

SCC, A CASE STUDY OF STRATEGIC MARKETING –
DRIVERS OF SUCCESS WITHIN HYPERCOMPETITIVE
ENVIRONMENT

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Abstract

This master's thesis is about a case study of strategic marketing, focused on beer sector in Portugal.

It is focused on SCC which operates in a hypercompetitive market. 12 years ago, the beer market was clearly led by Super Bock, but notwithstanding, SCC has done a hard work on strategic marketing in order to turn this market concentrated, not only in a 2-player market, but mostly in a 2-brand market.

Recently, the beer market in Portugal has been through very difficult times due to the economic situation of the country (in the last 7 years the consumption per capita reduced 14 liters), however, the sector remains attractive for companies that are consolidated and have a sustainable market position.

The main conclusion to be drawn from the analysis of this case study is that the SCC should continue to focus on growing the business, allocating resources and expertise in innovation (a key success factor of this market) and on developing new products in order to increase its market share and become market leader.

Through exploration of some instruments and frameworks from strategic marketing, this case study has 2 objectives: in one hand, from the strategic analysis, it aims to analyze the beer market and to identify the competitive advantages of SCC comparing to its competitors; on the other hand, from the strategy formulation, it aims to develop a STP analysis (to determine the objectives and strategies connecting the portfolio of SCC to the identified segments) and to define those who are the biggest challenges and recommendations for SCC continue to achieve success in the future in a sustainable way.

Keywords: Marketing, Strategy, Strategic Marketing and Beer Sector

JEL Classification System: *M31 – Marketing* and *M10 – General Business Administration*

Resumo

Esta tese de mestrado é um caso de estudo de marketing estratégico focado no sector da cerveja em Portugal.

Como objeto de estudo é utilizada a empresa SCC que atua num mercado hipercompetitivo. Há 12 anos atrás o mercado da cerveja era claramente dominado pela Super Bock, não obstante, a SCC, que tem feito um grande trabalho ao nível do marketing estratégico, conseguiu fazer com que o mercado passasse a ser concentrado, não só em 2 empresas, mas essencialmente em 2 grandes marcas.

Mais recentemente, o mercado de cerveja em Portugal tem passado por momentos muito difíceis devido à situação económica do país (nos últimos 7 anos o consumo per capita reduziu 14 litros), no entanto, o sector continua a ser atrativo para as empresas que estão consolidadas e que têm uma posição de mercado sustentável.

A grande conclusão que se retira da análise deste caso de estudo é que a SCC deve continuar a apostar no crescimento do negócio, concentrando recursos e competências na inovação (um fator crítico de sucesso deste mercado) e na criação de novos produtos, com o intuito de aumentar a sua quota de mercado e ser líder de mercado.

Através da utilização de instrumentos e ferramentas provenientes do marketing estratégico, este estudo de caso tem 2 objetivos: por um lado, do ponto de vista da análise estratégica, visa analisar o mercado da cerveja e identificar as vantagens competitivas da SCC em comparação com os seus concorrentes; por outro lado, do ponto de vista da formulação estratégica, visa desenvolver uma análise STP (determinar os objetivos e as estratégias conectando o portfolio da SCC aos segmentos identificados) e definir aqueles que são os maiores desafios e recomendações para a SCC continuar a atingir sucesso no futuro de forma sustentada

Palavras-chave: Marketing, Estratégia, Marketing Estratégico e Sector da Cerveja,

Sistema de classificação JEL: *M31 – Marketing e M10 – General Business Administration*

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Glossary

AMA: American Marketing Association

APCV: Associação Portuguesa dos Produtores de Cerveja

BCG: Boston Consulting Group

CL: Centilitres

CSF: Critical Success Factors

FMCG: Fast Moving Consumer Goods

GE: General Electric

HL: Hectolitres

HORECA: Hotels, Restaurants and Cafes

HR: Human Resources

INE: National Institute of Statistics

KSF: Key Success Factors

L: Litres

M: Million

MS: Market Share

OW: One Way

PESTEL: Political, Economic, Socio-cultural, Technological, Environmental and Legal

PL: Private Labels

SAL: Sociedade da Água de Luso

SBU: Strategic Business Unit

SKU: Strategic Keeping Unit

SCC: Sociedade Central de Cervejas

STP: Segmentation, Target and Positioning

SWOT: Strengths, Weaknesses, Opportunities and Threats

VAT: Value Added Tax

1. Case

1.1 Problem Definition

In 1934 it was established Sociedade Central de Cervejas (SCC) with the aim of selling beers produced by 4 former breweries. In 2015, SCC universe, which is part of Heineken Group, is composed by 3 companies (SCC, SAL and Novadis) and in addition to have 2 important business units (water and soft drinks), SCC core business is beer. Sagres beer brand was born in 1940 and today SCC vision is “together, we produce the leading brands that people just love to drink”.

In 2003, Unicer was market leader in the beer sector and it had more 19 pp than SCC: Unicer had 57% of market share and SCC 38%. This is the most important information why SCC is a case study of strategic marketing. A decade of market share gained by SCC, due to some successful innovations in the marketplace, has led to a battle for leadership in the midst of the worst economic crisis. If in 2003 Unicer was market leader with their competition so far away from that point, 12 years later that market suffered many changes. In fact, in 2015 the beer market is very concentrated and it is a very hypercompetitive market, with not just a 2-player market, but basically a 2-brand market, where Sagres is the brand leader (43% vs 42% Super Bock).

However, beer market presents many issues: in the last 7 years consumption per capita reduced 14 L (from 60 to 46 L) and beer sector is decreasing sales either in volume or in value. This situation was related with the bad situation of the Portuguese economy and the operators, to do not have to reduce more the prices to the consumer, they shrank the margins a lot over the last few years due to a higher and fiercer competition.

Actually, there are a lack of strategic definition and differentiation value proposition by the market players. The price competition is vigorous, the products are standardized and there is no much differences between each other's, and the buyers incur in low switching costs. For those reasons, it is required to define a differentiation strategy (increasing customer value) in a market that could be more differentiated.

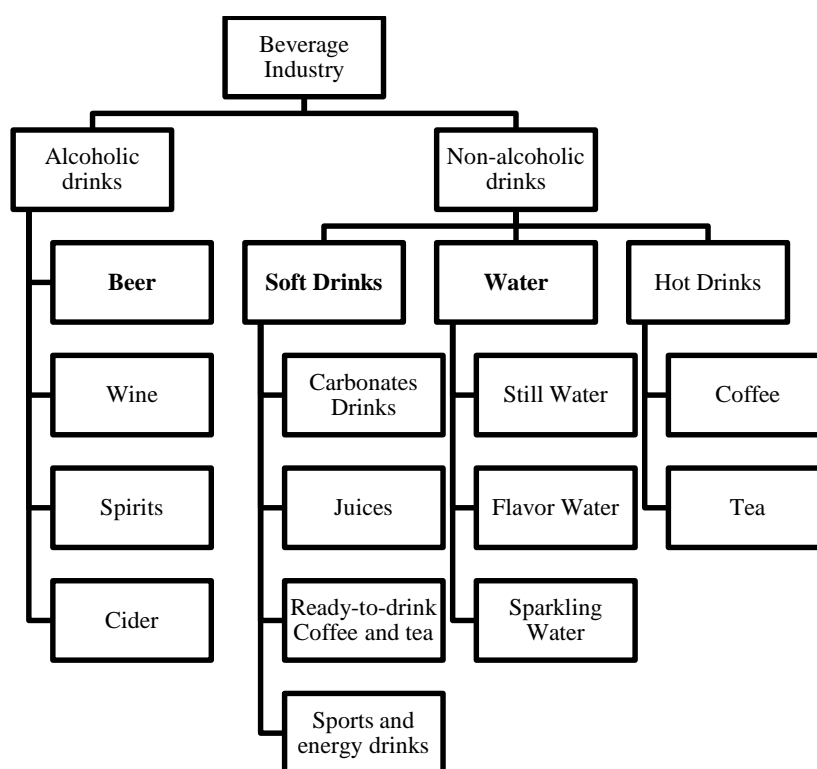
The case study is focused on SCC and it aims to study the evolution of the beer sector by analysing the drivers of success within hypercompetitive environment.

1.2 Sector Analysis

1.2.1 Beverage Industry Segmentation

This case study is about the beverage industry, commonly known as the drinks producer industry. Those drinks are divided in 2 big groups: the alcoholic drinks and the non-alcoholic drinks – *Figure 1*. The alcoholic beverage industry mainly consists of beer, wine, spirits and cider. The non-alcoholic beverage industry broadly includes water (still water, flavoured water and sparkling water), soft drinks (which contain carbonated or non-carbonated water, a sweetener, a flavour and includes carbonates, juices, ready-to-drink tea and coffee, sports/energy drinks) and hot drinks (which include coffee and tea).

Figure 1 – Beverage Industry Segmentation



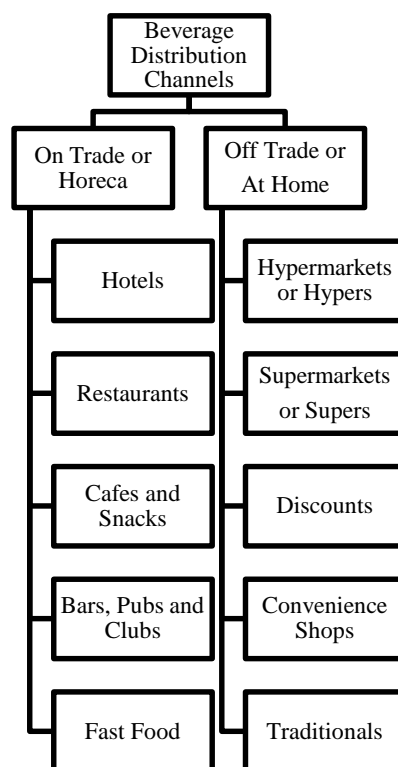
Source: Adapted by author

It is relevant to explain how this market is segmented by channels. – *Figure 2*. There are two different channels:

- **On Trade** (or Horeca): where people buy drinks to consume outside home, which includes hotels; restaurants; cafes and snacks; bars, pubs and clubs (nightlife); and fast-food restaurants. According to Nielsen, in 2014 there are in Portugal 61659 cafes and snacks, 4386 restaurants, 3339 bars and pubs, and 448 clubs.

- **Off Trade** (or At Home): where people buy drinks to consume at home, which includes hypermarkets (or hypers); supermarkets (or supers); discounts; convenience shops; and traditional.

Figure 2 – Beverage Distribution Channels



Source: Adapted by author

1.2.2 Beverage Market Overview

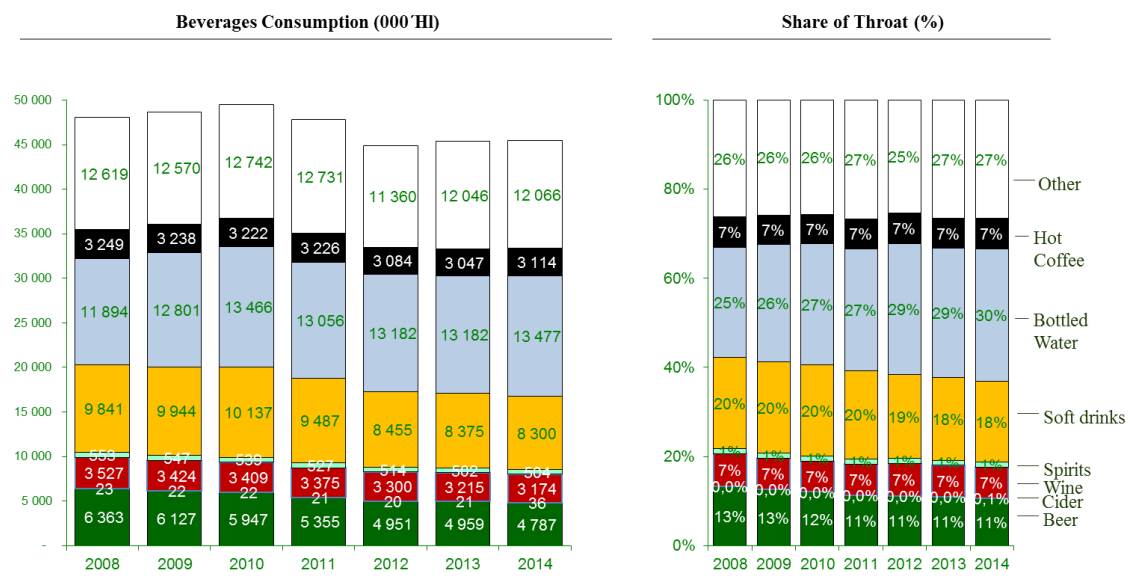
Before starting the analysis of the beverage sector, there are 3 notions that is important to contemplate: market volume, market value and market share.

The market volume is measured in liters (L) or hectoliters (HLⁱ) and the market value is measured in euros (€). Market share is measured in percentage (%)

In Portugal, according to Nielsen, between 2008 and 2014, the overall beverages consumption is declining (-5.5%). Beer shows the higher decrease (-24.7%) while cider, still very small, and bottled water are increasing. Beer decreased the share of throat from 13% to 11% – *Figure 3*.

ⁱ 1 Hectoiters = 100 Liters

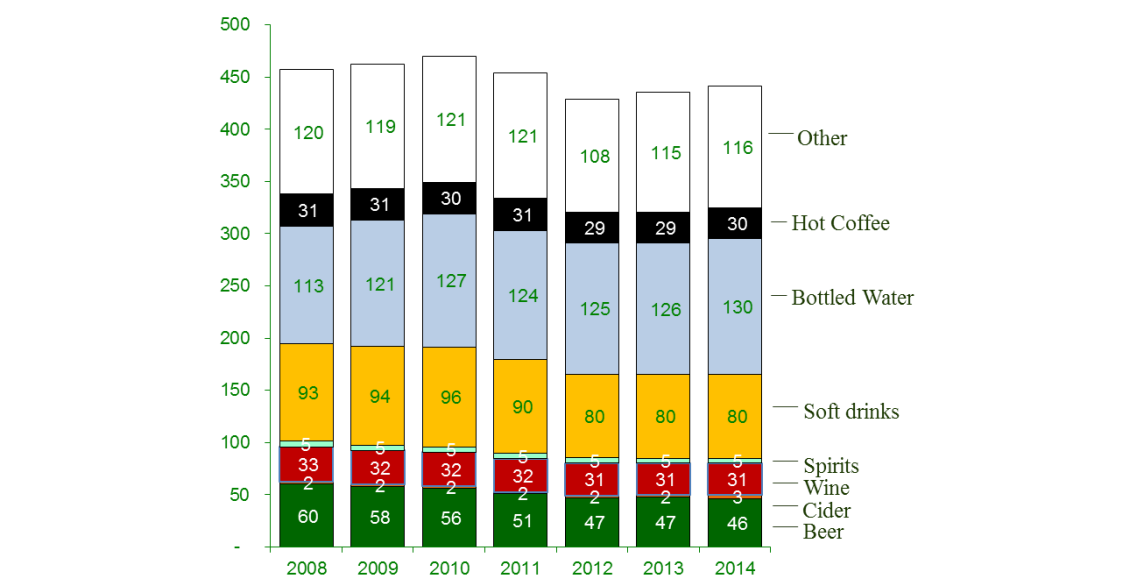
Figure 3 – Beverages Consumption Analysis



Source: Nielsen, Canadean (SCC BE for beer & cider)

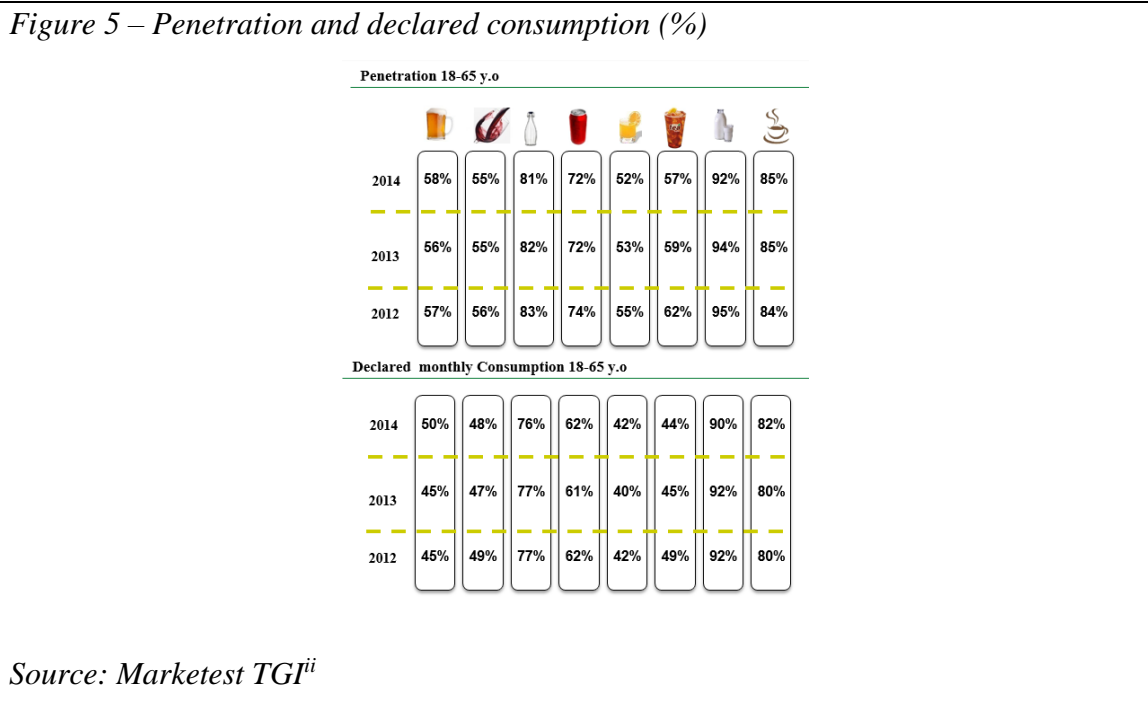
In 2013, Nuno Pinto Magalhães, SCC corporate relations and ombudsman, declared that beer consumption per capita in Portugal reduced to 47 liters, an amount equivalent to that consumed 30 years ago [Hipersuper, 2013]. In fact, in the last 7 years, beer consumption per capita reduced 14 L (from 60 to 46 L) – Figure 4.

Figure 4 – Beverage Per Capita Consumption (Liters)



Source: Nielsen, Canadean (SCC BE for beer & cider)

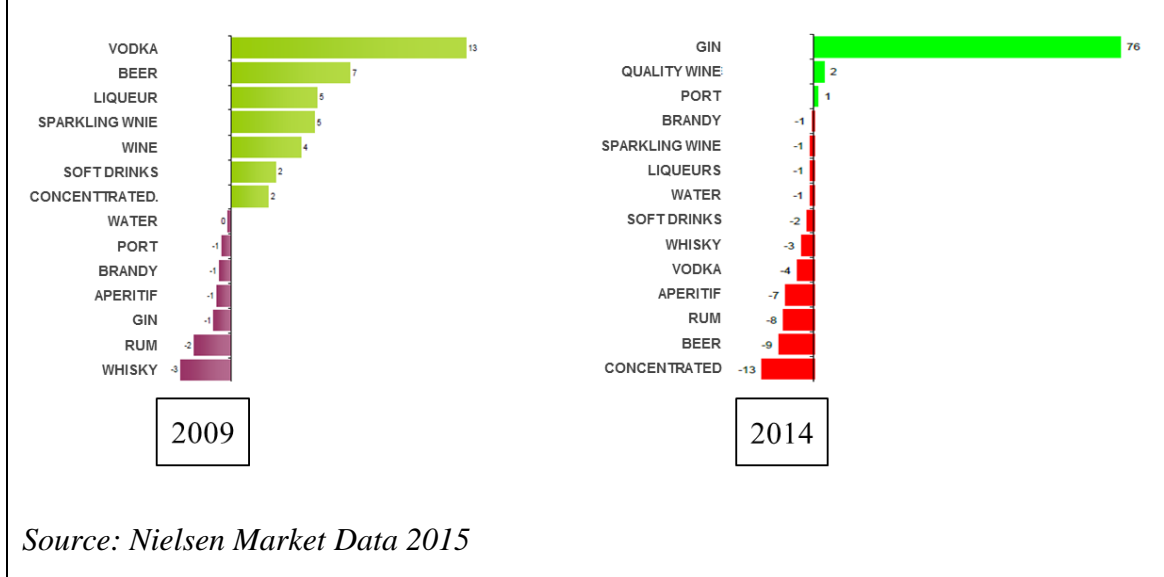
Other different beverage market indicators are the penetration and declared consumption – *Figure 5*. In the last 3 years, most of the categories are stable, Beer shows a positive trend while Ice Tea is losing penetration and declared consumption. Beer slightly increases penetration and declared consumption but strongly declines total consumption, which means less consumption per occasion.



The beverage market changed a lot in the last years. For instance, gin went from a stagnant category to the most vibrant beverage category in 2014. In fact, when it is analyzed the categories in value, in 2009, beer market increased 7% and it was the second category with high growth, followed by vodka which increased 13% while gin, rum and whisky decreased. Last year, comparing with the previous year, Gin grew 76% while beer decreased 9% – *Figure 6*.

ⁱⁱ TGI is a market research that allows to know Portuguese consumers in a more deeply way, accordingly with their beliefs, behaviors, consumptions and ownership of goods and services), 5000 interviews, representative of the population, Target: 18-65 y.o

Figure 6 – Category Value Growth vs previous year (%)



Source: Nielsen Market Data 2015

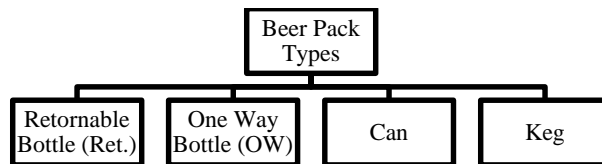
This case study aims the analysis of SCC portfolio. As the SCC core business is beer, the sector analysis will focused on beer and not the other two sectors (water and soft drinks).

1.2.3 Beer Market Segmentation

Before starting to analyze the market sales, it is important to clarify that the beer market has two different ways of segmentation. It can be segmented by channels (Figure 2) where it's possible to find four different beer pack types (Figure 7) in the seven regions of Portugal (Figure 8 and Annex 1); and it can also be divided by segments (Figure 9), which are:

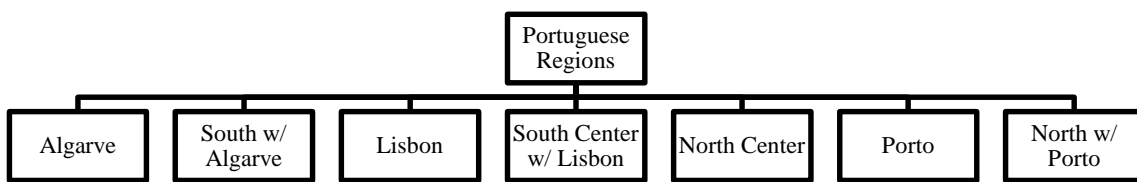
- **Premium:** international brands with a premium positioning and a premium price
- **Mainstream:** the two big Portuguese brands (Sagres and Super Bock)
- **Economic:** the cheaper brands (which include the Private Labels)

Figure 7 – Beer Pack Types



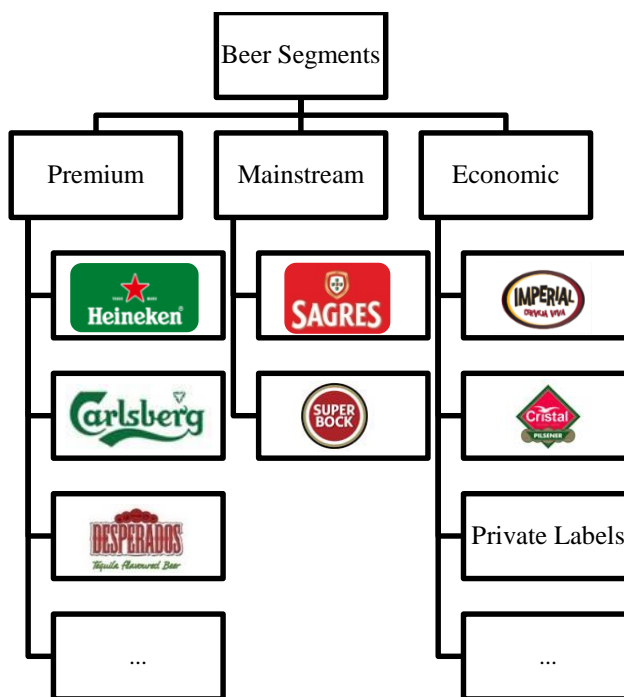
Source: Adapted by author

Figure 8 – Portuguese Regions



Source: Adapted by author

Figure 9 – Beer Segments

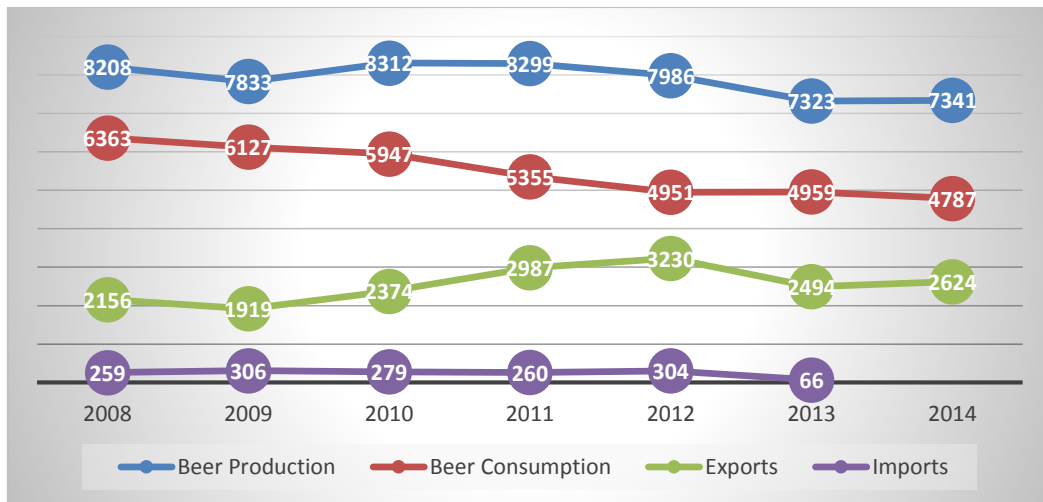


Source: Adapted by author

1.2.4 Data of the Beer sector

When it is analyzed the beer sector between 2008 and 2014, exports are the only good market indicator – *Figure 10*. It is possible to conclude that, in the last seven years, the beer production decreased 10.6% and the consumption has been decreasing 24.7%. In 2014, 2.6 million hectoliters of Portuguese beer was exported which represents 35.7% of the production. Between 2013 and 2014, exports increased 5.2% but if we analyze since 2008, exports increased 21.7%. The main export markets for this beer is Portuguese speaking countries in Africa (mainly Angola). In 2013, 66,000 hectoliters of beer were imported, which means 1.3% of what was consumed. When it is analyzed the period between 2008 and 2013, it is possible to mention that imports decrease 74.5%.

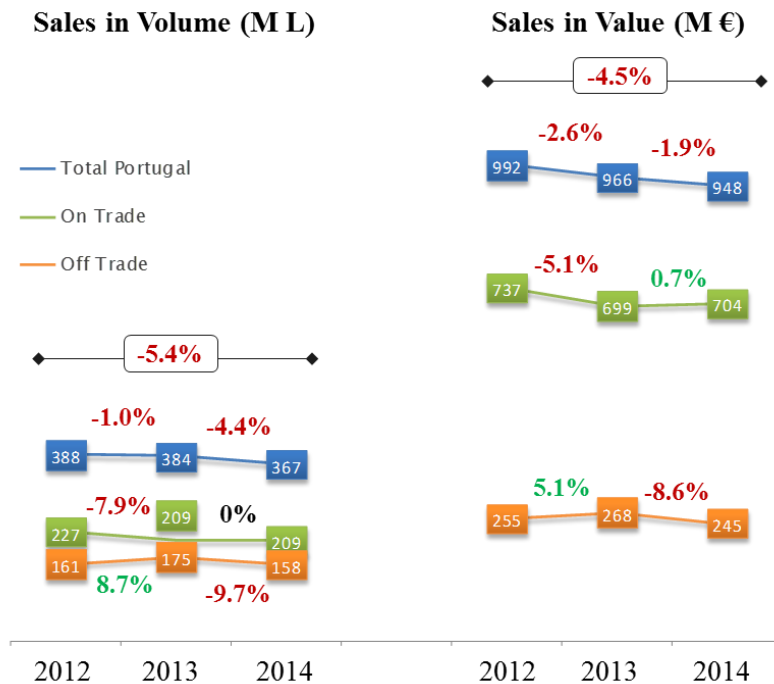
Figure 10 – Total Portugal: Beer Sector Analysis ('000 HL)



Source: The Brewers of Europe, Beer Statistics, 2014 edition

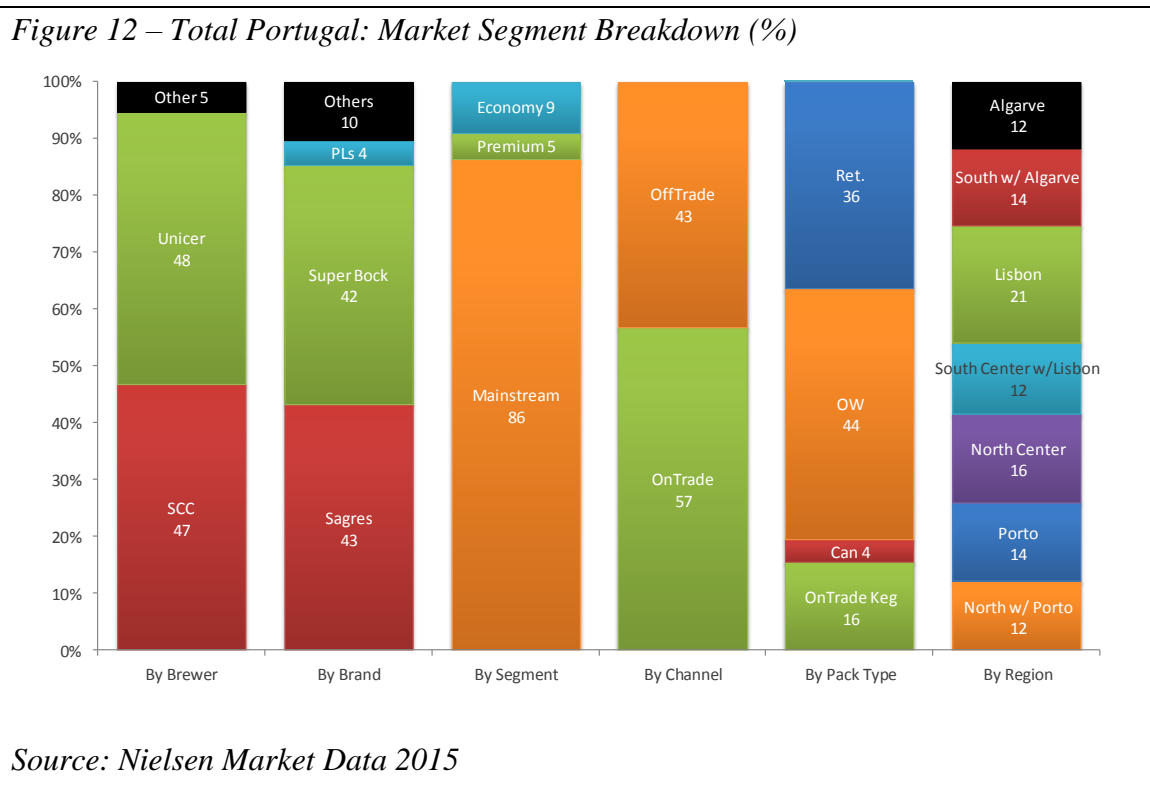
Beer sector is decreasing sales either in volume or in value, but value decreased lower than volume. In fact, in the last two years, sales in volume decreased 5.4% to 367M L due to Off Trade performance in 2014 (which decreased 9.7% and makes total sales decreased 4.4%), while in value decrease 4.5% to 948M € due to On Trade performance in 2013 (which decreased 5.1% and makes the total sales decreased 2.6%) – Figure 11.

