WHAT ARE THE KEY DRIVERS OF CUSTOMERS LOYALTY IN YOGURTS' CATEGORY?

A CASE STUDY OF PINGO DOCE

- Outline -

Carolina Vasconcelos Marcelino Loia Guerreiro

Project submitted as partial requirement for the conferral of

Master in International Management

Supervisor:
Prof. ª Doutora Susana Henriques Marques, Assistant Professor, ISCTE Business School

ISCTE Business School
Instituto Universitário de Lisboa

WHAT ARE THE KEY DRIVERS OF CUSTOMERS' LOYALTY IN YOGURTS'CATEGORY?

Carolina Vasconcelos Marcelino Loia Guerreiro

October 2019
- Spine -

Abstract

What influences customers behavior? How do they become loyal to a certain supermarket or product?

One key element of understanding and managing customer experience is the ability to measure and monitor customer reactions to firm offerings, especially customer attitudes and perceptions.

Nowadays customers have more expectations about what they want to. They expect experiences in which they are involve to. There is an increasing desire for multiplicity and experiences are expected to offer more. Consumers are rejecting, the idea of passive on looking, they desire now active participation.

In a fast-changing world, customer buying decision-making processes become an important topic to understand. In order to be successful and "to catch" more loyal customers it is relevant to understand their experience and behavior.

Customer's loyalty is one of the aims that a supermarket wants to achieve. When predicting consumer's behavior, they can use it in their own profit. If they know in advance what specific products do customers look for, they can use marketing and some other strategies to push them to purchase it. This way they can be one step ahead and act in an effective and efficient way.

This research seeks to understand the main variables that influences customer loyalty in Pingo Doce yogurt's category.

Keywords: Customer, Behavior Loyalty, Pingo Doce,

JEL Classification M31, M37

Resumo

O que é que influencia o comportamento do consumidor? Como é que os consumidores se tornam leais a um determinado supermercado ou a um produto?

Um ponto chave da compreensão e gestão da experiência do cliente é a capacidade de medir e monitorizar as reações dos clientes a ofertas de empresas, sobretudo as atitudes e as perceções dos consumidores.

Hoje em dia, os consumidores têm mais expectativas acerca do que querem e da forma como o querem. Querem ter experiências nas quais se sintam envolvidos. Existe um maior desejo de multiplicidade e uma maior necessidade de que as experiências ofereçam mais do que costumavam oferecer. Para além disso, querem ter uma participação mais ativa, em vez da ideia passiva em que apenas são vistos como observadores, nas suas experiências de consumidor.

Neste mundo de rápida mudança, os processos de tomada de decisão dos consumidores tornam se um tópico importante de se perceber. Para se ser bem sucedido e para se conseguir reter mais clientes leais é relevante compreender a sua experiência e o seu comportamento.

A lealdade do consumidor é um dos maiores objetivos que um supermercado procura atingir. Quando se consegue prever o comportamento dos consumidores, os supermercados podem usá-lo como seu próprio lucro. Se souberem com antecedência produtos e marcas que os consumidores procuram podem através do marketing e de outras estratégias forçar a compra. Desta forma, podem estar um passo à frente e atuar de forma eficaz e eficiente.

Este estudo procura compreender as principais variáveis para a fidelização de clientes na categoria de iogurtes no Pingo Doce.

Keywords: Consumidor, Comportamento, Lealdade, Pingo Doce

JEL Classification M31, M37

Index

List of Figures

List of Graphs

Executive Summary

Nowadays, study consumer behavior and decision-making processes are critical to understand customers' loyalty. This is the main challenge that retailers have to deal with. The purpose of this project is to answer the following question: "What are the main drivers of customers to loyalty yogurts' category?"

This project starts with a literature review, in which we focus on customer experience, behavior, buying behavior process models and decision-making processes. Trough all these concepts it is supposed to go deeper in this purchasing experience and to better understand the key of this research, customers. Therefore, there is an approach to the food retail market in a broader vision, and then focusing on the Portugal market. When going into Portugal, we analyze the Jerónimo Martins Group, and Pingo Doce the company in which the project is done with. By some articles and information from Nielsen studies, it was possible to understand better the way retail is going and specially this particularly category.

Following the literature review, the problem, which is the main question of this research was define. In the research approach it was clarified the way the problem was to be solve. The approach structure was: In a first stage to use data related to the main household consumption indicators in FMCG provided by NIELSEN, in order to understand some figures not only about Pingo Doce supermarkets but also about this specific category. On a second stage we looked into the yogurts decision-making tree, so that we could reach conclusions about customers behave since they get in a store until they purchase a yogurt. Finally, an online questionnaire was performed. This data was collected from questionnaires to a sample of 131 individuals in order to get closer to the customer reality, and the way they see this category and loyalty in Pingo Doce.

After the questionnaire, results were analyzed, and conclusions about the drivers of loyalty in this category were made. In this stage we were able to answer the main problem and the objectives that we were asked for.

The results analysis also allowed to make some recommendations to Pingo Doce, specially to category managers, in order to focus more on the features that customers most value. The main point was to give some insights so that they could be more efficient and effective in their daily work. The better they know the customer, the better they can act

and predict their attitudes. It is also a way of taking advantage of customers behavior and thinking and consequently being more profitable.

Besides coming out with some conclusions, there are some limitations that should be taken into consideration when looking to this research.

Context

The main goal of this thesis is to study customers' loyalty in yogurts' category in Pingo Doce. To understand better the features they value the most when purchase yogurts.

I am currently working at Jerónimo Martins as a trainee, but my project starts when I was working in the yogurt's category management as a junior category manager. The purpose was to give some insights to category managers, in order to develop better the category and to help them to be more aware of customers behavior and new demanding trends.

Since it is a project related to Pingo Doce and only focused on their customers' behavior, it is a company-project. The project starts with studying customers' decision-making processes as well as the way they think in their purchase process. After the, there will be given some recommendations not only to future category managers, but also some corporate insights.

Pingo Doce is part of one of the main groups in Portugal, Jerónimo Martins, and a leader in the supermarkets segment. It is a company of success in the food retail market. This means that conclusions will describe the reality in Portugal. Besides that, the questionnaires made were mainly focused on the new generations that in the future will be the ones with the highest purchasing power.

Literature Review

1. Customer Experience

Abbott and Anderson focused on the broader notion that "*what people really desire are not products but satisfying experiences*" (Abbot 1955: 40).

Pine and Gilmore (1998: 3) conceptualized the idea of "experiences" as distinct from goods and services, noting that a consumer purchases an experience to "*spend time enjoying a series of memorable events that a company stages as in a theatrical play to engage him in an inherently personal way."*

In the mid 80's, the customer experience definition took in consideration a new experimental approach in which some old variables were re-considered: ''the role of emotions in behavior; the fact that consumers are feelers as well as thinkers and doers;…the roles of consumers, beyond the act of purchase, in product usage as well as brand *choice''* (Addis and Holbrook, 2001).

The concept of Customer Experience became more relevant with the book "**Experience Economy**" in which, Gilmore present the ''experiences'' as a new economic offering, which emerges as the next step after commodities, goods and services in what they call the progression of economic value.

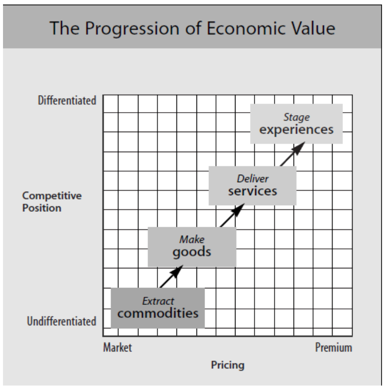


Figure 1 The Progression of Economic Value (**Source:** *Welcome to the Experience Economy;* Gilmore & II, 1998)

This renewed view involves a person – as opposed to *a customer as a whole* at different levels and in every interaction between such person and a company, or a company's offer (LaSalle and Britton, 2003).

The creation of value is not so much selling memorable experiences but to enable the customer to live all the moments of the relationship with a company in an excellent way, even beyond her expectations (LaSalle and Britton, 2003) or, according to the viewpoint of Prahalad and Ramaswamy (2004), to co-create their own unique experience with the company. In this perspective, companies do not sell (or stage, according to Pine and Gilmore's perspective) experiences, but rather they provide artifacts and contexts that are conducive of experiences and which can be.

''The Customer Experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction (LaSalle and Britton, 2003; Shaw and Ivens, 2005). This experience is strictly personal and implies the customer's involvement at different levels (rational, emotional, sensorial physical and spiritual) (LaSalle and Britton, 2003; Schmitt, 1999). Its evaluation depends on the comparison between a customer's expectations and the stimuli coming from the interaction with the company and its offering in correspondence of the different moments of contact or touch- points (LaSalle and Britton, 2003; Shaw and Ivens, 2005)."

Latest in 2007, Meyer and Schwager, defined customer experience as "encompassing every aspect of a company's offering—the quality of customer care, of course, but also advertising, packaging, product and service features, ease of use, and reliability. It is the internal and subjective response customers have to any direct or indirect contact with a company.

Schmitt, Brakus, and Zarantonello (2009) state that every service exchange leads to a customer experience, regardless of its nature and form. Specifically, on this approach, Schmitt (1999) identified this view has multidimensional with five types of experience: sensory experiences (sense); emotional/affective experiences (feel); creative cognitive experiences (think); physical experiences, behaviors and lifestyle (act); and social-identity (relate).

Sensorial Component (sense): the component whose stimulation affects the senses; the aim is to provide the customer good sensorial experiences trough hearing, touch, taste and satisfaction (Gentile *et al*., 2007);

Emotional Component (feel): the component that involves the affective system through the generation of moods, feeling and emotions; it can be provided emotional experiences to the customer through products, brands or company; (Gentile *et al*., 2007);

Cognitive Component (think): the component related to thinking or conscious mental processes; a company can help a customer to revise the usual idea of a product or some common mental assumptions. There are two relevant variables related to this component, products of high involvement and products of low involvement. It is the level of importance a customer attributes to a product and the enthusiasm and interest it can generate (Goldsmith and Emmert, 1991). When a customer searches a product from different brands and studies its market prices it is a high involvement product. When a customer doesn't put any effort to know more about the product before purchase it, it means that it is a low involvement product (Gentile *et al*., 2007);

Physical Component (act): the component related to the act of doing something. Does not refer to the use of the product in the post purchase stage, but it extends to all the product life-cycle stages, to the product' usability (Gentile *et al*., 2007);

Social Identity Component (relate): the component that involves the person, his social context and relationships. Some products encourage its use/consumption together with other people or can be also a means of affirmation of a social identity into social groups (Gentile *et al*., 2007);

Customer Experience originates from a set of interactions between a customer and a product, a company or part of its organization and the value that the consumer and the company gain is created through that set of interactions (Addis and Holbrook, 2001). Additionally, following Addis and Holbrook (2001) we make a distinction between two kinds of consumer value: utilitarian value (or functional value) and hedonic value (or experiential value).

Living a positive customer experience can promote the creation of an emotional tie between a firm's brand and its customers which in turn develop customer loyalty. Thus far this does not imply that customers disregard the importance of functionalities: sometimes as required standard, sometimes as factors enabling an optimal experience.

In 2007, Carù and Cova also defined consuming experience as a ‘‘continuum of consuming experiences’’ ranging from experiences that are mainly constructed by the consumers, to experiences that are largely developed by passing through experiences that are co-created by consumers and companies. A company may have different roles in each stage of this continuum experience: a company pursuing almost a traditional product or service marketing approach to a company adopting a holistic and immersive experiential marketing approach (in which the customer drives into immersive experiences that are fully developed in details by companies, passing through a co-creation stage, where a company provides consumers the basic platform and raw materials to be used in order to mold and obtain their own experience.

According Accenture (2015 in cooperation with Forrester), the increasing focus on customer experience arises because customers now interact with firms through myriad touch points in multiple channels and media, resulting in more complex customer journeys. Customer experiences are more social in nature, and peer customers are influencing experiences as well. Firms also have much less control, overall, of the customer experience and the customer journey (Brynjolfsson, Hu, and Rahman 2013; Verhoef, Kannan, and Inman 2015).

All these touch points, besides the reduction of customer's experience control by the firms led them to integrate several business functions, including information technology (IT), service operations, logistics, marketing, human resources, and even external partners, in creating and delivering positive customer experiences. It has become increasingly complex for firms to create, manage, and attempt to control the experience and journey of each customer (e.g., Edelman and Singer, 2015; Rawson, Duncan, and Jones, 2013)

The Marketing Science Institute (2014, 2016) views customer experience as one of its most important research challenges in the coming years, likely because of the increasing number and complexity of customer touch points and the belief that creating strong, positive experiences within the customer journey will result in improvements to the bottom line by improving performance in the customer journey at multiple touch points and through improved customer loyalty and word of mouth (Court *et al*., 2009; Edelman, 2010; Homburg, Jozic, and Kuehnl, 2015). When understanding the customer experience focus, it seems highly related to prior and existing research streams within marketing, such as customer satisfaction, service quality, relationship marketing, customer relationship management, customer centricity, and customer engagement.

For Lemon & Verhoef (2016) touchpoints can be *(1)* ***Brand-owned****:* customer interactions that occur during customer experience, being designed, managed and totally control by the organization like advertisement and website; *(2)* ***Partner-owned****:* customer interactions that occur during the customer experience, being designed together, managed and control by the organization and its partners such as marketing agencies; *(3)* ***Customer-owned****:* characterized by being customers actions during the experience that are not under the control of the organization or associated partners, for example customer desires; *(4)* ***Social/External****:* external factor that might influence the customers actions, such as peers influence or online reviews for instance.

When proceeding in the journey to purchase, customers are in contact with several touchpoints that can have direct and indirect effects on the purchase and behavior of other customers. Even though it is a complex exercise, it is crucial that organizations identify their critical touchpoints, the ones that play a major influence in customers' (Lemon & Verhoef, 2016).

According Richardson (2010), touchpoints can be divided into four categories: *1) Products*, refers to products, services, a specific software, hardware and even the existence of a website that customers can use during the purchase decision making *(2) Interactions,* more specifically a two-ways interactions that can be done in person (in store visits), on the phone, on website chats, discussion forums and social communications *(3) Messages,* is a one-way communications that includes branding, advertising, packaging and guide books *(4) Settings,* meaning anywhere were the product or service can be seen or used, for example in a store, at a friend's house, during an event, a placement on TV.

Many different definitions about customer experience from different authors were discussed over the years. Recent researches had also defined customer experience as "encompassing every aspect of a company's offering—the quality of customer care, of course, but also advertising, packaging, product and service features, ease of use, and reliability. It is the internal and subjective response customers have to any direct or indirect contact with a company" (Meyer and Schwager, 2007, p.2).

Focusing on a retailing context, customer experiences may be categorized along the lines of the retail mix (i.e., price experience, promotion experience). De Keyser *et al.* (2015, p. 23) describe customer experience as "comprised of the cognitive, emotional, physical, sensorial, spiritual, and social elements that mark the customer's direct or indirect interaction with (an)other market actor(s)".

The key question is to understand if customer experience as a new topic for research is exactly new. In the marketing field, customer experience seems to integrate multiple long-lasting concepts of marketing literature, while at the same time, to contempt some strong established concepts, such as customer satisfaction, service quality, relationship marketing, and customer equity. In order to truly understand the importance and this new focus on customer experience, we need to understand its roots, meaning we need to recognize and give attention to all the contributions of research areas to customer experience. (Lemon & Verhoef, 2016).

1.1. Customer Behavior

"*All marketing decisions are based on assumptions and knowledge of consumer behavior*." (Hawkins, Mothersbaugh & Best, 2007).

Some authors, as Belch & Belch (2009), use the following definition "consumer buying behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society".

When taking into consideration that customers are not only rational decision-makers, but they are also irrational buyers (Holbrook and Hirschman, 1982), we can come closer to understand consumer behavior.

Marketers' success in influencing purchase behavior depends to large extent on how well they understand consumer behavior. They need to know the specific needs customers try to satisfy and how they turn it into purchase attributes. By understanding how consumers gather information about different alternatives and use this information to select among competing brands they can act in a more effective way (Belch & Belch, 2009).

The major goal marketers have is to reach consumers at the moments that most influence their decisions when consumers are open to influence, so-called "moments that matter" or "touch points".

