ISCTE Business School
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MSc in Business Administration

DELTA CAFÉS MARKETING PLAN

LAUNCHING A GREEN COFFEE BLEND WITH SLIMMING PROPERTIES AND OTHER HEALTH BENEFITS

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Glossary

AHRESP: Associação da Hotelaria, Restauração e Similares de Portugal

CPP (Coffee Polyphenols): antioxidant substances present in coffee beans. These components play a key role in preventing cardiovascular diseases, have strong anti-inflammatory effects and preventing obesity and diabetes. Many of these properties disappear once the coffee is roasted.

ECF: European Coffee Federation

EU: European Union

Fertility Rate: total number of children born or likely to be born to a woman in her lifetime if she were subject to the prevailing rate of age-specific fertility in the population.

FMCG: Fast-Moving Consumer Goods

Functional Food: food that may provide health benefits beyond basic nutrition (Bech-Larsen & Grunert, 2003).

GDP: Gross Domestic Product

HICP: Harmonized Index of Consumer Price

HORECA: Hotels, Restaurants, Cafes

ICO: International Coffee Organization

IH: In Home

MS: Market Share

OOH: Out of Home

PESTEL: Political, Economic, Sociocultural, Technological, Environmental, Legal

PL: Private Label

PoS: Point of Sale

PR: Public Relations

Product Lifecycle: products have a certain lifespan and its four stages are introduction, growth, maturity, and decline.

R&D: Research & Development

Sales Value: amount of money received per goods sold

Sales Volume: quantity of goods sold

Shelf-Life: period during which a product (finished good) is sold

SoS: Share of Shelf

UTZ Certified: a program and a label for sustainable farming

VAT: Value-Added Tax

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1. Summary

This project aims at developing a Marketing Plan for the launch of a new Delta Q coffee capsule. The new product consists of an innovative green coffee blend that carries several health benefits that regular roasted coffee does not provide.

This new product has specific goals associated with its launch: to increment Delta sales in the coffee capsule segment, to reinforce the brand's MS, to promote and increase brand equity and, consequently, to strengthen the firm's reputation and leadership. Finally, the new product aims at being perceived by consumers as a healthy beverage with direct benefits for their health and wellbeing.

The project entails an extensive Literature Review that, along with the external analysis, internal analysis and competitive analysis creates the necessary foundations for the market strategy definition and, thereafter, the development of a marketing mix.

The marketing mix encompasses the launching strategy of a green coffee blend that must meet consumers' needs and interests. This project demonstrates how a pioneer product finds its place in the market and builds its presence within a highly competitive industry.

Key Concepts:

- Marketing Plan
- New Product Launching
- Green Coffee
- Functional Products

JEL Codes:

- M1 – Business Administration
- M3 – Marketing and Advertising

1. Sumário

O presente projeto visa desenvolver um plano de marketing para o lançamento de uma nova cápsula de café Delta Q. O novo produto consiste numa inovadora mistura de café verde e café torrado que comporta vários benefícios para a saúde que o café torrado por si só não oferece.

O desenvolvimento do novo produto tem objetivos específicos associados ao seu lançamento: incrementar as vendas da Delta no segmento de cápsulas de café, reforçar a quota de mercado da marca Delta Q, promover e aumentar o valor da marca e, consequentemente, fortalecer a reputação e liderança da empresa Delta Cafés. Por fim, o novo produto pretende ser percecionado pelos consumidores como uma bebida saudável, com benefícios diretos para sua saúde e bem-estar.

O projeto envolve uma extensa Revisão de Literatura que, em conjunto com uma análise externa, análise interna e análise competitiva, suporta a definição de uma estratégia de marketing e o desenvolvimento do marketing mix.

O marketing mix define a estratégia de lançamento de uma bebida de café verde que deve atender às necessidades e interesses dos consumidores. Este projeto demonstra como um produto pioneiro consegue encontrar o seu lugar no mercado e construir a sua presença num setor altamente competitivo.

Conceitos Chave:

- Plano de Marketing
- Lançamento de Novos Produtos
- Café Verde
- Produtos Funcionais

Codificação JEL:

- M1 – Business Administration
- M3 – Marketing and Advertising

2. Executive Summary

Kotler & Keller (2012) agree that innovation is an imperative success factor: "in an economy of rapid change, continuous innovation is a necessity". For brands, innovation may represent optimizing or adopting new production processes, using new tools to gather more precise information on consumer behaviors or to launch new products according to the needs of the market.

This marketing plan aims at developing a strategy that shapes the launch of a new Delta Q coffee capsule. Delta Q is a brand of Delta Cafés, a Portuguese coffee company specialized in roasting and marketing coffee. Delta Cafés is a leader in the Portuguese coffee industry with high levels of recognition and brand reputation among consumers. The new product has specific goals associated with its launch: to increment Delta Q sales in the coffee capsule segment, to reinforce the brand's MS, to promote and increase brand equity and, consequently, to strengthen the firm's reputation and leadership. Finally, the new coffee capsule aims at being perceived by consumers as a healthy coffee product with direct benefits for their health and wellbeing.

In order to design a comprehensive marketing plan, research fell upon four main areas: an extensive literature review, an external analysis of the industry, an assessment to the competitive environment through tools such as the SWOT analysis and, finally, an internal analysis focusing on Delta's performance and market position. The facts stated in all four areas are the basis for the decisions made in the marketing plan.

Literature review provides valuable insights into the decisions firms must make in order to be in a better position to identify customers' needs; on how consumers perceive innovation and how innovative brands can be set apart. Literature elucidates on the benefits of a differentiation strategy along with a customer-centered approach and on brand equity: is the power of a brand a result of its own efforts or is the brand performance merely dependent on consumers' perceptions? An extensive chapter is dedicated to the current trends in the food and beverage industry, namely Functional Products, and how consumers react to them; on how to communicate health claims without generating reluctance towards purchase.

The analysis of the political, economic, social, technological frameworks, etc., are benefiting and valuable for new product development. Sector overview analysis, split into IH and OOH consumption, helped to narrow the target of this project and to decide on the format of the product – capsules. Competition analysis sheds light on the high level of rivalry in the industry and, simultaneously, on the leadership position of Delta. In order to gather deeper insights on the characteristics of this new project's consumers, a survey was carried out and, later, analyzed.

Internal analysis contemplated a deep look into Delta's universe: brands, business performance, strategy. Competition analysis, SWOT, Porter's Five Forces and Critical Success Factors analysis, brought out the highlights of Delta as a company and the areas where there is still room for improvement.

Functional products are part of a growing market, estimated to be worth 192 billion dollars by 2020 (Kaur & Singh, 2017). The authors of a scientific study on consumer behavior towards functional food state that such products are now becoming part of the daily diet of an average consumer. Within the functional products sphere, the non-alcoholic beverages segment is gaining prominence (Siro *et al.*, 2008). Scientific research and conclusions, together with the internal, external, competitive and survey analysis, led to the identification of the business opportunity this project revolves around: the development of a functional coffee with health benefits for consumers.

Segmentation, Targeting and Positioning definition were key to the development of the marketing mix. Marketing Mix intends to establish the basis for the launch: healthy green coffee blend with slimming properties and high level of antioxidants, pioneer in the Portuguese coffee industry (Product), launched across the country with a special focus on bio and organic stores (Place), for a premium price given its added-value (Price), promoted through a combination of communication channels with a emphasis on digital platforms to more accurately reach the targeted consumers (Promotion).

Finally, in order to prepare and guide the launch of the green coffee blend, an implementation plan was designed considering all the necessary steps to introduce the new product in the market.

3. Research Context

3.1 Problem Statement

In fast-moving consumer goods (FMCG) markets, due to the prominent level of sophistication, increased customization and rivalry and permanent shift of consumers' preferences, marketing strategies assume a fundamental role in creating competitive advantages and pushing the companies to stand out. Kotler & Armstrong (2011) advocate that implementing effective marketing strategies requires to "first understand the environmental context in which marketing operates".

For well-established brands, launching new products can be part of the strategic plan to conquer new consumers. The launch of a new product requires a strategy, a plan that must be aligned with the company goals and market orientation.

In the FMCG sphere, for the last two decades, consumers have been gaining awareness towards environmental issues, health and food concerns (Singhal, 2017). For companies, this assumption represents a market segment, thus a business opportunity attainable through a strategic marketing plan.

In recent years, consumers became more prone to accept, purchase and consume nutrients that help in weight-loss, which play a role in lowering or preventing cholesterol or aim to reduce body fat. Demand for functional food and beverages - that entail health benefits - is growing given the increase in consumer awareness (Tripathi & Giri, 2014).

Coffee beans are composed of elements that qualify them as functional. It contains polyphenols that enhance energy metabolism, reduce abdominal and liver fat accumulation can help reducing glucose intolerance and cardiovascular disease development (Murase *et al.,* 2012). The above benefits are enhanced when the beans are unroasted - green coffee beans.

According to Dziki *et al*. (2015), growing consumer interest has been directed towards green coffee due to its unique composition and properties. In the Portuguese coffee industry, green coffee is an example of a product variant yet to be explored. Delta Cafés is involved in the project as the vehicle to endorse the presence of this product in the Portuguese market.

Green coffee beans possess various health benefits and several scientific studies acknowledge and demonstrate those benefits (see chapter 4.5.2 Food Consumption). By developing a green coffee beverage, from green coffee beans, Delta is promoting consumers' health through a product that might not be perceived as healthy in the first place (coffee). The company is also potentially expanding and differentiating its spectra of consumers, increasing the number of available Delta products in the market, and being the first coffee company in Portugal to launch a green coffee beverage. As a result, Delta can target either, regular coffee consumers with strong health concerns, a new segment of green-products' consumers that drink coffee, consumers of green coffee properties under different formats (capsules, protein shakes, for instance).

3.2 Problem Relevance

In the last decades, consumer preferences and demands towards food production have changed considerably (Siro *et al*., 2008). In parallel, there has been an increase in functional food research and scientific studies (see chapter 4.5.2 Food Consumption).

Food is not only regarded as the provider of basic nutrients with the intention of satisfying hunger. It has an important role in preventing nutrition-related diseases, increasing physical and mental consumers' well-being (Menrad, 2003), in the form of helping to sleep better, to relax, to facilitate digestion, to enhance memory, to diminish body fat, to provide vitamins, among others. Food that comprises such benefits is designated functional food: food that may provide health benefits beyond basic nutrition (Bech-Larsen & Grunert, 2003).

FMGC companies that decide to strategically invest in innovation can differentiate themselves from competitors through new product development, avoiding the common price comparison. Besides, companies may charge a higher price for the product, which is an important success factor for the marketing strategy. Consumers are more likely to accept a higher price for functional food products compared to conventional food products, which have proven health effect related to a disease (Menrad, 2003). Given the health benefits of green coffee beans, the product enters the functional food category.

Currently, there are companies already exploring the green coffee market. Some important players in the industry are approaching their customers with this type of product in several locations. Nescafé produces a green coffee blend that sells in Australia and

New Zealand (Nescafé Greenblend). In Portugal, neither Delta neither any of its direct competitors has developed a similar product. However, the Portuguese company Prozis, specialized in sports nutrition, sells green coffee extract under the form of capsules and emphasizes its fat-burning properties. By addressing this business opportunity, Delta is expected to reach new consumers (or giving their current consumers a new product), to increase sales and brand awareness and, ultimately, the company's revenue. Nevertheless, ignoring this niche might result in allowing their direct competitors to market that segment and launch a green coffee product first. In an industry where rivalry among competition is high and where the consumer has a high bargaining power, it is important to differentiate through innovation and to keep up with consumers' needs and preferences at any time, customizing products to their interests.

3.3 Research Goals

The current project is built around one overriding goal: to develop a marketing strategy for the launch of a new Delta product. The product at issue is a coffee beverage made from green coffee beans with sliming properties and other health benefits (see chapters 3.2. Problem Relevance and 4.5.2 Food Consumption).

Considering the main goal, specific goals can be defined. Launching a new product offers Delta the chance of incrementing sales, reinforcing market position and market share (MS), increasing brand awareness and loyalty, strengthening the firm's reputation and penetrating a niche. The company also intends to reinforce its commitment to customers through diversifying its product range and offering high-quality new product development.

4. Literature Review

4.1 Product Development and Innovation

The success of a new product development is complex and associated with a variety of uncertainties (Kong *et al*., 2015). One of the definitions for product development considers it as the transformation of a market opportunity and a set of assumptions about product technology into a product available for sale (Krishnan & Ulrich, 2001). When developing a new product, companies can either develop “new-to-the-world products that create an entirely new market” or can choose to develop “minor improvements or revisions of existing products" (Kotler & Keller, 2012).

Regarding the marketing perspective on product development, the product must be perceived as a bundle of attributes where performance metrics such as MS, consumer utility and the level of how the product fits with the market, should be taken into account (Krishnan & Ulrich, 2001). Also, the authors consider product ‘positioning & pricing’ and ‘collecting & meeting customer needs’ as critical success factors.

Tidd *et al*. (2005) consider that innovation can introduce benefits to existing customers or help companies entering new market niches since it is seen as “the ability to see connections, to spot opportunities and to take advantage of them”. Responding through innovation can be a way of easing (or preventing) the consequences of having competitors introducing products that represent a major threat.

Kotler & Keller (2012) also support the idea that innovation is an imperative success factor: “in an economy of rapid change, continuous innovation is a necessity”. Companies that can identify and chase new market opportunities are likely to be highly innovative and higher chances of positioning themselves ahead of the markets and their competitors.

Therefore, not pursuing market opportunities and not developing new products can leave the company “vulnerable to changes in consumers’ needs and tastes, to new technologies, to shortened product life-cycles and to the increasing domestic and foreign competition” (Kotler & Keller, 2012).

4.2 Competitive Advantage: Differentiation vs Price Rivalry

Michael E. Porter (1985) defined competitive advantage as the value a firm is able to create for its buyers that exceeds the firm's cost of creating it. For Porter (1985), value is what buyers are willing to pay. Elevating the value of a product might mean to offer lower prices than competition for equivalent benefits or to offset a higher price by providing unique benefits. Kotler & Keller (2012) look at competitive advantage as "the ability to perform in one or more ways that competitors cannot or will not match".

Differentiation is one of the strategies defined by Porter (1985) to create competitive advantage. This strategy assumes delivering something different to customers compared to the offerings of the competitors (Svendsen *et al.*, 2011), it also implies that consumers recognize those unique and meaningful features about the market offering (Kotler & Keller, 2012).

Firms' marketing strategy determines whether the customer should be involved or not in the process of creating a new product. Svendsen *et al*. (2011) consider that customer involvement is an important factor impacting new product success. The authors conducted a study and concluded that having the customer in the product development process is beneficial for a differentiation strategy. Customer involvement helps creating competitive advantage since "information and knowledge transmitted from customers represent important inputs in order to develop products meeting customer needs in a way that is different from competitor's offerings" (Svendsen *et al.*, 2011).

Product differentiation can be achieved through changes or diversification of forms, features, customization, performance, durability, reliability, repairability and style of the artifact in question (Kotler & Keller, 2012).

Zhou *et al*. (2009) support that the greater a firm's customer orientation, the more the firm is able to develop a competitive advantage based on innovation and market differentiation. However, if the company's customers "strongly emphasize price, the firm's strategic orientation falls necessarily on competitors" (Zhou *et al*., 2009). Consequently, having a competitor orientation can result in a negative impact on a firm's market differentiation strategy. At this stage, the concept of cost leadership arises.

Cost leadership sits on the opposite side of differentiation on Porter's competitive advantage strategies framework. When a firm sets out to be the low-cost producer in its industry, it is establishing cost leadership as its overall strategy (Porter, 1985) and should explore all sources of cost advantage. Using cost advantage strategies allows companies to operate at a lower cost than its competitors but, simultaneously, offering a comparable product (Zhou *et al.*, 2009). Hence, being a cost leader can indicate the ability of commanding prices in the industry, having higher returns and using discounts to compete against differentiated market products.

4.3. Strategic Orientations and Brand Equity

When establishing marketing strategies, the vision of the company is key towards deciding the strategic path to follow: customer, market, brand, competitor. Kotler & Armstrong (2011) define customer-centered firms as companies that focus on delivering superior value to their targeted customers, considering customers' developments when designing marketing strategies. On the other hand, the authors state that a market-oriented company considers both the customers and the competitors when establishing strategies.

In highly competitive markets, market-orientated firms are in a better position to correctly identify customers' latent needs (Zhou *et al.*, 2005). Pairing market-orientation with entrepreneurial values (to enhance innovation and avoid saturated markets) can be a feasible strategy to differentiate from competitors and seize new opportunities (Zhou *et al.*, 2005).

For Urde *et al.* (2013), the definition of a market-oriented strategy is closer to the customer-centered approach of Kotler & Armstrong (2011): satisfaction of the customer needs and wants is its main principle. Urde *et al.*, (2013) consider brand orientation as a third strategy that should be taken into account in firms' strategic planning. This approach relies on the fact that companies have more objectives and motives other than simply satisfying customers: "prioritizing the brand in the organization gives it integrity in relationship with customers' desires and actions of competitors (…) [and] evaluates proposals upon depending what the brand stands for" (Urde *et al.*, 2013). Through brand-orientation approach, the company emphasizes its mission, vision and values (brand identity) across the industry and directly to its consumers.

Brand-orientation characteristics are strongly linked with brand equity since a brand-oriented behavior can measure brand equity (Urde *et al.*, 2013). The concept of brand equity has an immense importance in marketing since one of the most valuable assets to improve marketing productivity "is the knowledge that has been created about the brand in consumers' minds from the firm's investment in previous marketing programs" (Keller, 1993). Throughout the years, firms have been investing considerably in building their brand equity so that the concept became a central construct in marketing theory and practice (Datta *et al.*, 2017).

It is widely accepted that consumer-based brand equity refers to the differential effect of brand knowledge on consumer response to the marketing of the brand (Keller, 1993). For the author, brand equity is higher when consumers react more favorably to a product because of its brand than they do to an unnamed version of the same product (Keller, 1993). Therefore, the power of a brand lives in consumer's minds.

Keller & Lehmann (2003) developed the Brand Value Chain (the model was later reviewed in 2006) stating that the purchasing intention starts with marketing investment from the company. Marketing activities and efforts influence the consumer's mind towards the brand, adding value along the process, and culminate with the consumer choosing and buying the brand. Studies conducted more recently have concluded the opposite: product-performance shapes customer mind-set, hence, consumer usage experience precedes brand awareness (Huang & Sarigollu, 2014).

4.4 Consumer Behavior

"Knowledge about consumers should be incorporated into every facet of a successful marketing plan" (Solomon *et al.*, 2013). Solomon *et al.* (2013) define consumer behavior as the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires. As a result, consumer response is a key success indicator of the overall marketing strategy. This response can correspond to a satisfied, doubtful or unsatisfied customer. For marketers and managers, satisfied consumers are "less price-sensitive, less influenced by competitors' attack and loyal to the firm longer than dissatisfied customers" (Dimitriades, 2006).

Firms must not quit on their commitment to customer satisfaction: satisfied customers are more likely to build trust, develop more positive intentions, thus purchase more from the company (Anderson & Mittal, 2000 in De Cannière 2010).

Consumer satisfaction and consumer behavior have an interdependent relationship: one leads to the other and both have an impact on brand awareness and sales. In fact, sales of a brand are largely determined by nearly the same predictable patterns of buyer behavior (Ehrenberg *et al.*, 2004). These patterns are guided by criteria such as relationship with the brand (level of brand awareness and brand loyalty), brand reputation, price, packaging, utility or mere necessity. Likewise, buyer behavior can be measured by total expenditure of the customer, number of visits and number of product types bought (De Cannière *et al.*, 2010).

For Grewal *et al.* (2009), being responsive to customer needs and feedback can be achieved through easy interactions between customers and firm, a consistent message spread across all communication channels, providing multiple channels to interact and to shop. Such procedures will have a positive impact on customer loyalty and ultimately, will increase sales growth and the firm's profitability.

Grewal *et al.* (2017) suggest that companies must work on the customer experience to enhance customer engagement. Developing an emotional connection and a shared identity with the customers can be a method to upgrade this experience. "Leveraging [the brand's] purposes and values" can be done to deepen emotional connections (Grewal *et al.*, 2017).

Relationship with the brand and the correspondent customer response also impact decisions on brand extensions. The success of brand extensions relies on customer response and how that response affects purchase, whether it is extended into a related or unrelated product category (Laforet, 2011).

4.4.1. Brand Extensions

As defined by Kotler & Keller (2012), when a firm uses an established brand to introduce a new product, the product is called a brand extension. Brand extensions can be divided into two basic categories: line extension (parent brand covers a new product within the same product category) and category extension (company uses parent brand to enter a different product category).

Laforet (2011) highlights the need for a well-established strategy when extending brands. Besides a strategic plan, the success of brand extensions in FMCG markets (goods and services) is associated with perceived similarity, brand reputation, perceived product category risk and consumer innovativeness (Hem *et al.*, 2003). In fact, for Hem *et al.* (2003), more innovative consumers tend to evaluate brand extensions more favorably. Therefore, a brand extension strategy is more likely to become successful when it targets consumers driven by innovation.

On the same level, the reputation of the parent brand is a crucial factor influencing the likelihood of a successful brand extension. Thus, customer choice can be determined by brand category dominance: “a strong brand and a good fit do not ensure success if the brand extension is in an unrelated product category to the parent brand; dual brands are only successful, if one of the brands is established in that product category” (Laforet, 2011).

4.5 Retail Industry Trends

4.5.1 Digital Retailing

Over the past decades, several studies have been conducted with the purpose of predicting behaviors, identifying trends and providing valuable insights on consumers preferences within the retail sector.

The key to success in retailing is to understand customers (Grewal *et al.*, 2009). Consumers’ conducts change throughout time and tend to adapt to innovation - brought by technological developments and digital transformation. Parallelly, technology allows the consumer to make better-informed decisions about which products or services to consume (Grewal *et al.*, 2017).

Bell *et al.* (2011) highlighted that consumers should be segmented according to the overall purpose of their shopping trip. Firms should start to compete over shopping trips instead of competing for customers. This theory, originally from Fox & Sethuraman (2006), acknowledges that companies should understand what drives shopping differences across trips for the same household. Shoppers can be segmented according to their shopping mission and data on shopping patterns should be collected. This different approach to segmentation doesn’t necessarily overcome any other but it can act as an important complement to any market study on retail consumption.

Consumer behavior varies according to the shopping mission, according to socio-demographical, geographical, behavioral aspects, according to where shopping is taking place: online channels, offline channels. These days, consumers are exposed to an immense amount of offers – brands must decide how to design and deliver these offers in a way that makes them stand out (Grewal *et al.*, 2017).

In 2009, the discussion on whether to use a single-channel approach to sell a product or adopt a multi-channel strategy was still in vogue. The concept of multi-channel includes "all ways in which the consumer can contact a retailer or a retailer can contact the consumer" (Sonneck & Ott, 2006). A single-channel strategy is in place when the consumer has only one way to get the product (example: a brand that only sells in-store and customer needs to get to the store to interact and buy).

Sonneck & Ott (2006) agreed that multi-channel strategy was the future. The authors were keen on the idea that consumers are more likely to interact with a brand or a company when they are given more than one channel to contact with the product or service. More recent studies reveal the direction that multi-channel is taking.

The ongoing digitalization and growth of online channels originated the omnichannel phenomenon. Multi-channel retailing is moving to omnichannel retailing, a concept that refers to the way shoppers move through the different channels in the search and buying process (Verhoef *et al.*, 2015).

Shoppers are mixing offline and online tools: a customer is simultaneously shopping at a store while searching on a mobile device for more information about the same offer (Verhoef *et al.*, 2015) or, for instance, a shopper may search online for the product and enter a store with the sole purpose of buying that previously selected item. In such cases, marketers and salespeople encounter a new challenge: to draw attention to other products in order to increase the number of items purchased since the customer is already entering the store with the intention to buy.

On the other hand, omnichannel environments are prone to bombard consumers with information. To tackle this issue, retailers must target their information accurately, offer stand-out value and create strategies to deepen customer engagement (Grewal *et al.*, 2017). Retailers and brands in general, in markets flooded by abundant information, can opt to stand-out by getting closer to their audiences.

Verhoef *et al.* (2015) point out that "interactive channels are becoming integrated with traditional mass advertising channels". Such strategy fits with the new consumers' behaviors. Integrating both channels can be done in several different ways. It can be achieved by, for instance, creating an online campaign on the company's online pages offering vouchers to buy products in-store or, to buy in-store and receive a promotional code with a discount for the next purchase online.

4.5.2 Food Consumption

Today's societies face many challenges related to consumption (Verhoef & van Doorn, 2016).

In the Global Action Plan for the Prevention and Control of Noncommunicable Diseases for 2013-2020, the World Health Organization (WHO) defines key objectives for the period. The framework around the definition of the goals include to halt the rise of obesity and type 2 diabetes (WHO, 2013). To reach such targets, improvements in food environments at local, national, and transnational levels must take place (Swinburn *et al.*, 2015).

Unfortunately, modern food environments facilitate poor-quality diets. An unhealthy diet is composed of a high level of refined grains and added sugars, salt, unhealthy fats, and animal-source foods; it is low in whole grains, fruits, vegetables, legumes, fish, and nuts. Unhealthy diets are usually high in processed food products - packaged or ready to consume - and lack of whole foods and freshly prepared dishes (Anand *et al.*, 2015).

Swinburn *et al.* (2015) consider the governments and big food corporations are the entities to be held accountable for these modern food environments. However, consumers must also modify their food purchasing habits to pressure governments and food companies to create and promote healthier food environments. Consequently, several behaviors and trends have arisen within the food industry.

Organic Food

Organic labels designate products that are more environmentally sustainable, as they are produced in an animal-friendlier way and use less or no pesticides (Verhoef & van Doorn, 2016).

Costa *et al.* (2014) gather several reasons, considered by different authors, that explain the buying behaviors towards organic food. Organic food consumers select this sort of nourishment as an expression of their identity and values, as a reflection of lifestyle, because of environmental concerns and motivations, for the perceived quality of the product and finally, to comply with social norms (Costa *et al.*, 2014).

A study conducted by the authors concluded that organic food has a social value (Costa *et al.*, 2014). The social value assigned to organic food is linked with purchasing and consuming the product and with the location where buying occurs: the direct purchase from producers is valued more than supermarket purchases.

Marketing managers can turn this information in their favor by incorporating such insights into packaging or promotional campaigns for organic food consumers. Companies must consider that there must be an association between the social value of the product and the social value of the label "organic" to avoid incongruences.

Fair-Trade Label

The Fair-Trade label, that intends to assure a better deal for poor farmers in developing countries, is considered by Hainmueller *et al.* (2015) as "perhaps the best-known ethical label". Products such as coffee, tea, and chocolate have made their way into fair-trade and are being marketed on college campuses, coffee shops and in many major supermarket chains across the USA and Europe (Hainmueller *et al.*, 2015).

Verhoef & van Doorn (2016) add that fair-trade labels signal to consumers that goods are produced in a socially sustainable way, focusing on the role of the producers. Awareness on how food is produced, processed and packaged – and the costs associated with each step – makes consumers more critical towards the market and increases their power to claim fairer fares.

Advocating fair costs for the entire production chain and use it as a strategy in marketing campaigns is a way of conquering consumers sensitive to such issues. Fair trade products are often even more expensive and are, usually, marketed to a niche: consumers with greater purchasing power, sensitive to fair trade arguments and less focused on price.

Production and certification high costs can represent a constraint to increase the volume of organic and fair-trade products in the market (Chkanikova & Lehner, 2015). However, several survey data suggest that most consumers "prefer, and are willing to pay substantially more for, products they can identify as being made in an ethical way" (Hainmueller *et al.*, 2015).

Gluten and Lactose-Free

Offers of gluten-free and lactose-free foods have become a commonplace (Pfaff, 2013).

In recent years, the widespread lactose intolerance among the adult population could represent a drawback to dairy-based foods consumption (Silanikove *et al.*, 2015). However, dairy food companies identified this situation as a significant business opportunity hence the market has been providing solutions. Lactose intolerance and its global prevalence has created a large market for commercially available lactose-free food products (Morlock *et al.*, 2014). In order to make it lactose-free, manufacturers treat milk with the enzyme lactase, while keeping its shelf-life intact: lactase enzyme breaks down the lactose in the milk into two digestible monosaccharides (glucose and galactose), thus attaining a slightly sweeter taste than regular milk (Silanikove *et al.*, 2015).

Celiac disease is the most common food intolerance and facing increasing incidence. From 2013 to 2015, the gluten-free industry enjoyed a growth of 136%, outpacing celiac disease awareness and increases in prevalence (Reilly, 2016). This growth was impacted by those who are in good health and decide to adopt a gluten-free diet regime without medical prescription for the perceived benefits on health - such as weight loss - or to minimize future risk of gastrointestinal diseases (Gobbetti *et al.*, 2017).

