+COMPAL since 1998, she had the ambition, experience and skills to lead the development, implementation and evaluation of the marketing strategies in these specific industries.

To kick off the meeting, Rebelo wanted to congratulate her team for the good performance they had achieved in the last few years. Since 2010, SUMOL have changed the focus of their Marketing strategies due to the prior Marketing Research developed by Sílvia and her team. An enlightening experience in understanding the reasons that were leading SUMOL to a secondary position in the soft drinks industry. It was not the product itself, its flavour or even its package. It was the lack of a concept attached to it. People in general, enjoyed drinking it, but they only did so at home. Rebelo´s team knew when friends were in social gatherings to have a drink, the chosen brand would not be SUMOL, neither a direct competitor in the industry, but Coca-Cola. From this point onwards, Silvia and her team realized the following: they decided to develop marketing initiatives focused on building up the SUMOL concept and changing people's "young in spirit" mentality. To overcome this issue they developed meaningful advertising campaigns: "Mantém-te Original" (Keep it original) and "Manifesta-te" (Express yourself) with the aim to encourage consumers to take an attitude and keep being original and not socially dependent, using sentences they could relate to. They were both truly successful in Sílvia Rebelo's eyes. "At that time (before 2010), most people would feel embarrassed to ask for a SUMOL can in public, but nowadays, this issue is already being addressed. Our target has a much clearer idea of what SUMOL represent in their daily life and we just need to strengthen that positioning in consumers' minds over time".

Since 2010, SUMOL has been the only brand within the soft drinks industry to maintain their sales volume despite the enormous decline in economic crisis activity in Portugal. However, in parallel, another issue has emerged, in which they now must focus: private labels. Since a few years ago, the two largest supermarket chains in Portugal, Continente and Pingo Doce, have started to sell their own branded carbonated flavoured soft drinks(CFSD), offering their products at a lower price than most of their competitors and have been continuously gaining market share in this industry.

Rebelo wanted to discuss this issue in further detail in the upcoming meeting in order to emphasize its importance. "As you know, Continente and Pingo Doce are performing very well with their own branded CFSD. They have been growing at a quick pace. Besides that, as they sell their own branded products, the shelf-space price they currently request to competitors is higher and more restricted in order to protect their products. Opportunity cost might seem to be a concept they are not familiar with and they seem to assume shelf-space for their products to be free of costs which in turn, reduces our negotiating power. We must overcome this problem using our Sales Promotions knowledge through the most effective means in order to make our products the most valuable to customers. So, what I ask you to do during the upcoming week is to analyse all the Sales Promotions techniques we can use to complement our current strategy and overcome this issue effectively, bearing in mind its medium and long-term sustainability". A frightening silence settled in the meeting. The general idea among workers was that the current strategy was paying off but the recent developments in the industry portray a different story. So can they do better and win this 'battle'? There is always room for improvement and Rebelo has always symbolized the face of the ambition required in any task.

Company Overview

SUMOL + COMPAL was founded in 2009 as a result of a merger of two major competitors within the beverage industry, SUMOL and COMPAL. These brands have a large and rich history of over 50 years **(see Exhibit 1)** – SUMOL was established in 1945, at that time called Refrigor, and COMPAL just seven years later. Nowadays, they are among the most well-known, popular brands and most consumed brands in Portugal[1], and sell to more than 70 different countries. The SUMOL brand is mostly recognized for their CFSD and COMPAL for their fruit juices. Both brands are market leader in their own specific industry.

[1]http://www.jornaldenegocios.pt/empresas/detalhe/saiba_quais_sao_as_marcas_com_melhor_reputacao_em_portugal.html

At the time of the merger, the strategy was determined by aligning the strategies of the former companies and the overall mission is to become an international reference company in the fruit drinks and vegetables market, dispute the leadership in the national fast moving beverages market and keep a prominent position in the prepared vegetables and tomato products market.

National market

At the beginning of 2012, the Portuguese Government decided to significantly increase taxation on consumption, in general, and VAT on soft drinks and juices. In soft drinks (where SUMOL is included) the VAT increased from 6% to 23%. It never rains but it pours. The government also increased the VAT on 'horeca' channel from 13% to 23% in all establishments. All this resulted in a reduction of families' disposable income[2] and consequently decreased CFSD business size and value. In order to address this issue, SUMOL + COMPAL have taken numerous initiatives, supported by their main pillar, *Innovation*, bringing more value to their customers, increasing customer loyalty to the brand. For instance, they have resized the packages of their products and adjusted their prices, always bearing in mind the new economic context.

To celebrate the remarkable *60 year history of COMPAL*, the company approached several initiatives. They launched a limited edition of "COMPAL *clássico ameixa rainha cláudia*" (plum juice); increased from 20% to 50% the fruit content of "*Um Bongo*" – targeted primarily at children – in order to make it more nutritional and more valued by parents who are usually the decision makers. The range of SUMOL products was also increased, with the release of "SUMOL *limão*" (lemon juice) with the backup of the concept "*Verão limão*" (Summer lemon) and in a very innovative step, they also released *B!Caramelo* (toffee juice) in order to surprise customers and show proactivity. In addition to the aforementioned, they also released many more products, from which we can highlight the "COMPAL *família*" (family) with the aim of 'educating' the consumer to drink juices as a family, at every single meal they have during the day. Despite all these marketing actions, the result was a global decrease of 14.5% in terms of sales volume in 2012 comparing to 2011 **(see Exhibit 2)**. With regard to soft drinks, the sales volume stagnated while the nutritional beverages and water suffered a decrease respectively of 12.4% and 10.5%. Beer sales volume also decreased (values not available).

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[2] http://www.hipersuper.pt/2011/10/14/subida-do-iva-pode-por-em-causa-internacionalizacao-das-empresas/

International market

In parallel with the national market, the international markets where SUMOL + COMPAL are established, customers continue to purchase their products even at a higher level **(see Exhibit 3)**. Thus supporting the company global sales at a time when the national market was being jeopardized by poor economic conditions. In February 2012, a factory was acquired in Mozambique with the aim of increasing the market share of the company in the SADC (Southern African Development Community) which is seen as a highly promising market.

Carbonated Flavoured Soft Drinks (CFSD) Industry Overview

In Portugal, the CFSD industry is in a declining phase. According to the trend in recent years, the consumption level of these drinks has been decreasing constantly. The Business Volume in this Industry has decreased 14.8% from 2011 to 2012 (429.35 to 365.82 million euros). This fact is mainly related to one reason: *healthy trend*[3], people in general are looking for healthy products and do not perceive CFSD as one, despite of some healthy cases (SUMOL). Nowadays, its market share is highly concentrated in two competitors, SUMOL (from SUMOL + COMPAL) and FANTA (from COCA COLA PORTUGAL) – **see Exhibit 4**.

On the one hand, these companies have a large number of small or medium size suppliers – low concentration – which allows them to have an enormous negotiating power and offer prices slightly above the production cost. Those suppliers depend a lot on the producers which reduces their negotiation power. Due to the large number of available suppliers, the producers are always open to the possibility of changing partners and keep purchasing the same volume of fruit. On the other hand, inherent to their size and brand awareness, SUMOL+COMPAL want to make sure that their customers keep purchasing a product with the same quality over time. So, it is imperative for them to have high quality control over the suppliers and they prefer to maintain the same list of suppliers that assure guaranteed quality on a continuous basis.

From the customer side, since there are millions of potential customers in Portugal, individually they tend to have no bargaining leverage which is an advantage for every company in the

[3] http://sexoforte.net/mulher/artigos.php?id=2695

industry. Furthermore, consumers are requiring more and more information about the products they purchase and with the increasing usage of the internet they have access to extra information about the companies and their products[4]. Besides that, switching costs are zero and the large number of substitute products, mainly juices, iced tea, beer and water affect their decision. Although there are only two big competitors in this industry, to take decisions regarding marketing strategies they also have to take indirect competitors into consideration.