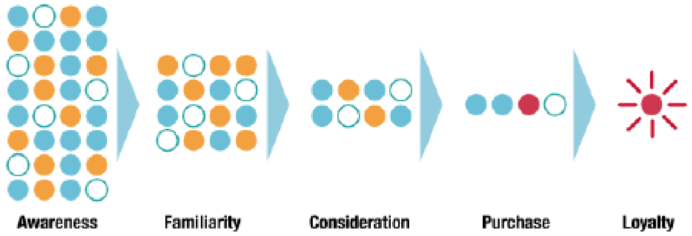


Figure 2 Traditional Funnel (**Source**: *Mckinsey & Company: The consumer decision journey, 2009)*

These touch points are seen as a funnel, in which consumers start with a number of potential brands in mind (left side of the funnel), then marketing directs them and consumers reduce that number of brands and move through the funnel, and to the end they arrive with the one brand they chose to purchase (right end of the funnel).

The consumer behavior has been always a hot marketing topic, due to the fact that knowing how and why consumers act in a certain way making their buying decisions helps companies improve their marketing strategies and be more successful on the market.

Trends in consumer behavior also change over years. Nowadays people expect more from a brand that they used to. They want to have experiences in which all their senses are involved in. They don't want to be observers anymore, they want to involve in, they want to participate. It has been a change from passive customers to active ones.

Looking at these new generations, millennials are much more demanding than older generations, specially within social media content. Despite spending more time in social media, 48% of them claims they were never influenced by media in their purchase decisions. Millennials tend to consume content on various platforms through different devices and are typically highly influenced by what their peers think. Understanding how generation consume information and the right way to deliver that information is the main challenge (Johson, 2014).

1.1.1. Customer Buying Behavior Process Models

In the beginning of the 1960's, due to the increasing focus on customer experience and customer decision journey, it start to appear the first marketing theories. The most influential model in this regard is Howard and Sheth's (1969) model.

In a "*Theory of Buyer Behavior",* Howard and Sheth explain the buyer behavior of individuals over a period. More specifically, they pretend to understand the brand choice behavior of the buyer.

Assuming that a brand choice is not random but systematic, we can see it in a standard way in which it is caused by some event that influences the buyer or his environment and end with a purchase behavior. According to the authors, customer buying behavior is more or less repetitive and customers define different purchase cycles for different products that determine how often will the purchase a product. Depending on the type of the products, the cycles may vary. If the products have long durability, the cycle is lengthy, and purchase is occasional, but if not (for example food or personal care products), the cycle is short, and purchase is more frequent. In order to simplify repetitive brand-choice decisions, consumer simplifies his task by storing relevant information and establishing a routine in his decision process.

Howard and Sheth (1969) identify three main elements to take in consideration in the consumer decision process:

1. A s*et of motives* that are specific to a product class and reflects the underlying needs of the buyer;
2. *Several alternatives courses of action* that have the potential of satisfying the buyer's motives; i) There are three notions to take into consideration regarding alternative brands. The several brands that may be alternatives to a consumer need even though they don't belong to the same product class, according the industry definition. ii) The alternatives are regularly small in number and called "evoked set", that means a fraction of the brands the customer is aware of, and still a small fraction of the total number that exists in the market. iii) Two different consumers may have different alternatives in their "evoked set".

3. *Decision mediators* that are a set of rules that the customer use to match his motives and his means of satisfying it. Its first function is to order and to structure the consumer's motives and then to order and to structure the brands based on the potential they have to satisfy those ordered motives. The past and current customer experience as well as the brand choice have a huge impact on these mediators.

Regardless the source, every buyer defines enough mediators to choose a brand that pleases his motives. As more satisfactory is a brand, more potential that brand has to satisfy his motives in next purchases, increasing the probability of buying it again. This can lead to a routine decision process, meaning that decision mediators are well established and showing customer's strong preferences. High power brands, generate a greater dependence to consumer, generating the perception of low personal power, and turning consumers much more dependent, which increases asymmetry of power (Semprebon, 2016).

However, a customer may become bored with this repetitive decision-making system and start to complicate the buying situation by considering new brands. It is important to consider inter-personal variability constant and to classify individuals into subgroups in order to identify the invariant relations of human behavior. (Howard and Sheth, 1969).

According these authors, it exists three levels of consumer decision-making:

1. ***Extensive problem solving*** – when the buyer is confronted by an unfamiliar brand in an unfamiliar product class. In this case, since the consumer doesn't have known alternatives and the ones that exist are weak, he will search for both commercial and noncommercial information.
2. ***Limited problem solving*** – when the buyer is confronted with a new brand in a familiar product class in which the existing brands do not provide a suitable acceptable level of satisfaction. In this case, the choice criteria is better, but it is still needed an amount of search and evaluation before purchasing. It is more straightforward and simple

3. ***Routine problem solving***- when the buyer purchases familiar brands within a familiar product field. This requires the customer much less information and effort, leading to an expected brand loyalty.

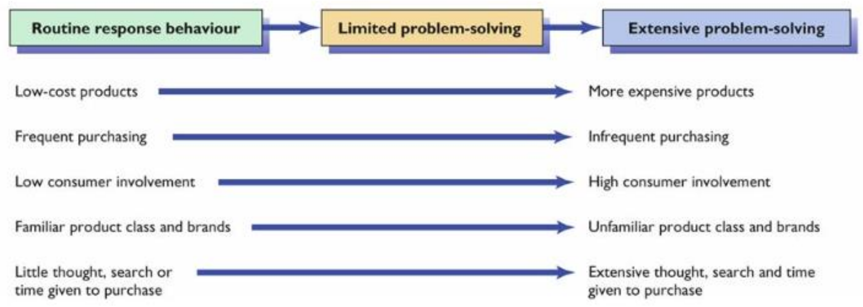


Figure 3 A continuum of buying decision behavior (**Source:** Stankevich A.: *Decision -Making Process)*

Some other marketing models also had contributed to the development of customer buying behavior. In 1961, Lavindge and Steiner developed the AIDA model (attention-interest-desire-action). AIDA Model identifies cognitive stages an individual goes through during the buying process for a product or service. It's a purchasing funnel where buyers go to each stage, to support them in making the final purchase.

It's no longer a relationship purely between the buyer and the company, since social media has extended it to achieving the different goals of AIDA via information added by other customers via social networks and communities.

These customers buying behavior models had provided a holistic view about the customer experience, as a whole process in which customers go through an entire decision process called "customer decision journey".

"There is no single right way to create a customer journey" – (Richardson, 2010)

For Norton & Pine II (2013), customer journey is a sequence of events in which the customer goes through to collect information, purchase and interact with the organization's products or services, this means, all the interactions amongst organization and customer at any touchpoint.

Customer journey is a diagram that represents the several interactions and touchpoints of a customer, from the stage of awareness to the post-purchase stage. The traditional marketing perspective on this topic is that the customer journey can be associated to a "funnel" with five stages: *Awareness, Consideration, Preference, Action, and Loyalty.*

Figure 4 The traditional, linear funnel (**Source:** *"Customer Journey Mapping Framework 1"*, Salsberry, *2017)*

There is not a right path to a customer follow, he can go through all five stages or jump again to the first one., it is not a static and linear path. Nowadays, the reality has changed and the customer journey is characterized by: *Awareness/Discovery, Consideration/Research, Decision/Purchase and Post-Experience* (Salsberry, 2017).

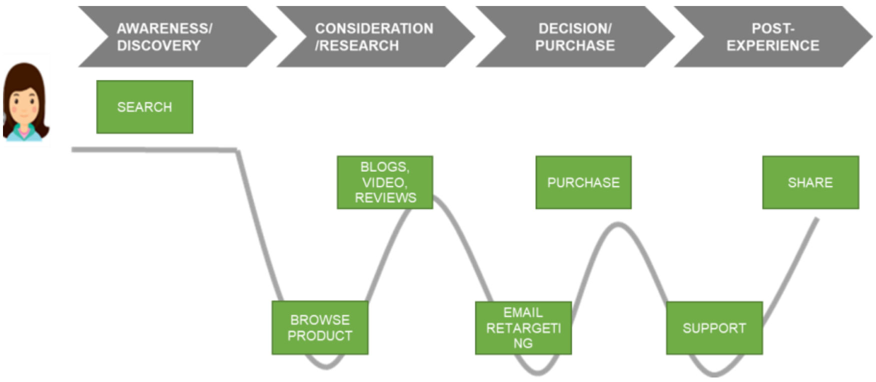


Figure 5 General path of a customer journey (**Source:** *"Customer Journey Mapping Framework 1"*, Salsberry, 2017)

There are two main variables in a customer journey to take into consideration, tactic and strategy. While optimizing a single customer journey is tactical; shifting organizational processes, culture, and mind-sets to a journey orientation is strategic and transformational. Journey-based transformations take time to happen, but it has a huge impact on customers reward, employee satisfaction, it increases revenues and decrease costs. In order to have a successful journey it is need an operational and cultural shift that engages the organization across functions and from top to bottom, generating excitement, innovation, and a focus on continuous improvement. This led to a company culture that's hard to build otherwise, and a true competitive advantage goes to companies that get it right.

1.1.2. Decision Making Process

According some authors (Howard and Sheth 1969; Neslin *et al*. 2006; Pucinelli *et al*. 2009), customer experience can be conceptualized in three different stages: pre-purchase, purchase, and post-purchase.

1. ***Pre-purchase*** - Encompasses all aspects of the customer's interaction with the brand, category, and environment before any purchase transaction. Marketers characterize this stage as the first recognition, search, and consideration behaviors. This stage starts with the customer recognition of the need, until the consideration of satisfying that need with a purchase (Pieters, Baumgartner, and Allen, 1995).
2. ***Purchase*** – Covers all customer interactions with the brand and its environment during the actual purchase event. This stage envolves customer choice, ordering and payment. During this stage marketers studied how do marketing activities, and service environment have impact in the purchase decision. Particularly in retailing, the shopping experience influence directly the purchase decision (Baker *et al*., 2002; Ofir and Simonson, 2007).
3. ***Post-purchase*** – Involve customer interactions with the brand and its environment after the purchase from the consumption, through engagement and service requests. All decisions regarding consumption experience (Holbrook and Hirschman, 1982), service recovery (Kelley and Davis, 1994), decisions to return products (Wood, 2001), repurchase (Bolton 1998) belong to this stage. Recently "loyalty loop" has become part of this stage (Court *et al*., 2009), suggesting that during the post-purchase stage, consumer can act in two ways, become loyal (through repurchase and further engagement) or reenter the pre-purchase phase and consider other alternatives.

This way, companies should seek to understand both the company and the customer perspectives of the purchase journey, identifying key aspects in each stage. After that, they should begin to identify the specific elements or touch points that occur throughout the journey. Finally, they should attempt to identify specific trigger points that lead customers to continue their purchase journey or not.

The traditional model of consumer decision-making process "Five-stage model of the consumer buying process", involves five steps that consumers move through when buying a product or service. When understanding these steps, marketers can not only move the consumer to the buying products but also communicate effectively and close the sale.

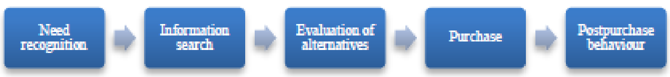


Figure 6 Five-stage model of the consumer buying process (**Source:** *Decision -Making Process*, Kotler & Keller, 2012)

This process starts with the *need/ problem recognition.* At this stage, consumers realize their need for something. Marketers try to intentionally create an imbalance between consumers' present status and their preferred status in order to make consumers buy a product or service. There may exist two different types of need. An immediately need that can be a very basic impulse and it is also called an internal stimulus. An external stimulus is when a person is affected by the outside environment. It occurs when marketers use advertising and promotion to affect customers. When consumers recognize an unfulfilled need and that a product will satisfy it, they have created a want.

If marketers understand when do customers develop these needs, they can act in an effective way, they can advertise in the right timing. Marketers 'role is also to create themselves circumstances in which consumers feel insecure without a certain product or to create a desired status for customers. These moments may be created through desired status, availability of information about some new products or versions and also related and complementary products that drive customer.

After the consumer has developed a want, he proceeds to search information about the different alternatives he has to purchase his needs This second stage, called information search involves both internally and externally information to help him making a decision. An internal information search consists of using information from memory, such as past experiences with the product. An external information search involves asking friends about their experiences with acquiring a new product. This external information includes not only public sources such blogs and reviews but also television and ads.

Depending on the consumer past experience the time spend on this stage can be longer or not. Once consumer created a set of alternative products to choose from, he/she has created an evoked set. This set consists of the most preferred alternatives. Once the evoked set has been decided upon, the consumer will then conduct final research to further shrink his/her choices.

The third stage is when the consumer evaluates the alternatives he has. At this point consumer starts asking some questions about the product and the actual need he may have. When evaluating the alternatives consumers look for the price, quality, brand, product positioning and decides which one is the most important to him. Marketers, at this stage try to be aware of the purchasing drivers that customers took into consideration.

After looking at the alternatives, consumer starts the purchasing stage. It is not necessary, that every purchase intention become a final purchase. Sometimes is needed to take other factor in consideration, such as when to buy, where to buy, and how much money to spend. Depending on the purchase, if it is a complex one like automobiles, personal computers, and consumer durables or a simple one, like nondurable products, such everyday goods there may exist a delay between the formation decision and the actual purchase More complex purchases take more time than the simple ones, and it is important for marketers to hook the consumer in purchase intention and in a delay period.

The last fifth stage, which is the post purchase stage is related to the level of satisfaction, consumers evaluate and review the product. If a customer finds that the product has matched or exceeded the promises made and their own expectations, he might start influencing other potential customers in stage two of their customer journey, increasing the chances of the product being purchased again. However, if the feedback is negative it can restrain a potential customer's journey towards the product. When understanding if a customer is satisfied or not with a product, we may reach the conclusion if we will become loyal or not. Besides that, after-purchase activities also have impact when trying to turn a customer into a loyal one.

Most of purchase decisions are based on a habitual or routine choice process. For many low-priced, frequently purchased products, the decision process consists of little more than recognizing the problem, engaging in a quick internal search, and making the purchase. When buying repeated products, it is no longer true that a consumer goes through all this process because he has already his preferences and brand loyalty and it is considered as an automatic process.

Even when talking about routine purchase process it is important for marketers to keep high levels of brand journey to customers, through reminder advertising, periodic promotions, and prominent shelf positions in stores.

Marketers of new brands or those with a low market share face a different challenge. They must find ways to disrupt consumers' routine choice process and get them to consider different alternatives. They tend to use more advertisement in order to encourage trial period or brand switching, along with sales promotion efforts in the form of free samples, special price offers, coupons.

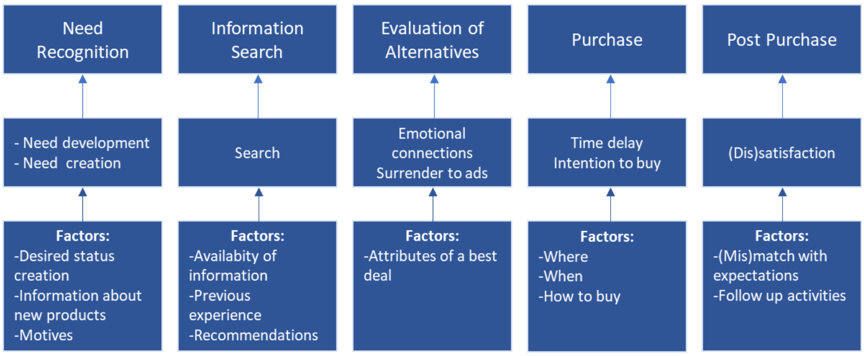


Figure 7 *Framework of factors that influence decision-making (**Source**: Adapted Salsberry, 2017)*

This traditional model was criticized by some authors. Solomon (2006) said that this model was a rational perspective, but people may behave irrationally "such a process is not an accurate portrayal of many of our purchase decisions". Consumers don't always go through this sequence when they buy something, sometimes it can be a momentum purchase (impulses that lead to unplanned purchase at the last moment). Consumers possess a repertoire of strategies and they choose one according to the situation and to the level of effort required, so-called constructive processing.