Figure 11 – Total Portugal: beer sales (in volume and in value)



Source: Nielsen Market Data 2015

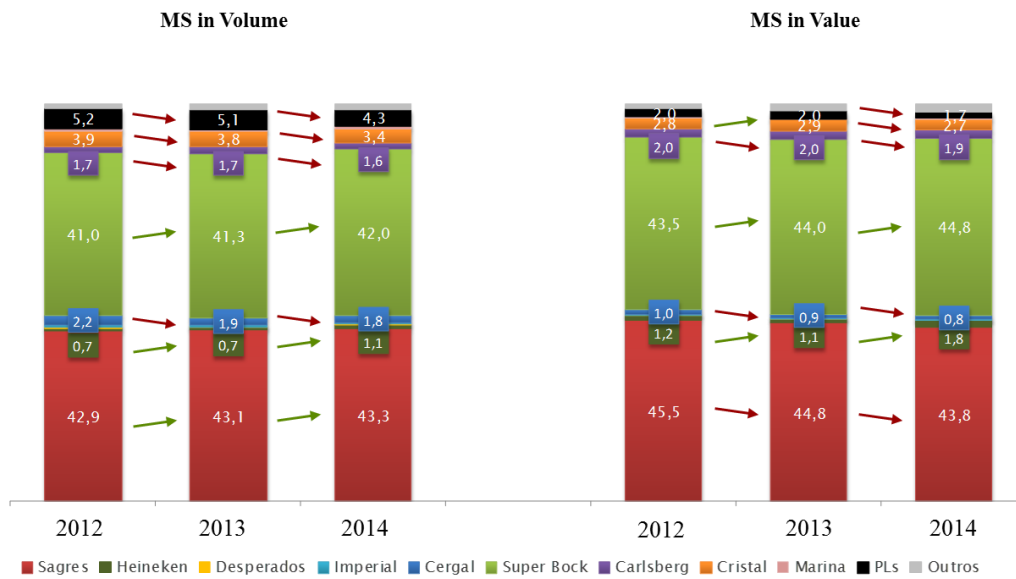
The Portuguese beer market is very concentrated not just a 2-player market, but basically a 2-brand market, where On Trade represents 57% and Off Trade 43%. When beer market is analyzed by brewer, Unicer is market leader (48% vs 47% SCC) but when analyzed by brand, Sagres is the brand leader (43% vs 42% Super Bock) – *Figure 12*.



With the exception of Heineken, which is the brand that have the best market performance (either in volume or in value), in volume, the two big brands are increasing market share while the other brands are decreasing market share. In value, Super Bock are increasing market share while Sagres and the others brands are decreasing market share. Analyzing the last 3 years, Sagres continues to be the market leader in volume and loses the positioning of market leader in value to Super Bock in 2014. – *Figure 13*.

Regarding to the premium segment, Carlsberg is the market leader in volume and in value. Nevertheless, Carlsberg leadership in value is threatened by the performance of Heineken.

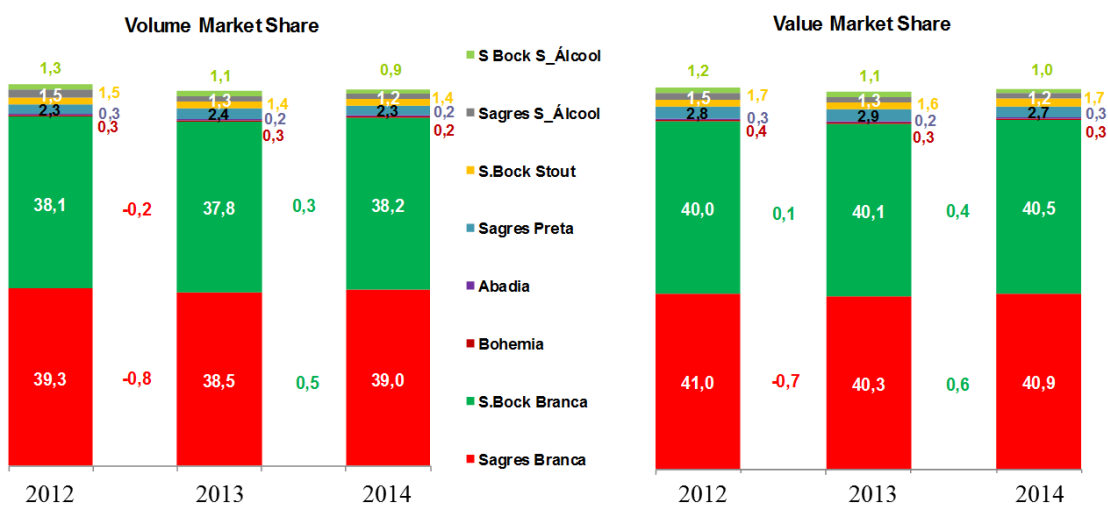
Figure 13 – Total Portugal: Market Shares Evolution by brands



Source: Nielsen Market Data 2015

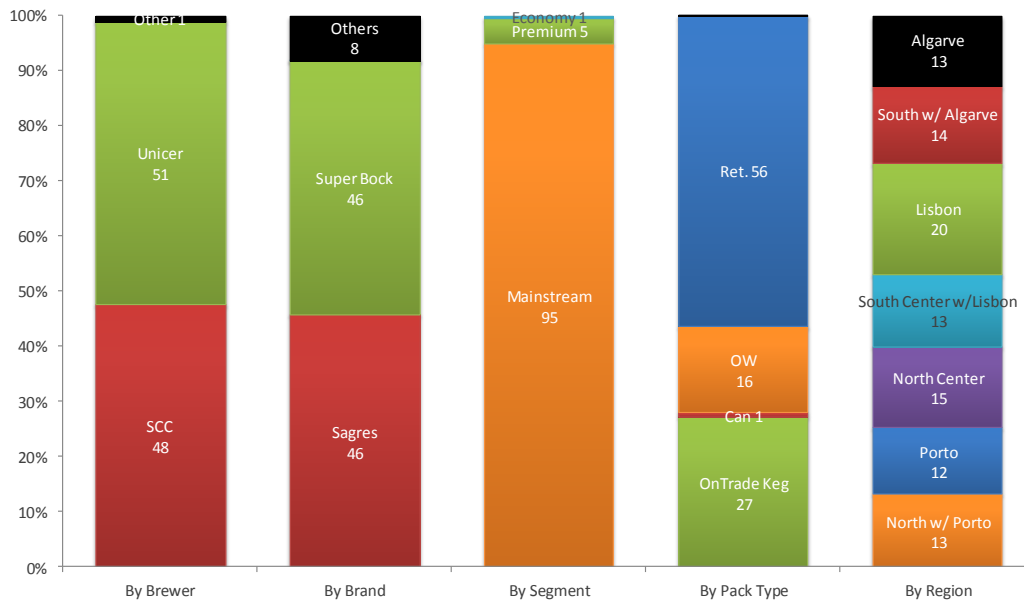
After an evaluation to the portfolio of the two big Portuguese brands, it is possible to understand that the market is very hypercompetitive and they compete every day to gain market share in all categories. In spite of being at the same level in special beers (Sagres Bohemia and Super Bock Abadia have the same market share), Sagres has higher market share than Super Bock in all categories (Sagres Branca > Super Bock Branca; Sagres Preta > Super Bock Stout; Sagres without Alcohol > Super Bock without Alcohol) – Figure 14.

Figure 14 – Total Portugal: Sagres and Super Bock Market Shares Evolution



Source: Nielsen Market Data 2015

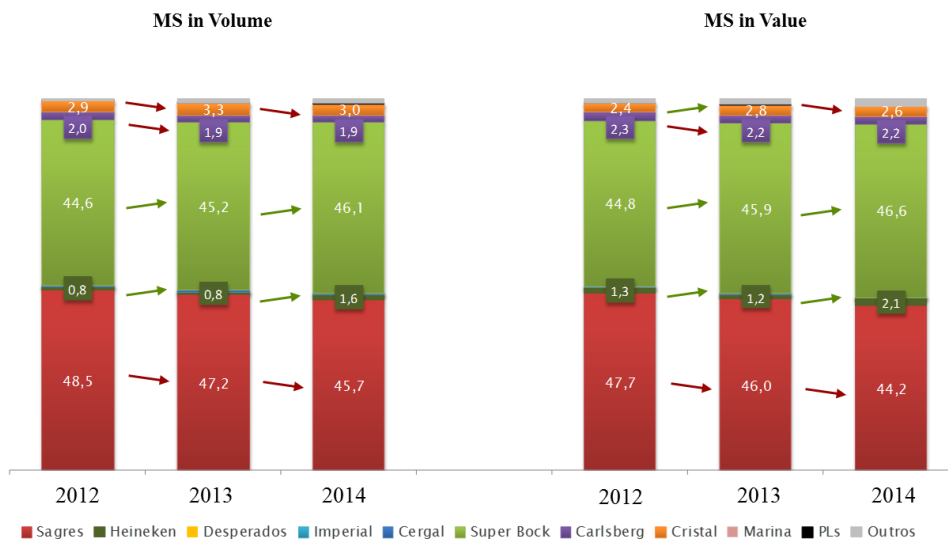
Figure 16 – On Trade: Market Segment Breakdown (%)



Source: Nielsen Market Data 2015

2014 was a very bad year for SCC in On Trade. Despite Heineken doubled market share in a positive way, Sagres lost market leadership to Super Bock (in volume and in value) – Figure 17.

Figure 17 – On Trade: Market Share Evolution (%)



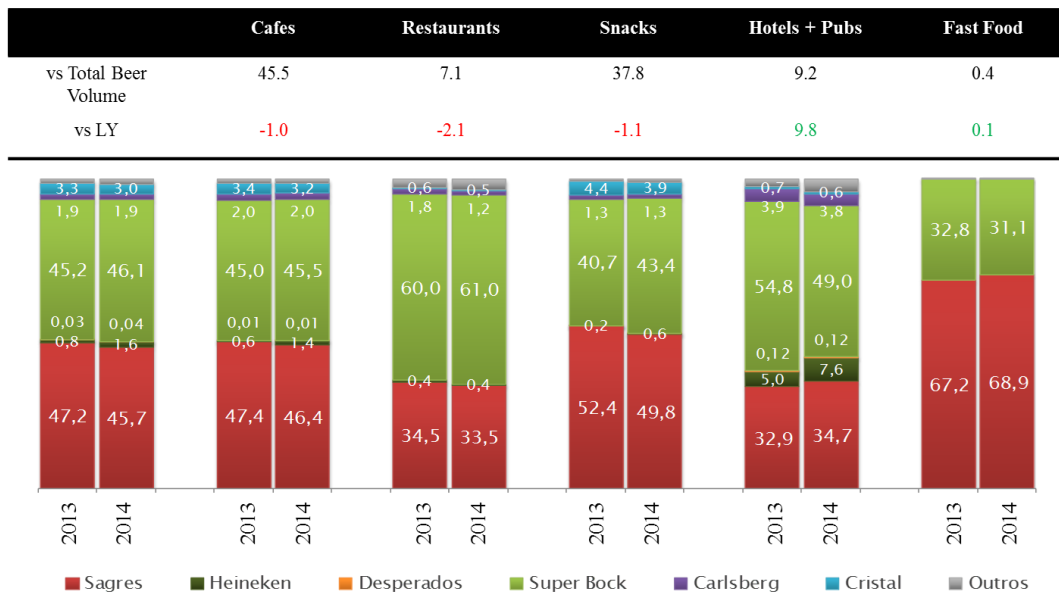
Source: Nielsen Market Data 2015

According to Nielsen (Figure 18), cafes and snacks represent together more than 80% of total beer volume where Sagres is better than Super Bock. In Restaurants and

Hotels+Pubs, which represent together only 16%, Super Bock smash Sagres in a stronger way that makes Super Bock market leader in 2014.

There are also two other relevant analysis: Cristal, in spite of having presence only in cafes and snacks, it is losing market share; and Heineken, which has a particularly good performance in Hotels and Bars last year, is now an important brand in nightlife market.

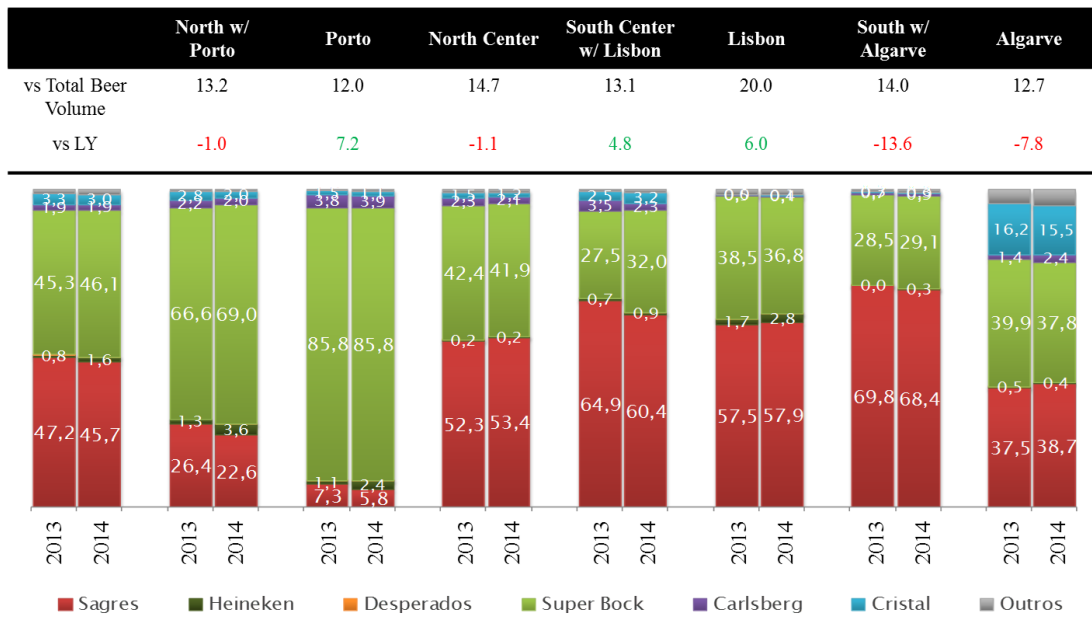
Figure 18 – On Trade: Volume Market Share Evolution (%)



Source: Nielsen Market Data 2015

According to Nielsen, in spite of being leader in with more than 50% market share in Center and South of Portugal (except Algarve), Super Bock smash Sagres in North of the country. In Porto, Sagres has 6% market share while Super Bock has 86% – Figure 19. Regarding to volume market share evolution by region, despite the good performance on North Center, Lisbon and Algarve, Sagres lost leadership in On Trade due to performance in North w/Porto, South Center w/Lisbon and South w/Algarve. Heineken appears stronger in Norte w/Porto, Porto and Lisboa.

Figure 19 – On Trade: Volume Market Share Evolution by region (%)

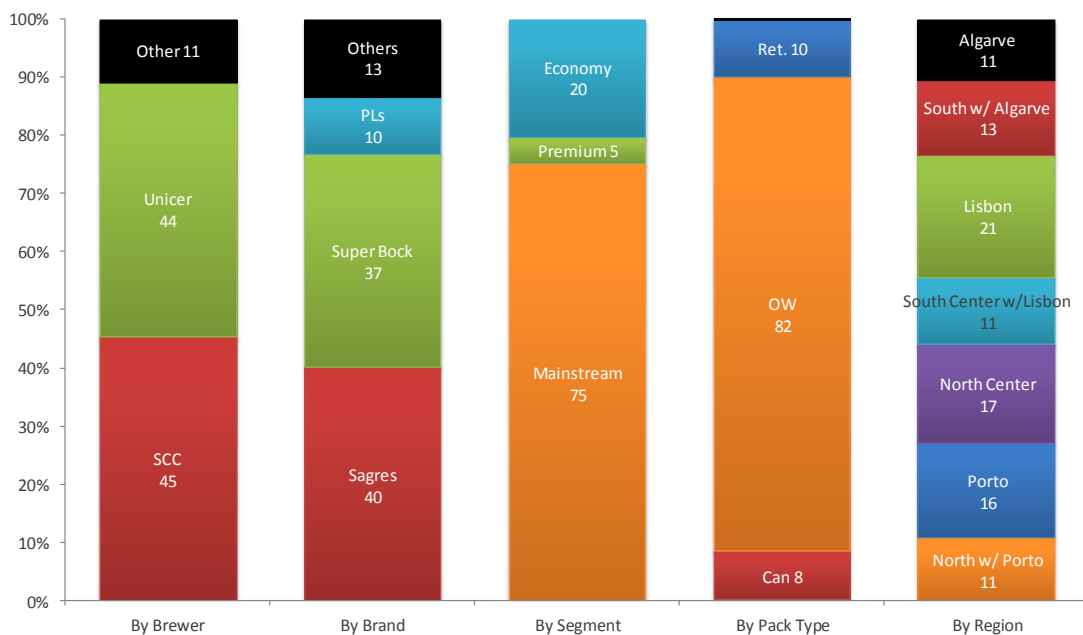


Source: Nielsen Market Data 2015

1.2.4.2 Off Trade Analysis

In Off Trade, OW account represents more than 80% of the volume. The economic segment represents 20% of the market, and when analyzed by brands, Private Labels account have 10% of the volume – Figure 20.

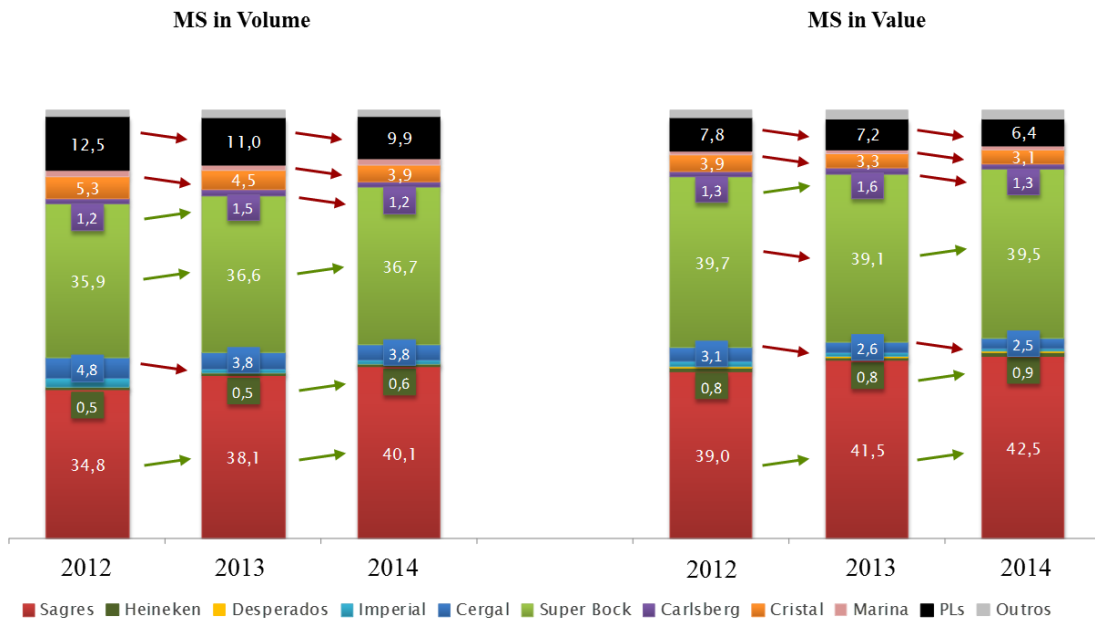
Figure 20 – Off Trade: Market Segment Breakdown (%)



Source: Nielsen Market Data 2015

Sagres conquered the Off Trade leadership (in volume and in value) and keeps consolidating it, despite the market share increment of Super Bock. Private Labels and low-price brands are receding – *Figure 21*.

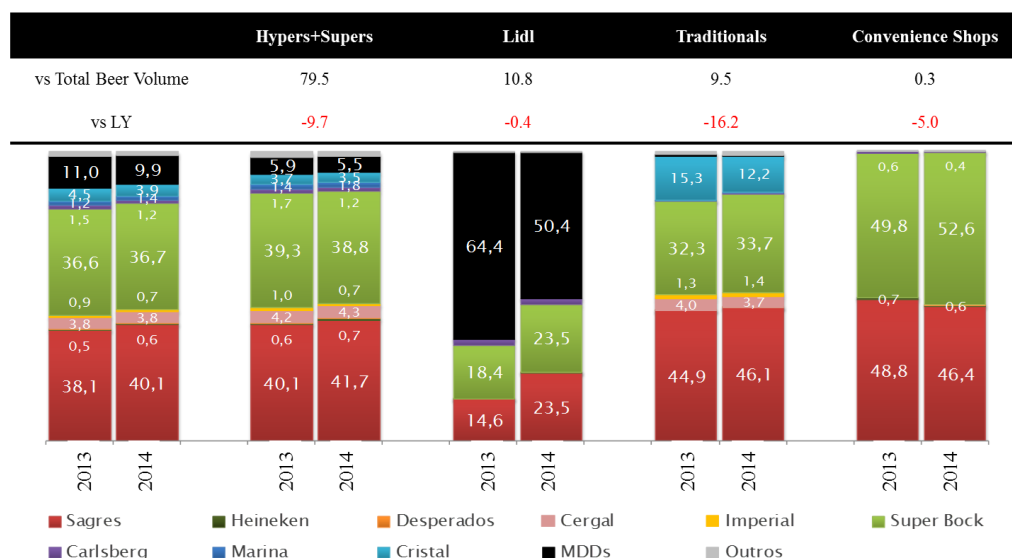
Figure 21 – Off Trade: Market Share Evolution (%)



Source: Nielsen Market Data 2015

According to Nielsen (*Figure 22*), hypers and supers represent 80% of the market, where Sagres gained market share to Super Bock. Private Labels lost market share in the Off Trade due to the Lidl performance. Lidl is the most important retailer for Private Labels, where they are market leaders with more than 50%. Super Bock showed a very good performance on Lidl (as well as Sagres) and that performance is a consequence of Super Bock’s market share winning in the Off Trade.

Figure 22 – Off Trade: Volume Market Share Evolution (%)

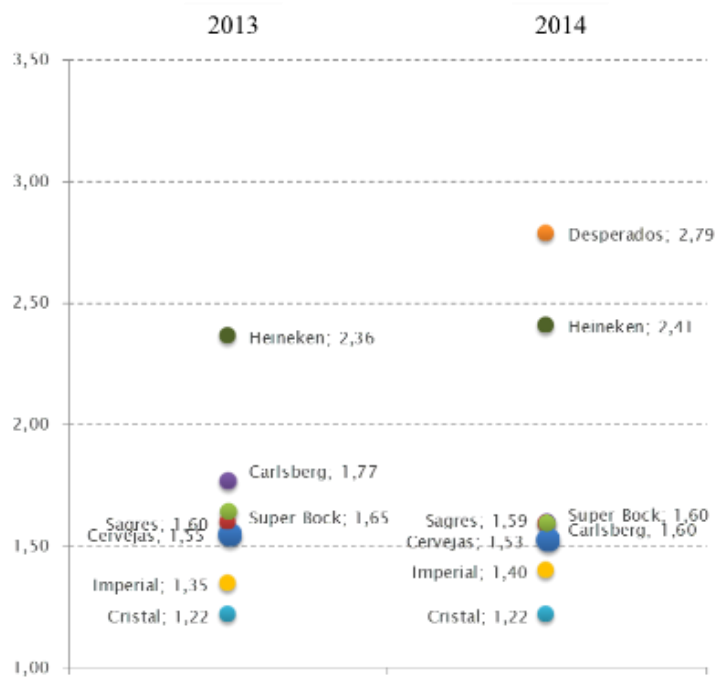


Source: Nielsen Market Data 2015

When compared with other European countries, it is known that the average beer price in Portugal is very low. It means that in other European countries consumers are available to pay more for one beer. [Brewers of Europe, 2014]

According to Nielsen, in Off Trade, the average market price was 1.55€ in 2013 and 1.53€ in 2014, including the promotion impact on Retailers – Figure 23. Imperial and Cristal average price was low than the market, while Heineken and Desperados, as they are premium beers, has a premium price. Carlsberg has a strange price positioning because in spite of positioning on beer premium market it has an average price just a little bit higher than the average market price.

Figure 23 – Off Trade: Average Price Evolution (€)



Source: Nielsen Market Data 2015

1.2.5 Other beer market relevant information

- **Expenditures**

In 2010, the breweries spent more on media, marketing, and communications due to higher investments in their beer brands. In 2010, they spent relatively less on the purchase of equipment and machinery and other fixed costs due to the goal of a task force to increase FOCF (free operating cash flow) and other efficiency programmes. [Brewers of Europe, 2013]

- **Packaging and bottling**

There is a stronger consumer preference for one-way bottles and lower bottle capacity. This has resulted in an increase for brewers in expenditure on glass bottles. [Brewers of Europe, 2013]

- **Taxation**

During recent years a number of changes have been introduced. VAT increased from 17% in 2006 to 20% in 2008. In 2010, VAT was 21% and today VAT is 23%. [Brewers of Europe, 2013]

- **Raw materials**

Commodity prices have to increase significantly in recent years and consequently the costs of goods sold have risen, putting pressure on the margins of beer companies. [Brewers of Europe, 2013]

1.2.6 Competition Analysis

- **Competitors**

According to Portuguese Brewers Association (APCV), in addition to Unicer (which have Super Bock, Cristal, Cheers, Carlsberg and Somersby on their portfolio and which is the most important competitor), there are more 4 big companies that operate in Portugal – *Table 1*.

Table 1 – SCC competitors

Company	Brands
Unicer	Super Bock, Cristal, Cheers, Carlsberg and Somersby
Sumol+Compal	Tagus and Estrella Damm
ECM (Empresa de Cervejas da Madeira)	Coral
Font Salem	Private Labels
JMA (Fabrica de Cervejas e Refrigerantes João Melo Abreu)	Especial

Source: Adapted by author, from APCV website, 2015

- **Unicer**

As Unicer is the main SCC’s competitor, it will be carefully studied in a deeper way.

Unicer is the largest Portuguese beverages company, with a multi-brand and multimarket strategy, focused on the Beer and Bottled Water businesses – *Table 2*. Unicer is also present in the soft drinks, wine and malt production and sale segments and in the area of tourism, with two key properties in the Trás-os-Montes region: the Recreational and Spa

Parks of Vidago and Pedras Salgadas. Unicer is a company composed mostly by Portuguese capital, owned 56% by the VIACER Group (BPI, Arsopi and Violas) and 44% by the Carlsberg Group. [Unicer, 2015]

Unicer is present from the north to the south of the country, with 1350 employees and 13 production centers, including production facilities for beer, juices and soft drinks, and wine; centers for the extraction and bottling of mineral water; sales and operations. Another important issue is that Unicer has own distribution with 90,000 delivery trucks. [Unicer, 2015]

In 2012, Unicer exported more than 220 million liters of beverages, representing close to 34% of its total turnover. In the beer sector, the external market is even more important: Unicer exports more than 40% of its total beer production. [Unicer, 2015]

Unicer has a larger national beer brand portfolio than SCC. In addition to Cristal, there are 9 different types of Super Bock: Original, Classic, Stout, Sem Álcool, Abadia, Green, Mix (which was launched in May of this year), Sem Álcool Preta and Seleção 1927 – *Annex 2*. [Unicer, 2015]

The only brand in the market to have 35 medals, including 30 Gold medals, from Monde Selection de la Qualité, Super Bock is made from selected and high-quality raw materials that give it characteristics (color, flavour, head and body) that differentiate it from other beers in the market and make it an attractive and widely appreciated beer. [Unicer, 2015]

According to Nielsen Omnibus September 2013, Super Bock:

- is recognized by 100% of beer consumers in Portugal
- is consumed regularly by 64% of beer consumers in Portugal
- is the favorite brand for 44% of beer consumers in Portugal
- has a customer loyalty rate of 65%

In terms of Research, Development and Innovation (RDI), Unicer is proud of the innovative activities they has developed over the years. Their guiding principles are: 1) To renew and improve the Unicer product portfolio, continuously and effectively; 2) To effectively incorporate scientific and technological developments into Unicer processes and products; 3) To be the national benchmark for RDI stakeholders in the beverages

business; 4) To guarantee the sustainability of the business, seeking to continuously improve the preference indicators of their products: operating efficiency and environmental performance. [Unicer, 2015]

For Unicer, internationalization is essential for sustainability and for stimulating competitiveness. Angola and European markets are the largest contributors to their growth. [Unicer, 2015]

As a result of the work carried out in all their markets, Unicer have maintained their clear leadership of Portuguese beer exports. Their main external market continues to be Angola, which absorbs more than 60% of beer exports. The planning of their international business focuses on the development and implementation of structuring projects in different geographic regions, including Brazil, United States of America, Mozambique and the United Kingdom. [Unicer, 2015]

To sum up, Unicer have 3 Broad Strategic Guidelines: 1) Focus on the Beer and Mineral Water business; 2) Consolidation of the international performance in Angola and Africa and in Europe and the Rest of the World; 3) Commitment to a Culture of Results. [Unicer, 2015]

Table 2 – Unicer Portfolio

Beer	National Beers	
	International Beers	
Water	Still Water	
	Flavour Water	
	Sparkling Water	
Soft Drinks		
Wine	Wine Bottles	
	Sangria	

Source: Adapted by author, from Unicer website, 2015

- **Microbreweries**

A microbrewery or craft brewery is a brewery that produces a small amount of beer. The definitions diverges, but the terms are typically applied to breweries that are much smaller than large-scale corporate breweries and are independently owned. Such breweries are generally characterized by their emphasis on quality, flavor and brewing technique [Craft Beer, 2015].

Most of them are usually created to recover the old tradition of brewing: each master brewer carefully selects batches of barley, wheat and hops to use in creating beers that have a natural fermentation process and without addition of chemicals, in order to get a 100% crafted beer [Brewers Association, 2015].

In Portugal, the number of microbreweries has been increased in the last years. In 2012 there were only 3 microbreweries and 12 in 2013 – *Table 3*. In 2015, it is expected there are more than 70 microbreweries in Portugal [Cerveja Artesanal Portuguesa, 2015] – *Annex 3*.

Table 3 – Microbreweries Portuguese Market

Number of Microbreweries in Portugal (2008-2013)					
2008	2009	2010	2011	2012	2013
0	0	0	1	3	12

Source: Brewers of Europe, Beer Statistics, 2014 edition

1.2.7 Consumer Behavior Analysis

- **Beverage Image Associations: Beer is a social drink but it is linked to negative issues**

Within alcoholic drinks wine is in a much good position to benefit from healthy trends – *Table 4*.

Table 4 – Beverage Image Associations

Sociability	Beer, Wine, Cider, Spirits and Coffee are social drinks. Along with white wine and cocktails, cider and beer mixers are perceived as more feminine alcoholic drinks.
Taste Perception	Refreshment/easiness to drink are disputed with lager beer and soft drinks/fruit juices and bottle water. Along with spirits, beer is considered bitter. Taste perception holds positive strongly to wine, specialty in drinking with food and fit with food. Cider taste perception is good refreshing/easy to drink feel.
Craftsmanship	Specialty and wine go head-to-head on craftsmanship items
Health-conscious	Beer types linked to negative issues (wine and cider less) – this drives consumers to Non-Alcoholic drinks (except soft drinks). Moderate consumption of red wine is perceived as healthy.
Naturalness	Natural platform is more associated with dairy, fruit juices and water. Although specialty and wine are also well evaluated in “made with natural ingredients”.
Trendy	Beer and Non-Alcoholic drinks have a modern profile. Wine, spirits and cocktails/Ready-To-Drink’s seem to be more sophisticated and for elegant occasions. Cider is emerging and seen as trendy

Source: Beer Image Tracker 2015

- **Health concerns and life stage changes seems to be explaining the beer consumption decrease**

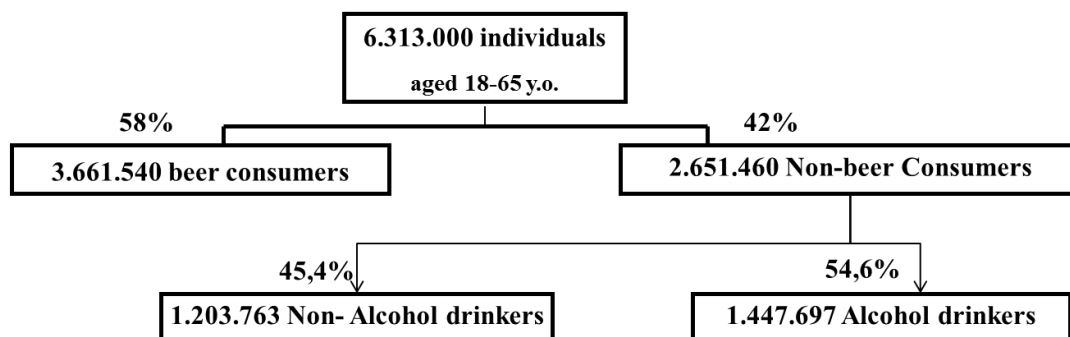
Health concerns are taking a heavy toll on the consumption of beer. Consumers worry about the detrimental effects of alcohol abuse and reduce the alcohol consumption. At the same time, life stage changes, such as marrying, and having kids, leaving colleague lead to less occasions for alcohol consumption, e.g. less evenings out, less partying with friends. Consumers also feel the need to shift to other categories, more refined (e.g. wine) or with no alcohol. [Beer Image Tracker 2015]

- **There is a significant number of consumers that do not drink beer because of the taste**

In Portugal there are more than 6.3M people aged 18-65 years old and nearly half are non-beer consumers – *Figure 24*. About the reasons of why people do not drink beer, according to Beer Image Tracker 2015, taste and concerns with the alcohol content are the most important barriers for Beer consumption (many rejecters describe Beer as bitter).