Superfoods

The concept of superfoods is recent and literature on the topic is not abundant. Nonetheless, the designation ‘superfood’ commonly applies to food products that contain high amounts of particular nutrients such as antioxidants, vitamins, minerals, etc. (Groeniger *et al.*, 2017). These products (spelt, quinoa, goji berries, chia seeds, wheatgrass) have been recently marketed in western countries (Groeniger *et al.*, 2017) and its growing availability has been a major marketing success story (MacGregor *et al.*, 2018).

Scientific evidence on the superfood's health benefits is insufficient and the current studies available are inconclusive. Groeniger *et al.* (2017) and MacGregor *et al.* (2018) agree that its popularity must merely come from the perception of health benefits, rather than clinical evidence of effectiveness and safety. The superfood's reputation strongly relies on the marketing promise of well-being, youthfulness, vitality and self-transformation.

Superfoods are sold at higher prices when compared to its alternatives. Such circumstance may have reinforced the exclusivity of the perceived super-healthy products, qualifying its consumption to be prone to social distinction (Groeniger *et al.*, 2017).

MacGregor *et al.* (2018) label superfoods as a product of the anti-aging industry and one of the main reasons for the industry's rapid global growth. This anti-aging industry promotes self-health awareness by assuming that consumers should take responsibility for choosing and taking care of themselves.

Functional Food

The concept of functional food has been discussed and according to a consensus document from the British Nutrition Journal (1999), food is considered functional when they "satisfactorily demonstrate to affect beneficially one or more target functions in the body, beyond adequate nutritional effects in a way that is relevant to either an improvement of health and well-being and/or risk reduction of disease". In summary, functional food refers to the food that may provide health benefits beyond basic nutrition (Bech-Larsen & Grunert, 2003).

Functional food and more than eight-hundred plants help prevent and/or reduce metabolic syndrome by assisting the body homeostasis mechanisms (Mohamed, 2014). Body homeostasis is the maintenance of a steady-state in living organisms (Costanza *et al.*, 1992) and metabolic syndrome is "a condition of at least three of the cardiovascular risk factors: obesity, excessive visceral fat storage, dyslipidemia, hypertension and hyperglycemia or type 2 diabetes" (Mohamed, 2014). Considering cardiovascular disease is the first cause of death worldwide, functional food plays a preventive role for public and individual health.

Products containing high levels of antioxidants molecules are considered functional. Antioxidants have become an important group of food additives not only for customers (given its health benefits) but for companies as well. Antioxidants have unique properties that extend the food product shelf-life without any adverse effect on their sensory or nutritional qualities (Shahidi & Ambigaipalan, 2015).

The concept of probiotic food emerges in functional food literature given its intrinsic link. Probiotic refers to the properties and functionalities of living micro-organisms in food that play important role in immunological, digestive and respiratory functions, and that they could have a significant effect on the alleviation of infectious diseases in children and other high-risk groups (FAO & WHO, 2001). Most of the probiotic food products are categorized as functional foods and represent a significant part of it: probiotic foods comprise between 60 and 70% of the total functional food market (Kołozyn-Krajewskaa

& Dolatowski, 2012). For examples of marketed probiotic food products worldwide, please see Annex 1 – Retail Industry Trends – Table 6.

Functional food is composed of several product categories, besides probiotics. Siro *et al.* (2008) group them as:

- Probiotics;
- Prebiotics: non-digestible food ingredients that beneficially affect the host by selectively stimulating the growth and/or activity of one or a limited number of bacterial species already resident in the colon, and thus attempt to improve host health (Gibson & Roberfroid, 1995);
- Functional drinks: non-alcoholic beverages fortified with vitamins A, C and E, calcium, lutein, inulin; cholesterol-lowering drinks combined with omega-3 and soy, etc.;
- Functional cereals: oat, barley, cereals components such as starch, fermented cereals that promote the growth of probiotic microorganisms;
- Bakery products: white bread containing the nutritional elements normally available in brown bread including fibers, vitamins B1, B3 and B6, iron, zinc, inulin;
- Spreads: functional variety of margarine branded ‘‘Becel pro-activ’’, from Unilever. It contains phytostanol esters which, supposedly, lowers the cholesterol level;
- Functional meat: control of the composition of raw and processed meat materials through the reformulation of fatty acid profiles or inclusion of antioxidants, dietary fiber or probiotics;
- Functional eggs: eggs are naturally rich in fatty acids and have fat-soluble compounds; brands are enriching eggs with omega-3, antioxidants, vitamins and folic acid for health benefits besides basic nutrition.

Demand for food and beverages with health benefits is growing given the increase in consumer awareness. The global market for functional foods and beverages has grown from 33 billion dollars in the year 2000 to 176.7 billion dollars in 2013, representing 5% of the overall food market (Tripathi & Giri, 2014).

Apart from consumer awareness, Siegrist *et al.* (2015) mention other drivers likely to contribute to the growth of functional food consumption: increased life expectancy and rising costs of healthcare in some geographies. Further research provides inputs on what influences people to buy functional food products:

- Importance assigned to health (Tudoran *et al.*, 2009) – people concerned about their health are more likely to be interested in functional food (Goetzke *et al.*, 2014)
- Trust in the product and in the food industry as critical factors for functional food acceptance – health benefits may not be immediately experienced by consumers (Siegrist *et al.*, 2015)
- Culture – since food preferences differ across countries and cultures, it directly impacts the development of functional food market. For example, functional foods are easily accepted in Asian countries and in the USA. However, the same market segment is considerably less developed in Europe (Bech-Larsen & Scholderer, 2007).

Kraus (2015) conducted an extensive study on purchasing behavior and preferences towards functional foods. The author identified the most important characteristics of functional food affecting purchasing decisions and gathered the motives by which consumers are guided when purchasing such type of food.

The functional food attributes perceived positively and highly appreciated by consumers are (Kraus, 2015):

1. Quality: product is expected to be safe, natural, fresh, healthy and of high quality;
2. Taste: nice taste is a key aspect to achieve market success (consumer is unwilling to sacrifice taste);
3. Packaging: must include expiration date, information on health characteristics, nutritional value and production date; package must be practical;
4. Healthful properties: strengthens the immune system, reduces the risk of certain cancers, improves memory, strengthens eyesight, helps to maintain correct body weight, improves physical condition, reduces the risk of cardiovascular diseases, helps to maintain correct cholesterol level, helps to keep a youthful appearance; reduces stress;
5. Functional components: minerals (calcium, magnesium, zinc, iron, iodine, phosphorus), vitamins B, C, E, A and D, omega 3 fatty acids;
6. Carriers: dairy products, bread, cereals, fruit, vegetables and meat.

As the main motivators for functional food consumption, Kraus (2015) designates:

1. Health promotion: improvement of one's health through healthy nutrition, fulfilling the organism's needs; to be responsible and caring for one's health;
2. Pleasurable eating: consumers expect functional food consumption to be associated with pleasure (directly linked with the attribute 'nice taste');
3. Inner harmony and self-belief: associated with inner balance.

Kaur & Singh (2017) consider that functional foods are gaining prominence across the globe and are now becoming part of the daily diet of an average consumer. The authors state that the global market potential for functional foods and beverages has been estimated to be worth 192 billion dollars by 2020. Within the functional food, an important product category is the non-alcoholic beverages segment (Siro *et al.*, 2008). This market represents a business opportunity for companies since most products are considered functional given their vitaminic enhancement.

Green Coffee

Facing health concerns, the beverage industry is shifting from full-calorie carbonated soft drinks to lower-calorie carbonated soft drinks, coffees, and teas (Anand *et al.*, 2015).Green coffee beans are unroasted beans rich in chlorogenic acid (a polyphenol) and in its related compounds (Shimoda *et al.*, 2006). These components have antioxidant properties that help to prevent diseases such as coronary conditions, some forms of cancer (Onakpoya *et al.*, 2011), can work as inflammation inhibitors (Gawlik-Dziki *et al.*, 2013 in Dziki *et al.*, 2015) and do not have hypotensive effects (Shimoda *et al.*, 2006). Therefore, green coffee beans can play a preventive role against various degenerative diseases (Budryn *et al.*, 2013 in Dziki *et al.*, 2015).

Several studies suggest a link between green coffee bean consumption and a tendency to reduce visceral fat and body weight (Onakpoya *et al.*, 2011; Shimoda *et al.*, 2006). To support this assumption, besides the contribution of the antioxidant properties, Onakpoya *et al.* (2011) suggest that green coffee extract includes dietary phenols that can modify intestinal glucose, providing "a basis for explaining its effects on body weight." Fukagawa *et al.* (2017) also conducted a study on the benefits of coffee polyphenols (CPPs), including chlorogenic acid. The authors concluded that CPPs extracted from green coffee beans are promising and safe materials to maintain aesthetic and healthy skin, in addition to providing health benefits, such as anti-hypertension and anti-obesity effects.

4.5.2.1. Communicating "Healthy"

Communicating health benefits and other physiological effects of functional foods persists a major challenge to marketers. According to Roberfroid (2002), when communicating health benefits, science should remain the only driving force, marketing claims must be based on sound, objective and appropriate evidence, and this evidence must be consistent, able to meet scientific standards. Interestingly, the Codex Alimentarius (Codex Alimentarius, 1991 in Roberfroid, 2002) has defined four different categories of claims, all excluding the term 'health claim': relating to dietary guidelines; relating to nutrient content; being comparative (reduced, less, more); describing nutrient function (contains, contributes to the development of).

Furthermore, information and communication in nutrition may come from "multiple sources that are sometimes contradictory, creating an impression of chaos" (Roberfroid, 2002). Unclear, misleading and chaotic messages may result in misinformation and consumer resistance towards the purchase. Keeping a clear, unambiguous and scientifically valid information when communicating health, should be a basic principle in order to promote the acceptance of these foods/beverages by consumers (Roberfroid, 2002). Diplock *et al*. (1999) sheds light on how to clarify this message to consumers: "communication of health benefits to the public, through intermediates such as health professionals, educators, the media and the food industry, is an essential element in improving public health and in the development of functional foods. Its importance also lies in avoiding problems associated with consumer confusion about health messages" (Diplock *et al*., 1999).

Siegrist *et al.*, 2015 reinforces that the potential benefits of functional foods or beverages should be clearly communicated to consumers, who must believe that the promised health benefits are delivered. According to Siegrist *et al.* (2015), consumers of functional food value the health claim of the product (physiological health claims are valued higher than psychological), package with picture on the label; product taste (consumers might not want to compromise on taste) and are prepared to pay higher prices for items with proven health benefits. Such assumption corresponds with previous studies stating that functional food demand is high, generally, among higher-income population (Siro *et al.*, 2008).

Chrysochou (2010) conducted an extensive case study on food health branding focusing on the role of marketing mix elements in conveying a healthy brand image. The author's conclusions provide valuable insights on how to communicate health claims and conveying a healthy brand image:

- **Physical product** plays an essential role in conveying a healthy brand image. Some product categories have a presumptive healthier image than others, therefore, the product category moderates the role of product characteristics as an element of the marketing mix in health branding. A product that actually provides certain health benefits should be considered a precondition for health branding. However, uncertainties about the actual health benefits of a product, tend to be publicly discussed which can lead to lasting damage for the brand image (Chrysochou, 2010).
- **Advertising and packaging design** are less influential in conveying a healthy brand image as they require specific approaches in health branding and that their role is limited by legal constraints. Advertising campaigns and packaging are primarily designed to create secondary associations to health (through messages, symbols or semantics) that indirectly convey the image of a healthy brand. For instance, in one of the brands considered for the study, "packaging design and advertising campaigns, used images of slim women and slogans related to keeping in good shape, which further aimed at communicating a healthy lifestyle" (Chrysochou, 2010);
- **Websites, sponsorships and public relations** are often used as channels since they are subject to fewer legal constraints when, consequently, it is easier to by-pass restrictions set by health claim regulations. Public relations and word-of-mouth communication channels are preferred when the management aims at building a functional healthy brand concept. This strategy also stems "from the need for increased diversity in communication due to consumers' limited capacity to comprehend functional claims" (Chrysochou, 2010).

Chrysochou (2010) conceptual model of health branding can be found in Annex 1 – Retail Industry Trends – Figure 2.

Olsen *et al.* (2014) analyzed how the introduction of green new products change brand attitude. The authors define "green" as environmentally sustainable new products. Older brands benefit from introducing green new products, however, the number of green claims these new products offer must be limited. According to Olsen *et al.* (2014), a high number of green claims in new green products of older/established brands results in consumer skepticism. Introducing a sub-brand can help to tackle this issue since it has the potential to generate new associations and to act as a young brand (Olsen *et al*., 2014).

Nevertheless, and despite the managerial implications of introducing healthy messages on products, "the development of claims for already existing food products, as well as the development of new products and their own claims, should remain first a scientific challenge and not only a marketing challenge. This is the condition for success to the benefit of both human health and the food industry" Roberfroid (2002).

5. Conceptual Framework of Reference

Table 1 - Conceptual Framework of Reference

Product Development and Innovation	In today's business environment, regardless of the sector, innovation is an imperative success factor. Not pursuing market opportunities and not developing new products can leave companies "vulnerable to changes in consumers' needs and tastes, to new technologies, to shortened product life-cycles and to the increasing domestic and foreign competition" (Kotler & Keller, 2012). Responding through innovation can be a way of easing (or preventing) the consequences of having competitors introducing products that represent a major threat (Tidd *et al.*, 2005). Besides innovation, Krishnan & Ulrich (2001) consider product 'positioning & pricing' and 'collecting & meeting customer needs' as critical success factors.
Competitive Advantage	Differentiation is one of the strategies defined by Porter (1985) to create competitive advantage. This strategy assumes delivering something different to customers compared to the offerings of the competitors (Svendsen *et al.*, 2011), it also implies that consumers recognize those unique and meaningful features about the market offering (Kotler & Keller, 2012). Customer involvement can be beneficial for a differentiation strategy: "information and knowledge transmitted from customers represent important inputs in order to develop products meeting customer needs in a way that is different from competitor's offerings" (Svendsen *et al.*, 2011). Zhou *et al*. (2009) support that the greater a firm's customer orientation, the more the firm is able to develop a competitive advantage based on innovation and market differentiation. On the other hand, when a firm sets out to be the low-cost producer in its industry, it is establishing cost leadership as its overall strategy (Porter, 1985). Hence, being a cost leader can indicate the ability of commanding prices in the industry, having higher returns and using discounts to compete against differentiated market products.

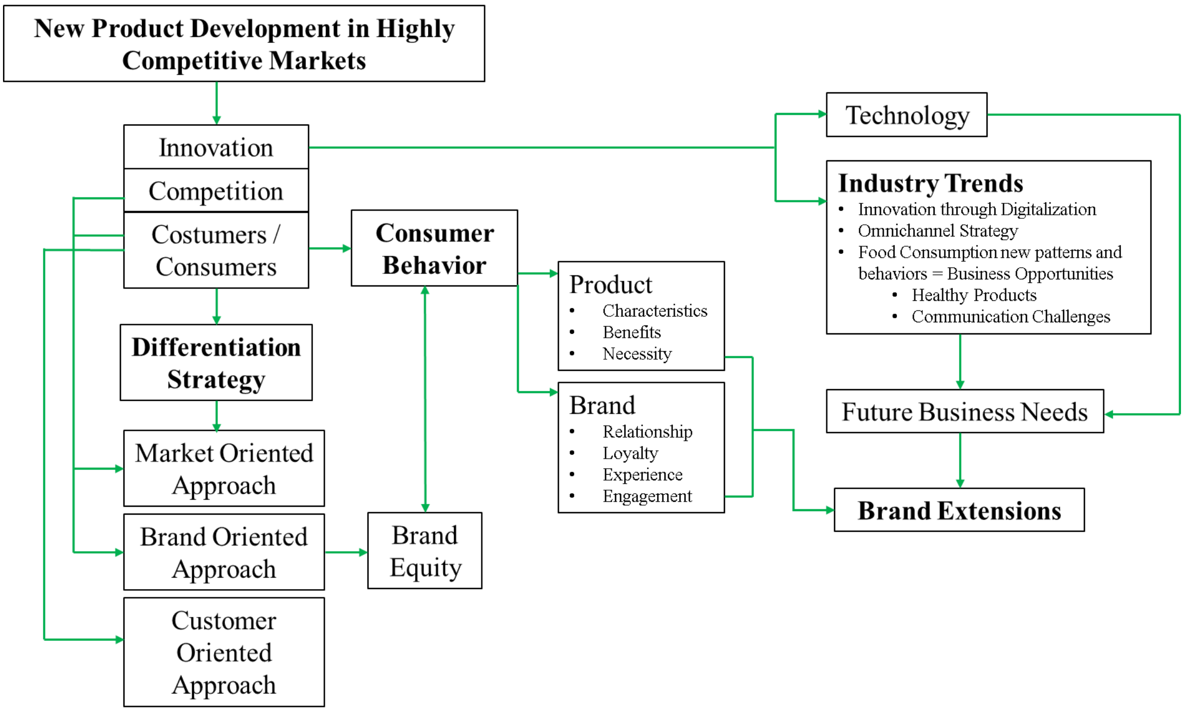
Strategic Orientations and Brand Equity	Kotler & Armstrong (2011) define customer-centered firms as companies that focus on delivering superior value to its targeted customers, considering customers' developments when designing marketing strategies. On the other hand, the authors state that a market-oriented company considers both the customers and the competitors when establishing strategies. In highly competitive markets, market-orientated firms are in a better position to correctly identify customers' latent needs (Zhou *et al.*, 2005). Urde *et al.*, (2013) consider brand orientation as a third strategy for companies. Through it, companies emphasize their mission, vision and values (brand identity). Brand-orientation characteristics are linked with brand equity since a brand-oriented behavior can measure brand equity (Urde *et al.*, 2013). Consumer-based brand equity refers to the differential effect of brand knowledge on consumer response to the marketing of the brand (Keller, 1993). For the author, brand equity is higher when consumers react more favorably to a product because of its brand than they do to an unnamed version of the same product (Keller, 1993). Therefore, the power of a brand lives in consumer's minds.
Consumer Behavior and Brand Extensions	Solomon *et al.* (2013) define consumer behavior as the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires. Consequently, consumer response is a key success indicator of the overall marketing strategy. Consumer satisfaction and consumer behavior have an interdependent relationship: one leads to the other and both have an impact on brand awareness and sales: satisfied customers are more likely to build trust, develop more positive intentions, thus purchase more from the company (Anderson & Mittal, 2000 in De Cannière 2010). Criteria such as brand awareness, brand loyalty, brand reputation, price, packaging, utility or necessity, customer's total expenditure, number of visits or number of items type bought, help measuring consumer satisfaction behaviors (De Cannière *et al.*, 2010).

	Developing an emotional connection and a shared identity with the customers can be a method to upgrade customer experience and engagement (Grewal *et al.*, 2017). Brand extensions occur when a firm uses an established brand to introduce a new product (Kotler & Keller, 2012). For Hem *et al.* (2003), more innovative consumers tend to evaluate brand extensions more favorably. Therefore, a brand extension strategy is more likely to become successful when it targets consumers driven by innovation. On the other hand, the reputation of the parent brand is a crucial factor influencing the likelihood of a successful brand extension.
Retail Industry Trends – Digital Retailing	In 2006, Sonneck & Ott agreed that multi-channel strategy was the future. The authors believed consumers are more likely to interact with a brand or a company when they are given more than one channel to contact with the product or service. The ongoing digitalization and growth of online channels originated the omnichannel phenomenon. Multi-channel retailing is moving to omnichannel retailing, a concept that refers to the way shoppers move through the different channels in the search and buying process. (Verhoef *et al.*, 2015). Omni-channel strategy provides customers with a wide set of options to interact with brands and products, allowing them to mix online and offline tools. Nevertheless, omnichannel environments are prone to bombard consumers with information. To tackle this issue, retailers must target their information accurately, offer stand-out value and create strategies to deepen customer engagement (Grewal *et al.*, 2017).
	Modern food environments facilitate poor-quality diets, composed by high levels of refined grains and added sugars, salt, unhealthy fats, and animal-source foods; and low in whole grains, fruits, vegetables, legumes, fish, and nuts. Unhealthy diets are usually high in processed food products - packaged or ready to consume - and lack of whole foods and freshly prepared dishes (Anand *et al.*, 2015). Given this scenario, consumers must modify their food

Retail Industry Trends – Food Consumption and Communicating Healthy	consumption and purchasing habits. Due to government policies and food companies' decisions that promote healthier food environments, several behaviors and trends have arisen within the industry such as, **Organic Food**, **Fair Trade Label** on products, **Gluten and Lactose Free**, **Superfoods**, **Functional Food** and, within functional food, **Green Coffee:** green coffee beans are unroasted beans rich in chlorogenic acid and related compounds (Shimoda *et al.*, 2006). These components have strong antioxidant properties that help to prevent diseases such as coronary conditions, some forms of cancer (Onakpoya *et al.*, 2011), can work as inflammation inhibitors (Gawlik-Dziki *et al.*, 2013 in Dziki *et al.*, 2015) and do not have hypotensive effects (Shimoda *et al.*, 2006). Communicating the health benefits of functional foods is a major challenge for marketers. Claims must be based on scientific, objective and appropriate evidence and, overall, clear to the consumer since misinformation creates consumer resistance towards purchase (Roberfroid, 2002). Avoiding problems associated with consumer confusion about health messages can be done through intermediates such as health professionals, educators, the media (Diplock *et al.*, 1999). For Chrysochou (2010), some product categories have a presumptive healthier image than others, therefore, the physical product and product category plays a role in perceiving health branding. Uncertainties about actual health benefits can lead to lasting damage to the brand image. Advertising campaigns and packaging are primarily designed to create secondary associations to health but are limited by legal constraints. Due to consumers' limited capacity to comprehend functional claims and in order to increase diversity in communication and by-pass legal restrictions, channels such as websites, sponsorships, public relations and word-of-mouth are preferred (Chrysochou, 2010).

Source: Author (2019)

Figure 1 - Schematic Conceptual Framework of Reference



Source: Author (2019)

6. Data Collection and Analysis Methods

The current project intends to create a marketing plan for the launch of a green coffee that provides health-related benefits besides basic nutrition. In order to understand the market, the industry and the acceptance of such product by the Portuguese consumers, several analyses will be conducted.

The initial research stage entails an in-depth analysis of existing literature on the project related topics. Scientific articles and other academic papers use reference books, scientific investigation, statistical studies as the source and ground for results discussion and conclusions. Discussions and conclusions are contemplated throughout the Literature Review chapter. Conducting this type of research will provide the necessary theoretical foundations to, at a later stage, achieve more accurate results (example: theory might provide hints on important questions to include on a survey).

To deeply access Delta's competitive position, besides conducting a literature review, it is key to develop an external and internal analysis. Internal analysis will be grounded on available data about the company on consumer purchasing behavior and preferences, market trends, business performance and other related subjects and information that the company made public. This data must be made available from the company directly to the author of this project, released by Delta on their official communication channels or released to the media by Delta's official sources. To conduct an external analysis, market studies will be an important tool to draw conclusions. Data can be extracted from Nielsen, INE (Statistics Portugal), PORDATA, Marktest, Bloomberg, International Coffee Association, the European Coffee Federation and other official institutions.

Finally, an online survey will be conducted with the aim of providing insights on consumers preferences and opinions. The anonymous survey will include personal information about the respondent (Portuguese respondents) and questions regarding coffee consumption habits: most valued brands, most important factors when purchasing coffee, consumption frequency, opinion on green coffee and purchasing intention. Each question will have closed answers. Following data collection from the survey, the information gathered will be analyzed. The survey will not be associated with the brand Delta Cafés since the focus is on the product and not on the brand. The intention is to clearly expose the benefits of the product and not to influence the respondent's choices by having the brand name associated with it.

Considering the information above, primary data (quantitative approach) and secondary data (literature review research) will be used throughout the project. Collecting and analyzing these data will lead to conclusions that are expected to shed light on whether there is space and acceptance for this new product in the Portuguese market. Reaching such conclusions will take Delta Cafés one step closer toward deciding to launch a green coffee beverage in Portugal.

7. Information Analysis and Conclusions

7.1 External Analysis

7.1.1. PESTEL Analysis

Political Factors

As a member of the European Union (EU), Portugal and its government policies are directly influenced by the agreements celebrated within the EU countries and the Union's trade rules.

The withdrawal of Troika from Portugal in 2014 represented the end of a period of austerity measures, implemented to prevent economy decay and, ideally, boost growth in the upcoming years. Since the end of its presence in the country, the economy has grown and favorable conditions for companies to flourish have been created.

In 2016, the Value-Added Tax (VAT) on the catering sector decreased from 23% to 13% (HORECA channel). This intermediate tax applies to several products including coffee and coffee-related beverages. According to a working group report published in December 2017 (Inter-Ministerial Working Group, 2017) and produced by the Portuguese Government in cooperation with AHRESP, the main catering sector association in Portugal, decreasing VAT has boosted job creation in the sector and allowed salary raises in the first semester of 2017. Such scenario can mean a boost in coffee companies' margins and the re-settling of prices for a more competitive positioning.

The growth of the tourism sector in Portugal has also been a positive and valuable contribution to growing retail consumption from 2016 onwards.

Economic Factors

According to the Bank of Portugal (2018a), in 2017 Portugal's GDP grew 2.7%, compared to the previous year. As a matter of comparison, the eurozone GDP grew 2.5% from 2016 to 2017 which places Portugal's growth slightly above average (see Annex 2 – External Analysis – Table 7). It is considered the biggest growth since the year 2000 and its main driving force was the acceleration of investment that led to a significant increase in domestic demand and consumption (Statistics Portugal, 2018a).

A report from the Bank of Portugal sheds light on companies' profitability in the first trimester of 2018. Financial profitability increased in several sectors including trade, electric power, transports and warehousing. Companies from the trade sector had, in the beginning of the current year, a higher degree of financial autonomy, less financial pressure as well as a reduced weight of indebtedness (Bank of Portugal, 2018b).

In the recent years, Portuguese and Eurozone consumers have been growing their confidence. In fact, 2017 was the first year since 2013, at least, where the level of consumers' confidence in Portugal was higher than the average in the Eurozone. This progress has been followed by the country's economic recovery and 2018 has kept the tendency of its previous year. Currently, the indicator of consumers' confidence in Portugal is set around 100% (see Annex 2 – External Analysis – Table 9).

Data shows the Portuguese unemployment rate decreasing 2.2% from 2016 to 2017, standing at 8.9%; the employment rate increased 3.3% which represents 151,400 new jobs (Statistics Portugal, 2018b). This scenario is prone to grow families' income and increase the internal demand for goods and services. When compared to the eurozone unemployment rate, Portugal is located above average and will continue to lower its rate until 2020, according to projections (see Annex 2 – External Analysis – Table 7). The current government seeks to boost employment and economic growth through job creation and statistics seem to demonstrate the consequences of the current government policies.

The Harmonized Index of Consumer Prices (HICP), is, according to the European Central Banks, the best indicator for inflation comparisons between the different countries of the EU. In Portugal, it shows an increase in prices from 2016 to 2017. From 2015 to 2016, prices grew 0.1%, while the growth from 2016 to 2017 was recorded at 1% (from 0.6% to 1.6%, annual average rate). Such increase positions Portugal above average (EU average = 1.5%), in the middle of the board, when considering all countries (see Annex 2 – External Analysis – Table 8).

Recent data from Eurostat, the statistical office of the EU, shows EU inflation rate at 2% (Eurostat, 2018). Energy, food, alcohol & tobacco and services are expected to be the sectors that will contribute the most for inflation and price change rates in 2018.

In the first trimester of 2018, the Portuguese economy had grown more 2.1% when compared to the same period of 2017. The European Commission predicts that Portugal will register an increase in importations and exportations in 2018 that will lead to a more favorable business environment with greater investment.

Future projections from the Bank of Portugal suggest an economic slowdown in the majority of its indicators (see Annex 2 – External Analysis – Table 7). However, such easing does not represent a setback. Unemployment is expected to continue to decrease and the employment rate will keep growing, both at a slower pace. The country's GDP will continue to grow steadily with a tendency to become increasingly aligned with Eurozone's GDP. Inflation is expected to decline until 2020 given the decrease in the HICP, positioning Portugal (1.4%) below the Eurozone average on price fluctuations (1.7%). Exports and imports tend to slow down significantly when compared to Eurozone oscillations.

While analyzing 2018-2020 projections, risks and uncertainties must be kept in mind. Political uncertainty in the euro area and the possibility of rising tensions in the financial markets can alter the framework into a less favorable projection. Worsening of geopolitical tensions, increase of protectionist policies globally, rise in oil prices and in long-term interest rates were some other aspects considered - the fluctuations of each of these factors directly impact the forecast.

