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SOCIEDADE CENTRAL DE CERVEJAS E BEBIDAS:

ENTERING IN THE CRAFT BEER TREND WITH AFFLIGEM

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Abstract

Title: Sociedade Central de Cervejas e Bebidas - “Entering in the craft beer trend with Affligem”
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Sociedade Central de Cervejas e Bebidas (SCC) is one of biggest players in the Portuguese beer industry. In 2013, together with Unicer, its biggest competitor, both groups owned 94% of the market. Part of the Heineken International Company since 2007, SCC was invited to be part of the worldwide launch of Affligem, the new global brand from Heineken group. Aiming to be the beacon brand in the specialty beer category, Affligem is a Belgian abbey beer with almost one thousand years of history. Besides trying to conquer this segment and fighting against the growth of national craft beer brands' popularity, Affligem intended to address meal occasions. From a vast and extensive market research, SCC discovered that meal occasions were not being associated with beer. And what was the challenge? While the specialty beer segment represented only 2% of the entire industry, mainstream brands led the market with a share of almost 90%. Consumers were changing their buying behavior, being more price sensitive and doing less out of home activities. Additionally, 70-80% of buying decisions were made inside the store. With a limited marketing budget, Diogo, one of SCC's Premium Beer & Specialties brand managers knew how important it was to choose the right packaging: entering in off-trade with loose bottle or 3-pack.

Resumo

Título: Sociedade Central de Cervejas e Bebidas - “A entrada de Affligem no mercado das cervejas artesanais”
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A Sociedade Central de Cervejas e Bebidas (SCC) é um dos principais *players* no mercado das cervejas em Portugal. Em 2013, 94% do mercado era detido pela SCC e Unicer, um dos seus maiores concorrentes. Pertencente ao Grupo Heineken desde 2007, a SCC foi convidada a fazer parte do lançamento mundial de Affligem, a nova marca global do grupo. Com o objectivo de ser a marca líder no segmento das cervejas especiais, Affligem é uma cerveja belga de abadia com mais de mil anos de história. Mais do que tentar ter sucesso neste segmento e de lutar contra a crescente popularidade das marcas nacionais de cerveja artesanal, Affligem assumiu também o compromisso de se associar ao contexto da refeição. Após um vasto e exaustivo estudo de mercado, a SCC concluiu que nenhuma a cerveja não era uma bebida considerada às refeições. Qual era então o desafio? Enquanto o segmento das cervejas especiais representava apenas 2% do mercado, as marcas *mainstream* dominavam o mesmo em quase 90%. O aumento de sensibilidade ao preço e a diminuição no número de actividades realizadas fora de casa traduziam algumas das mudanças no comportamento do consumidor. Adicionalmente, 70-80% das decisões de compra eram tomadas dentro da loja. Diogo, um dos *brand managers* do departamento de *Premium Beer & Specialties* da SCC, perante um orçamento de marketing limitado, sabia quão importante era escolher o *packaging* correcto: entrar na distribuição moderna com garrafa solta ou 3-pack.

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Case Study

Introduction

On the 6th of May of 2013, Diogo Pinheiro, one of the Brand Managers of Premium Beer & Specialties in Sociedade Central de Cervejas e Bebidas, was on his way to the marketing monthly meeting without knowing what was coming up.

Among other issues, the meeting's goal was to finish the annual calendar[1] for 2014. There was a new item on the calendar, and in that moment, Diogo met his next challenge: to be part of the worldwide launch of Affligem, HEINEKEN's[2] new global brand. The group had acquired Affligem's distribution rights[3] and intended to establish the brand across different countries. Affligem was a Belgian abbey beer, with a distinctive character. The brand's main goal was to enrich SCC's[4] portfolio in the premium segment, bringing additional value to the company.

In recent years, some market trends arose in the Portuguese market, which were relevant for SCC's future strategy. The number of Portuguese craft beers was increasing, since the first one appeared in 2011 and, two years after, there were already more than 20 in the market. Furthermore, the premium market in general started to gain strength across different product categories. In addition, and to meet HEINEKEN's guidelines[5], SCC was required to increase the company's value and to gain relevance in the premium market through portfolio diversification.

Diogo was given five months to analyze Affligem's case before presenting the final marketing plan to Pedro Esquivel, SCC Marketing Director, and, subsequently, to the Board of Directors. Acting as a pressure point, 2014 was going to be an important

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[1] The annual calendar was an excel file with Sociedade Central de Cervejas e Bebidas's brands and its promotional plans for 2014. This calendar was discussed with the entire marketing team in order to avoid brand activity overlaps, for example, having billboards of Sagres and Sagres Radler at the same time.
[2] When referring to Heineken International Group it will be written as HEINEKEN, when referring to the brand itself it will be written as Heineken.
[3] Affligem was only produced in one location worldwide: an abbey in the region of Opwijk, Belgium, by a team of monks and engineers.
[4] SCC stands for Sociedade Central de Cervejas e Bebidas.
[5] In order for HEINEKEN's OpCos (Operating Companies) to have a sustainable future growth, the group established strategic guidelines for them.

year for Heineken and Sagres in terms of marketing activations[6], which meant that the majority of company's efforts would be focused on those brands.

Bearing in mind that mainstream brands represented almost 90%[7] of the beer market, to overcome the low probability of success, Diogo knew he needed to develop a powerful marketing strategy for Affligem. The following five months were spent analyzing and preparing the marketing plan: where to distribute, how to communicate, what type of packaging and choose the right price.

Suddenly the 14th of October had arrived and Diogo had to choose between the two possible strategies that he had prepared: an aggressive one and a conservative one. Still five hours missing to the meeting and he was uncertain on what was the most suitable and appropriate strategy to present.

Company Overview

Sociedade Central de Cervejas e Bebidas was one of the main players in the Portuguese beer market, with a market share in volume of 46.8%[8] in 2013. Throughout the years, SCC's strategy relied upon continuous innovation through packaging and product launches. Sagres was the flagship brand and had the highest share within SCC's portfolio, but global brands, such as Heineken and Desperados, were also gaining more relevance for the company and for consumers (see **Exhibit 1** with SCC's brand portfolio).

Everything started in 1680 when the first beer was produced in Portugal. But it was in 1934 that Sociedade Central de Cervejas was established, with the intention to sell third-party beers[9]. In the following year, beer production reached 5.1 million liters[10].

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[6] While Sagres had the World Cup in Brazil, due to the sponsorship of Portuguese National Team, and new product innovations, Heineken would sponsor, once again Rock-in-Rio and Optimus Alive, two music festivals in Lisbon. Additionally, the Champions League final was going to take place in Lisbon, with Heineken acting as one of the main sponsors.
[7] According to Nielsen, in 2013 85.3% of the entire beer market was owned by mainstream brands, such as Sagres and Super Bock.
[8] Source: Nielsen Reports for the year of 2013.
[9] *Companhia Produtora de Malte*, *Cerveja Portugália*, *Companhia de Cervejas Estrela*, *Companhia da Fábrica de Cerveja Jansen* and *Companhia de Cervejas de Coimbra* merged to create a single company: Sociedade Central de Cervejas.
[10] Source: Company's internal data.

Sagres was born in 1940 to represent the company in the Portuguese World Exhibition, *Exposição do Mundo Português*. This exhibition was quite important because it marked the celebration of both Portuguese State Foundation (1140) and Restoration of Independence (1640). In 1941, *Imperial* was launched as a luxury brand to diversify SCC's portfolio, being now marketed as a cheaper brand to face private labels. Years after, SCC purchased Luso, the oldest Portuguese mineral water.

The origin of one of the biggest Portuguese brewers goes back to 1965. The SCC's Vialonga brewery took two years to start operating, covering the entire national and foreign market.[11] In 1966, the beer production of Vialonga brewery reached 50 million liters and, almost half a century later, hit the 295 million liters' mark.[12] Besides production, the brewery act as a wholesaler, being responsible for saving national and international beer after production.

In 1970, SCC acquired a 52.5% stake in Sociedade Água de Luso, after which the company started to produce their products. Going back some years, in 1894, Luso sold the first Thermal Water bottle. Some years after, Dr. Charles Lepierre, chemist and professor, after analyzing Luso waters classified them as extremely pure. In the following 160 years, purity became the brand promise.

In the 90's, Sagres turned 50 and one of the most important sponsorships was born between Sagres and the Portuguese National Football Team.

Scottish & Newcastle Era

In the new millennium, Scottish & Newcastle[13] acquired 49% of SCC but soon enough the group had full control over SCC and SAL[14]. Accordingly, SCC changed their name to Sociedade Central de Cervejas *e Bebidas*, because no longer made sense to be stated only as a beer company while selling other beverages[15]. In 2002, Sagres was the best-selling Portuguese beer brand worldwide with 2.9 million hectoliters. Throughout the years, SCC launched several line extensions[16], namely *Sagres Bohemia* and *Formas*

[11] Vialonga brewery had capacity to produce 110 million liters of beer, 21 million liters of soft drinks and 50 thousand tons of malt.
[12] Source: Company's internal data.
[13] According to Wikipedia.org, Scottish & Newcastle was founded in 1749 aiming to sell "long alcoholic drinks": beer, lagers and ciders.
[14] SAL stands for Sociedade Água de Luso.
[15] In English "cervejas" means beer and "bebidas" means beverages.
[16] Such as: *Sagres Bohemia 1835*, *Sagres Bohemia Mini* and *75cl*, *Sagres Zer0%*, *Sagres Preta Zero*, *Sagres Chopp*, *Luso Fresh* and *Ritmos Luso*.

Luso[17]. One year after, Scottish & Newcastle had full control over SAL, meaning a complete synergy between SCC and SAL.

A new recommendation was introduced in all packages and marketing activities: “Be Responsible. Drink with moderation”, *Seja Responsável. Beba com moderação*. And in 2008, after 20 years figthing, Sagres was the market leader in Portugal, with a market share of 43.3%[18] in terms of volume and value across all channels.

HEINEKEN Era

HEINEKEN and Carlsberg formed a consortium in 2007, which offered a proposal to buy Scottish & Newcastle, and consequently SCC. Shorlty after, this consortium came to an end, giving HEINEKEN full control over SCC, which improved, among other issues, SCC’s strength in Europe through HEINEKEN’s coverage system.

Innovation and building a strong brand portfolio were, and still are, very important drivers for SCC. After joining HEINEKEN, this was even more evident.[19] Orangina[20], Guinness and Desperados[21] started being distributed by SCC, reinforcing the company’s portfolio. Two additional Sagres’s flavors were launched as well: *Sagres Preta Chocolate* and *Sagres Puro Malte*[22]. Being a continuous pioneer in Portugal, *Sagres Preta Chocolate*’s website was entirely made with real chocolate.[23] *Luso de Fruta*[24] was also launched, becoming the innovation with the highest volume of hectoliters sold.

In 2012, and in order to engage consumers even more with Sagres brand, QR codes were available in all off-trade[25] packaging, offering exclusive access to unique contents. Heineken was and still is one of the official sponsors of Rock-in-Rio Lisboa and Optimus Alive[26]. One year after, Sagres Radler[27] was launched, the new innovation hit.