Other are abstemious for a number of reasons: alcohol intolerance, generic health concerns, etc.

Figure 24 – Non-beer consumer analysis



Source: Marktest TGI 2014

- Meals followed by afternoon and before dinner are the occasions that consumers drink more frequent

According to a U&A 2015 study, it is possible to conclude that after-work and at night where more people drink beer – Figure 25.

Figure 25 – Beverage consumer analysis during 24 hours

	45% At morning		88% At lunch		67% Afternoon		50% Before Dinner		85% Dinner		44% Evening	
	At home	Out-home	At home	Out-home	At home	Out-home	At home	Out-home	At home	Out-home	At home	Out-home
Bottled water	47	40	21	20	34	24	42	32	21	17	36	11
Sparkling water	1	3	1	1	3	5	3	2	1	1	4	4
Tea	11	3	1	0	9	2	2	1	1	1	19	1
Coffee	27	39	15	27	10	23	5	6	12	16	8	13
Fruit Juices	6	5	10	7	7	7	5	2	9	7	5	3
Iced Teas	2	2	13	8	8	5	4	5	12	8	6	3
CSD	1	1	11	10	7	7	6	4	11	11	5	7
Lager Beer	1	3	4	6	10	17	17	29	5	9	5	26
Special beer	0	0	0	0	1	1	1	2	1	1	1	2
Beer with flavours	0	0	0	0	1	1	1	1	1	1	0	2
Cider	0	0	0	0	0	0	1	0	0	1	0	2
Wine	1	1	15	12	2	1	6	8	20	22	5	4
Spirits	0	0	0	1	1	1	3	3	1	2	3	11
Mixed Alcoholic drinks	0	0	0	0	0	0	1	1	0	0	1	5

Source: U&A2015

1.2.8 Market Beer Trends

The major trends that will influence the beer market in Portugal for the foreseeable future are:

- **Beer consumption will decrease**
 - Decreasing consumption per capita; this trend started a number of years ago (since 2008) and is expected to continue.
- **Patterns of beer consumption will change**
 - Consumers buying less premium brands of beer in EU. [Brewers of Europe, 2013]
 - Relatively more beer being consumed at home instead of out of home.
- **Tax burden will increase**
 - Increasing tax burden, especially consumer taxes which have increased in Portugal (as well as in many European member states), and this trend will probably continue for the foreseeable future. Higher taxes on beer lead to higher prices, and reduces beer consumption particularly in On Trade channel, strengthening the trend for consumption of beer at home. [Brewers of Europe, 2013]
- **Higher prices for agricultural products**
 - The brewing sector is also facing other pressures including price rises for raw material inputs. According to EY 2009 study, they have already calculated for the period 2009-2010 that the value added for the breweries decreased by a larger percentage than the value of the materials to produce their beers, due to the increased competition and smaller margins for breweries. [Brewers of Europe, 2013]
- **The number of Microbreweries will increase**
 - In Portugal, the number of microbreweries has been increased in the last years. It is expected that are more than 70 craft beers. [Cerveja Artesanal Portuguesa, 2015]

- **Tourism in Portugal will increase**

- In 2015, it is expected that the On Trade channel will give signs of growth (particularly in Lisbon, Porto and Algarve) due to Tourism which it is not expected in Off Trade [Jornal de Negócios, 2015]

- **Innovation will be very important in the beer market**

- To cope with the decreasing of the market, breweries need to innovate by launching new products and new formats with a new communication strategies [Jornal de Negócios, 2015]

- **Teens under age of 18 are forbidden to drink beer with the new law**

- New alcoholic law prohibits the consumption of alcoholic beverages to any person under the age of 18 regardless of the type of drink. The aim is to ban the sale of all alcoholic beverages to persons under 18, including beer and wine, which are currently allowed from 16 years. [Jornal de Negócios, 2015]

- **Exports will decrease due to Angola economic situation**

- The Angolan newspaper pointed out that the export of Portuguese beer to Angola was expected to be one of the sectors most affected by the measures taken by Angola to boost production and reduce dependence on imports. Portugal's exports to Angola in January of this year decreased by 26.4 percent year on year and 32.9 percent against the previous month, according to the National Statistics Institute (INE) of Portugal cited by Angolan state newspaper Jornal de Angola. [Macauhub, 2015]

1.3 SCC - The Company

1.3.1 History of SCC

“Sociedade Central de Cervejas” was established in 1934, with the aim of selling the beers produced by 4 former breweries: Companhia Produtora de Malte e Cerveja Portugália, Companhia de Cervejas Estrela, Companhia de Cervejas Coimbra and Companhia da Fábrica de Cerveja Jansen. [SCC, 2015]

In 1970 “Sociedade Central de Cervejas” entered the capital of the Sociedade da Água de Luso (SAL), becoming shareholder and, in 1971, “Sociedade Central de Cervejas” became the national distributor of SAL’s products. [SCC, 2015]

In 1977 was created a public company called “Centralcer – Central de Cervejas” by following the merger of “Sociedade Central de Cervejas” with other company “Cergal - Cervejas de Portugal” (which was established in 1972). [SCC, 2015]

“Centralcer – Central de Cervejas, S.A.” was therefore created as a result of the above-mentioned company’s conversion into a joint stock company, regulated according to Decree-Law no. 300/90 of the 24th September. The Company’s total share capital is privatized in 1990, and it is the first operation of this kind to be undertaken in Portugal. The Bavaria Group purchases a shareholding in “Centralcer - Central de Cervejas, S.A.”, and becomes one of its main shareholders. [SCC, 2015]

In 2000, there is a further alteration to the company’s shareholding structure, as a result of its sale to “VTR-SGPS, S.A.”, a group of Portuguese investors (Parfil, BES, Fundação Byssaia Barreto, Olinveste and Fundação Oriente), amongst whom are the inheritors of “Sociedade Central de Cervejas” founding shareholders. In its turn and in the summer of the same year [2000], this group assigned a 49% share to the international brewing Scottish & Newcastle Group. [SCC, 2015]

In terms of the Group’s organisation restructuring, the merger of “Centralcer – Central de Cervejas, S.A.” in “Centralcontrol S.G.P.S., S.A.” (merging company) was concluded in December 2001. The new merged entity changed its corporate denomination to “SCC - Sociedade Central de Cervejas, S.A.”, as well as its head office, which is now located at the factory premises. [SCC, 2015]

In 2003, Scottish & Newcastle Group purchases Parfil's total shareholding, assuming total control of Sociedade Central de Cervejas and Sociedade da Água de Luso (SAL). [SCC, 2015]

In December 2004, the Company became known as "SCC - Sociedade Central de Cervejas e Bebidas, S.A.", a name that reflects in a better way, the scope of its activity, which not only includes beer, but also other drinks, such as water and soft drinks. [SCC, 2015]

In 2007, after a consortium was set up between Carlsberg and Heineken a takeover bid was made for the acquisition of the Scottish & Newcastle Group. As a result of the negotiations, the acquisition was accomplished, with Heineken taking over the control of SCC on the 29th April 2008, following the conclusion of the consortium's acquisition of Scottish & Newcastle. This consortium was dissolved after the deal was completed and the traditional healthy relationship between both groups remained touched. [SCC, 2015]

1.3.2 Heineken Group

Established in 1864 by the Heineken family, Heineken has a long and proud history and heritage as an independent global brewer. Heineken brew quality beers, build award-winning brands and are committed to enthusing consumers everywhere. [Heineken, 2015]

There are 4 key factors that make Heineken unique:

- Heineken was the first and remains the only truly global beer brand, enjoyed in 178 countries around the world. [Heineken, 2015]
- Heineken have a unique, worldwide footprint with operations in over 70 countries, which means Heineken have a broader reach for their brands than any other brewer. [Heineken, 2015]
- Heineken have an internationally diverse, dynamic, committed and entrepreneurial team of over 85,000 employees. [Heineken, 2015]
- The passion of the Heineken family remains as strong today as it was in 1864 when Heineken first started brewing beer. [Heineken, 2015]

Today, Heineken is the No.1 brewer in Europe and the No.3 brewer by volume in the world. With recent acquisitions in Africa, India, Asia and Latin America, Heineken are

continuing to increase their presence within emerging markets, which will contribute to their ongoing growth. [Heineken, 2015]

Heineken has introduced new group reporting metrics to better reflect the importance of its equity participation in joint ventures and associate businesses. Thus, Heineken have 5 main regions: Africa Middle East, Americas, Asia Pacific, Central and Eastern Europe, and Western Europe. [Heineken, 2015]

Portugal is, of course, included in the Western Europe. This region, instead of being the 3rd more important for Heineken Group beer volume, is the 1st in terms of Heineken Group revenue – *Table 5*. [Heineken, 2015]

Table 5 – Heineken Group Analysis

	Africa Middle East	Americas	Asia Pacific	Central and Eastern Europe	Western Europe
Group revenue	€3,072 M	€5,315 M	€2,394 M	€3,453 M	€7,456 M
Group revenue as % of total	14.5%	25.0%	11.3%	16.2%	35.1%
Group beer volume (hectolitres)	27.4 M	54.9 M	22.7 M	48.0 M	42.2 M
Group beer volume as % of total	14.1 %	28.1 %	11.6 %	24.6 %	21.6 %

Source: Adapted by author, from Heineken Annual Report 2013

In the Western Europe, Heineken have operating companies in 9 countries and an Export and Duty Free business – *Annex 4*. For Alexis Nasard, President Western Europe, other relevant issue is about Innovation and the Western Europe “*is now the company’s leading source for innovation revenue*”. According to Alexis Nasard, “*We intensified our focus on driving down costs and reinvested savings to strengthen our brands, enhance sales effectiveness and create exciting new categories.*” [Heineken Annual Report 2013].

1.3.3 Business Areas of SCC

1.3.3.1 SCC

“Sociedade Central Cervejas” was founded in 1934 by four of the oldest and most prestigious Portuguese breweries, while the Sagres beer brand was born in 1940, as a prestige and exports beer specifically produced for the Portuguese World Exhibition held in May of that year. [SCC, 2015]

Inaugurated in June 1968, the Vialonga Plant was then considered as the most modern beer brewery in Europe, and today it is the country’s largest of its kind in Portugal. The Vialonga Factory, municipality of Vila Franca de Xira, which is also the SCC headquarters, is where is brewed and bottled all Sagres beer brands and its alcoholic and non-alcoholic variations as well as other brands specifically brewed for clients and the exports markets. [SCC, 2015]

1.3.3.2 SAL

SAL was founded in 1852 and its part of SCC since 1970. SAL celebrated, in 2012, 160 years of existence full of innovative and significant events for the company, for their region and the country. [SCC, 2015]

Headquartered in Luso village, municipality of Aveiro, SAL is primarily engaged in the exploration and bottling 2 brands of water – Luso and Cruzeiro – and still holding the thermal activity through the Termas do Luso. [SCC, 2015]

1.3.3.3 Novadis

In November 2012, SCC acquired Sodicel’s beverage sales and distribution business, which was the biggest on-trade distribution company in Portugal, located in Leiria, with a business volume of €37.9 million and a portfolio about 10.000 clients. [SCC, 2015]

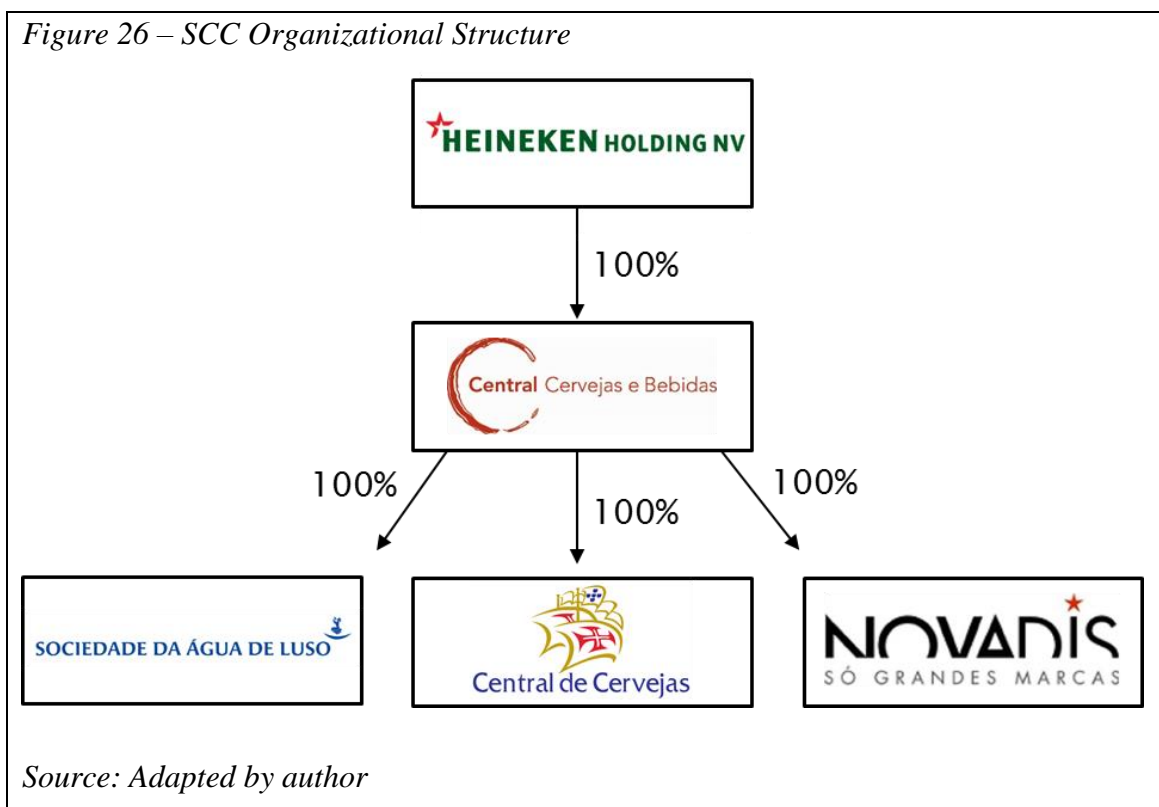
With the highest share of SCC drinks’ portfolio sales, Sodicel began operating as a distributor of the SCC since 1959 but only operated in the northern and southern central areas of Portugal. [SCC, 2015]

Till November 2012, SCC sales force was only 4 sales team in Lisboa, Porto, Coimbra e Setúbal. With this acquisition, SCC merged SCC sales force to Sodidel sales force and created one big wholesaler: Novadis. [SCC, 2015]

1.3.3.4 Organizational Structure

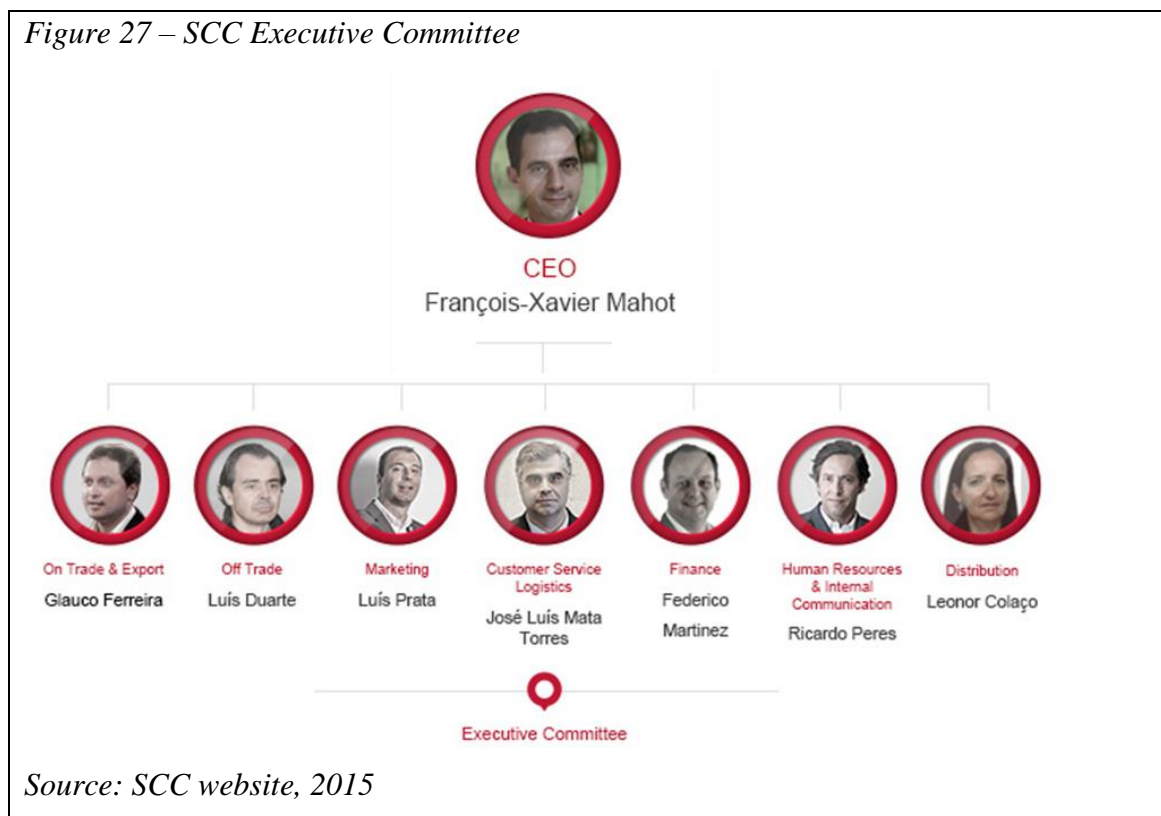
In resume, SCC universe, which is part of Heineken Group, is composed by 3 companies: SCC, SAL and Novadis – *Figure 26*. [SCC, 2015]

Figure 26 – SCC Organizational Structure



The SCC Executive Committee is led by François-Xavier Mahot who has 7 directors 1st level – *Figure 27*. [SCC, 2015]

Figure 27 – SCC Executive Committee



Source: SCC website, 2015

1.3.4 Business Area selection and relevance

This case study aims to provide a valuable and useful working element to improve the reader’s abilities and skills to analyze and solve a specific and real business problem.

As seen before, the industry scope is very big and complex, as well as the company’s dimension. In order to keep the desirable pedagogical goals and rigor patterns, the case study will be entirely focused on SCC, specifically on Beer segments as will be discussed below.

1.3.5 Strategy

1.3.5.1 Vision

“Together, we produce the leading brands that people just love to drink” is SCC vision. [SCC website, 2015]

1.3.5.2 Mission

Its mission is “to be known as the best drinks company in Portugal, with a sustained growth and generating maximum return on investments.” [SCC website, 2015]

1.3.5.3 Values

The values in which SCC believes can be summed up as: [SCC website, 2015]

- *Team spirit and work*
- *Speed and sense of urgency*
- *Commitment to its objectives*
- *Innovation*
- *Entrepreneurial attitude.*

1.3.5.4 Strategic Objectives

Based on a strong leading position and the establishment of a winning team, SCC strategic objectives are: [SCC website, 2015]

- *Increased focus on its brands, consumers and clients*
- *The creation of an atmosphere of success*
- *Operational efficiency*
- *Innovation*

1.3.6 Marketing Mix

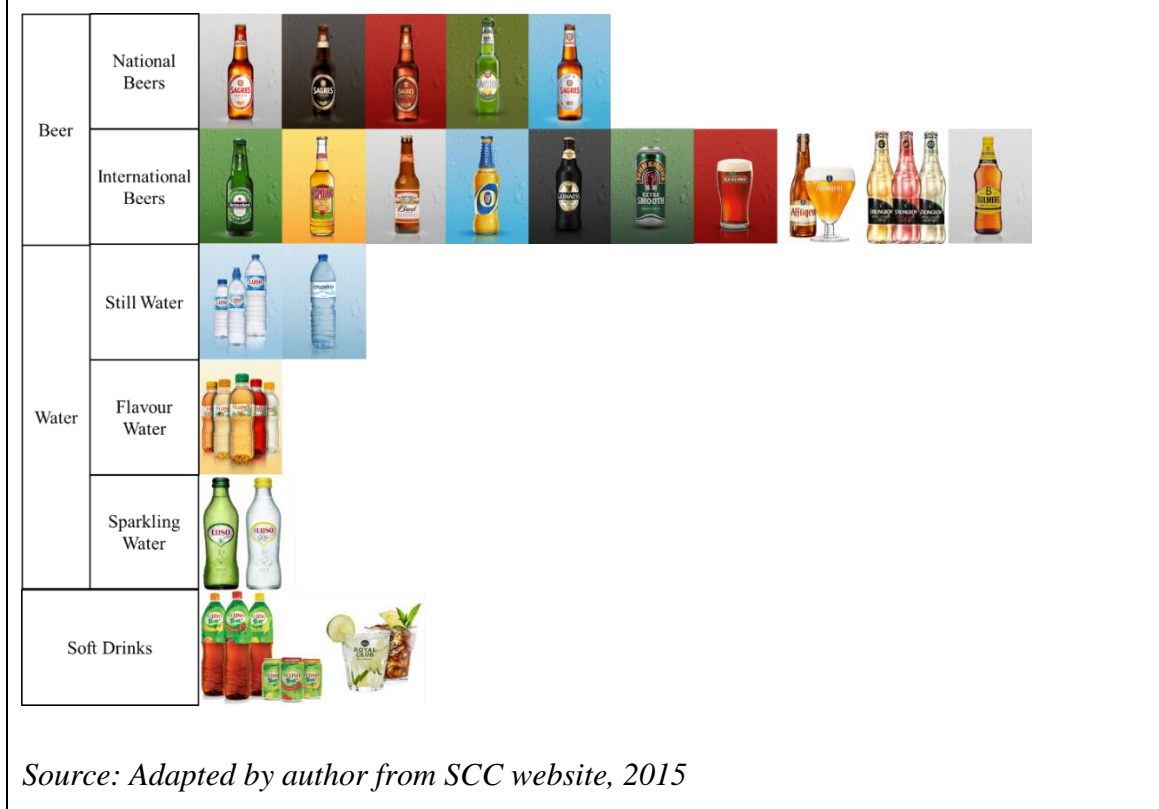
1.3.6.1 Product

SCC has 3 main product segments: Beer, Water and Soft Drinks – *Figure 28*. In turn, SCC Beer portfolio is divided in National and International brands – *Annex 5*. [SCC, 2015]

The National Brand is Sagres and there are 5 main varieties: Sagres Branca, Sagres Preta, Sagres Bohemia, Sagres Radler and Sagres Sem Álcool. [SCC, 2015]

The International Beer portfolio consists of 8 different beer brands: Heineken, Desperados, Bud, Foster's, Guinness, John Smiths's, Kilkenny and Affligem. However, it is important to know that SCC includes 2 Cider brands in their international portfolio: Strongbow and Bulmers. As Cider does not have market expression yet it is considered part of SCC International Beer portfolio for SCC managers. [SCC, 2015]

Figure 28 – SCC portfolio



1.3.6.2 Place

When the issue is marketing channels, it is relevant to mention 2 important concepts:

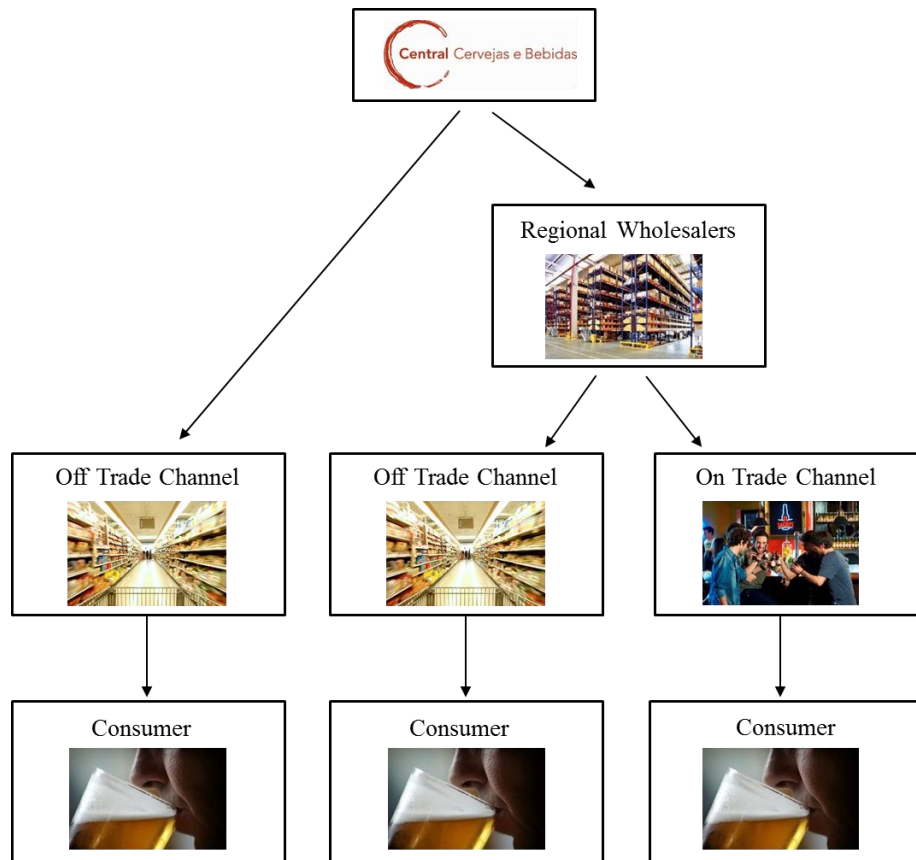
- the channel is **Business-to-Consumer (B2C)**, it means that SCC’s business is conducted between a company and consumers (who are the end-users of its products);
- SCC has an **intensive distribution**, because as SCC’s portfolio is FMCG (products for which the consumer requires a great deal of location convenience – they buy these products with a high frequency of purchase and with low quantities purchased in each act), it is mandatory to placing the goods in as many outlets as possible.

SCC’s portfolio is not sold directly to the final users, it means that between them stands a set of intermediaries performing a variety of functions. In this case, SCC’s business is a **one-level-channel** or a **two-level-channel**, which means that the business contains 1 or 2 intermediaries (Figure 29):

- The regional wholesalers, which is Novadis in many cities of Portugal

- The retailer, which can be classified in 2 different channels: 1) Off Trade - big hypermarkets, supermarkets, discounts, convenience shops, and traditional; 2) On Trade – hotels; restaurants; cafes and snacks; bars, pubs and clubs; and fast food.

Figure 29 – SCC Distributional Strategy



Source: Adapted by author

A marketing channel performs the work of moving goods from producers to consumers and the members of the marketing channel perform a number of key functions – Table 6.

Table 6 – Distribution Functions by Operators

Functions		SCC	Regional Wholesaler	Retailer Off Trade	Retailer On Trade	
Physical Distribution	Transportation	X	X	X	X	
	Storage	X	X	X	X	
Services	Establishment of a commercial offer	Assortment	X	X	X	
		Fractionation			X	X
	Selling		X	X	X	X
	Financing	Financing	X	X	X	X
		Risk-bearing	X	X	X	X

Source: Adapted by author

1.3.6.3 Price

In the beverage sector (particularly beer), brands competes based on price. Therefore, price is one of the most important drivers that are used by consumers (end-users) in On Trade channel and by clients in HORECA Channel. [SCC, 2015]

In *Figure 23*, it is possible to conclude that Sagres has a mainstream price strategy and the international brands (like Heineken and Desperados) have a premium price.

1.3.6.4 Promotion

Promotion has a huge importance on hypercompetitive business environments, especially when big companies as SCC have a big portfolio of products in different categories. SCC’s promotion is crucial because SCC is constantly striving for the creation of a positive and sustainable relationship with its key stakeholders – consumers, clients (on trade and off trade), employees, distributors and others stakeholders. [SCC, 2015]

SCC uses daily many tools of the marketing mix (advertising, sales promotion, public relations, digital marketing, etc.), depending of the product, the target audience and the communication objectives and when SCC introduce a new product, the marketing department of that product launch a 360° campaign. [SCC, 2015]

Multinational companies wrestle with a number of challenges in developing message content for global campaigns. As SCC is part of Heineken Group, they have 10 international brand on their portfolio and those 10 brands have global campaigns, which means when SCC marketers wants to do a campaign for one international brand, they do not have total permission to do whatever they want, they need to consult the international marketing departments. [SCC, 2015]

Another important issue is about marketing agencies. As SCC have different brands and promote them in different tools, marketers communicate with different marketing agencies – *Table 7*.

Table 7 – SCC Marketing Agencies

Brand	Type of Communication	Name of Agency
Sagres	Advertising	Bar
All beer brands	Digital Marketing	Grand Union
Heineken and Desperados	Activation	FunnyHow?
All beer brands	Public Relations, Events	Status Event

Source: Adapted by author

To sum up, there are 2 different moments of promotion:

- when it is launched a new product – marketers need to promote before the purchase by creating awareness about the new product or providing information about convenience;
- for existing products – marketers can have the objective to sell more or merely improve the awareness of the product by creating buzz about the promotion or stimulating engagement with customers

2. Pedagogical Note

2.1 Target

The case study aims to examine the evolution of the Portuguese beer market – by using SCC as the study's object – and reflect how the innovation could play a key role on ensuring a company's profitability and growth in the future

The case study's targets are both undergraduate and master students from Marketing and Management, with a special focus on students from strategic marketing and strategic management fields and backgrounds.

The case study could be used as a valid and valuable practical instrument that students can use to apply their theoretical knowledge and expertise. The main objective is endowing students with analytical and problem-solving skills, so they can improve their ability to examine complex business problems and to develop the most effective and efficient solutions to solve them from a strategic standpoint. Students should be capable of creating and applying valid scenarios and create use cases to approach the problem in a well-structured and sustainable way.

The existence of a solid management background would ensure the appropriate selection of methodologies, instruments and strategies to solve this particular business problem and guarantee that the students' knowledge and skills will be improved at the same time. Individuals with current work experience would be able to apply their working experience and instruments to develop an alternative case resolution. This case study would be particularly interesting for individuals who deal with marketing and strategy on a daily basis in their jobs and figure out how they would approach such business problem by using their own methods and instruments.

In spite of being focused on the beer sector, the final purpose of this case study is allowing its students to extrapolate its main learning messages and resolution instruments for other contexts.

2.2 Learning outcomes

The case study is focused on SCC. Thus, it is crucial to analyze both the company and industry's key successful variables that constitute the bedrock of its marketing strategy.

The case study’s objectives and its main learning outcomes are the following:

Case study objectives:	Learning outcomes:
Analyze the beer sector	Apply the strategic management approach and its frameworks to solve a complex business problem
Identify the SCC’s main competitive advantages in comparison to their competitors	Evaluate the competition position of a company in a specific sector
Develop the STP analysis	Identify the segmentation variables, segment the market, develop profiles of resulting segments and develop different objectives and strategies by connecting a company’s portfolio to those segments
Identify the company’s most important challenges towards growth and provide recommendations.	Explore all the instruments and frameworks from marketing strategic analysis

2.3 Literature Review

2.3.1 Marketing Literature Review

2.3.1.1 Marketing - Concept

It is possible to find marketing research since the beginning of the twentieth century. According to Gundlach (2007: 243) *“since 1935, the American Marketing Association (AMA) has offered to both practitioners and academics its version of the definition of marketing. The first official definition of marketing was adopted in 1935 by the National Association of Marketing Teachers, a predecessor of AMA”*. The AMA’s definition of marketing is very important for the academic researchers and till 2004 it was only revised for 3 times. *“With only slight revision, this definition was formally adopted by the AMA in 1948 and again in 1960, when the AMA revisited the definition and decided against changing it. This original definition stood for 50 years, until it was revised in 1985. In 2004, the AMA announced a new definition of marketing”*:

AMA (2004)	«Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders»
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Gundlach (2007: 244) disagreed with this definition and for him “*the AMA’s 2004 definition is overly narrow in its domain and perspective*” and “*in addition to concerns regarding the domain and perspective of the AMA’s 2004 definition of marketing, some contributors to the special section question whether, in the face of an increasingly complex and challenging world, the definition addresses marketing’s role and responsibility in society in ways that adequately inform and provide guidance to marketing practitioners and others*”.