Sociocultural Factors

Portugal presents an older age structure, a phenomenon that has been intensified in the last decades by the increase of the average lifespan, severe drops in birthrate and decrease of fertility rate. The increase of the average lifespan has been a consequence of an overall improvement of living conditions as well as significant technological progress in areas such as science and medicine.

While fertility rate has been dropping in the age range from 20 until 30 years old, it has been increasing in women aging 30 to 39 years old (see Annex 2 – External Analysis – Table 10). This reality show how women are more professionally engaged than they were thirty years ago and that both men and women's working life co-exists at the same time. The fact that families are delaying the birth of a first child, might also indicate that, currently, it takes men and women more time to gather all the necessary conditions to make such a decision.

Besides having an increasingly elder population, Portugal registers a declining rate of the young population. The current birth rate does not compensate for the aging index that keeps growing every year. In 2017, for every 100 young Portuguese, the country had 153,2 elders (Pordata, 2018b). Portugal is in the podium of the aged eurozone countries, falling into third place behind Italy (1st) and Germany (2nd). In 2016, for every 100 youngsters in the eurozone, there were 123,9 elders, a figure that positions Portugal well above average in this matter (Pordata, 2018c).

The expansion of the retirement years into a major life stage, a scenario verified in several European countries including Portugal, can also contribute to an increasingly elder population. In order to guarantee a stable generation renewal, governments must create incentives to promote birth rate and implement measures that lead to economic growth and stability, allowing families to expand.

In addition to the demographic aspects that shape the country, the changes in consumption patterns are key to help understanding the current consumer. The changes in such habits are a result of, for instance, the technological progress. The technological developments from the last two decades impact the everyday life, including consumption: the choice of what to consume, when, where, from which provider. Companies must be on permanent alert and adjustment to digital transformation and aware of how their customers, potential buyers and competitors use technology.

Technology developments carry new demands from customers and promote the development of certain ways of living such as healthier lifestyles. The uprising of organic/green products, with fewer additives and preservatives, eco-friendly productions and packaging are a result of the needs and interests of the consumers. As a result, new businesses emerge, widening the range of offers for buyers. In order to keep up with these trends and new demands and not to fall behind competition, firms must adapt their current businesses.

As for the Portuguese coffee industry, there has been a recent concerning consumption. As a consequence of the crisis that affected the country between 2010 and 2014 and as a way of battling it, Portuguese coffee consumers began to increase its in-house consumption in detriment of outdoors consumption. Not only was there a shift regarding the consumption location but there was also a change associated with how coffee is consumed. Portugal has seen a major increase in coffee capsules consumption: the growth of 12% in 2016 and again, 12%, in 2017, in sales value (Nielsen, 2018a). Coffee capsules have been considered the main driver for the industry's growth and revitalization and the category is expected to keep growing in the upcoming years (Nielsen, 2018a).

Despite the capsules outbreak, coffee consumption in Portugal is very much associated with being a pleasant and social moment. Going out to drink an espresso is often the reason to gather a group of people, outside of their home. Although coffee consumption has a social connotation, coffee capsules are likely to have contributed to IH consumption in Portugal. Presently, more than 5 million Portuguese consume coffee in capsules, representing 58.8% of all residents in continental Portugal (Marktest, 2018). In the fast-moving consumer goods industry, coffee has proved to be one of the most relevant goods: retail channels coffee sales reached a total of 302 million euros (Nielsen, 2018a).

When compared to the eurozone numbers, coffee consumption in Portugal exhibits relevant differences.

In its majority, Portuguese coffee consumers drink espresso, a strong coffee beverage served in a small cup. Despite the high consumption frequency, the amount of consumed coffee per person in Portugal is low and considerably less (2.7 kg per capita) when compared to northern European countries where coffee is consumed in larger formats: 10.3 kg per capita in Finland, 9.2 kg per capita in Sweden (see Annex 2 – External Analysis – Table 11). However, the Portuguese OOH consumption is the highest in the EU due to, among other aspects, sociocultural habits (see Annex 2 – External Analysis – Table 12). The European Coffee Federation (ECF) also reports the use of coffee capsules over the last few years using Euromonitor data (2014-2016). Portugal leads the chart in coffee capsules usage with 51% of consumers preferring this format in detriment of the common instant and soluble coffee beverages (see Annex 2 – External Analysis – Table 13). According to this study, 2016 was the first year where coffee capsules surpassed standard coffee formats in usage and consumption share in the country.

The tendency across the eurozone to adopt capsules is corroborated by the report "Coffee in Western Europe" from Euromonitor International (2018). The report acknowledges coffee capsules as the main source of growth over the review period – globally and in Western Europe – as a result of an abundance of new players. One of the key success factors for these new players involved offering Nespresso, Dolce Gusto and Tassimo compatible capsules.

The same report from Euromonitor International (2018) sheds light on some of the trends in the coffee industry: democratization of coffee capsules; rise of sustainability concerns; increasingly blurred line between retail and foodservice coffee; influence of specialist niche coffee shops; increasingly discerning consumers that pay close attention to the origin, blend and ethical sourcing of coffee. Europe can expect the decline of instant coffee to continue, however, instant coffee mixes are predicted to see moderate growth. Cold-brew coffee is portrayed as a potential area for investment and growth in the industry.

Technological Factors

Technology, as in most of today's businesses, has a key role in every step of the coffee industry's value chain. Technology is embedded in the full process: plantation, production, distribution, commercialization, sales and consumption.

The use of technological systems and solutions allows production optimization, cost reduction and profitability maintenance; allows an adequate brewing, roasting and storage of coffee beans; permits distribution worldwide with increasingly higher quality standards. Technology also plays an important part in monitoring and analyzing several indicators in order to enhance performance/sales; it can help to prevent stock-outs, monitoring consumption dates, controlling sales and production levels.

Moreover, technology can and must be taken advantage of when trying to connect customer and company/label. Using technology to understand the latest customers' needs and market choices allows companies to develop innovative products and to differentiate them from direct rivals, positioning the firm ahead of competition. Lastly, advanced technology is vital when developing coffee machines, whether these machines are for OOH or IH consumption. Given the recent emphasis on coffee capsules and its in-house consumption across Europe and mainly in Portugal, customers are becoming more demanding and attentive: it is important to enhance and develop the product and its machines according to users' feedback and available technology. In short and given the high level of rivalry in the business, coffee companies must always be keen on continuously improving their offerings through technology.

Environmental Factors

Environmental sustainability is one of the main concerns in the XXI century. Societies, governments, international associations and other entities have been spreading awareness in the last two decades towards the obligation of guaranteeing resources sustainability.

As for the coffee sector, environmental issues are a critical topic. Climate and environmental complications can quickly become a threat to coffee production since coffee plants grow in open air, in specific locations across the globe. Firms also play a key part in working towards a more sustainable industry, implementing measures that seek environmental preservation. Currently, adopting corporate and social responsibility (CSR) strategies is extremely relevant for companies to demonstrate and put in practice its measures towards environmental conservation.

A recent report presented by Christoph Sänger (Sänger, 2018), a senior economist of the International Coffee Organization (ICO) at the United Nations Conference on Trade and Development held in April 2018, elucidates on the impact of climate change on coffee production. The report advocates that global warming can affect coffee production via two paths: changes in rainfall patterns and temperatures make regions unsuitable for production; change in climatic conditions facilitates the spread of pests and diseases (Sänger, 2018). The ICO economist concludes that climate change has a negative impact on both Arabica and Robusta, the two primary types of coffee cultivated for drinking, and, for that reason, investment must be readapted.

The ICO, in cooperation with the Sustainable Coffee Challenge, recently published the *Guide to Access Green and Climate Funding for the Coffee Sector: The Global Environment Facility (GEF)*. Published on August 2018, this new guide "seeks to assist governments of coffee-producing countries to access GEF funding in order to address coffee sector challenges […], to help drive investments in the coffee sector to address the global impact of climate change." (ICO, 2018a). The publication of the ICO guide qualifies as an example of how actions towards protecting the ozone layer, battling global warming and contributing to soil preservation favoring coffee cultivation are urgent and necessary for the well-being of the industry.

Moreover, overstimulating coffee consumption may produce an unsustainable and unbalanced consumption and, consequently, affect prices. The ongoing rise of coffee consumption in Asia (see Annex 2 – External Analysis – Table 15) may represent a threat to raw material scarcity and, therefore, global inflation on prices.

Finally, one of the current environmental challenges the coffee industry faces is recycling coffee capsules. In order for capsules to be recyclable, coffee leftovers must be washed off and the plastic must be manually separated from the aluminum. This process is difficult to automatize, and, as an alternative, some manufacturers invest in biodegradable capsules. However, biodegradable capsules have a shorter lifespan which means consumers must use them shortly after the purchase.

Legal Framework

The current laws and decrees-law that apply to the Portuguese coffee industry are summarized in Annex 2 – External Analysis – Table 14.

7.1.2. Sector Overview

Industry Numbers

Global coffee production significantly fluctuates from season to season while following an overall rising trend. For the year 2017/2018, the ICO reports predict an increase in global coffee production and, consequently, a decrease in prices. Such an increase might be caused by the uprising coffee consumption in Asia. In the first 10 months of the coffee year 2017/2018 (comprising October 2017 until July 2018) exports have increased by 0.9% to 101.2 million bags, compared to 100.34 million bags in the same period of the previous year. It is estimated that the total coffee production for 2017/2018 will sum up to 158.6 million bags (ICO, 2018c).

According to Eurostat numbers, in 2016, the EU imported 2.95 tons of coffee, a sum worth 6.9 billion euros. The almost 3 tons of coffee represent 10% more imports than ten years ago. The majority of those imports come from Brazil (31%) and Vietnam (25%), the two greatest providers of coffee for EU countries. Following the two countries are Colombia, Honduras, India, Indonesia, Uganda, Peru and Ethiopia (Eurostat, 2017).

Despite being a large and important market, European coffee consumption outlook is considered saturated and therefore, its growth margin is shrinking. ICO data on global coffee consumption in thousands of 60kg bags (see Annex 2 – External Analysis – Table 15) demonstrates:

- Coffee consumption worldwide has grown 2.2% from 2013 to 2017;
- Asia & Oceania are the regions in the globe with the highest growth rate (4.2%);
- Europe is at the bottom of the growth pyramid, only above Central America & Mexico, with a growth rate of 1.2% and 0.7%, respectively.

The Centre for the Promotion of Imports from Developing Countries (CBI) considers that, although coffee consumption is no longer expanding at a fast pace in Europe, the continent has the highest per capita consumption in the world (CBI, 2018). Coffee consumption worldwide has steadily grown at an average annual rate of 2%, increasing from 90.28 million bags in coffee year 1990/1991 to an estimated 162.12 million bags in 2017/2018 (ICO, 2018c).

Globally, the capsules category grew at an average annual rate of 18% in real value terms from 2011 until 2016. Such growth rate became unsustainable and slowed to single digits in 2016, which is predicted to continue for the foreseeable future. Nevertheless, capsules remain the best performing category not only in coffee but in hot drinks in general (Euromonitor International, 2017b).

In the financial markets, coffee is a soft commodity. Coffee is considered the second most sought-after commodity worldwide, behind crude oil. Its significant high demand makes it an extremely valuable commodity around the globe and disturbances to its supply chain can instigate price hikes. Geopolitical instability, climatic factors, enterprise trading and speculator effect are its major price drivers.

The coffee industry is organized into two main segments: in-home (IH) and out-of-home (OOH). For each of these segments, different distribution channels apply. Retail is the main distribution channel for IH coffee consumption, including major distributors such as supermarkets and big department stores or traditional shops such as grocery stores. As for the OOH segment, Hotels, Restaurants and Cafes (HORECA) serve as the main channels for coffee distribution.

In Portugal, the coffee market grew 3.1% in 2017, accounting for 500 million euros. Such growth confirms the upward trend began in 2014, although a rate of change has reduced compared to the 2015-2016 (Informa D&B, 2018). Nielsen (2018a) reports that coffee reached 302 million euros in retail channel sales in 2017. Assuming that the remaining 198 million euros correspond to sales in distribution channels for OOH consumption, last year Portuguese consumers drank more coffee inside their household than outside.

Likewise, data shows that Portugal has changed its coffee consumption habits over the last years. The highlights of consumption shifts are coffee capsules and IH consumption.

In 2012, coffee capsules surpassed, for the first time, ground coffee consumption, according to Marktest (2012). Since then, its consumption has been increasing in the country and worldwide. Euromonitor International data, presented in a report from the ECF in 2017, shows how coffee capsules are the first form of coffee consumption in the Portuguese market with 51% against 49% of "standard" coffee.

Given the substantial social nature of coffee consumption, Portugal is placed in the highest position of OOH consumption in comparison to other European countries: 45% of coffee consumption occurs in HORECA channel (see Annex 2 – External Analysis – Table 12). Considering such data, it would be expected that OOH would prevail over IH consumption in the Portuguese market. However, in recent years, as a consequence of the economic turmoil until 2014 and the burst of coffee capsules and its machines, IH consumption grew significantly and this market trend is due to last.

Product Categorization

Pure coffee, roasted coffee, soluble or instant coffee, coffee-based beverages (latte, cappuccino, macchiato, for instance), cereal-based beverages with caffeine, coffee pods and coffee capsules are the most common coffee products to be commercialized by Delta and its competitors - although not all of them sell each and every category of products.

In the coffee industry, products are categorized according to its characteristics:

Ground Coffee: reaches the consumer after the roasted coffee beans undergo a grinding process. To make coffee beverages with ground coffee, consumers need one of the following: piston coffee maker, filter coffee maker or Italian coffee machine.

Soluble or Instant Coffee: coffee in powder that can be manually mixed with water or milk to make a coffee beverage. Does not require any machinery in the process. The taste is usually softer than other marketed coffees.

Coffee Beans: coffee beans are the most relevant coffee segment for the OOH channel. It requires appropriate machinery to grind and filter the beans. Since the grinding and filtering occurs a few moments before consumption, some of the most important flavor and aroma properties are preserved, resulting in a highly tasteful coffee beverage.

Coffee Capsules: generally consumed in the IH channel, these capsules are filled with five to six grams of ground coffee and sealed with a stamp (usually made from aluminum). When introduced in the machines, the aluminum stamp is punctured to let the water run through the intense ground coffee onto the coffee cup. While being in such protected conditions, coffee in capsules preserves its quality, guaranteeing efficacy and the same flavor in every cup. Companies who developed this coffee segment also developed and patented the machines and their system. However, it is very common to find compatible capsules in department stores or supermarkets, from brands that do not match the machine producer brand. Similar to ground coffee consumption, coffee capsules consumption requires the purchase of appropriate machinery, representing an extra expense and/or an investment for the consumer. For manufacturers and retailers, coffee capsules are, currently, the most profitable segment in the industry. As mentioned in the Sociocultural section of chapter 7.1.1. PESTEL Analysis, coffee capsules are, in 2018, the main driver of growth in the coffee market worldwide.

Coffee Pods: brands such as Delta or Nicola sell coffee in pod formats although the segment is considerably small compared to all the above. Coffee pods require machinery with the necessary handle to drain the coffee from the pod.

7.1.3. Competition Analysis

Delta Cafés' three main competitors in each coffee segment are summarized in Table 16 (Annex 2 – External Analysis – Table 16).

7.1.3.1. Nestlé

Nestlé is one of the leading multinational companies in the world, in the food and beverage markets. Nestlé was founded 152 years ago in Switzerland, owns more than 2000 brands and sells products in 189 countries.

In Portugal, the company operates in a wide range of sectors: chocolate-based and cereal-based beverages; coffee, breakfast cereals and cereal bars, chocolates, culinary products, ice creams, infant nutrition, clinical nutrition, pet foods, dairy and refrigerated products and specialized brands for retail. In 2017, Nestlé Portugal summed 486 million euros in sales volume, growing 4.7% compared to the previous year. From the total sales amount, 77 million euros come from exports (Nestlé, 2018a).

Speaking to journalists at a conference, Nestlé Portugal CEO, Paolo Fagnoni, mentioned that the main source of revenues in 2017 was the coffee segment. Together, Nescafé, Nespresso and Sical brands, represented 45% of the company's global turnover in Portugal (Jornal Económico, 2018).

Nestlé aims to be recognized worldwide as the leading company in Nutrition, Health and Wellbeing. The company is set to be the benchmark in the industry in regard to financial performance (Nestlé, 2018a). To accomplish such goals, the company designed a strategic plan that entails competitive advantages (unmatched portfolio of products and brands; strong research capacity; extended geographic presence; investment on people, culture, values and attitude); growth drivers (opportunities: nutrition, health and wellbeing; emerging markets and popularly positioned products; OOH consumption; differentiation) and strategic operational pillars (investment on innovation and renovation, consumer involvement and operational efficiency; to be everywhere, at any time, in the best way possible).

The company's goal is to meet today's needs without compromising the ability of future generations to meet theirs.

Nestlé Brands

As part of its strategy, Nestlé has a very diversified portfolio by owning a large range of brands in each of the sectors it covers. Some of these brands are deeply rooted in the market and customers might not directly associate them to Nestlé. In the Portuguese coffee segment, Nestlé brands are Nescafé, Nescafé Dolce Gusto, Nespresso, Buondi, Sical, Tofa and Christina (Nestlé, 2018a)

Nescafé

Nescafé started in 1938 and brought innovation to the coffee industry by creating a soluble coffee that becomes a coffee beverage by adding water or milk – easy to prepare and ready to drink. Today, Nescafé sells in over 180 countries under the statement "It all starts with a Nescafé" (Nestlé, 2018b). Nescafé products range can be divided in:

- **Nescafé Pure Coffee**: Soluble coffee made from 100% pure coffee; excluding the Classic version, each jar serves up to 50 cups. Versions: Classic (100 cups); Classic Crème; Classic Decaf; Classic Intense; Gold; Gold Origins Colombia; Alta Rica;

- **Nescafé Coffee Specialties**: Soluble coffee mixed with other ingredients. Versions: Cappuccino (10 bags); Cappuccino Decaf (10 bags); Intense Cappuccino (10 bags); Caramel Latte (8 bags); Mocha (9 bags) and "Galão" (8 bags);
- **Nescafé Shakissimo**: Cups containing milk-rich coffees, designed to be shaken to create an instant creamy froth on the drink. Versions: Cappuccino; Cookies; Espresso (190ml each);
- **Nescafé Coffee Beans**: Launched in April 2018 and produced in Portugal, Nescafé has entered, for the first time in 80 years, the HORECA channel by selling coffee beans. By taking this step, Nescafé is strengthening its offer for OOH consumers. Versions: Espresso; Intense; Selezione; Superiore (1kg each).

Nescafé Dolce Gusto

Dolce Gusto sells capsules and coffee machines for IH coffee consumption. The brand positions itself as "The Modern Art of Coffee" and started its business in 2007. Developed with high-pressure technology, Dolce Gusto machines allow customers to prepare hot and cold drinks (Nestlé, 2018c). Disregarding the different machines, Nescafé Dolce Gusto products range (capsules) can be divided in:

- Espressos: packs of 12, 16 or 30 (familiar format) coffee capsules (pure coffee and blends) with different tastes, intensities and aromas;
- Varieties: packs of 16 coffee capsules of Latte Machiatto; Mocha, Cappuccino, Chococino; Chococino Caramel; Chocolate Milk and Teas.

Nespresso

Nespresso was created in 1986 and is the pioneer brand concerning coffee capsules consumption. For thirty-three years, Nespresso has had its strategy grounded on three key growth drivers: creating the highest quality Grand Cru coffees; creating long-lasting consumer relationships; creating sustainable business success. The brand sells in sixty countries worldwide and its distribution strategy is a differentiation factor: Nespresso does not sell in retail or large distribution centers; the brand sells directly to customers via its own stores across the globe or online (Nestlé Nespresso, 2018). Such approach allows the brand to customize customer service, enhancing their relationship with the brand and evoking a sense of exclusivity to the Nespresso shopper.

Nespresso product range can be divided in: Master Origin (selected coffee with the focus in its origin); Espresso XL/Lungo; Espresso; Intenso; Decaffeinato; Variations (flavors: coffee with vanilla, chocolate or caramel) – every pack contains 10 coffee capsules; Barista Creations (coffee capsules to add to milk).

Buondi

Buondi is a Portuguese coffee brand founded in 1986 and bought by Nestlé in 1993. The brand's positioning statement is "Intensely" ("Intensamente") given the intense and strong Buondi coffee flavor. The brand considers to be associated with young and modern consumers (Nestlé, 2018d). Buondi sells roasted ground coffee and espressos in coffee capsules (partnership with Dolce Gusto) for IH consumption. However, the brand's strongest channel is HORECA where it sells espressos (coffee beans based) and coffee-based beverages (Cafés Torrados Nestlé, 2018).

Sical

Founded in 1947 in Portugal and acquired by Nestlé in 1987, Sical is notorious for its emphasis on coffee origins (Nestlé, 2018e). Its strategic positioning reflects the same: "Coffee is in its Origin" ("O café está na origem"). Sical product range can be divided in:

- Roasted Ground Coffee (IH): Classic; Origins (coffee from different locations around the world); Organic (UTZ Certified, 100% organic blend); Decaf – 250gr each package;
- Roasted Coffee Beans (OOH): Classic (250gr or 1kg packages).

Tofa

Tofa opened its doors in 1962 by the hand of Portuguese coffee farms' owners to be acquired by Nestlé in 1985. Marked by history, tradition and innovation, Tofa is an important player in the OOH coffee market. It sells roasted coffee beans to the HORECA channel for espressos and decaf espressos (Nestlé, 2018f)

Christina

Founded in 1813, in Porto, Christina is the oldest Nestlé brand and started as a small coffee shop. It became a roasted coffee company and was bought by Nestlé in 1987. The brand claims to be "A passion for generations" and sells roasted coffee beans to the HORECA channel for espressos and decaf espressos (Nestlé, 2018g).

7.1.3.2. Nutricafés

Nutricafés owns two coffee brands: Nicola, founded in 1789, and Chave D'Ouro, founded in 1916. Nutricafés is the third biggest coffee player in Portugal, behind Delta and Nestlé and sells coffee for IH and OOH consumption under different formats: roasted ground coffee, coffee beans, coffee capsules and pods. Both Nicola and Chave D'Ouro coffee capsules are compatible with Nespresso and Dolce Gusto machines. Besides developing compatible coffee capsules (for espresso and decafs), Nicola sells tea capsules compatible with those same machines (Nicola, 2018). Nutricafés was acquired by the Massimo Zanetti Beverage Group (MZBG) in 2016. MZBG owns the brand Segafredo Zanetti, also present in the Portuguese coffee market.

7.1.3.3. Private Labels

Private Labels (PL) are one of the most recent threats to manufacturer brands in Portugal. Retailers have been investing in selling products of their own label and coffee goods are no exception. As shown in 7.1.2. Sector Overview chapter, PL are increasing their sales and consolidating their presence in the coffee market by offering competitive prices. PL are a strong competitor in the coffee capsule segment since they have created compatible capsules for nearly every machine available in the market. For a customer, buying PL might mean compromising on quality and relationship with a branded label, but purchasing a similar item paying a lower price.

In Portugal, retailers Jerónimo Martins and SONAE Group own strong PL. Both sell products of every coffee segment: roasted ground coffee, soluble coffee, compatible coffee capsules and coffee beans. Moreover, Pingo Doce (Jerónimo Martins) has its own coffee capsule machine named Citadina.

7.1.3.4. Green Coffee Brands

Green coffee beans are marketed in Portugal under two forms: packages of ground non-roasted coffee and pills with green coffee extract (food supplement). Celeiro stores sell both. The brand sells Ground Green Coffee in packages of 100gr – the ground coffee of each package is only from green beans – and capsules with green coffee extract (60 capsules per package). Besides Celeiro, Prozis and other health/nutrition-related companies sell the same kind of capsules, marketed as weight loss enhancers, metabolism accelerators and glucose absorption reducers (Celeiro, 2018; Prozis, 2018).

In Portugal, green coffee blends are not available in the market. However, Nescafé has created a ground coffee blend of roasted and unroasted beans. The “Nescafé Green Blend” (or “Nescafé Green Coffee Blend”) is available for purchase in some Asian countries, Australia and New Zealand (Nestlé, 2018h). Portuguese consumers can buy these products through e-commerce platforms such as eBay or Amazon.

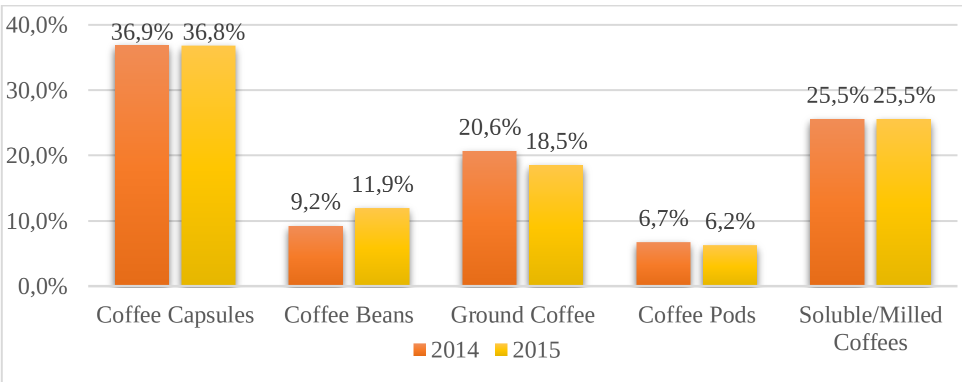
7.1.4. IH Market

In 2017, Portuguese households spent 3.7% more than in 2016 on shopping trips (Nielsen, 2018b). With an average of 2682 euros spent per home per year, each household went shopping 127 times during the year of 2017, an increase of 1.4%, compared to 2016. This important growth might be a result of families’ economic health and of the increase in consumers' trust towards the market and the economic framework.

Dehydrated meals (food section), water (beverages section) and hair removal products (personal hygiene section) were the categories that grew the most throughout the year (Nielsen 2018b). These outcomes indicate that consumers care about health, well-being and convenience, aspects that companies should pay attention to when developing new products and communicating them to their audience.

A study conducted by Marktest, published in 2016, analyzed the share of shelf (SoS) of coffee segments in their retail points of sale (PoS). According to Marktest (see Graph 1), coffee capsules hold the highest SoS at PoS, 36.8%, in comparison to soluble coffee (25.5%), ground coffee (18.5%), coffee beans (11.9%) and coffee pods (6.2%), in 2015 (Marktest, 2016). Such conclusions are a strong indicator of how IH consumption takes place: coffee drinkers privilege capsules in detriment of its alternatives.

Graph 1 - SoS per Coffee Category at the PoS in percentage (%)



Source: Marktest (2016)

From the 302 million euros Nielsen reports as the overall retail coffee market sales in 2017, around 200 million, 66% of sales, come from coffee capsules, consolidating the segment as the main growth driver of the category (Nielsen, 2018a). The dynamism that typifies the capsules, is not present in segments such as roasted coffees (ground, beans and pods) and soluble coffees, which have gradually become less important, except last year, when their sales stabilized (Nielsen, 2018a).

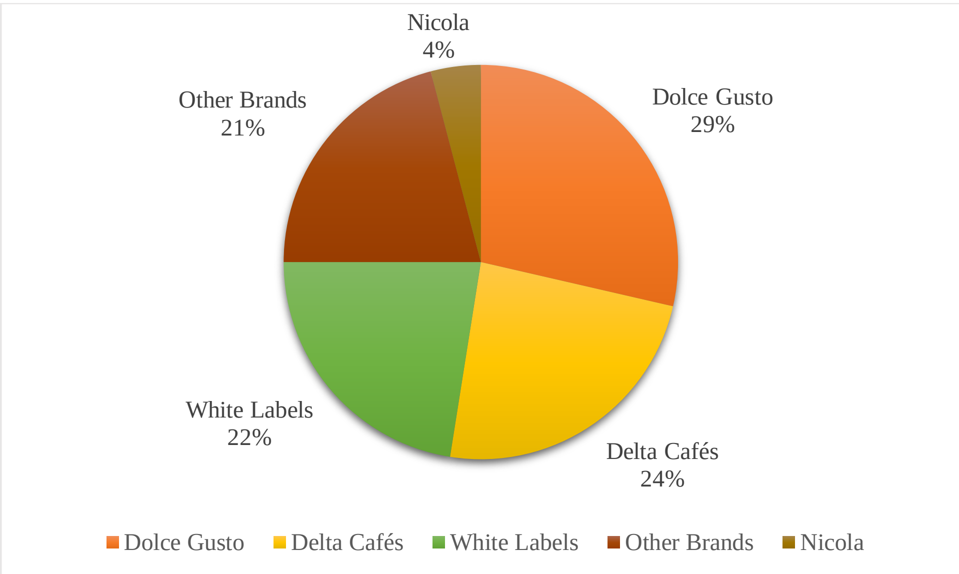
Continente (SONAE Group) was the main retailer for non-capsules coffee consumers in 2014, followed by Pingo Doce, which growth was the highest registered that year (Nielsen, 2014 in Henriques, 2016).