[17] *Formas Luso* was the first brand in Portugal having soluble fibers in the water composition.
[18] Source: Nielsen’s reports for the year of 2008.
[19] One example was the aluminum limited edition bottle to celebrate the 40 years of *Sagres Mini*.
[20] According to Wikipedia.org, Orangina was “a carbonated citrus beverage made from orange, lemon, mandarin, and grapefruit juices and containing orange pulp”.
[21] Orangina and Guinness entered in the Portuguese market in 2009 and Desperados in 2011.
[22] *Sagres Preta Chocolate* was a limited edition launched in 2011, which combined the flavor of Sagres Stout and chocolate with an alcohol content of 4.1% vol. *Sagres Puro Malte* was also a limited edition launched in 2012, which had an intense flavor and targeted to consumers with a more demanding palate.
[23] 60 kg of chocolate were used and more than 80 hours were required to actually produce all the pieces in the website: http://www.sagres.pt/sagrespretachocolate/
[24] *Luso de Fruta* combines Luso mineral water and natural fruit juice.
[25] The Horeca channel (Hotels, Restaurants and Bars) was defined as on-trade. The modern distribution (Hypermarkets, Supermarkets and Cash&Carry) was defined as off-trade.
[26] Heineken had a great visibility in terms of bar area and VIP zones in Rock-in-Rio and Optimus Alive.
[27] Sagres Radler was a mixture of Sagres beer and natural lemon juice with an alcohol content of 2% vol.

In order to achieve this sustained growth and constant will to always deliver what best satisfy their consumers' needs, SCC relies in different but equally important drivers. As it is evident by the company's history, being close to consumers through portfolio diversification is crucial (recall **Exhibit 1** with SCC's brand portfolio). But not only national consumers matter, foreign ones have the same relevance, reason why another contributor of SCC's positive results was export. In 2012, SCC exported for more than 40 countries, in which Angola represented more than 60% of the entire volume.[28]

Building strong brands through innovation and consistent strategies was part of company's DNA. Such strategy can be perceived by the results of SCC's main brands: Sagres surpassed its competitor and became market leader in terms of market share since 2008, and Luso was the main player in the water business unit, having the highest market share (without accounting private labels)[29].

The company's concern with environmental and social impact was also important to maintain their positive margins; for instance, the barley used in the beer production was 100% national.

In 2013, SCC acquired Novadis, a national distributor, to optimize their route-to-market[30] in the on-trade. To reach on- and off-trade clients, SCC's brands were distributed by different companies. Additionally, the two channels had different ways to operate. The off-trade channel was responsible for placing their own orders, while SCC's account managers[31] placed the on-trade orders. However, there were always account managers responsible for managing off-trade shelves, visibility materials and future promotions, and to pressure (or remind) retailers' managers to place the orders.

In order to follow what consumers expect for the future, every year, the company analyzes market trends. 2013 was no exception. Having in mind the craft trend popularity and the premium market value, a meticulous local market research and a portfolio

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[28] Source: Company's internal data for the year of 2012.
[29] Source: Company's internal data for the year of 2013.
[30] Route-to-market means delivering in the most efficient way the product to on- and off-trade clients and, consequently, to final consumers.
[31] According to wikipedia.org, an account manager "is a person who works for a company and is responsible for the management of sales, and relationships with particular customers. The account manager does not manage the daily running of the account itself. They manage the relationship with the client of the account(s) they are assigned to".

analysis[32] were set in motion. Both analysis collided in a map with several consumers' trends[33]. After thoroughly analyzing them, it was clear that similar consumption occasions were already covered by the main market beer brands[34]. Still, there was a blank spot in the map: in-home consumption, especially meal occasions.[35] Wine was the leader in this occasion, followed by water and soft drinks[36]. This blank spot was the perfect opportunity to reach 2014 goals with Affligem. The only drawback was creating the best possible marketing strategy to launch this brand, while associating it with meal occasions.

Market Dynamics

Beer Industry Worldwide

It is almost impossible to identify when the first beer was produced. Similar to wine, beer was found accidently. Story tells that men realized that when the bread dough was wet, the fermentation process would happen in a very different way, ending up by calling it "liquid bread", *Pão Líquido*.

Despite using only four raw materials in its production process[37], beer was perceived as a divine drink, but in today's world, it lost this power. Notwithstanding, each country had a particular culture when beer was concerned. For instance, Czech Republic, Austria, Ireland or Germany were true beer lovers, having significantly higher consumption rates when compared to the rest of the world (see **Exhibit 2** with more information about consumption levels worldwide and in Europe).

[32] This analysis was called: "Building Winning Portfolios (BWP)" and it was a study about market segmentation by consumer typology, and consumption moments' segmentation by consumer need. This was an internal analysis made by HEINEKEN, which took, at least, 9 months. It incorporated four phases: internal study (stakeholders' opinions and vision of the future), opportunities analysis (market, company brands, consumer segmentation and profit pool), scenarios presentation (e.g. internal investment, package innovation, product launches) and final proposal.
[33] Consumers' trends were six super segments, resulted from crossing two variables: consumer typology - asking participants "attitudes towards life" (traditional versus liberal) and "attitudes towards beer" (beer lovers versus non-beer lovers), and consumer need states – "consumption's moments" (social versus individualistic) and "what consumers look for in those moments" (special, routine, with or without food).
[34] Main market beer brands: Sagres, Super Bock, Heineken, Carlsberg, Desperados, Guinness, Corona, Tagus, Cristal, Imperial, Estrella Damm and Mahou.
[35] Source: Company's internal data from "Building Wining Portfolios" study.
[36] Source: Company's internal data.
[37] According to SCC and Unicer's beer production process, only malt, water, non-malted cereals (wheat and barley) and hops were used. However, depending on the beer type it could also be included in the production process yeast, corn or rice.

During the past decades, beer became a globalized good: what was produced in one country could be found across several continents. Multinational companies started merging and acquiring local breweries to decrease competition and gain more market coverage. In 2012, the key market players, AB InBev, SABMiller, HEINEKEN and Carlsberg Group, had almost 50% of the entire global market (see **Exhibit 3** with detailed information about these groups). In the same year, the global beer market experienced revenues of $510 billion. After water and tea, beer was the third most popular drink in the world. However, the increased consumption in wine and spirits was revealing to be a relevant threat. New trends were also emerging, namely lower alcohol levels and female consumers.[38]

In general, the global beer industry witnessed an increase of more than 2% in 2013, yet, not all markets had a positive performance. Mature markets were not growing at the rates of emerging ones.[39] The growing levels of unemployment and the low-income rates would present as major challenges for mature markets. On top of those challenges, beer faced several other factors as seasonality, weather, demographics, substitute products, taxes and duties and perceived health effects. In order to face this not so positive overview of the future, breweries started introducing premium brands, while developing and launching innovative products, mostly aligned with a guerrilla marketing strategy[40].

Beer Industry in Portugal

"Mainstream lager beer market" was the definition used by Diogo when referring to the Portuguese beer marker. Sagres and Super Bock owned an "oligopoly", having together almost 90% of the market. The remaining stake was shared by either private labels, or global brands (see **Exhibit 4** for a comparison between SCC and Unicer companies). In 2012, the beer industry witnessed revenues of €263 million, being composed by no more than 40 brands[41].

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[38] Source: Business Insider (2012).
[39] According to Global Beer Trends Report 2013 by Yahoo! Finance, "Impressive performances in the key emerging markets: Africa, Asia and Latin America, whilst more mature markets (West Europe and North America) fell, being restricted by weak economies".
[40] In 2013, Sol, launched a guerrilla marketing campaign in London called "Sol Ties". The goal was to invite consumers to lose their ties and became a "free spirit", gaining a free Sol beer in the process. Sol is a Mexican lager beer with a citrus and barley flavor. Born in Mexico in 1899, Sol was considered a super-premium global beer brand. This brand defines itself as the taste of freedom, ideal to all "espiritu libre" (free spirit) consumers.
[41] Source: Company's internal data.

Why this duopoly in the beer market? The explanation is simple: beer was seen as a commodity.[42] In the words of Pedro Esquivel, in his country of origin, Mexico, twelve brands healthily compete in the market, whilst in Portugal there was only chance for two.[43] When the need of having a beer arises, the majority of Portuguese consumers did not recall premium beers, Sagres and Super Bock were the leaders in this choice. The beer consumption normally occurred in a very social moment, so when consumers recalled premium brands was, with almost 100% certainty, due to the brand image or distinctive taste.[44]

In 2012, the beer consumption in Portugal was almost 5 million hectoliters, which decreased by 10% when compared to 2011[45], and forecasted to decrease even more in the following years. The consumption per capita decreased 8.5% from 2011 to 2012.[46] The beer production from the 9 active breweries suffered a decline as well, from 8.2 to 7.9 million hectoliters. Although some improvements were foreseen due to an increase in the trust index and employment growth rate, consumption in general had been decreasing for the past years and it was predicted to continue with this trend[47] (see **Exhibit 5** for data about Portuguese consumption habits).

Even with this market negativity, several Portuguese microbreweries were emerging[48]. Produced in small amounts and some even in-home, those craft beers were completely different from the industrial ones. But, what was actually the difference? Pedro Sousa, one of the three business partners of *Sovina*[49], the first craft beer brand introduced in Portugal, explained *"Easy, imagine someone that always drunk bottled juice… That person will find very intense the natural orange juice flavor"*.[50] Since 2011,

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[42] According to Wikipedia-org, a commodity is a term applied specifically to goods, which have demand but supplied without qualitative market differentiation – at least perceived by consumers.
[43] Source: Markeeter (2014).
[44] Source: Carlsberg Report about Marketing Trends for the year of 2008.
[45] Source: Company's internal data.
[46] From 53 liters to 49 liters consumed per person, 2011 and 2012, respectively. Source: Company's internal data.
[47] In the year of 2012, according to Associação Portuguesa de Empresas de Distribuição (APED), Portuguese consumers were stopping the consumption of books, clothes, televisions, fridges and other technological goods, being this a sign of a higher focus on managing their income and looking for the price factor. Source: Público Online and i Online (2013).
[48] In 2013, Sapo Visão Online wrote an article called: "A moda das cervejas artesanais", which meant: The craft beer trends.
[49] Launched in 2011, *Sovina* was a craft beer produced with natural ingredients, no added color or preservatives, natural carbonation from yeast and non-filtered. *Sovina* offered a range of five different beers that differ in terms of flavor and intensity with an alcohol content that went from 4.9% vol. to 7.5% vol.
[50] Contrary to industrialized ones, the majority of Portuguese craft beers were neither filtered nor pasteurized, using only malt in their production, no other cereals, or glucose.

other 29 brands appeared in the Portuguese market, some already commercialized, others waiting for licenses (see **Exhibit 6** with a list of Portuguese craft beers). Daring the Portuguese industrial breweries and challenging future in-home brewers, Pedro Sousa added *"Do not try to produce a beer similar to the industrial ones; it is so easy to do better"*.[51] *Sovina* produced between 2 and 3 thousand liters per month, while *Vadia* accomplished 4 thousand liters.[52]

When it comes to launching premium brands, the deep Portuguese economic crisis was a major concern. In fact, consumers were changing their buying behavior, being price sensitive towards fast moving consumer goods. Beer was both present in on- and off-trade channels, usually with a higher price in on-trade. All of the abovementioned factors helped reversing the consumption behavior towards less out of home activities, influencing the levels of on- and off-trade[53]: in 2013, the on-trade suffered a 7% decrease, while SCC kept on growing its share on off-trade[54]. Still, the on-trade had the highest share[55] (see **Exhibit 5, Table 1 and 2** with the number of stores for on- and off-trade).

A new consumer was emerging: a more concerned, aware and educated, where innovation and quality were fundamentals. This new consumer was more demanding, unsettled with a common and ordinary product, constantly seeking for new experiences and different possibilities to satisfy the same need. By diversifying the brand portfolio through a wider range of brands, SCC increased their chances to reach new consumers and new consumption moments.