In the near future, it is not expected the entrance of any branded products in the market. The size, brand awareness, economies of scale and distribution channels, joined with the learning curve the largest competitors have been developing over time, are reasons enough to scare off any potential entrance. Not to mention the enormous initial investment that would be required to establish themselves in the market. On the other hand, the potential entrance of other private labels in this industry should not be ignored, taking into account the attractive size volume of it and the ease with which they can place their own-branded products into shelves and protect them from branded products like SUMOL's.

Competitors

FANTA (by COCA-COLA PORTUGAL)

In Portugal since 1979, COCA-COLA PORTUGAL has been building its position in the Portuguese market ever since. Nowadays, they have a diversified range of products, where we can highlight 3 brands: COCA-COLA, the most famous and also the most purchased/drunk soft drink in Portugal; NESTEA; and FANTA (introduced in 1983), the direct competitor of SUMOL. FANTA is the 5th largest seller worldwide concerning soft drinks and in Portugal they are the second largest competitor in the category of CFSD, just after SUMOL. With regard to the flavours, they have four out of six, orange, passion fruit, pineapple and orange zero, in common with SUMOL, and two beyond those, grape and lemon Zero. In 2012, FANTA owned 25.3% of market share.

[4] http://resourcecentre.foodrisc.org/consumer-information-seeking_61.html

FRISUMO (by UNICER)

Unicer is the largest Portuguese soft drinks company with a multi-brand, multi-market strategy based on its operations in the beer and bottled water businesses. In the CFSD category they are presented by FRISUMO which in 2012 owned a small market share (6.5%) and only two varieties, orange and pineapple.

Private Labels

Besides these two main competitors, there are a few brands which compete in this category, mainly private labels owned by retailers such as Pingo Doce, Continente and other own-branded products from Intermarché, Lidl, Jumbo and Minipreço – the main supermarket chains in Portugal. In the past few years, their growth has been exponential. Firstly they started selling "niche" products and as time passed they became mainstream brands.

Due to the current economic crisis established in Portugal, people look for more economical solutions for their food needs and assume *a priori* that private labels have more economical options. Normally they do, but it is not always the case. Continente and Pingo Doce price their CFSD far below the two largest competitors. In the last years, they have been increasing their market share possessing 5.9% of market share in 2012 in contrast with the 5.2% in 2011. Besides the fact the total business volume of the industry is declining, these supermarket chains keep looking to this industry as a potential source of revenue.

Marketeers have been suggesting that packaging is a key factor for the success of a private label in the majority of product categories. When devising the packaging of the products they are about to release in the market, companies usually opt for one of these options: a packaging that practically screams "generic", bringing up images of black print on white background – "*blackwhite*" strategy from now on – using the colours of the brand or just black and white. They usually use another strategy known as "*copycat*" in which they approach to have a package very similar to the leading brand, trying to look more appellative and valuable or even to lead shoppers to buy it by mistake. In the specific case of the Portuguese market, through the **Exhibit 5**, one can see that Continente opted for "blackwithe" strategy, but Pingo Doce opted for a quite different approach. They developed a simple and straightforward package, picking up the simplicity of a *blackwhite* package supplemented by a silver/grey background instead of white, i.e., a different positioning. These colours are naturally seen by people as representing timeless, practical and solid and arouse the curiosity and interest. That is, a different approach in a saturated market where packaging is paramount.

SUMOL (by SUMOL + COMPAL)

As mentioned before, SUMOL + COMPAL is represented in this Industry by SUMOL brand. SUMOL was the first company to start selling CFSD in Portugal. In 1950, a group of friends gathered 100 *mil escudos* (equivalent to 500 euros) and created a company, at that time called Refrigor, focused on the production of ice, orangeade and soda. At 1954, after the entry of a new partner, now represented by António João Eusébio, currently chairman of the board of directors of SUMOL+COMPAL, they presented to the public their first soft drink under the name SUMOL with the vision the consumption of fast moving beverages was relevant and tended to increase over time and the ambition of bringing value to customers and satisfying them through their products. Since then, they have been developing their product portfolio over time. Some of the products were released as limited editions such as SUMOL strawberries and SUMOL Bliss but others remain available in the market due to their success.

Nowadays, SUMOL own two categories resulting in 6 different drinks: SUMOL orange released in 1954, SUMOL pineapple - 1958, SUMOL passion fruit - 1994, SUMOL mango – 2006, and finally SUMOL ZERO – 2006 initially with the versions Red (grapefruit) and Green (apple and kiwi) and currently with the versions orange and pineapple. The aim of this new category was to offer customers a sugar free (ZERO) option - **Image 1** illustrates the differences between categories. All these initiatives were guided by three principles: shoppers and consumers satisfaction; continuous improvement of performance and create value to shareholders.

Image 1

	SUMOL	SUMOL ZERO
Target	Young at heart (7 to 77)	20 to 35 years old
Features	Irreverent, fun, brave	Urban, fun and want to deviate from mainstream
Values	Originality, youth and authenticity	Contemporaneous, portugality and authenticity
Insight	Conformism, rules and convention are always lurking around	What defines us is what we make differently from others
Reasons to Believe	There is nothing like this	No added sugar, there is nothing like this
Signature	Keep being original	Outstand from mainstream behavior

Source: Adapted from Kit Estudante SUMOL

According to the annual management report of 2012, SUMOL has seen its global litres volume increase by 13% between 2011 and 2012 **(see Exhibit 6)**, but on the other hand, as mentioned above, its sales volume has decreased by 11% in the same period. Regarding the national market, SUMOL decreased by 14.5% in terms of sales volume but increased its market share from 58.6 to 58.8%. Just like the SUMOL + COMPAL, the SUMOL brand slightly compensated its reduced national sales with the international market where sales volume increased by 0.6%.

SUMOL Distribution Channels, Distribution Centres and Plants

SUMOL reaches its final customers through three different channels, two of which are of extreme importance – food channel and ´horeca' channel – and a third one to complement them – Cash & Carry Channels and Distributors. Through the food channel, SUMOL has a distribution rate close to 100%. They are present in almost all supermarket chains where they reinforce their presence with regular promotional activities and investing in Point-Of-Sale (POS) merchandising materials. Regarding the 'horeca' channel, it also is of high importance since it is supposed to distribute SUMOL products to a diversity of places such as cafes, restaurants, movie theatres as well as fast-food chains, convenience stores and service stations.

Distribution centre is a special kind of warehouse designed to speed the flow of goods and avoid unnecessary storing costs. Currently, the distribution of SUMOL products is managed by SUMOL+COMPAL from 10 distribution centres, located across the country as shown in the **Exhibit 7**.

SUMOL+COMPAL own 4 plants in Portugal across the country. The one located in Pombal is responsible for the whole SUMOL products.

Primary Research

Looking at the shelves (Part One)

In order to take a further look at the CFSD competition presence in distribution channels, primary research was developed to turn possible to compare the different players through a fairer way. In the research developed, the main focus was pricing and range of products, i.e., at what price level are the brands categorizing their products and which products they have available in the different distribution channels.

To put into practice this exercise, six out of the largest supermarket chains in Portugal[5] were observed (Continente, Pingo Doce, Intermarché, Lidl, Minipreço and Jumbo).
In this type of channel, the majority of consumers usually enter in the supermarket chain with his decision taken, but the competitors themselves can change their option through in-store advertising and sales promotions.