Commented [CG1]: opportunities

Dhar, Huber & Khan (2007) also talk about shopping momentum that occurs when an initial purchase provides a psychological impulse that enhances the purchase of a second, unrelated product. They defend that most promising theoretical mechanism for shopping momentum comes from Gollwitzer's (1990) theory of implementation and deliberation mind-sets. This theory states that shopping momentum occurs because the initial purchase moves the consumer from a deliberative to an implemental mind-set, thus driving subsequent purchases.

In 2009, Mckinsey & Company, supported the traditional decision-making model but showing it as a circular process with four phases:

1. ***Initial consideration*** – the consumer considers as initial set of brands, based on brand perceptive and exposure to recent touch points.
2. ***Active evaluation*** – consumers research potential purchases, they choose the brands based on their needs
3. ***Closure*** – consumer selects a brand at the moment of purchase
4. ***Post-purchase*** – consumer builds expectations based on his experience to make the next purchases

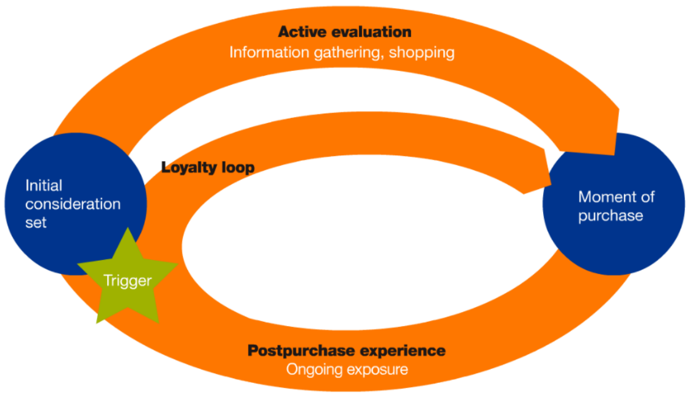


Figure 8 Decision making process (**Source:** Mckinsey & Company: *The consumer decision journey, June 2009)*

In 2009, Belch & Belch, went further and discussed relevant internal psychological processes for each stage of the model. In this process, consumer spends little or no effort engaging in external search or alternative evaluation, but he looks only the cognitive process. The five-stage decision process model views the consumer as a problem solver and information processor who engages in a variety of mental processes to evaluate various alternatives and determine the degree to which they might satisfy needs or purchase motives.

Power it is an essential part of life, and a basic method of social relation organization (Smith & Galinsky, 2010). It influences consumer values and his decision-making behavior. (Jiang, Zhang, & Rucker, 2012). Power may be divided into two different definitions. Personal power it is the ability of not being influenced by others and to control is own results and decisions. (Lammers, Stoker & Stapel, 2009). On the other hand, social power it is the ability of a person to influence others to make things they usually would not do it (Fiske & Berdahl, 2007; French, 1956; Lammers *et al*., 2009).

Figure 9 Internal Psychological Processes (**Source:** *Decision -Making Process,* Belch G. & Belch M., 2009)

A brand power it is the brand ability to influence consumer behavior and to push him to do something he would not do it. (Crosno *et al*., 2009). Fournier suggests that consumers can have relations with the brands the same way they have between individuals.

There exists power asymmetry in a consumers-brand relation. They feel more powerful when facing a weaker and less powerful brand than when facing a more powerful one. If a consumer depends more on a brand than other, the less his power within the relation, providing inequality power in the consumer-brand relation. Confidence acts as a mechanism to decrease power asymmetry between relations. When having high confidence, that asymmetry between consumer- brand is smaller than when having low confidence.

1.2. Customer Loyalty and Satisfaction

Customer loyalty constitutes an underlying objective for strategic market planning (Kotler, 1984) and it is an important basis for developing a sustainable competitive advantage. Nowadays, regarding the increasing of global competition, along the fast market entry of innovative products and the maturity conditions of some product markets, customer loyalty is even more challenging.

Fournier (1994), presents loyalty as an attitude, stating that customers' have different feeling, leading to an individual emergence of affection upon a product, service or organization. Feelings define the *"purely cognitive degree of loyalty of customers*.

Customer loyalty is defined as a customer's sense of belonging or identification with the employees, services or products of a company. These feelings have a direct impact on customer behavior (Jones and Sasser, 1995). Dick and Basu (1994) argue that loyalty is multi-dimensional. Zeithaml (1996), Bloemer and Odekerken-Schroder (2002) also have described customer loyalty as a purchase intention, recommendations, price tolerance, word of mouth, complaint behavior, and propensity to leave. Customer loyalty will have a direct impact on the repurchases intentions, spending amount, the possibility of recommendation, and even the willingness to become part of a business.

As Oliver (1999) suggested, loyalty is the aim of relationship marketing. He defined as a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior.

Marketers have theorized four key virtues that support relationship marketing, such as trust (Veloutsou, 2002), commitment (Chan and Ndubisi, 2004), conflict handling (Ndubisi and Chan, 2005), and communication or sharing of secrets (Ndubisi and Chan, 2005). Ndubisi (2004) has suggested that companies should make sacrifices and worthwhile investments in building relationships with loyal, or at least potentially loyal, customers. These four features show that relationship marketing is directly linked to and capable of predicting customer loyalty.

1. ***Trust*** – which was defined as ". . . a willingness to rely on an exchange partner in whom one has confidence" (Moorman *et al*., 1993). Gronroos (1990) believed that

the resources of the seller must used in such a way that the customer's trust in them, and thereby in the firm itself, is maintained and strengthened.

2. ***Commitmen**t* - which is useful in measuring the like hood and customer loyalty and predicting future purchase frequency (Gundlach, 1995). Wilson (1995) also observed that commitment was the most common dependent variable used in buyer-seller relationship studies.
3. ***Communication*** – which refers to the ability to provide timely and trustworthy information. It means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs.
4. ***Conflict handling*** – which refers to the supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. Ndubisi and Chan (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality.

Ganesh *et al*. (2000) distinct dimensions of the loyalty construct: active and passive loyalty. Active loyalty behaviors are those that require a conscious and deliberate effort to undertake and are reflected in both purchase behavior and purchase intentions. On the on other hand, passive loyalty can be identified when customer purchase behaviors or intentions are affected by a change in price or switching cost.

Kumar and Shah (2006) suggests that customer loyalty can be viewed in two different ways. It may be as a behavior measure (repeat purchases), but also as an attitude (positive word-of-mouth). Behavioral loyalty ensures that customer intends to repurchase the same brand and by that, maintain a relationship with a particular service provider. Customer loyalty can be converted into actual purchase behaviors, it is a substantial element. On the other hand, attitudinal loyalty encompasses positive word of mouth intentions, willingness to recommend to others and encouraging others to use the products and services of a company (Jones and Taylor, 2007). It is a more psychological construct that indicates propensity to display certain behaviors, such as the likelihood of future purchases (Liddy, 2000).

Building loyalty, it is a difficult challenge. However, companies can use marketing has a tool to instruct bases for preference like advertising that focuses on relevant antecedents (showing the reliability of their products so that customers can be more confident about it). Also using promotional arrangements to force repurchase it is another way to develop loyalty.

Managing loyalty it is not easy, it involves several steps to take into consideration: 1) *determining the loyalty status of a target* (it might be a brand, a service or a store) in terms of the strength of the relationship and comparing it with competing alternatives; 2) *identifying relevant antecedents* and consequences in a given market context; 3) *determining the relative impact* of antecedent factors and the likelihood of different consequences; 4) *identifying causal variables* on which the target is underperforming compared to competitors, from which increases in loyalty may be effected through strategic interventions.

There are some factors influencing the evaluation of customer loyalty.

Customer satisfaction is determined by customer perception. When evaluate a service or product purchase, customers form emotional perspectives toward a product (Churchill and Surprenant, 1982). Anderson (1994) suggested that customer satisfaction is firstly based on the experience and satisfaction while purchasing merchandise or services. It is both an emotional evaluation and a process of comparison between a "pre-consumption expectation" and the "post-consumption perceived performance". Reichheld and Saser (1990) argue that improved customer satisfaction will affect the likelihood of repeat purchases, meaning higher the customer satisfaction, the higher the loyalty to the company. Hallowell (1996) explains the link between customer satisfaction and customer loyalty, enhancing the influence that customer satisfaction has on customer loyalty. Fornell (1996) also maintain that after a customer purchases a product or service, an attitude will be formed, which is satisfaction. If satisfaction is high, the likelihood of repeat patronage is great. This will create an attitudinal loyalty whereby the customer will recommend the product or service through word of mouth. customer satisfaction has a positive impact on both behavioral and attitudinal loyalty

Service Quality - Some authors suggest that customer satisfaction is based primarily on service quality. Ibanez (2006) argue that the technical quality of a core service as well as the technical quality of peripheral and service process qualities also affect customer satisfaction, but that service quality does not directly affect loyalty: it affects loyalty only through satisfaction. Service quality is seen as an antecedent variable of customer satisfaction.

Corporate image is a consumer's perception of a corporate entity. Nguyen and LeBlanc (1998) argued that corporate image has significant influence on customer loyalty and plays a key role in customer retention. Josee and Gaby (2002) determined that corporate image affects purchase decisions and consequently loyalty. The better a corporate image, the greater both the purchase frequency and the price paid for a product.

Switching cost can decide if it is expensive for customers to switch service providers. When customers are considering switching service providers, they evaluate benefits and costs. Depending if the costs are higher than the benefits, they probably decide not to switch and to keep the same alternative (Jones *et al*., 2000). Hauser (1994) argued when switching costs increase, sensitivity to satisfaction decreases. Unsatisfied customers may continue with the same vendor only because they believe that extra time and effort spent on switching, will be costly.

A consumer's post-purchase response to a brand is believed to occur through a matching of expectations and perceived performance. According to Bitner (1990) the resulting satisfaction/dissatisfaction is considered to act as an antecedent to loyalty. It is viewed as an emotion distinct from cognitive assessments or attitudes (Oliver, 1992), arising out of direct prior experience, but independent of cognitive mediation. Some authors as Oliva, Oliver, and MacMillan (1992) suggested that the relationship between service satisfaction and loyalty is nonlinear, meaning that when satisfaction increased above a critical level, repeat purchase also increased rapidly. There was an equal decline in repeat purchase as satisfaction fell below a critical threshold. Loyalty, however, was unaffected over a relatively broad range of satisfaction/dissatisfaction between these critical points.

According Gupta and Zeithaml (2006), there are some confirmed effects of satisfaction on customer behavior and firm performance, and they serve as early evidence of empirical linkage models to identify key drivers and consequences of satisfaction.

Satisfied customers are shown to be loyal, to repurchase, to be willing to pay a premium price, and to engage in positive word-of-mouth (Palmatier, 2006), and satisfaction has also been linked to the superior financial performance of a company (Anderson, 2004).

Then, companies with a highly satisfied customer base have less to gain from initiating customer engagement, as a customer engagement initiative may be of less.

More recently some studies have distinguished customer's satisfaction in two groups: *emotional* satisfaction and *rational* satisfaction. Emotionally satisfied customers are those customers that are really satisfied with the company and at the same time have a strong emotional connection with the brand. In contrast, the rationally satisfied customers are the ones that even though they show to be extremely satisfied with the company, they have no emotional connection with the brand. According to Fleming & Asplund (2007) emotionally satisfied customers are the ones that deliver greater value to organizations since they tend to "buy more products, spend more money on those products, or return more often to or stay longer with the business"

Retailers recognize that customer satisfaction (CS) plays a key role in a successful business strategy (Gomez, 2004).

According to Lemon & Verhoef (2016), the ability to measure and monitor customer reactions to firm offerings, especially customer attitudes and perceptions element is essential to understand and to manage customer experience. Customer satisfaction and other approaches to assessing customer perceptions of the customer's experience are used not only as a mean to understand the decision-making process but also to measure that experience.

It is important to consider how past experience—at each stage of the customer's experience may influence his current experience. Specifically, Verhoef, Neslin, and Vroomen (2007) highlight interrelationships between channel attitudes in different purchase phases. Past experiences can affect current experiences through expectation formation in experience evaluations (Lervik-Olsen, Van Oest, and Verhoef, 2015).

The supermarket sector is characterized by increased competition, an enhanced opportunity to analyze markets, and greater shopper expectations. These aspects suggest that customer satisfaction is crucial.

Supermarkets offer a variety of goods and services simultaneously so that customers see the visit to a store in more than a consumption way. Depending on the shopping experience, customers take in consideration not only the quality and price of the goods offered but also the environment experience. According to the Food Marketing Institute, customer traffic in supermarkets is roughly two times per person per week. Anderson and Sullivan (1993) state that the elasticity of repurchase intentions regarding to customer satisfaction in the supermarket industry is one of the highest among all retail sectors. Besides that, the supermarkets 'offer is so high and competitive that unsatisfied costumers are not worried in switching of supermarket, because they know the offer will be similar, there are not high switching costs. It is only necessary one unsatisfactory experience to a customer shift store immediately. This will have an impact on the store sales. Retailers have the power to make the right decisions to satisfy customers and then to have greater payoffs than their competitors (Gomez, 2004).

In food retailing market, consumers consider customer service provided by the supermarket as a crucial factor affecting customer satisfaction. Some variables influence customer service like the disposition of the cashiers and sales associates, shelf space, tying discounts, strategically located displays. speed and accuracy of checkout, and availability of everyday grocery items and store cleanliness. They also value the store atmosphere, staff friendliness and willingness to help, the perceived product quality of fresh produce, bakery, seafood, fresh meat and floral, as well as the perceived value of products relative to the price. Besides this, for a large number of consumer nondurables sold in supermarkets, marketing resources may need to be directed toward aggressive trade promotions.

Specific in retailing, loyalty is most frequently related to store image. According to Hirschman (1981) a favorable store image leads to store loyalty. Mazursky and Jacoby (1986) have described three general factors of store image: merchandise-related aspects, service-related aspects, and pleasantness of shopping at a store.

In order to get a customer to become loyal to a certain store, managers may implement confidence in that store. It can be through periodic information feedback to the consumer regarding past purchases as well as by store policies that guarantee satisfaction through "merchandise return" or attractive warranties. Besides providing affective encouragements through satisfaction, favorable emotions may be evoked during store visits through customized services as well as by environmental layout and design.

Depending on the levels of customer satisfaction of a retail store, there are required different amounts of investments in satisfaction drivers to improve sales performance. If it is a store with low levels of customer satisfaction, there is no need of high investments.

Although if it is a store with high levels of satisfaction it is required a larger investment in drivers to produce impacts on performance.

One of the major challenge's marketers face is to create and to retain loyalty. Nowadays, with the fast-changing media it is much harder to get audience under control, and also e-commerce and digital communication make it difficult to integrate messages and deliver on-brand customer experiences.

Satisfied customers are those who buy regularly, often out of habit, because they are satisfied with the brand's performance over a long time period. They see the brand as familiar, besides having consistently good experiences and easy to buy. That brand has become a comfortable habit and there is no reason to change. For some low-involvement products, satisfied customers are the core of the brand loyal group.

Customer may also be committed. Those have a more intense and involved relationship to the brand. They tend to have more emotional attachment, to receive self-expressive benefits and to have a use experience that goes beyond functional benefits. They are also more likely to be brand supporters, giving people their opinion about their own experience and the brand they chose. For some high-involvement products, a brand should aspire to have a committed group.

In the retailing market, consumers ask for different things. Younger consumers like convenience, but they're also drawn to environmentally friendly brands. According to a Nielsen study (2015), almost three-quarters of millennials are willing to pay extra for sustainable products.

Consumers also want more transparency. A 2017 report from The Hartman Group found approximately 70% of consumers say they want retailers to be more transparent about their sustainability efforts.

"Transparency is central to our customer experience" (Brock, 2017). "If you only ever buy food from the supermarket, it is pretty opaque. It just shows up in these cases, and you don't really know where it's coming from. But we try to give people more info about where it's being grown, why it's ugly or imperfect or surplus."

2. Food Retail Market

2.1. Portugal

In the Portugal 70's starts the food retail industry expansion., with the opening of several super and hypermarkets of the nowadays Auchan Group. Later, the 80's, the food retail market begins to expand with the opening of Pingo Doce supermarkets, from Jerónimo Martins Group, and Continente hypermarkets, from Sonae Distribuição. It was the beginning of food retail industry expansion in Portugal (Loureiro, 2014). Later in the 90's Lidl enter the Portuguese market.