When beer was concerned, Portuguese consumers were true experimentalists. Sagres Radler and Somersby[56] took advantage of this tendency, becoming easily a great success. In only four months, Sagres Radler sold 5 million liters, with a cannibalization level of only 13%, an incremental consumption in volume of 63% and great levels of awareness and trial.[57] Somersby entered in 2011 as a pilot project of Unicer, with a very

[51] Source: Interview in Público Online (P3) in 2012 and "A Vida Portuguesa" blog.
[52] Source: Sapo Visão Online (2013).
[53] In 2012 and 2013 off-trade had a share of 37% and 40%, respectively, compared to a share of 17% in 2004. Source: Company's internal data.
[54] Source: Company's internal data.
[55] The on-trade channel represented 60% of the whole beer sales, compared to off-trade that had 40%. In the specific case of SCC, the on-trade share was 49.1%, while the off-trade was 43.3 Source: Nielsen's reports for the year of 2013.
[56] Somersby was a sweet apple cider with an alcoholic content of 4.7%. This cider was an international brand from Carlsberg Group, Unicer shareholder. In off-trade, Somersby was available at a price of 4.99€.
[57] According to À Nossa, SCC internal magazine, Sagres Radler got 78% of awareness and 19% of trial in four months.

selective distribution, where marketing activities were essentially POS[58] materials and word-of-mouth.[59] Since it was a new category and cider was not so famous across Portuguese consumers, the goal was to sell 200 thousand liters, which was surpassed by 7%.[60] Given the astonishing success the brand experienced in the first two years, even with minor marketing activities, Unicer decided to bet on Somersby with a marketing budget of €2 million for the summer of 2013.[61]

Nevertheless, and almost in all cases, consumers tend to return to the original brand. For SCC, Sagres was always the prime choice in consumers' mind.

Beer Industry in Belgium

As Belgian people say, beer is to Belgium what wine is to France, or to Italy or to Portugal, what essentially describes the significant duality between the beer culture in Portugal and Belgium.

One of the main differences between the two countries relies on the fact that Belgian consumers look for beer brands with a story, an authenticity and a soul. While in Portugal, mainstream brands rule the market, in Belgium that was not the case. Mainstream brands, as Leffe[62], were under pressure, losing volume to the craft segment, from where Chimay[63] belongs. In Belgium, Affligem accounted for one tenth of Chimay volume[64].

Portugal is three times bigger than Belgium[65], still, Belgium has 180 active breweries and produces more than 1100 different beer brands, some using one thousand years' recipes[66]. In 2012, the beer production was 18.7 million hectoliters and the consumption per capita was 78 liters. What is curious to have in mind is that both countries have the same population size (see **Exhibit 2, Table 2** with more information about consumption levels in Portugal and Belgium).

[58] POS stands for point-of-sale.
[59] Souce: Distribuição Hoje Online (2013) and Briefing Online (2011)
[60] Souce: Unicer data for December of 2011.
[61] Source: Distribuição Hoje Online (2013).
[62] Leffe was a Belgium beer marketed as an abbey beer. The Abbey was founded in 1152 and today it is owned by InBev Belgium, the European manufacture of the global group AB InBev.
[63] Chimay was a Trappist Belgium beer, which meant that it was produced within the walls of a Trappist Monastery. Founded in 1862, the monastery produces three types of ale beer and four cheese types.
[64] In 2007, the Chimay Brewery had sales exceeding the $50 million, including national and foreign sales. Source: The Wall Street Journal (2007).
[65] Belgium has a country size of 30,528 km^2, while Portugal has 91,985 km^2.
[66] Source: Belgium OpCo from HEINEKEN.

Belgian consumers could satisfy their desire for a beer through three different channels: retailers or groceries, as Carrefour, drink centers[67] and specialty beer stores. Similar to Portugal, the channel with higher relevance was on-trade.[68]

A particularity of Belgian beers was the specific glass that goes with it, since the taste was enhanced when using the right glass shape[69]. As wine, to properly enjoy a beer, a specific goblet must be used (see **Exhibit 7** with some examples of Belgium beers and the correspondent glass).

Learning through experience

Since its first steps into the beer market, SCC has been developing a strong brand portfolio across different consumer segments. In terms of volume, until 2013, the beer business unit was 87% mainstream and 8% premium[70] (see **Exhibit 8** to discover more about Sagres, Heineken and Desperados). In a saturated market, where Sagres and Super Bock were constantly using price promotions to compete against each other, Heineken and Desperados were the additional source of value.

In any decision, outcome uncertainty is a true fact. But when it comes to launch line extensions and global brands, SCC has been developing the right skills and competencies. The company's future goal was to create and lead the premium beer market and streamline mainstream brands' portfolio value.

In the world of line extensions: Sagres Radler, an "easy" success

Throughout the years, several extensions met the Portuguese market, some more tactical, as Sagres Puro Malte, others more strategic, as Sagres Radler. When it comes to line extensions, SCC acquired a very crucial knowledge: if there were no marketing activities assigned to them, consumers would eventually forget it.

Being one of the biggest novelties introduced by SCC, Sagres Radler was an "easy" success: *"No one believed and could predict Sagres Radler success, not even I*

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[67] Drink centers in Belgium was synonym of warehouses selling different types of drinks with different ranges of quantities and lower prices compared to grocery stores.
[68] Source: Belgium OpCo from HEINEKEN.
[69] When it came to quality and taste, Belgium was one of the leading countries in the beer segment.
[70] The percentage value only includes SCC brands. With competition, in 2013, the mainstream segment was 85.3% (where Sagres and Super Bock have the higher share), while the premium one represented 2.9% (which includes Heineken, Desperados, Carlsberg and Guinness). Source: Company's internal data.

believed", confessed one of the managers involved in the process. The marketing strategy for the first year was mainly focused on explaining what the product was. Television was the starting point for the campaign, complemented by digital communication, outdoors, events and POS activities. Cool Sessions by Sagres Radler was the spotlight event, defined as the most refreshing summer evenings. In total, 25 parties across the entire country gave Portuguese consumers the possibility to try Sagres Radler.

Global brands: from global to local strategies

Not even accounting for the largest share, the premium segment increased by 0.8% when compared to 2012.[71] In order to achieve the most desirable brand portfolio in the market, SCC needed strong and emotional global brands. Within the portfolio, Heineken had the highest share with 20.2%, followed by Desperados with 2.5%.[72]

Prior to the acquisition of SCC by HEINEKEN, Heineken was already present in the Portuguese market. Notwithstanding, it was only with SCC that the brand gained the proper market relevance. In 2010, the trial level was 63% compared to 77% in 2013 and the percentage of regular consumers suffered a 300% increase in those three years.[73] *"Being in the right place and providing the right experiences"* was the reason stated by Nuno Silvério Marques, Marketing Manager of Premium Beer & Specialties. The brand connection to music and trendy locations could be perceived by the preferential place in Rock-in-Rio, the Heineken Stage in Optimus Alive, *Musicbox* Heineken Series[74] and Green Ray at *Lux Frágil*[75]. But the connection with music was not the only driver to get closer to consumers. The sponsorship of *ModaLisboa*[76] was a way to reach those irreverent consumers that strive to discover new things and experiences. The brand's ambition was to lead the premium segment in Portugal, but first creating it was a must.

Desperados offered a completely different experience to a completely different target: youngsters, with ages comprised between 18 and 24 years old. The launch strategy was based on reaching consumers in strategic places, as students' cities and universities,

[71] Source: Company's internal data.
[72] Source: Company's internal data.
[73] Source: Nielsen for the year of 2010 and 2013. It was not possible to find results of Heineken before the year of 2010 in Nielsen's database.
[74] *Musicbox* was a club defined as "a cross between a performing stage and a dance floor". Heineken and *Musicbox* formed a partnership showcasing relevant national and international projects that were the reflection of new creative movements: "a look into modern music".
[75] *Lux Frágil* was considered by many the best club in Lisbon. Green Ray nights were described as events that showcase the best international artists in electronic music.
[76] *ModaLisboa* was a fashion event where stylists could showcase their collections.

while sponsoring wild music concerts and parties, as *Rebel Bingo*[77]. "Unleash the wild side of fun" was the brand promise. In 2013, the marketing campaign focused on giving more time to party to those trendy youngsters. The major complaint of this segment was the lack of time to actually party, such as the time spent driving from one place to another or the time spent on deciding what to wear. Simply by drinking Desperados, consumers would get that extra time since the brand offered a ride service or a professional hairdresser to help.

The good brand results were visible: since in 2013 the brand awareness was 69%, followed by an increase in the trial level of 26%. The percentage of consumers that "Did not try yet Desperados but was willing to" grew more than 200%. Considering all the other beer brands present in the Portuguese market, Desperados spontaneously popped-up in 5% of the sample's mind and 1.7% actually preferred it.[78]

The 2014 challenge

Already present in several countries worldwide, SCC recognized craft beers as the market trend to follow in 2014. In Portugal, there were already several microbreweries trying their luck selling their own beer brand, while competing with the market giants. In the rest of the world this phenomenon was also evident. For instance, in the US there was already 2,700 craft breweries operating, generating 108 thousand jobs.[79] One of the most important drivers that characterized the positive evolution of craft beers was the consumer base, since this category prospered in mature markets during the economic downturn.[80]

But what does it actually mean to be a craft beer? Craft is synonym of making things by hand, so when applied to beer it means low levels of production in only one place, creating a beer with a distinctive character, taste and superior quality.

[77] *Rebel Bingo* were "no rules" parties that occurred in secret places.
[78] Source: Nielsen Data for the year of 2013 and company internal data.
[79] Source: CNBC Online (2014), according to the Brewers Association.
[80] According to Nielsen data, more than 50% of craft beer drinkers had high annual incomes, being mostly represented by consumers that seek for better quality products.

Craft beers belong to the segment of specialty beers[81], the other side of the premium market, being less than 2%. Brands such as Duvel, Erdinger, Chimay, Leffe and La Trappe were part of the specialty beer category. [82]

Proving once more the strength of Portuguese mainstream brands, besides shelf placement and packaging visibility, neither in on- nor off-trade, marketing activities were allocated to specialty beer brands. And even shelf placement was shared with global premium beer brands (see **Exhibit 10, Figure 1 and 2** with pictures from Portuguese main retailers' specialty beer aisles). These brands enjoyed from a higher price index in off-trade: while one liter of Sagres costs 1.99€, a liter of a specialty beer costs between 4.18€ and 8.33€.[83] In both channels, specialty beers were almost always available as loose bottle[84], but in some cases, they were available as a 2-pack or 4-pack, with the respective glass. Leffe came really close of becoming the brand to follow in this category, yet, due to the high level of price discounts the brand lost that special status, being perceived as a mainstream beer within the specialty segment.[85]

SCC's main competitor, Super Bock, was already betting on the craft beer market. In 2013, the brand launched two new family members of Limited Edition 1927 Selection, one to be enjoyed in the summer and the other to celebrate the Christmas season, Premium American Lager and Belgian Christmas Ale were their names[86]. The offer was indeed very limited, since only 6 thousand bottles of Premium American Lager and 10 thousand bottles of Belgian Christmas Ale were available. With a cork stopper and a special glass, the Lager was *"ideal to match the lightness of summer cuisine, as salads, seafood or*

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[81] According to "Beer for Dummies", 2nd Edition, specialty beers are typically regular beers brewed to a classical style (such as Porter, Stout, or Pale Ale) but with some new flavor added or made from unusual fermented foods.
[82] Nielsen does not report brands with a volume sold below 1 hectoliter per year and in Portugal only La Trappe and Grimbergen did over that volume. Source: Company's internal data for the year of 2013.
[83] Source: in-store research at Continente, Pingo Doce and El Corte Inglés.
[84] Loose bottle meant selling unitarily each bottle, which meant consumers will pay each bottle separatedly.
[85] Leffe costs 1.99€/0.33cl in off-trade, compared to La Trappe that costs 2.75€/0.33cl. Source: Continente Online.
[86] Super Bock 1927 Selection Premium American Lager and Belgian Christmas Ale were two craft beers introduced in the Portuguese market with a price of 4.99€ and an alcoholic content of 5.6% and 8%, correspondently. Super Bock 1927 Selection, inspired in different origins and seasonally launched, was always a bottle of 0.75cl aimed to be enjoyed with Portuguese cuisine. Source: Unicer's Press Release (2013).

sushi"[87] and the Ale was *"the perfect combination to Christmas* dishes" according to Unicer.[88]

Estrella Damm was also betting on the craft beer market and meal occasions with Estrella Damm Inedit[89]. With a target volume of 20 million litters for the first 5 years, *"More than a new beer, it (Estrella Damm Inedit) was a new concept"*, according to Luís Marques, Water and Beer Director.[90] Only available in off-trade, Luís guaranteed that it would be, at a price of 3.99€, a good wine substitute.