First of all, SUMOL possesses the largest variety of products **(see Exhibit 8)**, but the point is: where are they present and how relevant is the presence? In fact, SUMOL has the most expressive presence amongst players in the sample taken. They are present in all distribution channels with at least four different products except in supermarket Lidl where only two can be found **(see Exhibit 9)**.

In parallel with this, FANTA and FRISUMO, respectively the second and third strongest competitors have a weaker presence in distribution channels **(see Exhibit 10)**. Regarding other brands, in each supermarket chain there is always at least one private label or product from an own-branded to compete with the big brands, focusing their efforts in price, providing a cheaper option to their

[5] http://www.lojj.pt/hiper-e-supermercados/

customers. In all supermarket chains observed SUMOL products are 50% to 122% more expensive than the same type of product from a private label or from other low-cost brands **(see Exhibits 11-17, column "Vs Others")**. In comparison with their two main competitors, SUMOL position their products at a higher price, except in "pineapple bottles" where FRISUMO take the 'trophy' by 3% **(see Exhibit 12)**.

'Horeca' channel (Part Two)

Horeca channel is the group of establishments which the core business is to prepare and serve food and beverages, namely cafes and restaurants. The most important differences between this channel and the one presented previously is that customers usually have just one brand option among CFSD competitors, the indirect competition has a strengthened position as well as peer pressure.

To analyse how the CFSD players are doing in this field and to understand their presence in the 'horeca' channel, twenty restaurant chains that are present in *Centro Comercial Colombo* were analysed. Colombo is one of the biggest, popular and well-attended shopping centres in Europe[6]. In the majority of food and beverage establishments observed, one of the top three players in the industry (SUMOL, FANTA and FRISUMO) have an exclusivity agreement in order to be the only brand among CFSD industry available in that channel which reduces customer power of purchase. Some customers eventually 'give up' and purchase the available brand, but part of them may be carried to purchase another beverage, due to high brand loyalty, such as water bottle or Coca-Cola which take the 'second option' position due the lack of direct substitute products. Besides that, in these establishments, the customer is more prone to be in a group which can lead to be influenced by other's decision.

Those restaurants analysed were divided into three categories: "Fast Food", "Fast Food Gourmet and Traditional Restaurants" and "Healthy Food" so that we can make a fair comparison between flavoured soft drinks brands since the type of restaurant within each group is more homogeneous and understand if the type of restaurant influences the CFSD brand they have an agreement with.

[6] http://colombo.century21.pt/compras/centro-comercial-colombo/

Through the **Exhibit 18**, one can see that among “Fast Food” Restaurants SUMOL is performing very well, since they are present in four out of the five restaurants analysed. In reality, there is one reservation. The fact SUMOL is taking the lead in this category influences customers’ opinion towards the brand. Fast Food is seen as being unhealthy can make customers recognize SUMOL as being unhealthy as well. An issue that Rebelo’s team has been trying to address.

In the second category (“Fast Food Gourmet and Traditional Restaurants”) it is important to note that FANTA is the brand with the most relevant presence **(see Exhibit 19)**. Fast Food Gourmet is an industry in a growing phase which is an advantage for FANTA and consequently a disadvantage for SUMOL which have a weak presence in this industry.

Finally, regarding the Healthy Food, none of the three top brands or other inserted in the CFSD industry is present **(see Exhibit 20)**. These types of establishments are more prone to sell natural products as fruit juices, water and tea, again, due to the fact CFSD are seen by customers as being unhealthy.

In this study, the price differences between competitors is not as relevant as in the Part One since the drinks are usually included in a pre-defined menu (bundling) and become cheaper than in the list price, there is only one brand available so the customer has no term of comparison and the establishments have more power to decide the end price.

Marketing Activities

The marketing budget spent by SUMOL in the national market during the last 5 years has stabilized into approximately 5 - 6 million euros per year. This budget is defined according to a percentage of the sales volume of the prior year (around 2.2%), suffering some adjustments according to the market environment. Within this budget, 65% is directed to ATL (Above The Line) and 35% to BTL (Below The Line).

At the time the company was created, the communication efforts were mainly towards the category of CFSD, since they were the only brand. Furthermore, after the entrance of several competitors in the industry (60’s), SUMOL changed its positioning, focusing on differentiation through flavour – “Sabor único” (Unique flavour) and “Unidos pelo sabor” (United by the flavour) since 2003. This new position was not paying off and in 2010 SUMOL decided to reposition the brand again. This time, focusing their efforts into originality, reinforcing the emotional attachment with consumers through a more effective way than flavour – originality – with the already referred slogans “Mantém-te original” (Keep it original) and “Manifesta-te” (Express yourself). The aim of this new positioning was to pass the idea that being “young” is a state of mind **(see Exhibit 21)**, challenging customers to be original and loyal to their selves. Strengthen the links with the new generations, to become closer to a younger target but without neglecting the oldest. To face the younger segment, more receptive to change, SUMOL promote brand activation, partnering with remarkable events on the student agenda such as “SUMOL Snow Trip” (finalist trip in high school) and “SUMOL Summer Fest” which for most festival-goers is the first music festival they go during summer.

SUMOL Promotional Plans

SUMOL promotional plans have continuously been updated according to the economic conjuncture Portugal is currently facing and to the promotional mechanisms the modern food retail chains privilege. In the last few years, SUMOL reduced the investment in promotional gifts and packs and in parallel with this promoted constant price discounts in their products in order to make them more valuable to customers, i.e., improved their quality/price relationship.

Over the last few years, SUMOL has been continuously developing specific plans to support one of their pillars, innovation. During the year, the sales promotions employed did not vary significantly, except in summer where the promotional intensity is higher. Across the distribution channels, the promotional strategies do not vary.

In order to successfully promote the brand in the following semester, Rebelo has already outlined several initiatives (**Image 2)** but the private labels issue was still a problem needing attention and blank spaces were a way to put herself under pressure to try to find a way to address it.

Image 2

- *1.25 litres (1 litre plus 0.25 for free) bottle, introduced in the beginning of the year, which the retail price suggested is 1€. It is supposed to be available over the whole year.*
- *2 litres bottle with the retail price suggested of 1,5€ and grouped them in a 4x2L package more oriented to promotions.*
- *Participate in soft drink fairs promoted by the chains or fairs which SUMOL supplies.*
- *Keep seeking for additional shelf-space and in-store communication oriented to the shopper.*
-

Above the Line (ATL) vs Bellow the Line (BTL)

ATL advertising or just Advertising uses all types of media as a way to promote the brand and its products to reach the target consumers. This kind of advertising is usually aimed towards a large number of audiences and is very effective when the target group is difficult to define. ATL technique includes TV, radio, print advertising and internet banner ads.

Advertising can have various practical uses. Companies usually use it to promote products, to stimulate demand, off-set competitors' advertising, to make sales personnel more effective, to educate the market, to increase the uses of a product, to remind and reinforce customers and to reduce sales fluctuations.

According to what is being promoted, advertisements can be categorized as institutional advertising or product advertising. The first is more directed to promoting brand image, ideas and values and the second is focused on promoting a specific product or category of products, emphasizing their features, images and benefits. In parallel with this, a brand must have a clear knowledge of what stage the promoted product is at in its life cycle. If it is in the Introduction phase, a company might try to stimulate the primary demand due to the inexistence of competitive brands – pioneer advertising-, i.e. demand for a product category instead of promoting the specific brand of the product.

This type of advertising focuses on product proposes only: what it is, what it does, how it can be used and where it can be purchased. When the product has already been launched, companies usually opt to build selective demand[7] where an advertiser turns to competitive advertising. At this moment, the competitors have already established their position in the market which makes it essential for each company to differentiate from the others in the consumer's mind. Competitive advertising is used in order to point out a brand's uses, features and advantages that benefit consumers that may not be available in competing brands. Another form of competitive advertising is comparative advertising in which the brand compares itself with two or three other brands on the basis of one or more attributes. However, companies must not misrepresent the qualities or characteristics of the comparison product. In Portugal, comparative advertising is restricted to a "brand vs others" basis.