By the end of the 20th Century super and hypermarkets sales and market share had increase and surpassed the traditional retail stores (Loureiro, 2014). Some factors such stores location and price began to gain great importance for the customer when purchasing. This had a huge impact on the discount stores' fast growth, meaning that customers started to consider the best price the main driver to choose a store. While supermarkets and hypermarkets were flatter after 2000, the discounts suffer more variations over the years. In 2015 they already have almost the same weight as them, in contrast to the traditional stores that do not have a significant impact.

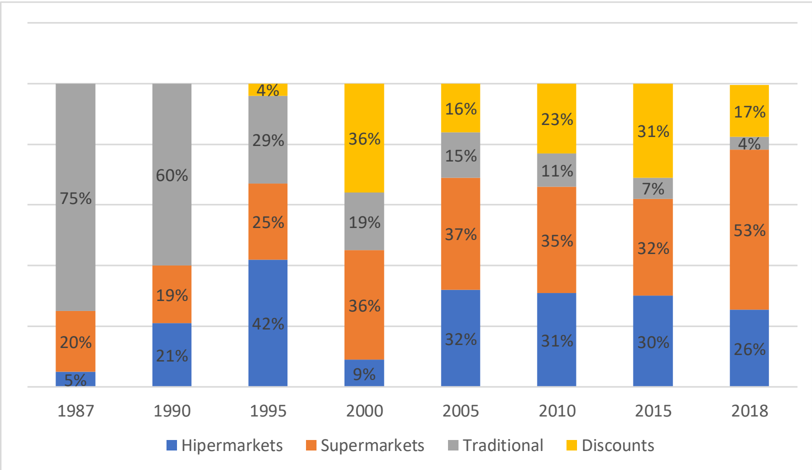


Figure 10 Food retail market share per format, in Portugal (**Source**: Nielsen, 2018)

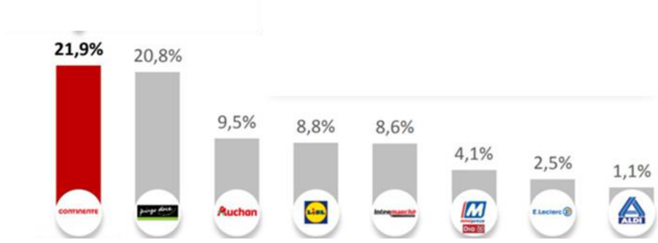


Figure 11 Quotas de Mercado 2017 Portugal *(**Source:** Nielsen)*

According to this data, in 2017 Continente had 21,9% and 564 stores of retail share, comparing to Pingo Doce that had 20,8%, with 400 stores. While Continente main focus is the hypermarket segment, Pingo Doce main strategy are convenience stores, being leader in the supermarkets segment.

2.2. Jerónimo Martins

The group was created in 1792 by a young boy named Jerónimo Martins. He was born in Galicia but moved to Portugal and open a small store in Chiado, Lisbon. Rapidly, the store became the most in fashion store in the capital, supplying the royal house and the embassies. During the 19^{th} century the store prospered and gain reputation.

In 1920, two of the partners of the great warehouses of Porto (Francisco Manuel dos Santos and Elísio Pereira do Vale) reach an agreement with Jerónimo Martins family and buy the store in Lisbon. In 1949, Jerónimo Martins establishes a partnership with Unilever for the development of margarines and detergents.

In 1978, the group decided to enter in the business of the modern food distribution, so they create Pingo Doce and in they opened the first stores two years later in 1980. Pingo Doce made a joint-venture with Delhaize, the largest Belgian food retailer, a strategic move that allowed to reinforce the growth of the Group and to bring to Pingo Doce the know-how and the passion for the perishables business.

After 200 years of history, Pingo Doce changed its strategy to start having the Dutch Ahold as a partner for the development, support and growth of the supermarket chain.

Besides working in the food distribution with Pingo Doce and Recheio (Portugal), Biedronka (Poland), Ara (Colombia) the group also acts in the specialized retail with Hebe (Poland), Jeronimo and Hussel (Portugal).

The most recent investment of the Group is Jerónimo Martins Agro-Business (JMA), which main goal is to guarantee the capacity of all the portuguese companies to supply themselves in some strategic products as dairy, beef and aquaculture products.

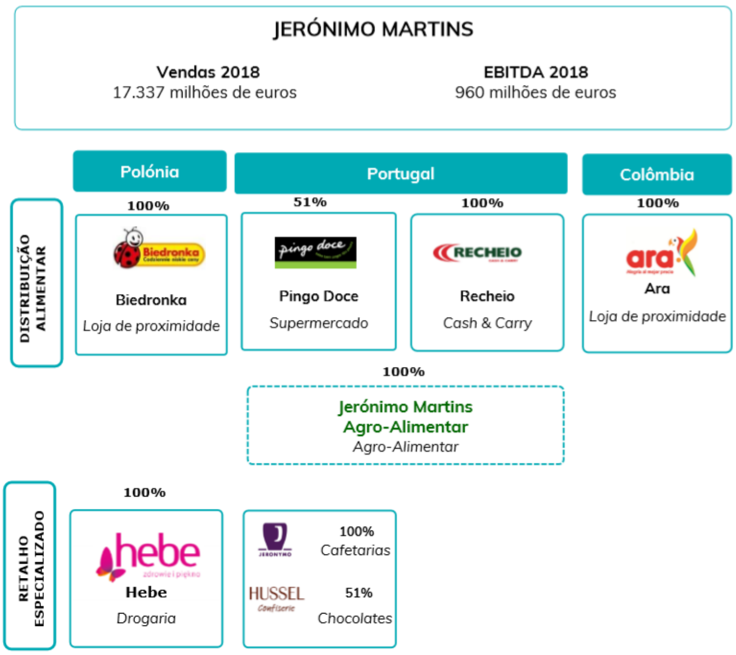


Figure 12 Jerónimo Martins structure (**Source:** Jerónimo Martins Annual Report 2018)

2.2.1. Pingo Doce

Pingo Doce is a Portuguese chain of supermarkets, considered to be the leader in this segment (*Annual Report 2018: The Jerónimo Martins Group*, 2018), with a sales volume of €3,8 M in 2018. The company counts has 432 stores divided in 4 stores format: Super, Mega, Hyper and Pingo Doce & Go depending on the area of sales available. Has 25.000 employees all over Portugal and its mission is to invest in the differentiation through high quality and variety in perishables, best quality/price ratio in the private brand, offering convenient solutions, unique store environment and closest stores to consumer.

The year of 2012 was marked by the biggest promotional offer ever seen in Portugal, Pingo Doce made 50% discount of. After this Pingo Doce moved from an everyday low-price supermarket to a discount one.

2.3. Yogurts' category

Nowadays, portuguese consumers are more confident in their decision buying process. They used to take different features in consideration when choosing a store to buy, and consequently a product. In 2011, a study by Nielsen showed that promotions and competitive prices were out of the top ten drivers to choose a store. However, in 2016, these positions had clearly changed with low price products having the third-place ad promotions taking the seventh one. In 2017, almost half of promotions were in sales, 45%, which showed the huge changed in the retail market, and the dependence on the promotions.

The last years, consumer behavior has changed. Customers still look for lower prices, but they also value other variables, marketers should take into considerations. This new customer is more challenging, has different interests and most of times is even willing to pay more for a product. (Nielsen, 2017). To act more effective, marketers should understand the real buying trends, those that will be critical in the following years. When understanding consumer habits, they can value those categories and improve their development, by having a larger offer. Healthy food it is one of the major trends to invest in. According to Nielsen, 66% of portuguese are willing to pay more for products without undesirable ingredients (Health and Ingredient-Sentiment Survey). Organic yogurts are one of those examples with a growth around 136% Portuguese. Besides this, consumers had also increased their confidence in the products they buy. They are now paying more attention to well-being, health and leisure so that they are willing to spend more money on products they think they will benefit from.

Above this, convenience it is also an important factor when choosing stores. Online shopping for example, has been largely overlooked thus far by Portuguese shoppers. A study entitled The Future of E-commerce in FMCG (Kantar Worldpanel, 2017), indicated that online grocery penetration in Portugal was a meagre 0.9%, compared to a global average of 4.6%. Still a recent study from Nielsen says that almost 35% of portuguese consumers pretend to use an online supermarket in future, since it is still a small market in Portugal.

Shoppers are more aware and less patient, it is more difficult to retain it. In order to achieve that, is important to innovate but specially to personalize the offer, presenting different solutions for distinct targets

Portuguese consumers seek not only for the price but the balance between price, offer and convenience. They want to find this balance that meets the real trends of consumptions and customer needs. Besides that, they are increasingly looking for greater value and more promotions, but without sacrificing the quality expectations to which they have become accustomed over generations. This is one of the biggest challenges to retailers.

Retailers, given the high percentage of products on promotion in stores, had to innovate and differentiate their offering in order to build loyalty. APED (Associação Portuguesa de Empresas de Distribuição) believes that "*Despite the positive signs brought on by the economic context, the Portuguese still seek out goods with the best quality-price ratio*". "The sector will continue to meet the expectations of the Portuguese and adjust formats in order to find the most suitable value formula. Consumers got used to shopping on promotion and comparing prices, so, in the medium term, we don't feel consumers will stop using price as their driver when making a purchase."

While giving importance to the promotion environment, consumer expectations around private label have also grown. Private-label penetration stood at 33.1% in 2016, according to the APED Sales Barometer, while Nielsen data indicates that own-brand growth was higher than that of mainstream brands in 2017.

Consumers are decreasing loyalty to the brands in long term. Every day they are less attached to the brands. A study from Nielsen (Global Consumer Loyalty Survey 2019), suggested that regarding the dissemination of information, the "*experiment*" factor and the variety of choices available leads consumers to look for original and high value products. This expectation is also driving customers to new products and services.

In Portugal, 89% of consumers assume they like to buy and try new products and brands. Looking at the Shopper Trends study (Nielsen, 2019), Portuguese are one of the most "*Brand switching*" in Europe. At this stage, brands need to create strong relationships and remain in the top of mind of consumers, who are daily encouraged by new trends, products and brands. Brands must innovate in a holistic and continuous way, not only at the product level, but also trough communication and distributions channels. Shopper must be surprised in every interaction moment and have a positive experience in order to develop the relationship.

"Customers are less loyal than ever" (Grande Consumo, 2018). Disloyal shoppers, those who search for new brands and products have increased from 13% to 19% in two years. On the other hand, the loyal ones, those who do not like risk and prefer to buy their favorite brand decreased from 24% to 13%. (Nielsen, 2018). Knowing that in the next five to ten years Millennials will have the highest purchasing power it is important to look at this generation as a particular one. They have different purchasing patterns and different decision-making processes from the previous generations, they are less loyal and do not follow the modern models.

This generation will be less attached to a product or a brand because they will also face a wide variety of alternatives for the same need. There will be more offer in the stores along more specialized ones. New small brands will enter into the physical market while online brands will keep developing themselves. This differentiation is what this generation will look for.

Media will also increase their importance and their power. Customers are now influenced all the time trough social media, youtube, blogs before making a decision. They change their opinion several times in their purchasing process.

Nowadays, marketers face new challenges. Consumers are more conscient and they interact with a wide number of brands, which develop a barrier in brand engagement. Brands need to be more personalized and focus more on customers interests in order to keep them loyal. More variables are considered as quality, best quality/price ratio as other benefits as convenience and sustainability.

Yogurts it is one the most familiar categories of Fast-Moving Consumer Goods (FMCG) to portuguese. In 20118, 96% of portuguese households consumed yogurts, meaning it has an important role in retail market.

This category has made some important efforts to answer consumer needs, offering a wide and complete range along innovation and a balance between health and pleasure. As the latest changes in consumer behavior, this category focused not only on developing options to customer' well-being but also organic and "*free from"* (Gluten, Sugar and Lactose). New added value segments in this category like Protein and Kefir, allowed also the category to grow and increase is value. Some traditional yogurts were replaced by this new segment.

In long-term the yogurts category shows some challenges in its development. In the last years this category has performed without growth, and the major obstacle is the continuous reduction of purchase, along the smallest size of the baskets, meaning that customers buy less and fewer quantity every time the they go shopping. Although we have seen a changed from big formats to small ones, this new offer in small sizes does not offset the big ones. This means, that still yogurts category remains in the portuguese households, it is in a less amount.

Looking deep into the yogurt's category, it is easy to understand that the promotional activity has no longer the same impact on customers. It is no longer effective in encouraging the customer to a more intensive purchase, since the buyer is already familiar to the promotions in the linear. The truth is that even with a wide offer, permanent promotional actions, the category continues to lose volume. It is crucial to understand the way of consuming yogurts more than the purchasing behavior in order to achieve a solution.

In this category, consumer has available a several alternatives for the same need, which leads a more varied consumption. The problem faced is that yogurts are now sharing their consumption moments with some other categories, especially in households from 35 to 49 years, which used to be age group that purchase this category the most.

Only when understanding the consumer and the way yogurts are consumed it is possible to act in a more effective way and to retain the customers. Typically, portuguese like more liquid yogurts than solids, it is more convenient and easier to take. They prefer the concept "*on the go*". When choosing solids ones, they prefer the natural and simpler because they want to do their own mixtures and add what they want to.

3. Methodology

3.1. Research Problem

"Customers are less loyal than ever" (Grande Consumo, 2018). Price is no longer the only variable that customers take into consideration. They are not only more aware, but also more informed so that they end up valuing other features besides price.

In Portugal, 89% of consumers assume they like to buy and try new products and brands. Looking at the Shopper Trends study (Nielsen, 2019), Portuguese are one of the most "*Brand switching*" in Europe.

Retailers, given the high percentage of products on promotion in stores, had to innovate and differentiate their offering in order to build loyalty.

Regarding these thoughts, the main question to understand is:

"What are the key drivers of customers loyalty in Pingo Doce yogurt's category?"

3.2. Research Objectives

Since yogurts it is one the most familiar categories of FMCG to portuguese families, it is interesting to understand his role in retail market and the way customers behave in this category as well as their decision-making process.

This case study is related to this category in a specific supermarket, Pingo Doce from Jerónimo Martins. The main goal is to understand what affect consumers loyalty as well as to give recommendations to future dairy category managers in the way they can use this information in the best way to act more efficient and effective in their management.

Following the question above, this research will focus on understanding customers decision-making processes in this category, based on customer's opinion but also in data provided by Nielsen and Jerónimo Martins.

3.3. Research Approach

This analysis pretends to match data provided by Pingo Doce and Nielsen to data collected from the questionnaires to Pingo Doce customers, in order to achieve conclusions about Pingo Doce yogurt's category loyalty.

Starting by using secondary data related to the main household consumption indicators in FMCG provided by NIELSEN, we were able to understand some figures not only about Pingo Doce supermarkets but also about this specific category. This data was already provided by NIELSEN, so it was easily and faster to studied.

Firstly, we start looking into different indicators from NIELSEN in order to compare the most important supermarkets in Portugal. After that, we deeply focus in the yogurts category with the purpose of understanding better how this category behaves.

On a second stage, we looked into the yogurts decision-making tree (secondary data), so that we could reach conclusions about them behave since they get in a store until they purchase a yogurt. By using this decision-making tree, we could see how customers see the category and how they split their decisions, and into which need units.

Ona third step, we perform some online questionnaires, in order to have some primary data. This data was collected from questionnaires to a representative sample which purpose was to get even closer to the customer reality, and the way they see this category and loyalty in Pingo Doce. This data allowed to go deeper in customers mind.

As we previously said, *"customers still look for lower prices, but they also value other variables, marketers should take into considerations*. (Nielsen, 2017).

In retail, consumer has a crucial role, so that in order to act effectively and to answer its needs we must know exactly the way the think. To act more effective, marketers should understand the real buying trends, those that will be critical in the following years.

"Shoppers are more aware and less patient, it is more difficult to retain it." This means that the best we know them, the better we can act in order to retain them.

In order to understand better this new reality, and the variables customers value the most, questionnaires are the best approach to use, since it is completely focused on them, them behave, perceptions and way of thinking. They are the center and the main focus of this research. It was also a way of going deeper in the subject and get more specific information about it.

The use of questionnaires allowed better understanding of customer behavior, and their attitudes in the purchasing decision. The main goal was to reach the main drivers for customers' loyalty in Pingo Doce yogurts' category. The main objective was to complement the market data provided by NIELSEN, and by Pingo Doce and to consider customers' perceptions and thoughts. It was a toll to have better knowledge about their thinking in the decision-making process and to see if their thoughts actually match them behave. This way, we could get more real information from actual data and to have a better answer to the main question.