Within SCC's portfolio of premium beers and specialties[91] there was no brand that could fit in the craft beer category. Although the lack of experience in the world of craft beers, SCC was an expert introducing successful premium and global brands in the Portuguese market.

To reach HEINEKEN's intentions of gaining in the premium market, there was two possible routes for SCC: launching a premium line extension of Sagres (similar to Super Bock 1927 Selection) or a global brand that could fit in the craft beer segment. Due to his past experience, Diogo was certain that only a global brand had all the fundamentals to be in those shoes. In his own words:

"Consumers see foreign brands as more premium, being easier to enter in this segment with a global brand. Best practices are shared between countries and we can always take advantage of several synergies across the different countries".

In what regards the possibility of "premiumize" the mainstream segment, Diogo confessed as well:

"Our local brand will struggle to launch a super-premium line extension since consumers see Sagres as a cheap brand and they are not willing to pay more for it, even if it is a premium one, proven example was Sagres Puro Malte".

From HEINEKEN's portfolio, only two global brands were missing in the Portuguese market: Affligem and Sol. Although being compatible with SCC's need to

[87] Source: Unicer Press Release for Premium American Lager (2013).
[88] Source: Grande Consumo magazine.
[89] Estrella Damm Inedit was a beer introduced by Sumol+Compal group in 2012, aiming to be linked with fine cuisine. This beer was available only in a 0.75cl format, having an alcoholic content of 4.8% vol.
[90] Source: Markeeter Online (2012).
[91] SCC's Premium Beer & Specialties segment: Desperados, Guinness, Foster's, Bud, John Smith's, Jasen and Kilkenny. Strongbow and Bulmers also belonged to this category.

diversify the portfolio, Sol was not consistent with the craft beer trend. According to Nuno Silvério Marques,

"It was crucial to first create and lead the premium segment with Heineken, a brand that consumers are now aware, and in future years launch Sol to strengthen the company value in the premium market", leaving the spotlight for Affligem, a specialty beer brand.

Affligem, a human craft

"Both local and global reasons were behind the decision of launching Affligem. At a global level there was a recommendation to be part of the worldwide launch. Locally, we identified the craft beer trend", Diogo acknowledged.

By firstly creating the opportunity for a brand to take a leadership role in the category of specialty beers, Affligem's goal was to be the beacon brand in this group. Diogo was 100% certain that Affligem was the best brand to fill the blank spot but the marketing plan revealed itself as a challenge. With a marketing budget of half of a million Euros[92], it was mandatory to choose the right strategy, there was no room for errors. There were two main concerns: the communication and the distribution strategy.

Affligem was one of the 22 certified abbey beers that still operated with the monks' help. And being from an abbey in Belgium was the same as saying that it was only produced in one place in the entire world, inevitably yielding a sign of quality and dedication. A special characteristic of Affligem was the double fermentation process that occurred inside the bottle.[93] This feature brought a singular pouring ritual[94], a special goblet and a unique taste.

Already established in some countries, as France and Italy, the brand image was not coherent with HEINEKEN's vision of Affligem and its future potential. Hence, to achieve a more sophisticated status before the global launch, Affligem went through a rebranding process. From the logotype to the bottle, everything gained a more updated and classy image (see **Exhibit 9** with Affligem's before and after). Affligem had three

[92] Source: Company's internal data.
[93] At the end of the production process a special yeast was added to each bottle and for 14 days it rested, while double fermenting. This process provided more intensity, more carbonation and diverse flavors.
[94] Instead of pouring the beer all at once, Affligem's ritual included three steps: 90% was poured into the goblet, the other 10% still inside the bottle were gently swirled and then mixed it all together.

line extensions: Blonde, Double and Triple[95] but only Blonde was considered to be launched in Portugal.

All global brands from HEINEKEN have to follow strict guidelines. For Affligem, the price index[96], product packaging and ATL/BTL[97] merchandise[98] were entirely managed by the global team. The differences relied on country specifications, for example, a country that already had Affligem available prior to HEINEKEN's acquisition of brand's distribution rights had more ambitious targets, in terms of volume, than countries launching the brand for the first time. The price index for Affligem was 180-250 vs Mainstream brand, 140-160 vs Heineken or 110 vs Leffe.

In order to achieve a worldwide coherence, the brand's positioning was exactly the same in all countries: "The Purist" – Affligem was synonym of pure pleasure. The Purists appreciate the modern and finer things in life, while valuing traditions. They still go to the tailor and not to Zara to purchase a suit or still know that real music comes in a vinyl and not from YouTube.

With Affligem, SCC aimed to reach a very specific consumer: men in his 30's or "middle life crisis", with a high education and income level, originally from an upper social class, who values a certain social status and considers essential that half hour of self-indulgence[99] by reading a good book and enjoying a good wine. *"But instead of wine, an Affligem beer"* Diogo promptly mentioned.

Setting the sales' volume target for the first year proved to be a difficult task, given the inexistence of competitors' brands aiming to target the same consumers and consumption moment as Affligem, with an active communication. The known variable, even though it was not considered 100% accurate, was the consumer segment group. Accordingly, based on consumer segment size and their average intake, the target for sales volume was set into motion.

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[95] Blonde was similar to a lager beer, but more sophisticated and intense (6.8% alc.). Double was traditionally dark and spicy (6.8% alc.). Triple was the most intense compared to the other two, with an extra strength and complexity (9% alc.).
[96] According to Wikipedia.org, the price index is a normalized average measure of price relatives of a specific product category, which can be different from country to country.
[97] ATL/BTL stands for Above the Line and Below the Line.
[98] Some merchandise was not yet developed by the global team, so SCC had the possibility to produce it locally.
[99] According to Thesaurus, online dictionary, self-indulgence means an inability to resist the gratification of whims and desires.

The Marketing Plan

One of the main challenges faced by Affligem was SCC's lack of ability to communicate all the brand singularities. Despite that, Diogo was confident on what to tell them:

"There are three main features: Belgium origin, abbey beer and double fermentation. We are going to communicate the abovementioned three characteristics because they constitute the basis of our premium positioning; they are what distinguishes us from competition and what gives consumers a reason to believe".

In order to effectively deliver the message, SCC's internal sales team was trained by Affligem's Global Sommelier[100]. Emotional

Given Affligem's limited budget[101], the communication needed to be very well-built in order to win earned media through public relations activities. After thoroughly analyzing Affligem's components, Diogo ended up with two different concepts to explore the brand across all marketing activities: time versus self-indulgence.

Nowadays, time was scarce and time was exactly what was needed to properly enjoy Affligem. The whole communication concept would be focused on time and its relevance. So to associate the brand with meal occasions, a recipe book would be launched with recipes that value the concept of slow-cooking[102]. In addition, a handmade special edition of Expresso[103], would be created to establish the link between Affligem and craft mastery. Self-indulgence was the main characteristic of Affligem's target. As a consequence, the entire communication strategy would climaxed at the "Purist Barbière", a pop-up barber store[104] that, simultaneously, was an Affligem bar. The goal was to provide the ultimate Affligem experience to all Portuguese purists: to enjoy Affligem while shaving the beard, reading a book or playing a snooker game.

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[100] Affligem's Global Sommelier was a professional trainer that went from country to country teaching all HEINEKEN's OpCos Affligem characteristics, origins, production process and pouring ritual.
[101] Affligem marketing budget of 500 thousand Euros was divided by the marketing team and trade marketing team (responsible for on- and off-trade activities).
[102] Slow-cooking stands for food that is cooked at low temperatures for several hours.
[103] Expresso was the leading Portuguese newspaper.
[104] A pop-up store is a temporary retail place that aims to generate buzz and awareness of a product.

Similar to the communication strategy, Affligem was going to have a targeted distribution, considering both on- and off-trade channels and a partnership with BestTables[105]. Diogo added:

"The distribution of Affligem will be focused on channels and outlets that best contributed to build the brand's premium positioning. BestTables ensures the distribution of Affligem in the finest premium restaurants. Additionally, we identified premium and trendy gourmet and wine stores to have the brand available. What we will not do is to make Affligem available to every outlet that is on the market, nor to hard discounts, as Lidl or Minipreço. Affligem will be available only in the main hypermarkets and supermarkets", which were Continente, Pingo Doce, El Corte Inglés and Auchan.

And the one million dollar question…

Because the budget was limited, Diogo knew Affligem would not enjoy from high levels of POS marketing activities. Moreover, 70% to 80% of buying decisions were made directly inside the store.[106] So, Affligem's packaging was a timeless and additional opportunity to attract consumers in off-trade. Diogo had two options to sell Affligem in both channels: to launch it as a loose bottle, the conservative strategy, or to launch it as a 3-pack, the aggressive strategy (recall **Exhibit 9** with Affligem's new loose bottle and 3-pack images).

For on-trade the decision was simple: loose bottle. Since Affligem would be present in restaurants and in some bars/cafes, it did not make sense to offer it as a 3-pack. Plus, it would be important to follow Affligem's pouring ritual, thus resorting to the waiter, which meant that most of times the consumer would not be the one pouring the beer. The ultimate goal was to teach consumers that Affligem cannot be drank from the bottle, which was the usual practice for other beer brands. The price would be in line with all the other brands in the specific POS, but never less than 3€/bottle, being coherent with HEINEKEN's price index requisite[107].

In what concerns the off-trade channel, specialty beer brands were offered to consumers as loose bottles. National craft beers were only present in El Corte Inglés and

[105] BestTables was an online booking service of the best premium restaurants in Portugal. The partnership between SCC and BestTables included a coverage of 150 restaurants in Lisbon and Oporto by BestTables sales team. Besides this, website visibility and Best Tables's app, as well as a micro site with all the restaurants where Affligem was available.
[106] Source: Surveys conducted by Global Retail Solutions, a consultancy firm.
[107] On the on-trade, Sagres costs normally 1€/0.20cl, while Heineken costs between 2-2.5€/0.25cl. Source: Company's internal data.

in some sporadic retailers' beer fairs. The only packaging was in the form of gift packs: two bottles and the respective glass, for example. Diogo was analyzing the most suitable solution: entering with 3-pack or loose bottle. And, after choosing the packaging type, it was vital to decide the price. For gourmet and wine stores the problem was the same as for big retailers[108]. On one side, international brands were sold as loose bottle, but on the other, Portuguese craft beer brands were sold as 4-packs or loose bottles, with different sizes, 0.33cl or 0.75cl.