<u>Retail Coffee Market Segments</u>

Coffee Capsules Segment

Marktest shows that Nestlé Dolce Gusto is the brand that holds the greatest representation at PoS with 28.6% of SoS, followed by Delta with 23.9% and private labels with 22.5% (see Graph 2), in 2015. Dolce Gusto leadership in SoS is reported with reluctance: it leads the SoS in SONAE Group and Eleclerc PoS, only. In the remaining PoS studied, PL take the first position on the charts. The fact that private label capsules are compatible with almost every type of coffee capsule machine (Dolce Gusto, Nespresso, Delta Q, etc.), helps explaining its ascending success.

Graph 2 - SoS per Coffee Brand at the PoS in percentage (%) in 2015



Source: Marktest (2016)

Data on Hot Beverages from Nielsen (2018c) shows the full coffee capsules figure for 2017:

- The segment grew 13.1% in sales value and 10% in sales volume from 2017 to 2016;
- The difference between sales value and sales volume results in a higher retail selling price in average for Delta Cafés (54€/kg in 2017);
- Delta Cafés and Nestlé totalize almost 60.5 million euros each, in coffee capsules sales. Each brand grew its sales by 9.5% from 2016 to 2017;
- MS in coffee capsules segment is the same for Delta (30.8%) and its biggest competitor, Nestlé (30.8%). The MS for both companies dropped 1% from 2016 to 2017 as a result of the uprising of private labels, Nutricafés and brands with compatible capsules;
- Coffee capsules sales value significantly increased from 2016 to 2017 for “Other Manufacturers” (52%), Nutricafés (46%) and brands with compatible Dolce Gusto (160%) and Delta Q (94%) capsules;
- On sales volume, Nestlé leads the chart with more than 1.5 million. However, Delta grew 4% from 2016 (1 million) to 2017 (1.1 million) while Nestlé grew 3%. It is worth mentioning the 51% growth of Nutricafés from 2016 to 2017. Nevertheless, the brands that created compatible capsules with Delta Q and Dolce Gusto machines grew its sales volume around 100% and more, indicating the direction the market is taking;
- Besides leading in ground coffee capsules, and milk modifier capsules, Nestlé also leads the chart in tea capsules and instant coffee capsules sales volume with a considerable difference to its runner up, Delta. In 2017, Nestlé sales volume totalized 119 000 instant coffee capsules and 11 000 tea capsules, while Delta accounted for 7600 and 3500, respectively. These two capsules categories help Nestlé to move away from Delta in the overall sales volume picture although figures have lowered in both cases and for both brands from 2016 to 2017;
- Nestlé sells milk modifier in capsules, that represents the segment’s third source of revenue and sales volume, with more than 93 000 in 2017; as of 2017, Delta does not sell milk modifier capsules. When removing this category from the analysis, Delta becomes the leading company in the coffee capsules segment in Portugal with 31.1% of MS against Nestlé’s 30.2%.

The first conclusion is the fact that PL and manufacturer brands that develop compatible capsules have gain prominence and have earned their space in the market. Such brands are becoming increasingly attractive to consumers for its competitive price and wide variety, in every category of coffee.

Secondly, Delta Cafés and Nestlé remain the major players in the Portuguese coffee market: together they hold 61.5% of MS. In 2017, from a total of 194 million euros in sales, 119 million euros were collected by the two companies (61.3%). In regard to sales volume, 52% of the total amount of 2017 belongs to the two coffee giants.

Instant coffee capsules, tea capsules and milk modifier coffee capsules are the categories where Nestlé figures are visibly superior, indicating that there might be room for Delta Cafés to grow.

Finally, although both companies keep a considerable distance from the remaining brands, Delta and Nestlé are losing MS while its smaller competitors are boosting their sales by providing solutions that appeal to consumers. It is important that both brands clearly understand consumers' needs and their purchasing patterns. The companies should look for opportunities to differentiate and develop new products (and adapt the existing ones) according to the market needs.

Soluble or Instant Coffee Segment

According to Kantar Worldpanel (2017a), instant coffee is losing its presence in the Portuguese households. Typically prepared by mixing water with the thin coffee powder, instant coffee, that was once on the top choices for in-home coffee consumption alongside with ground coffee, is now losing MS to coffee capsules. Such disposition has been a market trend for, at least, the last five years.

In 2014, the soluble coffee segment added up 47 million euros in sales. Even so, sales volumes dropped around 0.4%, compared to 2013, representing a decrease of 2.5 million euros in sales (Nielsen, 2014 in Henriques, 2016). All categories within this segment lost in sales value and volume from 2013 to 2014:

- Cereal beverages: 6% less in sales;
- Pure coffees: 4.2% less in sales;
- Specialties: 2.4% less in sales.

Despite the crosscut across the segment, Novadelta (4.1% of MS in 2014) grew 12% in volume and value (collecting 1.9 million euros in sales). Nestlé gathers 71% of MS, strengthening its leadership in the instant coffee segment. However, its turnover was down by 5% and the most traded product in the segment in 2014 belongs to a PL from SONAE Group, one of the largest supermarkets' groups in Portugal (Nielsen, 2014 in Henriques, 2016).

According to the same market study, the most traded soluble coffee products in 2014 were:

- Continente Original 100gr (27% of MS) – PL product;
- Mokambo Cereals and Coffee (11.7% of MS) – Nestlé product;
- Pensal Barley (11.6% of MS) – Nestlé product.

Nielsen (2017, in Hipersuper, 2018) reports soluble coffee sales across retailers PoS went down 1% from 2016 to 2017, falling in 55.7 million euros. Despite the decrease, the turnover is suggestively higher compared to 2014 figures (47 million euros). Such results are a positive sign for the prosperity and sustainability of the industry.

Coffee Beans Segment

In regard to IH coffee consumption, coffee beans are on the bottom of the pyramid of consumers' choices given the necessary machinery to transform the beans into a coffee beverage. Kantar Worldpanel (2017a) points out that the segment is, alongside with instant coffee, losing space to coffee capsules. The segment represented 11% of pure coffee sales, going down 8% in sales value from 2013 to 2014 (Nielsen, 2014 in Henriques, 2016).

A study conducted by Marktest (2013) shows that Delta leads the segment with 30.8% of MS, followed by PL with 24%, "other brands" come in third place with 18.2% of MS. The three manufacturer brands represented in the study, Delta, Nicola and Sical, lost MS from 2012 to 2013, whereas PL and "other brands", with less prestige and reputation, grew its numbers during the period.

Ground Coffee Segment

On ground coffee, Nielsen (2014, in Henriques, 2016) demonstrates how the segment went down in sales by 7% in 2014, summing a total of 28 million euros, 2.2 million less than 2013 turnover. Considering all pure coffee segment, ground coffee represents 15% of the total sales in 2014, expectedly above coffee beans contribution. Sical had the most traded product of the segment, Delta Moído was second best, followed by retailers' PL (Nielsen, 2014, in Henriques, 2016).

Coffee Pods Segment

From all the segment under analysis, coffee pods' segment had the lowest turnover of the industry in 2014; likewise, the segment has the lowest expression within the pure coffee category with 3% representation. Sales totalized 4.9 million euros, 11% less compared to 2013 (Nielsen, 2014, in Henriques, 2016). Delta leads the segment's MS with 43%, Sical rounds up to 30%, and PL follow with 19% of market quota.

7.1.5. OOH Market

As mentioned in 7.1.2. Sector Overview chapter, coffee consumption in Portugal is associated with social activity. Coffee is consumed individually as much as collectively, in the OOH sphere. Euromonitor International (2017a) places Portugal in the highest position of OOH consumption in comparison to other European countries: 45% of our consumption happens in HORECA (see Annex 2 – External Analysis – Table 12). Despite the importance of OOH consumption and its substantial social nature, according to the report, IH consumption (55%) prevails over OOH (45%). The economic crisis from 2011 until 2014 and the booming of coffee capsules, boosted IH consumption.

Conducted in 2015 and published in 2016, a study by Kantar Worldpanel (2016) reveals a different result from the ECF. Almost 80% of the Portuguese participants in the OOH panel consume coffee away from home. From those 80%, 57% of coffee consumption is shared with other people, confirming the social nature associated with the moment (Kantar Worldpanel, 2016).

According to Kantar Worldpanel (2017b), the key moments for drinks and snacks OOH consumption occur during the morning and afternoon breaks (mid-morning and/or mid-afternoon), when activity levels are very high. Main meals, and especially lunch, have also been gaining weight in the OOH consumption outlook since 2017 (drinks and snacks). In the first three months of 2017, the main moments of the day (breakfast, lunch and dinner) weighed close to 50% of all occasions of drinks and snacks consumption (Kantar Worldpanel, 2017b).

In opposition to water and sodas, categories such as coffee, chocolate-milk and packaged pastry are losing space in OOH. Coffee is described as one of the main responsible products for the volume drop of beverages consumption in OOH market. Beverages volume in units went down from 89% in 2016 to 82% in 2017 (Kantar Worldpanel, 2018).

The OOH market is experiencing some shifts in recent years. The decision process became more complex where it is increasingly difficult to capture the consumer's attention and time and to give adequate space to each brand (Kantar Worldpanel, 2018). Strong interactions between categories and moments of consumption are some of the new trends: 56% of Portuguese households buy at least one product for OOH consumption in the typical IH distribution channels, thus, outside the conventional channels for this market (Kantar Worldpanel, 2017b). Given the highly competitive environment and the continuous changes and developments, brands must take these new dynamics and create strategies around both the IH and OOH markets.

7.1.6. Coffee Consumers

Despite being consumed in small amounts, coffee is one of the most popular hot beverages across all the layers of the Portuguese population. For instance, to have a coffee in the morning or right after lunch can be taken for granted for a large portion of the population.

Consumers tend to drink a cup of espresso coffee when needing an energy boost, supporting the theory on why coffee consumption is significantly common in those two moments of the day.

In Portugal, it is frequent to start drinking coffee around the age of 15 to 17 years-old (Oliveira & Dias, 2013). The same research shows that men drink more coffee than women. However, women will gradually increase their consumption (Oliveira & Dias, 2013).

A recent study, conducted by Spirituc Investigação Aplicada, reports that consumers start drinking coffee at age 18 (Spirituc, 2018). The reasons to start and keep consuming vary:

- 83.4%: enjoyable flavor;
- 51.4%: energizing effect;
- 29.3%: addictive aspect.

The same research concluded that 78% of the Portuguese population drinks coffee. From those, 86% consumes it in coffee shops and restaurants. However, the sample studied consumes almost as much coffee OOH as IH. Around 83% of the respondents also drink coffee in their homes. In the OOH domain, the frequency of daily consumption is lower. In contrast, frequency is the highest at consumers' workplaces, where more coffees are consumed per day.

The most common moments for consumption are right after lunch, 77%, and during breakfast, 73% (Spitiruc, 2018). The study states the five words associated with the product in 2018: flavor, awakening, pleasure, energy, socializing. Finally, on the sugar topic, around 55% of consumers claim to drink a simple, sugar-free coffee (Spirituc, 2018). On the same topic, Kantar Worldpanel (2017a) suggests that reducing, substituting or eliminating sugar from coffee is an important consumption trends, mainly in the OOH domain. As per Kantar market study, about 46% of individuals do not add sugar to coffee and within those 46%, the majority are women aged between 25 and 34 years old. The market study shows that 11%, mostly women between 35 and 49 years old, uses sweeteners as an alternative to sugar (Kantar Worldpanel, 2017a).

A study conducted by Borges (2016) in ISEG – Lisbon School of Economics and Management on the "Characterization of Coffee Consumers Profile in Portugal – Gender Impact" reached the following conclusions:

- Percentage of male consumers (85.7%) is higher than female consumers (81.3%);
- Men drink more coffee per day than women;
- Workplace (or study place) is the most favorable environment for coffee consumption, although IH consumption is also on the top preferences;
- Breakfast, lunch and meals at restaurants have the highest frequency of coffee consumption in average;
- Portuguese consumers consult the PoS, friends and family to collect information on coffee acquisition;
- Main consumption drivers are coffee flavor, caffeine energetic effect and addictive aspect of coffee;
- Coffee capsules and ground coffee are the most consumed coffee segments;
- Coffee capsules are the consumers' favorite coffee;
- Consumers drink mostly espressos;

- Most valued coffee attributes: “taste”, “aroma”, “intensity”, “price”, “promotions”, “usual/previous purchase”;
- Drinking coffee for “Health reasons” is among the least valued attributes for men; women give “health” a higher importance when evaluating coffee characteristics.

Given the importance assigned to coffee capsules, Marktest conducted an analysis on the consumer characteristics of this particular product.

Around 58.8% of the population living in the Portuguese mainland, aged at least 15 years-old, drank coffee from capsules at home, in 2017. Within the range of consumers aged 65 years old and older, 46.8% of those are coffee capsules consumers; the percentage rises to 67.5% for consumers aged between 35 and 44 years-old (Marktest, 2018).

Concerning social classes, the levels of coffee capsules consumption within each category are: 64.7% in upper/upper-middle class; 64.6% in middle class; 54.5% in low/low middle class (Marktest, 2018). Finally, Marktest (2018) study indicates that the probability of finding IH coffee capsules consumers is higher in the Greater Lisbon area (67.1% of consumers in the region).

7.1.7. Survey Analysis

Please see Annex 3 – Survey Analysis for detailed graphs.

Sample Overview

Data gathering was carried out under total anonymity and confidentiality. The data gathering started on November 21st, 2018 and finished on December 12th, 2018, counting a total of 267 answers. The survey was available through online channels such as email, social media or messaging platforms.

Sample Characterization

a) Sociodemographic Aspects

- Age: 46.1% are aged between 18 and 30; 24.7% are aged between 43 and 55; 14.6% are aged between 56 and 65; 12.7% are aged between 31 and 42; 1.5% are over 65; and 0.4% are under 18.
- Gender: 61.8% female; 38.2% male.

- Education: 82.4% have a bachelor's degree; 11.6% have a high school degree; 3.4% have a professional degree (non-academic); 2.6% have not completed high school (9^{th} grade degree).

b) Health Concerns

70.4% of the respondents admit being 'concerned' about their own health; 14.6% are 'very concerned', another 14.6% are 'slightly concerned' and only 0.4% are 'not concerned'. 87.6% of the respondents 'take action' in order to promote/strengthen their health, unlike the 12.4% that 'do not take action' in this direction.

Regarding the actions that are part of the everyday life that help maintaining/promoting a healthy life, 84.4% of the respondents try to keep a 'healthy diet'; followed by 45.8% that opt for 'routine medical checkups'; 37.8% 'attend the gym'; 37% 'play sports'.

From the sample of respondents, 69.7% agree that coffee is a 'healthy' beverage, 20.2% chose 'somewhat healthy', 6.7% answered 'very healthy' and 3.4% say it is 'not healthy' as a drink. The three main reasons to choose 'healthy' and 'very healthy' are due to the coffee's 'energizing effect' (68.1%), coffee's 'boost of concentration and alertness levels' (62.7%) and 'metabolism accelerator effect' (37.7%). Also relevant are 'headache relief effect' (34.8%) and 'lower risk of developing diseases' (28.4%).

On the other hand, the three main reasons to consider coffee to be 'somewhat healthy' or 'not healthy' are the 'increased heart rate effect' (61.3%), 'anxiety-causing effect' (52%) and 'gastrointestinal alterations' (48%). Other highly ranked motives are 'blood pressure increase' (45.3%) and 'coffee stains on teeth' (42.7%).

Overall, the sample of respondents has health concerns, tackled by keeping a healthy diet, exercising and taking medical routine examinations. The vast majority considers coffee to be healthy beverage since it boosts energy, increases the level of concentration and alertness and accelerates the metabolism. This last consequence is associated with weight control considering that a faster metabolism burns more calories and is less likely to accumulate fat.

c) Consumer Behavior Towards Coffee

Consumption: 90.6% of the respondents drink coffee (and/or coffee-based products) regularly, a relevant percentage for the scope of this project. The remaining 9.4% do not consume coffee or coffee-based products and, for this group of people, the questionnaire was completed at that moment. From the 90.6%, or 242 respondents, 38.7% drink two coffee cups per day followed by 35.8% that drink between 3 and 4 cups every day. Still, 21.4% choose to drink one coffee cup daily and 4.1% admit drinking 5 or more. The three main moments of consumption happen after lunch (66.5%), during breakfast (57.4%) and throughout the morning (47.1%).

Location/Format: when asked where do they consume coffee the most, the majority of respondents agreed that ‘Workplace’ is the number one location to drink coffee (48.8%), ‘Home’ follows with 31.4% and, finally, the ‘HORECA’ channel comes in third (19.8%) as the least chosen location to drink coffee. Given the importance of the workplace as the preferred location for coffee consumption, companies might find new business opportunities in this segment by exploring its full potential. Capsules are the respondents’ favorite format to drink coffee (49.4%), followed by coffee beans (26.7%) which is one of the most common coffee formats in the HORECA channel. Ground coffee is the choice for 16.9% of the sample. Ground coffee is associated with in-home consumption since it needs a filter coffee maker. Soluble coffee (4.9%) and coffee pods (2.1%) were the least chosen formats to drink coffee.

Attributes: ‘Flavor’ was the characteristic that respondents gave the most importance to. ‘Flavor’ was followed by ‘Intensity’, ‘Price’, ‘Aroma’, ‘Health Benefits’ and, lastly ‘Brand’. Although many respondents consider the Health Benefits to be important when choosing coffee, this attribute received the most ‘Not Important’ answers. However, when adding the ‘Little Importance’ and ‘Not Important’ answers, ‘Brand’ is the attribute consumers care the least when making their choice.

Brand: the majority of respondents chose ‘Nespresso’ as their favorite coffee brand (35.1%), a result that matches the answers of the previous questions – capsules are the preferred coffee format and workplace is the preferred consumption location (workplaces tend to have coffee capsules machinery and Nespresso only sells coffee in capsules). ‘Delta Cafés’ was elected favorite by 33.9% of the respondents and ‘Delta Q’ comes in third position with 11.2% which totalizes 45.1% for Delta Group (Grupo Nabeiro). Such data demonstrates that Nespresso wins the capsule consumption segment against Delta Q and that Delta Cafés is the number one choice for the remaining formats of coffee consumption. As for the remaining brands, 5.4% of the respondents prefer Nicola, 5% prefer PL, 4.1% prefer "other brands", 3.3% chose Dolce Gusto (one of Delta Q main competitor) and 2.1% selected Nescafé.

d) Consumer Behavior Towards Green Coffee

Buying Intention: considering the listed health benefits presented in the question (visceral fat reduction/weight loss effect; antioxidant properties; antihypertensive effect; anti-inflammatory effect; healthier skin; decreased risk of heart/degenerative diseases); 87.2% of the respondents said 'Yes' to the question 'Would you buy a package of green coffee, for consumption, because of its health benefits?', a significant percentage for this project's pursuance. The remaining 12.8% responded 'No', an answer that might be associated with the respondents that do not consider 'Health Benefits' to be an important coffee attribute.

Attributes: selected by 76.2% of the respondents, 'Decreasing the Risk of Heart/Degenerative Diseases' is the most important benefit that green coffee carries; 'Antioxidant Properties' come in second place with 55.2% of the choices, followed by 'Visceral Fat Reduction/Weight Loss Effect' (45.2%). 'Anti-inflammatory Effect' is an important benefit for 42.7%, 'Healthier Skin' was chosen by 32.6% and 'Antihypertensive Effect' by 29.7% of the respondents.

Consumption: 90.9% of the respondents have never consumed green coffee. From the 9.1% that have, 40% consumed it from a non-designated brand, 33.3% consumed it as a supplement from Prozis (capsules with green coffee extract), 20% have drank Nescafé green coffee and 6.7% acquired green coffee (grounded or in capsules) in 'Celeiro'. Having 90.9% of the respondents declaring that they have never consumed green coffee and, from the same sample, having 87.2% interested in buying the beverage shows that there is a market and, therefore, a business opportunity for Delta and a positive sign for this project implementation.

Consumption – Green Coffee Blend: To the question 'Green coffee beans may taste bitter for some palates. Obtaining a less bitter drink would involve blending green coffee beans with some roasted beans. This blend maintains the benefits of green coffee and combines them with an intense and pleasant flavor. Would you buy this product?' 93.8%

of the respondents said ‘Yes’. The 93.8% that would buy the blend of green and roasted coffee, represent an increase of 2.9% in the purchasing intention compared to the previous non-blended version (90.9%). Such figures confirm that flavor (boosted by the roasted coffee) plays an important role for coffee consumers.

Price: 39% of the potential green coffee blended beverage consumers would be willing to pay between 0.32€ to 0.35€ per coffee capsule (unit price); 36% would be willing to pay between 0.35€ and 0.39€; 18.6% would pay less than 0.32€ and 6.4% admits paying more than 0.39€. To answer this question, the respondents were given an average unit price of different coffee capsule brands. When cumulating percentages, the result is the following:

- < 0.32€ = 18.6% + 39% + 36% + 6.4% = 93.6%
- 0.32€ - 0.35€ = 39% + 36% + 6.4% = 81.4%
- 0.35€ - 0.39€ = 36% + 6.4% = 42.4%
- > 0.39€ = 6.4%

7.2. Internal Analysis

7.2.1. Delta Cafés

Delta Cafés, Portuguese company specialized in roasting and marketing coffee, was founded by Manuel Rui Nabeiro in 1961, in Campo Maior, Portugal. Presenting itself as a human-faced brand, Delta Cafés grew its business by building a close relationship with customers, promoting the mindset "one client, one friend" within the organization. By addressing every situation and customer as unique and individualized, Delta has earned the market and the consumers' trust (Delta Cafés, 2018a).

Delta's mission is to meet the real requirements of customers/markets in order to achieve total satisfaction and consumer loyalty. The brand's positioning reflects the desired long-lasting relationship with clients: "Delta Cafés – The Coffee of your Life" (Delta Cafés, 2018a).

Since the company pursues a customer-centralized strategy, its governance model is based on sharing and dialoguing and its mission focused on maintaining a human-faced brand with an authentic relationship with the customer. Integrity, transparency, loyalty, quality, sustainability, solidarity, sustainable innovation, humbleness and truth are the core values that dictate Delta's conduct as a company. Delta has developed a CSR strategy, combining the needs of all stakeholders, characterized by dialogue, responsible entrepreneurship and disruptive innovation. As a result, the company has established norms, business principles and a code of ethics that have an effect on goals' definition and management policies (Delta Cafés, 2018a).

Considered a reference and a leader in the Portuguese coffee market, Delta Cafés sells in the HORECA, Retail, Offices and Vending channels. Given its recognition, prestige and strong performance in the market, Delta coffee brand is present in every major retail chain across the country. Delta Cafés has direct operations in Portugal (Headquarter), Spain, France, Switzerland, Luxembourg, Angola, China and Brazil. The company has distributors worldwide (Delta Cafés, 2018a).

7.2.2. Delta Q

Launched in 2007, Delta Q has reinforced Delta's position in the market by targeting modern consumption. According to the brand, Delta Q is an exclusive and patented coffee capsules system. Each capsule has the necessary protective atmosphere, maintaining a high-quality standard and coffee characteristics that remain constant from dose to dose (Delta Cafés, 2018a). Delta Q reaches consumers through five distribution channels: retail, partnerships, Delta Q stores, online sales and B2B.

In 2013, Delta Q reinforced its Corporate channel by creating a business solution for companies and other professionals. The brand developed a coffee capsules machine that can serve more than one cup at the same time (Delta Cafés, 2013).

Delta's Research & Development (R&D) is fundamental for Delta Q growth. It helps the brand to keep up with the latest technology and market insights, adapting it to the needs of the customers. R&D plays an important role in developing new coffee flavors but also in upgrading Delta Q machines to match the industry's progress (Delta Cafés, 2018a).

During an interview in 2017, Delta Q CEO Rui Miguel Nabeiro, acknowledge that Delta Q brand was the market leader in the coffee capsules segment and, at that moment, it already accounted for 20% of the Delta Cafés Group total business (Portal da Liderança, 2017).

7.2.3. Business Strategy and Positioning

Since its foundation, Delta has invested in building strong relationships with customers in order to promote loyalty and satisfaction. Given the competitive environment of the Portuguese coffee market, to capitalize on customer retention is a strategy to reinforce Delta's position in the market.

Being a reference for the Portuguese coffee consumer, Delta's positioning statement, "The Coffee of your Life" manifests the brand's intention: to be part of consumers' everyday life, looking at building a future together. Such positioning suggests that Delta is pledging to maintain its coffee quality throughout the years while keeping up with its customers' needs, technological developments and industry trends.

Innovation is another of Delta's strategic pillars. To increase its quality and productivity, the company continuously invests in the quality of its resources and on new production methods to ensure improvements in existing products and processes. Quality-wise, Delta states three differentiation factors that set the company apart from direct competitors: the selected origins (coffee from over 50 countries worldwide), its coffee blend (mix of Arabica and Robusta) and its roasting process (coffee roasted at a low temperature for a longer period for a subtle and aromatic flavor).

Innovative solutions created by Delta are often the result of knowledge assimilation (learning-by-doing), product usage (learning-by-using) and company-consumers interactions (learning-by-interacting). Moreover, Delta has been increasing R&D investment in the last two years (Delta Cafés, 2018a).

Part of Delta's strategy relies on sustainability. The company acknowledges that its main responsibility is to guarantee economic profitability while reducing the environmental impact and, simultaneously, increasing a social positive impact. The launch of the "100% biodegradable and plastic-free" coffee capsule in May 2019 goes hand in hand with Delta's sustainability and innovation strategies. The capsule is composed of sugar cane, corn and cassava and contains no aluminum or plastic.

Delta seeks to encourage the training of local coffee farmers, environmentally responsible practices such as soil conservation, sustainable planting management, water saving and the use of renewable energies, in order not to compromise the future of the generations to come. Such initiatives are brought to life through CSR actions and projects the company undertakes throughout its entire value chain: using certified "Rainforest Alliance" coffee in the "Origens Selecionadas Delta" coffee range; signing fair trade agreements to guarantee fair payments to producers and to support development projects in the those communities; acquiring coffee with the aim of improving producers living conditions; using trains instead of trucks to transport coffee bags from Lisbon's port to Campo Maior; monitoring the company's carbon footprint throughout the product's life cycle and proceeding to offset it. In May 2019, Delta announced a new project: a partnership with Associação de Produtores Açorianos de Café (Azorean Coffee Producers Association) that aims to support Azorean coffee farmers and producers in all stages of Azorean coffee production, processing and marketing over the next fifteen years.

As a fourth strategic move, Delta intends to grow internationally. This internationalization process began in the 1980s and Spain was the first country across the border to welcome the Portuguese coffee brand. To strengthen its position as a global brand, Delta plans to expand the business to new geographies and reach new consumers mainly in European markets (Delta Cafés, 2018b).

In short, Delta's strategic goal is to ensure a sustainable financial return through innovation and responsible investment, while maintaining the leadership of the national market and, at the same time, progressing in the brand internationalization process.

7.2.4. Portfolio Analysis

Delta's portfolio covers several segments of coffee, both for IH or OOH consumption (see Annex 4 – Internal Analysis – Table 17 and Annex 4 – Internal Analysis – Portfolio List).

OOH Consumption

Coffee Beans – Premium and Mainstream

Delta blends are named after gemstones: the more precious the stone is, the more premium the coffee will be. Ruby and Diamond are premium products while Platinum and Gold target the mainstream consumer. On the other hand, Organic and Bio coffee bean bags aim at HORECA consumers that value these characteristics: biological, organic, healthy and environment-friendly products. Besides the premium and mainstream ranges, Delta Cafés also offers low budget and decaf selections (Mondo Espresso, Gran Espresso, Decaf).

IH Consumption

Ground Coffee – Premium Category

Platinum ground coffee targets a demanding consumer that appreciates a classic and strong coffee blend. Fair Trade, Organic, Bio and Forestry coffee selections intend to reach consumers who value certified, sustainable products.

Ground Coffee – Origins Category

Origins selections target ground coffee consumers who enjoy tasting different flavors. The coffee blends within Origins category vary on the origin of the coffee and the selections are named after the country where the coffee is produced. Delta Cafés launches between one and two different Origin coffee ranges each year.

Ground Coffee – Mainstream Category

Within this category, Lote Chávena is the coffee selection that contributes the most not only for mainstream coffee sales but for the whole ground coffee segment sales. Low budget and decaf ground coffee selections are also available for consumers.