In Annex 6 it is possible check several contributions that offered perspectives and insights as to why AMA’s 2004 definition of Marketing should adopt a more comprehensive and pluralistic definition and consider its role and responsibility in society.

According to Varadarajan (2010) it was adopted by AMA in 2007 the new official definition of marketing which was approved also in July 2013:

AMA (2007)	«Marketing is the activity, set of institutions and processes for creating, communicating, delivering, and exchanging market offerings that have value for customers, clients, partners, and society at large»
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There are some research about the definition of marketing despite the AMA’s definition. Boddy (2005: 261) refers that “*definitions of marketing vary but all emphasise the need to identify and satisfy customer requirements. Kotler et al (2002) define it as «a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others*».”

It is common for many people confuse marketing with selling. Kotler and Keller (2006: 6) refers “*for a managerial definition, marketing has often been described as «the art of selling products», but people surprised when they hear that the most important part of marketing is not selling! Selling is only the tip of the marketing iceberg*”. In fact when it is looked in depth at the relationship between Sales and Marketing; Kotler, Rackham and

Krishnaswamy (2006: 74) denote *“all too often, organizations find that they have a marketing function inside sales, and a sales function inside Marketing”*.

For Peter Drucker (1986: 47) *“the basic function of marketing is to attract and retain customers at a profit”* and for him marketing is in the center of the business and it is *“the unique function of business”*: *“because its purpose [of business] is to create a customer, the business enterprise has two—and only these two—basic functions: marketing and innovation. Marketing and innovation produce results all the rest are «costs»”*.

Boddy (2005: 260) refers about consumer *“Marketing is a management process that identifies, anticipates and supplies consumer requirements efficiently and effectively”* and Neil Borden (1984: 1) about an art *“marketing is still an art, and the marketing manager, as head chef, must creatively marshal all his marketing activities to advance the short and long term interests of his firm”*.

Day (1984: 3) denotes about the environment *“As a general management responsibility, marketing embraces the interpretations of the environment and the crucial choices of customers to serve, competitors to challenge, and the product characteristics with which the business will compete.”* Kotler (1997: 32) denotes about the dynamic field *“Marketing is not like Euclidean geometry, a fixed system of concepts and axioms. Rather, marketing is one of the most dynamic fields within the management arena. The marketplace continuously throws out fresh challenges, and companies must respond. Therefore, it is not surprising that new marketing ideas keep surfacing to meet the new marketplace challenges.”*

Achrol and Kotler (2012: 35) discuss about the frontiers of the marketing paradigm in the third millennium: *“The way consumer products and services are created, delivered and consumed is also in radical shift (...) The phenomena of marketing are being distributed between consumption networks, marketing networks, innovation networks and production networks”*

2.3.1.2 From Marketing to Marketing Management

Thus, according to Houston et al. (1992: 135), *“we need to have a clear distinction between the terms marketing and marketing management”*.

For Kotler and Keller (2006: 6) “*marketing management takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties (...) we see marketing management as the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering, and communicating superior customer value.*”

Dixon and Wilkinson (1989: 62) argue that “*the contemporary marketing paradigm is apparent in conventional textbooks, which deal not with the study of marketing (...) but solely with marketing management.*”

According to Kotler (1973:1) “*marketing management may be viewed generically as the problem of regulating the level, timing and character of demand for one or more products of an organization. (...) thus the task of marketing management is not simply to build demand but rather to regulate the level, timing and character of demand for the organization’s products in terms of its objectives at the time. This view applies to all organizations.*”

For Foxall (1989: 12-13) “*the history of marketing thought and practice (...) lends support to this distinction between marketing, which embraces a set of managerial functions (...) and marketing-oriented management which is the way in which these functions are discharged*”. Bagozzi (1986: 19) posits that “*marketing management serves as a central link between marketing at the societal level and everyday consumption by the general public*”.

In regard to the distinction between marketing management and marketing strategy, Cunningham and Robertson (1983: 5) stated: “*marketing management is concerned with target market selection and the design of the marketing program. The marketing management literature addresses issues at the level of the individual product or brand (...) marketing strategy, on the other hand, addresses issues of gaining long run advantage at the level of the firm or strategic business unit*”.

2.3.1.3 Strategic Marketing and Tactical Marketing

Kotler and Keller (2006: 43) suggest the marketing plan as “*the central instrument for directing and coordinating the marketing effort. The marketing plan operates at two levels: strategic and tactical. The strategic marketing plan lays out the target market and*

the value propositions that will be offered, based on an analysis of the best market opportunities. The tactical marketing plan specifies the marketing tactics, including product features promotion, merchandising, pricing, sales channels, and service”.

Varadarajan (2010: 121) claims that *“the characterization of marketing decisions pertaining to segmentation, target market selection and positioning as «strategic marketing decisions» and those pertaining to product, promotion, price and distribution as «tactical marketing decisions» is arbitrary and conceptually flawed”.*

In regard to the distinction between strategic marketing and tactical marketing, Webster (1992: 10) states: *“To consider the new role of marketing within the evolving corporation, we must recognize that marketing really operates at three distinct levels, reflecting three levels of strategy. These can be defined as the corporate, business or SBU and functional or operating levels (...) in addition to the three levels of strategy, we can identify three distinct dimensions of marketing - marketing as culture, marketing as strategy and marketing as tactics (...) Marketing as strategy is the emphasis at the SBU level, where the focus is on market segmentation, targeting, and positioning in defining how to compete in its chosen businesses. At the operating level, marketing managers must focus on marketing tactics, the ‘4Ps’ of product, price, promotion, and place/distribution, the elements of the marketing mix.”*

Drawing attention to the problem with the strategy versus tactics dichotomy, Mintzberg (1987: 14) notes: *“The point is that these sorts of distinctions can be arbitrary and misleading, that labels should not be used to imply that some issues are inevitably more important than others (...) Thus there is good reason to drop the word «tactics» altogether and simply refer to issues as more or less «strategic», in other words, more or less «important» in some context, whether as intended before acting or as realized after it.”*

Keller (1993: 1) notes: *“marketers need a more thorough understanding of consumer behaviour as a basis for making better strategic decisions about target market definition and product positioning”*

For Slater and Olson (2001: 1056), *“Marketing strategy is a set of integrated decisions and actions by which a business expects to achieve its marketing objectives and meet the value requirements of its customers (...) Marketing strategy is concerned with decisions*

relating to market segmentation and targeting, and the development of a positioning strategy based on product, price, promotion and distribution decisions.”

According to Cravens (2000: 31), *“The analysis, strategy development, and implementation activities pertaining to developing a vision about the market(s) of interest to the organization, selecting market target strategies, setting objectives, and developing, implementing, and managing the program positioning strategies designed to meet the value requirements of customers in each target market”*

For Walker et al. (2006: 11), *“The primary focus of marketing strategy is the effective allocation and coordination of marketing resources and activities to realize the firm’s objectives within a specific product-market.”*

In a more focused context (new product launch), Crawford and Di Benedetto (2008: 372) state: *“No matter how new-to-the-world the product is, the firm should think of product commercialization in two sets of decisions: [1] Strategic launch decisions include both strategic platform decisions that set overall tones and directions, and strategic action decisions that define to whom we are going to sell and how; and [2] Tactical launch decisions are marketing mix decisions such as communication and promotion, distribution, and pricing that are typically made after strategic launch decisions and define how the strategic decisions will be implemented”.*

2.3.2 Strategy Literature Review

2.4.2.1 Strategy – Concept

The strategy’s concept came from the Old Greece - *strategos* (*strato* – army and *agein* – leader) was the General’s ability to lead an army. According to Carvalho and Filipe (2010: 19), *“Strategy is part of the military vocabulary practically since beginning. Two examples and two references are vital in this context: the contributions of Claudewitz (1832) and Sun Tzu (1972), both warriors generals, although far apart in time”.*

Mazzucato, M. (2002: 33) suggest *“For classicists (...) its notions of strategy formulation are informed by the economics of eighteenth-century Scotland, while its assumptions about strategic implementation appeal back to the militaristic ideals of Ancient Greece”*

With the above definition of strategy, it is noticeable that the strategy has military origins. Nevertheless, the concept of strategy is not easy to define due to a host of different contexts in a variety of fields and focus of the researches. It is possible to analyze the word strategy in many 3 main contexts:

- in game theory context: For Newman and Morgenstern (1944:79), strategy is "*a complete plan: a plan which specifies what choices [the player] will make in every possible situation*";
- in the military context: for Von Clausewitz (1976:177) strategy is concerned with "*draft[ing] the plan of war ... shap[ing] the individual campaigns and within these, decid[ing] on the individual engagements*"; for Sun Tzu (1972) "*to win hundred victories in one hundred battles is not the acme of skill. To subdue the enemy without fighting is the acme skill*"
- in management context: for Chandler (1962:13) "*Strategy is the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and allocation of resources necessary for carrying out these goals*"; for Glueck (1980:9) "*Strategy is a unified, comprehensive, and integrated plan ... designed to ensure that the basic objectives of the enterprise are achieved*"

According to Hofer and Schendel (1978: 25), "*Strategy refers to the fundamental pattern of present and planned resource deployments and environmental interactions that indicates how the organization will achieve its objectives*". In other words for Hiroyuki Itami (1987:78) "*Strategy is what determines the framework of a firm's business activities and provides guidelines for coordinating activities so that the firm can cope with and influence the changing environment. Strategy articulates the firm's preferred environment and the type of organization it is striving to become*".

According to Day (1990: 5–6), "*A business' competitive strategy specifies how it intends to compete in the markets it chooses to serve. Strategies are directional statements (rather than step-by-step plans of action) that specify an integrated pattern of choices relating to arena (markets to serve and customer segments to target), advantage (positioning that differentiates the business from its competitors), access (communication and distribution channels to use to reach the markets) and activities (appropriate scale and scope of activities to be performed). These choices are highly interdependent*"

It is possible to find other definitions for strategy. According to Richard Rumelt (1996:47) “*strategy is creating situations for economic rents and finding ways to sustain them*”; for Barney (1996: 26), “*strategy refers to the pattern of resource allocation that enables firms to maintain or improve their performance*” and for Ulysses Grant (1999:39) “*strategy is the deployment of one’s resources in a manner which is most likely to defeat the enemy*”.

According to Johnson, Scholes and Whittington (2005:46) “*Overall, if a definition of a strategy is required, the most basic might be ‘the long-term direction of an organization’.* However, the characteristics described above can provide the basis for a fuller definition: *Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations*”

For Carvalho and Filipe (2010: 78), “*There are different approaches to the definition of strategy (...) Thus, the concept of strategy incorporates either the determination of options, global and usually medium/long term, or the determination of the conditions for success and the company’s survival is guaranteed for the long term, within this period*”.

Mintzberg (1987) proposes five definitions - strategy as plan, ploy, pattern, position, and perspective - and analyzes how these definitions interrelate – *Table 8*.

Table 8 – *Mintzberg 5P’s for Strategy*

5 P’s for Strategy	Definitions
Strategy as Plan	<p>p. 11: “<i>To almost anyone you care to ask, strategy is a plan – some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation</i>”</p> <p>p. 11: “<i>By this definition, strategies have two essential characteristics: they are made in advance of the actions to which they apply, and they are developed consciously and purposefully</i>”</p>
Strategy as Ploy	<p>p. 12: “<i>As plans, strategies may be general or they can be specific. There is one use of the word in the specific sense that should be</i></p>

	<i>identified here. As plan, a strategy can be a ploy, too, really just a specific «maneuver» intended to outwit an opponent or competitor.”</i>
Strategy as Pattern	<p>p. 12: <i>“But if strategies can be intended (whether as general plans of specific ploys), surely they can also be realized. In other words, defining strategy as a plan is not sufficient; we also need a definition that encompasses the resulting behaviour”</i></p> <p><i>“By this definition, strategy is consistency in behaviour, whether or not intended”</i></p>
Strategy as Position	<p>p. 15: <i>“Specifically, a means of locating an organization in what organization theorists like to call an «environment»”</i></p> <p>p. 15: <i>“By this definition, strategy becomes the mediating force – or «match», according to Hofer and Schendel – between organization and environment, that is, between the internal and the external context”</i></p>
Strategy as Perspective	<p>p. 16: <i>“The fifth looks inside the organization, indeed inside the heads of the collective strategist. Here, strategy is a perspective, its content consisting not just of a chosen position, but of an ingrained way of perceiving the world.</i></p>

Source: Mintzberg, H. - The Strategy Concept I: Five Ps for Strategy. California Management Review. Fal 1987, Vol. 30 Issue 1, p11-24. 14p.

According to Carvalho and Filipe (2008: 18), *"A visit to the generating sources of strategy and strategic thinking is important to do a small draft of the areas, knowledge, domains presents in the melting pot in which it supports the business strategy as a set of knowledge for creating conditions for companies live and survive as much as possible sustainably in competitive and hostile environments (...) These areas are (...) 1) Military contribution; 2) Biology contribution; 3) Theory of Systems contribution; 4) Theory of Economics contribution; 5) Philosophy contribution; 6) Mathematics contribution; 7) Linguistics contribution; 8) Supply Chain contribution; 9) Creativity contribution"*.

For Carvalho and Filipe (2008: 39), *"If there are several authors, different implications, prospects and proposals is natural that the strategic knowledge can be grouped into*

clusters more or less homogeneous depending on the contributions of each to establish a certain knowledge of the strategy. These groups are apt to be named Schools of Strategic Thinking” – Annex 7.

According to Carvalho and Filipe (2008: 40), *"With the schools we search for blind groups with similar views (...) a group of authors with affinities of thought between them can be grouped in the same school. Schools, in themselves, have sometimes tenuous borders and the various grouping proposal may suffer some degree of overlap".*

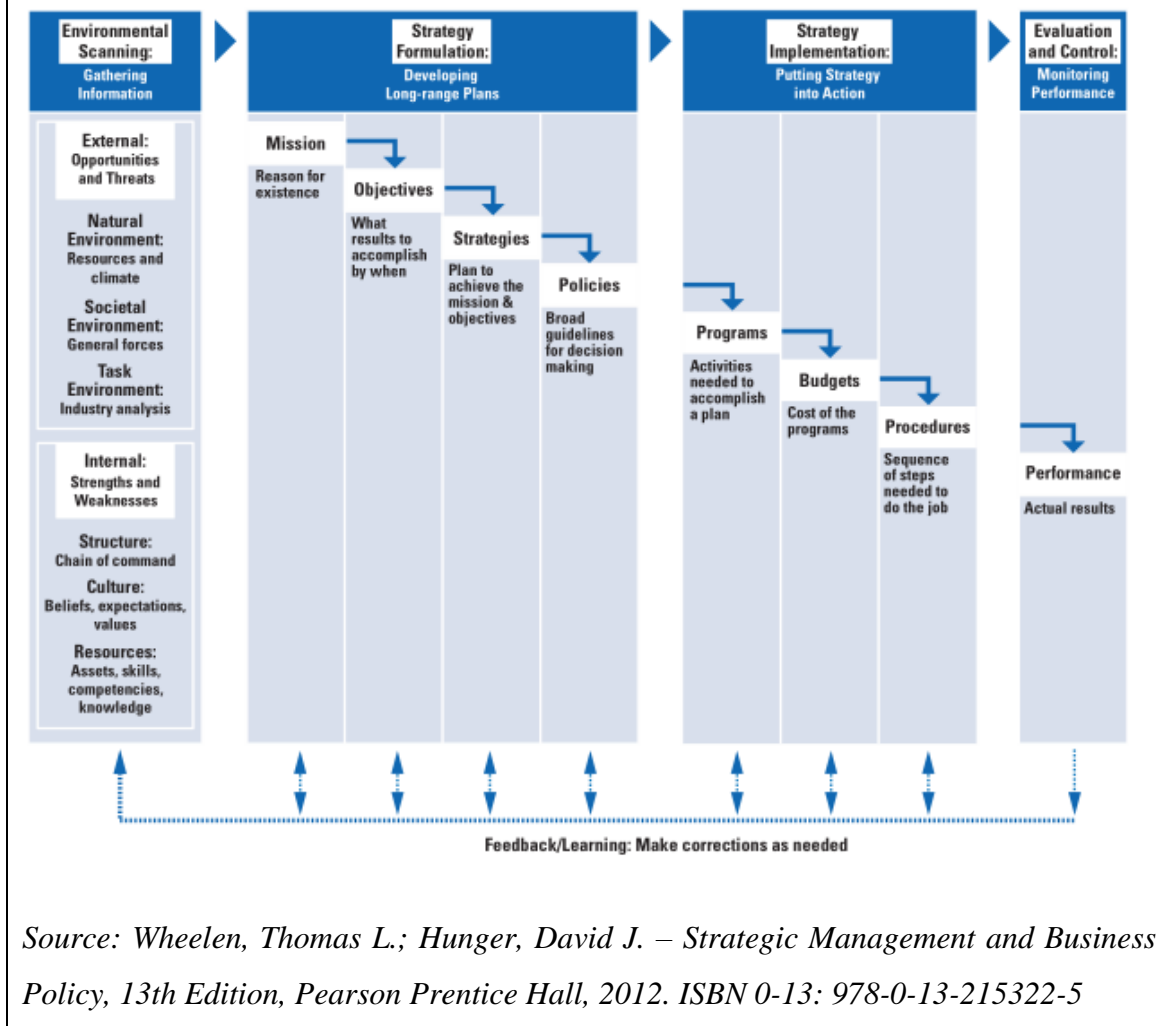
2.3.2.2 From Strategy to Strategic Management

For Hax and Majluf (1988: 108), *“Part of the confusion surrounding the issue of strategy can be alleviated by separating the concept of strategy itself from the concept of the process of forming strategy. The different dimensions of the concept of strategy can be unified in a single definition.”*

According to Johnson, Scholes and Whittington (2005:53) *“Strategic management can be thought of as having three main elements within it, and it is these that provide the framework for the book. Strategic management includes understanding the strategic position of an organisation, strategic choices for the future and turning strategy into action”.*

For Wheelen and Hunger (2012: 5), *“Strategic management is a set of managerial decisions and actions that determines the long-run performance of a corporation. It includes environmental scanning (both external and internal), strategy formulation (strategic or long-range planning), strategy implementation, and evaluation and control. The study of strategic management, therefore, emphasizes the monitoring and evaluating of external opportunities and threats in light of a corporation’s strengths and weaknesses. Originally called business policy, strategic management incorporates such topics as strategic planning, environmental scanning, and industry analysis.” – Figure 30.*

Figure 30 – Strategy Management Framework



Source: Wheelen, Thomas L.; Hunger, David J. – Strategic Management and Business Policy, 13th Edition, Pearson Prentice Hall, 2012. ISBN 0-13: 978-0-13-215322-5

2.3.2.3 From Strategy to Strategic Marketing

For Varadarajan (2010: 120) “an examination of marketing strategy literature spanning more than four decades is indicative of diverse points of view concerning the conceptual domain of strategic marketing as a field of study, and the definition of marketing strategy as an organizational strategy construct” and analyzed the question in different discipline either management or marketing:

- “In the management discipline, the term strategic management refers to the field of study, and corporate strategy (strategy at the firm level in a multi-business firm) and business strategy (strategy at the business unit level in a multi-business firm) are among the organizational strategy constructs that are the focus of the field”.
- “However, in the marketing discipline, the terms strategic marketing and marketing strategy are used interchangeably in reference to the field of study, and

marketing strategy is also used in reference to the organizational strategy construct that is the principal focus of the field. (...) The term strategic marketing is used in reference to the field of study and marketing strategy in reference to the organizational strategy construct that is the principal focus of the field’.

2.3.3 Hypercompetition

D’Aveni (1994: 217-218) defines hypercompetition as “*an environment characterized by intense and rapid competitive moves, in which competitors must move quickly to build advantage and erode the advantage of their rivals*”

D’Aveni (1994: 13-14) contends that as this type of environmental turbulence reaches more industries, competition becomes hypercompetition. According to D’Aveni: “*In hypercompetition the frequency, boldness, and aggressiveness of dynamic movement by the players accelerates to create a condition of constant disequilibrium and change. Market stability is threatened by short product life cycles, short product design cycles, new technologies, frequent entry by unexpected outsiders, repositioning by incumbents, and tactical redefinitions of market boundaries as diverse industries merge. In other words, environments escalate toward higher and higher levels of uncertainty, dynamism, heterogeneity of the players and hostility.*”

According to Johnson, Scholes and Whittington (2005: 89) “*Hypercompetition occurs where the frequency, boldness and aggressiveness of dynamic movements by competitors accelerate to create a condition of constant disequilibrium and change (...) Whereas competition in slower-moving environments is primarily concerned with building and sustaining competitive advantages that are difficult to imitate, hypercompetitive environments require organisations to acknowledge that advantages will be temporary*”.

For Wheelen and Hunger (2012: 191), “*Some firms are able to sustain their competitive advantage for many years, but most find that competitive advantage erodes over time. In his book Hypercompetition, D’Aveni proposes that it is becoming increasingly difficult to sustain a competitive advantage for very long (...) D’Aveni contends that when industries become hypercompetitive, they tend to go through escalating stages of competition. Firms initially compete on cost and quality, until an abundance of high-quality, low-priced goods result*”.

According to Wheelen and Hunger (2012: 191), *“Before hypercompetition, strategic initiatives provided competitive advantage for many years, perhaps for decades. Except for a few stable industries, this is no longer the case. According to D’Aveni, as industries become hypercompetitive, there is no such thing as a sustainable competitive advantage”*

The reason for this is as D’Aveni (1994: 7) has noted: *“The pursuit of sustainable advantage has long been the focus of strategy”*

Some have argued that hypercompetition is so pervasive that *“all competitive advantage is temporary”* (Fine, 1998: 30). But not everyone agrees. Michael Porter (1996:61) stated *“in many industries, however, what some call hypercompetition is a self-inflicted wound, not be inevitable outcome of a changing paradigm of competition”* and it is most likely to be limited to a subset of firms in high-technology industries.

According to Wiggins and T. W. Ruefli (2005: 906) *“Further, there is evidence to support the notion that managers have responded to this hypercompetitive environment by seeking in relatively more situations, not a single sustained competitive advantage, but rather a series of short advantages that can be concatenated into competitive advantage over time”*

For McNamara et al. (2003: 274) *“One important implication for research is that management scholars should take care in simply assuming that hypercompetitive trends are becoming more pronounced, either generally or in specific business settings of interest”*

According to Johnson, Scholes and Whittington (2005: 258) *“Many organisations in both the public and private sectors face turbulent, fast-changing, uncertain business environments and increased levels of competition. This sort of environment is called hypercompetitive. In slower-moving environments competitive strategy may be primarily concerned with building and sustaining competitive advantages that are difficult to imitate”* (...) *“However, in hypercompetitive environments organisations need to acknowledge that advantage will be temporary. Competitive advantage will relate to organisations’ ability to change, speed, flexibility, innovation and disruption of markets.”*

2.3.4 Fast Moving Consumer Goods (FMCG)

FMCG is a very old concept that has been studied. In 1948, the Definitions Committee of the American Marketing Association described convenience goods as *“those consumers’ goods which the consumer usually purchases frequently, immediately, and with a minimum of effort.”* Shopping goods were defined as *“those consumers’ goods which the customer, in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price and style”*.

Nevertheless, it is required a definition for FMCG and according to Ramanuj (2004) *“FMCG usually refer to non-durable products. Examples include soft drinks, toiletries, grocery items, etc. A costumer usually spends a minimum of effort to procure them. However, much of astute marketing activities have evolved from this class of products, where consumers show low involvement, get wider choice and allured by a host of inducements”*.

To sum up, there are some characteristics of the FMCG that are common from the consumer’s perspective: frequent purchase, low involvement (little or no effort to choose the item) and low price; as well as the marketer’s perspective: high volumes, low contribution margins, extensive distribution networks and high stock turnover.

2.3.5 New-Product Development

According to Kotler (1997: 135), *“Once a company has segmented the market, chosen its target customer groups, identified their needs, and determined its desired market positioning, it is ready to develop and launch appropriate new products.”*

For Cooper (1990: 44), *“New products can help your company much more quickly and efficiently with a bit of planning before development starts”*

According to Kotler and Keller (2006: 634), *“A company can add new products through acquisition or development. The acquisition route can take 3 forms: the company can buy other companies, it can acquire patents from other companies or it can buy license of franchise from another company (...) The development route can take 2 forms: the company can develop new products in its own laboratories or it can contract with independent researchers or new-product development firms to develop specific new products.”*

Kotler and Keller (2006: 634) identify 6 categories of new products: – *Table 9.*

Table 9 – Categories of new products

Categories of new products	Definitions
New-to-the-world-products	New products that create an entirely new market
New product lines	New products that allow a company to enter an established market for the first time
Additions to existing product lines	New products that supplement established product lines (package sizes, flavours, an so on)
Improvements and revisions of existing products	New products that provide improved performance or greater perceived value and replace existing products
Repositionings	Existing products that are targeted to new markets or market segments
Cost reductions	New products that provide similar performance at lower costs

Source: Kotler, P; Keller, K - Marketing Management, 12th Edition. Pearson Prentice Hall, 2006. ISBN 0-13-145757-8

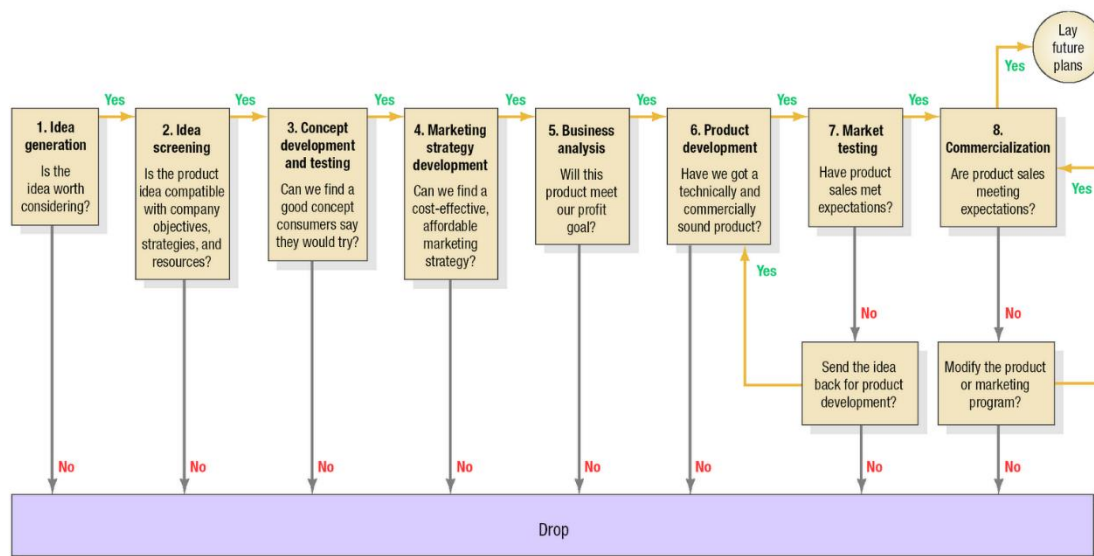
For Cooper (1990: 45), *“The strategic solution is that management must get better at conceiving, developing, and launching new products – not just extensions and incremental improvements, but new products that give the firm a sustainable competitive advantage. This translates into better management of the innovation process”*.

In fact, New-Product Development and Innovation are two concepts that are linked because it is possible to conclude that the New-Product Development process is part of the innovation process. According to Cooper (1990: 45), *“stage-gate systems recognize that product innovation is a process. And like other processes, innovation can be managed. Stage-gate systems simply apply process-management methodologies to this innovation process (...) Stage-gate systems use similar methods to manage the innovation process. They divide the innovation process into a predetermined set of stages, themselves composed of a group of prescribed, related, and often parallel activities.”*

Notwithstanding, there are several models with many and different stage-gates for be used by companies. For Cooper (1990: 45) *“usually stage-gate systems involve from four to*

seven stages and gates, depending on the company or division”, though according to Kotler and Keller (2006: 640), “there are 8 stages which are involved in the new-product development process: idea generation, screening, concept development and testing, marketing-strategy development, business analysis, product development, market testing and commercialization” – Figure 31.

Figure 31 – New-product development process



Source: Kotler, P; Keller, K - Marketing Management, 12th Edition. Pearson Prentice Hall, 2006. ISBN 0-13-145757-8

2.4 Analysis Tools

2.4.1 Strategic Analysis

2.4.1.1 External Analysis

2.4.1.1.1 PESTEL Analysis

PEST is a type of analysis used in strategic management which takes in consideration Political, Economic, Social and Technological factors. The term "PEST" was first coined by Francis Aguilar (1967) however, few years after, Fahey and Narayanan (1986) also includes Legal and Environmental factors, thus creating a PESTEL analysis:

- **Political Factors:** This can be seen as the degree by which government legislation impacts the company. Some examples include tax policy, trade restrictions and tariffs. Less obvious examples include inter-country relationships, political trends, types of government, war, terrorism, treaties and currency.
- **Economic Factors:** While closely related to political factors, the economic factors analyzed by PESTEL analysis focus more on the monetary impact created thereby. Examples include exchange rates, interest rates, inflation, import/export levels, consumer confidence, capital markets and job growth rates.
- **Social Factors:** The social factors considered (also called socio-cultural factors) refer to those factors that result from society's changing tastes, preferences and demands. Examples include disposable income, age distribution, population growth rate, education, diversity, living standards and cultural attitudes.
- **Technological Factors:** Technological factors include those within the company, such as research and development, and those of complementary companies and competitors, such as new innovations and advancements. Other technological factors include transportation, communications and the Internet.
- **Environmental Factors:** Environmental factors such as climate change, climate and weather, as well as attitudes toward the environment.
- **Legal Factors:** Legal factors to be considered, both domestically and in regard to any country in which the company does business, include antitrust law, consumer law, employment law, health and safety law, and corporate law.

2.4.1.1.2 Porter's Five Forces Framework

According to Boddy (2005: 83), “*the Five Forces Analysis is a technique for identifying and listing those aspects of the Five Forces most relevant to the profitability of an organization at that time*”. For Porter (2008), this framework is the analysis of the impact of environmental forces over the company's performance and measurement of their power, and the industry's attractiveness levels: Industry Competitors, Substitutes, Suppliers, Buyers and Potential New entrants – *Figure 32*:

- **Threat of Entry:** New entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. Entry barriers are advantages that incumbents have relative to new entrants. There are seven major sources: 1) Supply-side economies of scale; 2) Demand-side benefits of scale; 3) Customer switching costs; 4) Capital requirements; 5) Incumbency advantages independent of size; 6) Unequal access to distribution channels; 7) Restrictive government policy
- **The Power of Suppliers:** Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants.
- **The Power of Buyers:** Powerful customers (the flip side of powerful suppliers) can capture more value by forcing down prices, demanding better quality or more service (thereby driving up costs), and generally playing industry participants off against one another, all at the expense of industry profitability.
- **The Threat of Substitutes:** A substitute performs the same or a similar function as an industry's product by a different means.
- **Rivalry among existing Competitors:** Rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements. High rivalry limits the profitability of an industry.

Figure 32 – The Five Forces that shape Industry Competition



Source: Porter, Michael E. - *The five competitive forces that shape strategy*. (Special HBR Centennial Issue). *Harvard Business Review*, Jan 2008, Vol.86 (1), p.78 (16)

2.4.1.1.3 Industry Analysis

The Industry Analysis is an analysis of the industry’s concentration level. According to Kotler and Keller (2006: 344), “*an industry is a group of firms that offer a product or class of products that close substitutes for one another. Industries are classified according to number of sellers; degree of product differentiation; presence or absence of entry, mobility, and exit barriers; cost structure; degree of vertical integration; and degree of globalization*”.