In what concerns loose bottles, there were a lot of reference prices to use as benchmark (see **Exhibit 10, Table 1 and 2** with off-trade prices for premium and specialty beers). Notwithstanding the problem was the 3-pack. There were three possible solutions to use as benchmark: the price of Super Bock 1927 Selection and Estrella Damm Inedit, or the price for other 3-packs available in the market. Observing the beer aisle, it was visible that the Portuguese market was composed mainly by 6 and 24-packs. The smallest packs available were Desperados 3-pack and Somersby 4-pack.

Big retailers' store aisles were pretty much out of shelf space. Normally, the beer aisle was organized by beer type and brands that belong to the same company (see **Exhibit 10, Figure 1** with pictures from main Portuguese retailers' beer aisles). When looking to craft and to specialty beers in these stores, it seems those brands were placed on shelves ages ago. Because no marketing activities were allocated to them, the rotation levels were very low, sometimes leading to the appearance of dust on top of those bottles (see **Exhibit 10, Figure 2** with pictures from main Portuguese retailers' specialty beer shelves). On top, most of times, shoppers bought accordingly to price promotions, where the chosen brand was either mainstream or premium. The number of consumers who stopped at the specialty beers' shelf was very low, and generally they were beer lovers who knew the segment (connoisseurs), or curious shoppers.[109]

Since Affligem would have marketing activities allocated to off-trade, offering it as loose bottle could help consumers identifying this new brand with the specialty beers present in the retailer, conveying the heritage and quality feeling those brands intrinsically have. However, it is known that displaying a pack increases shelf visibility and because

[108] Big retailers stands for hypermarkets with more than 2500m^2 and supermarkets with a size between 1000 to 2499m^2, according to Nielsen data. With the exception of gourmet and wine stores, Affligem would not be sold in any other off-trade format.
[109] Case writer field research on Continente, Jumbo and Pingo Doce retailers.

Affligem's 3-pack was yellow it could catch very rapidly the shopper or consumer's attention. Another way to gain shelf space was by offering a range of SKUs[110]. The only problem relied on retailers' listing fees[111]. Usually, new brands needed to pay a high listing fee if they wanted to be positioned in a good space[112]. However, depending on what the product had to offer and the company behind it, the listing fee could be lower or reduced to zero.

Future considerations

SCC's goal for 2016 was to have the most desirable brand portfolio, reaching different consumption moments. But still in 2013 the challenge was to define a strategy to reach in-home consumption, especially meal occasions, which meant a different, more premium and more stylish beer. In addition, there was the need to conquer the national premium market with Heineken and Desperados. Furthermore, the craft trend was becoming more threatening.

Diogo arrived especially sooner on the morning of October, 14th. He needed to finish the meeting presentation and still there was a decision to make: launching Affligem in off-trade as loose bottle or 3-pack. Diogo knew how important this decision was given the popularity package design gained in recent years[113] and how overcrowded the beer aisle was. There were still other decisions to make:

- What price to apply to loose bottle and to 3-pack? And what benchmark should be considered to decide the 3-pack price?
- Should Affligem communicate time or self-indulgence?

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[110] According to Wikipedia.org, SKU stands for Stock Keeping Unit and it refers to a specific code or unique identifier that distinguishes that item from all the other items.

[111] "Listing fees can determine whether an item gets placed on a middle shelf or down at the bottom where it's harder to find. An end of the aisle or "end cap" display costs more money because products get higher visibility. The fee depends on many variables, including potential sales volume, trade allowances, product promotion offered (e.g. samples, in-store demos or promotional pricing), product category, and company size." according to an article in Marketing Magic website.

[112] According to an article in The Economic Times, "the location of a product in a shop can make a crucial difference to its sales. A product will sell significantly more if it is on the eye level of the target buyer."

[113] When searching for packaging design on Google several websites popped-up with examples of creative designs and different criteria for well-executed packaging. For example, in Portugal, Trident, a chewing gun company, was differentiating itself through innovative packaging design.
An example: http://www.boredpanda.com/creative-packaging-designs-2/

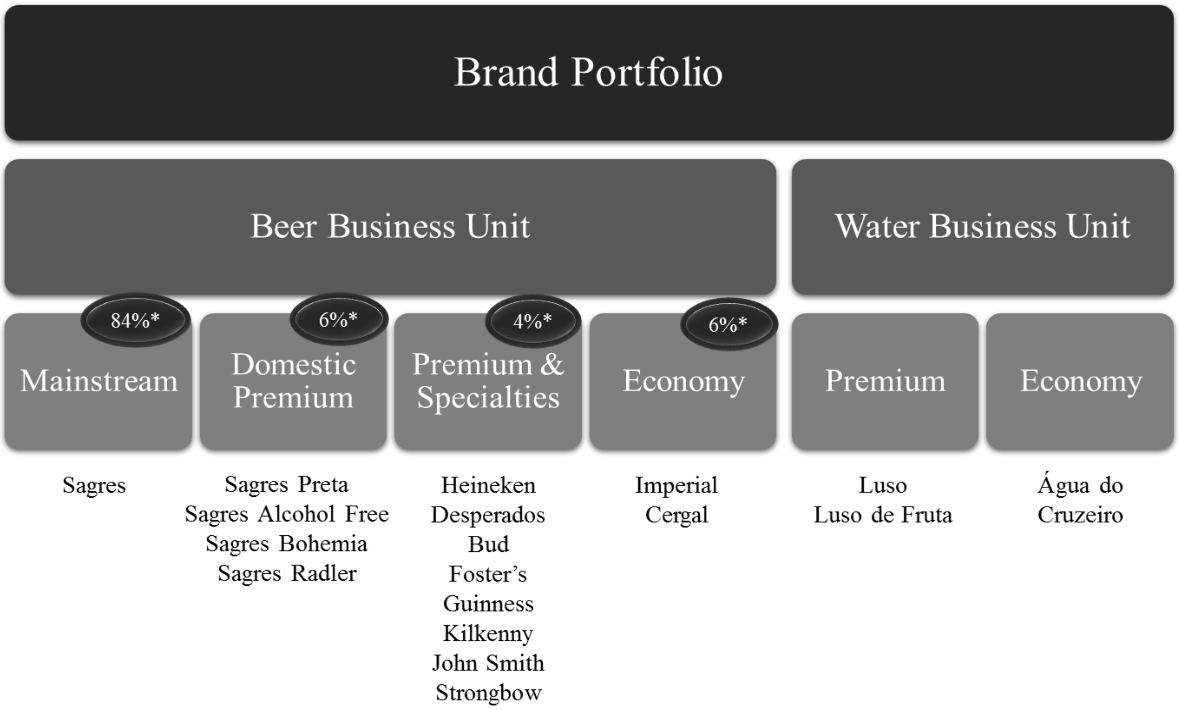
Diogo was fully prepared to discuss the several issues throughout the meeting with the excel file he had prepared with different P&L[114] tables: (1) gross profit with loose bottle and (2) with 3-pack.

Since May, the only thing Diogo was pretty sure was Affligem's ability to reach all SCC's requisites:

"First our aim is to be the beacon brand amongst the specialty beer segment and not the overall beer market. We believe this brand has what it takes mainly due to its history and heritage, product quality and, of course, due to all the efforts HEINEKEN will put behind it. Last, but not the least, we will be the first brand within this segment to actively communicate, so we will benefit from first movers' advantage".

[114] P&L stands for Profit and Loses.

Exhibit 1 SCC's Brand Portfolio



<u>Beer Business Unit</u>

Sagres

With an alcohol content of 5% vol., pilsner type, Sagres is characterized as a medium bodied beer, naturally dry but with a pleasant bitterness.

Sagres *Preta* (Stout)

Sagres *Preta* assumes itself as the "alternative beer for the immense minority who wants to discover the difference". With an alcohol content of 4.1% vol., munique type, Sagres *Preta* is a dark colored beer, with a pleasant taste and a medium bodied.

Sagres *Sem Álcool* (Alcohol Free) – Lager and Stout *(Alcohol content of 0.3% vol.)*

Sagres *Sem Álcool* aims to reach active consumers that still want to feel Sagres' richness and freshness, betting in a positive and active attitude.

Sagres *Bohemia*

Sagres *Bohemia* is an auburn beer, ideally targeting meal occasions. With an alcohol content of 6.2% vol., it has a fruity aroma and an intense character.

Sagres Radler

Sagres Radler is a mixture of Sagres beer and natural lemon juice, with an alcohol content of 2% vol. The legend says that years ago a group of cyclists in Germany stopped at a bar and asked for beer but the owner did not had enough to serve to the entire group. What he had was lemons, so he decided to combine the juice with beer. In German, "Radler" means cyclist.

Heineken

"Born in Amsterdam and raised by the world", Heineken is HEINEKEN's flagship brand, considered a global icon with its iconic bottle and unchanged recipe. Brewed in a completely natural process, Heineken is a lager beer, light-colored and bottom-fermented with an alcohol content of 5% vol.

Desperados

Originally from France, Desperados is a tequila flavored beer with an alcohol content of 5.9% vol. A unique beer in its flavor, bottle and characteristics, sets between spirits and energy drinks.

Bud

Bud, lager type, belongs to the Anheuser-Busch Breweries, being the number one beer in the US. Using the same recipe since 1876, this beer has an alcohol content of 5% vol.

Foster's

Foster's is originally from Melbourne and is characterized by having a well-balanced flavor, with a creamy and bitter sensation (alcohol content of 5% vol.).

Guinness

Guinness was the first Stout ever produced. Formerly from Dublin, it has an alcohol content of 4.2% vol., and a clear touch of toasted barley and caramel.

Kilkenny

Kilkenny belongs to the Guinness Company. With an alcohol content of 4.3% vol., Kilkenny has a light toasted flavor, with a creamy and sweet taste, presenting a reddish color.

John Smith's Extra Smooth

John Smith's himself bought the Tadcaster Brewery in northern England in 1852. This ale bitter beer is still brewed in the same location. With an alcohol content of 4.0% vol., John Smith's has a strong hopped character with a smooth malt taste.

Strongbow (Cider)

Strongbow is produced by HP Bulmer Company. With an alcohol content of 5.3% vol., this cider is made from small acid apples but has a sweet and refreshing taste.

Bulmers (Cider)

Bulmers is owned by HP Bulmer and is one of the leading premium ciders in the UK, with its authentic English-style. Offering several variants, the anchor one has an alcohol content of 4.7% vol.

<u>Water Business Unit</u>

Luso Mineral Water

Luso is the market leader of bottle still water in Portugal with a market share in value of 20.2%[**]. A natural mineral water rich in silica and trace minerals, sold for the first time in 1894.

Luso de Fruta

Luso de Fruta is the combination of Luso mineral water and natural fruit juice. The brand's offer was composed by five flavors: Orange, Lemon, Red Fruits, Apple and Passion Fruit. Luso de Fruta is produced with no artificial colors or preservatives, using only fruit's sugar.

Água do Cruzeiro

With a rich mineralization in calcium and magnesium, Água do Cruzeiro is a less expensive bottled water, available as normal or sparkling water.