We used a quantitative methodology which main goal is to find relations between variables, to make descriptions about the data collected and to take conclusions about it. This method allows to have a quantification from the reality, as well as more accurate and reliable results. By using this method, we can generalize our conclusions from the sample since the sample represents part of the reality.

The sampling method chosen was a questionnaire since from this data it is possible to have a representative sample of the reality and to take conclusions from the results. However, in order to have reliable results we need to have a large sample that might be generalize to all population. We still need to have in consideration that all the answers are according to the individual thoughts and the way they behave. The data collected must be true, otherwise all conclusions might be compromised according that.

In this quantitative survey it was used both nominal and scale variables. It was divided into different parts with different goals.

Starting by understanding if a customer is valid or not to the questionnaire, the first questions catch immediately the right target. When we get the customers we want to, we start immediately asking the features they value the most as Pingo Doce's customers. This last question also gives some highlights about customer behavior and decision-making process. Then, we try to understand if this category attracts customers by itself, being a driver category or if not. If customers' do not buy exclusively yogurts in Pingo Doce, they might not be attracted to this supermarket by this category. Instead, they do all their groceries purchase in this specific store because it might be more convenient. This means that most of the individuals are not loyal customers in this segment. After understanding that, we move to some specific questions in order to reach out the reasons that push them purchasing in other places than Pingo Doce. We pretend to conclude if they are missing something in these supermarkets that forces them to move to other players, or again if it is a convenient choice. Later, we move to questions related to specifications of Pingo Doce stores, so that we can understand if the consumer see these stores, as it was supposed to be or not. We want to understand if they also see it as more convenient and neighborhood stores, where he should regularly go. After there are some direct questions in terms of loyalty of this specific category. We try to understand the behavior when facing some issues, and mostly the way he values the category and become loyal. Following with the questionnaire, we have some questions related to customers' interests and choices not only in terms of brand decisions but also in yogurts segments. At this stage we are also able to understand private label consumption in Pingo Doce, which is an important factor when attracting and retaining customers. Finally, there are some demographic questions related do gender and group age. In this phase we could understand who the real target of the questionnaire was, and even infer that mostly women do purchase yogurts.

After using both primary and secondary data, the goal is to match them in order to achieve better conclusions about customer decision making-process as well as answering the main question of this research. The main purpose is also to give recommendations to Pingo Doce category managers in order to not only act in a more efficient and effective way, but also to increase loyalty in this category.

4. Data Analysis

4.1. Data from NIELSEN

According to NIELSEN, and looking into FMCG, Pingo Doce loyalty is above the other competitors. However, Pingo Doce customers also buy in Continente. Around 24,4% of Pingo Doce customers also do grocery shopping in Continente stores. This is the player that shares most of his clients with Pingo Doce.

	Δ Consumption	% Households		Purchase Frequency		Average expenses per act		%Household Share		Loyalty		Customers Share	
	YTD	YTD	Δ Hom. (pp)	YTD	Δ Hom. (%)	YTD	Δ Hom. (%)	YTD	Δ Hom. (pp)	YTD	Δ Hom. (pp)	YTD	Δ Hom. (pp)
TOTAL PORTUGAL	**5,0%**	**100,0**	**0,0**	**61,6**	**2,1%**	**20,9 €**	**1,9%**	**100,0**	**0,0**	**--**	**0,0**	**100,0**	**0,0**
PINGO DOCE	**5,6%**	**78,1**	**-1,1**	**16,7**	**2,6%**	**26,3 €**	**3,4%**	**26,7**	**0,1**	**34,78**	**0,6**	**34,8**	**0,6**
CONTINENTE	7,1%	81,2	-0,4	13,3	5,9%	32,9 €	0,6%	27,6	0,5	34,69	1,1	24,4	0,5
INTERMARCHE	5,0%	44,8	-1,9	11,9	5,4%	21,0 €	2,8%	8,7	0,0	21,68	1,0	7,4	-0,6
LIDL	6,3%	73,9	3,4	10,0	-1,5%	16,6 €	2,0%	9,6	0,1	13,44	-0,2	9,5	0,2
MINIPRECO	-4,3%	37,8	-3,8	14,4	9,4%	12,4 €	-4,5%	5,3	-0,5	16,11	1,1	5,0	-0,2
AUCHAN	2,1%	39,2	0,3	7,8	6,7%	25,4 €	-6,0%	6,0	-0,2	15,89	-0,3	5,4	-0,3
OUT.LOCAIS	4,3%							16,1	-0,1			13,5	-0,2

Figure 13 – Main Household Consumption Indicators in FMCG vs Last year same period (**Source:** Nielsen, June 2019)

In terms of customer loyalty Pingo Doce has the most loyal customers of all supermarkets. According to Nielsen, 34,78 of Pingo Doce customers are loyal to this supermarket, meaning that they do not buy in other places. Pingo Doce's customers loyalty has increased around 0.6pp from the previous year. In second place, Continente, reveals that 34,69 of his customers only buy in this supermarket.

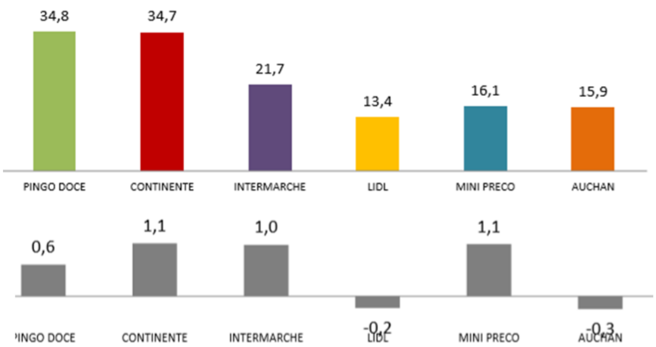


Figure 14 Δ Customer Loyalty in each supermarket (**Source:** Nielsen, June 2019)

When looking at customer share, we can see that Pingo Doce customer share is decreasing with all supermarkets except Continente (+0,5pp) and Lidl (+0,2pp). This means that customers who usually go shopping at Pingo Doce, are also going sometimes to other places to do their purchases. Around 9,5% of Lidl customers also go to Pingo Doce, and approximately 24,4% of Continente customers also go to Pingo Doce stores.

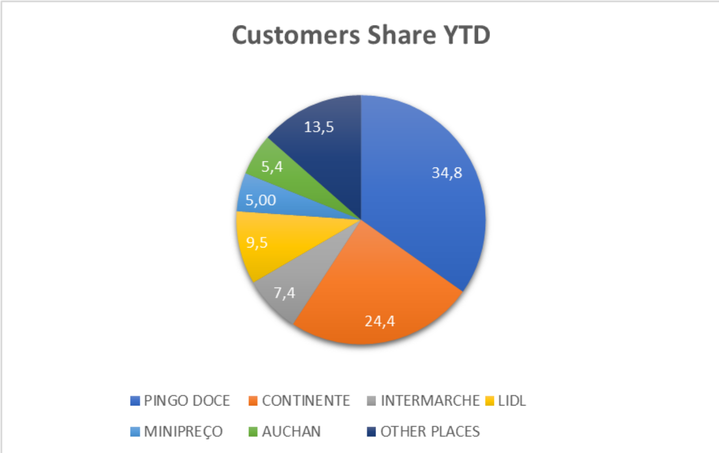


Figure 16 Pingo Doce Customer Share % (**Source:** Nielsen, June 2019)

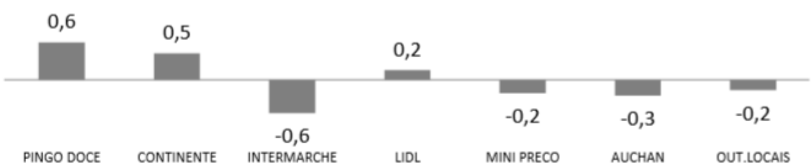


Figure 15 Δ Pingo Doce Customer Share YTD (**Source:** Nielsen, June 2019)

In a broader vision, we can understand that Continente has the biggest household consumption share, when comparing all the retail competitors. In second place, we find Pingo Doce with a 26,7% share. Yet, Pingo Doce is quite close to Continente share, it is less than 1% behind it. All other players have a less percentage than these two together, meaning that more than half of customers go to Pingo Doce and Continente.

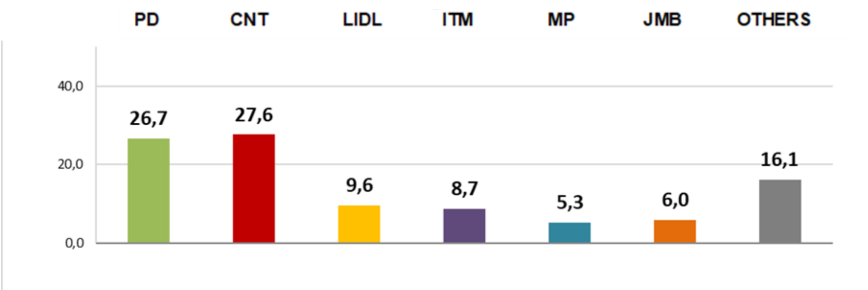


Figure 17 Household Consumption Share (**Source**: Nielsen, June 2019)

When focusing deeply in the yogurt's category, we can see that the trend is almost the same, but with different numbers. Continente has a higher percentage of consumption share, around 31,3% against Pingo Doce 27,4%. There is a higher gap between these two retailers in this category. It is also important to notice that in this category Lidl also has an important percentage. All other competitors do not have a significative parentage when compared to the main ones.

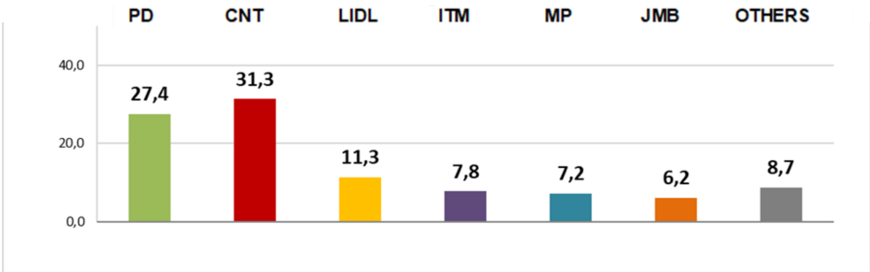


Figure 18 Yogurts Consumption Share (**Source:** Nielsen, June 2019)

According to data provided by Nielsen, we can reach some conclusions about several variables. From the percentage of households in the yogurt's category to the private label weight.

Starting with the average of households, we can understand that in this category the total percentage of households in which yogurts are present is around 94%. 58% of that total purchase Continente's yogurts at least once, followed by 54% that purchase the Pingo Doce ones. Pingo Doce has lost around 1.8 pp from the previous period (data from the previous year). In other hand, Lidl, has increased 1.1pp his presence in Portugal households, having now 44%.

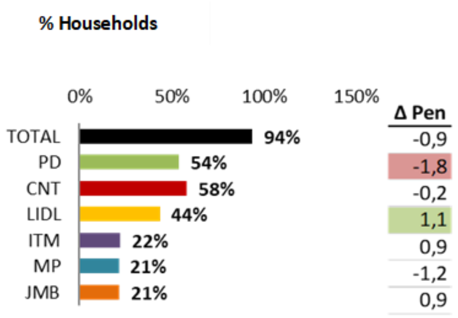


Figure 19 % Households per retailer that consumed yogurts in the period (**Source:** Nielsen, June 2019)

When moving to the average expenses per act, we can see that on average the amount spent in yogurts per act is around 3.5€. This average also corresponds to the amount spent in Pingo Doce. Only Jumbo, and Continente are over this average, meaning that customers there usually spend more money in their baskets. However, we can see that in Pingo Doce the amount spent has increased around 4%., the higher increase in all the retailers.

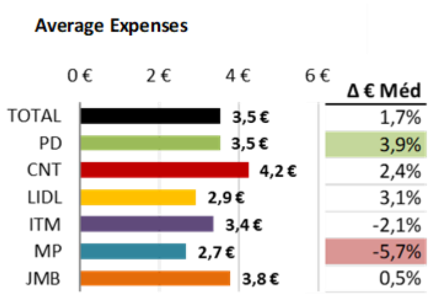


Figure 20 Average Expenses per act, per retailer in the period (**Source:** Nielsen, June 2019)

Another variable to study is the number of times that customers visit a certain retailer. Looking at the average of visits that customers go to supermarkets to buy yogurts, we came to the conclusion that in Pingo Doce, they go around 8 times to purchase yogurts Pingo Doce has the highest number of visits and an increasing trend.

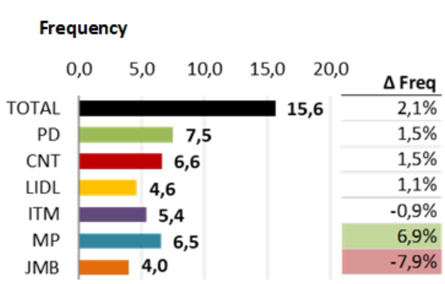


Figure 21 Frequency of visits to buy yogurts per retailers in the period (**Source**: Nielsen, June 2019)

Finally, when looking to private label weight in this category, we conclude that Lidl's private label has the higher importance in this segment. People really look for their own brand when choosing yogurts to buy. However, we need to take in consideration that Lidl major focus is private label and he does not have a wide offer from other suppliers. On the other hand, although Pingo Doce has only 31% of private label, its increasing in 4.4pp.

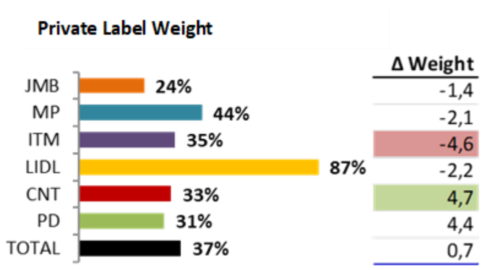


Figure 22 Private label weight per retailers in the period (**Source:** Nielsen, June 2019)

Looking into a different perspective we can also realize, that the index levels are different to each retailer. In this case, the Index represents the yogurts' category development level in each supermarket. Almost all retailers are over developed in this category when compared to the categories average. In the graph below it is easily to conclude that Mini-Preço has the highest Index, meaning that this category is more developed in this supermarket comparing to other categories. Yogurts category is over-developed comparing the average categories in this retailer. On other hand, Pingo Doce is a little bit over 100, meaning that Pingo Doce has this category developed, but still there is more space to improve and to keep developing. Still 103 is already over the categories average.

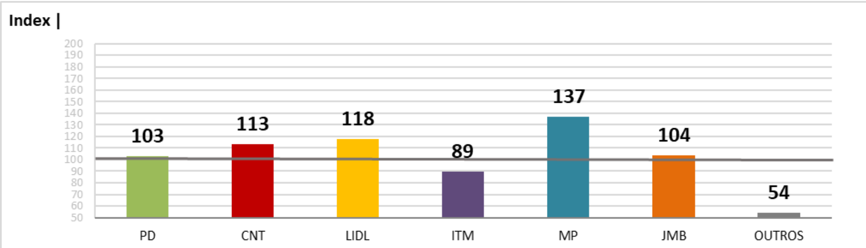


Figure 23 Yogurts 'category Index – Yogurts Share vs Total Share per retailer in the period (**Source**: Nielsen, June 2019)

4.2. Data from Pingo Doce

According to data provided from Pingo Doce, the decision-making process when choosing yogurts starts by deciding what kind of yogurts does the customer want to.

Looking at the chart below, it is easily to see that the main decision to take is deciding between **healthy** or **unhealthy yogurts**. The **healthy** ones are also divided by two different healthy segments. The traditional one, in which customers purchase the brands known as "healthier" or brands that have digestive functions and "new healthy", like the new trends as soya yogurts, more protein ones, bio, or even the lactose free. In this lactose free segment, customers who buy private label usually do not look for another brand, they have price in consideration, and most of the times they trust in private label. When moving into the **unhealthy** segment, it is divided in two different parts, the indulgence, involving desserts and greek' yogurts, which customers see as a deserved sweet. On the other hand, there are all the liquids, solids and children yogurts. In terms of liquids and solids they see it in terms of price as well as the brand. Inside the children segment, there are customers that only go to private label, and others that when choosing baby yogurts, they do not look for the label.