Instant Coffee – Soluble Category

Soluble coffee targets coffee consumers that appreciate convenience and speed in preparing their coffee beverage. Soluble coffee is mostly consumed at breakfast and Delta selection includes regular coffee blends, cappuccinos, decafs and cereal-based blends.

Coffee Capsules – Delta Q

After its creation in 2007, Delta Q became a key player in Delta's business and portfolio. Delta Q comprises coffee capsules and coffee machines. Each Delta Q package contains 10 coffee capsules, each package varies on flavor and intensity. Besides the regular packages, Delta Q has special XL packs containing 40 coffee capsules meant to increase the average purchase per consumer. Delta's portfolio also includes cereal-based coffee capsules, tea capsules and specialties such as coffee with cinnamon capsules or bio coffee. Delta Q machines have different characteristics: Milk Qool Evolution has both a water and a milk deposit; Qool Evolution and Qlip only have water deposits and their main differences are size and design; Qool Manual only has water deposit and it is the only machine that works strictly in Manual mode – all the others have the Manual and Automatic option (Delta Q, 2018b).

Please check Annex 4 – Internal Analysis –Table 18 for coffee capsules and Annex 4 – Internal Analysis – Table 19 to go through Delta Q coffee machines.

7.2.5. Business Performance Analysis

Delta Cafés website highlights some of the company's key figures. Delta Cafés has reached more than 340 Million € in turnover and has sold more than 22 600 tons of coffee which means buying around 450 000 coffee sacks yearly. Delta Cafés sells 100 tons of roasted coffee every day and, approximately, 9.7 million Delta espressos are consumed daily. Currently, around 20% of the business comes from exportations: Delta provides for forty countries and directly operates in eight. In Portugal, the annual average consumption per capita is 4.4kg of Delta coffee. The company has been the market leader since 1994, has over 3000 employees and has earned "Trusted Brand Award" and "Consumers' Choice Award" several years in a row (Delta Cafés, 2018a).

7.3. Competitive Analysis

7.3.1. SWOT Analysis

Please see Annex 5 – Competitive Analysis – Table 20 for the summarized SWOT table.

Strengths

Delta Cafés has been a market leader for decades in the Portuguese coffee industry having established an extensive and stable distribution chain all over the country and across borders. Although this project partners with the brand Delta Q, such label is directly associated with Delta Cafés and benefits from its brand equity and retail network. The HORECA channel has the widest and most consolidated distribution channel, however, Delta Q is strengthening its presence on the remaining channels, namely retail and Delta Q stores.

Delta has built strong and long-lasting relationships with its stakeholders, mainly providers and customers. Their brand equity strengthens awareness and consumers' confidence, an important factor of differentiation for Delta.

The portfolio of Delta products is diversified which results in a strong presence in each coffee segment. Delta not only lowers its business risk by diversifying but also provides its customers with a variety of innovative new products. Delta's portfolio follows the sector trends in the hopes of keeping up with consumers' needs and demands.

Weaknesses

Delta has an international presence and plans to expand the business to new countries. However, its presence is relatively modest. Its internationalization strategy is based on proximity with Portugal or the Portuguese (excluding the case of China). Delta Cafés has direct operations in Spain, France, Switzerland, Luxembourg, Angola and Brazil, countries with a strong and solid Portuguese presence. Nevertheless, the brand is not widely recognized among the locals. In some of these locations, Delta has difficulties penetrating given its highly competitive environment.

Moreover, Delta has a weak position in the soluble coffee segment, losing a significant amount of share to its main competitor, Nestlé (Nescafé) as explained in 7.1.4. IH Market.

Opportunities

The information democratization of the last decades has allowed consumers to gain awareness about health issues. In a country where food with low nutritious levels is still part of many diets, such awareness has resulted in mindset changes, new behaviors and has caused several industries to adapt its products to the new needs (in some cases, forced by governmental laws). Food with benefits other than nutrition have earned the attention of consumers and an overall attitude towards healthier choices and lifestyles has emerged.

The recent Portuguese economic prosperity has created a favorable environment given the increase in domestic demand, growth on imports and exports, among other factors. Such prosperity has boosted consumers' confidence that are now more prone to spend. Unemployment decreased and job creation rose resulting in higher purchasing power which aligned with consumers' confidence creates a positive atmosphere for new product launching.

The generalized increase in coffee consumption is a positive aspect for any of the players in the sector. Within it, the segment of coffee in capsules grew exponentially in the last years in Portugal. The growth of coffee capsules contributed to consumption increase since the system provides consumers with an innovative, fast and convenient way of drinking coffee. To follow an internationalization strategy at this moment is an important step to take, backed by the positive moment Delta's home country is going through concerning economic stability, consumers' confidence and growing coffee consumption.

Moreover, technological developments are allowing the development of innovative solutions in the entire coffee value chain. The coffee sector has seen many developments perpetrated by technology, from the moment of production until the product reaches the consumers. Coffee associated machinery is an example of how technological developments have made coffee drinking widely available. If at the beginning of IH coffee consumption, consumers had to hand-grind coffee beans, currently there is a vast spectrum of solutions that makes tasteful consumption a lot simpler and attainable. The data extracted from the conducted survey leads to some conclusions. The fact that coffee is perceived as a healthy beverage represents an opportunity for Delta to go deeper into exploring this perception. Besides, the level of acceptance of a green coffee beverage (and a blended version of the same) was high, indicating an apparent purchase intention towards the product.

Threats

Competition in the coffee industry is strong and rivalry has been aggravated by the rise of PL, mainly for the IH segment. Such phenomenon has intensified price competition, setting aside product differentiation. Despite the registered economic recovery, Portugal still suffers from the crisis consequences. Consumers are, typically, very price sensitive, easily influenced by promotions/discounts and consider the 'Price' as one of the main drivers for decision making. Therefore, to invest in product differentiation/new product launching, associating it with new consumption trends and consumer insights can be key to creating a competitive advantage.

Additionally, Delta, and particularly Delta Q, does not have a solid online presence. Unlike one of its main competitors, Nespresso (Nestlé), Delta Q does not favor online selling channels over the traditional distribution. By favoring e-commerce as the main distribution channel, Nespresso gathers relevant information about each consumer such as detailed coffee preferences, purchasing frequency, openness to innovation, etc.

One of Delta's main threats, shared with every player of the industry, is the dependence on the countries that produce coffee beans, located mainly in Africa and South America. Delta has no control over the external factors that affect coffee production and depends on the climate conditions of those locations. Climate changes can be damaging for coffee plantations and, consequently, compromise coffee quality and availability.

Although coffee consumption increase can be seen as an opportunity for growth, the sector is facing an era of over-stimulated consumption. The consumption growth in areas of the globe such as Asia is happening in an unsustainable way, creating an imbalance between supply and demand. This situation might result in raw material scarcity and, consequently, price hikes.

Consumers are increasingly more aware and concerned about the environmental implications of producing unsustainable, non-biodegradable products. The millions of typical coffee capsules are a non-biodegradable product, composed of plastic and/or aluminum, that generates a significant ecological footprint on our ecosystem. This fact might be alarming to consumers and harmful to future consumption. Moreover, the rise of nationalist/far-right movements in the EU has caused some political uncertainty in the recent past. The upsurge of protectionist policies creates an unfavorable environment for business expansion.

7.3.2. Porter's Five Forces

Michael Porter's Five Forces (Porter, 1985), a structural industry analysis, provide insights on the competitive environment surrounding Delta and on its ability to develop a competitive advantage:

- *Rivalry among existing competitors*: HIGH. Competition is high between branded products, intensified by PL expansion;
- *Bargaining power of suppliers*: LOW. Although companies depend on the producing countries and their coffee plantations, there is a large number of suppliers worldwide. At the moment, the switching cost for Delta is relatively low. However, if consumption continues to grow unsustainably, prices might hike, and supplier bargaining power will increase;
- *Bargaining power of buyers*: HIGH. Intense competition provides consumers with a wide range of offers. In addition, the Portuguese market is well informed and price sensitive which means consumers are aware of the low switching cost;
- *Threat of new entrants*: MODERATE. Such threat can be considered high for IH segment but lower for OOH segment. In the recent past, several new entrants (private/retail labels) have penetrated the industry threatening Delta's business in the IH market segment, one of the most relevant and growing segments. In the OOH sphere, Delta has a more solid and less endangered position given its solid distribution chain and brand equity;
- *Threat of substitutes*: HIGH. Delta's portfolio covers every format of coffee, however the main product, coffee, has substitutes – other hot beverages (teas, caffeine-free drinks, etc.), pills with coffee beans extract. Boosting energy is often the motive to drink coffee. However, caffeine exists in other products that are widely available. Increasing concentration and alertness levels is another reason to choose coffee and those properties can be found in other natural and/or chemical products.

7.3.3. Critical Success Factors

To be successful in a highly competitive and fast-moving industry such as the Portuguese coffee market, companies and their brands must differentiate from competition in several dimensions. Considering the outcomes of the previous two analysis (SWOT and Porter's Five Forces), players in the coffee industry should tackle the following:

Portfolio of Products: providing consumers with the possibility of drinking coffee in every format the sector has developed, is an important aspect to take into account. By doing so, companies prevent consumers from choosing competitors' products while contributing to their own competitive advantage. To keep developing and extending its portfolio of products, companies must maintain a close track on consumers' needs and an eye on the latest trends in the sector.

Product Quality: in order to preserve consumers' confidence, it is key to keep delivering the same quality that customers have gotten used to. Ensuring a meticulous coffee selection, the use of the latest technology, and to work alongside R&D (market research on consumer insights, as well as inputs from other stakeholders), are decisive to maintain product quality.

Price Competitiveness: the Portuguese consumers are, generically, price sensitive. Maintaining a high-quality standard has costs and a portion of consumers places quality ahead of price. However, price is still a decisive purchasing factor. To find a balance between the premium prices of certain products and granting discounts/promotions in others can be key to become a market leader.

Distribution Chain: considering the rise of IH coffee consumption, industry players should consider investing in its retail presence as well as its own stores and e-commerce channels – the three main channels where buyers purchase the product (IH). With an accurate stock management and rigorous control over its supply chain, consumers will always get their coffee in the locations where they are expecting to find it. As for OOH consumption, brands must maintain their national coverage by supplying, on time and with high-quality standards, coffee, the necessary machinery and the technical assistance requested.

E-commerce (IH consumption): being one of the biggest retail trends of the current decade, online sales are an important channel to explore to its full potential. E-commerce brings brands and consumers closer by providing a purchasing platform that is meant to be easy to use, convenient and trustworthy. Since 'taste' is the most important factor in decision-making, e-commerce is a useful tool for consumers that are regular coffee buyers. Considering that online coffee buyers tend to purchase online a type of coffee they already know, brands face a new challenge and opportunity: to draw attention to other products in order to increase the number of items purchased through, for instance, an online promotion. However, not to blast consumers with information and to get them to easily find want they look for, it is important to display information accurately. Moreover, for companies with a strong presence in offline channels, combining both online and offline in an omnichannel strategy helps to target the modern coffee consumer.

Targeted Communication: to build trust and consolidate the brand-customer relationship, it is important to get the message across, using the appropriate channels according to the target. In an era where promotion happens under the most diverse formats, brands must have a clear idea on who are the consumers of each product of their portfolio. Once that data is collected, the brand must communicate each product according to the profile of that segment of consumers. In the case of a new product launching, brands must promote the product according to the desired profile of consumers they intend to reach.

7.4. Marketing Plan

7.4.1 Marketing Plan Goals

The goal of this marketing plan is to accurately target the potential consumers of a green coffee beverage through a precise Marketing Mix. Besides, developing a green coffee for Delta enriches the company's portfolio of products and adds value to its differentiation in the market. Widening Delta's portfolio by providing consumers with a new, innovative coffee beverage might increase Delta's brand equity and impacts the company's financial performance.

The ultimate goals are to develop, promote and sell a product that will lead to incremental sales rather than substituting existing Delta Q coffee capsules' offers; to strengthen the brand's market share and equity; and to accurately market the product as a healthy coffee beverage with direct benefits in consumers' health.

7.4.2. Segmentation, Targeting and Positioning

Segmentation

According to Kotler & Armstrong (2018), segmentation divides "the market into segments according to the different benefits that consumers seek from the product". For this project, demographic, psychographic and behavioral aspects of segmentation will be the most relevant for an accurate targeting of green coffee consumers.

Physical location of consumers is the only geographic variable considered for the project. Its importance deals with the fact that it locates the launch of the new product and narrows its target.

Demographic variables cover Gender, Life-Cycle Stage, Education and Social Class. These variables are important to consider when segmenting a product that is likely to be part of a premium price range and that comprises benefits that may not be immediately perceived by all coffee consumers.

Coffee Consumption, Attitude Towards Health, Attitude Towards Healthy Products, Attitude Towards Price and Responsiveness Towards Marketing Claims are the key variables within the psychographic dimension of segmentation. Since this project is preparing the launch of a coffee-based beverage, coffee consumption is a mandatory segmentation variable. The health benefits associated with the green coffee blend led to the decision of segmenting consumers according to their attitude towards health, healthy products and their responsiveness to marketing claims such as "bio", "organic" or "functional". Since the new green coffee beverage is likely to be marketed at a premium price range, attitude towards price is an important segmentation variable within the psychographic dimension.

Finally, loyalty to brands and benefits sought are the two most relevant behavioral aspects of segmentation. This marketing plan revolves around the launch of a new product meant to be part of the portfolio of a well-established coffee capsules brand in Portugal. Therefore, segmenting consumers according to their brand loyalty is relevant for the project. Moreover, a substantial part of marketing the new green coffee blend deals with its natural benefits leading to a segmentation according benefit sought.

Targeting

Considering the variables stated in Segmentation, the target for this Marketing Plan is:

- Portuguese consumers;
- Women who are coffee drinkers;
- Consumers who are young adults and adults, actively working, who possess a medium-high education level (preferably bachelor's degree or higher) and fit into the middle, middle-high or high social class;
- Consumers who drink coffee from coffee capsules at home or at work;
- Consumers with strong and moderate health concerns who take action toward a healthy lifestyle;
- Consumers with strong and moderate responsiveness towards products that claim to be healthy;
- Less price-sensitive consumers;
- Demanding consumers that respond positively to innovation, new healthy products and who have a strong responsiveness towards marketing claims such as functional, bio or organic;
- Consumers with a strong sense of brand loyalty and that purchase a product because of its claimed benefits.

Segmentation and Targeting are summarized in the table below.

Table 2 - Segmentation and Targeting Summary

Segmentation Dimensions	Segmentation Variables	Target
Geographic	Location	Portugal (Portuguese consumers)
Demographic	Gender	Women
	Social Class	Medium, Medium-High and High Class
	Education	Bachelor's Degree or Higher
	Life-Cycle Stage	Young Adult and Adult (Active Population)
Psychographic	Coffee Consumption	Coffee Capsules Consumers (In-Home or at work)
	Attitude Towards Health	Consumers with strong and moderate health concerns
	Attitude Towards Healthy Products	Consumers with strong and moderate responsiveness towards healthy products
	Attitude Towards Price	Less price-sensitive consumers
	Responsiveness Towards Marketing Claims	Consumers with strong responsiveness towards marketing claims such as functional, bio or organic
Behavioral	Loyalty to Brands	Consumers with a strong sense of brand loyalty
	Benefit Sought	Sensitive consumers to products' benefits

Source: Author (2019)

In order to better comprehend segmentation and targeting decisions, a deeper analysis of the survey conducted for this study must be carried about.

Considering the survey results, 49.4% of respondents drink coffee under the form of capsules and 48.8% have their workplace as the preferred location to drink it. When crossing both variables, 50.0% of the respondents that chose Workplace, admit drinking coffee in capsules, followed by ground coffee with 22.8%. Such results support the decision to target coffee consumers whose preference is in-home consumption (capsules), located across Portugal and actively working (life-cycle stage).

From all the respondents of the sample, the respondents with the highest education level (bachelor's degree or higher), are willing to pay the highest price for one green coffee capsule. This is the most relevant group of the sample with 82.4% of respondents, from which 43.0% are willing to pay between 0.35€ and 0.39€ per capsule (preferred price range). Bachelor's degree group is followed by respondents that have finished high school (11.6%) and from which 51.7% are predisposed to pay between 0.32€ and 0.35€. Both groups are also the most relevant concerning willingness to buy green coffee because of its health benefits (94.0% and 100%, respectively). Therefore, two assumptions are made: the higher the education level, the more likely the consumer is to buy a product for its health benefits beyond nutrition (benefit sought); the higher the education the less price-sensitive the consumer is. Literature supports these assumptions. As mentioned in chapter 4.5.2.1. Communicating "Healthy", consumers of functional food (where green coffee is included), are prepared to pay higher prices for items with proven health benefits (Siegrist *et al.*, 2015). Likewise, functional food demand is high, generally, among the higher-income population (Siro *et al.*, 2008).

According to the survey results, both women and men express concern about their health (86.1% and 83.3%, correspondingly). However, women tend to act on it more than men. When asked "Do you take action, on your own, to help strengthen your health?", 93.3% of women admitted doing so against 78.4% of men. As a consequence, this project targets women (gender) as the consumers of the new green coffee blend. Women care about their health by trying to keep a healthy and balanced diet (attitude towards healthy food), taking routine medical checkups and exercising at a gym.

Targeting strategy aims at coffee consumers with strong health concerns, that value food and beverages that carry more benefits than purely nutrition. These coffee consumers tend to be responsive to marketing claims such as bio, organic, functional and often read the nutrition tables and the ingredients' list on the products' packages. They might also raise concerns related to the origin of the products and the production process. Targeting also covers consumers with moderate health concerns that, out of curiosity or interest, might add to their basket the new green coffee capsules because of its health benefits. According to the survey results, health concerned and very concerned respondents are coffee drinkers (90.4% and 87.2%, respectively) and consider drinking coffee a healthy habit.

The launch of green coffee capsules intends to increment sales instead of replacing an existing product. Therefore, on the behavioral aspect of segmentation, the target aims at consumers that are loyal to brands. Survey results show that 43.1% of Delta consumers (Delta Cafés + Delta Q) consider the "Brand" an "Important" attribute when choosing coffee.

As of 2017, 5 million Portuguese were coffee capsules consumers (Marktest, 2018). According to Nielsen (2018c), Delta's market share within this segment was 30.8% in 2017 which accounts for 1 540 000 consumers. In that same year, each domestic household was composed of, on average, 2.5 individuals (Pordata, 2019), suggesting that Delta was present in 616 000 households.

Survey results show that, from all the respondents that selected Delta Q has their favorite brand, 85% would be willing to buy a green coffee beverage which decreases the potential consumers to 523 600 households. Since this is a very targeted product with specific marketing claims, a higher price than most Delta Q offers, if half of those households purchase the product once every month, at a price of 3.99€, at the end of one year of sales, Qorpus potential market is worth 12.5 million euros (12 534 984€). Splitting the households in half to determine the potential market is also backed up by the fact that, according to the survey figures, Delta Q is the preferred coffee capsules brand of 14% of the respondents.

Positioning

The differentiation of the product this project intends to launch relies on the health benefits of green coffee, namely, the slimming properties and antioxidant effects. Delta's green coffee will be launched in capsules and blends unroasted and roasted coffee for an intense, pleasant and familiar flavor that keeps the antioxidants and fat reducing properties of the green beans. Differentiation is not exclusively associated with the added benefits of the product but also to its blended composition.

Launching a new coffee capsule with the characteristics stated above strengthens Delta Q differentiation strategy. To invest in developing differentiated products rather than low-cost offers is a strategic approach in a highly competitive market such as the coffee industry. PL and smaller players in the industry that develop compatibles capsules are, price wise, challenging to compete with.

Considering Delta Q's biggest competitors in the same price range, Dolce Gusto and Nespresso, to opt for a differentiation strategy may be the most effective way to earn new consumers or increase and retain the consumption of current clients.

According to Kotler & Armstrong (2018), the positioning strategy to be implemented is entitled *More for More*: higher price for more benefits. This "winning value proposition" offers consumers a high-quality product that gives prestige to the buyer and might reinforce status (Kotler & Armstrong, 2018). According to Lindon et al. (2004), positioning encompasses two dimensions: identification (characteristics of the product) and differentiation (what makes it different from other products of the same category).

1) Identification

New Delta Q: **QORPUS**

- Delta Q Coffee Capsules;
- Pack of 10 Capsules;
- Blend of roasted and unroasted coffee beans;
- Product to be included in the *Specialties* range of Delta Q.

2) Differentiation

- Added Health Benefits of Green Coffee Beans:
  - Unroasted coffee beans have slimming properties given by the dietary phenols present in its extract. These components play a role in modifying intestinal glucose, resulting in reduced body fat (namely, visceral fat);
  - Unroasted coffee beans are rich in antioxidant properties that play a part in slimming down as well as contributing to healthier-looking skin, lowering hypertension, inhibiting inflammations and lowering risk of cardiac disease.
- Green coffee blend of unroasted and roasted coffee beans under the form of ground coffee in a capsule.

7.4.3. Marketing Mix

7.4.3.1. Product

According to Kotler and Armstrong (2018), there are three levels to the product: Core Customer Value – what is the customer really buying; Actual Product – brand name, quality level, packaging, design, features; Augmented Product – delivery and credit, product support, warranty, after-sale service.

Core Customer Value - Buying Qorpus is buying a functional beverage. Qorpus green blend, besides providing the regular energizing effect, accelerating the metabolism and/or boosting concentration and alertness levels of any other coffee, reduces body fat through its natural properties. Delta Qorpus is composed, in part, by unroasted coffee beans (green beans) that are rich in chlorogenic acid, a natural component with high levels of antioxidants and visceral fat reducing properties. These properties are lost when coffee is roasted. Qorpus promotes healthy living, well-being and awareness towards healthier choices.

Actual Product – Qorpus is the new Delta Q capsule of ground coffee that blends roasted and unroasted coffee beans, with no added ingredients. Despite embodying the benefits of the green beans, the taste of unroasted coffee can be significantly different. Blending in roasted beans is the recipe for pleasant and familiar flavored coffee beverage that keeps all the green beans' benefits. The Qorpus package includes ten coffee capsules, matching the remaining products of Delta Q ranges. Qorpus coffee is expected to integrate Delta Q Specialties range that currently includes Delta Double, Delta Breaqfast, Delta Qanela, Delta Bio and Delta Qids (Delta eQo is expected to join this group during the second semester of 2019). These collections only sell in packages of ten capsules. The intensity of Qorpus will depend on the ratio of roasted and unroasted coffee. Strong aroma and mild intensity might be expected.

The package of Qorpus follows the shape and size of the remaining parallelepiped Delta Q capsules packages. It allows a uniform shelf stacking and consumers can quickly identify the brand and associate the product with the remaining Delta Q products (see Annex 6 – Marketing Mix – Figure 3 for an approximate idea of the package). The name of the product, Qorpus, is an adaptation of the Latin word "corpus" which, in Portuguese, means "body". To assign a name with the letter "Q" to a coffee product is part of Delta Q branding strategy. The package will keep all the remaining Delta Q branding elements: logo, font, circles (name of the product within the inner ring), certificates, all legal and nutritional information. Color pallet will be green, brown and black. The color base should be light green (Pantone 7486 C) with the classic Delta Q circle in emerald green (Pantone 17-5641 TCX) The package must also include Delta Q logo and an image of green coffee beans, preferably as the backfilling of the circle to illustrate the content of this particular beverage. Finally, the name of the product, Qorpus, will be in the center of the circle.

Augmented Product – warranty, product support and after-sale support for Qorpus will follow Delta Q standard policies.

7.4.3.2. Price

Being the only P of the marketing mix that represents revenue and not cost, price is decisive to determine a company's MS and profitability. Price is deeply linked with value. The price of a product must be aligned with the value perceived by customers. If price is greater than its value, the customer will not buy the product (Kotler & Armstrong, 2018).

For the launch of Qorpus, a non-price competition strategy will be adopted. This strategy follows the customer value-based pricing principles of Kotler & Armstrong (2018): "the company first assesses customer needs and value perceptions. It then sets its target price based on customer perceptions of value." (Kotler & Armstrong, 2018). Competition is not a relevant element for price definition and marketing plays a key role: it must persuade buyers that the product's value at that price justifies its purchase.

To decide on pricing is directed influenced by the format of the product: capsules. The decision of targeting coffee capsules consumers is not only related to the results of the survey but also to the stated facts of growing capsules consumption found in chapters 7.1.2. Sector Overview and 7.1.4. IH Market. Despite its wide reach and easy access, coffee capsules are priced higher than soluble and ground coffee, due to, among other reasons, its convenience and production cost.

Considering the survey results, 36% of customers would be willing to pay between 0.35€ and 0.39€, a slightly lower figure against the 39% willing to pay between 0.32€ and 0.35€ per green coffee capsule. Qorpus is expected to be part of the Specialties range of Delta Q where the average unit price is 0.38€/coffee capsule (considering the offers and prices as of August 2019). Assuming that Qorpus added value (perceived health benefits) leverages the product, a price hike within the range can be undertaken, positioning Qorpus at 0.39€/unit. This non-price competition strategy follows Kotler & Armstrong (2018) customer value-based price principle of setting a price based on the added value to buyers. Benefits such as slimming effect or antioxidant properties help leveraging Qorpus to a higher price point. Survey results and literature support this pricing decision (see Targeting section in chapter 7.4.2. Segmentation, Targeting and Positioning).

Since Qorpus is targeted at IH consumption and integrates the Specialties ("Especialidades") range, it will be produced, in an initial stage, in packages of ten capsules, at 3.99€ (retailer price). Please check Annex 6 – Marketing Mix – Table 21 to understand how Qorpus pricing fits within its range and compares to the other coffee varieties. The purpose of launching this product is not to cannibalize or replace other Delta Q products. Qorpus intends to reach a different consumer, to strengthen Delta Q differentiation strategy and competitive advantage. In essence, it aims to grow the size of the market basket of Delta Q consumers through the purchase of a new product, resulting in more revenue for the company.

7.4.3.3. Place

The distribution strategy will follow Delta Q approach – intensive distribution. Qorpus should be available for customers in retailers, both hyper and supermarkets, focusing on the urban areas' biggest cities. Delta Cafés holds a strong presence in all coffee segments in retailers' shelf which will only be enhanced by the launch of Delta Qorpus. The distribution chain Delta has developed throughout the years enables the implementation of a plan that intends to cover most urban areas across Portugal. Nevertheless, Delta Qorpus should also be available at all Delta Q stores in the country.

Besides the common hyper and supermarket distribution channels and Delta Q stores, Delta should establish agreements with niche stores that sell bio and organic. Qorpus is a potential product to be on the shelves of Go Natural Supermarkets, Biomercado, Miosotis and Celeiro stores (and Bioino, Food and AmorBio traditional/grocery stores). Settling commercial agreements with these specialized retailers would help Qorpus to reach its target consumer and, consequently, would strengthen the brand positioning as a clean, healthy product that carries benefits for consumers' well-being. Having Delta Qorpus on the shelves of specialized retailers would enhance Delta's image around consumers who strongly care about their food and beverage choices, paving the way to reach new customers. Delta's main competitors are not strongly present in such stores and by taking on this opportunity, Delta would potentially increase its MS and consumer coverage.

7.4.3.4. Promotion

Promotion mix is a synonym of the marketing and communications mix and can be split into two different strategies: pull and push (Kotler & Armstrong. 2018). In a push strategy, the manufacturer promotes the product to a certain channel that, in return, promote it to final consumers. Whereas in a pull strategy, "the producer directs its marketing activities (primarily advertising, consumer promotion, and direct and digital media) toward final consumers to induce them to buy the product" (Kotler & Armstrong. 2018). In 2018, Kotler & Armstrong no longer divide communication/promotion types above the line (ATL) and below the line (BTL). Instead, the authors split promotion into five major groups: Advertising, Public Relations (PR); Sales Promotion; Personal Selling; and Direct and Digital marketing. Besides Kotler & Armstrong (2018), more scientific literature was considered as the base for the communication decisions that follow (see chapter 4.5.2.1. Communicating "Healthy").

When communicating Qorpus to consumers, rather than overstating health claims, it is important to create a clear message, that evidently explains its health benefits without getting into all the scientific details. The slogan across all communication channels and campaigns must be: *O café ficou melhor* (coffee is now better).

Despite the clear message, consumers must be provided with the necessary evidence in order to believe in the benefits. The usage of the word "functional" must be meticulous and it should not be employed in every communication channel as not every consumer recognizes the meaning of "functional coffee". The basis of the communication messages to be conveyed through an omnichannel strategy is:

- What is the product: Qorpus is a blend of roasted coffee and green coffee;
- What are the benefits: Qorpus has a high level of natural antioxidants and a slimming effect resulting from its green coffee beans;
- Slogan: Coffee is now better (*O café ficou melhor*)
- Other characteristics: Qorpus is a unique and pioneer product.