* The percentage each category represents in the total portfolio of beer. Source: company data for the year of 2012.
**Nielsen Data for the year of 2012

Exhibit 2 Worldwide and European Beer Ranking Measures

Table 1 - Worldwide Data			
Volume Consumed[a)]	Ranking	Country[b)]	Consumption per capita
China	1	Czech Republic	146
US	2	Austria	108
Brazil	3	Ireland	105[c)]
Russia	4	Germany	103
Germany	5	Australia	96[d)]
Mexico	6	Poland	96
Japan	7	Ireland	86
UK	8	Lithuania	90
Poland	9	Venezuela	86
Spain	10	Finland	84
Vietnam	11	Panama	82
South Africa	12	Bulgaria	81
Ukraine	13	**Belgium**	**78**
Venezuela	14	Romania	78
Canada	15	US	77
Columbia	16	Estonia	77
India	17	Slovenia	74
South Korea	18	Netherlands	72
Nigeria	19	Croatia	71
France	20	Hungary	60

a) Ranked by total volume consumed per country (thousands of kiloliters).
b) Ranked by consumption per capita (liters).
c) According to Global Beer Consumption by Country for the year of 2012.
d) According to Australian Bureau of Statistics 2012.

Table 2 - European Data					
Ranking	Country[a)]	Per capita[b)]	Total Consumption[c)]	Population[d)]	Breweries[e)]
1	Czech Republic	146	15.445	10.5	213
2	Austria	108	9.11	8.3	173
3	Ireland	105	4.677	4.5	26[f)]
4	Germany	103	82.279	82	1.339
5	Poland	96	38.142	38.1	132
6	Lithuania	90	2.879	3.3	73[f)]
7	Finland	84	4.286	5.3	30
8	Luxembourg	83	319	0.5	7
9	Bulgaria	81	5.404	7.6	13
10	**Belgium**	**78**	**8.228**	**10.7**	**180[f)]**
11	Romania	78	18.201	21.5	17
12	Denmark	78	3.437	5.5	150[f)]
13	Estonia	77	930	1.3	7
14	Slovakia	74	4.141	5.4	30
15	Slovenia	74	1.52	2	-
16	Netherlands	72	12.122	16.4	165[f)]
17	Latvia	72	1.543	2.3	16[f)]
18	Croatia	71	3.411	4.4	6[f)]
19	UK	70	43.187	61.7	1.113
20	Hungary	60	5.958	10	50
…					
25	**Portugal**	**49**	**4.927**	**10.6**	**9**

a) Ranked by consumption per capita.
b) In liters.
c) In thousands of hectoliters.
d) Millions of people (European Census 2012).
e) Number of Breweries (including microbreweries).
f) Number of microbreweries unknown.

Sources: Kirin Beer University Report – Global Beer Consumption by Country 2012
Australian Bureau of Statistics – Beer Report 2012
National Brewers' Association – Beer Statistics, Edition 2013
Heineken Western, Central and Easter Europe Report 2012 – Plato Logic Statistics

Exhibit 3 Data from Key Global Market Players

	AB InBev	SABMiller	HEINEKEN	Carlsberg Group
Country of Origin	Belgium/Brazil	UK	Netherlands	Denmark
Market Share[a)] (%)	18.3	9.8	8.8	5.6
Revenue[b)]	32.22[c)]	17.3[c)d)]	19.2[d)]	9.01[h)]
Beer Production[c)] (millions HL)	425	242	178.3	119.7
# Brands[c)]	>200	>200	>250	500
Employees[c)] (globally)	>150 000	70 000	85000	>14800
Top-selling Brands[c)] (global, international and local brands)	Budweiser Corona Stella Artois Becks Leffe Hoegaarden Brahma Antarctica	Pilsner Urquell Peroni N.A. Miller Grolsch Aguila Castle Tyskie	Heineken Amstel Desperados Cruzcampo Birra Moreti Krušovice Kaiser	Carlsberg Baltika Elephant beer Tuborg Somersby 1664 Grimbergen
World Presence[c)] (# Brewing Plants)	139[e)] (North and Latin America, Mexico, Europe, Asia Pacific)	201[f)] (Latin and North America, Europe, Africa, Asia Pacific, South Africa)	183[g)] (Western, Central and Eastern Europe, Americas, Africa and Middle East, Asia Pacific)	93 (Western and Eastern Europe, Asia)

**Approximated values for the year of 2013. In the same year the HHI (Herfindahl-Hirshman Index, common measure of industry concentration) was 725, compared to 276 ten years after.*

a) Source: Euromonitor data.
b) In billions of EUR, conversion rate of 1US$=0.75€ and 1DKK=0.13€. AB InBev had revenues of US$43.2 billion, SABMiller US$23.2 billion and Carlsberg Group DKK 67.2 billion.
c) Source: AB InBev, SABMiller, Heineken and Carlsberg Annual Report.
d) Revenue excludes the attributable share of associates' and joint ventures' revenues. SABMiller Group revenues were $34,487 million and HEINEKEN were €21,255 million.
e) Includes 17 mixed beer/soft drink plants.
f) From which 3 are ciders and 19 subsidiaries plants.
g) From which 18 are subsidiaries and 8 joint venture plants.
h) Revenue includes the entire Carlsberg Group. Source: Wikipedia (2012).

Exhibit 4 SCC and Unicer Comparison

Company Overview

Looking into the Portuguese beer market, these two breweries had more than 90% of it[115], having their own production facility. Global companies were behind the growth of both SCC and Unicer. SCC was entirely owned by HEINEKEN and Unicer was 56% Portuguese (VIACER Group) and 44% Danish (Carlsberg SA.).

SCC and Unicer covered similar business units, having as core ones beer and water. Both companies were present in foreign markets. SCC's exports had an average growth rate of 22%, since 2009. Angola had more than 60% of those exports, and the company was showing signs of a potential partnership to start producing Sagres in Luanda and Brazil. Unicer had a higher ambition: grew from 27% in foreign sales to 50% in only ten years. Angola and France were the markets where the company had the highest influence.

Since 2004 the beer market was stagnated, however, in 2013, Unicer registered an increase in national sales. But this increase was not enough to compensate the huge decrease in exports, especially in Angola. The group recorded sales of €463 million, less €20 million than in 2012, and a net income of €27 million. Nevertheless, markets as Brazil, Mozambique and Saudi Arabia suffered a 50% increase in sales (representing more than €2.2 million).

The year of 2013 was marked by two huge launches: Sagres Radler (SCC) and Somersby (Unicer). Both were a huge success: Sagres Radler sold more than 5 million liters and Somersby surpassed the 2 million liters. The difference between the two: one was a flavored beer and the other a cider.

Brand Portfolio

When it comes to beer, SCC and Unicer go hand and hand together, just like twins. If one did something, the other automatically replied doing almost the same thing.

[115] Each company had a 47% share in 2013. Source: Company's internal data.

Sagres and Super Bock were the Portuguese market leaders with almost 90% of the entire marker. After several years, Sagres finally surpassed Super Bock becoming the market leader.

Market Share*	2003	2005	2008	2011	2012	2013
Sagres	33.9	33.9	**43.3**	45.5	43	43.6
Super Bock	42.8	44.5	**41.6**	38.4	41.1	41.2

* Nielsen Analysis (Portugal Total Distribution, including Lidl)

In terms of line extensions, Sagres and Super Bock were equally similar. Both had a stout and zero alcohol content editions, Sagres had *Bohemia* and Radler and Super Bock had *Abadia* and Cheers Radler. However, contrary to Somersby, the marketing investment in Cheers Radler was only shelf space. Another duality in this highly concentrated market arose with Heineken and Carlsberg. In 2013, Heineken had a market share of 0.6%, while Carlsberg surpassed it with 1.7%. In what concerns the economy segment, SCC had two brands fighting: *Imperial* and Cergal; while Unicer had Cheers Radler and *Cristal*, the oldest beer in the Portuguese market.

Off-trade prices

SCC	**UNICER**
SAGRES	**SUPER BOCK**
24x33cl – 17.59€ 1 lit – 1.99€ Radler 6x33cl - 4.99€ Preta 6x33cl – 4.89€ Bohemia 6x33cl – 4.89€	24x33cl – 16.99€ 1 lit – 1.59€ Cheers Radler 6x33cl – 4.69€ Stout 6x33cl – 4.79€ Abadia 6x33cl – 4.79€

IMPERIAL	**CRISTAL**
6x33cl – 2.82€	6x33cl – 2.49€

HEINEKEN	**DESPERADOS**	**CARLSBERG**
6x33cl – 5.69€	3x33cl – 3.99€	6x33cl – 4.99€

* Source: Case writer, based on Continente Online.

Exhibit 5 Data about Portuguese Consumption Habits

In 2012, private consumption reached €110,364 million, suffering a 0.9% increase compared to 2011. Non-food current assets and services had the highest share in overall consumption, followed by food products and durable goods.[116] In the same year, durable goods suffered the highest decrease, from €9,104.7 million to €6,815.3 million.

In that year, the income per capita was €12,846. From the whole Portuguese population, the upper and upper-middle class represented 29.6% and middle class 34.1%. The unemployment rate was 15.7%, which increased 292.5% in twelve years. The consumption in food and beverages was €15.2 million and in culture and leisure was €5.3 million. In 2012, on average, each household went shopping 111 times (+0.5% compared to the previous year) and spent €3,011 (+1% compared to the previous year).

In what concerns retailers, Continente and Pingo Doce[117] had the highest share, since 82% of households went there to shop. Auchan was the third one with 45%. Families spent the highest amount in Continente (€45 per occasion), followed by Auchan (€39) and Pingo Doce (€31). The evolution of on- and off-trade can be observed below:

Table 1 - On-Trade Evolution: number of stores and sales volume, respectively					
	2007	**2008**	**2009**	**2010**	**2011**
Restaurants	5,432	5,257	5,393	5,239	4,616
Snacks	27,956	26,869	26,129	26,787	24,769
Cafes	46,036	45,115	44,485	42,779	38,646
Restaurants	1,398	1,188	1,145	1,062	890
Snacks	4,193	3,740	3,645	3,663	3,152
Cafes	4,469	4,242	3,893	3,476	2,869

[116] According to INE (*Instituto Nacional de Estatística*), "food products were the expenditures from food and beverages purchases. Durable goods were expenditures on goods whose use can be extended for a period of time, such as: automobiles; furniture; audiovisual, photographic and computer equipment; household appliances, among others. In this case housing purchases were not included. Non-food current assets and services were expenditures on goods not included in the other two categories, such as: clothing and footwear; electricity, water, gas, light, fuel; pharmaceuticals and personal items; books and newspapers; among others. As well as the costs of providing services, such as: accommodation and food services; lace; health and education expenditures; transportation services; financial services; personal care; among others."
[117] Pingo Doce belonged to Jerónimo Martins Group and Continente was part of Sonae Group.

Table 2 - Off-trade Evolution: number of stores and sales volume, respectively					
	2007	**2008**	**2009**	**2010**	**2011**
Hypermarkets	70	75	80	81	82
Supermarkets	1,642	1,689	1,786	1,794	1,780
Grocery Stores	15,328	14,259	12,952	12,036	10,878
Hypermarkets	3,461	3,333	3,249	3,248	3,239
Supermarkets	7,034	7,648	7,965	8,265	8,243
Grocery Stores	701	678	634	591	508

* Sales volume in million Euros.

Table 3 - Number of stores of main retailers*						
	2007	**2008**	**2009**	**2010**	**2011**	**2012**
Continente**	28	43	44	44	43	42
Pingo Doce	208	320	334	339	346	350
Auchan***	19	26	31	32	33	32

*Considering only hypermarket and supermarket stores.
**Continente includes Continente and Continente Modelo.
***Auchan includes Jumbo and Pão de Açúcar.