The main segments in this category with the **highest loyalty** in Pingo Doce are the **natural segment**, since customers prefer now purchasing natural yogurts and then add what they want to the yogurt. Besides this segment, another one with high levels of loyalty is the **defenses and heart segment**, in which customers keep preferring yogurts that help to regulate some functions, like digestive system. Customers keep paying attention to the other benefits that yogurts may bring and they keep value it. In addition, the new trends had also reached some loyal customers, since customers had become also loyal to **soya, bio and lactose free yogurts**. Specially in the lactose-free segment customers really value the private label, and they got used to buy in Pingo Doce their own brand. They see it as quality yogurts with a wide offer.

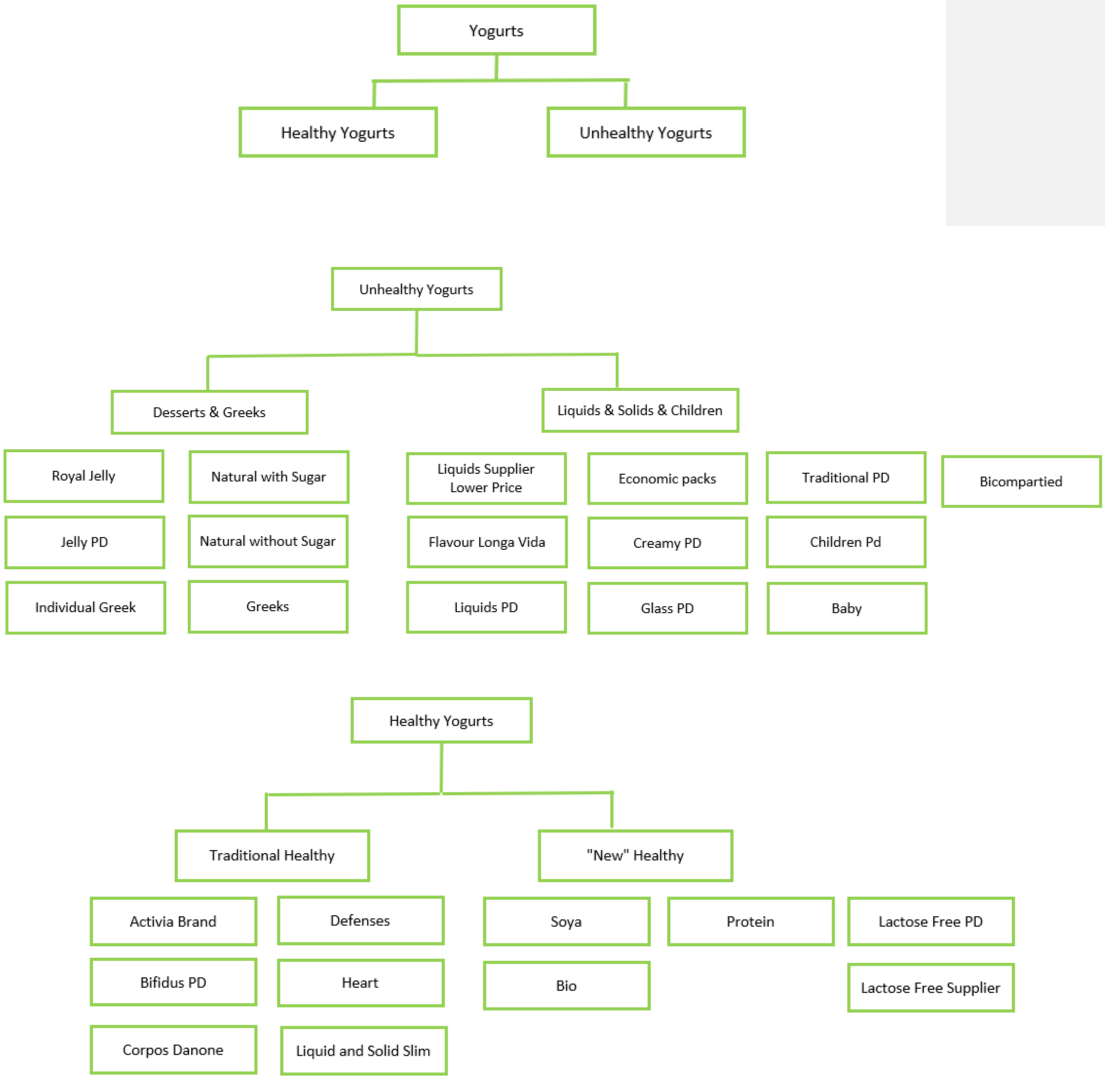


Figure 24 Yogurts Decision Making Process (**Source:** Pingo Doce, 2019)

4.3. Online Questionnaires

4.3.1. Sample Characterization

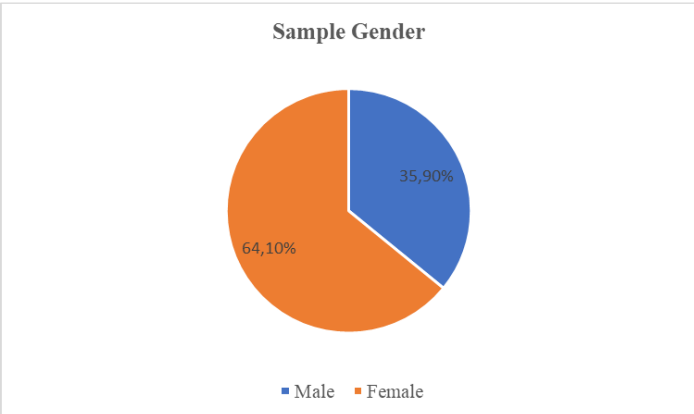
During September 2019 were collected, 131 valid questionnaires, through social networks LinkedIn connections, and some personally. There were some restrictions when collecting this data, especially when targeting older people.

The questionnaire starts by deciding if an individual from the 131 sample should or should not continue answering the questions, since the survey's target was only yogurts' consumers. By answering the first question, an individual should finish the questionnaire or go to the following questions.

The sample is composed by 131 individuals where 64,1% were female gender and 35,9% were male gender. (Graph 1)

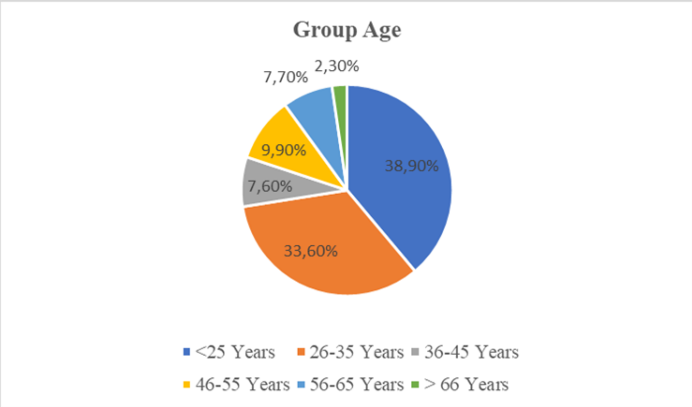
4.3.2. Results Analysis

Graph 1 - Sample Gender



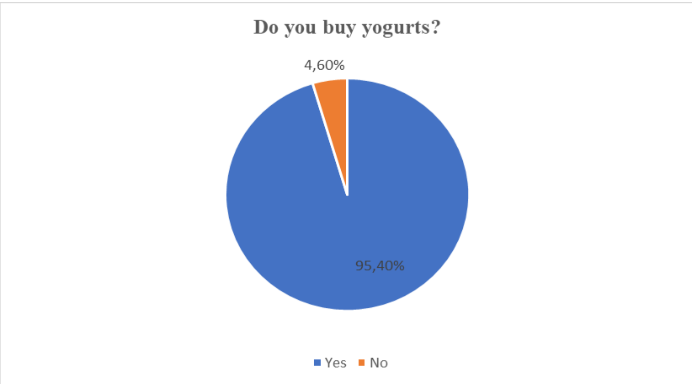
When looking into the group age, we can see that we have 6 groups, in which 38,9% of individuals from the sample have ≤ 25 years old, representing the biggest age group, followed by the age group that have between 26 to 35 years old with 33,6%. In the third position, there is the age group between 46 to 55 years old, with 9,9%% of the sample individuals. When looking to the age above 66 years, the sample is not relevant, representing only 2,3%. (Graph 2)

Graphic 2 - Group Age Sample



When looking to the results, we can see that 95,4% of all individuals purchase yogurts, and only 4,6% does not buy none. This question will decide if individuals should or should not, keep doing the questionnaire. If they answer **No**, then the questionnaire is over for them. If they answer **Yes**, then we follow the next question. (Graph 3)

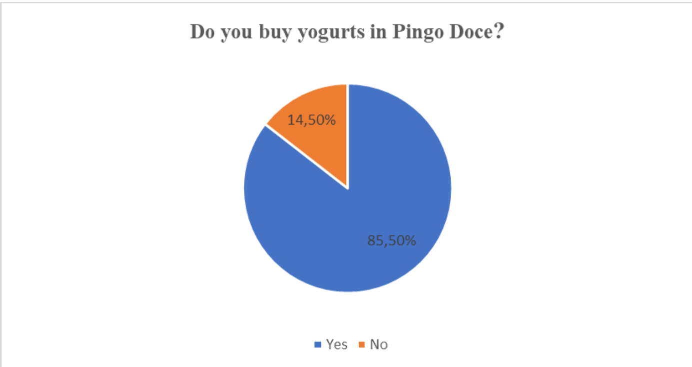
Graph 3 - Percentage of customers buying yogurts



As it was previously said, these followings questions are only related to the customers that answer **Yes** in the previous question. Meaning that our sample is now only focused on this 95,4%. From these 95,4% individuals that buys yogurts, 85,5% buys in Pingo

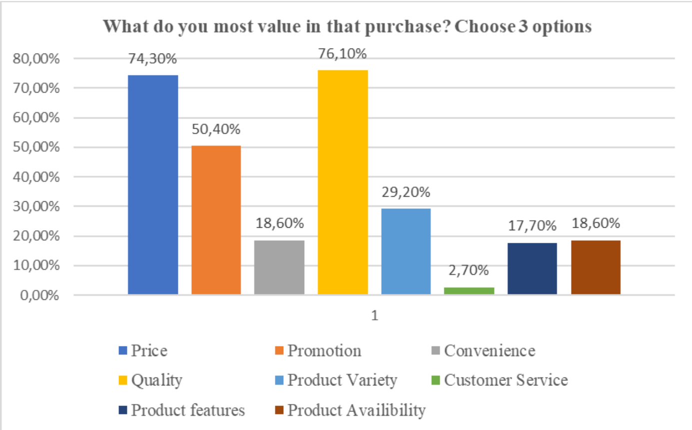
Doce supermarket, while the others 14,5% buy in other different supermarkets. This means that most of our sample buys in Pingo Doce, making our conclusions more reliable, since the goal was to understand loyalty in the yogurts' category in this specific supermarket. (Graph 4)

Graph 4- Percentage of customers buying yogurts in Pingo Doce



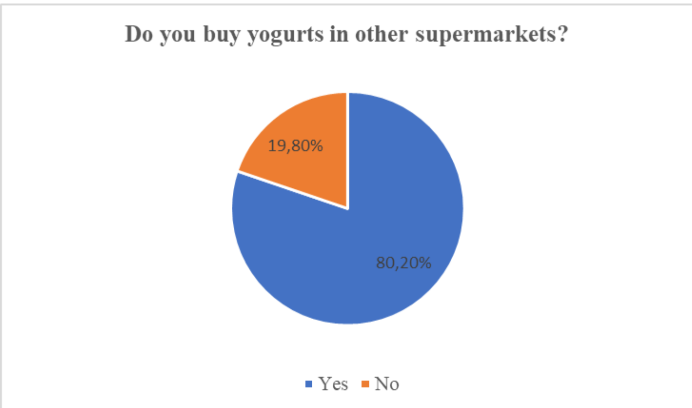
When we focus on what do customers value the most, there are two variables that have great importance, quality (76,1%) and price (74,3%). The major driver to pingo doce customers is the quality of their products, followed by the price (low price perception) and then promotions (leaflets). Looking at consumer behavior trends, in which customer experience and customer service (2,7%) are supposedly more valued, in this category we can notice that those features are not important to customers. Instead, they take prices, promotions and a more demanding quality in deeply consideration. (Graph 5).

Graph 5 - The features customers most value in their purchase



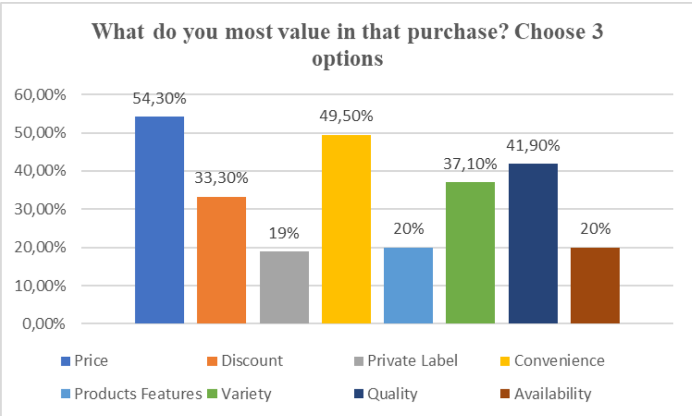
Moving into some questions about loyalty to this supermarket and specially to this category, we try to understand if there are any exclusively customers or if that does not happen. We reach some interesting features, since more than 80% of the individuals said that they also purchase yogurts in other supermarkets and only 19,8% are loyal to Pingo Doce (Graph 6).

Graph 6 - Percentage of customers buying yogurts in other supermarkets



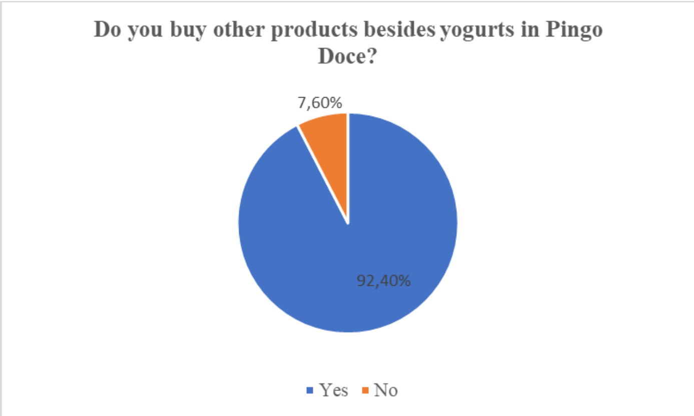
Looking only to the customers that also buy in other places (80,2%), we ask them the drivers to do it. By the results above (Graph 6), we see that loyalty is not a pattern, but still we must take into consideration that most of our sample (72,5%) is under 35 years old (Graph 2). Most of these individuals are millennials, which is the less loyal generation as well as the most demanding one. Besides this, this new generation looks for convenience, so that, when the sample said the reason why they purchase in other supermarkets, convenience was on the second place (49,5%), after the price (54,3%), and followed by quality (41,9%). Facing these results, we can see, that supermarkets have a big challenge concerning this disloyalty attitude, since consumers value convenience and easily more. This results also show that however private label is a tool for differentiation, when purchasing in other supermarkets this is not a concern or the what ends up attracting them. (Graph 7)

Graph 7 - Drivers to buy yogurts in other places



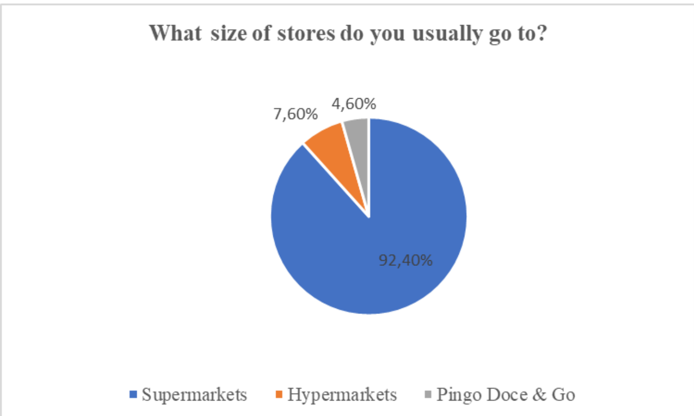
Having a broader vision, by asking people if they also buy other products besides yogurts in Pingo Doce, the main conclusions is that **Yes** (92,4%). Only 7,6% of individuals are exclusively to yogurts' purchase in this supermarket. This conclusion may have two different visions. On one hand, we might see it as an opportunity in the way the customers that only buy yogurts in Pingo Doce might start buying other different products there, there are still potential buyers to reach. However, these customers are really loyal to this category, so they actually move to Pingo Doce to buy it no matter what. On other hand, those who already by other products in this supermarket might be attracted by yogurts to the buy the other grocery.