[7] Demand for a specific brand that occurs after the primary demand (for the product class) in a product's life cycle

BTL advertising, or Sales Promotions, is used to reach customers through more direct approaches rather than the traditional advertising channels used in ATL. BTL advertising follows an unconventional and direct form of marketing communication. They usually take place to offer the final consumer an incentive in order to impact sales in the short-term (before 3 months) to encourage customers to purchase the promoted products, to accelerate the number of shopping trips to the store and to provide a saving feeling and reduce the “pain” of paying and might grant customers access to higher quality products which they could not be able to purchase at their normal price which will lead to an increased loyalty towards the brand, foster brand switching and attract new customers to the industry. It includes activities such as distribution of pamphlets, samples, promotion and direct mail promotions or promotions directed to distribution channels in order to increase their product’s shelf space, change their position to be better visualized by customers to sell “more of the same”. They are less effective than ATL techniques but also cheaper and directed to the potential customer.

Generally speaking, nowadays, marketeers are shifting to BTL techniques rather than ATL’s. The increasing use of sales promotions have influenced customers to become more deal-prone[8] and in turn stimulate marketeers to rely more on sales promotions – snow ball effect.

Sales Promotions can be gathered into three types: Product Incentives, Financial Incentives and Trade Promotions.

Product Incentives

On-Pack

This strategy is often used to support the launch of a new product. It gives the customer the chance to try out the new product for free together with the one they usually purchase. Another way it can be useful is to support a weak product that is not performing in the market as well as expected.

In-Pack

The promoting company offers an extra percentage of the product for free (e.g. 30%). The main goal of this strategy is to increase the frequency of use or consumption of the existing customer base. Besides that, it might be seen by the unusual customers as an incentive good enough to, at least

[8] Deal proneness is a consumer's general inclination to use promotional deals such as buying on sale or using coupons

that time, purchase the promoted product. Furthermore, some companies use this promotion technique as a temporary bridge in an intended upsize of packaging.

Volume

Volume is another way to incentivize a customer to purchase the product. Increase the volume of product but still charge the same price as for the original volume but this time, divided in several packages (bundling). The reasoning behind the use of this technique is usually the same as for the two mentioned above. In addition, the promoter company might use this technique to flow off the excessive production, combining the practical with the pleasurable (promote brand).

Sampling

Sampling allows customers to try a new product for free or encourage unusual customers to try an already existent product. It is extremely expensive but on the other hand is very effective in inducing experimentation and reducing Marketing Research related costs.

Financial Incentives (direct financial gain)

Discounts

This is one of the most traditional techniques marketeers use to boost sales during the promotional period. They are more commonly used to support seasonal items. Nonetheless, there is a trend to minimize these kinds of promotions as they can affect the brand value of the product.

Coupons – discount in future purchases

Customers can try a new, or previously unknown to them, product in advantageous conditions. Coupons encourage trials and the switching of brands. It damages the brand image less than direct discounts. The customer will only decide at the POS so it is important to make them keep it and make it valid for a reasonable period (3-6 months). It is not often seen in Portugal.

Refunds

Similar to coupons but offered in the act of purchase of the promoted product and can be used in the next purchase.

Contests

Promote a Contest in which the consumers have the chance to enter a skill-based contest. The selection of contestants is random and later in the process might work as disguised market research program.

Prizes

Same procedure as Contests but the winner is randomly picked.

Trade Promotions

The aim of any Trade Promotion is to increase shelf space and therefore raise sales volume. They are often put in practice in frequently purchased products, product in a mature phase or in products where the difference between brands is difficult to perceive in order to look after company's products. Some limitations towards this promotion are the fact that sometimes the added value generated does not go to the final customer. It might be held by the POS owner - retailers.

Communication

Through a given incentive, the POS owner allows the company to place special marketing material to be placed in strategic locations. Usually, this strategy takes place in order to promote a new product or one that is underperforming.

Shelf – Space

Company gives POS owner special shelf-space options or designs to be placed in high traffic zones, increasing the visibility of the product and the design and attractiveness of the store.

Incentives and bonuses

Sales incentives are offered to the POS owner to make it more advantageous for them to promote company's' products. Usually, the approach used by the company is to split their margin with the POS owner.

How to measure quantitatively the performance of a Marketing activity? Regardless of its type, these three types of promotions have a common aim: to achieve a temporary rise in sales, called promotion lift, always compared to the historical trend of sales – **Image 3**.

The effectiveness of these promotions can be measured from the sales reached in the next months. There are other indicators to measure the success of the promotions such as the increased number of customers or even increased emotional affection to the brand but actually, sales is the most tangible and pragmatic way to measure their success. According to these, one can evaluate these promotions categorizing them into one of these three levels.

Image 3

Level 1 - Promotional lift quickly achieved during the campaign but a negative impact on sales at after-promotion period – "roller-coaster" effect. Consumers may store the product in their warehouse and wait for the next promotion period.

Level 2 – Meet the objective of increasing sales during the promotion period and return to historical baseline levels after it. Successful promotion as it does not sacrifice future income.

Level 3 – The most successful turnout of a promotion strategy. Not only does the company achieve the promotion lift but once the promotion expires, sales stay higher than base line levels. This promotion may have brought new customers that were taken from competitors or did not know the product yet.

Source: Adapted from "Magic Numbers for Consumer Marketing." John Willey & Sons. U.S.A.

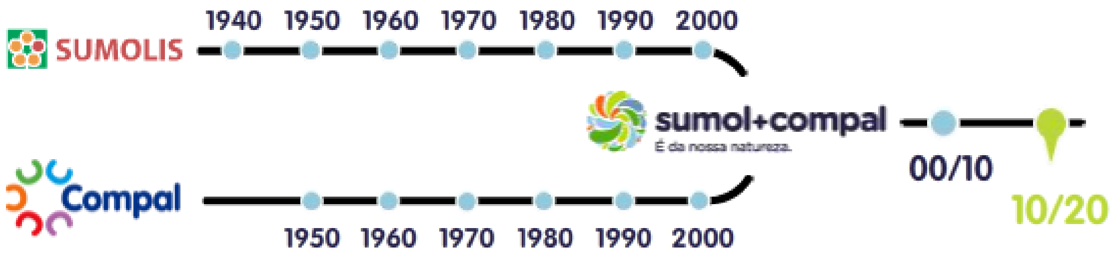
What's next?

The time has come. Rebelo has scheduled one last meeting with her team next Friday. Just three days before she goes to Mozambique. She is worried but at the same time confident. Her team never failed to present viable options but this might be the biggest challenge they faced until now. The present and future of SUMOL hangs in balance. But her ambition and experience do not make Rebelo lose her sleep. She knows what is coming. In the next years, the CFSD industry will be determined by two forces. Firstly, and despite the economic recovery signals in Portugal, the majority of consumers are still not automatically willing to pay up for big brands, even if they can easily afford them. Nowadays, consumers are routinely buying private labels. The fear of a new economic downturn take possession of consumer's mind who currently do their shopping more prudently than before the onset of the economic crisis. They try to purchase products with guaranteed quality at a low price. Secondly, the competitors established in the industry will keep trying to bring more and more value to customers. It means, SUMOL and FANTA, leaders in the industry, will keep trying to convince the consumer that their product quality and brand recognition compensate the price difference of the private labels products. Private labels will try to convince the consumer they can purchase alternative good products at a low price. The growth of private labels is no longer a cyclical reaction to economic downturns, but instead a structural change in the consumer products landscape.