About the issue of the number of sellers and degree of differentiation, Kotler and Keller (2006: 344) also refer that “*the starting point for describing an industry is to specify the number of sellers and whether the product is homogeneous or highly differentiated. These characteristics give rise to four industry structure types: pure monopoly, oligopoly, monopolistic competition and pure competition*”:

- **Pure Monopoly:** Only one firm provides a certain product or service, in a certain country or area (a local water or cable company).
- **Oligopoly:** A small number of (usually) large firms produce products that range from highly differentiated to the standardized. **Pure oligopoly** consists of a few companies producing essentially the same commodity (oil, steel). Such companies would find it hard to charge anything more than the going price. If competitors match on price and services, the only way to gain a competitive advantage is through lower costs. **Differentiated oligopoly** consists of a few companies

producing products (autos, cameras) partially differentiated along lines of quality features, styling, or services. Each competitor may seek leadership in one of these major attributes, attract the customers favouring that attribute, and charge a price premium for that attribute.

- **Monopolistic Competition:** many competitors are able to differentiate their offers in whole or in part (restaurants, beauty shops).
- **Pure Competition:** many competitors offer the same product and service (stock market, commodity market). Because there is no basis for differentiation, competitors' prices will be the same.

In other perspective, Wheelen and Hunger (2012: 114) characterize the Industry Evolution in 2 ways:

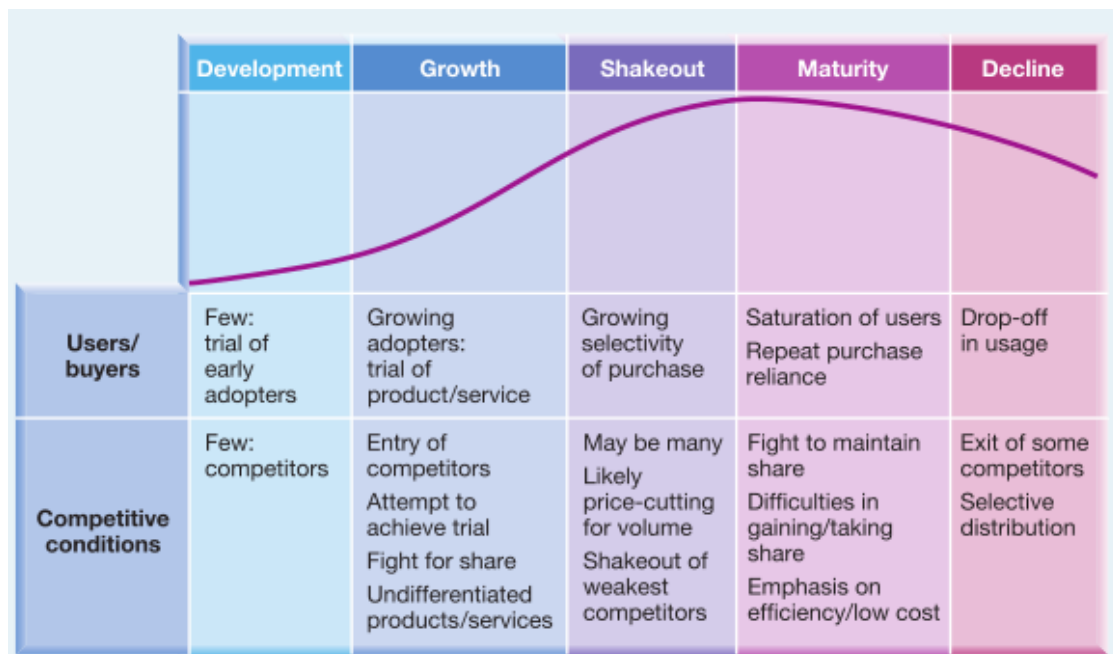
- **Fragmented industry:** where no firm has large market share, and each firm serves only a small piece of the total market in competition with others
- **Consolidated industry:** dominated by a few large firms, each of which struggles to differentiate its products from those of the competition

According to Porter (1986), world industries vary on a continuum from Multidomestic to Global:

- **Multidomestic:** Industry in which companies tailor their products to the specific needs of consumers in a particular country. Multidomestic industries are specific to each country or group of countries.
- **Global:** Industry in which companies manufacture and sell the same products, with only minor adjustments made for individual countries around the world. Global industries, in contrast, operate worldwide, with multinational corporation making only small adjustments for country-specific circumstances

Another concept that it is important to refer is the Industry life cycle. Johnson, Scholes and Whittington (2005:85-86), *“the idea of the life cycle suggests that the stage of development of an industry or sector is important in terms of competitive behaviour. For example, in situations of growth, an organisation might expect to achieve its own growth through the growth in the marketplace; whereas when markets are mature, this has to be achieved by taking market share from competitors”*. The Figure 33 summarizes some of the conditions that can be expected at different stages in the life cycle.

Figure 33 – Industry Life Cycle



Source: Johnson, G.; Scholes, K.; Whittington, R. – *Exploring Corporate Strategy: Text and Cases*, 7th Edition. FT Prentice Hall, 2005. 1033 p. ISBN 0-273-68734-4

2.4.1.2 Internal Analysis

2.4.1.2.1 Mission

According to Wheelen and Hunger (2012: 17) “an organization’s mission is the purpose or reason for the organization’s existence. It tells what the company is providing to society (...) A well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and identifies the scope or domain of the company’s operations in terms of products (including services) offered and markets served.”

For Johnson, Scholes and Whittington (2005:13) “a mission is a general expression of the overall purpose of the organisation, which, ideally, is in line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the organisation. It is sometimes referred to in terms of the apparently simple but challenging question: «What business are we in? »”. They also refers that “a mission statement is a statement of the overriding direction and purpose of an organisation” (p. 209).

2.4.1.2.2 Vision

According to Wheelen and Hunger (2012: 17), Vision and Mission are two different concepts: while “*Mission describes what the organization is now, Vision describes what the organization would like to become*”.

For Johnson, Scholes and Whittington (2005:13) “*a vision or strategic intent is the desired future state of the organisation. It is an aspiration around which a strategist, perhaps a chief executive, might seek to focus the attention and energies of members of the organisation*”.

2.4.1.2.3 Values

The Values statement are the list of the values and philosophy of doing business. According to Johnson, Scholes and Whittington (2005:207), “*Core Values are the principles that guide an organisation’s action*”.

2.4.1.2.4 Strategic Objectives

According to Wheelen and Hunger (2012: 18) “*objectives are the end results of planned activity. They should be stated as action verbs and tell what is to be accomplished by when and quantified if possible. The achievement of corporate objectives should result in the fulfilment of a corporation’s mission.*”

For Johnson, Scholes and Whittington (2005:209), “*objectives are statements of specific outcomes that are to be achieved*”.

2.4.1.2.5 Marketing-Mix

For Kotler and Keller (2006: 19) “One traditional depiction of marketing activities s in terms of the marketing mix, which has been defined as the set of marketing tools the firm uses to pursue its marketing objectives. McCarthy classified these tools into four broad groups, which he called «the four Ps» of marketing: Product, Price, Place, and Promotion.

- **Product:** Product variety, Quality, Design, Features, Brand name, Packaging, Sizes, Services, Warranties, Returns
- **Price:** List price, Discounts, Allowances, Payment period, Credit terms
- **Place:** Channels, Coverage, Assortment, Locations, Inventory, Transport

- **Promotion:** Sales promotion, Advertising, Sales force, Public relations, Direct marketing

2.4.1.3 Internal/External Analysis

2.4.1.3.1 Key Success Factors (KSF) and Competitive Advantages

Within any industry there are usually certain variables (KSF) that a company's management must understand in order to be successful. According to Wheelen and Hunger (2012: 118), "*Key Success Factors are variables that can significantly affect the overall competitive positions of companies within any particular industry. They typically vary from industry to industry and are crucial to determining a company's ability to succeed within that industry*".

It is important to distinguish the KSF from Critical Success Factors (CSFs) because these two concepts have a very different meanings. For Johnson, Scholes and Whittington (2005:96) "*Critical Success Factors (CSFs) are those product features that are particularly valued by a group of customers and, therefore, where the organisation must excel to outperform competition*". Despite this, Johnson, Scholes and Whittington (2005:69) identify "*Key drivers of change*" as "*forces likely to affect the structure of an industry, sector or market*".

KSF are the industry factors that every company must understand and achieve to be successful. When a company detect and respond in a better way to one KSF against the competitors, it is a competitive advantage. According to Wheelen and Hunger (2012: 108), "*the origin of competitive advantage lies in the ability to identify and respond to environmental change well in advance of competition*".

2.4.1.3.2 SWOT Analysis

For Kotler and Keller (2006: 52) "*the overall evaluation of a company's Strengths, Weaknesses, Opportunities, and Threats is called SWOT analysis. It involves monitoring the external and internal marketing environment*".

According to Wheelen and Hunger (2012: 16-17) "*SWOT is an acronym used to describe the particular Strengths, Weaknesses, Opportunities, and Threats that are strategic factors for a specific company. The external environment consists of variables*

(Opportunities and Threats) that are outside the organization and not typically within the short-run control of top management (...)The internal environment of a corporation consists of variables (Strengths and Weaknesses) that are within the organization itself and are not usually within the short-run control of top management”.

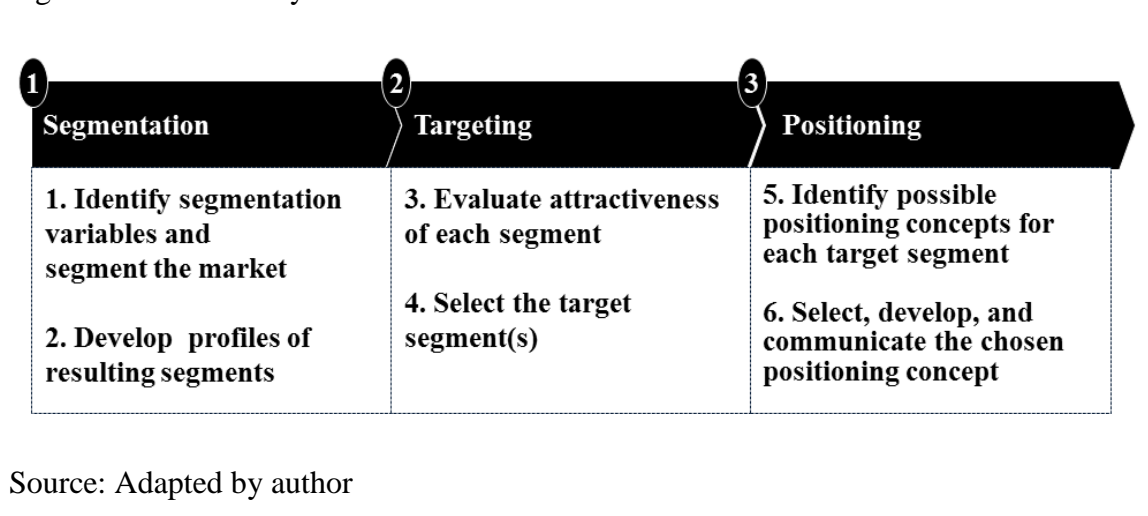
For Johnson, Scholes and Whittington (2005:102), “A SWOT analysis summarises the key issues from the business environment and the strategic capability of an organisation that are most likely to impact on strategy development”.

2.4.2 Strategic Formulation

2.4.2.1 STP Analysis

According to Kotler and Keller (2006: 24), “a marketer can rarely satisfy everyone in a market. (...) Therefore, marketers start by dividing up the market into segments. They identify and profile distinct groups of buyers who might prefer or require varying product and services mixes by examining demographic, psychographic, and behavioural differences among buyers. The marketer then decides which segments present the greatest opportunity – which are its target markets. For each chosen target market, the firm develops a market offering. The offering is positioned in the minds of the target buyers as delivering some central benefit(s)”. In the Figure 34 it is possible to understand the steps of the Segmentation, Targeting and Positioning (STP) Analysis.

Figure 34 – STP Analysis



2.4.2.1.1 Segmentation

According to Johnson, Scholes and Whittington (2005:91), “*market segment is a group of customers who have similar needs that are different from customer needs in other parts of the market*”. In other words, for Kotler and Keller (2006: 240), “*market segment consists a group of customers who share a similar set of needs and wants*”. In other words, segmentation is the process of dividing a market into distinct groups of buyers who might require separate products or marketing mixes.

Kotler and Keller (2006: 240) present the task of the marketer: “*the marketer does not create the segments; the marketer’s task is to identify the segments and decide which one(s) to target*”.

Other important concepts that are explored by Kotler and Keller (2006: 242-246) about segmentation are Mass marketing; Product-variety marketing; Customerization, customized marketing or one-to-one marketing; and Niche marketing:

- **Mass marketing:** Segment marketing offers key benefits over mass marketing because in mass marketing, the seller engages in the mass production, mass distribution and mass promotion of one product for all buyers. In other words, Mass marketing is the decision to mass-produce and mass-distribute one product and attempt to attract all types of buyers.
- **Product-Variety Marketing:** offers that are differentiated in style, features quality or sizes, designed to offer variety to the market and to set the seller’s products apart from those of competitors.
- **Customerization:** Customerization combines operationally driven mass customization with customized marketing in a way that empowers consumers to design the product and service offering of their choice. A company is customerized when it is able to respond to individual customers by customerizing its products, services and messages on a one-to-one basis
- **Niche marketing:** A niche marketing is a more narrowly defined customer group seeking a distinctive mix of benefits and occurs when marketers divide a segment into subsegments

The importance of Segmentation is once the segments are formed, the marketers sees whether different characteristics are associated with each consumer-response segment.

Thus, according to Kotler and Keller (2006: 247-258) there are 4 main segmentation variables: Geographic, Demographic, Psychographic and Behavioural.

- **Geographic:** Nations, States, Regions, Countries, Cities or Neighbourhoods
- **Demographic:** Age, Family size, Family life cycle, Gender, Income, Occupation, Education, Religion, Race, Generation, Nationality and Social Class
- **Psychographic:** Psychological/Personality Traits, Lifestyle or Values
- **Behavioural:** Occasions, Benefits, User status, Usage rate, Loyalty status, Buyer-readiness stage, and attitude

Nevertheless, as not all segmentation schemes are useful, it is relevant to have an effective segmentation criteria. In order to this, for Kotler and Keller (2006: 262), market segments must rate favourably on 5 key criteria:

- **Measurable:** the size, purchasing power, and characteristics of the segments can be measured
- **Substantial:** the segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after a tailored marketing program
- **Accessible:** the segments can be effectively reached and served
- **Differentiable:** the segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs.
- **Actionable:** effective programs can be formulated for attracting and serving the segments

2.4.2.1.2 Targeting

For Kotler and Keller (2006: 261), “*once the firm has identified its market-segment opportunities, it has to decide how many and which ones to target*” or, in other words, Target Marketing is the decision to identify the different groups that make up a market and to develop products and marketing mixes for selected target markets.

In order to this, after evaluating different segments, for Kotler and Keller (2006: 261), the company can consider 5 patterns of target market selection:

- **Single-segment concentration:** through concentrated marketing, the firm gains a strong knowledge of the segment's needs, enjoys operating economies of scale and achieves a strong market presence
- **Selective specialization:** a firm selects a number of segments, each objectively attractive and appropriate. There may be little or no synergy among the segments, but each promises to be a money-maker
- **Product specialization:** the firm makes a certain product that it sells to several different market segments
- **Market specialization:** the firm concentrates on serving many needs of a particular customer group
- **Full market coverage:** the firm attempts to serve all customer groups with all products they might need. Large firms can cover a whole market in two broad ways: in undifferentiated marketing (when the firm ignores segment differences and goes after the whole market with one offer) or in differentiated marketing (when the firm operates in several market segments and designs different products for each segment).

2.4.2.1.3 Positioning

What is required for marketers is, for each segment, to create a value proposition and product-price positioning strategy based on that segment's unique customer needs and characteristics.

According to Kotler and Keller (2006: 310), "*Positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market*" and "*the result of positioning is the successful creation of a customer-focused value proposition, a cogent reason why the target market should buy a product*". In other words, positioning is not what consumers do to a product, positioning is what consumers do to the mind of the prospect. That is consumers position the product in the mind of the prospect.

There are 7 possible Positioning strategies that marketers can use:

- **Product Attributes:** This positions the product in terms of the unique or distinguishing features it possesses, i.e. low price, unique technology, versatility or other features.

- **Benefits Offered:** Based upon the specific value provided
- **Usage Occasions:** Product usage can be associated with special occasions or values
- **Users:** A product can be positioned to its most important users
- **Against a Competitor:** This strategy is appropriate for substitutes that cost less
- **Away from Competitors:** This positions the product as unique in some respect and/or worth it
- **Product Class:** The company may vary positioning as needed in relation to one or more competitors

In fact, in order to achieve competitive advantage, companies and brands can be differentiated on the basis of many variables. Kotler and Keller (2006: 319) mention 4 different differentiation strategies:

- **Product Differentiation:** can be based upon features or performance
- **Personnel Differentiation:** is derived from a superior workforce
- **Channel Differentiation:** are designed the distribution channels' coverage, expertise and performance
- **Image Differentiation:** can be generated from an effective use of symbols in association with product consumption

There is a visual technique that marketers use to create a value proposition and product-price positioning strategy that is a perceptual map. A perceptual map is a diagrammatic technique designed to show how the average target market consumer understands the positioning of the competing products, brands or companies in the marketplace. In other words, it is a tool that attempts to map the consumer's perceptions and understandings in a diagram.

According to Kardes, Cronley & Cline (2011), "*perceptual maps measure the way products are positioned in the minds of consumers and show these perceptions on a graph whose axes are formed by product attributes*". In fact, most definitions are fairly consistent in their description of perceptual maps. For Ferrell & Hartline (2008), "*a perceptual map represents customer perceptions and preferences spatially by means of a visual display*".

The normal format for presenting a perceptual map is to use two determinant attributes because the main advantage is that it is very simple to construct and interpret.

2.4.2.2 GE/McKinsey Matrix

A number of tools have been developed to help managers choose what business units to have in a portfolio. According to Johnson, Scholes and Whittington (2005:314) each tool gives more or less focus on one of three criteria:

- *the balance of the portfolio, e.g. in relation to its markets and the needs of the corporation;*
- *the attractiveness of the business units in the portfolio in terms of how profitable they are or are likely to be and how fast they are growing; and*
- *the degree of 'fit' that the business units have with each other in terms of potential synergies or the extent to which the corporate parent will be good at looking after them.*

The General Electric (GE) and McKinsey's matrix combines the Strategic Business Unit (SBU)'s strength with the industry's attractiveness level, by identifying the company's current position, and, then, it defines the company's future strategic guidelines – *Figure 35*.

According to Johnson, Scholes and Whittington (2005:11), "*strategic business unit is a part of an organisation for which there is a distinct external market for goods or services that is different from another SBU*".

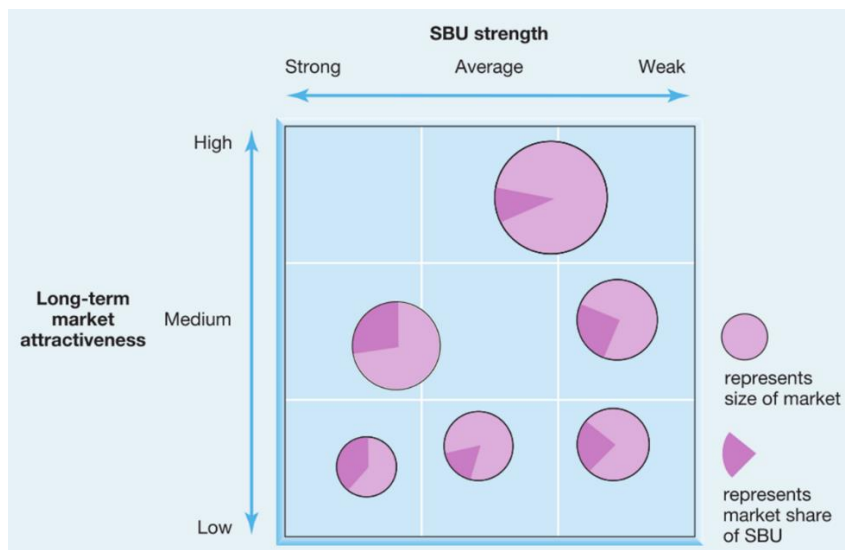
Johnson, Scholes and Whittington (2005:319) do not use the concept of GE/McKinsey Matrix, they use "*directional policy matrix*" but the idea is the same. For them, that matrix "*positions SBUs according to (a) how attractive the relevant market is in which they are operating, and (b) the competitive strength of the SBU in that market*".

The GE/McKinsey matrix is very similar to BCG matrix, however GE/McKinsey attempts to improve upon the BCG matrix in the following two ways:

- GE/McKinsey has 9 cells vs 4 cells in the BCG matrix
- GE/McKinsey matrix generalizes the axes as "Industry Attractiveness" and "Business Unit Strength" whereas the BCG matrix uses the "Market Growth" rate

as a proxy for Industry Attractiveness and “Relative Market Share” as a proxy for Business Unit Strength.

Figure 35 – GE/McKinsey Matrix



Source: Johnson, G.; Scholes, K.; Whittington, R. – *Exploring Corporate Strategy: Text and Cases, 7th Edition*. FT Prentice Hall, 2005. 1033 p. ISBN 0-273-68734-4

2.4.2.3 Dynamic SWOT Analysis

Dynamic SWOT Analysis is the determination of how Strengths, Weaknesses, Opportunities and Threats can be combined with each other to create further strategic orientations in terms of Challenges, Risks, Limitations and Warnings

2.4.2.4 Ansoff Growth Matrix

According to Ansoff (1957: 114), “a product-market strategy, accordingly, is a joint statement of a product line and the corresponding set of missions which the products are designed to fulfill”.

The Ansoff Growth matrix is focused on the firm’s present and potential products and markets, and it provides four different types of product-market strategy to reach growth – Figure 36:

- **Market Penetration** is an effort to increase company sales without departing from an original product-market strategy. The company seeks to improve business

performance either by increasing the volume of sales to its present customers or by finding new customers for present products

- **Market Development** is an effort to increase company sales without departing from an original product-market strategy. The company seeks to improve business performance either by increasing the volume of sales to its present customers or by finding new customers for present products
- **Product Development Strategy**, on the other hand, retains the present mission and develops products that have new and different characteristics such as will improve the performance of the mission
- **Diversification** is the final alternative. It calls for a simultaneous departure from the present product line and the present market structure.

Figure 36 – Ansoff Growth Matrix

		Products	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

Source: Ansoff, H. I – Strategies for differentiation. Harvard Business Review (1957)

2.4.2.5 Generic Competitive Strategy

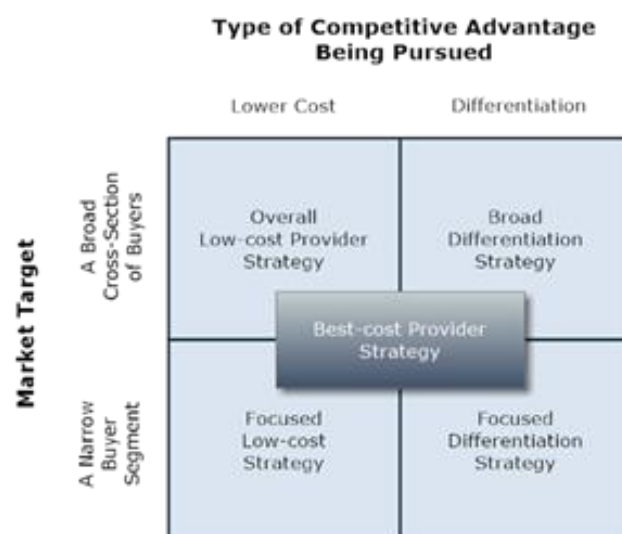
According to Thompson, Strickland and Gamble (2010: 133), “a competitive strategy concerns the specific of management’s game plan for competing successfully and securing a competitive advantage over rivals” and the objective of competitive strategy “is to knock the socks off rival companies by doing a better job of satisfying buyer needs and preferences”.

For Porter (1980: 34), “In coping with the five competitive forces, there are three potentially successful generic strategic approaches to outperforming other firms in an industry: Overall cost leadership; Differentiation and Focus”.

Nevertheless, Thompson, Strickland and Gamble (2010: 134-135) expanded the version of a three-strategy classification discussed by Porter. Therefore, five distinct competitive strategy approaches stand out – *Figure 37*:

- A **low-cost provider strategy**: striving to achieve lower overall costs than rivals and appealing to a broad spectrum of customers, usually by underpricing rivals
- A **broad differentiation strategy**: seeking to differentiate the company’s product offering from rivals’ in ways that will appeal to a broad spectrum of buyers
- A **best-cost provider strategy**: giving customers more value for their money by incorporating good-to-excellent product attributes at a lower cost than rivals; the target is to have the lowest (best) costs and prices compared to rivals offering products with comparable attributes
- A **focused (or market niche) strategy based on low costs**: concentrating on a narrow buyer segment and outcompeting rivals by having lower costs than rivals and thus being able to serve niche members at a lower price
- A **focused (or market niche) strategy based on differentiation**: concentrating on a narrow buyer segment and outcompeting rivals by offering niche members customized attributes that meet their tastes and requirements better than rivals’ products.

Figure 37 – Five Generic Competitive Strategies



Source: Thompson, A; Strickland, A; Gamble, J – *Crafting and Executing Strategy*. McGraw-Hill Irwin, 17th edition, 2010. ISBN 978-0-07-724769-0

2.5 Animation Plan

The case study requires that professors and students follow a specific set of rules in order to maximize the case’s results.

Firstly, the students should be divided in groups with 3-4 people (the group’s size could vary according to the class dimension). After the division, groups should brainstorm outside of the classroom, so they can discuss opinions and insights, but, especially, exchange experiences and feedback among themselves. During the brainstorming, they should collect insights from many sources and they should explore all the information of the sector and company in the internet. During the lecture, students should read the case again and then solve it, by answering the questions under the expected time. Students should accomplish the stated goals for each question. Groups should nominate a spokesperson to present the achieved results and conclusions from the group.

The professor should provide all the orientations and insights, so that the students can successfully approach and answer the questions, by exploring the properly instruments and concepts. The professor should moderate the discussion of students and give them full autonomy, so that they can solve the case by themselves. It is very important that professors guide discussions towards the desirable pedagogical goals.

The case study resolution stages are the following:

Stage, Time and Questions	Objectives	Learning Tools	Process	Competences
Stage 1 120 minutes (Before Class)	Discuss the company’s reality and its industry. Define the approach to solve the case study.	Brainstorming, Collect information from websites and social networks.	Individual case reading; Explore and collect information; Exchange insights and experiences with the group.	Brainstorming session; Knowledge from the company and industry.

<p>Stage 2 60 minutes Question 1</p>	<p>Study the company's internal and external environments; Understand the company's competitive advantages and position.</p>	<p>Internal, external and internal/external analysis instruments.</p>	<p>Groups should discuss the best instruments to approach the case.</p>	<p>Understand how internal, external and internal/external realities influence the company's business.</p>
<p>Stage 3 30minutes Question 2</p>	<p>Develop the STP analysis by doing Segmentation, Targeting and Positioning</p>	<p>Identify the segmentation variables, segment the market and develop profiles of resulting segments</p>	<p>Groups should discuss the best instruments to approach the case</p>	<p>Develop different objectives and strategies connecting company's portfolio to those segments</p>
<p>Stage 4 30minutes Question 3</p>	<p>Develop the GE/McKinsey Matrix based on the strategic analysis</p>	<p>Analyze the Industry Attractiveness and Business Unit Strength</p>	<p>Groups should discuss the best instruments to approach the case</p>	<p>Provide conclusions and recommendations in order to achieve growth in the future</p>
<p>Stage 5 30minutes Question 4</p>	<p>Identify the company's most important challenges towards growth</p>	<p>Characterizing the company's main directions and strategies by using useful strategic frameworks</p>	<p>Groups should discuss the best instruments to approach the case</p>	<p>Provide conclusions and recommendations in order to achieve growth in the future</p>

2.6 Questions

Question 1:

Evaluate the competition position of SCC within the Portuguese Brewery Industry. Explore all the instruments and frameworks from marketing strategic analysis that maybe relevant to solve this question

Question 2:

Based on the STP analysis, identify the segmentation variables, segment the market and develop profiles of resulting segments. Develop different objectives and strategies connecting SCC's portfolio to those segments. Finally, build a perceptual map.

Question 3:

Based on the strategic analysis, develop the GE/McKinsey. Provide conclusions and recommendations

Question 4:

Based on the strategic analysis, identify the company's most important challenges towards growth by characterizing the company's main directions and strategies to reach growth in the future

2.7 Case Resolution

2.7.1 Question 1

Evaluate the competition position of SCC within the Portuguese Brewery Industry. Explore all the instruments and frameworks from marketing strategic analysis that maybe relevant to solve this question

To analyze the competitive position of SCC means to analyze the internal and external environment.