Graph 8 – Percentage of individuals buying other products in Pingo Doce



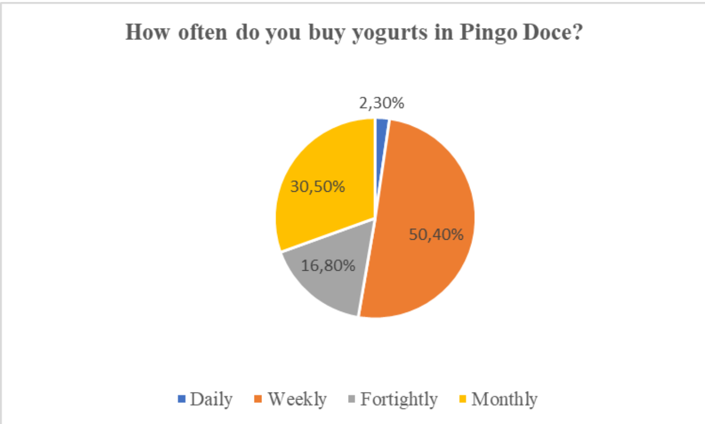
Going further on the questionnaire, we reach some other previous thoughts. Pingo Doce is a leader in the supermarkets' segment and this is the way people see it. They mostly go to this convenient, more familiar, and neighborhood stores. Around 75,6% consumers go to supermarkets, against the other 22,9% that goes to hypermarket ones. Sometimes they do their purchases there, but that is not the daily-based stores they go to The Pingo Doce & Go format has only 4,6% of the individuals, which makes sense since in comparison with supermarkets format there are much less stores then. This store segment is still in the beginning, it is still under development so in the future, this format may have a bigger relevance. (Graph 9)

Graph 9 - Stores size most visited in Pingo Doce



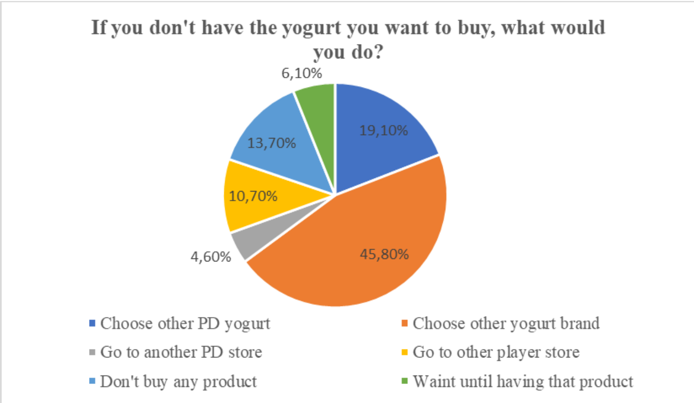
In addition to these, we see that most of customers purchase yogurts every week (50,4%), followed, by monthly shopping (30,5%). This might lead to this convenient, supermarket stores. People are available to visit stores more often without leaving with a big basket, and this matches the Pingo Doce format. However, there are still many customers purchasing in the bigger stores, they keep preferring this format, customer experience and variety they have there.

Graph 10 - Household yogurts' purchase frequency



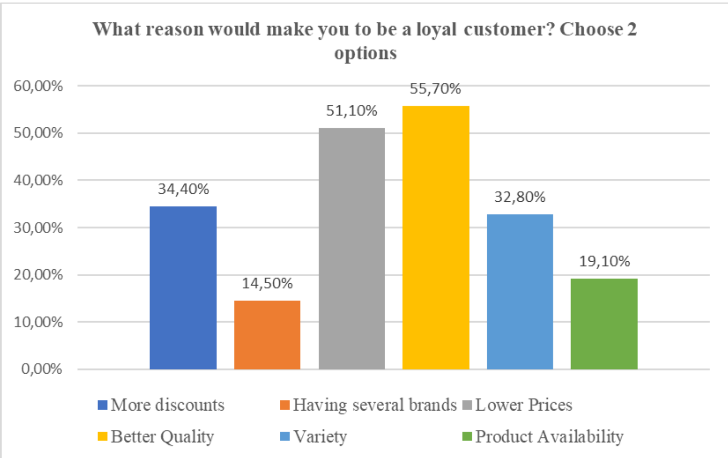
Furthermore, we reach also some conclusions about loyalty to the products, since when confronting with the lack of a product most people decide to buy another one of a different brand (45,8%). Still, there is some loyalty with private brand, 19,1% of the individuals remain loyal to the Pingo Doce brand, they buy the brand and they value it. Some other customers prefer not to buy any product, instead of replacing it (13,7%). This shows how loyal they can also be, they do not try any other brand, they keep focus on the brand they like to. In contrast there is still a percentage if individuals that when this happens, the supermarket cannot retain it (10,7%). They may get more emotional and go to another player instead. (Graph 11)

Graph 11 - Customer's decisions when not having the product they want to buy



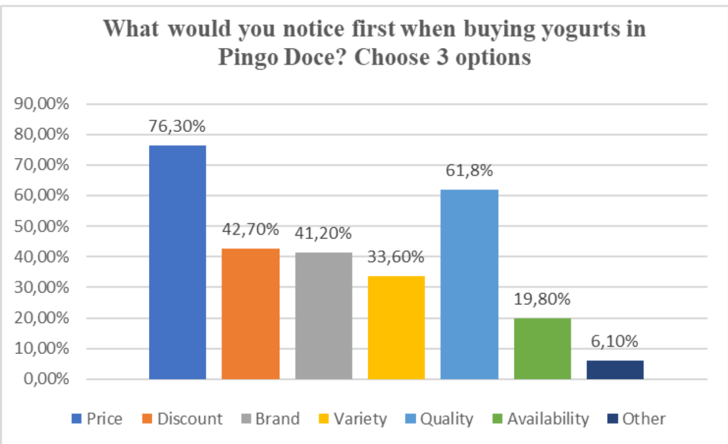
When asking directly to the sample what would make them loyal to this category, we see that the majority looks for better quality (55,7%), followed by prices (51,1%) and promotions (34,4%). Variety (32,8%) it is also an important driver, since consumers actually value having more offer not only in terms of brands but also in terms of flavors. Everyday people become more demanding specially with the products' quality. However, when we compare the answers from what people value when they buy yogurts in Pingo Doce with this answer, we see that the features they care the most are price and quality to. This means that Pingo Doce is already looking into those two main factors and investing in them, in lower prices, all month promotions and high-quality products. This is the core, developing high quality products with a competitive price, especially in private brand which is the differentiation tool. (Graph 12)

Graph 12 - Customers' loyalty drivers



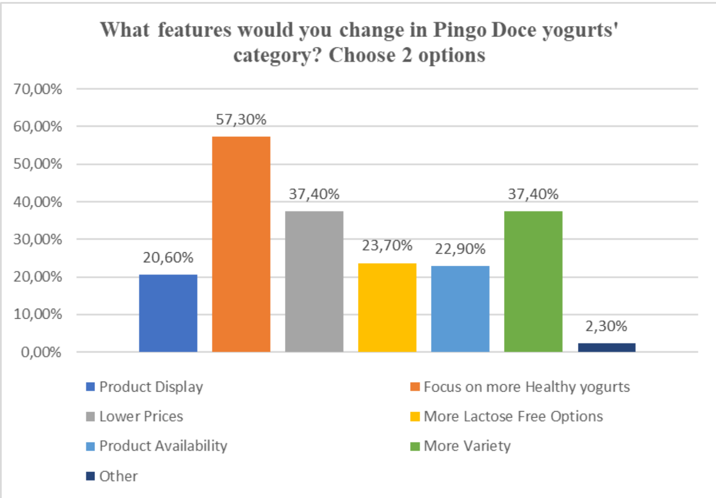
When looking at the first impact and perception that customers have when purchasing yogurts in Pingo Doce, we can see that prices (76,3%) and quality (61,8%) are always on top of their mind. These are the main futures they take into consideration. Brands (41.2%) and variety (33,6%) are once again important when facing the yogurts' display. (Graph 13)

Graph 13 - First impact when buying yogurts in Pingo Doce



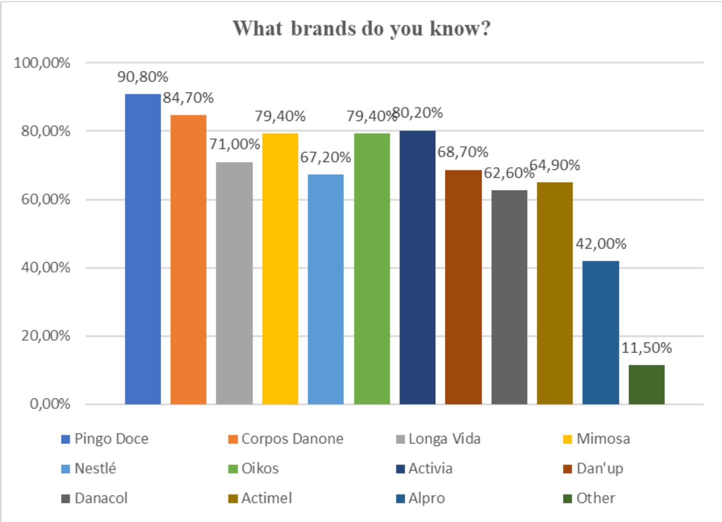
According to the results and in order to understand what features more impact customers' behave, and what are the ones that would make them more loyal, we ask what variables would they change in this category. Consumers are also asking for a wide variety (37,4%) and healthier products (57,3%), from lactose and sugar free, to more protein and natural ones. These new generations are more health-concerned and aware, and the results match that trend. Probably they would also be more loyal if there were more options in these segments. These results show that although customers demand for the development of these healthy segments, they want it at lower prices (37,4%). They are not available to spend much more money into them, they ask for affordable prices also in that segments. In this case, the challenge will be to find a balance between these alternatives and prices. (Graph 14)

Graph 14 - Features customers would change in Pingo Doce yogurts' category



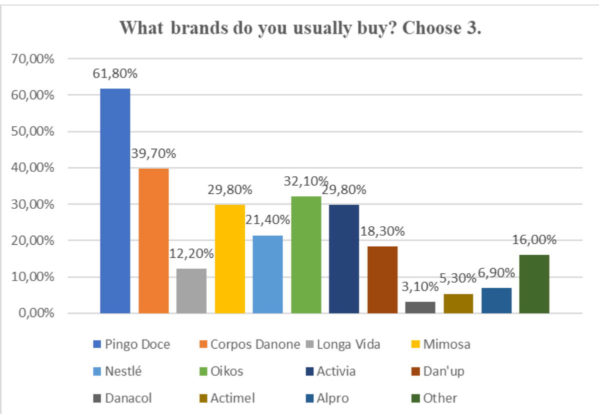
Moving then to customers' interests and choices, the next following questions purpose is to understand better which brands customers know (Graph 15), and which one they purchase the most (Graph 16). When looking into the results, we see that 90,8% knows Pingo Doce's brand. The other brands are also known, meaning that customers are aware of the main players in these categories, they are informed clients.

Graph 15 - More well-known brands



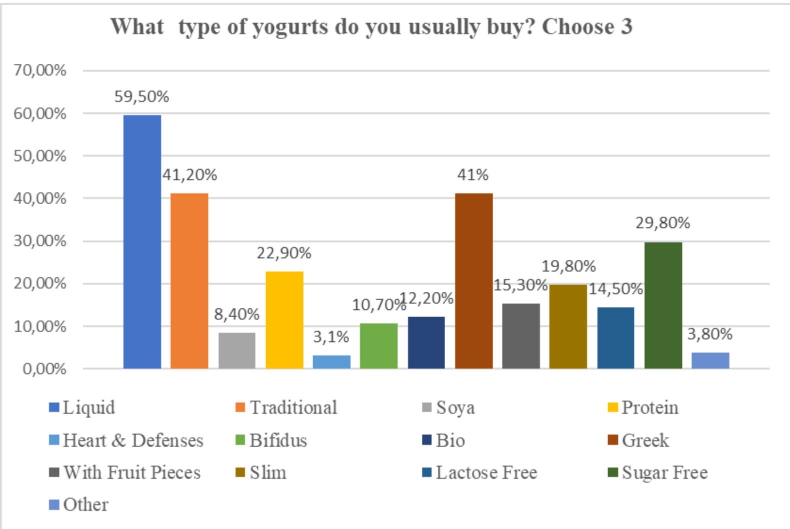
Besides this, when asking brands, they purchase the most, Pingo Doce is number one (61,8%), followed by Corpos Danone (39,7%). This means that private label has a big relevance on daily purchases so that it is easily to differentiate Pingo Doce from the other supermarkets through private label and to attract more customers through innovate products. This brand is known for its quality is really valued by customers. Besides private label, Danone brands are also the second more known by the consumers in different yogurts' segments. (Graph 16)

Graph 16 - Most purchased brands



Finally, we divided into segment types the most purchased yogurts, in order to understand the main interests and the segments that should be the focus. 59,5% of individuals buy liquid yogurts, which is a characteristic of our country behavior. In contrast to most of the countries in Portugal this is really common. People like convenience and on the go yogurts, so they can have it everywhere. Traditional yogurts are also the second most purchased one (42,2%). People prefer the simple and traditional taste, the basics that they can complement afterwards, like the natural ones. In third place there comes the Greek yogurts, meaning that although people look for healthier yogurts, they still want some indulgent ones (41%). They pretend to make a balance between healthy and indulgent yogurts. The new trend segments are also increasing their importance, specially sugar free (29,8%), protein (22,9%) and slim yogurts.(19,8%). (Graph 17)

Graph 17 - Types of yogurts most purchased



5. Recommendations

Regarding the results gathered from the data analysis and the literature review, there are some recommendations that might take into consideration in order to contradict customers' lack of loyalty. After identifying the main drivers that customers value in their decision-making process, we can act in that way so that we can achieve customer satisfaction and consequently loyalty.

*"Satisfied customers are shown to be loyal, to repurchase, to be willing to pay a premium price, and to engage in positive word-of-mouth" (*Palmatier, 2006). According to these, it is easily to understand that satisfaction is a tool to achieve loyalty so that, some recommendations are focuses on customer experience, because it is a way of retaining consumers.

Taking in consideration the results there are some features that should be taken into consideration.

Being convenience a major driver to customers yogurts' purchase in other supermarket, it is crucial to guarantee that we answer this need. On a broader vision we see that Pingo Doce performs on the supermarket format, it is a neighborhood store, a convenient store, so it should probably answer better to these convenient requests, than other players. Pingo Doce should keep investing in this convenience model, as for example, investing on more Pingo Doce & Go formats, as these are the more convenient known format. Besides this, online sector, and pick and collect (people buy online but then, they collect in the store) models should be also developed, since people demand for faster, and less effort processes. However, this recommendation it is more in a strategy view than in a practical one.

Moving into some more practical recommendations, we can answer this convenience problem, by providing in Pingo Doce supermarkets all the needs that customers look for. If they have a wide variety of products, different brands, and the following trends, we might force customers to do all their purchase in Pingo Doce stores. This matches the need of having **more variety** and focus on **healthy products**. If Pingo Doce gives customers the opportunity to buy everything they want to, instead of the need of moving into different supermarkets or stores to find all the products, they can become satisfied customers. By this, Pingo Doce should also invest in its **private label**, since it is a differentiation feature. These products that customers demand more, should be created in private label, so that customers only have the opportunity to buy it only there. Besides that, Pingo Doce brand is known as a quality brand so that, they can even use their feature to promote the new products. Developing more **lactose free**, **sugar free** (an increasing trend), **protein yogurts** may be the way to fight against this challenge. These segments may also add value to the category since these products are probably a little bit more expensive.