In order to face the new market conditions, SUMOL must approach one out of two possibilities. Compete against private labels or cooperate with them in order to take the most value they can from their potential customers. Rebelo knows if SUMOL decides to fight private labels, they should take into account that the approach varies depending on the nature of the category in which the brand plays and its position in the category. There are several specific characteristics that favour private labels in a certain category table. Perishable goods, where SUMOL is included, are the most attractive to private label competitors[9]. In these categories, defending against private labels requires a focus on cost position, managing price gaps and plowing excess returns into communication and innovation around benefits. The best strategy for national brands, such as SUMOL, to compete against private labels is to play offense: innovate and reinforce consumer's emotional connection to brands. Currently, consumers do not just buy a product, they buy a brand. They must turn SUMOL products into a 'must have' in CFSD industry. If SUMOL opt for cooperating with private labels, they must put into practice marketing actions towards the retailers by increasing their incentives in selling SUMOL products which might be done through Trade Promotions, such as asking the retailer to instruct their employees to promote a marketer's brand over competitors' offerings or offer exclusive products. Rebelo has it clear in her mind that having retailers by her side is paramount, but in the other hand SUMOL is market leader and currently the chosen brand from the majority of customers. It is the one who scares, not the one who gets scared.

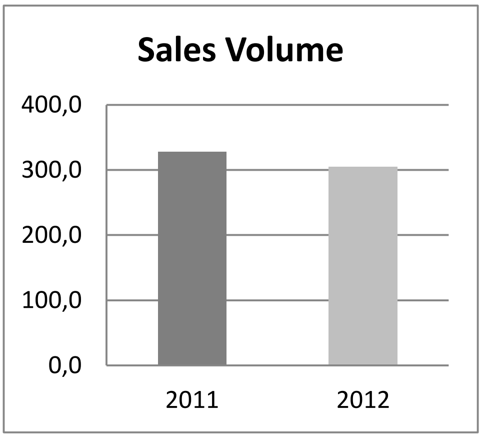
[9]http://www.bain.com/Images/BAIN_BRIEF_Deciding_to_fight_or_play_in_the_private_label_arena.pdf

Exhibit 1 - SUMOL+COMPAL history



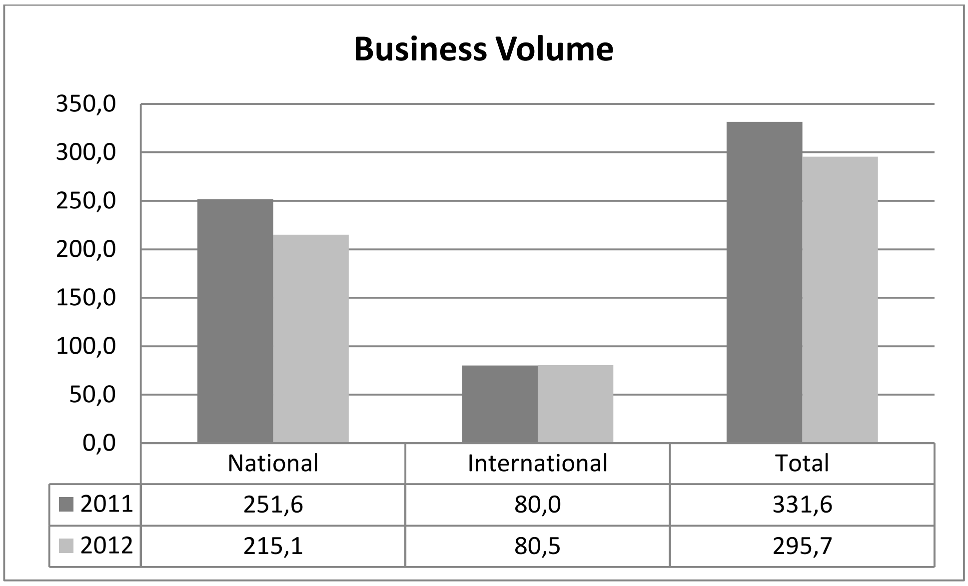
Source: sumolcompal.pt

Exhibit 2 - SUMOL+COMPAL Sales Volume (in million euros) in the first nine months (information available at the time) of the year



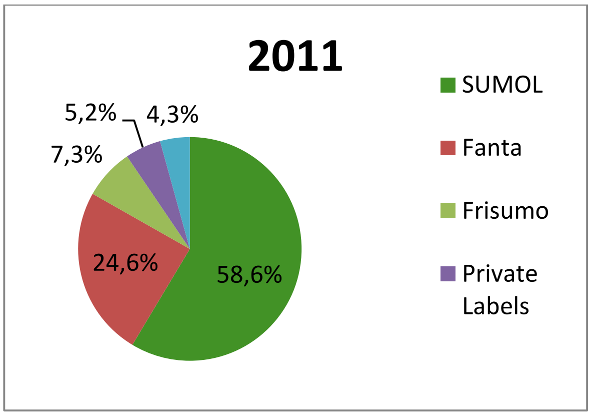
Source: SUMOL+COMPAL annual reports

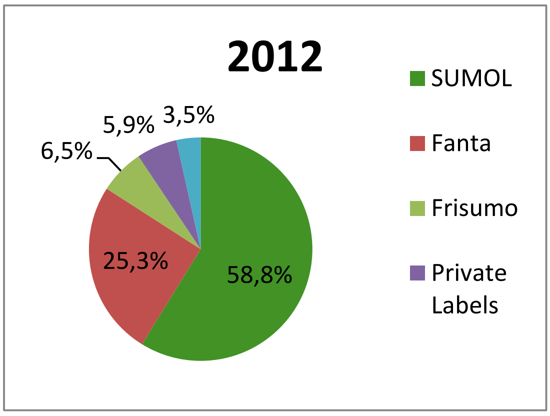
Exhibit 3 - SUMOL+COMPAL Business Volume (quantity of products) in the first nine months (information available at the time) of the year: National market vs International market



Source: SUMOL+COMPAL annual reports

Exhibit 4 - Market share per competitor



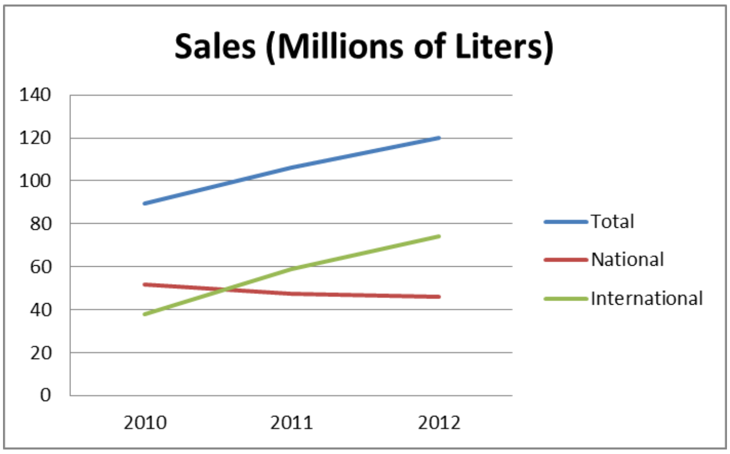


Source: SUMOL+COMPAL

Exhibit 5 – Packaging from Continente and Pingo Doce

Source: Continente online and Pingo Doce online

Exhibit 6 – SUMOL Sales (in millions of liters) in the first nine months (information available at the time) of the year: National market vs International market