Advertising (Pull)

In order to innovate and explore new methods of approaching consumers, Qorpus promotion will heavily depend on online advertising rather than traditional channels such as television commercials. Pull strategy will focus on online channels, social media and radio advertisement.

Online Channels

Delta Q website: Qorpus must be highlighted on the homepage as soon as the product is launched; Qorpus information must be added to the section "Especialidades" of Delta Q Capsules. Qorpus information must include: slogan; pictures of the package; detailed explanation of the coffee composition and origin (percentage of unroasted and roasted coffee); clear explanation of the benefits; add-to-cart button to induce online purchase. Explaining the health benefits and clarifying other doubts must be done using Question-Answer approach: "How does green coffee reduce body fat?", "What are the slimming properties of green coffee?", "What are the benefits of green coffee antioxidants?", "How does green coffee taste?" – Delta Q content team must create/write the questions and, below each question, provide its answer. Qorpus page on Delta Q website must be responsive and adapt to multiple screens namely display, tablet and mobile.

Paid/Sponsored Content: Delta must contact specialized online magazines to make deals on publishing articles promoting Qorpus. Suggested online magazines: SaberViver, Lux Woman, Máxima, Women's Health, Men's Health, NewInTown (NIT). Using the term "functional coffee" to describe Qorpus is highly recommended in the sponsored articles of SaberViver, Men's Health and Women's Health. It is crucial that the beverage flavor is described as pleasant and familiar and the product is portrayed as pioneer and healthy.

Google Display Ads: Display ads must be created and placed according to specific targeting criteria (criterion must follow the segmentation and targeting conclusions stated in chapter 7.4.2. Segmentation, Targeting and Positioning). The ads must all redirect to Qorpus page on Delta Q website. For successful results it is important to test different ad placements, to display multiple ads (use different images, different formats), to plan from a user experience perspective (not having that in consideration may damage user engagement) and, finally, optimize Delta Q website performance in order to diminish the time between pages and engage audience more quickly.

Search Engine Optimization (SEO): using SEO allows Delta to organically rank in Google search page results in a high/relevant position. Suggested keywords to optimize: green coffee, green coffee benefits; benefits of green coffee; green coffee reduces body fat (keyword must be optimized in Portuguese as all the content of the website is in Portuguese). SEO on-page elements must be implemented: to use H1 and H2 titles; to add alt text to all uploaded pictures; to ensure that title tag and meta description include the keywords Delta wants to rank for; to appropriately use the selected keywords both in titles and descriptions (avoid excessive use); to have a clean URL that describes the website path to the user; to optimize page load time to as short as possible.

Social Media

Influencers: using influencers as a promotion channel is an increasingly common and compelling strategy in new product launching. Its success depends on the influencer selection, the message conveyed and, very importantly, the product category. Influencers can be divided by categories according to the topics they covered the most. An innovation such as Qorpus is highly promotable due to its product category: a healthy coffee beverage. Qorpus can fit with an influencer that creates content associated with nutrition, fitness, well-being, lifestyle. Furthermore, it is important to accurately select influencers not to saturate users with excessive promotion. It is recommended that influencer strategy considers the following guidelines:

- Platforms: Instagram posts, Instagram stories and Blog content writing. Instagram and Blogs are highly linked when it comes to paid advertising. An Instagram story can link to a blog post and a blog post can, for example, include detailed information that complements the Instagram post about a specific product.
- Message conveyed: it is key that the message influencers convey includes the name and images of the product. Besides, depending on the influencer, the following elements must be part of the message: explanation of Qorpus benefits in a credible yet concise way, mention of its enjoyable taste and mention of its pioneering nature. Use of hashtags #deltaqorpus and #omeuqorpus must be mandatory in every post or story as well as the use of the slogan, whether it is verbalized or written. Instagram stories (through explanation videos) and blog posts can be used to detail the benefits of the product, to explain how it tastes, how it reduces fat/slims down and why is it considerably richer in antioxidants than regular roasted coffee. On the other hand, because Instagram posts tend to be concise and catchy not to saturate the user, influencers can use it to promote Qorpus in a fun, lighter way, highlighting its benefits as slimming green coffee that, above all, promotes well-being and healthy living. Delta Q can invest on creating Qorpus GIFs to add another engaging element to influencers stories and induce consumers to share the product on their own social media;
- Suggested influencers to contact and the focus of their message (according to target and area of influence) can be found in Annex 6 – Marketing Mix – Table 22. Influencers that cover nutrition and fitness related topics, should use technical expressions such as “functional green coffee”, “intestinal glucose modification” or “visceral fat” as their audience is most likely to recognize the terms.
- Type of deals: it is important that Delta Q negotiates deals with influencers that include promoting on both Instagram and on their Blogs.

Social Media Ads: on Instagram (sponsored ads on users feed and between stories), Facebook, Youtube (5-second ads to be displayed before the videos), Spotify (non-premium subscription). Social media ads must be in video, picture and audio format (ads targeting criterion must follow the segmentation and targeting conclusions stated in chapter 7.4.2. Segmentation, Targeting and Positioning).

Promotional Videos: Qorpus promotional videos should be available through all Delta Q social media channels. Videos should include footage of blending roasted and unroasted coffee beans, a brief explanation of what Qorpus is, a clear and simple statement addressing its slimming properties, a testimony of one nutrition expert (preferably, a nutritionist that is also part of the influencer strategy) and finally, the slogan. The videos must be short and catch the audience, through music, colors, movement, imagery, voice. Users in social media commonly watch videos on mute. To follow this trend, Qorpus should create a promotional video with subtitles.

Buzz Campaign: to get online users' attention and create buzz about new product launching, Delta Q should publish ads and posts on their social media in order to build curiosity among consumers. See Annex 6 – Marketing Mix – Figure 4 with suggested content for the campaign. Besides static images, producing animated short videos to use them as ads and/or posts could potentially boost engagement.

Radio

Radio Spot: online and social media strategies aim at a specific audience that matches Qorpus target. Although Qorpus aims at a segmented group of consumers, Delta Q is still a wide-ranging brand that covers a broader audience, therefore developing a radio advertising spot, and readjusting the message, helps to reach more potential consumers. The message on the radio spot should include the following statements:

- Nova cápsula Delta Qorpus.
- Uma combinação deliciosa de café verde com um toque de café torrado…
- para lhe dar o sabor de sempre…com os benefícios naturais do grão de café verde.
- Menos gordura abdominal e mais antioxidantes para proteger o seu Qorpus.
- Qorpus da Delta Q.
- O café ficou melhor.

Sponsoring radio shows: to sponsor particular moments of prime radio time in order for the radio narrators to communicate the product themselves while broadcasting live. Having the radio hosts advertising the product live may increase consumer confidence and willingness to buy.

Both the radio spot and the sponsored messages broadcasted by radio hosts must be conveyed/aired during two specific time frames: morning (between 7:00 and 11:00) and afternoon/evening (between 17:00 and 20:00). Morning hours are the primetime of radio. It is during this time period that radios reach their highest audience volume since listeners are getting ready for the day and will, most likely, listen to radio on their cars or at home. Likewise, morning time is also one of the most preferred moments to drink coffee which creates a link between the product, the consumer and its promotion timing. It is at the end of a working day that radio audience volume rises again due to car usage. In addition, it is also between 17:00 and 20:00 that many healthy concerned consumers perform physical activities. The targeted radios for Qorpus promotion, during the stated time frames, are: Rádio Comercial, RFM, Rádio Renascença, Mega Hits, Antena 1, Antena 3.

Public Relations (Push)

According to Chrysochou (2010), PR and word-of-mouth communication channels are preferred when the management aims at building a functional healthy brand concept. PR consists of "activities designed to engage and build good relations with the company's various publics" (Kotler & Armstrong, 2018).

Press Releases: to communicate the launch of Qorpus, Delta should inform the press through press releases emailing (mainly focusing the specialized press named in the *Paid/Sponsored Content* segment of this chapter).

Launch Event: in order to attract media and social media coverage, Delta Q must organize a launching event for Qorpus. Press, social media influencers and public figures associated with healthy living and healthy food choices must be invited and given a Qorpus Qit. Qorpus Qit includes a Qorpus tote bag (see Annex 6 – Marketing Mix – Figure 5, a Qorpus espresso coffee cup (see Annex 6 – Marketing Mix – Figure 6) and a package of 10 capsules of Delta Qorpus (see Annex 6 – Marketing Mix – Figure 3). Guests must be given the opportunity to taste Qorpus (in order to, in the future, advocate for its pleasant taste), must be lectured about its benefits by a health professional (nutritionist) and, finally, Delta must create an atmosphere for people to share their views on coffee and its health benefits: myths, taboos and truths. This event could take place in an outside area surrounded by nature (suggested location: Casa do Lago, Parque Eduardo VII, Lisbon) or inside one of the specialized retailers' stores (for example, Biomercado or Go Natural Supermercado).

Fitness and "Healthy Lifestyle" related events and other events: PR must make an effort in order to promote Qorpus in fitness-related events and healthy food conferences, summits, fairs, by having its own stand. Furthermore, Qorpus must be available in events where Delta Q already has a regular presence such as music festivals. Consumers must be given the chance to get/win a Qorpus Qit in all the events where Qorpus is represented.

Sales Promotions (Push)

Kotler & Armstrong define sales promotion as "short-term incentives to encourage the purchase or sales of a product or service. Whereas advertising offers reasons to buy a product or service, sales promotion offers reasons to buy now".

Point-of-purchase (POP) promotion: in order to clarify the consumer on how the product tastes, for the two weeks that follow Qorpus launch, Delta should place tasting tables with a promoter next to coffee capsules aisles on strategic stores across the country (all specialized retailers mentioned in chapter 7.4.3.3. Place must be covered by this event). Shoppers that show no interest in tasting or buying Qorpus must be asked if they own a Delta Q machine. If they do not, a discount on the machine price must be offered through a promotion code that works both online and in the store (in case the store sells the machine). To receive the promotion code, the shopper must buy Qorpus. According to Verhoef *et al.* (2015), this strategy fits with the new consumers' behaviors since "interactive channels are becoming integrated with traditional mass advertising channels" (Verhoef *et al.*, 2015).

8. Implementation Forms

Table 3 - Implementation Plan: Tasks and Timeline

Timeline	Q2		Q3			Q4			Q1			Q2			Q3			Q4
Tasks	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10
Product Development																		
Testing																		
Characteristics Definition																		
Packaging Decisions																		
Marketing Plan Development																		
Legal Requirements and Approvals																		
Distribution																		
Retailers Negotiation																		
Distribution start across the country																		
Product Production																		
Promotion																		
Communication Material Preparation																		
Implementation																		
Social Media																		
Online																		
Radio																		
PoS Promotions																		
PR																		
Product Launch																		
Sales																		
Results Assessment																		

Source: Author (2019)

Product Development

Qorpus as an innovative product requires an intense testing phase since one of its biggest challenges is taste. Qorpus will blend both roasted and unroasted coffee beans in a proportion where green coffee beans benefits prevail while the roasted beans provide the familiar, aromatic and pleasant coffee flavor. Testing will take place in Delta factory in Campo Maior, Portugal, from May until August. Testing must be done through experimenting with different proportions of roasted and unroasted beans and tasting the different formulas. Testing includes panel tastings composed of coffee consumers that must fulfill a survey after tasting the different combinations of green coffee blends. In order to reduce the product's risk of rejection, flavor, aroma, color, purchasing intention, product price point, must be the main parameters of the consumers' tasting survey.

During the last two months of tests, product characteristics must be decided, and packaging decisions must be taken. Plus, a marketing plan must be designed during the product development phase. Finally, when the tasting phase is moving towards the end, legal processes must be initiated in order to legalize the product and make sure it fulfills all security requirements.

Distribution

Negotiation with retailers must cover key topics such as the needs associated with the product, available store space, cautious stock management to prevent product shortage and profit margins for both parties. Extra effort must be put into specialized retailers' negotiations because, in some of the cases, Qorpus will be the first Delta Q product to be sold in these stores.

Product Production

Since the product has a limited expiration date, it is important that it reaches consumers soon after it is produced. Delta will go through an innovative production process when manufacturing Qorpus due to the incorporation of grounded green coffee beans into a coffee capsule. Production will take place in Campo Maior factory and it must stop three months before Results Assessment in order for retailers to clear stock. This phase must be carefully monitored in order to address and fulfill possible needs.

Promotion

Preparing communication material includes negotiating with influencers, making agreements with health experts for communication purposes, setting commercial agreements with radios to advertise Qorpus on-air, prepare all promotional materials and (videos, imagery, etc). Social media buzz campaign must start before the product is launched. Once the product is launched, all communication must be triggered.

Product Launch

Launching Qorpus in the first month of the year is a strategic decision. Qorpus is a green coffee beverage that should be associated with healthy living and well-being. Launching and advertising Qorpus at the beginning of the year may meet consumers' eventual willingness to make healthier decisions and try new products, mainly after a festivities season such as the end of each year.

Results Assessment

Qorpus results must be accessed ten months after the product launch. However, intermediate assessments must be carried out in order to monitor sales and consumer behavior and, if necessary, adjust price and distribution strategy according to these results. Online consumer engagement in Delta Q social media; total reach of influencers' campaigns and, if possible, their direct impact on sales; online, retailers' and specialized retailers' sales must be measured and analyzed. Assessment results will shape Qorpus strategy for the following year or determine the end of its production. Moreover, assessing Qorpus results on the tenth month of the year helps preparing Christmas marketing promotions and making the necessary adjustments for that time of the year.

Qorpus financial plan (see Table 5) is based on the financial goals of Delta Q (see Table 4). According to Jornal Económico (2017), Delta Q revenue was expected to reach 75 million euros in 2017. The brand's financial goal is to double those figures by 2022. To reach the goal, the brand must grow 14.9% per year, for the five years that follow.

Table 4 - Revenue Projection for Delta Q and Qorpus

Year	**Revenue**	**Revenue Increase (Value)**	**Revenue Increase (%)**	**Innovations' Contribution to Revenue Growth (%)**	**Qorpus MS**	**% of Delta Q consumers willing to buy a green coffee blend**	**Qorpus Revenue the year it is launched**
Year 0 (2017)	75 000 000 €						
Year 1 (2018)	86 175 000 €	11 175 000 €	14.9%	5.4%			
Year 2 (2019)	99 015 075 €	12 840 075 €	14.9%	5.4%			
Year 3 (2020)	113 768 321 €	14 753 246 €	14.9%	5.4%			
Year 4 (2021)	**130 719 801 €**	**16 951 480 €**	**14.9%**	**5.4%**	**2.0%**	**85%**	**2 222 237 €**
Year 5 (2022)	150 197 051 €	19 477 250 €	14.9%	5.4%			

Source: Author (2019)

Assumptions:

- **Innovations' Weight in Revenue Growth (%)**: according to Nielsen (2018c), Delta grew 9.5% in the coffee capsules segment from 2016 to 2017. This project assumes that growth for the five years that follow 2017. If 9.5% is consumption and market growth, 5.4% is the contribution of innovation/new product development for the brands' revenue;
- **Qorpus MS**: assuming the launch of three innovation per year, each innovation has a share of 1.8% within the 5.4%. Qorpus MS is 11% higher, sitting at 2% since its price (3.99€) is 11% higher than the average Delta Q price point (3.59€);
- **Qorpus Revenue the year it is launched:** this calculation assumes projected revenue for 2021, Qorpus MS and the percentage of Delta Q consumers willing to purchase a green coffee blend.

Table 5 - Qorpus Financial Plan

Year	Gross Revenue	Gross Margin (30%)	Price (PVP)	Marketing Investment	Net Margin Before VAT	Net Margin After VAT
Year 1 (2021)	2 222 237 €	666 671 €	3,99 €	465 000 €	201 671 €	155 287 €
Year 2 (2022)	2 411 127 €	723 338 €	4,12 €	150 000 €	573 338 €	441 470 €
Year 3 (2023)	2 616 073 €	784 822 €	4,26 €	150 000 €	634 822 €	488 813 €
Year 4 (2024)	2 838 439 €	851 532 €	4,40 €	150 000 €	701 532 €	540 179 €
Year 5 (2025)	3 079 706 €	923 912 €	4,54 €	150 000 €	773 912 €	595 912 €
Total	**13 167 580 €**	**3 950 274 €**	**4,26 €**	**1 065 000 €**	**2 885 274 €**	**2 221 661 €**

Source: Author (2019)

Assumptions:

- **Gross Revenue**: assumes an increase of 8.5% per year, lower than 9.5% of Delta Q growth in previous years because Qorpus is a highly targeted product. However, revenue growth assumes a price increase of 3.3% per year. According to Hipersuper (2007), Delta Q first price point for "Intensidades" coffee capsules (packs of 10 capsules) was 2.50€ in 2007. In 2019, those prices have risen to 3.69€ which represents a 3.3% annual growth;
- **Gross Margin**: according to Delta data, the gross margin for the manufacturer represents 30% of the gross revenue (Delta Q, 2019);
- **Marketing Investment**: from the 480 000€ of investment for 2021, 75% must be invested in digital promotion and advertising channels (360 000€). The marketing investment of the years that follow must be allocated to occasional campaigns and to the ongoing marketing maintenance costs.
- **Net Margin After VAT:** VAT of 23%.

Conclusions:

- In the first year of sales, Qorpus net margin will be 7% of its gross revenue. At the fifth year, this figure will rise to 19.3% given the price increase and the marketing investment reduction;
- After five years of sales, it is expected that Delta Q net earnings (2 221 661€) will match the gross revenue of the first year of sales (2 222 237€);
- Qorpus will take around 4.5 years to reach the total of its potential market, in gross revenue (12M).

9. Project Conclusions

Qorpus must be thoughtfully marketed as a healthy green coffee beverage. Labeling and promoting the product as healthy is one of the challenges of this project: it must be done by balancing both the scientific domain and marketing appropriate language. It is key that Qorpus is perceived as credible by consumers to avoid skepticism or doubt towards its benefits. This can be achieved through the use of health expert in the promotion process. Qorpus also benefits from its mother brand reputation. Delta is a leader in the Portuguese coffee industry with great levels of credibility.

Another special characteristic of this project is its pioneering nature. Developing a beverage that combines roasted and unroasted coffee beans and maintains all the health benefits from the green beans, is unprecedented in the Portuguese market. This uniqueness can represent a great advantage for Delta's differentiation strategy and portfolio diversification. However, it also represents investing in unexplored territory which has, potentially, a higher failure margin.

Moreover, this project shows that an integrated marketing strategy is possible and feasible for a coffee beverage with slimming properties and other health benefits. According to literature, Delta must pursue a market-oriented and brand-oriented approach in its differentiation strategy: satisfying consumers' needs while addressing competition through innovation and using its strong brand reputation and equity to its advantage. There is a clear market that this product must target with the appropriate tools and speech. In order to reach that market, an omnichannel strategy, combining both online and most traditional channels, must be put in place to increase Qorpus success rates.

According to survey results and scientific literature, our target is willing to pay a premium price for a product because of its benefits which resulted in the establishment of a non-price competition strategy.

As a coffee consumer, having strong health concerns and making healthier dieting choices is not a trend, it is a way of life. However, some consumers do not perceive coffee as healthy. Qorpus will also play a role in modifying that mindset by clearly claiming its benefits.

The expectation of a real implementation of this project is high and its success will depend on an accurate targeting and decision making across all Ps of the marketing mix.

10. Limitations and Difficulties

Marketing mix decisions were based on an extensive literature review and an internal and external analysis, namely, survey results. According to Hulland *et al.* (2018), surveys are "an important contributor to marketing knowledge, representing an indispensable source of data". However, marketers that rely on survey methods "must be aware of the danger of making overly optimistic market size estimations or sales forecasts" (Lee *et al.*. 2000). Studies conducted by Lee *et al.* (2000) on consumer behavior "show that systematic biases and errors distort consumer survey results predictably". Therefore, information in consumer survey reports must be used cautiously (methodologic limitation). Althubaiti (2016) focuses her investigation on information biases in health research. The author concludes that external biases in self-reported data can be caused by social desirability or approval. This may be a pertinent assumption to consider when analyzing the survey results on the willingness to buy the green coffee beverage because if its health-related benefits.

Moreover, within the methodology related limitations, the survey carried out for this project was launched and responded online. Since there was very little to no control over the respondents' sample, some segments of coffee drinkers may have been left out and are not considered in this project.

A significant limitation of this project deals with the possibility of competitors being simultaneously involved in the same kind of study, with the intention of launching a green coffee product. Nevertheless, a leading company like Delta Cafés cannot risk setting itself behind its peers in the coffee industry. Such awareness may be useful in the way that it puts pressure on the researcher to be as wide open and accurate as possible in the analysis of the data gathered. Data gathering consists of another project limitation. Having limited to no access, from official sources to data from 2018 and 2019 on value and volume sales and market share of Delta and Delta Q, may impact revenue assumptions on Results Assessment (chapter 8. Implementation Forms).

One final project limitation is the, somewhat, still raw knowledge on green coffee bean processing. The industry, and not the present project, has yet a hard route to walk in terms of preparing a quality stable and launchable product, with a pleasant flavor.

11. Future Research

Combining a coffee-based beverage with strong health claims is a challenging decision. Firstly, because coffee is not unanimously regarded as a healthy product. Secondly, because marketing 'health' is a task to be handled cautiously.

Further research can deepen the benefits of coffee for the human body. There is room for extended knowledge on the benefits of green coffee beans and, simultaneously, on the relationship between coffee and functional nutrition. Future investigation can ponder upon new variants of functional coffee and its benefits: coffee with added omega 3, added calcium or added vitamins.

The relationship between marketing claims associated with health promotion and the production of skepticism among consumers are relevant areas for further academic investigation. What is the line between being appealing and convincing and creating apprehension or disbelief? When is a brand overstating the health benefits of a product? Can marketing health benefits harm a brand that is not necessarily regarded as healthy or health-related?

On the promotion aspect of this project, the use of social media as a communication channel to aim at a specific audience for a mass-market product with health benefits lacks scientific validation. Although literature on social media strategies and influencer marketing is available, specific studies about its relevancy for certain categories of products with specific characteristics, are yet to be produced.

Future managerial implications may be accessing the format of the product. According to Qorpus performance, Delta may decide to rethink the format and produce Qorpus as a soluble coffee beverage. Delta's share in the soluble coffee segment is small and launching a new product could potentially boost the company's market position. Moreover, depending on its performance, Qorpus could become a coffee range instead of a product. Qorpus would then be the functional healthy range of Delta Q coffee capsules, formed by enriched functional coffees (coffee capsules enriched with Omega3, Calcium and Vitamins) and the green coffee blend (former Qorpus coffee capsules). If in the future, more companies develop functional coffee beverages, the industry may generate a new coffee segment. If that occurs, Qorpus goes from a being range to being part of a new functional coffee segment.

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13. Annexes

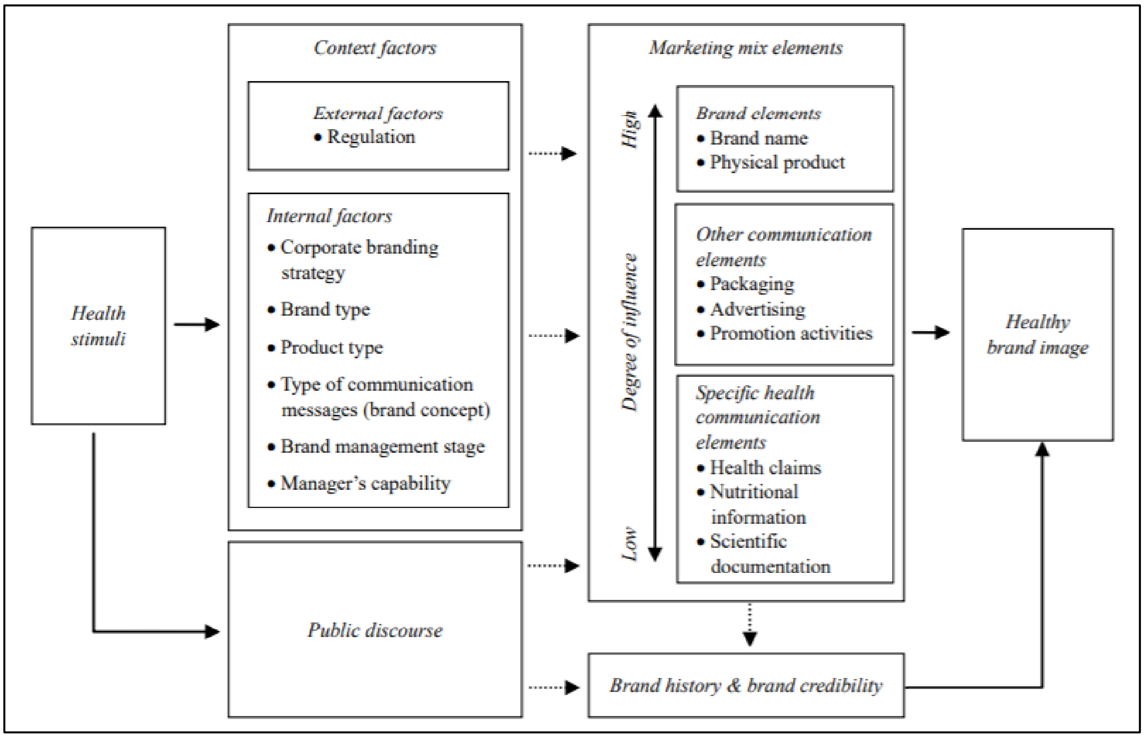
Annex 1 – Retail Industry Trends

Table 6 - Examples of commercialized Probiotic Products

Brand/trade name	Description	Producer
Actimel	Probiotic drinking yogurt with L. casei Imunitass1 cultures	Danone, France
Activia	Creamy yogurt containing Bifidus ActiRegularis1	Danone, France
Gefilus	A wide range of LGG products	Valio, Finnland
Hellus	Dairy products containing Lactobacillus fermentum ME-3	Tallinna Piimatoostuse AS., Estonia
Jovita Probiotisch	Blend of cereals, fruit and probiotic yogurt	H&J Bruggen, Germany
Pohadka	Yogurt milk with probiotic cultures	Valasske Mezirıcı Dairy, Czech Republic
ProViva	Refreshing natural fruit drink and yogurt in many different flavors containing Lactobacillus plantarum	Skane mejerier, Sweden
Rela	Yogurts, cultured milks and juices with L. reuteri	Ingman Foods, Finland
Revital Active	Yogurt and drink yogurt with probiotics	Olma, Czech Republic
Snack Fibra	Snacks and bars with natural fibers and extra minerals and vitamins	Celigüeta, Spain
SOYosa	Range of products based on soy and oats and includes a refreshing drink and a probiotic yogurt-like soy–oat product	Bioferme, Finland
Soytreat	Kefir type product with six probiotics	Lifeway, USA
Yakult	Milk drink containing Lactobacillus casei Shirota	Yakult, Japan
Yosa	Yogurt-like oat product flavored with natural fruits and berries containing probiotic bacteria (Lactobacillus acidophilus. Bifidobacterium lactis)	Bioferme, Finland
Vitality	Yogurt with pre- and probiotics and omega-3	Müller, Germany
Vifit	Drink yogurts with LGG, vitamins and minerals	Campina, the Netherlands

Source: Siro *et al.* (2008)

Figure 2 - Conceptual Model of Health Branding



Source: Chrysochou (2010)

Annex 2 – External Analysis

Table 7 - Economic Projections (%) for Portugal and the Eurozone. Values for 2017. Projections for 2018, 2019, 2020

Indicator	Region	2017	2018 (p)	2019 (p)	2020 (p)
GDP	Portugal	2.7	2.3	1.9	1.7
	Eurozone	2.5	2.1	1.9	1.7
Harmonized Index of Consumer Prices (HICP)	Portugal	1.6	1.4	1.5	1.4
	Eurozone	1.5	1.7	1.7	1.7
Private Consumption	Portugal	2.3	2.2	1.9	1.7
	Eurozone	1.7	1.6	1.7	1.5
Public Consumption	Portugal	-0.2	0.8	0.1	0.2
	Eurozone	1.2	1.3	1.3	1.2
Exports	Portugal	7.8	5.5	4.6	4.3
	Eurozone	5.4	4.2	4.4	3.8
Imports	Portugal	7.9	5.7	5	5
	Eurozone	4.6	4.1	4.7	4
Employment Rate	Portugal	3.3	2.6	1.2	0.9
	Eurozone	1.6	1.4	1.1	0.8
Unemployment Rate	Portugal	8.9	7.2	6.2	5.6
	Eurozone	9.1	8.4	7.8	7.3

Source: Bank of Portugal (2018a)