In the off-trade, gin, water, port wine and beer were the only categories with positive changes in terms of value, whereas in on-trade only gin had a positive change (beer suffered a decrease of 8%). In terms of beverages' types, in off-trade, alcoholic drinks and wine decreased 3%, while in on-trade they all suffered a decrease, being wine the beverage with the highest downturn (18%). When considering the sales' volume, beer had the highest share, with €648 million in on-trade. In off-trade, beer was in second place, with €263 million, the first place belonged to refreshing drinks with €395 million.

Source: INE (*Instituto Nacional de Estatística*) and Nielsen Reports (*Anuário* Nielsen 2012).

Exhibit 6 Portuguese Craft Beers

Source: Case writer, based in *Cerveja Artesanal Portuguesa* Tumblr and SCC’s internal data.

Exhibit 7 Belgium Beers and Respective Goblet

Source: Case writer, based on the article "The top twenty best Belgian beers" from Rough Guides website and on "10 best Belgian beers" from the blog fromalaskatochina.wordpress.com.

Exhibit 8 SCC Top Beer Brands

Main attributes

Love Brand
100% Natural Ingredients
"Portugality"*
Conviviality

Target

Men, from 18 to 65, who enjoy spending quality time with friends and family.

Positioning

Where there is a Portuguese, there is also Sagres.

Unique Selling Proposition

Conviviality of Portuguese life through football**, music and culture.

*"Portugality" defines what the brand strives for. The brand name, Sagres, is a coast city that was the main departure place for several Portuguese caravels in the Discoveries Era. The logo represents the Portuguese Coat of Arms, so well-known and visible in the flag of Portugal.

**Sagres was the official sponsor of Portuguese National Football Team for the past ten years.

Main Attributes

Worldwide reputation*
Iconic green bottle
Red Star and similing "e"
Unchanged recipe

Target

Men, from 25 to 40, who enjoy socializing and discovering new things.

Positioning

Trendy, stylish, cosmopolitan and spontaneous. Get out of your safety zone.

Unique Selling Proposition**

Be dare, be bold, be a man of the world, push your own boundaries.

*Easily recognized by consumers in all the 198 countries where the brand is present, in 2011, Heineken was by far the leading international premium brand with 26 million hectoliters sold outside the home market, followed by Budweiser, Corona and Carlsberg. In the same year, Heineken produced 2.74 billion liters worldwide.

**"Be a man of the world" is what Heineken strives for. Born in Amsterdam and raised worldwide, this brand is characterized by the strong connection to music, sports and films.

Main attributes

Tequila Flavored Beer
Unique pilsner*

Rebel and exotic bottle**

Target

Trendy youngsters, from 18 to 24, that are experiencing the wild days of young life.

Positioning

Irreverant, trendy, wild. Whatever the party, drinking Desperados makes the difference.

Unique Selling Proposition

Unleash the Wild Side of Fun through wild parties, turning good moments into unforgettable experiences.

*From 2012 to 2013, the brand total awareness increased from 63% to 69%, followed by an increase in the trial level of 26%. The percentage of consumers that "did not tried yet Desperados but was willing to" grow more than 200%. Desperados spontaneously popped-up in 5% of the sample's mind, 1.7% preferred it, attributing a level of uniqueness of 31.7%.

**Desperados offers what most trendy youngsters looks for: a distinctive taste and image. David Lette, Premium Brands Director of Heineken United Kingdom described Desperados brand as follow: "The taste of the lager is intriguing and disruptive as it merges traditional perceptions of premium lager with a tequila flavor. The bottle is tactile, with embossed lettering that brings an extra dimension to the drinker's experience, while its citrusy taste and aroma set it apart from other lagers."

Source: Case writer, based on SCC's internal data.

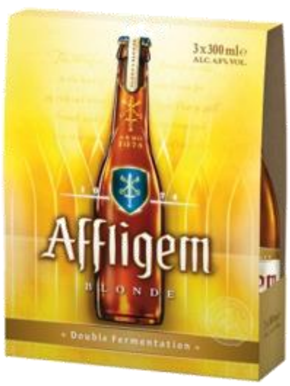
Exhibit 9 Affligem: Before and After

With almost one thousand years of history, Affligem was an abbey beer born in the region of Opwijk, Belgium. In 1074, six knights decided to lay down their arms and swords to pursue a life of purity, building the Affligem's abbey. Those knights soon become Benedictine monks, devoting all their love and dedication to Affligem's production. Although production "massification" forced the monks to open a factory near the abbey, the production process and recipe were exactly the same as in 1074.

Before the global launch in 35 countries, Affligem went through a rebranding, from the logotype to the packaging. According to Diogo, the old image was not in tune with what the brand strives for. A more sophisticated and elegant look met Affligem.

ABBAYE • ABDIJ Affligem ANNO 1074

1074 Affligem



Source: Case writer, based on SCC's internal data.

Exhibit 10 Off-trade Portuguese Market

Table 1 – International Premium and Specialty Beers			
Brand	**Format (cl)**	**Price/lit**	**Selling Price (€)**
Duvel	0.33	8.15	2.69
Bush	0.33	11.48	3.79
Kwak	0.33	8.03	2.65
	0.75	13.32	9.99
La Trape	0.33	8.33	2.75
	0.75	11.19	8.39
Erdinger	0.50 (Weissbier)	4.18	2.09
	0.50 (Dunkel)	4.18	2.09
	0.50 (Pikantus)	5.78	2.89
	0.50 (Urweisse)	5.38	2.69
	2*0.50 + Glass	12.99	12.99
Leffe	0.33	6.03	1.99
La Chouffe	0.33	11.06	3.65
Mc Chouffe	0.33	10.88	3.59
Chimay	0.33 (Brown Ale)	9.06	2.99
Franziskan	0.50 (Dunkel)	4.38	2.19
	0.50 (Naturtrüb)	4.38	2.19
	0.50 (Kristallklar)	4.38	2.19
Saison 1858	0.75	11.93	8.95
Diabolici	0.75	15.19	11.39
Triple Moine	0.33	13.61	4.49
Riedenburger	0.33	6.94	2.29
	0.33 (Biological)	7.09	2.34
Benediktiner	0.50	4.18	2.09
Bitburger	0.33	3.88	1.28
Köstritzer	0.33	4.82	1.59
Innis & Gunn	0.33 (Original)	8.94	2.95
	0.33 (Toasted Oak Ipa)	9.54	3.15
	0.33 (Rum Finish)	8.94	2.95

Source: Case writer, based on Continente Online, in-store research at Pingo Doce, Continente and El Corte Inglés, and Pingo Doce "Wine and Beer Fair" leaflet.

Table 2 – Portuguese Craft Beers*			
Brand	**Format (cl)**	**Price/lit**	**Selling Price (€)**
Maldita	0.33	9.06	2.99
	0.50	13.61	4.49
Letra	0.33	9.06	2.99
	0.75	19.67	6.49

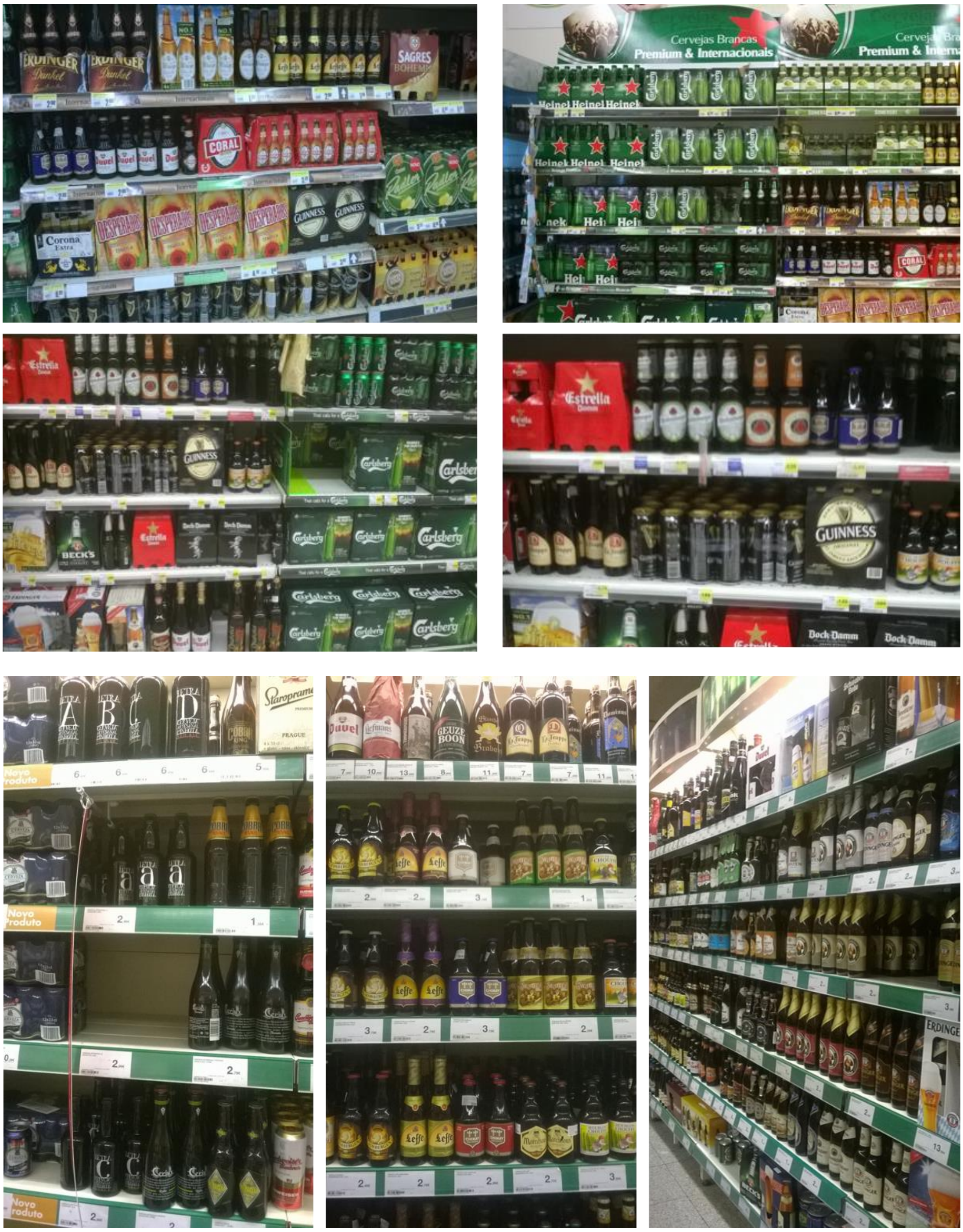
*Maldita and Letra were only available as In&Out SKUs for this specific Pingo Doce fair. In&Out was a type of limited edition for new products or re-launches. This was a good way to avoid listing fees, as well as to see how the acceptance for the new product was. In El Corte Inglés only Letra was available as a permanent SKU.

Source: Case writer, based on Pingo Doce “Wine and Beer Fair” leaflet and in-store research at El Corte Inglés.

Figure 1 - Mainstream Beer Aisles from Continente and Pingo Doce

Source: Case writer, based on in-store research at Pingo Doce and Continente.

Figure 2 - Premium and Specialty Beers Shelves



Source: Case writer, based on in-store research at Pingo Doce, Continente and El Corte Inglés.