2.7.1.1 PESTEL Analysis

PESTEL Analysis	
Political	<ul style="list-style-type: none"> - There are many countries in Europe that had/will have political elections in 2015: Portugal, Greece, Spain and England. Despite the likely scenario of Portugal having a minority government after the elections of 4 October, the systemic political risk in the country is low, limiting the impact that any uncertainty may have on debt markets. - There is a migrant/refugee crisis in Europe. They are coming across the Mediterranean Sea or Southeast Europe and most of them are coming from Syria, Afghanistan and Eritrea. According to Eurostat, EU member states received 626.000 asylum applications in 2014, the highest number since the 672.000 applications received in 1992. - Since the end of 2009, has been taking place in the European Union the European debt crisis. Several Eurozone member states (Greece, Portugal, Ireland, Spain and Cyprus) were unable to repay or refinance their government debt or to bail out over-indebted banks under their national supervision without the assistance of third parties like other Eurozone countries, the European Commission (EC), the European Central Bank (ECB), or the International Monetary Fund (IMF). - In June 2014, Portugal exited its three year Economic Adjustment Programme which included the implementation of an ambitious reform agenda and contributed to regaining economic growth and restoring investor confidence for the sovereign. - Portugal is now under Post-Programme Surveillance (PPS) until at least 75% of the financial assistance received has been repaid. PPS may last at least until 2026. The objective of PPS is ultimately to measure Portugal's capacity to repay its outstanding loans to the

<p>Political</p>	<p>European Financial Stabilization Mechanism (EFSM) and European Financial Stability Facility (EFSF).</p> <p>- Under PPS, the EC, in liaison with the ECB, will launch regular review missions to the Member State to analyze economic, fiscal and financial developments; and report semi-annual assessments which may recommend further measures when necessary.</p> <p>- Angola lives a difficult moment. According to Bloomberg, Angola, Africa’s second-largest oil producer, is struggling to cope with a more than 40% plunge in crude prices in the past year. The government in February cut its 2015 budget by 26%, while predicting the fiscal gap will reach 7% of gross domestic product. The currency has weakened 16% against the dollar on the interbank market this year.</p> <p>- The aim of the Angolan government is to accelerate diversification of the economy, which is dependent on oil exports and is now facing a financial crisis due to the fall in the international price of oil. Imports of drinks cost Angola around US\$400 million each year, more than half of which arrive in the country from Portugal. In January 2015, the Angolan government set a general import quota for 2015 on water (150.000 hectolitres), soft drinks (200.000), beer (400.000) and juice (200.000), which measure has been a concern for Portuguese beverage companies, particularly brewers.</p>
<p>Economic</p>	<p>- Portuguese economy is back on track after a 78 billion euro (\$87 billion) bailout in 2011 brought three years of recession amid deep spending cuts. INE reported that the economy grew 1.5% in the second quarter compared with last year, maintaining the same rate as in the first quarter.</p> <p>- According to Banco de Portugal, after growing by 0.9% in 2014, GDP is expected to accelerate by 1.7% in 2015, followed by 1.9</p>

<p>Economic</p>	<p>and 2.0% increases in 2016 and 2017 respectively (bolstered by domestic demand).</p> <ul style="list-style-type: none"> - According to INE, jobless rate continued to slide, with the institute saying it fell to 12.1% in July from 12.3% in June. That's the lowest rate since 2010. - The level of Foreign Direct Investment (FDI) is expected to increase in the next few years in Europe. According to the World Bank's Global Economic Prospects report, published in June, investment is expected to increase by 2.6% in 2016 and 3.1% in 2017. Low interest rates and structural reforms will drive this growth. - Business investment is projected to experience robust growth over the horizon, accelerating from 5.8% in 2015 to 5.9 and 7.1% in 2016 and 2017 respectively (Banco de Portugal). - Projections for exports of goods and services point to growth of 4.8 per cent in 2015 and an acceleration to 6.0 and 6.4% in 2016 and 2017 respectively (Banco de Portugal). - After falling 0.2% in 2014, inflation measured by the rate of change in the Harmonised Index of Consumer Prices (HICP) should be positive but low over the 2015-2017 period, with prices accelerating in line with the recovery of economic activity. (Banco de Portugal) - Standard & Poor's raises Portugal's credit rating to BB+. "The upgrade reflects our view of Portugal's steady economic recovery, supported by gradually improving labour market conditions," the agency said in a statement. (Reuters)
<p>Social</p>	<ul style="list-style-type: none"> - Portugal performs well in only few measures of well-being relative to most other countries in the Better Life Index. Portugal ranks above the average in housing, but below average in income

<p>Social</p>	<p>and wealth, health status, social connections, civic engagement, education and skills, subjective well-being, and jobs and earnings.</p> <ul style="list-style-type: none"> - In Portugal, the average household net-adjusted disposable income per capita is 17.935 euros (\$20.086) a year, less than the OECD average of 23.133 euros (\$25.908) a year. But there is a considerable gap between the richest and poorest – the top 20% of the population earn nearly six times as much as the bottom 20%. - In terms of employment, around 61% of people aged 15 to 64 in Portugal have a paid job, lower than the OECD employment average of 65%. Some 63% of men are in paid work, compared with 58% of women. In Portugal, around 10% of employees work very long hours, less than the OECD average of 13%, with 13% of men working very long hours compared with just 6% for women. - In Portugal, 38% of adults aged 25-64 have completed upper secondary education, much lower than the OECD average of 75% and one of the lowest rates among OECD countries. This is truer of women than men, as 34% of men have successfully completed high-school compared with 41% of women. In terms of the quality of the educational system, the average student scored 488 in reading literacy, maths and science in the OECD’s Programme for International Student Assessment (PISA). This score is slightly lower than the OECD average of 497. On average in Portugal, girls outperformed boys by 10 points, more than the average OECD gap of 8 points. - In terms of health, life expectancy at birth in Portugal is almost 81 years, one year above the OECD average. Life expectancy for women is 84 years, compared with 77 for men. Portugal does well in terms of water quality, as 86% of people say they are satisfied with the quality of their water, above the OECD average of 81%.
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<p>Social</p>	<p>- In general, the Portuguese are less satisfied with their lives than the OECD average. When asked to rate their general satisfaction with life on a scale from 0 to 10, Portuguese people gave it a 5.1 grade, one of the lowest scores in the OECD, where the average life satisfaction is 6.6.</p>
<p>Technological</p>	<p>- Portugal's population exists of 10.4 million people, of which 66% uses the internet. 3.2 million of those internet users shop online. These online shoppers or e-shoppers on average spend €911 per year.</p> <p>- The Portuguese E-commerce sales reached €2.9bn in 2014, which means there has been a 13.3% e-commerce growth in 2014. The VAT-rate in Portugal is 23%.</p> <p>- Portugal is a country with a lot of e-cheque payments. Payshop is a Portuguese payment solution that allows consumers to pay online by visiting a Payshop agent (such as petrol stations or supermarket) equipped with an invoice of a reference. MBNet from MultiBanco is another often used payment solution. It allows making online transactions with a credit card without having to give away any credit card information to the online merchant.</p> <p>- Over five million Portuguese citizens are now using smartphones, which adds up to 59.4% of mobile phone owners residing in the country. These numbers were unveiled by Marktest's Telecommunications Barometer, and reflect an 83% increase since December 2012. The data refers to May 2015 and also shows how usage of the devices has grown steadily since the end of last year. In December 2014, 50.4% of phone users had smartphones.</p> <p>- When analyzed the digital advertising spending in Portugal from 2008 to 2013, with forecast to 2015, it was forecast that advertising spending would reach 55 million euro in 2015.</p>

Technological	<p>- In 2010, digital ads accounted for 4.9% of advertising expenditure. As of 2015, digital will account for 12% of advertising spending in Portugal.</p>
Environmental	<p>- Weather is the variable that most affect beer sales. A weather change of 1% corresponds to an absolute difference of millions litres in the year.</p>
Legal	<p>- With effect on July 1, the new alcohol law outlawing drinking by under-18s kicks in, making it an offence to “supply (...) sell, or with commercial objectives, make alcoholic drinks available in public places” to minors.</p> <p>- This new legislation overrides the ‘grey area’ in the still current law, which allows the sale of beer, wine and non-spirit drinks to teenagers over the age of 16.</p> <p>- In order to enforce the new law, establishments will be encouraged to ask to see young people’s ID. As for checking that the law is complied with, this job remains with ASAE, with the support of the PSP and GNR police. Anyone caught breaking the new alcohol law faces fines from €500 to €30,000.</p> <p>- National media has explained, this new set of rules has come as a result of scientific studies that show “experimentation with alcohol is coming earlier and earlier in children” and that “the younger the age, the greater the likelihood of alcohol dependence in the future”.</p> <p>- Explains Lusa news agency: “The government justifies the need for “better measure of protection for minors (...) not so much to sanction or penalize behaviour but to minimize consumption by adolescents in a progressive way”.</p>

To summarize, it makes sense to create a consolidation grid to better analyze those factors, in which “--“means no risk for beer sector (good factors) and “++” means high risk for beer industry (bad factors):

PESTAL Analysis	--	-	-/+	+	++
Political Factors					
New political election and systemic political risk		X			
New migrant/refugee crisis in Europe			X		
Implementation of an ambitious reform agenda			X		
Angola economic situation					X
Economic Factors					
GDP expectations	X				
Unemployment rate expectations		X			
FDI expectations	X				
Business investment expectations	X				
Exports expectations	X				
Inflation expectations			X		
Portuguese Rating	X				
Social Factors					
Performance in housing	X				
Performance in income and wealth, jobs and earnings				X	
Health status			X		
Performance in education and jobs				X	

Technological Factors					
Smartphones and Internet usage	X				
E-commerce market	X				
Digital marketing market	X				
Environmental Factors					
Importance of weather in beer sales					X
Legal Factors					
Importance of new law in beer sales					X

2.7.1.2 Porter’s Five Forces Framework

To measure the industry’s attractiveness level it would be used a nominal scale (which “1” means low attractiveness and “5” means high attractiveness).

Porter’s Five Forces Framework
Threat of Entry
<ul style="list-style-type: none"> - High capital requirements to gain a market share: to produce a beer is not necessary to have enough capital (that is why the number of microbrewery or craft brewery in Portugal is growing), but to gain market share the operators need to invest in a big structure. In other way, the operator’s margins shrank a lot over the last few years due to a higher and fiercer competition of SCC and Unicer. - Low accessibility to the industry’s distribution channels: as more than 50% of beer volume is in On Trade Channel, it is essential to invest on an own distribution structure or to invest on the existent distribution companies. - Low switch cost for the clients: either in the On Trade Channel (restaurants, cafes, pubs and clubs) or in the Off Trade Channel (hypers and supers), the clients do not

have a exclusivity contract, which means that in both channels they can sell the beer brands that they want

- Low product and service differentiation threat: For any new company, it would be very hard to bring unique and breakthrough solutions to create more value.
- Low brand identification threat: because beer market is very concentrated and hypercompetitive and the beer price is very cheap when comparing with other European countries, Portuguese consumers are loyal to Sagres or Super Bock
- High retaliation probability from the current players: In case a new entrant comes with a unique and innovative value proposal, the industry's dominators would use their power to counterattack.

The Power of Suppliers

- Low number of suppliers: the market is concentrated in two companies that have two strong beer brands
- High purchasing volume from suppliers: there is the need to create and maintain as many business relationships as the number of products and services offered. If the supplier is kind of unique, its power on the contractual relationship is bigger.
- High importance of quality on purchasing products: the level of exposition and reputation of the suppliers is important to capture and retain more and more customers.

The Power of Buyers

- High number of consumers: in the last years, the consumption per capita is more less 50 litres.
- Low degree of concentration of Clients: in the Off Trade Channel there are big operators (like Sonae, Jeronimo Martins, Recheio or Macro) but in the On Trade Channel the market is very fragmented
- Low switch costs for consumers: the end consumer can find many beer brands in both channels and they can choose the brand in the local (if available)

<ul style="list-style-type: none"> - High importance of price and availability for consumers: those are one key drivers for the decision-making process
<p>The Threat of Substitutes</p>
<ul style="list-style-type: none"> - High availability of substitutes: there is many options in the beverages sector, either alcoholic or non-alcoholic, but beer it would be always beer. - High importance of price and availability for consumers: Portuguese beer is cheaper comparing the international beer and beer is a cheaper drink comparing with other drinks (sider, spirits, liquors, etc). - Portuguese beverages market likes to follow the international trends: in the last 2 years it was seen a gin market boom (due to the simple fact of the balloon glasses), and, in order to this, craft beer can be a substitute of a “normal” beer.
<p>Rivalry among existing Competitors</p>
<ul style="list-style-type: none"> - Low number of competitors within the market: there are four big companies (SCC, Unicer, Sumol+Compal and Font Salem), and they compete very aggressively with each other - High concentration level on the market: market is concentrated by SCC and Unicer - High fixed costs: high investment costs to build and support all the products distribution infrastructures. - Low differentiation of products and services – The solutions presented by all the operators are very similar among themselves. The differences rely on some particularities and unique features, but, especially, on how they communicate the benefits associated with their solutions. - Low switch cost for the client: the majority of the clients have business with more than one beer supplier and they are out of the exclusivity contract - Low switch cost for the consumers: consumer can find different beer brands in both channels and there is a low product differentiation between them

In order to better understand the importance of each forces on the beer sector, the conclusions regarding the industry’s attractiveness levels result from an independent analysis of the power of each of one of the framework forces.

Forces	Power	Attractiveness
New entrants threat	1	5
Power of Suppliers	2	4
Power of Buyers	3	3
Substitutes threat	2	4
Competitors rivalry	5	1
Average result	2.6	3.4

The beer industry is attractive (3.4 out of 5), particularly for the companies that have a consolidated and sustainable market position.

It is a concentrated and profitable market, with higher structural entry barriers to protect the current beer companies. The level of competition among players is quite fierce, and their margins became much shorter over the last years. The power of customers and the competition’s nature are important drivers in which companies should invest their resources and competences to keep and improve their competitive position. The substitutes have a low importance, but it is very important to keep up with new trends in the beverage sector, especially in the spirits market.

Still, the companies should be aware of the impacts of those forces to the overall profitability and sustainability of its current and future market positioning.

2.7.1.3 Industry Analysis

The Industry Analysis is an analysis of the industry’s concentration level. In order to this, it is possible to sustain that beer sector is a:

- **Differentiated oligopoly:** because Portuguese beer industry contains 2 big companies that have most of the beer market and each player seek leadership by launching new products and conquer new consumers
- **Consolidated industry:** beer sector is dominated by SCC and Unicer, each of which struggles to differentiate its products from those of the competition
- **Global market:** The two companies that have the major control of the beer market are part of two big groups that have in their portfolio lots of beer brands with a strong presence on the Portuguese consumers’ minds (SCC - Heineken Group; Unicer - Carlsberg Group).
- **Maturity market:** consumers repeat purchase reliance and players compete to maintain market share

2.7.1.4 KSF and Competitive Advantages

In the beer market exists many types of beer in order to satisfy the different consumer needs. Furthermore, there are some factors that companies need to take in consideration because the only way to achieve the success is to survive and thrive in the market.

Key Successful Factors	
Quality	Beer quality is one key driver of the decision-making process
Price	Portuguese consumers are very price sensitive and that is the reason why international beers (which have a premium price) do not have high market share
Communication	As Portuguese consumer is not loyal to beer brands, companies need to invest in communication in order to have high levels of notoriety
Availability	Companies have to worry about the distribution strategy and it is mandatory to place beer in as many outlets as possible (intensive distribution is the only way to gain market share)
Innovation	Portuguese consumers are quite open to try different products. That fact contributes to have a very dynamic beverages sector

	concerning to innovation. Due to this, companies need to provide new experiences to consumers and to conquer new ones.
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These 5 KSF are the industry factors that each company in the beer sector need to understand and respond in order to be successful. Looking to this issue, the competitive advantages of SCC are:

Competitive Advantages	
Sagres is the beer brand of football	<p>SCC has the beer brand of Football in Portugal: Sagres is the sponsor of the National Football Team (since 1993), as well as the official beer of Portugal League, Portuguese Cup and European League.</p> <p>In order to increase the link of the brand to football, Sagres still sponsoring clubs as SL Benfica, SC Braga, FC Belenenses, Estoril Praia, Boavista FC, Academica Coimbra, SC Olhanense and SC Fareense.</p> <p>Comparing with Super Bock, the notoriety level of Sagres is bigger when it is asked to consumers “What is the beer brand of football?”</p>
Heineken is the beer brand of music	<p>SCC has the beer brand of music in Portugal: Heineken is the official beer of the NOS Alive (where Heineken still lends its name to the alternative stage - the Heineken stage) and Rock in Rio festivals.</p> <p>Strengthen the brand connection to music is the purpose of the investments which derive from the international alignment of the brand and the expertise on the big events support.</p> <p>The strategy is quite simple: the best festivals in the world, with the best line-ups in the world, require the best beer is the world.</p>
Desperados is the beer brand of teens	<p>SCC has the beer brand of nightlife in Portugal: It is unrivalled as there is no competitor for Desperados in the market. Desperados is the cutting edge and modern alternative to conventional drinks. Desperados unleashes the wild side of fun with surprise, generosity, interactivity and authenticity.</p>

	<p>The Desperados consumer wants to enjoy his liberty and freedom. He does not like convention and wants to be different. He is 18 to 25 years old and likes to party and have fun. Desperados is the beer for underground fun and thumping nightlife. Most Desperados “out-of-convention” activations are in bars and at parties.</p>
<p>Sagres Radler is the beer of the summer</p>	<p>It's known by fact that, in Portugal, there are millions of people that dislike the bitter taste of beer. In order to contradict this fact, in 2013 Sagres launched Sagres Radler.</p> <p>In addition to the fact that Sagres Radler went to the market first than Cheers Radler, SCC announced that investment in the launch of Sagres Radler would be 5 million euros in Portugal. This strategy gave rise to the fact that Sagres Radler is the most important brand within the Sagres umbrella brand.</p>
<p>Affligem appears to compete in the craft beer market</p>	<p>In order to trying new experiences in the beverage market, craft beer is a new trend in Portugal and it is now a niche market. With the strategy “back to basics”, craft beers bring dynamism, value and sophistication to the Portuguese beer sector.</p> <p>Since 2014, SCC have on their portfolio the brand Affligem, which is a distinct and luxurious specially beer, made in Belgium, and is a double fermentation premium beer. With Affligem, SCC extended their portfolio.</p>
<p>Novadis is the strategy to have a bigger and better distribution</p>	<p>As availability is one key driver of the decision-making process of Portuguese consumers, with the acquisition of Sodidel (now the name of the company is Novadis after merging the sales force between SCC and Sodidel), SCC has now the biggest national wholesaler, which means that SCC is now in a better position to go-to-market because the distribution structure is bigger and better.</p>

2.7.1.5 SWOT Analysis

A SWOT Analysis summarises the external environment (Opportunities and Threats) and the internal environment (Strengths and Weaknesses).

Strengths	Weaknesses
<p>1.1 Sagres is the brand leader (43% vs 42% Super Bock) and has a higher market share than Super Bock in all categories.</p>	<p>2.1 Unicer is the market leader (48% vs 47% SCC) due to have in its portfolio Carlsberg (premium market leader) and Cristal (economic market leader).</p>
<p>1.2 Sagres conquered the Off Trade leadership (in volume and in value) and keeps consolidating it. SCC is market leader.</p>	<p>2.2 In On Trade, Sagres lost market leadership to Super Bock (in volume and in value). Unicer is market leader.</p>
<p>1.3 In On Trade, Sagres is market leader in with more than 50% market share in Center and South of Portugal (except Algarve).</p>	<p>2.3 In On Trade, Super Bock smash Sagres in North of the country. In Porto it has 86% market share.</p>
<p>1.4 In Cafes, Snacks and Fast Food, which represents together 84%, Sagres is market leader.</p>	<p>2.4 In Restaurants and Hotels+Pubs, which represents together only 16%, Super Bock smash Sagres.</p>
<p>1.5 Heineken is the brand that have the best market performance (either in volume or in value) and it has now an important brand in nightlife market.</p>	<p>2.5 Unicer launched in May of this year Super Bock Mix with the aim of strengthen the brand’s presence in pre-night and night.</p>
<p>1.6 SCC’s brands have a strong notoriety when consumers try to link beer brands to consumer occasions: Sagres is the beer brand of football, Heineken is the beer brand of music, Desperados is the beer</p>	<p>2.6 Carlsberg is the premium market leader in volume and in value, in spite of having a strange price positioning (it is positioned in beer premium market but it</p>

brand of teens and Sagres Radler is the beer brand of the summer	has an average price just a little bit higher than the average market price)
1.7 Novadis is the strategy to have a bigger and better distribution and SCC is now in a better position to go-to-market.	
Opportunities	Threats
3.1 Private Labels and low-price brands lost market share in Off Trade due to the Lidl performance.	4.1 Between 2008 and 2014, overall beverages consumption is declining (-5.5%) and beer shows the higher decrease (-24.7%). Consumption per capita reduced 14 L (from 60 to 46L)
3.2 In Portugal there are more than 6.3M people aged 18-65 years old and nearly half are non-beer consumers.	4.2 Beer slightly increases penetration and declared consumption but strongly declines total consumption, which means less consumption per occasion.
3.3 Relatively more beer being consumed at home instead of out of home.	4.3 Beer sector is decreasing sales either in volume or in value
3.4 It is expected that On Trade channel gives signs of growth (particularly in Lisbon, Porto and Algarve) due to Tourism.	4.4 The number of microbreweries has been increased in the last years
3.5 Meals followed by afternoon and before dinner are the occasions that consumers drink more frequent.	4.5 Health concerns and life stage changes seems to be explaining the beer consumption decrease
	4.6 New alcoholic law prohibits the consumption of alcoholic beverages to any person under the age of 18 regardless of the type of drink

	<p>4.7 Export of Portuguese beer to Angola was expected to be one of the sectors most affected by the measures taken by Angola</p>
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2.7.2 Question 2

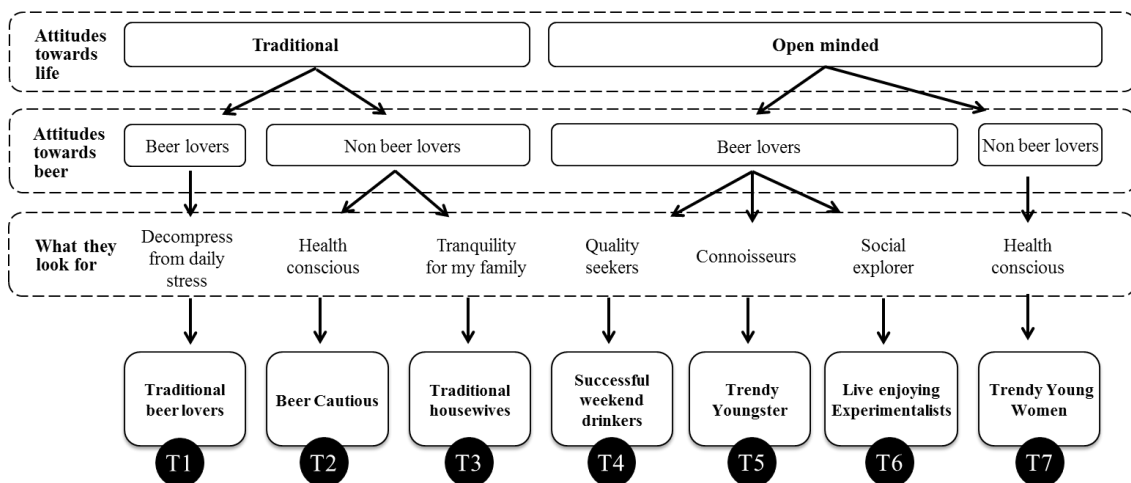
Based on the STP analysis, identify the segmentation variables, segment the market and develop profiles of resulting segments. Develop different objectives and strategies connecting SCC’s portfolio to those segments. Finally, build a perceptual map.

STP Analysis is the technique used by marketers to segment the market, select the target segments and identify a positioning concept for each target.

2.7.2.1 Segmentation

Within beverage consumers it is possible to find 7 consumer typologies and 6 need-states that represent 7 super segments.

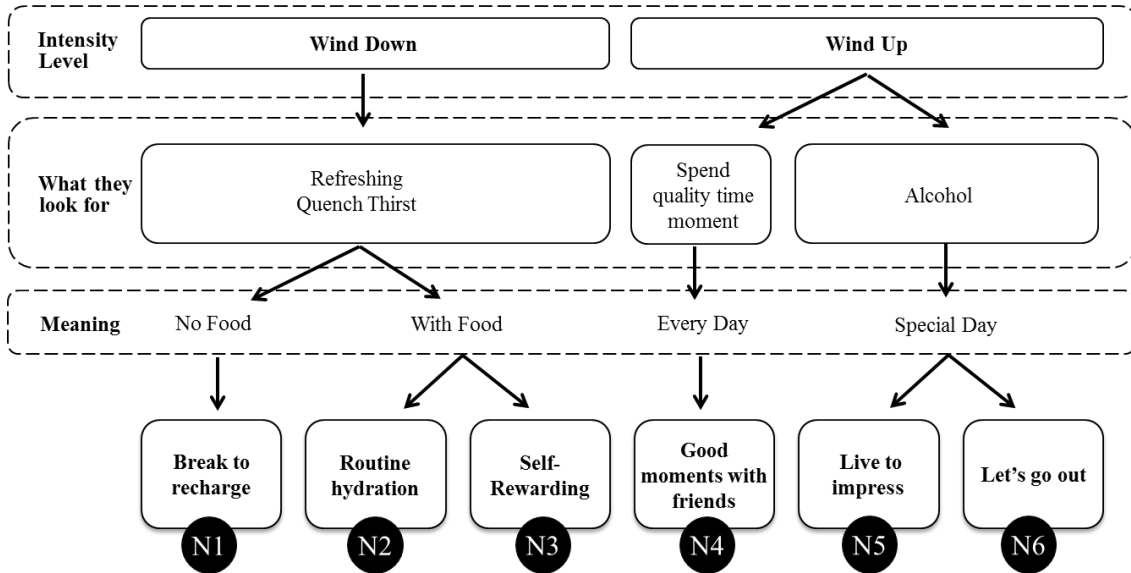
- **7 Consumer Typologies**



7 Consumer Typologies	
T1: Traditional beer lovers	Traditional men living in classical households. Spend time after work in cafes over a mini and a snack with their mates. Like to watch football in the café.
T2: Beer cautious	Older ladies (55-65), lower incomes, traditional, health conscious. Not very open to beer or alcohol. Very price conscious.
T3: Traditional housewives	Traditional stay home moms, 45+, lower incomes, health conscious, conservative; open to alcohol; more wine than beer.
T4: Successful weekend drinkers	Quality conscious people with broad cultural and intellectual interests; leading successful professional lives; weekend drinkers who are open to beer but also like to indulge in spirits; A/B and 35-44 skew.
T5: Trendy youngsters	Like to spend the night out having fun, socializing. See themselves as spontaneous, and open to try out new things. Look for the buzz and bonding in alcohol (beer). Male skew.
T6: Life enjoying experimentalists	People who want to live life to the full, go out and have fun, discover new things. Like to stand out by making their own choices. Beer lovers, mainstream but open to other types too. Excitement, sharing and self-rewarding are important. Male skew, more differentiating on 25/34, more B/C class.
T7: Trendy young women	25-34 girls, love to go out at night with their friends. Want to look good, feel confident and see

	themselves as spontaneous. Don't like beer, prefer spirits. Urban skew.
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- **6 need-states**



6 need-states	
N1: Break to recharge	Need to have a moment for yourself, to relax, find comfort and then continue onwards. Low openness to beer/alcohol. More women, 35+, C/D/E.
N2: Routine hydration	Need to quench thirst on every day (meal) occasions; functional, driven by daily routine. Not open to beer or alcohol. Skew women, 55+, D/E.
N3: Self-rewarding	Need for pleasure, self-indulgence, stylish self-rewarding. More individual. Importance of other alcoholic beverages such as spirits. Older, urban.
N4: Good moments with friends	Need to connect with others on cheerful, fun, informal occasions. More male, 25-44. Familiar beer brands (mainstream) are key.

N5: Live to impress	Need to stand out, feel capable and special, discovering new things. Playful, cheerful, fun, social occasions from Thursday through Sunday are key. Open to international brands. 18-34, B/C, male skew.
N6: Let's go out	Need to escape and let go, go crazy together with friends. Going out at night, drinking beer (party starter) and spirits. 18-34, A/B skew.

• 7 Super segments

	N1: Break to recharge	N2: Routine Hydration	N3: Self-Rewarding	N4: Good moments with friends	N5: Live to Impress	N6: Let's go out
T7: Trendy Young Women						
T6: Live enjoying Experimentalists		S6: Contemporary complement to food	S5: Proudly part of the group		S7: Social Fashionable Lifestyle	
T5: Trendy Youngster						
T4: Successful weekend drinkers	S1: Everyday light comfort					S2: Party Nights
T3: Traditional housewives						
T2: Beer Cautious			S4: Family gathering meals			
T1: Traditional beer lovers				S3: Drinking mates		

7 Super segments

S1: Everyday light comfort	Daily moments of individual relief. Beverages should be healthy, light, thirst-quenching and comforting
S2: Party nights	Letting go: having fun, with friends, going crazy, expecting the unexpected. Beverages should give a buzz, be surprising and exciting
S3: Drinking mates	Every day catching up with buddies over a drink (beer). Beverages should facilitate

	habitual male bonding: a proper men’s drink with friends
S4: Family gathering meals	Moments around the family table, eating, drinking and chatting; enjoying small everyday pleasures. Beverages should be natural, uncomplicated, accessible
S5: Proudly part of the group	Mainstream socializing; high importance of keeping up an image to feel accepted and belong. Beverages should facilitate social connections but also provide confidence. Aspirational brands are relevant but not necessarily frequently attainable.
S6: Contemporary compliment for food	Everyday lunch routines where beverages should quench thirst in the first place, but also be high quality, and fit a healthy contemporary lifestyle
S7: Social fashionable lifestyle	Spending time out with friends in the weekend: moments to explore social life, leveraging your image and have fun. Beverages are social lubricants but are also naturally part of their image

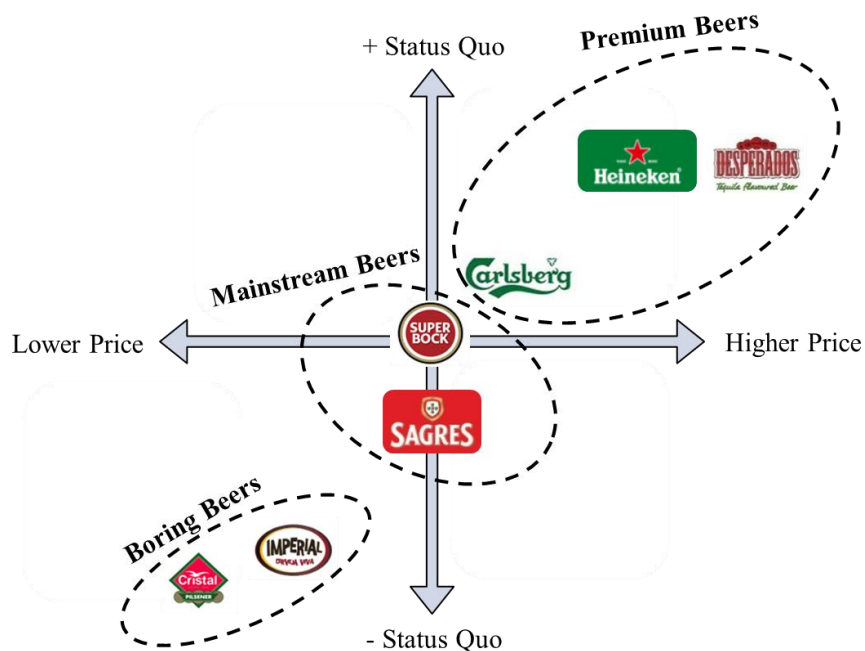
2.7.2.2 Targeting

Portuguese have very distinct beer consumers and beer occasions. As beer market declines, the opportunities to expand the market and gain market share become even more attractive. SCC need to define objectives and strategies for those 7 super segments.

7 Super segments	Objectives	Strategies	SCC's Brand
S1: Everyday light comfort	Expand the market	Positively associate beer brand with functional refreshing individual occasions mostly Off-premise convenience	Sagres Radler and Strongbow
S2: Party nights	Gain share	Own music and night on premise occasions	Heineken, Desperados and Strongbow
S3: Drinking mates	Gain share	Recruit mainstream beer consumers (traditional beer lovers) and improve beer rituals perception.	Sagres, Sagres Bohemia, Heineken, Affligem and Guinness
S4: Family gathering meals	Expand the market	Retain senior consumers and promote beer around meal occasions (increase in-home consumption)	Sagres Radler and Sagres Bohemia
S5: Proudly part of the group	Gain share	Win proud beer lovers with Sagres but only possible via a more modern positioning	Sagres and Heineken
S6: Contemporary compliment for food	Expand the market	Deploy near-beer solutions for open-minded consumers as complementary to food	Sagres and Sagres Radler
S7: Social fashionable lifestyle	Gain share	Get consumers around special occasions to trade-up for cool international premium brands	Heineken, Desperados and Strongbow

2.7.2.3 Positioning

It is possible to create a value proposition and a product-price positioning strategy based on that segment’s unique customer needs and characteristics by using a perceptual map. In the figure below it is developed a perceptual map with 2 variables: price and status quo.



2.7.3 Question 3

Based on the strategic analysis, develop the GE/McKinsey Matrix. Provide conclusions and recommendations

To develop the GE/McKinsey matrix it is mandatory to analyze the Industry Attractiveness and Business Unit Strength. To determine these indicators, first there’s a need to identify the right criteria for both; second, it’s crucial to determine the value of each parameter in the criteria, and then, to multiply the value by a weighting factor.

The result is a quantitative measure of industry attractiveness and the business’ unit relative performance in that industry.

To start the development of this matrix, there are a few assumptions that must be made:

- **General assumptions of GE/McKinsey Matrix**
 - The analysis is exclusively dedicated to Beer SBU.
 - The circle that will be plotted on the matrix took into account the volume market size. Volume market size is represented by the size of the circle, market share is shown by using the circle as a pie chart and the expected future position of the circle is portrayed by means of an arrow. It is built over the following assumptions:
 - Market volume is 367M L in 2014
 - SCC has 47% of volume market share
 - The following scale was used to evaluate the industry attractiveness level and the SBU strength:
 - [0-3]: Low
 - [3-6]: Medium
 - [6-9]: High

- **Industry Attractiveness**
 - The industry's attractiveness was calculated through the Porter's Five Forces Model
 - Transform the previous result so it can fit into a scale:
 - In a scale from 1 to 5, the industry's attractiveness level is 3.4
 - In a scale from 1 to 9, the industry's attractiveness levels might be calculated in the following manner: $(3.4 * 9)/5 = 6.12$

- **SBU strength assumptions**
 - Two major guidelines were defined to evaluate the SBU's strength: the competitive position (relative market share) and the overall perception from the customers. Each one counts 50% in terms of evaluation.
 - In order to compose these two main axes, five criteria were defined to evaluate the importance of Consumer's overall perception guideline:
 - Quality
 - Price
 - Brand image
 - Portfolio
 - Innovation

- The criteria’s weight distribution of Consumer’s overall perception is the following:
 - o Two most important criteria weight is 15%
 - o Two less important criteria weight is 5%
 - o Middle criteria weight is 10%.