Source: SUMOL+COMPAL annual reports

Exhibit 7 – SUMOL Distribution Centres location

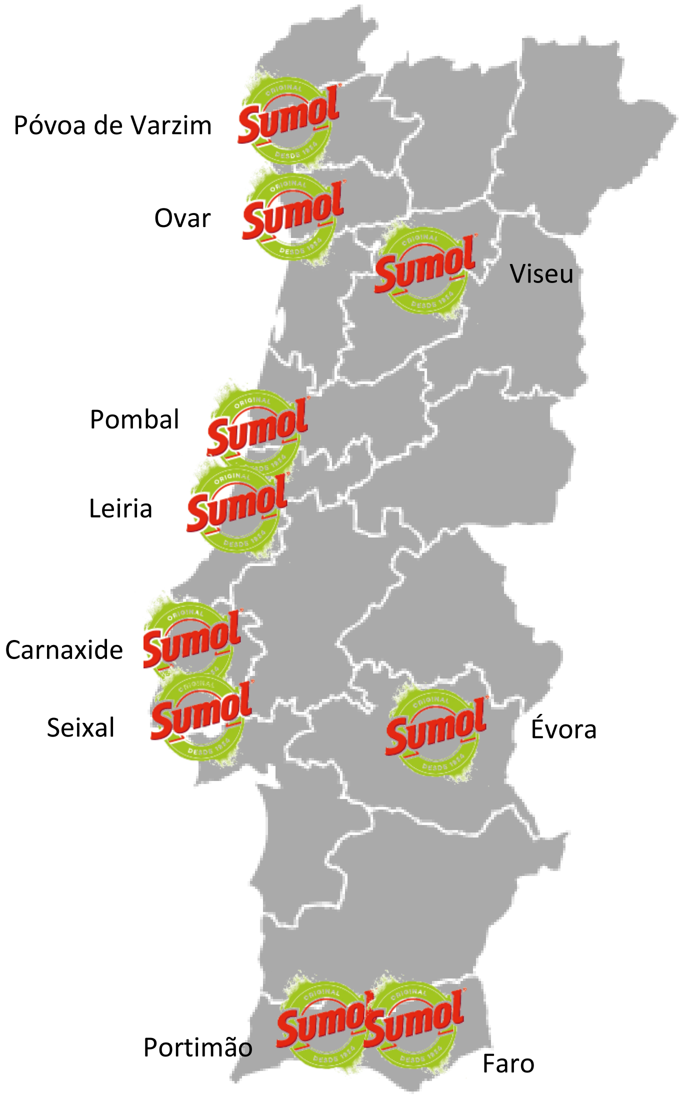


Exhibit 8 - List of products available in the supermarket chains observed, by brand

SUMOL	orange bottle
	pineapple bottle
	passion fruit bottle
	lemon bottle
	orange zero bottle
	orange can
	pineapple can
	orange zero can
	passion fruit can
	lemon can
FANTA	orange bottle
	pineapple bottle
	passion fruit bottle
	grape bottle
	orange can
	pineapple can
FRISUMO	orange bottle
	pineapple bottle
	orange can
	pineapple can
Private Label	orange bottle
	pineapple bottle
É	orange bottle
	pineapple bottle
Kendy	orange bottle
Dia	orange bottle
	pineapple bottle
	orange can
	pineapple can
SUPER GUSS	orange bottle
AUCHAN	orange bottle
	pineapple bottle
	orange zero bottle
FREEWAY	orange bottle
	pineapple bottle

Exhibit 9 - SUMOL products by Distribution Channel

		€/liter	€/liter	€/liter	€/liter	€/liter	€/liter	
		Continente	Pingo Doce	Jumbo (Pão de Açúcar)	Minipreço	Lidl	Intermarché	Average Price
SUMOL	orange bottle	0,75 €	0,75 €	0,75 €	0,75 €	NA	0,80 €	0,76 €
	pineapple bottle	0,75 €	0,75 €	0,75 €	0,75 €	NA	0,80 €	0,76 €
	passion fruit bottle	0,86 €	N/A	0,86 €	NA	NA	NA	0,86 €
	lemon bottle	0,80 €	0,80 €	NA	0,80 €	NA	NA	0,80 €
	orange zero bottle	NA	NA	NA	NA	NA	NA	NA
	orange can	1,76 €	1,79 €	1,76 €	1,79 €	1,79 €	1,76 €	1,77 €
	pineapple can	1,76 €	1,79 €	1,76 €	1,79 €	1,79 €	1,76 €	1,77 €
	orange zero can	NA	NA	NA	NA	NA	NA	NA
	passion fruit can	1,76 €	NA	NA	NA	NA	NA	1,76 €
	lemon can	NA	1,76 €	NA	1,76 €	NA	NA	1,76 €

NA = Not Available

Exhibit 10 - CFSD brands availability by Distribution Channel

	Continente	Pingo Doce	Jumbo (Pão de Açúcar)	Minipreço	Lidl	Intermarché
SUMOL	A	A	A	A	A	A
FANTA	A	A	NA	NA	A	A
FRISUMO	A	NA	NA	NA	NA	NA
Private Label	A	A	NA	NA	NA	NA
É	A	NA	NA	NA	NA	NA
Kendy	NA	A	NA	NA	NA	NA
Dia	NA	NA	NA	A	NA	NA
SUPER GUSS	NA	NA	A	NA	NA	NA
AUCHAN	NA	NA	A	NA	NA	NA
FREEWAY	NA	NA	NA	NA	A	NA
LOOK	NA	NA	NA	NA	NA	A

NA = Not Available

Exhibit 11 - Orange bottle market

Brand	€/liter	vs FANTA	vs FRISUMO	vs Continente	Vs Pingo Doce	Vs Others
SUMOL	0,76 €	17%	1%	55%	55%	122%
FANTA	0,65 €					
FRISUMO	0,75 €					
Continente	0,49 €					
Pingo Doce	0,49 €					
Others	0,34 €					

Exhibit 12 - Pineapple bottle market

Brand	€/liter	vs FANTA	vs FRISUMO	vs Continente	Vs Pingo Doce	Vs Others
SUMOL	0,76 €	N/A	-3%	55%	54%	98%
FANTA	N/A					
FRISUMO	0,78 €					
Continente	0,49 €					
Pingo Doce	0,49 €					
Others	0,38 €					

N/A = Not Available

Exhibit 13 - Passion fruit bottle market

Brand	€/liter	vs FANTA	vs FRISUMO	vs Continente	Vs Pingo Doce	Vs Others
SUMOL	0,86 €	18%	N/A	N/A	N/A	N/A
FANTA	0,73 €					
FRISUMO	N/A					
Continente	N/A					
Pingo Doce	N/A					
Others	N/A					

N/A = Not Available

Exhibit 14 - Lemon bottle market

Brand	€/liter	vs FANTA	vs FRISUMO	vs Continente	Vs Pingo Doce	Vs Others
SUMOL	0,80 €	N/A	N/A	N/A	N/A	74
FANTA	N/A					
FRISUMO	N/A					
Continente	N/A					
Pingo Doce	N/A					
Others	0,46 €					

N/A = Not Available

Exhibit 15 - Orange can market

Brand	€/liter	vs FANTA	vs FRISUMO	vs Continente	vs Pingo Doce	vs Others
SUMOL	1,77 €	N/A	21%	N/A	N/A	50%
FANTA	1,48 €					
FRISUMO	1,46 €					
Continente	N/A					
Pingo Doce	N/A					
Others	1,18 €					

N/A = Not Available

Exhibit 16 - Pineapple can market

Brand	€/liter	vs FANTA	vs FRISUMO	vs Continente	vs Pingo Doce	vs Others
SUMOL	1,77 €	N/A	21%	N/A	N/A	50%
FANTA	1,36 €					
FRISUMO	1,46 €					
Continente	N/A					
Pingo Doce	N/A					
Others	1,18 €					