Table 8 - HICP Rate of Change for EU countries (eurozone and non-eurozone)

	AE-19[2]	IEPC [3]	BE	BG	CZ	DK	DE	EE	EL	ES	FR	HR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
	Taxa de variação média anual																													
2015	**0,0**	0,0	0,6	-1,1	0,3	0,2	0,1	0,1	-1,1	-0,6	0,1	-0,3	0,0	0,1	-1,5	0,2	-0,7	0,1	0,1	1,2	0,2	0,8	-0,7	**0,5**	-0,4	-0,8	-0,3	-0,2	0,7	0,0
2016	**0,2**	0,3	1,8	-1,3	0,6	0,0	0,4	0,8	0,0	-0,3	0,3	-0,6	-0,2	-0,1	-1,2	0,1	0,7	0,0	0,4	0,9	0,1	1,0	-0,2	**0,6**	-1,1	-0,2	-0,5	0,4	1,1	0,7
2017	**1,5**	1,7	2,2	1,2	2,4	1,1	1,7	3,7	1,1	2,0	1,2	1,3	0,3	1,3	0,7	2,9	3,7	2,1	2,4	1,3	1,3	2,2	1,6	**1,6**	1,1	1,6	1,4	0,8	1,9	2,7
	Taxa de variação homóloga																													
2016 Junho	**0,1**	0,1	1,8	-1,9	-0,1	0,1	0,2	0,4	0,2	-0,9	0,3	-1,2	0,1	-0,2	-2,0	-0,6	0,4	-0,4	-0,1	1,0	-0,2	0,6	-0,4	**0,7**	-0,7	0,0	-0,7	0,3	1,2	0,5
Julho	**0,2**	0,2	2,0	-1,1	0,5	0,1	0,4	0,8	0,2	-0,7	0,4	-1,1	0,1	-0,2	-0,4	0,1	0,0	-0,4	-0,3	0,9	-0,6	0,6	-0,6	**0,7**	-0,3	-0,1	-0,9	0,5	1,1	0,6
Agosto	**0,2**	0,3	2,0	-1,1	0,6	0,0	0,3	1,1	0,4	-0,3	0,4	-1,5	-0,4	-0,1	-0,6	-0,1	0,5	-0,2	-0,1	1,0	0,1	0,6	-0,5	**0,8**	0,3	-0,2	-0,8	0,5	1,2	0,6
Setembro	**0,4**	0,4	1,8	-1,1	0,5	-0,3	0,5	1,7	-0,1	0,0	0,5	-0,7	-0,3	0,1	-0,4	0,5	0,6	0,3	0,7	0,9	-0,1	1,1	-0,2	**0,7**	-0,1	0,2	-0,5	0,5	0,8	1,0
Outubro	**0,5**	0,5	1,9	-1,0	0,8	0,1	0,7	1,0	0,6	0,5	0,5	-0,3	-0,4	-0,1	-1,0	1,1	0,7	0,7	1,1	0,5	0,3	1,4	0,1	**1,1**	0,1	0,7	-0,3	0,6	1,1	0,9
Novembro	**0,6**	0,6	1,7	-0,8	1,6	0,1	0,7	1,4	-0,2	0,5	0,7	0,2	-0,2	0,1	-0,8	1,2	1,1	0,6	1,1	0,8	0,4	1,5	0,2	**0,5**	-0,2	0,7	-0,2	0,6	1,3	1,2
Dezembro	**1,1**	1,2	2,2	-0,5	2,1	0,3	1,7	2,4	0,3	1,4	0,8	0,7	-0,2	0,5	0,1	2,1	2,0	1,6	1,8	1,0	0,7	1,6	0,9	**0,9**	-0,1	0,6	0,2	1,1	1,7	1,6
2017 Janeiro	**1,8**	1,7	3,1	0,4	2,3	0,7	1,9	2,8	1,5	2,9	1,6	0,9	0,2	1,0	0,7	2,9	2,5	2,5	2,4	1,4	1,6	2,1	1,4	**1,3**	0,3	1,5	0,8	0,9	1,5	1,8
Fevereiro	**2,0**	2,0	3,3	0,9	2,6	0,9	2,2	3,4	1,4	3,0	1,4	1,4	0,3	1,6	1,4	3,2	3,2	2,7	2,9	1,2	1,7	2,4	1,9	**1,6**	0,5	2,5	1,2	1,4	1,9	2,3
Março	**1,5**	1,6	2,5	1,0	2,6	0,9	1,5	3,0	1,7	2,1	1,4	1,1	0,6	1,4	1,5	3,3	3,2	2,5	2,7	1,2	0,6	2,1	1,8	**1,4**	0,4	2,0	1,0	0,9	1,4	2,3
Abril	**1,9**	2,0	2,7	1,7	2,1	1,0	2,0	3,6	1,6	2,6	1,4	1,4	0,7	2,0	2,1	3,3	3,5	2,6	2,3	1,1	1,4	2,3	1,8	**2,4**	0,6	1,7	0,8	1,0	2,0	2,7
Maio	**1,4**	1,6	1,9	1,4	2,5	0,7	1,4	3,5	1,5	2,0	0,9	1,0	0,0	1,6	0,9	2,7	3,2	1,9	2,1	1,1	0,7	2,1	1,5	**1,7**	0,5	1,5	1,1	0,9	1,8	2,9
Junho	**1,3**	1,5	1,5	1,1	2,4	0,4	1,5	3,1	0,9	1,6	0,8	1,1	-0,6	1,2	0,9	3,1	3,5	1,5	2,0	1,0	1,0	2,0	1,3	**1,0**	0,7	0,9	1,0	0,9	1,8	2,6
Julho	**1,3**	1,5	1,8	0,6	2,4	1,5	1,5	3,9	0,9	1,7	0,8	1,2	-0,2	1,2	-0,1	2,6	4,1	1,8	2,2	1,2	1,5	2,0	1,4	**1,0**	0,9	1,2	1,5	0,6	2,3	2,6
Agosto	**1,5**	1,7	2,0	0,7	2,4	1,5	1,8	4,2	0,6	2,0	1,0	1,5	0,4	1,4	0,5	3,2	4,6	2,3	2,7	1,2	1,5	2,1	1,4	**1,3**	0,6	1,4	1,6	0,8	2,2	2,9
Setembro	**1,5**	1,8	2,0	1,3	2,5	1,6	1,8	3,9	1,0	1,8	1,1	1,6	0,2	1,3	0,1	3,0	4,6	2,0	2,5	1,2	1,4	2,5	1,6	**1,6**	1,3	1,4	1,8	0,8	2,2	3,0
Outubro	**1,4**	1,7	1,8	1,5	2,8	1,4	1,5	4,0	0,5	1,7	1,2	1,6	0,5	1,1	0,4	2,7	4,2	2,0	2,2	1,5	1,3	2,4	1,6	**1,9**	2,0	1,3	1,8	0,5	1,7	3,0
Novembro	**1,5**	1,8	2,1	1,9	2,5	1,3	1,8	4,5	1,1	1,8	1,2	1,6	0,5	1,1	0,2	2,7	4,2	2,0	2,6	1,5	1,5	2,4	2,0	**1,8**	2,6	1,4	2,1	0,9	1,9	3,1
Dezembro	**1,4**	1,7	2,1	1,8	2,2	0,8	1,6	3,8	1,0	1,2	1,2	1,3	0,5	1,0	-0,4	2,2	3,8	1,6	2,2	1,3	1,2	2,3	1,7	**1,6**	2,6	1,9	2,0	0,5	1,7	3,0
2018 Janeiro	**1,3**	1,6	1,8	1,3	2,1	0,6	1,4	3,6	0,2	0,7	1,5	1,2	0,3	1,2	-1,5	2,0	3,6	1,3	2,1	1,2	1,5	1,9	1,6	**1,1**	3,4	1,7	2,6	0,8	1,6	3,0
Fevereiro	**1,1**	1,4	1,5	1,5	1,6	0,5	1,2	3,2	0,4	1,2	1,3	0,9	0,7	0,5	-0,4	1,8	3,2	1,1	1,9	1,3	1,3	1,9	0,7	**0,7**	3,8	1,4	2,2	0,6	1,6	2,7
Março	**1,3**	1,5	1,5	1,9	1,6	0,4	1,5	2,9	0,2	1,3	1,7	1,2	0,5	0,9	-0,4	2,3	2,5	1,1	2,0	1,3	1,0	2,0	0,7	**0,8**	4,0	1,5	2,5	0,9	2,0	2,5
Abril	**1,3 Rc**	1,5 Rc	1,6	1,7	1,8	0,7	1,4	2,9	0,5	1,1	1,8	1,4	-0,1	0,6	-0,3	2,1	2,2	1,3	2,4	1,4	1,0 Rc	2,0 Rc	0,9	**0,3**	4,3	1,9	3,0	0,8	1,8	2,4
Maio	**1,9**	2,0	2,3	2,3	2,0	1,0	2,2	3,1	0,8	2,1	2,3	1,8	0,7	1,0	1,0	2,4	2,9	2,1	2,9	1,7	1,9	2,1	1,2	**1,4**	4,6	2,2	2,7	1,0	2,0	2,4
Junho	**2,0 f**	x	x	x	x	x	2,1 f	x	1,1 f	2,3 f	2,4 f	x	x	1,5 f	1,8 f	2,7 f	2,5 f	2,4 f	x	2,0 f	x	x	x	**2,0**	x	2,3 f	2,9 f	1,1 f	x	x

Símbolos: f valor previsto Po valor provisório Rc valor retificado x não disponível

Notas: (1) A partir de janeiro de 2006: base 100=2005, divulgação de índices a duas casas decimais e variações calculadas com base nesse nível de precisão.
(2) Estados Membros pertencentes à área do Euro: AE-13 até dez-2007, AE-15 até dez-2008, AE-16 até dez-2010, AE-17 até dez-2013, AE-18 até dez-2014, AE-19 a partir de jan-2015 (entrada da Lituânia).
(3) Índice Europeu de Preços no Consumidor: UE-15 até abril de 2004, UE-25 até dezembro de 2006, UE-27 até junho de 2013 e EU-28 a partir de julho de 2013.

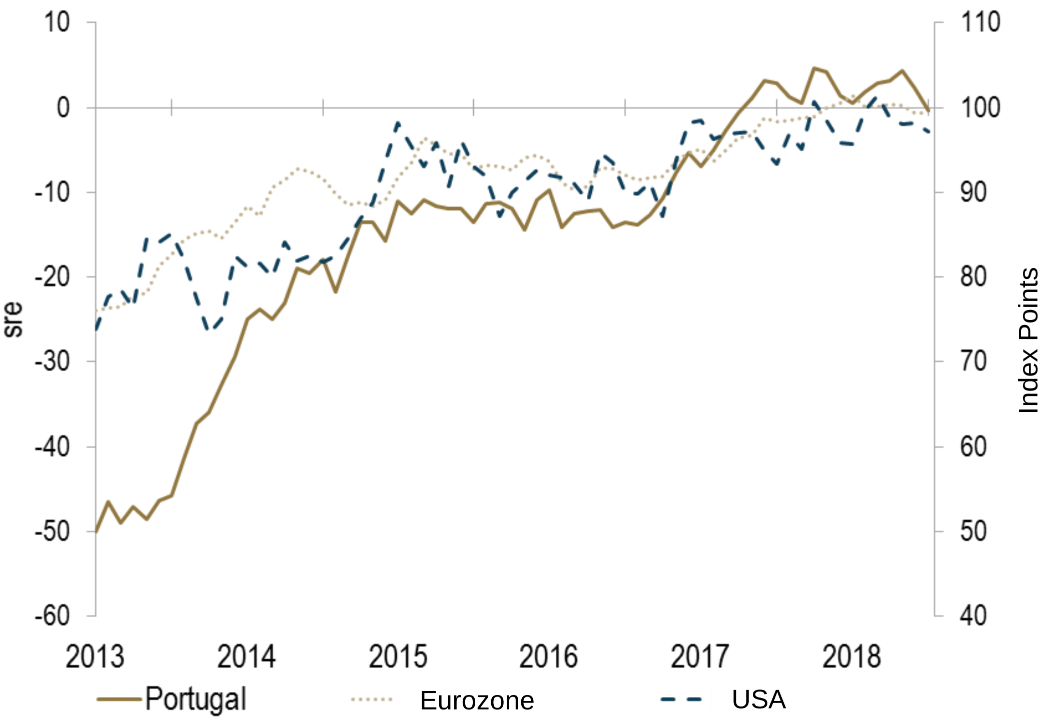
Fonte: INE e Eurostat.

Siglas dos Estados Membros:

BE	Bélgica	EE	Estónia	IT	Itália	HR	Croácia	PL	Polónia	FI	Finlândia
BG	Bulgária	EL	Grécia	CY	Chipre	HU	Hungria	PT	Portugal	SE	Suécia
CZ	República Checa	ES	Espanha	LV	Letónia	MT	Malta	RO	Roménia	UK	Reino Unido
DK	Dinamarca	FR	França	LT	Lituânia	NL	Países Baixos	SI	Eslovénia		
DE	Alemanha	IE	Irlanda	LU	Luxemburgo	AT	Áustria	SK	Eslováquia		

Source: Statistics Portugal (2018c)

Table 9 - Consumer Confidence Indicator 2013-2018



Source: Bank of Portugal (2018c)

Table 10 - Fertility Rate in Portugal per age group from 1980 until 2017. Rate of ‰

Year	Age Groups						
	15-19	20-24	25-29	30-34	35-39	40-44	45-49
1990	23.9	88.9	107.1	61.8	23.3	5.7	0.5
1991	23.4	84.8	109.1	64.5	24	5.7	0.5
1992	22.7	79.9	108.6	66.6	23.8	5.5	0.4
1993	22.6	76.6	106	68.5	24.1	5.4	0.4
1994	21.4	70.1	101.6	66.8	24.1	5.2	0.4
1995	20.6	64.8	98.3	68.5	24.7	5.2	0.4
1996	20.9	64	99.7	72.7	26.6	5.2	0.3
1997	21	63.6	100.7	75.4	28.3	5.5	0.4
1998	20.7	61.3	98.4	79	30.1	5.4	0.3
1999	21.1	61.6	99.7	79.7	32.8	6.1	0.4
2000	21.9	62.7	100.7	84.1	34.2	6.6	0.5
2001	20.8	56.3	92.6	80.8	33.6	6.6	0.4
2002	21.2	54.5	92.8	83.4	35	6.8	0.5
2003	20.1	51.6	89.4	84.7	35.7	7.1	0.4
2004	19.7	48.9	85.5	83.9	36.2	7.3	0.6
2005	19.2	48.6	85	85.6	37.8	7.4	0.5
2006	17.2	46.8	81	84.1	38.6	7.7	0.4
2007	17	45.5	78.2	83	39.5	7.4	0.3
2008	16.2	47.3	79.7	86	42	7.8	0.4
2009	15.4	45.1	76	83.1	41.4	8	0.5
2010	14.5	45.5	78.4	86.8	43.9	9	0.5
2011	13.3	40.5	75.1	86.3	45.3	9.3	0.4
2012	12.2	37.5	71.4	82.8	43.4	9	0.5
2013	10.7	32.9	66.9	79.8	42.4	9.1	0.5
2014	9.3	31.7	65.9	82	46.3	9.8	0.6
2015	8.4	32.1	67.8	89.7	51.2	10.8	0.5
2016	8.1	33.5	67.8	92.6	56.1	12.7	0.7
2017	8	33	68.8	93	57.8	13.5	0.7

Source: Pordata (2018a)

Table 11 - Total Coffee Volume in kg per capita in selected EU markets in 2016

Country	kg	Country	kg
Austria	4.6	Italy	3.4
Belgium	4.8	Latvia	2.6
Bulgaria	2.5	Lithuania	3.8
Croatia	5	Netherlands	6.4
Czech Republic	2.2	Poland	3.2
Denmark	4.7	Portugal	2.7
Estonia	4.6	Romania	2.1
Finland	10.3	Slovakia	2.5
France	3	Slovenia	6.5
Germany	5	Spain	2.9
Greece	2.5	Sweden	9.2
Hungary	3.3	United Kingdom	1.8
Ireland	1.2		

Source: Euromonitor International (2017a)

Table 12 – Share in % of retail (IH) and foodservice (OOH) in coffee volume in selected EU markets 2016

Country	Retail	Foodservice	Country	Retail	Foodservice
Austria	85	15	Italy	74	26
Belgium	80	20	Latvia	90	10
Bulgaria	81	19	Lithuania	89	11
Croatia	57	43	Netherlands	77	23
Czech Republic	92	8	Poland	90	10
Denmark	74	26	Portugal	55	45
Estonia	93	7	Romania	77	23
Finland	87	13	Slovakia	95	5
France	82	18	Slovenia	84	16
Germany	88	12	Spain	62	38
Greece	76	24	Sweden	72	28
Hungary	86	14	United Kingdom	66	34
Ireland	71	29			

Source: Euromonitor International (2017a)

Table 13 - Share in % of standard coffee and coffee capsules consumption in selected EU markets 2014-2016

Country	2014		2015		2016	
	Standard	Capsules	Standard	Capsules	Standard	Capsules
Austria	82	18	80	20	79	21
Belgium	79	21	77	23	75	26
Bulgaria	97	3	97	3	96	4
Czech Republic	97	3	96	4	96	4
Denmark	97	3	96	4	96	4
Finland	99	1	99	1	99	1
France	71	29	70	30	69	32
Germany	87	13	86	14	85	15
Greece	96	4	96	4	96	4
Hungary	99	1	99	1	99	1
Ireland	74	26	64	36	54	46
Italy	94	6	93	7	92	8
Netherlands	61	39	61	39	61	39
Poland	100	0	100	1	100	1
Portugal	54	46	51	49	49	51
Romania	99	1	99	1	99	1
Slovakia	98	2	97	3	97	3
Spain	81	19	80	20	79	21
Sweden	99	2	98	2	98	2
United Kingdom	90	10	87	13	86	14

Source: Euromonitor International (2017a)

Table 14 - Portuguese Coffee Industry Regulation

Laws/Decree-Law	Overview
Decree-law 53/1989. February 22nd	Establishes rules on the characteristics, packaging and labelling of coffee, its extracts and its substitutes; summarizes disperse legislation; promotes market transparency.
Decree-law 366-A/1997. December 20th	Establishes rules on packaging and waste management; on how to reduce its impact on the environment (reuse or recycling); on ensuring the functioning of internal market and on avoiding barriers to trade, distortions and competition restrictions in the EU.
Decree-law 124/2001. April 17th	Update on previous regulation given new EU requirements. Uniformizes legislation for all the EU countries on the characteristics, packaging and labelling of coffee, its extracts and chicory extracts.
Decree-law 78/2013. June 11th	Update on previous regulation given technological progress. market demands and existence of horizontal legislation on foodstuffs. Establishes a sanctions framework to apply in case of non-compliance.

Source: Diário da República (2018)

Table 15 - World Coffee Consumption in Thousands of 60kg Bags from 2013-14 to 2016-17, including Compound Annual Growth Rate (CAGR)

Regions	2013/14	2014/15	2015/16	2016/17	CAGR (2013/14-2016/17)
Worldwide	148 951	151 954	155 876	158 901	2.2%
Africa	10 485	10 710	10 927	11 174	2.1%
Asia & Oceania	30 695	32 641	33 628	34 745	4.2%
Central America & Mexico	5128	5236	5301	5230	0.7%
Europe	50 254	51 043	51 829	52 070	1.2%
North America	27 706	27 363	28 934	29 564	2.2%
South America	24 682	24 960	25 256	26 119	1.9%

Source: ICO (2018b)

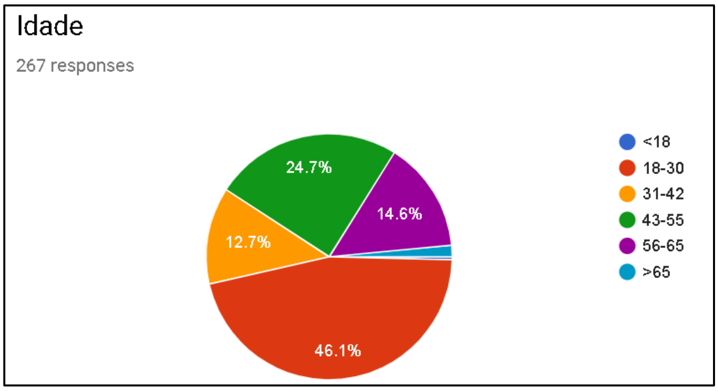
Table 16 - Delta Cafés main competitors per coffee segment in Portugal

Category	Competitors		
Soluble Coffee	Nescafé	PL	
Coffee Beans	Sical	Nicola	PL
Coffee Pods	Chave D'Ouro	Sical	PL
Ground Coffee	Sical	Nicola	PL
Coffee Capsules	Dolce Gusto	Nespresso	PL

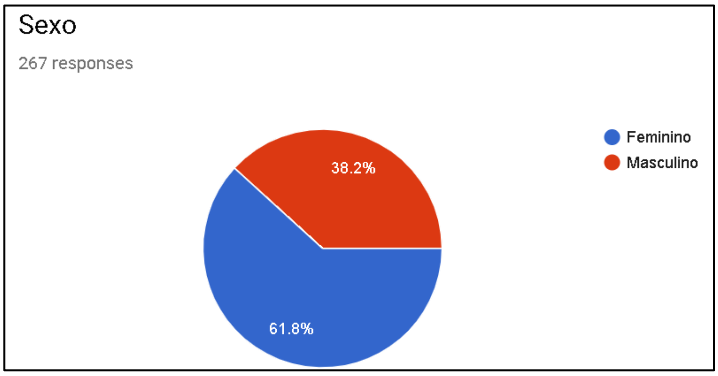
Source: Nielsen (2014) in Henriques (2016)

Annex 3 – Survey Analysis

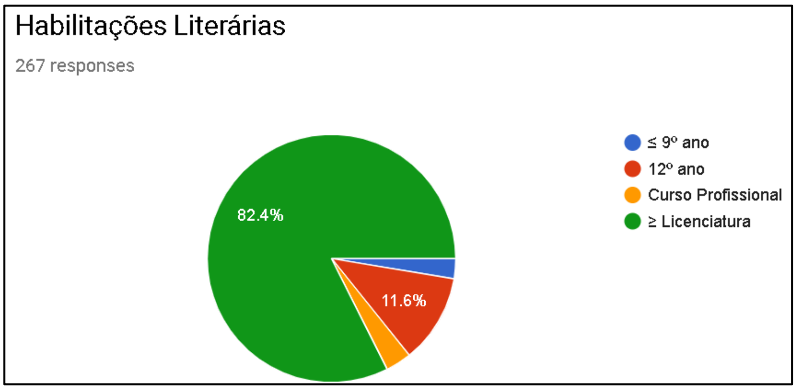
Graph 3 - Age



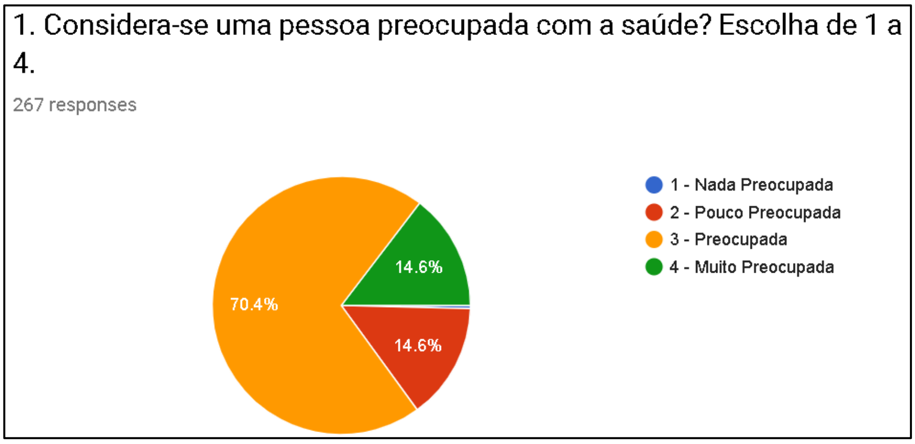
Graph 4 - Gender



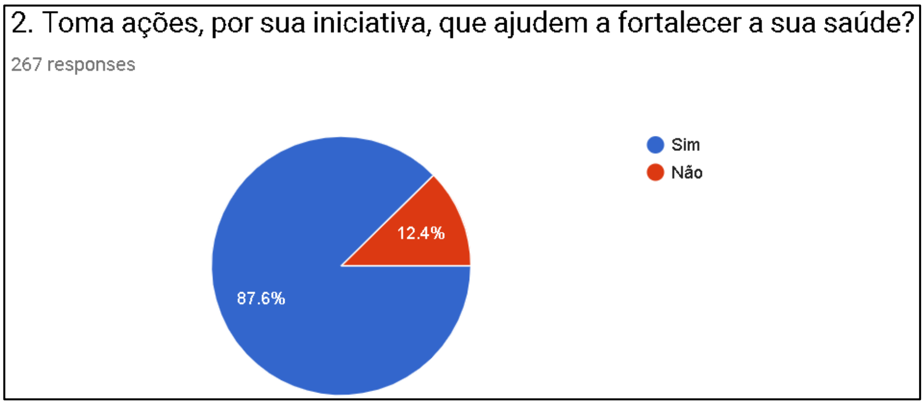
Graph 5 - Education Level



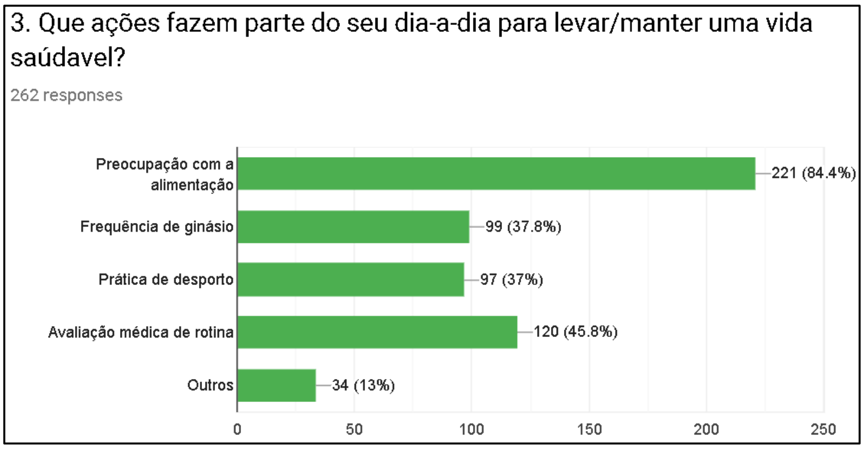
Graph 6 – 1. Do you consider yourself to be a health-conscious person? Choose from 1 to 4.



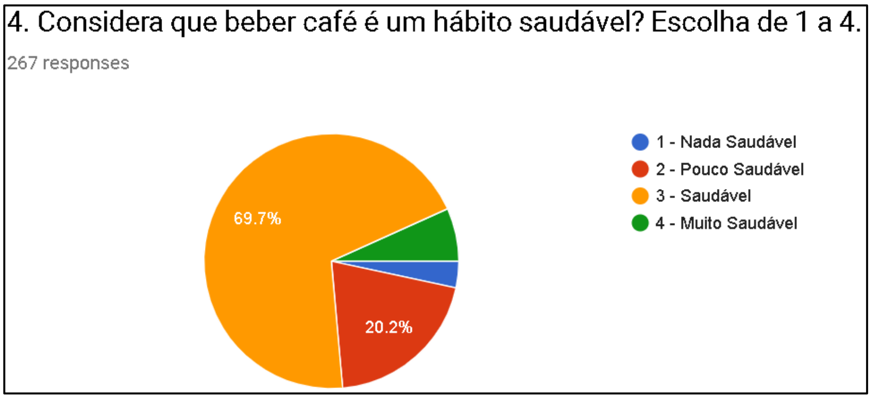
Graph 7 - 2. Do you take action, on your own, to help strengthen your health?



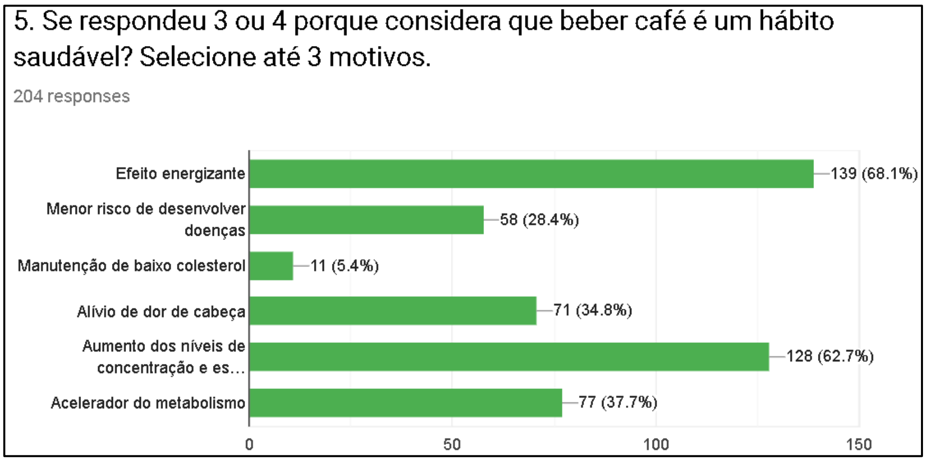
Graph 8 – 3. What actions are part of your daily life to maintain/promote a healthy life?