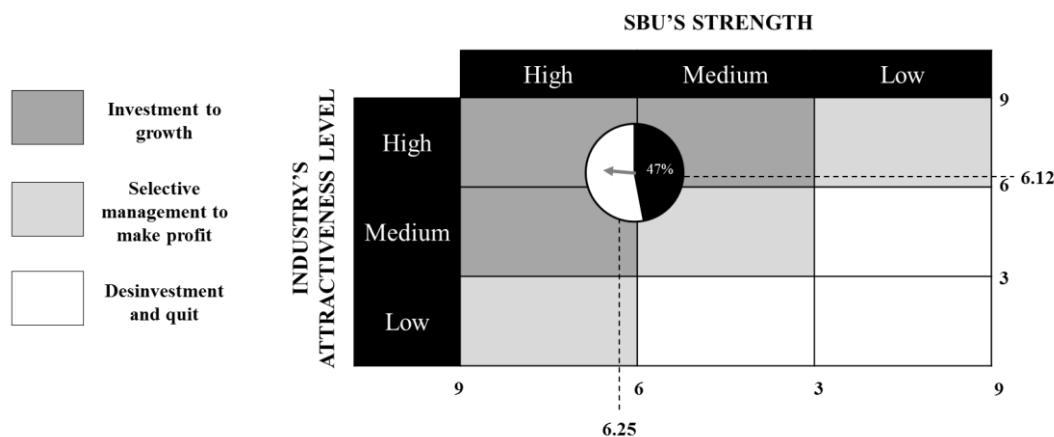
To sum up, the final result for SBU strength results from a weighted average of all the previous elements:

Guidelines	Criteria	Weight	Scale [0-10]	Results
Competitive Position	Relative market share	50%	4	2
Consumer’s overall perception	Quality	15%	9	1.35
	Price	15%	8	1.2
	Innovation	10%	9	0.9
	Brand Image	5%	8	0.4
	Portfolio	5%	8	0.4
		100%		6.25

According to the analysis of the most important drivers to both factors, it is possible to score the company’s results on both variables, by using a scale from 0 to 9.

The SBU strength result was 6.25, whereas the level of attractiveness of the industry was 6.12. The business of the company is strong and the market is attractive. The company should allocate resources and competences into this business and be focused on growing the business and increase its market share.

The size of the circle plotted on the matrix indicates that SCC has 47% of market share and the arrow indicates that the company should continue to invest in growth in order to be market leader.



2.7.4 Question 4

Based on the strategic analysis, identify the company’s most important challenges towards growth by characterizing the company’s main directions and strategies to reach growth in the future

There are some frameworks that will be useful to understand how SCC can reach growth.

2.7.4.1 Dynamic SWOT

The Dynamic SWOT is a framework that combines the SWOT Analysis in order to determine the strategic orientations in terms of Challenges, Risks, Limitations and Warnings.

Challenges
<p>1.2 ↔ 3.1 Sagres has the challenge to keep consolidating the leadership in the Off Trade due to the optimism of the Portuguese economic conditions that makes Private Labels and low-price brands lose market share.</p>
<p>1.5 ↔ 3.4 If the Tourism is increasing in Portugal in a point of giving signs of grow in On Trade channel, it is a challenge for Heineken, as a global brand, to be the beer of the tourists by excellence.</p>
<p>1.4 ↔ 3.5 Portuguese consumers drink more beer after-work and at night and Sagres, as market leader in cafes and snacks, should privilege the communication with consumers in those occasions.</p>

Risks
<p>2.5 ↔ 4.2 Last May, Super Bock launched a new type of beer to the teens’ segment. If beer slightly increases penetration, SCC has a good opportunity to continue the investment in Desperados with the risk of lose the positioning of the beer of the teens.</p>
Restrictions/Limitations
<p>2.6 ↔ 3.3 The consumerism of beer at home is increasing and Heineken, with the perceived positioning = desired positioning in the premium market, has the opportunity to dethrone Carlsberg’s leadership in the Off Trade channel by communicate the positioning of “the premium beer for premium meals”</p>
Alerts/Warnings
<p>1.6 ↔ 4.4 As the craft beer is a new trend in Portugal, SCC has the chance to implement new experiences in the beverage market with Affligem. The craft beer market is still a market niche but it has been bringing dynamism, value and sophistication to the Portuguese beer sector. Due to that, Affligem may not be sufficient to compete in this niche.</p>
<p>1.1 ↔ 4.7 Exports have an important role in the beer market (representing 35.7% of the production). However, with the uncertainty felt in Angola’s economy, it is expected a negative impact in exportations. So, it is important to look for investment in other export markets.</p>

2.7.4.2 Ansoff Growth Matrix

The Ansoff Growth Matrix is a strategic planning tool that provides a framework to devise strategies for future growth.

Based on the previous analysis of scenarios, SCC’s strongest growth scenario that must be applicable is **Product Development**. In this Product Development strategy, SCC must try to create new products targeted at its existing markets to achieve growth by extending the product range available to the firm's existing markets.

When a company has a Product Development strategy to reach growth, these products can be normally obtained by different ways: investment in research and development of additional products; acquisition of rights to produce someone else's product; buying in the product and "branding" it; or joint development with ownership of another product who need access to the firm's distribution channels or brands.

In this case, SCC must reach growth in the future through innovation by launching new products as result of the investment made in research and development of their marketing department. In fact, the SCC's strategic solution is to get better at conceiving, developing, and launching new products – not just extensions and incremental improvements, but new products that give to SCC a sustainable competitive advantage.

2.7.4.3 Generic Competitive Strategy

There are two basic types of competitive advantage that a firm can possess: low cost and differentiation. The combination of these two basic types of competitive advantage with the scope of activities that a firm seeks to achieve, leads to five generic strategies to achieve performances above the average in an industry.

The price competition is vigorous, the product is standardized, very similar from the competitors', and the buyers incur in low switching costs. For all these reasons, the **Best-Cost Provider Strategy** is the one that makes more sense to SCC outperform their competitors, once it is the one that aims to give more value for money to the costumers by emphasizing both low cost and upscale differences. In other words, the purpose of this strategy is to give more value for money incorporating good-to-excellent products' attributes with a lower cost than rivals and its goal is to keep the costs and the prices lower than the other providers of products with comparable quality and features.

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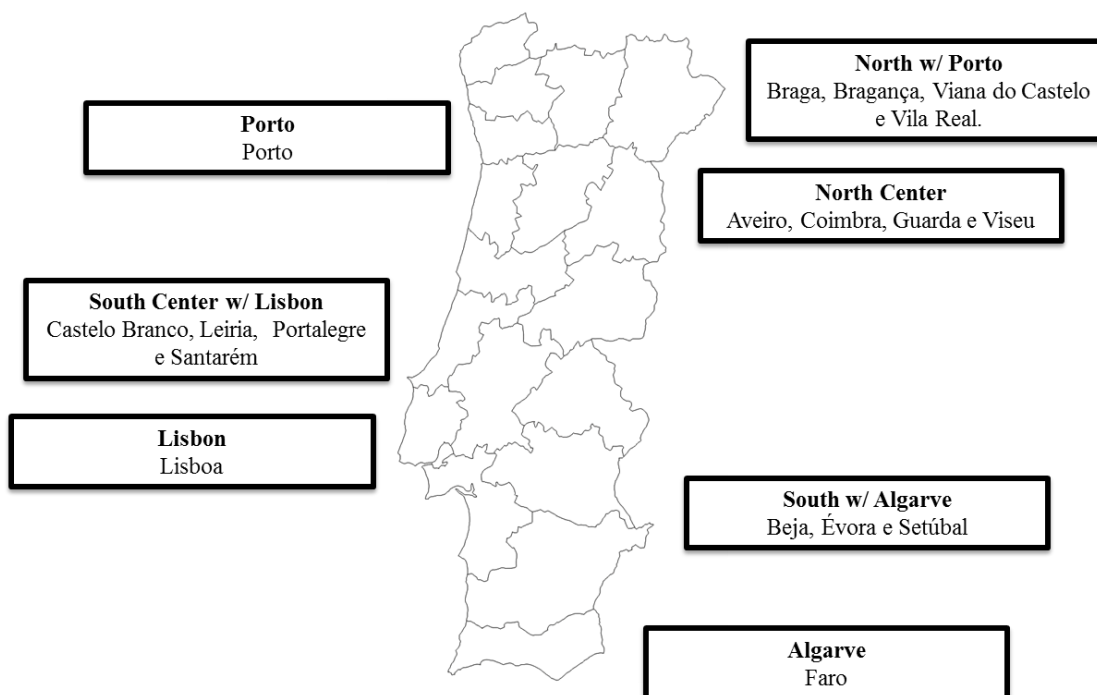
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4. Annexes

Annex 1 – Portuguese Regions by Nielsen [Source: Nielsen Market Data 2015]



Annex 2 – Unicer Beer Portfolio [Source: Unicer, 2015]

Unicer has a larger national beer brand portfolio than SCC. In addition to Cristal, there are 9 different types of Super Bock: Original, Classic, Stout, Sem Álcool, Abadia, Green, Mix (which was launched in May of this year), Sem Álcool Preta and Selecção 1927.

SUPER BOCK ORIGINAL

- **Positioning**
- "Authentic Flavour"
- **Product Characteristics/Prizes/Curiosities**
- Winner of 30 gold medals from Monde Selection, Super Bock Original is internationally renowned for its high quality. Despite all these credentials, the true achievement of Super Bock is its millions of loyal fans worldwide who can't resist its unique flavour.

- Authentic and magnetic, Super Bock Original has a regular presence in your life. Its positive and close energy makes it the beer of excellence for your socialising moments.
- A pilsner beer, golden and luminous, of fine, refreshing flavour.
- Winner of 30 consecutive gold medals in the prestigious international competition Monde Selection, Super Bock is internationally recognised for its high quality.
- Released in 1927 with an alcohol content of 5.2 %, Super Bock is included in the Group of beers known as Lagers (low fermentation beers).
- The selection of the best malt and hop varieties, as well as the use of a special, pure yeast, along with the best processing conditions allow us to obtain a fair, bright and vivid beer with a very pure, white and creamy foam. The fresh aroma, slightly malty and fruity, the average body and balanced flavour, the well-structured bitterness together with the sweet malt and the end palate that is light and dry in the mouth, these are the features that put Super Bock on a higher level. This harmony universally pleases, it being widely appreciated by millions of faithful fans in Portugal and around the world who prefer its unique flavour.
- **Technical Data**
 - Alcohol (% v/v): 5,2
 - Original Extract (% Plato): 10,85
 - Ingredients: Water, barley malt, unmalted cereals (maize and barley), hops.
- **Capacity**
 - Keg: 20L, 30L, 50L
 - Bottle: 20cl, 25cl, 33cl, 50cl, 1L
 - Can: 33cl and 50cl

SUPER BOCK CLASSIC

- **Positioning**
 - "What is good is forever"
- **Product Characteristics/Prizes/Curiosities**
 - Super Bock Classic has a smooth and persistent head, a robust body and a lasting flavour. A stronger recipe, perfected with the best varieties of hops, to please more mature and demanding connoisseurs.

- **Technical Data**

- Alcohol (% v/v): 5,8
- Original Extract (% Plato): 12,80
- Ingredients: Water, barley malt, unmalted cereals (maize and barley), sugar, color: E150c, hops.

- **Capacity**

- Keg: 30L
- Bottle: 20cl and 33cl

SUPER BOCK STOUT

- **Positioning**

- "Special dark beer"

- **Product Characteristics/Prizes/Curiosities**

- A surprising combination of special malts that result in a dark beer with a different aroma and flavour, crowned by a creamy and persistent head. Super Bock Stout reveals a harmonious balance between sweet and bitter that makes it genuinely special.
- A unique dark beer with intense foam and unforgettable flavour.
- In 2003, Super Bock Stout was launched - the other side of Super Bock. Super Bock Stout is Super Bock's dark beer, produced from special malts: such as pale malt, caramel malt and chocolate malt, which give it its aroma and distinctive taste, as well as a creamy and lasting foam.
- Super Bock Stout differs from other existing dark beers in the market because it is richer in extract, more full-bodied, with a more complex aroma and taste (fruity) and not so crisp.
- Care and the type of raw materials used in the manufacturing process of Super Bock Stout result in a balanced combination between sweet and bitter revealing a unique flavour.
- A surprising combination of specialty malts that results in a dark beer with a distinct taste and aroma crowned by a creamy and lasting foam. Super Bock Stout reveals a harmonious balance between the sweet and bitter taste that make it genuinely special.

- **Technical Data**

- Alcohol (% v/v): 5,0
- Original Extract (% Plato): 12,5
- Ingredients: Water, barley malt, sugar, colour: E150c, hops.

- **Capacity**

- Keg: 10L, 30L
- Bottle: 20cl, 33cl

SUPER BOCK SEM ÁLCOOL

- **Positioning**

- "Unlimited pleasure"

- **Product Characteristics/Prizes/Curiosities**

- All the pleasure of drinking an outstanding beer but without restrictions. Non-alcoholic Super Bock is made using a unique and exclusive dealcoholisation process that preserves the genuine flavour of an authentic beer.
- All the pleasure of drinking an exceptional beer without restrictions. Non-alcoholic Super Bock is manufactured from a unique and exclusive dealcoholisation process, which retains its genuine flavour of an authentic beer.
- Non-alcoholic Super Bock is our more avant garde beer. Produced following Unicer's century-old brewing tradition and in the framework of modern technology. We produce the wort, similar to that of Super Bock but we mould the brewing temperature so that the mitigation limit is lower (i.e., smaller amount of fermentable sugars). We have also combined a smaller quantity of hops (making it less bitter). Super Bock's yeast ferments this particular wort thus yielding alcohol. This is removed in a distillation column and separated from the beer. We can thus achieve an alcohol content of less than or equal to 0.5% vol.
- The dealcoholisation process of these beers, in addition to not being interrupted in its fermentation phase, allows retention of flavours and other essential characteristics of the beer.
- Semi-precious gemstone, misleading because it has the appearance of a beer, yet without the alcohol. Delicate.

- Sparkling beer engraved in gold, with a white, creamy and consistent dome. Fresh, fruity and cereal aroma, light as watercolour. In the mouth it produces a sweet palate, with good acidity, some bitter notes but refreshing.
- **Technical Data**
 - Alcohol (% v/v): max. 0,5
 - Original Extract (% Plato): 6,5
 - Ingredients: Water, barley malt, unmalted cereals (maize), glucose-fructose syrup, flavours, hops.
- **Capacity**
 - Bottle: 20cl, 33cl
 - Can: 33cl

SUPER BOCK ABADIA

- **Positioning**
- "A present from the past: Artisanal flavour"
- **Product Characteristics/Prizes/Curiosities**
 - Super Bock Abadia is a journey to the artisanal flavour of the best beers produced in the Middle Ages. A beer of outstanding quality, produced with a special variety of malt and spices that give it an unmistakable ruby colour.
 - A one-of-a-kind beer, full of flavour, darker in colour and rich in aroma.
 - Super Bock Abadia is the first beer produced in Portugal using the traditional recipe. A trip to the handmade flavour of the best beers produced in the times of the Middle Ages. A beer of exceptional quality, produced with a variety of special malts and spices that gives it a distinctive ruby hue.
 - Characterized by a rich aroma, stronger and embodied, fruited and alive, with a smooth and comforting taste and the most intense colour due to the use of special varieties of malt.
- **Technical Data**
 - Alcohol (% v/v): 6,4
 - Original Extract (% Plato): 14,6
 - Ingredients: Water, barley malt, unmalted cereals (maize and barley), hops.
- **Capacity**
 - Bottle: 33cl

SUPER BOCK GREEN

- **Positioning**
- "Refresh it"
- **Product Characteristics/Prizes/Curiosities**
 - Young and irreverent, Super Bock Green has a sweet taste and is enriched with 1.9% natural lemon juice that makes it an entirely different experience. A light and very refreshing beer, ideal for all occasions.
 - Super Bock Green is a super refreshing, beer based drink, with a lemon flavour. It is a drink containing natural lemon juice, ideal for when you want something light, relaxed and fun.
- **Technical Data**
 - Alcohol (% v/v): 2,0
 - Original Extract (% Plato): 10,8
 - Ingredients: Water,beer (44%)(water, barley malt, unmalted cereals (maize and barley), hops), fructose ,fruit juice from concentrate (lemon 1,9 % , orange 1,8 %), stabiliser:pectin, natural flavours, acid: citric acid , barley malt extract
- **Capacity**
 - Bottle: 33cl

SUPER BOCK MIX

- **Positioning**
- "The drink that #unlocksyournight"
- **Product Characteristics/Prizes/Curiosities**
 - Urban and innovative, Super Bock Mix, which was launched in May of this year, is a drink for live at night, composed by two original and very refreshing mix: Beer flavoured with Caipirinha and Beer flavoured with Vodka and Lemon
 - Super Bock Mix is a beer that comes to energize the beer category and strengthen the brand's presence in the pre-night and night. It is a drink that came with the new trend with teens that like to convivial and show a greater desire for these easier beers to drink.
- **Technical Data**
 - Alcohol (% v/v): 6,2
 - Original Extract (% Plato): 14,20

- Ingredients: Water, barley malt, unmalted cereals (maize and barley), sugar, hops, flavours, acid (citric acid)
- **Capacity**
- Bottle: 33cl

SUPER BOCK PRETA SEM ÁLCOOL

- **Positioning**
- "Unlimited pleasure"
- **Product Characteristics/Prizes/Curiosities**
- Super Bock Sem Álcool Preta is an almost black non-alcoholic beer. It is a beer with a creamy and very stable head.
- It has an aroma of cereals and caramel. It is sweet and light.
- A full-bodied, flavourful beer, the non-alcoholic black Super Bock ensures the pleasure of the best stouts, without any restrictions. It holds a generous and lasting foam, maintaining the features of an authentic stout.
- **Technical Data**
- Alcohol (% v/v): max. 0,5
- Original Extract (% Plato): 6,5
- Ingredients: Water, barley malt, unmalted cereals (maize), glucose-fructose syrup, flavours, hops.
- **Capacity**
- Bottle: 33cl

SUPER BOCK SELECÇÃO 1927

- **Positioning**
- "A master selection"
- **Product Characteristics/Prizes/Curiosities**
- Limited editions; craft beer; an ex-libris of the Super Bock beer experience. Exclusive beers made with passion and the only knowledge of the Master Brewers of Super Bock since 1927.
- Produced in Unicer's beer factory, the collection Super Bock Selection 1927 is composed by craft beers inspired in different origins, launched seasonally and in limited editions. A collection that invites you to explore the world of beer and

destined to harmonize with the best of the Portuguese gastronomy. From the launch in 2013, each beer reveals a gastronomic experience with several combinations of tastes, making the experience of drinking beer more and more surprising and rewarding.

- **Technical Data**

- Alcohol (% v/v): 5,2
- Original Extract (% Plato): 10,85
- Ingredients: Water, barley malt, unmalted cereals (maize and barley), hops.

- **Capacity**

- Keg: 20L, 30L, 50L
- Bottle: 20cl, 25cl, 33cl, 50cl, 1L
- Can: 33cl and 50cl

Annex 3 – List of Portuguese Craft Beers [Source: Cerveja Artesanal Portuguesa, 2015]

Name of Beer Brand	Portuguese City
5 e Meio	Póvoa da Galega, Mafra
5 F's	Guarda
7Mares	Pombal
A Cabra	Coimbra
A Mística	Abrantes
Acelera Vacas	Charneca
Amnésia Brewery	Oeiras
Amphora	Braga
Aroeira	Lisboa
Arrábida Beer Company	Sesimbra

Art Beer	Braga
Balluta	Évora
Barona	Castelo de Vide
Bode	Gondomar
Bolina	Azambuja
Bordallo	Caldas da Rainha
Brianda	Terceira, Açores
Buja	Barcelos
Burguesa	Porto
Buri	Montalegre
Burra	Almada
Calmeirona	Lisboa
Capela dos Excomungados	Coimbra
Celinda	Sertã
Cinco Chagas	Anadia
Dá Cadela	Dá Cadela
Deck Beer Lab	Cascais
Deusa	Oliveira de Azeméis
D'os Diabos	Amarante
Dois Corvos	Lisboa
Dúbia	Lisboa

DUX Beer	Coimbra
Ermida	Abrantes
Farol	Almada
Faustino	Aveiro
Folk	Braga
Foral Beer	Almada
Galdéria	Viana do Castelo
Gandula	Braga
Gíria	Mirandela
Letra	Braga
Lindinha Lucas	Porto
Mártir	Alfândega da Fé
Mean Sardine	Ericeira
Mediaevalis	Aveiro
Moura	Tavira
Mouzinha	Arraiolos
Nau	Lisboa
Oitava Colina	Lisboa
OPO74	Porto
Passarola Brewing	Lisboa
Post Scriptum Brewery	Trofa

Praxis	Coimbra
Rapada	Oliveira do Hospital
Régia	Águas Santas, Póvoa do Lanhoso
Rey	Aveiro
Rolls Beer + Templarium	Pombal
Samarra	Oeiras
Sant'Ana LX Brewery	Lisboa
Sarti	Miranda do Douro
Saudade	Loures
Sovina	Porto
Survia	Amarante
Templária	Idanha-a-Nova
Toira	Anadia
Vadia	Vale de Cambra
Villa Guinata	Anadia
Vitória	Porto
Vitriol	Coimbra
Xanga	Baixa da Banheira
Zurrapa	Paredes

Annex 4 – Heineken companies information [Source: Heineken, 2015]

Countries	Headoffices	# Key Brands	Production Locations	Companies
Portugal	Vialonga	10	Vialonga, Luso, Cruzeiro	SCC
Spain	Madrid and Sevilla	21	Sevilla, Madrid, Valencia and Jean	Heineken España
France	Rueil-Malmaison	16	Italy Marseille, Mons-en-Baroeul, Schiltigheim	Heineken France
Belgium	Mechelen	16	Alken, Kobbegem, Opwijk, Stassen	Alken-Maes
Netherlands	Zoeterwoude, Bunnik	19	Zoeterwoude, 's Hertogenbosch, Wjlre, Bunnik	Heineken Nederland, Brand Bierbrouwerij and Vrumona
United Kingdom	Edinburgh	27	Manchester, Tadcaster, Edinburgh, Hereford, Ledbury	Heineken UK
Ireland	Cork	13	Cork	Heineken Ireland
Switzerland	Lucerne	21	Chur, Lucerne	Heineken Switzerland
Italy	Milano	21	Pollein (Aosta), Comun Nuovo (Bergamo), Massafra, Assemini (Cagliari)	Heineken Italia

Annex 5 – SCC Beer Portfolio [Source: SCC, 2015]

The National Brand is Sagres and there are 5 main varieties: Sagres Branca, Sagres Preta, Sagres Bohemia, Sagres Radler and Sagres Sem Álcool.

The International Beer portfolio consists of 8 different beer brands: Heineken, Desperados, Bud, Foster's, Guinness, John Smiths's, Kilkenny and Affligem. However, it is important to know that SCC includes 2 Cider brands in their international portfolio: Strongbow and Bulmers. As Cider does not have market expression yet it is considered part of SCC International Beer portfolio for SCC managers.

SAGRES BRANCA

- **Product Characteristics**

- Sagres is a 100% natural product, brewed according to exclusive traditional methods with water, malt, cereals which have not been malted and a rigorous selection of the finest hops. No additives or preservatives are used in its brewing. In the Sagres brand's portfolio are Sagres Branca (Lager) and its variations (alcoholic and non-alcoholic). Moderately rich, it has a dry and pleasantly bitter taste. It is light and ad it has a golden colour.
- In 1972 the beer Sagres launches the famous Sagres Mini (0,20cl), an innovator format.
- Sagres launched in 2009 some new innovations to surprise again the Portuguese: 20 litres barrel of Sagres Branca (lager), mainly intended for sale to the on trade segment, particularly to businesses with a more reduced barrel consumption rotation; 5-litre Sagres beer barrel with an integrated draught beer dispenser, an innovative product which is available to all types of consumers and the new 0,25l Mini Sagres beer can in the domestic market, the first Mini size beer in a can. This is yet another bet of the leading beer brand in the Portuguese market.
- In March 2012, Sagres renovates its image with more emphasis on its Portugality DNA.

- **Technical Data**

- Type: Pilsner
- Alcohol Content: 5.0% vol.
- Available Since: 1940

- **Capacity**

- Keg: 20L, 30L, 50L and 5L
- Returnable Bottle: 20cl and 33cl
- OW Bottle (One Way or Nonreturnable Bottle): 20cl, 25 cl, 33cl and 1L
- Can: 25cl, 33cl and 50cl

- **Prizes**

Distinguished among the most important awards are:

- Excellence Prize at the World Beer Competition in 1958 (Gand - Belgium)
- Tanit Iberian-American Trophy for the Best Brand Image in 1985 (Madrid-Spain)
- Marketeer Prizes – High Consumption 2010 and 2014
- Monde Selection – two medals at the International High Quality Trophy in 2008 and 2011 and 14 Gold Medals in 1998*2, 1999*2, 2004, 2006, 2007, 2008, 2009*2, 2010, 2011, 2013 and 2014. One Grand Gold Medal in 2015
- Reader’s Digest Trusted Brand award in 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015
- Magnetic Brand in 2007, 2010 e 2011
- Distribution Masters in 2010 (5-litre keg)
- Voted “Product of the Year” in 2010 (5-litre keg)
- Masters of Distribution 2014 - Category Product Prize and Grand Prize
- Masters of Distribution 2014 - Winner of the Master Point of Sale Campaign with Sagres “Somos Futebol Parcerias”

- **Curiosities**

- The Sagres brand was born in 1940 as a prestige beer, to represent SCC at the Portuguese World Exhibition inaugurated in May 1940. With a similar fate to the caravels that left from Restelo to conquer different lands, Sagres is the first beer to be exported, arriving first in Gibraltar, and moving on to the Azores and the Overseas Territories of Angola, Cape Verde Islands, Guinea, S. Tomé and Príncipe, Timor, Goa, Macau and Mozambique.

SAGRES PRETA

- **Product Characteristics**

- Launched in 1940 during the Portuguese World Exhibition, Sagres Preta is a dark coloured beer, moderately rich, with a pleasant caramel “bouquet”. For many, it is “the alternative drink to an immense minority who want to know the difference”.

- **Technical Data**

- Type: Munich
- Alcohol Content 4.1% vol.
- Available Since: 1940

- **Capacity**

- Keg: 30L
- Returnable Bottle: 20cl and 33cl
- OW Bottle: 20cl and 33cl

- **Prizes**

Distinguished among the most important awards are:

- Monde Selection – International High Quality Trophy in 2011
- Grand Gold Medal in 2010
- Gold Medal in 1974, 1978*2, 1979*2, 2004, 2005, 2009

- **Curiosities**

- For many years, Sagres Preta was the only ale in the domestic market

SAGRES BOHEMIA

- **Product Characteristics**

- Launched in 2005, Sagres Bohemia is an auburn beer, with an intense character, fruity aroma, creamy foam and a reddish amber colour. Ideal as a meal accompaniment, it has an alcohol content of 6.2% vol.
- To commemorate the three years since its launching, Sagres Bohemia introduced a new appetite appealing packaging, with an improved and attractive image, innovative 4-pack and a more Premium look, coated in Gold, which simultaneously stimulates the irresistible and excellent taste which this beer offers its consumers.

- **Technical Data**
 - Type: Pilsner (special beer)
 - Alcohol Content: 6.2% vol.
 - Available since: 2005
- **Capacity**
 - Keg: 30L
 - Returnable Bottle: 33cl
 - OW Bottle: 33cl
- **Prizes**

Distinguished among the most important awards are:

- Monde Selection – 2 International High Quality Trophy in 2008 and 2011 and 9 Gold Medals in 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014
- Quality Medal – International Taste Quality Institute - (2006)
- Masters da Distribuição in 2006 and Grande Prémio em 2006
- Voted “Product of the Year” in 2009
- **Curiosities**
 - The launching of Sagres Bohemia was a great success and it became a Case Study on an international level. The actor, Pierce Brosnan, former 007 secret agent was the face of the publicity campaign of Sagres Bohemia. Sagres Bohemia is the only gourmet beer to have won 4 consecutive gold medals at the Monde Selection Awards

SAGRES RADLER

- **Product Characteristics**
 - Sagres Radler is a new dimension of flavour and freshness. It was inspired on a Bavarian recipe that combines Sagres with natural lemon juice in a doubly refreshing drink with a low alcohol content.
 - Sagres Radler, low alcohol content beer (only 2% alcohol by volume) was launched with the aim of responding to the needs of a public that has a different taste and enjoys lighter and highly refreshing drinks.
 - In March 2014, Sagres Radler gives its voice to those who are currently refreshing Portugal, under the motto “Os Novos do Restelo”, exalting all the innovative

projects which have been contributing to a renewed freshness in Portugal. Through this initiative, this highly successful innovative beer will be adding a new perspective to beer, reinventing and transforming situations seen as traditional and familiar into something modern, innovative and exciting, contributing with a renewed freshness.

- Simultaneously with this campaign, Sagres beer innovates again with the market launch of the new Sagres Radler 0.0% to be enjoyed on different occasions, with the unique and refreshing taste of Sagres Radler, natural lemon juice and now with 0.0% alcohol. A boundless experience, Sagres Radler 0.0% is a natural and light beer, ideal as a healthy meal accompaniment for those who enjoy lighter and highly refreshing drinks.
- After the huge success of the launch of Sagres Radler in 2013, exceeding all sales expectations and conquering new Portuguese consumers for its doubly refreshing taste, the brand strengthen once again its innovative and launches In May 2014 Sagres Radler Lime-Ginger, combining Sagres beer with natural lime juice and ginger, and in March 2015 the new Sagres Radler Lime-Green Apple, the unique combination of Sagres beer with natural lime juice and green apple.

- **Technical Data**

- Varieties: Sagres Radler (lemon), Sagres Radler 0.0%, Sagres Radler Lime-Ginger and Sagres Radler Lime-Green Apple
- Alcohol Content: 2.0% vol. (lemon, lime-ginger and lime-green apple) and 0.0%
- Available Since: 2013

- **Capacity**

- OW Bottle: 33cl
- Can: 33cl

- **Prizes**

Distinguished among the most important awards are:

- Voted “Product of the Year” in 2014 - Grand Prize of Marketing Innovation
- Monde Selection - Gold Medal in 2014

SAGRES SEM ÁLCOOL

- **Product Characteristics**

- Launched in 2005, Sagres Sem Álcool (non-alcoholic), with the name of Sagres Zero, is a light beer, with a refreshing character, and the ideal drink for sportsmen and people who lead active lifestyles, but cannot do without the taste of the original Sagres beer.
- In 2012 all the beers' different packages and formats will display the new image, while the beer will keep all the characteristics that have made it the consumers' favourite in the segment, meanwhile the name of Sagres Zero was changed to Sagres Sem Álcool a clearer identification with product characteristics.
- In February of 2007 Sagres Sem Álcool, leader on non-alcoholic beers segment, launched the first non-alcoholic dark beer Sagres. Sagres Sem Álcool Preta is a beer type Munich with a strong trace of malt and a smooth bitterness.
- Sagres Sem Álcool recommends an active and positive attitude towards the consumption of non-alcoholic beer, especially if driving.

- **Technical Data**

- Varieties: Sagres Sem Álcool Branca and Sagres Sem Álcool Preta
- Type: Non Alcoholic Beer and Non Alcoholic Beer Munich
- Alcohol Content: 0.3% vol.
- Available Since: 2005

- **Capacity**

- Returnable Bottle: 33cl
- OW Bottle: 20cl, 33cl

- **Prizes**

Distinguished among the most important awards are:

- Monde Selection – 2 Gold Medals in 2009 and 2010

- **Curiosities**

- The former football player Luís Figo was the face of the Sagres Sem Álcool publicity campaign.

HEINEKEN

- **Product Characteristics**

- The Heineken family and its brands have a very long history. The small factory, created in the 19th century in Amsterdam, soon saw its business grow and its Heineken brand soon became the world's most renowned premium beer.
- Heineken is produced with malt, water and hops and its well-balanced flavour has a fruity touch, balanced bitterness and a refreshing taste.

- **Technical Data**

- Type: Pilsner
- Alcohol Content: 5.0% vol.
- Available Since: 19th century
- Origin: Amsterdam, Netherlands

- **Capacity**

- Keg: 5L
- Returnable Bottle: 25 cl
- OW Bottle: 15 cl, 25 cl and 33 cl
- Can: 33cl
- Star Bottle (only on selected points of sale in on trade): 33 cl

- **Curiosities**

- Heineken is the most international beer in the world, being present in about 170 countries

DESPERADOS

- **Product Characteristics**

- In March 2011, SCC was launched the tequila flavoured beer Desperados in the domestic market, thus extending its drinks' portfolio with yet another innovative beer.
- Desperados is a tequila flavoured beer.
- This is the first time that Desperados is launched in the Portuguese market, after its immense success in several countries, namely in France

- **Technical Data**

- Type: Tequila flavoured Beer
- Alcohol Content: 5.9% vol.