N/A = Not Available

Exhibit 17 - Orange zero bottle market

Brand	€/liter	vs FANTA	vs FRISUMO	vs Continente	vs Pingo Doce	vs Others
SUMOL	N/A	N/A	N/A	N/A	N/A	0,49 €
FANTA	N/A					
FRISUMO	N/A					
Continente	N/A					
Pingo Doce	N/A					
Others	0,49 €					

N/A = Not Available

Exhibit 18 - CFSD in "Fast Food" Category

	Restaurant	McDonalds	Pizza Hut	KFC	Burger King	Pans
SUMOL	orange can		1,60 €			1,60 €
	pineapple can		1,60 €			1,60 €
	lemon can					
	orange zero can		1,60 €			
	orange per cup	1,45 €		1,45 €		1,45 €
	pineapple per cup					
FANTA						
	orange can					
	pineapple can					
	orange per cup					
	pineapple per cup				1,65 €	
FRISUMO	orange can					
	pineapple can					
	orange per cup					

Exhibit 19 - CFSD in “Fast Food Gourmet and Traditional Restaurants” Category

	Restaurant	H3	Loja das Soupas	Sushi Corner	Quasi Pronti	Pateo	Alentejo	Noori	Portugália		Frango da Guia	SóPeso	Lusitana	Chimarrão
SUMOL	orange can						1,60 €					1,70 €		
	pineapple can						1,60 €					1,70 €		
	lemon can						1,60 €					1,70 €		
	orange zero can													
	orange per cup											1,30 €		
	pineapple per cup											1,30 €		
FANTA														
	orange can	1,35 €	1,45 €	1,25 €		1,50 €		1,40 €	20cl bottle	1,85 €			2,30 €	
	pineapple can					1,50 €			33cl bottle	1,85 €			2,30 €	
	orange per cup									1,85 €				
	pineapple per cup													
FRISUMO	orange can				1,10 €									1,80 €
	pineapple can				1,10 €									1,80 €
	orange per cup										1,50 €			

Exhibit 20 - CFSD in "Healthy Food" Category

	Restaurant	Go Natural	Vitaminas
SUMOL	orange can		
	pineapple can		
	lemon can		
	orange zero can		
	orange per cup		
	pineapple per cup		
FANTA			
	orange can		
	pineapple can		
	orange per cup		
	pineapple per cup		
FRISUMO	orange can		
	pineapple can		
	orange per cup		

Exhibit 21 – SUMOL outdoor

"One day you will think you should go where everybody goes (When that day arrives, do not 'speak' to it)"

Source: http://www.ptfolio.com/2010/04/24/sumol-mantem-te-original-print/

Teaching Note

Introduction

This case study was developed under the supervision of Professor Paulo Marcos and Professor João Borges de Assunção as a basis for class discussion of marketing and marketing-related subjects. It offers readers the opportunity to work on an issue several companies are currently facing: compete with private labels. During the case, readers will have to lead with different alternatives where Sales Promotions have a crucial role in order to help customers take a decision and implement it afterwards.

SUMOL is a CFSD brand established in Portugal. Although they have a stabilized position in the market, a group of players (private labels) are challenging and competing for market share, stretching SUMOL to the limit of their strength. Readers are challenged to work with the information and tools provided during the case in order to show their understanding of the case and answer the final question, where they get into SUMOL marketing manager shoes: "If you cannot beat them, should you 'join' them?".

Discussion Questions

1. If Private Labels are expected to increase their sales by 10% per year in the next 20 years and assuming *ceteris paribus*, would SUMOL keep being the biggest competitor in the market?
2. Bearing in mind that the current Attractiveness of the CFSD industry is Low, is it a good option for SUMOL to quit the national market?
3. What are the CSF to succeed in the CFSD industry pointed out during the case study? Justify with examples.
4. Highlight the turning points in SUMOL Positioning Strategy during its lifetime. Relate with the target of the company. Taking into account the new positioning, do you think SUMOL 'stuck in the middle' by not simply focusing in one product characteristic?
5. Regarding the first three initiatives outlined in Image 2, which ones you consider a type of product incentive, financial incentive or trade promotion and each one's aim. Which one do you think will achieve quicker the "promotional lift"? Is that a signal of success?
6. "If you cannot beat them, should you 'join' them?". Give practical examples of marketing initiatives you would initiate if your decision took place.

Teaching Objectives

1 – To set out a case study with which readers feel attachment to, since carbonated flavoured soft drinks play a part of families or group of friends' daily life;

2 – To provide a debatable example of a current issue big companies are facing in fast moving consumer goods' industries: entrance of private labels in the market;

3 – To understand the carbonated flavoured soft drinks industry in Portugal, how the different competitors approach and how it has changed in the last few years;

4 – To show what the parties involved in the process are until the final product reaches the customer;

5 – To perceive the importance and power of retailers in the carbonated flavoured soft drinks industry;

6 – To demonstrate the different approaches the different players in the carbonated flavoured soft drinks can take to gain advantage over competition in terms of positioning, pricing, packaging and presence in the distribution channels;

7 – To show that in some industries, retailers can work as partners or as competitors, depending on the strategy of both brand company and retailer.

Use of the Case

This case allows readers to understand the current issue that the majority of brands in fast moving consumer goods are facing: private labels. During their history, SUMOL have passed through several obstacles successfully, where we can highlight Repositioning and Innovation as key success factors. Nowadays they are struggling in the way to compete against private labels. These new players have an enormous power over producers such as SUMOL, which have to be proactive and dynamic in order to not lose pace in such a competitive market. Students will be guided to understand the big picture,i.e., the industry and external forces that are setting the market nowadays. Then, putting their selves into SUMOL marketing manager shoes, they must add into 'function' the knowledge gained during the case and also a pinch of creativity to present what they think is 'the right path' for SUMOL. This case study will fit well at an undergraduate and master level, on marketing related courses. Additionally, it can also be used in a course which treats current issues big brands are facing since private labels is a relatively recent subject that will change several industries environment.

Relevant Theory

Product Life Cycle

This concept relates the different stages a product (or industry) can be in – Introduction, Growth, Maturity and Decline. The stage is determined by its revenues. Products have different requirements depending on its stage.

BCG Matrix

BCG Matrix is a portfolio-management tool used to determine what priorities should be given to the business units owned by a company. To ensure long-term value creation, a company should have a portfolio of products containing both low-growth products to generate cash (cash cow) and high-growth products where the cash generated by 'cash-cows' will be invested. This model uses only two dimensions: market share (of the business unit in its own industry) and market growth (of the industry). These dimensions are not correlated which offers a fair analysis. The bigger the market share and faster the market growth, better it is for the company.

Star

A business unit is considered a Star if both market share and market growth are "High". It needs high levels of investment and since it has a strong position in the market it would probably generate large amounts of cash. Important to hold it because the reward might be a cash cow in the future.

Cash Cow

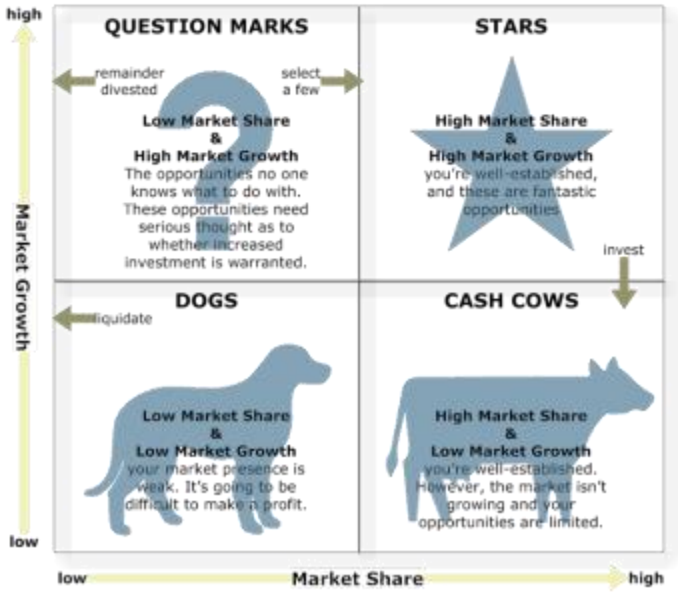
When a business unit own "High" market share and a "Low" market growth. Profit generation should be high and since its market is not growing, company might use it to invest in a 'Star' or in a 'Question Mark'.