This investment in new products should be followed by advertisement. Customers are emotional so that we should take advantage of it. By making customers creating relations with brands trough different ways of advertisement, communication and customization, it becomes easier to make them repurchase a certain product. Providing **tasting experiences**, it is also a way of being interactive with the shopper, since they look for dynamism, new experiments and new brands. Everything that benefits the customer experience will help in a near future to make them loyal.

Nowadays customers, really value the experience and the service they go through in a store, from the lack of product, to the time they have to wait to pay, everything influences their satisfaction. This means that stores must be concerned about **product availability,** and if it is the case to provide other alternative to customers (more products available for the same need unit).

Lastly, Pingo Doce should maintain the **ratio price/quality** because customers are used to lower prices and high quality. Even though they value other features, these will remain.

6. Conclusions and Limitations

This project-company main goal was to understand better the main drivers to yogurts' customers' loyalty in Pingo Doce supermarkets. In this fast-changing world, it is crucial to comprehend customer buying decision-making process in order to have more satisfied customers as well as to retain them. However, in order to achieve this information, it is necessary to understand them behave, ways of thinking, attitudes and perceptions supermarkets can act in efficient and effective way.

Relying on the data provided by Nielsen and the results from the questionnaire it is possible to achieve some conclusions. Although price and promotion still are the main drivers to loyalty, customers are no longer seeing them as the only features. Nowadays, they are valuing other variables like **quality** and **variety.** In addition, they also value Pingo Doce **private label** and the focus on **new trends**.

From the questionnaire it was possible to conclude, that the percentage of customers that Pingo Doce shares with other players is incredible high, almost 80% would also buy in other supermarkets. When we look into the features, they value the most in that purchase, we can see that price and convenience are the main reasons. This means that we are facing a problem in these new generations of choosing convenience over loyalty. The main challenge to address will be this one, because customers are easily available to move from supermarket to supermarket, from brand to brand. Pingo Doce will have to define strategies in order to contend this situation, to make clients satisfied and then to retain them.

Providing new private label products, as well as more free-from yogurts, and new trendings as protein yogurts, will be a way of answer this mobility. This category, lives from innovation, meaning that these should be also a focus. Pingo Doce should try to be always one step ahead, launching new trends, because I think this way it will get the recognition and profit. Complementing this with a better and improved customer service and experience in the stores, may have impact on the near future.

In order to be successful in terms of loyalty, Pingo Doce may not rely on a price and promotion strategy but think about new ways of improving it. These to features, customers are already expecting from Pingo Doce.

These were the conclusions that came out of the research approach Although, according to the literature review, customers are now more demanding when concerning customer experience, in this category case this is not already a driver to loyalty, it is not in their mind yet. However, in future we can be sure that this will make the differentiation when purchasing and therefore become a loyalty feature.

Along the research we reached some limitations, we were not able to cross by.

Regarding the fast-changing world and all the dynamics of the retail world, the main challenge is to have accurate data. Since everything works so fast, and today generations that most purchase are different to the previous ones, it is difficult to have updated information all the time. New promotions, products and players may limit this research, because the data and information are changing all the time. This should be a continuous research in order to have the most reliable data.

Another limitation is due to the fact that the sample used may be more convenient, since old generations are not used to online and digital platforms. Although, in order to deal with this possible biased sample, some questionnaires were made personally or trough phone, so that more people could give their opinion. However, the sample is mainly focused on millennials, which does not look like a deep problem since this will be the generation with the most purchasing power in the near future.

Besides this, another limitation is regarding the reliability of the questionnaires. We still need to have in consideration that all the answers are according to the individual thoughts and the way they behave. The data collected must be true, otherwise all conclusions might be compromised according that. We also have to take in consideration that advertisement does not influence the data collected, meaning that we pretend that all answers are exactly according customers' behavior and it is not influenced by adds and the perception that customers may have.

Bibliography

Accenture. (2015). *Retalho: Onde Está e Quem é o Consumidor?* Retrieved from https://www.accenture.com/t20150728T060051__w__/pt-pt/_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Local/pt-pt/PDF_2/Accenture-Retail-Where-Who-Consumer.pdf

Alexander, M., & Jaakkola, E. (2015). Customer Engagement Behaviours and Value Customer Engagement Behaviours and Value Co-creation. ***Customer Engagement: Contemporary Issues and Challenges***, (December).

Anderson, E. W., & Mittal, V. (2000). Strengthening the Satisfaction-Profit Chain. ***Journal of Service Research***, 3(2), 107-120 https://doi.org/10.1177/109467050032001

Annual Report 2018*: The Jerónimo Martins Group*. (2018). Retrieved from https://www.jeronimomartins.com/wp-content/uploads/01-DOCUMENTS/Investor/Reports/AnnualReportJeronimoMartins2018.pdf

APED *(2018):* Previsões para o retalho alimentar em 2019. Retrieved from http://aped.pt/pt/arquivo-de-noticias/previsoes-para-o-retalho-alimentar-em-2019

Barbosa, A. P. (2018). Em 2020 os shoppers portugueses vão ser mais desleais. ***Grande Consumo***. Retrieved July 2019, from https://grandeconsumo.com/em-2020-os-shoppers-portugueses-vao-ser-mais-desleais/#.XayQNndFxPY

Cheng, Shih-I (2011). Comparisons of Competing Models between Attitudinal Loyalty and Behavioral Loyalty. ***International Journal of Business and Social Science***, Vol. 2 No.10 (June)

Court, D., Elzinga, D., Mulder, S., Vetvik, O. J (2009). The Consumer decision journey. **McKinsey & Company** Retreived September 2019, from https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-consumer-decision-journey

Dani, V., & Pabalkar, V. (2013). Branding Through Sensory Marketing. ***International Journal of Scientific Research***, *2*(11), 300–302.

Dekimpe, M., & Deleersnyder, B. (2018). Business cycle research in marketing: a review and research agenda**. *Journal of the Academy of Marketing Science***, vol. 46, 31-58 https://doi.org/10.1007/s11747-017-0542-9

Dick, A. S. (1994). Customer Loyalty : Toward an Integrated Conceptual Framework. ***Journal of Academic Marketing Science***, *22*(2), 99–113.

Dillon, T. W., & Rei, H. L. (2004). Factors Influencing Consumers' E-Commerce Commodity Purchases. ***Information Technology, Learning, and Performance Journal***, vol. 22, no.2

Doorn, J. Van, Lemon, K. N., Mittal, V., Pirner, P., Verhoef, P. C., & Nass, S. (2010). Customer Engagement Behavior: Theoretical Foundations and Research Directions. ***Journal of Service Research***, *13*(3), 253–266. https://doi.org/10.1177/1094670510375599

Gentile, C., Spiller, N., & Noci, G. (2007). How to Sustain the Customer Experience:. An Overview of Experience Components that Co-create Value With the Customer. ***European Management Journal***, *25*(5), 395–410. https://doi.org/10.1016/j.emj.2007.08.005

Gilmore, J. H., & II, B. J. P. (1998). Welcome to the Experience Economy. ***Harvard* Business Review**, 76(4), 97–105. https://doi.org/Article

Gómez, M. I, McLaughlin E. W., Wittink D. R. (2004). Customer satisfaction and retail sales performance: an empirical investigation. ***Journal of Retailing***, 80 (4), 265-278 https://doi.org/10.1016/j.jretai.2004.10.003

Hong, T. (2016). ***Customer Experience as a Competitive Differentiator in Subscription Services – Thinking Beyond the Paywall***. Helsinki Metropolia University of Applied Sciences. Retrieved from https://www.theseus.fi/handle/10024/112172

Howard, J. A., & Sheth, J. N. (1969). The Theory of Buyer Behavior. ***British Journal of Marketing Studies***, 4(2), 106. https://doi.org/10.2307/2284311

J Josko Brakus, Schmitt, B., & Zarantonello, L. (2009). Brand Experience : What Is It? How Is It Measured? Does It Affect Loyalty? ***Journal of Marketing***, *73*(May), 52–68.

Jerónimo Martins website: The Group. (n.d.). Retrieved July 2019, from https://www.jeronimomartins.com/en/about-us/who-we-are/our-history/

Jerónimo Martins website: Our Business. (n.d.). Retrieved July 2019, from http://www.jeronimomartins.pt/negocios/distribuicao-alimentar.aspx?lang=en

Kotler, P. (1973). Atmospherics as a marketing tool. ***Journal of Retailing,*** *49*(4), 48–64.

Lemon, K. N., & Verhoef, P. C. (2016). Understanding Customer Experience Throughout the Customer Journey. ***Journal of Maketing***, *80*(November), 69–96. https://doi.org/10.1509/jm.15.0420

Loureiro, M. (2014). ***Distribuição Retalhista Alimentar em Portugal : Análise do Impacto da Concentração e do Desequilíbrio do Poder Negocial Sobre os Produtores Agropecuários*****.** Faculdade de Economia da Universidade do Porto.

McColl-Kennedy, J. R., Gustafsson, A., Jaakkola, E., Klaus, P., Radnor, Z. J., Perks, H., & Friman, M. (2015). Fresh Perspectives on Customer Experience. ***Journal of Services Marketing***, *29*(6/7), 430–435. https://doi.org/10.1108/JSM-01-2015-0054

Meredith, B. (2016a). Customer Experience : A Key Marketing Element. ***NZBusiness + Management Magazine,*** (July), 50.

Meredith, B. (2016b). Marketing and the Customer Experience. ***NZBusiness + Management Magazine***, (June), 50.

Meyer, C., & Schwager, A. (2007). Understanding Customer Experience. ***Harvard Business Review***, (February).

Ndubisi, N. O. (2007) "Relationship marketing and customer loyalty". **Marketing Intelligence & Planning**, vol. 25 Issue: 1, 98-106, https://doi.org/10.1108/02634500710722425

Nielsen (2019). Fidelizar o Shopper Infiel: Realidade ou Mito? Retrieved August 2019, from https://www.nielsen.com/pt/pt/insights/article/2019/fidelize-the-unfaithful-shopper-reality-or-myth/

Nielsen (2018). Mais Tempo e menos Esforço: É isto que pede o consumidor. Retreived August 2019 from https://www.nielsen.com/pt/pt/insights/article/2018/more-time-and-less-effort-what-consumer-asks-for/

Nielsen (2019). Main Household Consumption Indicators in FMCG, June

Payne, A., & Frow, P. (2005). A Strategic Framework for Customer Framework Relationship Management. ***Journal of Marketing***, *69*(4), 167–176

Rawson, A., Duncan, E., & Jones, C. (2013). The Truth About Customer Experience. ***Harvard Business Review***, *91*(11), 26. Retrieved from https://hbr.org/2013/09/the-truth-about-customer-experience

Salsberry, M. (2017). ***Customer Journey Mapping Framework 1***.

Schmitt, B. (2011). Experience Marketing: Concepts, Frameworks and Consumer Insights. ***Foundations and Trends in Marketing*** vol. 5, no 2 55–112 http://dx.doi.org/10.1561/1700000027

Semprebon, E., & Muller Prado, P. H. (2016). The Influence of Power in the Relationship between Consumers and Brand. ***Journal of Contemporary Administration***, vol 20(4), 389-411 http://dx.doi.org/10.1590/1982-7849rac2016140112

Sinclair, M., & Ashkanasy, N. M. (2005). ***Intuition Myth or a Decision-making Tool?*** Research Article from the University Queensland Business School and Griffith Business School, vol. 36, 353-370 https://doi.org/10.1177/1350507605055351

Stankevich, A. (2017). Explaining the Consumer Decision-Making Process: Critical Literature Review. ***Journal of International Business Research and Marketing***, 2(6) September, 7-14 https://doi.org/10.18775/jibrm.1849-8558.2015.26.3001

Steimer, S., & Conick, H. (2018). What Does the Future of Customer Experience Look Like? American Marketing Association. Retreived August 2019, from https://www.ama.org/marketing-news/what-does-the-future-of-customer-experience-look-like/

***The Consumer Goods forum: Portugal** (2018).* A Retail Snapshot. Retrieved from https://www.theconsumergoodsforum.com/portugal-retail-snapshot/

Verhoef, P. C, Lemon, K. N., Parasuramam, A., Roggeveen, A., Tsiros, M., Schlesinger, L. A.(2009). Customer Experience Creation: Determinants, Dynamics and Management Strategies. ***Journal of Retailing***, 85(1), 31-41 https://doi.org/10.1016/j.jretai.2008.11.001

Zeithaml, V. A. (1988). Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence. ***Journal of Maketing***, *52*(July), 2–22.

Attachments

Attachment 1: Online Questionnaire

What are the key drivers of customers loyalty in Pingo Doce yogurt's category?

This questionnaire is used in the context of my master thesis at ISCTE. The main goal is to understand customers decision-making process in order to identifie the variables they most value to become loyals in the yogurt's category.
The responses provided will remain anonymous.
Thank you in advance for your contribution.

Do you buy yougurts?

- ○ Yes
- ○ No

Do you buy yogurts at Pingo Doce supermarkets? *

- ○ Yes
- ○ No

If you answer yes, then what do you value the most in that purchase? Choose 3 options

- ☐ Price
- ☐ Promotion
- ☐ Convenience
- ☐ Quality
- ☐ Product variety
- ☐ Customer service
- ☐ Product features
- ☐ Product Availability

What are the key drivers of customers loyalty in yogurts' category?

Do you buy yogurts in other supermarkets? *

- Yes
- No

If you answer yes, then what drives you to buy yogurts in other places? Choose 3 options

- Price
- Discount
- Brand - private label
- Convenience
- Products features
- Yogurts variety
- Quality
- Product Availability

Do you buy other products besides yogurts at Pingo Doce? *

- Yes
- No

When going to Pingo Doce, what size of stores do you usually go to? *

- Supermarkets (small stores)
- Hypermarkets (big stores)
- Pingo Doce & Go (gas station)

What are the key drivers of customers loyalty in yogurts' category?

How often do you buy yogurts in Pingo Doce? *

- Daily
- Weekly
- Fortnightly
- Monthly

If you don't have the yogurt you want to buy, what would you do? *

- Choose other pingo doce yogurt
- Choose other yogurt brand
- Go to another Pingo Doce store
- Go to other player store
- Don't buy any product to replace that one
- Wait until having that product

What reason would make you be a loyal customer? Choose 2 options *

- More discounts
- Having several brands
- Lower prices
- Better Quality
- Variety
- Product Availability

What are the key drivers of customers loyalty in yogurts' category?

What would you notice first when buying yogurts in Pingo Doce? Choose 3 options

- [ ] Price
- [ ] Discounts
- [ ] Brand
- [ ] Variety
- [ ] Quality
- [ ] Product Availability
- [ ] Other

What features would you change in Pingo Doce yogurts' category? Choose 2. *

- [ ] Product Display
- [ ] Focus on more healthy yogurts (natural, sugar free yogurts)
- [ ] Lower prices
- [ ] More lactose free options
- [ ] Product Availability
- [ ] More variety
- [ ] Other

What yogurts brands do you know? *

- [ ] Pingo Doce
- [ ] Corpos Danone
- [ ] Longa Vida
- [ ] Mimosa
- [ ] Nestlé
- [ ] Oikos
- [ ] Activia
- [ ] Danup
- [ ] Danacol
- [ ] Actimel
- [ ] Alpro
- [ ] Other

What are the brands thay you usually buy? Please choose 3. *

- [ ] Pingo Doce
- [ ] Corpos Danone
- [ ] Longa Vida
- [ ] Mimosa
- [ ] Nestlé
- [ ] Oikos
- [ ] Activia
- [ ] DanUp
- [ ] Danacol
- [ ] Actimel
- [ ] Alpro
- [ ] Other

What type of yogurts do you usually buy? Choose 3. *

- [ ] Liquid Yogurts
- [ ] Traditional Yogurts (flavour)
- [ ] Soya Yogurts
- [ ] Protein Yogurts
- [ ] Heart and Defenses Yogurts
- [ ] Bifidus Yogurt
- [ ] Bio Yogurts
- [ ] Greek yogurts
- [ ] Yogurts with fruit pieces
- [ ] Slim Yogurts
- [ ] Lactose Free Yogurts
- [ ] Sugar Free Yogurts
- [ ] Other

What are the key drivers of customers loyalty in yogurts' category?

Age *

- Until 25 years old
- 26 to 35 years old
- 36 to 45 years old
- 46 to 55 years old
- 56 to 65 years old
- More than 66 years old

Gender *

- Male
- Female