- Available Since: 2011 (in Portugal)
- Origin: France
- **Capacity**
- OW Bottle: 3x33cl (off trade) and 24x33cl (on trade)

BUD

- **Product Characteristics**
- In 1876 Anheuser-Busch Breweries started selling beer with the name of Bud. This American Lager has been brewed with the same formula for the past five generations, combining various American traditions like the use of rice to make it lighter, with European traditions, namely the Beech Wood Aging Process, which means that small beech wood pieces are added to the beer during the second stage of fermentation, thus obtaining a more aromatic flavour and a more efficient fermentation.
- Bud is the number one beer in the US
- **Technical Data**
- Type: Lager
- Alcohol Content: 5.0% vol.
- Available Since: 1876
- Origin: EUA
- **Capacity**
- OW Bottle: Available on 24x33cl (on trade) and 4x30cl (off trade)

FOSTER'S

- **Product Characteristics**
- It was in 1887 that the brothers, William and Ralph Foster, built a brewery in Melbourne to sell a beer brand that was named after the family. However, Foster's only started to be exported to Europe and to the US almost 100 years later, around 1970.
- With a well-balanced flavour, it is characterized by an immediate creamy and bitter sensation as well as a pure and distinct malt aroma.

- **Technical Data**

- Type: Lager
- Alcohol Content: 5.0% vol.
- Available Since: 1887
- Origin: Melbourne, Australia

- **Capacity**

- Keg: 30 L
- OW Bottle: 33 cl

- **Curiosities**

- Foster's success both among the emigrated Australian communities and consumers in general enabled it to be the fastest beer brand to be classified a World beer, becoming almost a national beer in various countries with a strong brewing tradition, like the UK

GUINNESS

- **Product Characteristics**

- Guinness was the first Stout to be made and it has been brewed in Dublin, Ireland since 1759. In that same year and at the age of 34, Arthur Guinness acquires the rights to operate an abandoned brewery known as St. James Gate Brewery and guarantees the future of his brand when he signs a rental lease for the brewery for a period of 9000 years. All the Guinness Draught sold in Europe is brewed at the St. James Gate Brewery in Dublin. A complex beer, it has a clear touch of toasted barley and caramel, and it has a robust, rich and creamy after taste.
- St. James Brewery Gate in Dublin, having become the world's largest brewery by the 1880's and continues to be not only one of the largest breweries in the world but also one of the largest stout brewers, with an annual production of 4.5 million hectolitres of Guinness.
- In April 2009, SCC has become the official distributor of Guinness beer in Portugal, thus reinforcing its drinks' portfolio.

- **Technical Data**

- There are 3 types of Guinness available in Portugal: Guinness Draught (available on barrel or can), Guinness Original and Guinness Extra Stout (available both on bottle)

- Type: Stout
- Alcohol Content: 4.2% vol (Guinness Draught) and 5.0% vol (Guinness Original and Guinness Extra Stout)
- Available Since: 1759
- Origin: Dublin, Ireland
- **Capacity**
 - Keg: 30L (Guinness Draught)
 - OW Bottle: 0,33cl (Guinness Original and Guinness Extra Stout)
 - Can: 44cl (Guinness Draught)
- **Curiosities**
 - The harp was purposefully chosen by Guinness to appeal to the Irish nationalist pride. The harp is the symbol of Ireland, and is displayed facing left in the Guinness logo and right in the official symbol

JOHN SMITH'S

- **Product Characteristics**
 - In 1852, in the city of Tadcaster, in northern England, John Smith himself purchases Tadcaster Brewery and starts producing a beer to which he gives his name, even though this beer was already brewed since 1758 at this location.
 - In 1884, his brother, William Smith, builds a new factory next to the old one. This beer is still brewed there today to be exported all over the world.
 - John Smith is sold in the United Kingdom in two different versions – Original/Bitter and Extra Smooth With an alcohol content of 4.0% it has a strong hopped character, with a smooth malt taste.
- **Technical Data**
 - Type: Ale Bitter
 - Alcohol Content: 3.6% vol.
 - Available Since: 1852
 - Origin: Tadcaster, England
- **Capacity**
 - Keg: 30L
 - Can: 50cl

- **Curiosities**
 - The John Smith's Bitter is still commercialized with the same original formula, in wooden barrels of which is served directly to the glass

KILKENNY

- **Product Characteristics**
 - Kilkenney is a kind of Irish Red Cream Ale. This classification means that the barley from which the beer is brewed is toasted (not braised like Guinness) granting it a reddish colour.
 - Kilkenney is originally from the city of Kilkenney in Ireland, and has been produced at the St. Francis Abbey Brewery, since 1710, in other words, for the past 300 years or so.
 - The Kilkenney ale has a light toasted flavour, a creamy and sweet taste, with a touch of bitterness and is quite aromatic
- **Technical Data**
 - Type: Irish Ale
 - Alcohol Content: 4.3% vol.
 - Available Since: 1710
 - Origin: Kilkenney, Ireland
- **Capacity**
 - Keg: 30L
- **Curiosities**
 - Kilkenney is still produced in the oldest Brewery in the history of Kilkenney

AFFLIGEM

- **Product Characteristics**
 - Brewed for the first time in 1074, Affligem is a distinct and luxurious specialty beer, with an unmatched past.
 - Almost one thousand years old, its legacy is one of dedication, craftsmanship, excellence and purism, the original beer recipe still in use today. Affligem is the ideal beer for those looking not only for a personal pleasure reward, but also for a unique flavour. As an abbey beer and despite its long tradition, it continues to be a perfect match for today's tastes and lifestyle.

- Affligem Blonde is a smooth beer, where malt and the lightness of nuts stand out, with a lingering dry and slightly bitter finish. An elegant and rounded artisanal beer that is pleasing to the five senses.
- In April 2014, Sociedade Central de Cervejas e Bebidas launched in the domestic market, the new double fermentation Belgium premium beer Affligem.
- **Technical Data**
 - Type: Double fermentation premium beer
 - Alcohol content: 6.8% vol.
 - Available Since: 2014 (in Portugal)
 - Origin:: Belgium
- **Capacity**
 - OW Bottle: 24x30cl (on trade) and 3x30cl (off trade)
- **Curiosities**
 - To enjoy an Affligem in all its splendour, one must go through a unique ritual, divided in two great moments while the drink is served. Holding the glass at a 45° angle, 90% of the beer is slowly poured into it. After gently shaking the bottle, the remaining 10% are poured into a small glass. After this, the two glasses can be drunk separately or mixed depending on individual taste.

STRONGBOW

- **Product Characteristics**
 - Launched in 1960 in England by HP Bulmer Ltd, cider producers since 1887, Strongbow is made from small acid apples. Of a golden colour, this cider has a sweet and refreshing taste.
- **Technical Data**
 - There are 3 types of Strongbow: Strongbow Gold, Strongbow Red Berries and Strongbow Elderflower
 - Type: Cider Alcohol
 - Content: 5% vol (Strongbow Gold) and 4.5% vol (Strongbow Red Berries and Strongbow Elderflower)
 - Available Since: 1960
 - Origin: United Kingdom

- **Capacity**
 - 50L and 30L barrels
 - OW Bottle: 24x33cl (on trade) and 4x33cl (off trade)

BULMERS

- **Product Characteristics**
 - Bulmers is the cider brand produced by HP Bulmers Ltd, the company led by Percy Bulmer, a modest individual from Hereford and the son of a local priest, which started by making small cider quantities in 1887. Bulmers has become so popular that it currently produces around 65% of the 500 million litres of cider consumed in the UK.
 - Bulmers Original is the oldest brand of cider sold by Bulmers
- **Technical Data**
 - Type: Cider
 - Alcohol Content: 4.5% vol.
 - Available Since: 1887
 - Origin: United Kingdom
- **Capacity**
 - Keg: 30L
 - OW Bottles: 65.8cl
- **Curiosities**
 - The apples used to produce cider are unique and slightly different from those used for cooking or desserts. Apples normally used for cooking are acid, those eaten as dessert are sweet and the ones used for making cider must have a bitter tannin taste to balance and preserve its flavour.

Annex 6 – Opinions and viewpoints about AMA’s 2004 definition of Marketing

Authors	Contributions by authors
Zinkhan and Williams (2007)	p. 285: “new definition is needlessly narrow in scope”
	p. 285: “appears to assign marketing to the restricted confines of an organization”
	p. 285: “why marketing should be principally positioned as an organizational function rather than a broader phenomenon involving multiple aspects of society,” finding that “there are many instances in which individuals, rather than organizational entities, engage in the act of marketing.”
	p. 287: “[a] major shortcoming in this regard is the new definition’s focus on marketing as a management practice rather than recognizing it as a broader societal phenomenon.”
Ringold and Weitz (2007)	p. 255: “an official definition (...) [that] acknowledges marketing activity in the public, private, and nonprofit sectors and recognizes activity and impacts at the individual, organizational, and societal levels may serve to improve the collective understanding and practice of marketing. This is an opportunity we should fully exploit.”
	p. 255: “the suggestion that the 2004 AMA definition will somehow constrain those committed to a different view insults scholars and practitioners whose conceptualization of marketing is at odds with the official one.”
	p. 255: similarly note that “an official definition that fosters positive description and normative evaluation (...) may serve to improve the collective understanding and practice of marketing.”
Wilkie and Moore (2007)	p. 270: “the 2004 definition (...) delimit[s] marketing with its singular focus on the individual organization acting alone”
	p. 270: “the 2004 definition is one of ‘marketing management,’ not of the entire field or discipline of marketing”
	p. 270: “such a conceptual limitation for the field... [is that] first, some important broader questions can go unasked (and unanswered) precisely because the managerial perspective simply never needs to consider these questions to act in a single firm’s

Wilkie and Moore (2007)	best interests. Second, this narrow conception may be becoming so dominant in the field that it is foreclosing other worthwhile directions for thought development.”
	p. 270: “has brought about some serious oversights in terms of the scope and role of marketing in the world.”
	p. 270: “singular focus” [fails] “to recognize the competitive nature of the marketing system
	p. 270: [does not] “consider and address major societal and public policy issues”
	p. 270: “greatest risk of equating the field of marketing solely with the managerial decisions being made inside organizations is that the goals and conduct of those organizations are also being adopted by marketing thinkers but without any external appraisal.”
	p. 270: “this leads to something akin to a blanket approval regarding the reality of what the marketing world in total is undertaking”
	p. 271: “overlooks the marketing system’s [versus individual firm’s] interactions with consumers”
	p. 271: “there are marketing issues in the world that are larger than the problems of a single organization”
	p. 271: “these characteristics make it difficult to equate the best interests of a marketer in each firm with each consumer’s best interest”
	p. 272: “inadvertently understates the scope and importance of marketing”
	p. 272: [has the inadvertent effect of] “support a suppressive effect on scholarly inquiry in marketing and society.”
	p. 272: “adds weight to the difficulties faced by people who believe that much more educational and research attention needs to be given to the examination of marketing’s impacts in society.”
	p. 273: “a glaring deficiency with regard to its restriction in recognizing only marketing management.”
p. 273: “stress that it is a root responsibility of academia (including institutions, such as the AMA) to place a field of study into proper perspective.”	

Wilkie and	p. 273: “it is important that the official definition for the field of marketing explicitly includes the societal domain and the remarkable marketing systems that characterize the workings of our field.”
Moore (2007)	p. 273: “the impacts of marketing in the world are a legitimate concern for scholarship in our field.”
Shultz’s (2007)	p. 293: “too microscopic”
Hunt (2007)	p. 278: “marketing academe owes society its best efforts toward the goal of objectivity” and that “academics have a responsibility to keep in mind that society is the ultimate client for the knowledge that academics produce, and marketing practitioners are intermediate clients.”
	p. 280: “that marketers have a responsibility to understand marketing systems in society (and societies) from both normative and positive perspectives”
	p. 280: “since the founding of the marketing discipline by scholars such as Arch Shaw, Ralph S. Butler, and L.D.H. Weld in the early 1900s, the study of marketing systems and institutions has been central to marketing thought.”
	p. 281: “how marketing is conducted and ought to be conducted within organizations in society (...) it is also important how marketing is conducted and ought to be conducted among organizations in society.”
	p. 281: “fails to incorporate explicitly the view that marketing is more than a managerial technology within organizations. That is, it fails to acknowledge the existence and roles of marketing institutions and marketing systems in society.”
	p. 281: “how marketing is conducted and ought to be conducted within [and among] organizations in society is an important component of marketing.”
	p. 261: “in terms of the domain of marketing, the definition needs to recognize marketing more explicitly as a societal process.”

<p>Lusch (2007)</p>	<p>p. 267: “my sense is that if we get everything else ‘right’ but fail to develop a coherent and compelling body of thought regarding the aggregate marketing system, we will have failed society and ourselves as a profession.”</p>
	<p>p. 267: “if the community of marketing scholars and their professional associations does not take a lead role in studying and researching marketing as a societal process and institution, this type of research will be left exclusively to scholars outside marketing and, most likely, outside business.”</p>
<p>Mick (2007)</p>	<p>p. 289: “definition of marketing by the [AMA] (...) ignores marketers’ moral responsibility for the socioecological conditions of the world.”</p>
	<p>p. 291: that “if marketing is to live up to its maximum potential, simultaneously with its socioecological obligations, and also become more genuinely appreciated by the public, the goal of marketing, as with wisdom itself, must be the common good.”</p>

Annex 7 – Schools of Strategic Thinking [Source: Carvalho and Filipe, 2008]

School	Key Influences	Keywords	Basic ideas / Strategy	Company Context
Design	H.W. Newman; P. Selznick; A. Chandler; E.P. Learned; C.R. Christensen; K.R. Andrews; W.D. Guth	Fit; Distinctive competencies; Competitive Advantage; SWOT; Formulation; Implementation.	The strategy that emerges with the fit between environment and organization has a unique character; the formulation result of a planning process	In the strategy redesign phase
Planning	I. Ansoff; G.A. Steiner; P. Lorange	Planning, budgeting, temporization and scenarios construction.	The strategy is decomposable into sub-plans, sub-strategies and programs, typically functional, so that each area of the company knows what to do and what results search	Strategic planning stages
Positioning	D.E. Schendel; K.J. Hatten, Sun Tzu; K.V. Clausewitz; B. Henderson; M. Porter	Generic strategies, strategic groups, competitive analysis, portfolio analysis, experience curve and value chain	Planned generic headings (economic and competitive); maneuvers	Evaluation stage; when company and environment are measurable.
Entrepreneurship	J.A. Shumpeter; A.H. Cole; P. Drucker	Proximity, vision, orientation, inspiration and confidence	Very particular strategy, personnel, depends unique perspectives of leadership	Start-ups. Turnaround. Small dimension scope.

Knowledge	H.A. Simon; J.G. March; C. Eden; F. Ackermann; P. Senge; J.Davenport; D. Braybrooke e C.E. Lindblom; R.M. Cyert; K.E. Weick; J.B. Quinn	Mapping, schematize, interpretation, increment and emergent.	Cognitive perspective, standards, strategic unity	Original conception, recreation and development.
Power	G.T. Allison; J. Pfeffer; G.R. Salancik; W.G.Astley; M.Crozier; N.Maquiavel; K.Marx	Negotiation, conflict, colligation, stakeholders, political disputes, group strategy, network, alliances and chains.	Political and cooperative patterns, positions and maneuvers, both explicit and covert	Political challenges, isolation, flowing movements, domination and cooperation.
Resources	A. Chandler; D. Miller; E. Rhenman; R. Normann; G. Hamel; C.K. Orahallad; H. Mintzberg; R.E. Miles; C.C. Snow; E. Penrose; P.Drucker	Values, beliefs, myths, culture, ideology, symbols, configuration, archetype, resource, competences, capabilities, competitive advantages and objectives.	Cooperative perspective; uniqueness in the message; contextualization of the strategy; resources, skills and abilities as bases for the strategy	Reinforcement and transformation.
Environment	M.T. Hannan; J. Freeman; D.S.Pugh; C. Darwin	Adaptation, evolution, circumstance, selection, complexity and niche.	Specific locations (niches); generic strategy	Maturity and decline

QUESTION 1: EXTERNAL ANALYSIS

PESTEL Analysis



PESTAL Analysis	--	-	+/+	+	++
Political Factors					
New political election and systemic political risk		X			
New migrant/refugee crisis in Europe			X		
Implementation of an ambitious reform agenda			X		
Angola economic situation					X
Economic Factors					
GDP expectations	X				
Unemployment rate expectations		X			
FDI expectations	X				
Business investment expectations	X				
Exports expectations	X				
Inflation expectations			X		
Portuguese Rating	X				

PESTAL Analysis	--	-	+/+	+	++
Social Factors					
Performance in housing	X				
Performance in income and wealth, jobs and earnings				X	
Health status			X		
Performance in education and jobs				X	
Technological Factors					
Smartphones and Internet usage	X				
E-commerce market	X				
Digital marketing market	X				
Environmental Factors					
Importance of weather in beer sales					X
Legal Factors					
Importance of new law in beer sales					X



QUESTION 1: EXTERNAL ANALYSIS

Porter's Five Forces framework



Forces	Power	Attractiveness
New entrants threat	1	5
Power of Suppliers	2	4
Power of Buyers	3	3
Substitutes threat	2	4
Competitors rivalry	5	1
Average result	2.6	3.4

- ★ The beer industry is attractive (3.4 out of 5), particularly for the companies that have a consolidated and sustainable market position.
- ★ It is a concentrated and profitable market, with higher structural entry barriers to protect the current beer companies. The level of competition among players is quite fierce, and their margins became much shorter over the last years. The power of customers and the competition's nature are important drivers in which companies should invest their resources and competences to keep and improve their competitive position. The substitutes have a low importance, but it is very important to keep up with new trends in the beverage sector, especially in the spirits market.
- ★ Still, the companies should be aware of the impacts of those forces to the overall profitability and sustainability of its current and future market positioning.



QUESTION 1: EXTERNAL ANALYSIS

Industry Analysis



- ★ **Differentiated oligopoly:** because Portuguese beer industry contains 2 big companies that have most of the beer market and each player seek leadership by launching new products and conquer new consumers
- ★ **Consolidated industry:** beer sector is dominated by SCC and Unicer, each of which struggles to differentiate its products from those of the competition
- ★ **Global market:** The two companies that have the major control of the beer market are part of two big groups that have in their portfolio lots of beer brands with a strong presence on the Portuguese consumers' minds (SCC - Heineken Group; Unicer - Carlsberg Group).
- ★ **Maturity market:** consumers repeat purchase reliance and players compete to maintain market share



QUESTION 1: INTERNAL/EXTERNAL ANALYSIS

Key Success Factors (KSF)



Key Successful Factors	
Quality	Beer quality is one key driver of the decision-making process
Price	Portuguese consumers are very price sensitive and that is the reason why international beers (which have a premium price) do not have high market share
Communication	As Portuguese consumer is not loyal to beer brands, companies need to invest in communication in order to have high levels of notoriety
Availability	Companies have to worry about the distribution strategy and it is mandatory to place beer in as many outlets as possible (intensive distribution is the only way to gain market share)
Innovation	Portuguese consumers are quite open to try different products. That fact contributes to have a very dynamic beverages sector concerning to innovation. Due to this, companies need to provide new experiences to consumers and to conquer new ones.



QUESTION 1: INTERNAL/EXTERNAL ANALYSIS Competitive Advantages



Competitive Advantages	
Sagres is the beer brand of football	Sagres is the sponsor of the National Football Team (since 1993), as well as the official beer of Portugal League, Portuguese Cup and European League
Heineken is the beer brand of music	Heineken is the official beer of the NOS Alive (where Heineken still lends its name to the alternative stage) and Rock in Rio festivals
Desperados is the beer brand of teens	It is unrivalled as there is no competitor for Desperados. Desperados is the cutting edge and modern alternative to conventional drinks.
Sagres Radler is the beer of the summer	In Portugal, there are millions of people that dislike the bitter taste of beer. In order to contradict this fact, in 2013 Sagres launched Sagres Radler.
Affligem appears to compete in the craft beer market	In order to trying new experiences in the beverage market, craft beer is a new trend in Portugal and it is now a niche market. With Affligem, SCC extended their portfolio and can compete in craft beer market.
Novadis is the strategy to have a bigger and better distribution	As availability is one key driver of the decision-making process of Portuguese consumers, SCC is now in a better position to go-to-market because the distribution structure is bigger and better.

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QUESTION 1: INTERNAL/EXTERNAL ANALYSIS SWOT Analysis (I)



Strengths	Weaknesses
1.1 Sagres is the brand leader (43% vs 42% Super Bock) and has a higher market share than Super Bock in all categories.	2.1 Unicer is the market leader (48% vs 47% SCC) due to have in its portfolio Carlsberg (premium market leader) and Cristal (economic market leader).
1.2 Sagres conquered the Off Trade leadership (in volume and in value) and keeps consolidating it. SCC is market leader.	2.2 In On Trade, Sagres lost market leadership to Super Bock (in volume and in value). Unicer is market leader.
1.3 In On Trade, Sagres is market leader in with more than 50% market share in Center and South of Portugal (except Algarve).	2.3 In On Trade, Super Bock smash Sagres in North of the country. In Porto it has 86% market share.
1.4 In Cafes, Snacks and Fast Food, which represents together 84%, Sagres is market leader.	2.4 In Restaurants and Hotels+Pubs, which represents together only 16%, Super Bock smash Sagres.
1.5 Heineken is the brand that have the best market performance (either in volume or in value) and it has now an important brand in nightlife market.	2.5 Unicer launched in May of this year Super Bock Mix with the aim of strengthen the brand's presence in pre-night and night.
1.6 SCC's brands have a strong notoriety when consumers try to link beer brands to consumer occasions: Sagres is the beer brand of football, Heineken is the beer brand of music, Desperados is the beer brand of teens and Sagres Radler is the beer brand of the summer	2.6 Carlsberg is the premium market leader in volume and in value, in spite of having a strange price positioning (it is positioned in beer premium market but it has an average price just a little bit higher than the average market price)
1.7 Novadis is the strategy to have a bigger and better distribution and SCC is now in a better position to go-to-market.	

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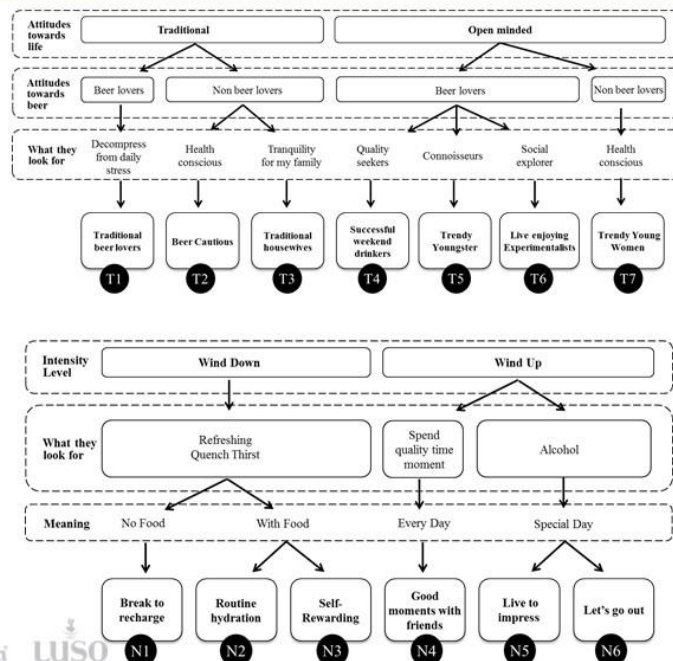
QUESTION 1: INTERNAL/EXTERNAL ANALYSIS SWOT Analysis (II)



Opportunities	Threats
3.1 Private Labels and low-price brands lost market share in Off Trade due to the Lidl performance.	4.1 Between 2008 and 2014, overall beverages consumption is declining (-5.5%) and beer shows the higher decrease (-24.7%). Consumption per capita reduced 14 L (from 60 to 46L)
3.2 In Portugal there are more than 6.3M people aged 18-65 years old and nearly half are non-beer consumers.	4.2 Beer slightly increases penetration and declared consumption but strongly declines total consumption, which means less consumption per occasion.
3.3 Relatively more beer being consumed at home instead of out of home.	4.3 Beer sector is decreasing sales either in volume or in value
3.4 It is expected that On Trade channel gives signs of growth (particularly in Lisbon, Porto and Algarve) due to Tourism.	4.4 The number of microbreweries has been increased in the last years
3.5 Meals followed by afternoon and before dinner are the occasions that consumers drink more frequent.	4.5 Health concerns and life stage changes seems to be explaining the beer consumption decrease
	4.6 New alcoholic law prohibits the consumption of alcoholic beverages to any person under the age of 18 regardless of the type of drink
	4.7 Export of Portuguese beer to Angola was expected to be one of the sectors most affected by the measures taken by Angola



QUESTION 2: STP ANALYSIS Segmentation (I)



QUESTION 2: STP ANALYSIS Segmentation (II)



	N1: Break to recharge	N2: Routine Hydration	N3: Self-Rewarding	N4: Good moments with friends	N5: Live to Impress	N6: Let's go out
T7: Trendy Young Women						
T6: Live enjoying Experimentalists		S6: Contemporary complement to food	S5: Proudly part of the group		S7: Social Fashionable Lifestyle	
T5: Trendy Youngster	S1: Everyday light comfort					S2: Party Nights
T4: Successful weekend drinkers						
T3: Traditional housewives		S4: Family gathering meals				
T2: Beer Cautious						
T1: Traditional beer lovers			S3: Drinking mates			



QUESTION 2: STP ANALYSIS Targeting



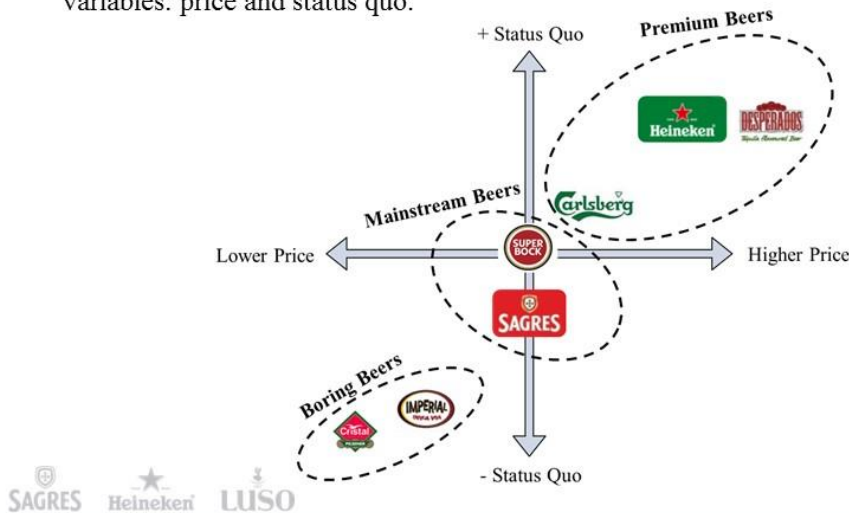
7 Super segments	Objectives	Strategies	SCC's Brand
S1: Everyday light comfort	Expand the market	Positively associate beer brand with functional refreshing individual occasions mostly Off-premise convenience	Sagres Radler and Strongbow
S2: Party nights	Gain share	Own music and night on premise occasions	Heineken, Desperados and Strongbow
S3: Drinking mates	Gain share	Recruit mainstream beer consumers (traditional beer lovers) and improve beer rituals perception.	Sagres, Sagres Bohemia, Heineken, Affligem and Guinness
S4: Family gathering meals	Expand the market	Retain senior consumers and promote beer around meal occasions (increase in-home consumption)	Sagres Radler and Sagres Bohemia
S5: Proudly part of the group	Gain share	Win proud beer lovers with Sagres but only possible via a more modern positioning	Sagres and Heineken
S6: Contemporary compliment for food	Expand the market	Deploy near-beer solutions for open-minded consumers as complementary to food	Sagres and Sagres Radler
S7: Social fashionable lifestyle	Gain share	Get consumers around special occasions to trade-up for cool international premium brands	Heineken, Desperados and Strongbow



QUESTION 2: STP ANALYSIS Positioning



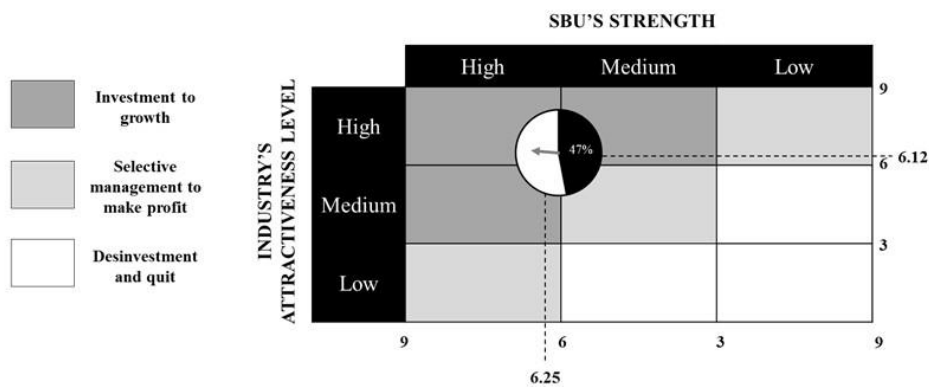
- ★ It is possible to create a value proposition and a product-price positioning strategy based on that segment's unique customer needs and characteristics by using a perceptual map. In the figure below it is developed a perceptual map with 2 variables: price and status quo.



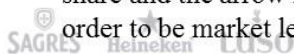
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QUESTION 3: GE/MCKINSEY MATRIX




- ★ The SBU strength result was 6.25, whereas the level of attractiveness of the industry was 6.12. The business of the company is strong and the market is attractive. The company should allocate resources and competences into this business and be focused on growing the business and increase its market share.
- ★ The size of the circle plotted on the matrix indicates that SCC has 47% of market share and the arrow indicates that the company should continue to invest in growth in order to be market leader.






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QUESTION 4: DYNAMIC SWOT




Challenges
1.2 ↔ 3.1 Sagres has the challenge to keep consolidating the leadership in the Off Trade due to the optimism of the Portuguese economic conditions that makes Private Labels and low-price brands lose market share.
1.5 ↔ 3.4 If the Tourism is increasing in Portugal in a point of giving signs of grow in On Trade channel, it is a challenge for Heineken, as a global brand, to be the beer of the tourists by excellence.
1.4 ↔ 3.5 Portuguese consumers drink more beer after-work and at night and Sagres, as market leader in cafes and snacks, should privilege the communication with consumers in those occasions.
Risks
2.5 ↔ 4.2 Last May, Super Bock launched a new type of beer to the teens' segment. If beer slightly increases penetration, SCC has a good opportunity to continue the investment in Desperados with the risk of lose the positioning of the beer of the teens.
Restrictions/Limitations
2.6 ↔ 3.3 The consumerism of beer at home is increasing and Heineken, with the perceived positioning = desired positioning in the premium market, has the opportunity to dethrone Carlsberg's leadership in the Off Trade channel by communicate the positioning of "the premium beer for premium meals"
Alerts/Warnings
1.6 ↔ 4.4 As the craft beer is a new trend in Portugal, SCC has the chance to implement new experiences in the beverage market with Affligem. The craft beer market is still a market niche but it has been bringing dynamism, value and sophistication to the Portuguese beer sector. Due to that, Affligem may not be sufficient to compete in this niche.
1.1 ↔ 4.7 Exports have an important role in the beer market (representing 35.7% of the production). However, with the uncertainty felt in Angola's economy, it is expected a negative impact in exportations. So, it is important to look for investment in other export markets.

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QUESTION 4: ANSOFF GROW MATRIX AND GENERIC COMPETITIVE STRATEGY



Ansoff Grow Matrix

		Products	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

- ★ SCC's strongest growth scenario that must be applicable is **Product Development**.
- ★ SCC must reach growth in the future through innovation by launching new products as result of the investment made in research and development of their marketing department




Generic Competitive Strategy

Type of Competitive Advantage Being Pursued

		Lower Cost	Differentiation
		Market Target	A Broad Cross-Section of Buyers
A Narrow Buyer Segment	Focused Low-cost Strategy		Focused Differentiation Strategy

Best-cost Provider Strategy

- ★ **The Best-Cost Provider Strategy** is the one that makes more sense to SCC outperform their competitors, once it is the one that aims to give more value for money to the costumers by emphasizing both low cost and upscale differences.

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