Dogs

Company should avoid to have 'Dogs' on their product-portfolio. This business unit is characterized by a "Low" market share and "Low" market growth. If the unit delivers cash, maintain. Otherwise, company should liquidate it.

Question Mark

'Question Mark' unit owns a "Low" market share and a "High" growth rate. This unit requires high levels of investment so the company should analyse if it is worth to keep it or not. Is it possible to make it have higher levels of market share? If it does not, company should not waste money on it because as the growth stops, it becomes a dog.



Analysis and Discussion

Question 1

If Private Labels are expected to increase their sales by 10% per year in the next 20 years and assuming *ceteris paribus*, would SUMOL keep having a bigger market share than those?

Market share of Private Labels*((1+10%)^20years)*market volume = Private labels sales volume in 20 years

Market share of SUMOL*((1+0%)^20years)*market volume = SUMOL sales volume in 20 years

5,9%*(1,1^20)*215.100.00€ = 85.380.000€

58,8%*215.100.00=126.480.000€ > 85.380.000€

No. If that happens, SUMOL will still own the largest slice of the pie.

Question 2

Bearing in mind that the current Attractiveness of the CFSD industry is Low, is it a good option for SUMOL to quit the national market?

No. Taking into account that SUMOL is already established in the market, the entry costs are zero. So, while the industry value is not currently increasing, SUMOL is the market leader and has been reinforcing its market share over time. Therefore, among the variety of brands of the group, SUMOL can be considered a Cash Cow (BCG Matrix), i.e., COMPAL+SUMOL should try to get the most money they can from SUMOL products and try to invest it in the international market, other brand of the group placed in an industry with larger potential growth or even in some product release. Furthermore, that decision would damage the parent company (SUMOL+COMPAL) image. The only way it would be a good option to make SUMOL quit the market is if it was considered as a dog (low market share and low market growth) amongst the group of brands owned by the parent company.

Question 3

What are the CSF to succeed in the CFSD industry pointed out during the case study? Justify with examples.

Price – economic crisis, people spend less than before.
Convenience – Ease to purchase the brand people was looking for. Availability in the supermarkets.
Brand Recognition – People care about their status and the products they purchase reflect it. Example: the fact consumers in public get afraid to ask for a SUMOL product rather than a Coca-Cola can.
Healthy – People see CFSD as being unhealthy so it is important for a player in the industry to try to make it look healthier or sell it with plus juice content.
Flavour – SUMOL campaign “Sabor Único” is an example of it.

Question 4

Highlight the turning points in SUMOL Positioning Strategy during its lifetime? Relate with the target of the company. Taking into account the new positioning, do you think SUMOL 'stuck in the middle' by not simply focusing in one product characteristic?

1960's – Entrance of the first direct competitors in the market. In their first years, SUMOL focused their efforts in promoting the CFSD category, since they were the only player present. After the entrance of the first direct competitors in the market, they started promoting the brand towards customers.

2010 – SUMOL decided to reposition the brand because the last one was not paying off and SUMOL was losing pace in the industry. They changed the positioning of the brand, this time focusing their efforts into originality, reinforcing the emotional attachment with consumers. The aim of this new positioning was to pass the idea that being "young" is a state of mind, challenging customers to be original and loyal to themselves and also strengthen the links with the new generation through brand activation events (SUMOL Snow Trip, SUMOL Summer Fest).

Positioning is the way a company want to be seen by their target. The reposition of a brand implies to educate customer to the new positioning. A brand reposition usually implies that the target of the company changed. In this specific case, SUMOL changed their Target from people who care mostly on the drink flavour to people 'young in spirit' so consequently, positioning had to change in order to reach the new target in the most effective way.

The positioning does not have to be related with one of the product characteristics. When a brand builds up its positioning, the main objective is to find and define that essential point of difference you can own, to ensure consumers know why they want your products or service over others. SUMOL is not 'stuck in the middle' because they are not confusing customers with their positioning. It thrives on a single idea (Young is a state of mind) so customers have a clear perception of it.

Question 5

Regarding the first three initiatives outlined in the Image 2, which ones you consider a type of product incentive, financial incentive or trade promotion and what the aim of each one is. Which one do you think will achieve quicker the "promotional lift"? Is that a signal of success?

- 1.25 litres (1 litre plus 0.25 for free) bottle, introduced in the beginning of the year, which the retail price suggested is 1€. It is supposed to be available over the whole year.

Product incentive – In-Pack

SUMOL incentive customer to purchase the product offering an extra percentage of it but still charge the same price as for the original volume (1€). The aim of this technique is to increase the frequency of consumption of the existing customer base. Furthermore, it can be a temporary bridge in an intended upsize of packaging.

- 2 litres bottle with the retail price suggested of 1,5€ and grouped them in a 4x2L package more oriented to promotions.

Product incentive – Volume

Basically, the same reasoning than In-Pack but this promotion consists in an increased number of products (4) that are sold as one (package). SUMOL use this type of promotion for the same reason as the first but additionally, might use this technique to flow off excessive production.

- Participate in soft drink fairs promoted by the chains or fairs which SUMOL supplies.

Trade Promotion – Communication

SUMOL participates in that kind of events through a given incentive to the market chain. This technique might take place to promote a new product or one that is underperforming.

The promotion which will achieve quicker the promotional lift is the second one – level one. SUMOL sells a package of products which would probably lead to largely increased volume of sales in that period. The success is not indexed to this promotion since, apart from what was mentioned beforehand, this promotion might have a negative impact on sales at after-promotion period because consumers may store the product in their warehouse and wait for the next promotion period. The success of the promotion can only be measured with the sales volume reached in the next months.

Question 6

“If you cannot beat them, should you ‘join’ them?”

Consumers are routinely buying private labels. It is no longer a cyclical reaction to the economic crisis, it is the new market landscape, where consumers are looking for more economical alternatives and big brands like SUMOL must find a way to adapt their business to the new market characteristics. In a fast moving consumer goods industry, retailers are paramount and CFSD industry is no exception. So, SUMOL should try to keep retailers by their side. They represent the majority of SUMOL sales volume and with a long-term perspective in mind is more important to have a good partnership than win a battle. Retailers have power over SUMOL products in terms of price and shelf-space in store. But on the other hand, retailers know it is important to have SUMOL products available in their store at a reasonable price and volume to keep their customers, who seek them satisfied. All of that leads us to a Nash Equilibrium where for both parties, is better to build a partnership than to severe their link. At the end of the day, their goal is to increase profits, not to win ‘backstage’ wars.

To put into practice a partnership with retailers, Rebelo and her team must use Trade Promotions towards those.

Examples of initiatives:

- Place a big SUMOL bottle (special marketing material) in one of the tops of a CFSD hall or close to complementary products such as prepared/frozen meals or close to the snacks section. The bottle can have the image of SUMOL zero since big part of the customers do not know it already;
- Offer a prize money to the distribution channel who sells the most (taking into account their size). It is a (monetary) incentive to retailers to make them sell more SUMOL products;
- Offer bigger margins to retailers and in turn ask for more shelf-space.

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