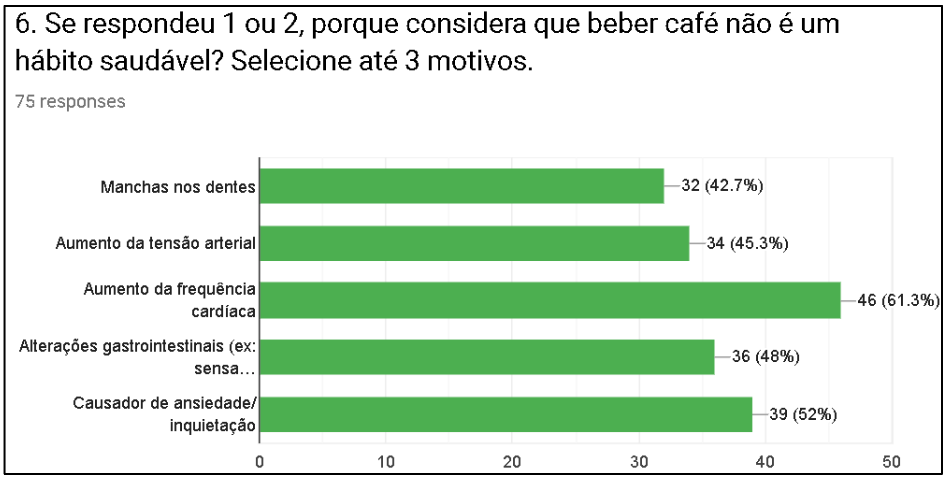
Graph 9 - 4. Do you consider drinking coffee to be a healthy habit? Choose from 1 to 4.



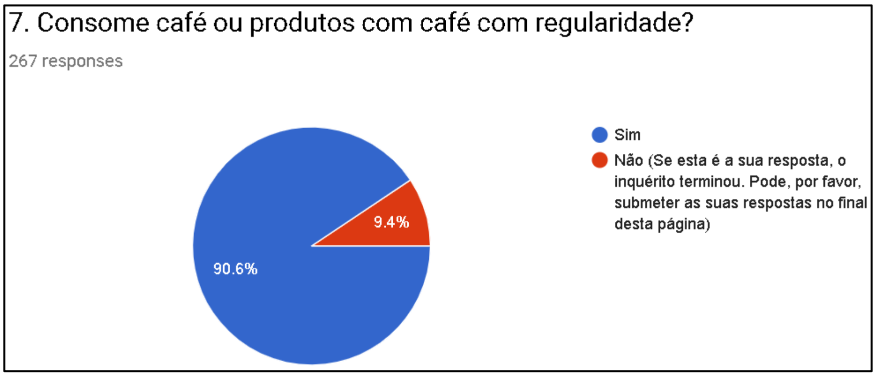
Graph 10 - 5. If you answered 3 or 4, why do you consider drinking coffee to be a healthy habit? Please select up to 3 reasons.



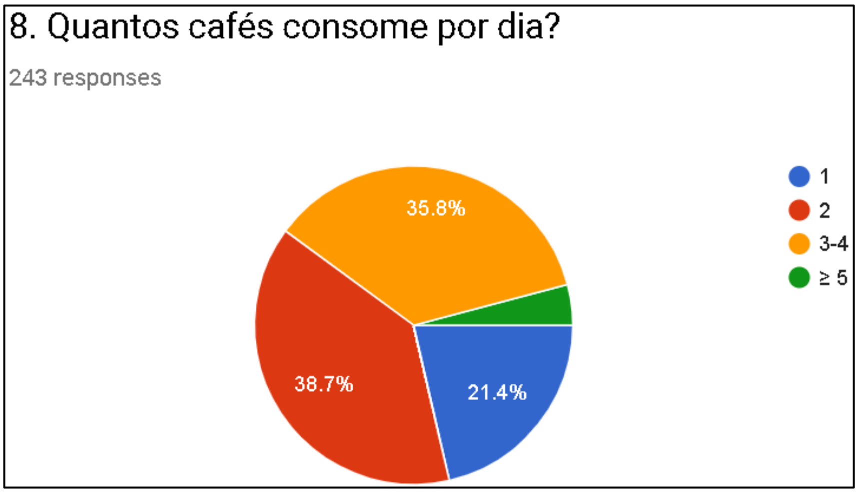
Graph 11 - 6. If you answered 1 or 2, why do you consider drinking coffee to be an unhealthy habit? Please select up to 3 reasons.



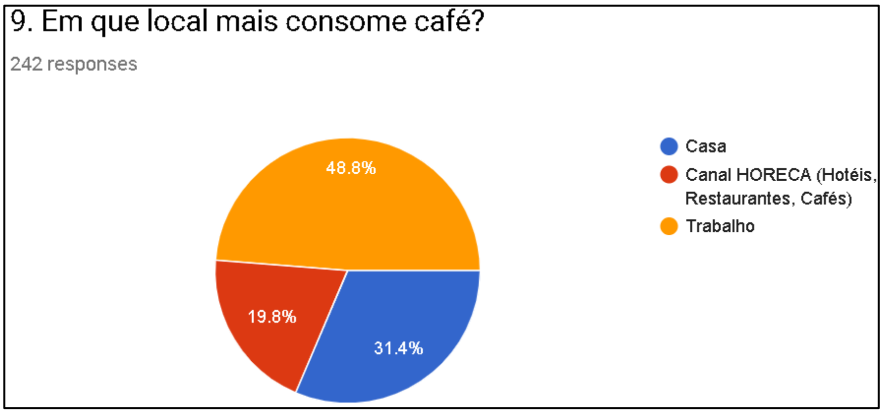
Graph 12 – 7. Do you consume coffee or coffee-based products regularly?



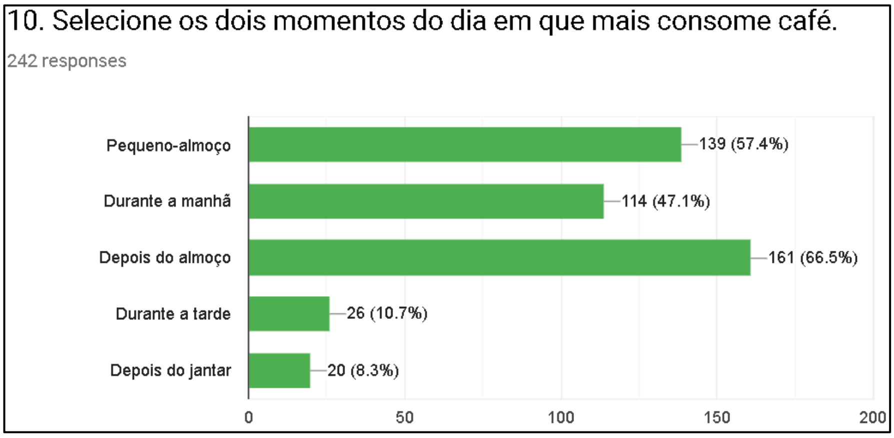
Graph 13 – 8. How many coffee cups do you drink per day?



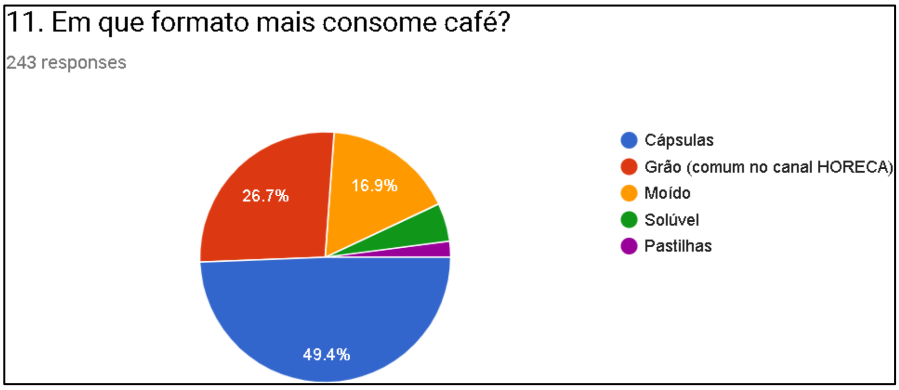
Graph 14 - 9. Where do you consume coffee the most?



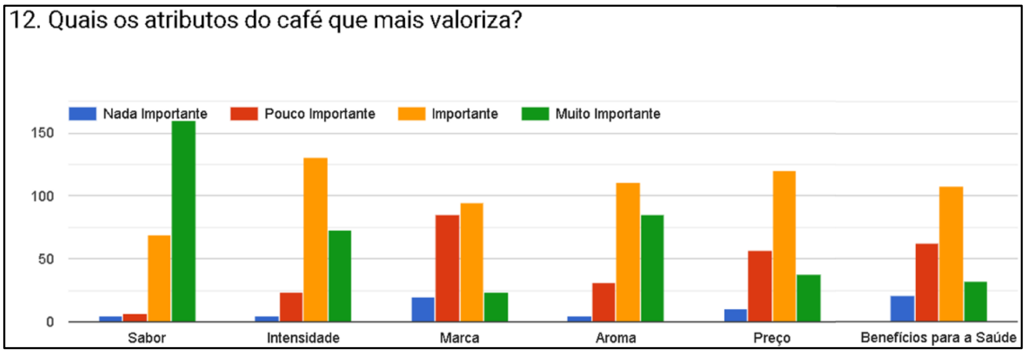
Graph 15 – 10. Select the two times of the day where you consume coffee the most.



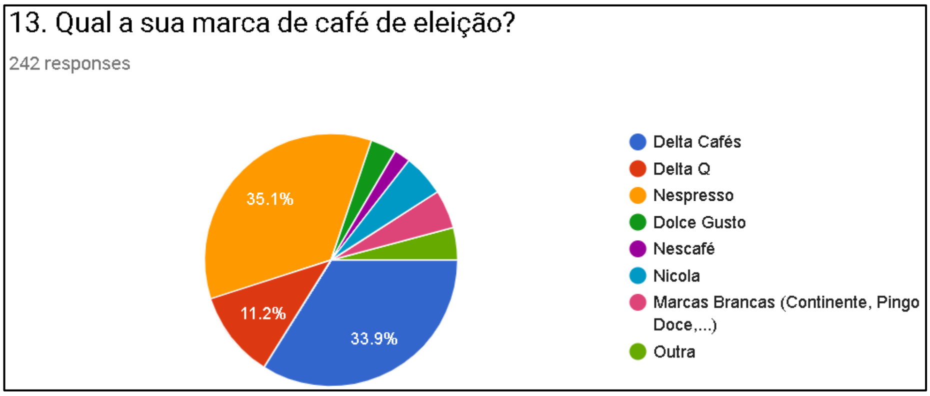
Graph 16 – 11. In which format do you mostly drink your coffee?



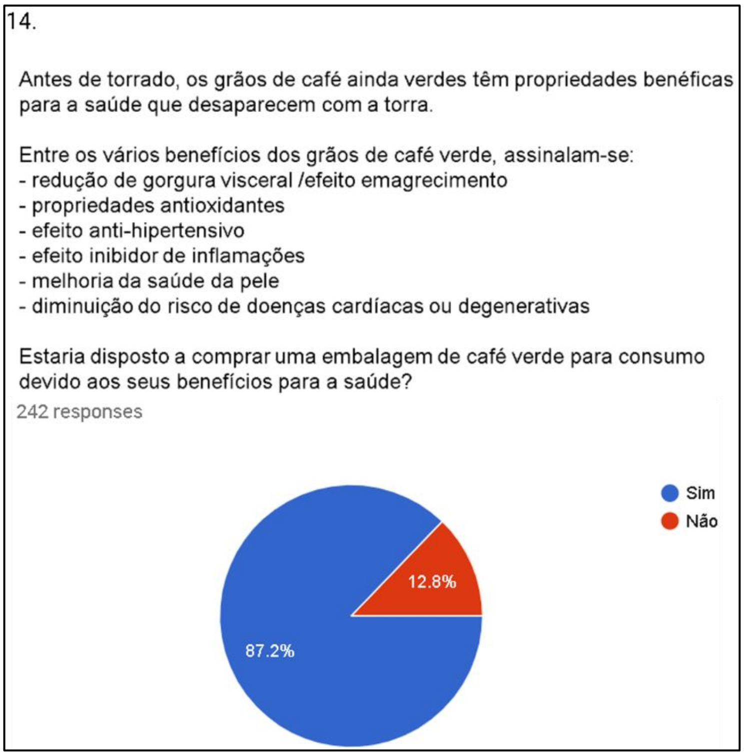
Graph 17 – 12. Which characteristic of coffee do you value the most?



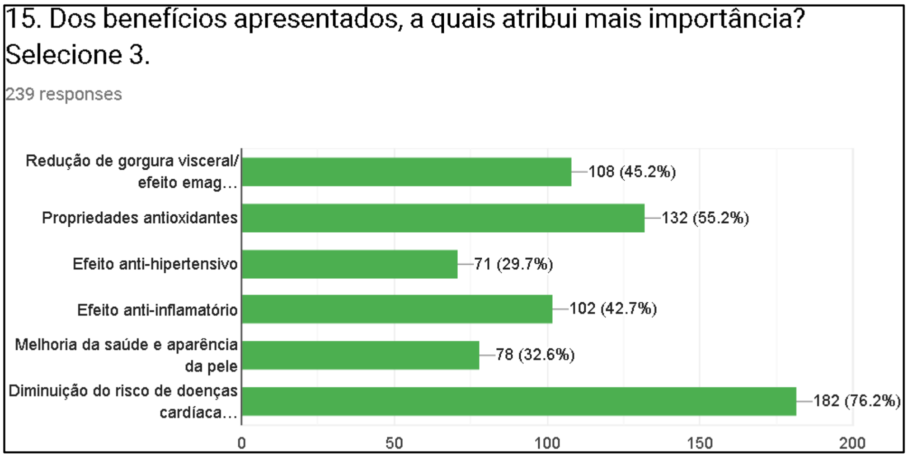
Graph 18 – 13. Which one is your favorite coffee brand?



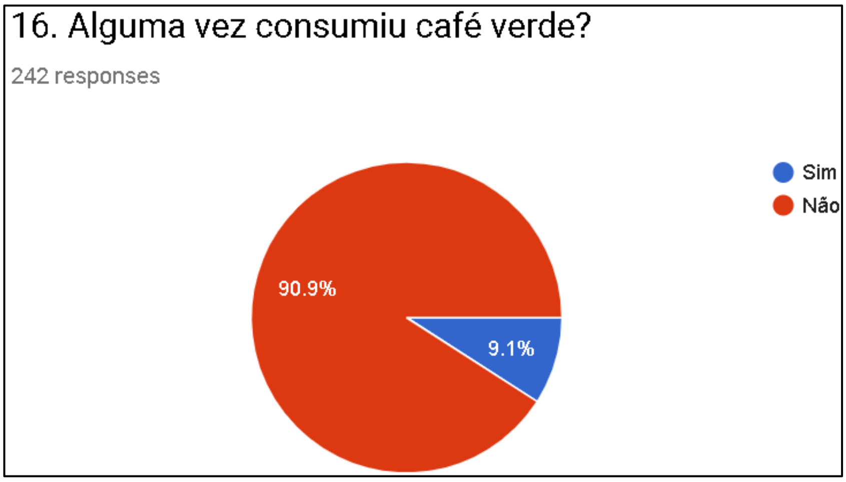
Graph 19 – 14. Green coffee beans have several health benefits that are lost when the beans are roasted. Some of the green coffee beans benefits are: reduction of visceral fat/ weight loss effect; antioxidant properties; antihypertensive effect; anti-inflammatory effect; healthier skin; reduced risk of heart/degenerative diseases. Would you buy a package of green coffee for consumption because of its health benefits?



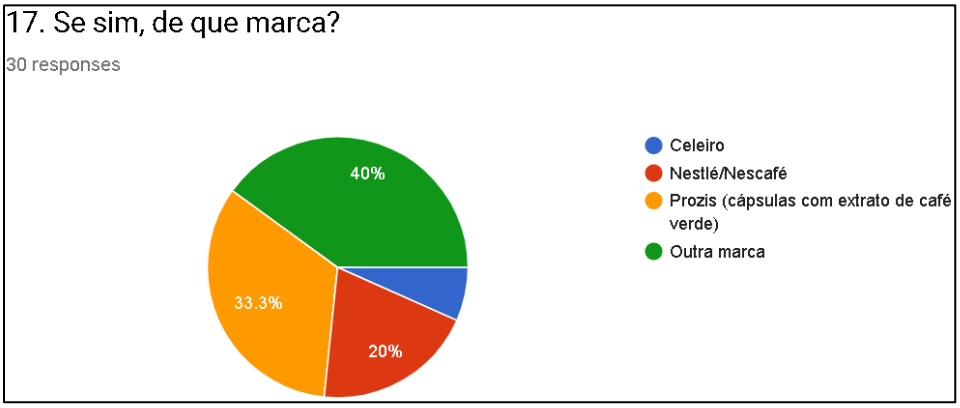
Graph 20 – 15. From the presented benefits, which are more important to you? Select 3.



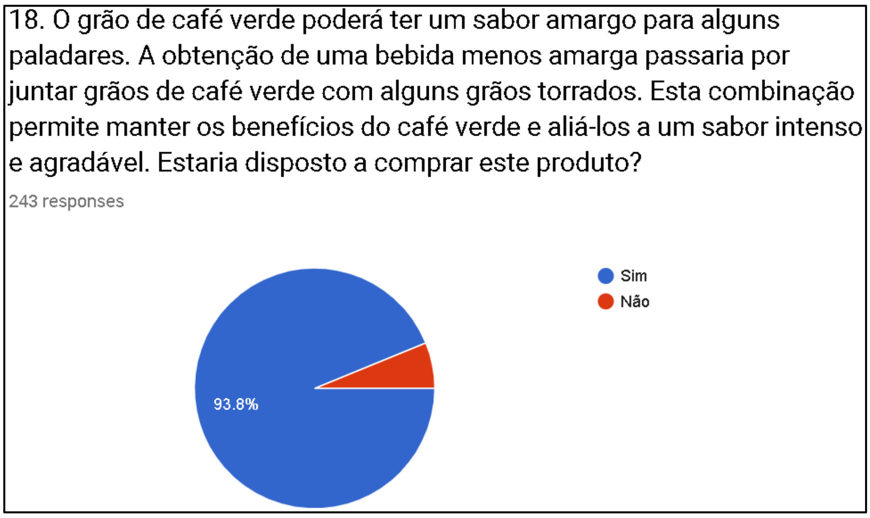
Graph 21 – 16. Have you ever consumed Green Coffee?



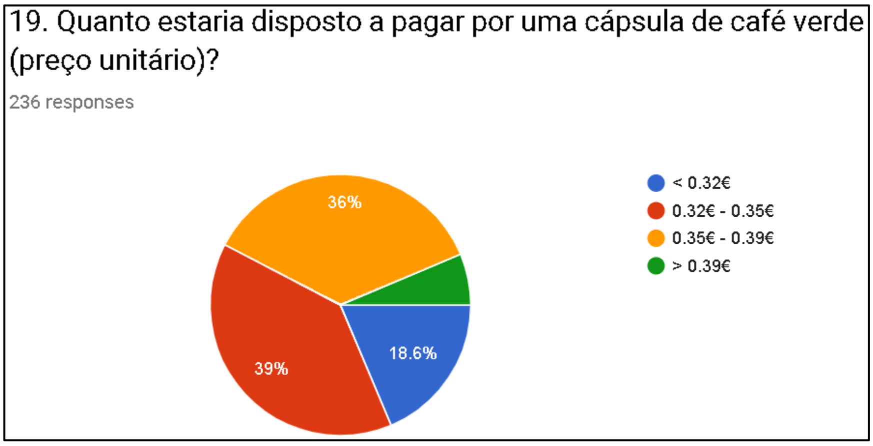
Graph 22 - 17. If so, from which brand?



Graph 23 - 18. Green coffee beans may taste bitter for some palates. Obtaining a less bitter drink would involve blending green coffee beans with some roasted beans. This blend maintains the benefits of green coffee and combines them with an intense and pleasant flavor. Would you buy this product?



Graph 24 - 19. How much would you be willing to pay for a green coffee capsule (unit price)?



Annex 4 – Internal Analysis

Table 17 - Delta Cafés Portfolio in 2018 (excluding Delta Q portfolio)

Coffee Segments	Category	Product Name	Package
Coffee Beans ***OOH***	Premium	Ruby Diamond Organic/Bio Coffee	
	Mainstream	Platinum Gold	
	Low-budget & Decaf	Mondo Espresso Gran Espresso Decaf	
Ground Coffee ***IH***	Premium	Platinum Fair Trade Organic/Bio Coffee Forestry	
	Origins	Angola. Timor Colombia. Brazil. India Vietnam. Cuba	
	Mainstream	Lote Superior Lote Chávena Portugal Expresso Bar	
	Low-budget & Decaf	Classic Decaf	
Instant Coffee ***IH***	Soluble	Café. Gran Café Decaf Cappuccino Cevada Cereais + Café Cereais + Fibra	

Source: Author (2018a)

Table 18 - Delta Q Coffee Capsules Portfolio in 2018 (excluding Limited Editions)

Category	Product Name	Package
Base Blends	Epiq Qharisma Qalidus Qharacter Aqtivus Qonvictus Qonvivium Deliqatus Deqafeinatus	
Specialties	Bio Qanela Double Breaqfast	
Cereal-Based	Fusion Pure Soft	
Infusions and Teas	Redespresso Purify Refresh Delight Relax	

Source: Author (2018a)

Table 19 - Delta Q Coffee Machines Portfolio in 2018 (excluding Limited Editions)

Product Name	Machine
Milk Qool	
Qool Evolution	
Qlip	
Qool Manual	

Source: Author (2018b)

Annex 4 – Internal Analysis - Portfolio List

OOH Consumption

Coffee Beans – Premium Category

- **Ruby**: 3kg; mix of roasted coffee beans from different origins (Guatemala, Vietnam, India, Indonesia, Kenya, Uganda, Colombia, Costa Rica, Honduras);
- **Diamond**: 1kg; roasted Arabica coffee beans from Africa and South America;
- **Organic/Bio Coffee**: 1kg; Arabica (from Latin America) and Robusta (from Africa) coffee beans blend, strong environmental concern behind its production.

Coffee Beans – Mainstream Category

- **Platinum**: 1kg; Arabica and Robusta selected coffee beans blend;
- **Gold**: 1 kg; Arabica (from Latin America) and Robusta (from Africa) coffee beans blend with an added mild taste of honey and fruits;

Coffee Beans – Low-Budget & Decaf Categories

- **Mondo Espresso**: 1kg; refined roasted coffee beans blend;
- **Gran Espresso**: 1kg; soft roasted coffee beans blend;
- **Decaf**: 1kg; Arabica and Robusta decaffeinated coffee beans blend.

IH Consumption

Ground Coffee – Premium Category

- **Platinum**: 250gr or 16 pods; Arabica and Robusta selected coffee blend;
- **Fair Trade**: 220gr; blend commercialized according to Fair Trade standards;
- **Organic/Bio Coffee**: 220gr; Arabica (from Latin America) and Robusta (from Africa) coffee blend, strong environmental concerns behind its production;
- **Forestry**: 220gr; coffee blend from Rainforest Alliance certified farms.

Ground Coffee – Origins Category

- India, Cuba, Vietnam, Brazil, Timor, Angola and Colombia: 220gr; each package contains a coffee blend made from coffee beans of the countries that named the product. Timor and Angola coffee blends are also sold in packages of 16 coffee pods.

Ground Coffee and Coffee Beans – Mainstream Category

- Lote Superior: 1kg (with or without caramelized coffee); strong, slightly acidic blend;
- Lote Chávena: coffee beans in packages of 250gr or 1kg, ground coffee in packages of 125/250/300/500gr, coffee pods and caramelized coffee; aromatic and intense coffee blend;
- Portugal: 250gr; aromatic blend of ground coffee that suits the Portuguese taste;
- Expresso Bar: 1kg; blend of roasted coffee beans from Central America (Arabica) and Africa (Robusta) mixed with caramelized coffee.

Ground Coffee – Low-Budget & Decaf Categories

- Classic: 250gr; Arabica (from Latin America) and Robusta (from Africa) coffee blend;
- Decaf: 250 gr or 16 pods; Arabica and Robusta decaffeinated coffee blend.

Instant Coffee – Soluble Category

- Café: 100gr, 200gr or 10 sachets package; energetic instant coffee blend;
- Gran Café: 100gr; blend from American, Asian and African coffee, intense flavor with caramel and dry fruits mild taste;
- Decaf: 100gr or 10 sachets package; decaffeinated instant coffee;
- Cappuccino: 10 sachets; creamy blend with vanilla aroma;
- Cevada: 200gr; barley-based blend for instant consumption (coffee-free);
- Cereais + Café: 200gr; coffee and cereals blend, soft taste, strong aroma;

Cereais + Fibra: 200gr; mix of cereals and fibers without added sugars, for warm beverages.

Annex 5 – Competitive Analysis

Table 20 - SWOT Analysis

Strengths	Weaknesses
• Extensive distribution chain, mainly in the HORECA channel • Strong and long-lasting relationship with Stakeholders • Consolidated Brand Equity • Large and diversified portfolio of products	• Lack of strong international presence • Weak player in soluble coffee segment
Opportunities	**Threats**
• Raising awareness toward healthier products • Raising embracement of healthier attitudes and lifestyles • Economic Prosperity • Increase on Coffee Consumption, mainly through Coffee Capsules • Internationalization strategy • Technological Developments • Coffee Portrayed as a Healthy Beverage • High degree of purchasing intentions towards Green Coffee	• Strong competition and price rivalry • Nespresso's strong online presence and e-commerce strategy • Dependence on weather conditions for coffee production • Political uncertainty in the EU • Overly stimulated consumption

Source: Author (2019)

Annex 6 – Marketing Mix

Table 21 - Delta Q Coffee Capsules Prices per Range

Product Range	Pack 10 Capsules	Pack 40 Capsules	Pack 60 Capsules
Intensidades	3.69€	11.49€	15.99€
Especialidades	3.49€ - 3.99€		
Cereais	2.99€ - 3.49€		
Chás e Tisanas	3.69€ - 3.99€		
Edições Limitadas	3.99€		

Source: Author (2019)

Table 22 - Suggested Influencers and focus of their message according to area of influence and target

Area of Influence	Influencer	Target	Focus of the Message
Healthy Life: Nutrition	**Nutricionista Iara Rodrigues**	Heavy users of healthy products - Adults	Benefits of a Green Coffee Blend (Use of technical expressions such as Functional Coffee or Visceral Fat)
	Nutricionista Lillian Barros	Heavy users of healthy products - Adults	Benefits of a Green Coffee Blend (Use of technical expressions such as Functional Coffee or Visceral Fat)
Healthy Life: Fitness	**Vanessa Martins**	Heavy users of healthy products - Young Adults	Benefits of a Green Coffee Blend (Use of technical expressions such as Functional Coffee)
	Vanessa Alfaro	Heavy users of healthy products - Young Adults	Benefits of a Green Coffee Blend (Use of technical expressions such as Functional Coffee)
Healthy Life + Lifestyle	**Carolina Patrocínio**	Moderate and heavy users of healthy products - Adults and Young Adults	Flavor and drinking experience Non-detailed explanation of the benefits (Use of technical expressions such as Functional Coffee)
	Alice Trewinnard	Moderate and heavy users of healthy products - Young Adults	Flavor and drinking experience Non-detailed explanation of the benefits
Lifestyle	**A Pipoca Mais Doce**	Moderate users of healthy products - Adults	Flavor and drinking experience
	Jessica Athayde	Moderate users of healthy products - Young Adults	Flavor and drinking experience
	Sara Matos	Moderate users of healthy products - Young Adults	Flavor and drinking experience

Source: Author (2019)

Figure 3 - Delta Qorpus Package

Source: Author (2019)

Figure 4 – Social Media Buzz Campaign (suggested content)

Source: Author (2019)

Figure 5 - Qorpus Qit Tote Bag

Source: Author (2019)

Figure 6 - Qorpus Qit Espresso Coffee Cup

Source: Author (2019)