Teaching Note

Sociedade Central de Cervejas e Bebidas – Entering in the craft beer trend with Affligem case was prepared by Marta Batista under the supervision of Professor Paulo Gonçalves Marcos and Professor João Borges de Assunção. It is intended to be used as a basis for class discussion and not as endorsement, a source of primary data, or an illustration of effective or ineffective management.

This case is based on actual experiences and real events. However, proprietary data has been disguised to preserve confidentiality keeping all the essential facts and relationships intact.

The study and resolution of the case could be enriched by a few additional readings:

1. Kotler, P., Armstrong, G., Wong, V. and Saunders, J., 2008. *Principles of Marketing*. Fifth European Edition: Pearson Education.
2. Lynch, R., 2009. *Strategic Management*. Fifth Edition: Prentice Hall.
3. Fill, C., 2005. *Marketing Communications: Engagements, Strategies and Practices*. Fourth Edition: Pearson Education.

1) Synopsis

Sociedade Central de Cervejas e Bebidas (SCC) was founded in 1934 aiming to sell third-party beers. Today it is 100% owned by Heineken International Group[118] and it manages 17 completely different brands, from mainstream to premium, including beer and water national and global brands. Together with Unicer, SCC is one of the main players in the beer market, with its flagship brand, Sagres, as the market leader since 2008. Used to build strong brand portfolios through continuous innovation, SCC accepted HEINEKEN's challenge for 2014: to be part of the worldwide launch of Affligem.

Affligem was a Belgium abbey beer with the main role of enhancing SCC's portfolio in the specialty beer category. Specialty beers were the other side of the premium market. For 2014, HEINEKEN established a guideline for SCC: increase the company's

[118] When referring to Heineken International Group it will be written as HEINEKEN, when referring to the brand itself it will be written as Heineken.

value and relevance in the premium market through portfolio diversification. But in a saturated market, where mainstream brands owned a share of 87% and consumers started to be more price conscious, how could SCC achieve what HEINEKEN desire?

Since similar consumption moments were already covered by the main beer brands in the market, the company went through an exhaustive market research to find new ones. The main discovery relied on meal occasions, since those were only targeted by water, wine and soft drinks. Besides fighting against national craft beer brands' popularity and trying to conquer the specialty category, Affligem intended also to address meal occasions. *Sovina*, a Portuguese craft beer brand, was introduced in 2011 and since then, 29 more brands entered the market.

With a marketing budget of half of million Euros, the whole marketing strategy needed to be very well-built and innovative. Since consumers were shifting their consumption behavior, doing less out of home activities and more in-home, and 70-80% of buying decisions were made inside the store, Diogo had an important decision to make: entering in off-trade with loose bottle or 3-pack. Since specialty beers were only offered as loose bottle, looking extremely similar in shelf, he recognized the importance of choosing the right packaging. In that sense, the packaging itself could be a source of competitive advantage towards other specialty beer brands.

2) Teaching Objectives

This case was prepared with the following teaching objectives:

- To understand the beer industry in Portugal, as well as to learn how this industry performs worldwide and in Belgium.
- To highlight the relevance of analyzing the external and internal environment to take future actions, where the company's experience and knowledge act as a crucial tool.
- To understand the importance of portfolio diversification for market leader companies in a highly competitive market.
- To show how to follow global brands' guidelines, while understanding the importance of adapting them locally.

- To demonstrate how vital an integrated marketing strategy is for a very targeted and specialized brand, as well as the relevance of defining the target and positioning to establish all marketing elements.
- To show why marketing managers need to consider all the brand's details when budget constraints arise, in order to deliver a success strategy.
- To make evident the importance of using data and financial statements to support strategic decisions.

3) Use of the Case

This case study was developed for class discussion of a particular marketing situation and to show how to strategically act to solve it. It intends to be used in several marketing courses at an undergraduate (Marketing) and master level (Marketing Management, Strategic Marketing, Marketing Communications or Brand Management). It could also be used in strategic classes or in introductory business management courses. Additionally, since the case study deals with a global brand situation, it could be used for international-focused courses.

4) Suggested Assignment Questions

Students are expected to read the case and prepare the following questions:

1. Analyze the market attractiveness in Portugal and identify the main differences compared to Belgium.
2. Does SCC have the right competencies to enter in the craft beer market?
3. Describe Affligem's marketing strategy.
4. Which of these concepts will deliver more efficiently Affligem's message: time or self-indulgence?
5. Identify three sales promotions' activities for off-trade that will guarantee a purchase from innovators and early adopters.
6. Considering a weighted average on three measures you find most suitable, evaluate the best packaging option: loose bottle or 3-pack. Suppose SCC wants to sell both,

calculate the P&L of each option assuming a volume target for off-trade of: 240 thousand liters[119] and a cost per bottle of €0.50 and per 3-pack of €1.59[120].

5) Relevant Theory

1. Porter's 5 Forces

Porter (1979) developed this framework to analyze the forces within an industry that could negatively or positively affect a company's business strategy. With this framework, one can identify to what extent a certain industry is attractive, and by attractive it means overall industry's profitability. The forces exerting an influence in the company are: threat of new entrants, threat of substitute products, bargaining power of suppliers, bargaining power of buyers and rivalry among existing firms (see **TN Exhibit 1**). For an industry to be attractive, all forces need to have a positive impact on overall profitability.

2. Concentration Ratio

This term is used to assess the market's structure and competitiveness and is defined by the market share percentage of the largest firms within the industry. A low concentration indicates a greater competition among firms, while a higher concentration means that the industry is going towards a monopoly.

3. Distribution Channels & Global Distribution Channels

A distribution channel can be defined as the path a particular good or service does from the production site to the final consumer. This path can be very short or very lengthy depending on the number of intermediaries (wholesalers, retailers or agents). In this case,

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[119] The volume was set by the case writer based on the following issues:
- Estrella Damm Inedit sales target for the first 5 years: 20 million liters. Assuming it will sell the same volume each year (4 million liters), Affligem could target half of that volume since each bottle contains 0.33cl and Estrella Damm Inedit has 0.75cl per bottle.
- Sagres Radler reached a volume of 5 million liters in the first year, however it was a line extension of Sagres, very well-known brand.
- Somersby established a target of 200 thousand liters for the first year, with a low level of marketing activities.
Hence, let's assume a volume target for Affligem of 600 thousand liters in total. Based in on- and off-trade channels' weight, the volume target will be: 600,000*0.4=240,000 for off-trade (the share of this channel in the beer industry is 40%).
[120] Source: Case writer, based on company's internal data.

SCC has an indirect distribution channel: producer/wholesaler (SCC) to distributors (or SCC's sales force) to retailers (on- and off-trade) to final consumers.

The main difference between national and global distribution channels is the number of intermediaries and the risk of delivering the orders on time, since there is higher probability of delays or product losses (see **TN Exhibit 3**).

4. Porter's Generic Strategies

Porter (1980) claimed that a company could pursue, according to its market scope and source of competitive advantage, three generic strategies: differentiation, cost leadership and focus strategies. The author illustrates the relevance of pursuing only one strategy in order not be "stuck in the middle", since it is not profitable and competitive. SCC pursues a strategy of differentiation, given its constant will to introduce new products.

5. Ansoff Matrix

According to Ansoff (1957), when managers start to plan the future growth there are four strategies they may follow, concerning entering in new markets or entering with new products: market development, market penetration, diversification and product development (see **TN Exhibit 4**).

6. Industry and Product Life-cycle

The concept of industry or product life-cycle relates the different stages an industry or product could be in from the product entry to its eventual decline, according to its revenues (see **TN Exhibit 2**). According to Kotler (2007), it is important to have this concept in mind because different stages mean different characteristics, objectives and marketing strategies.

7. Consumer Adoption Model for New Products

The buying decision process is different for a product consumers already purchased and for new products. In the process of adopting a new product, research studies defines five stages consumers go through (see **TN Exhibit 6, Figure 1**). It is important managers have this in mind while defining the marketing strategy in order to help consumers moving thought each stage. Because consumers' attitudes towards innovation differ, the time of adoption will also be different: some consumers will purchase the new product right away, while for others this process could take some time (see **TN Exhibit 6, Figure 2**). Since there is an influence of consumers and product's characteristics in new product's adoption rate, the marketing strategy needs to take this concept into consideration in order to be effective and successful.

8. STP & Marketing Mix

No marketing strategy can be developed without establishing a specific segment, target and positioning (STP). This model is crucial to create a personalized and relevant marketing message. According to McCarthy (1960), the Marketing Mix, or 4 P's, is a marketing tool used to determine the product offer ("the right product, offered at the right price in the right place, using the appropriate promotion").

9. Marketing Communication Mix (or Promotion Mix)

Similar to the Marketing Mix tool, the Marketing Communication Mix is the combination of tactical promotion elements: advertising, personal selling, sales promotion, public relations, direct marketing and event sponsorship. The goal is to create the best combination of those elements in order to have an integrated approach and to maximize the return of each component, according to the available budget and marketing objectives.

10. Integrated Marketing Communications

Integrated Marketing Communication (IMC) was defined in 1989 by the American Association of Advertising Agencies as "an approach to achieving the objectives of a marketing campaign through a well-coordinated use of different promotional methods that are intended to reinforce each other". Basically, to achieve an integrated strategy both Marketing Mix and Marketing Communication Mix need to be developed in accordance.

11. AIDA model

According to Dukesmith (1904), AIDA is an acronym and it means: **A**ttention (awareness), **I**nterest (by demonstrating product advantages and benefits), **D**esire (convince consumers they desire the product and that it will satisfy their needs) and **A**ction (lead consumers to purchase the product).

12. Brand Emotional Loyalty Pyramid

More than repeating a purchase, brands pursue loyal consumers. Hallberg (2007) defined five stages of consumer's loyalty, from consumers who are not aware of the brand to consumers who believe that what that brand delivers is unique (see **TN Exhibit 7**). Moreover, he discovered that the average shopper spends more while moving up through the pyramid (buying four to ten times more).

6) Analysis and Discussion

In order to analyze this case study, six questions need to be addressed. They are divided into two groups to better plan the class discussion. The following plan was scheduled for one hour and a half class:

I. Industry and Company Analysis

- i. Question 1 — Industry Attractiveness………………………...15 minutes
- ii. Question 2 — Company's Knowledge and Experience...……..10 minutes

II. Marketing Strategy

- i. Question 3 — Brand Analysis……………………………......10 minutes
- ii. Question 4 — Communication Concept………………………15 minutes
- iii. Question 5 — Sales Promotions………………………………10 minutes
- iv. Question 6 — Solving the Dilemma…………………….........30 minutes

For the analysis, the following discussion is proposed:

1. Analyze the market attractiveness in Portugal and identify the main differences compared to Belgium.

To properly analyze the market attractiveness, Porter's 5 Forces framework must be applied. The goal of this question is to create a bridge in students' minds between the main features of Portuguese beer industry and the marketing decisions adopted by SCC. For them to properly solve the case, they need to fully understand the market.

Additionally, because this case is about a new product's launch, students should also have in mind to what extent the market is attractive or not.

The first thing students need to understand is how the distribution channel works. In the case of SCC, it starts at the production site (Vialonga's brewery), where distributors guarantee the delivery to off- and on-trade clients of beer and water (page 9). SCC's brewery acts has a wholesaler as well, saving both national and global beer brands (page 7). Even if the product is delivered to both clients, SCC's account managers are the ones assuring that the product is displayed on shelves in the proper way (page 9).

Threat of new entrants

Students may enumerate several entry barriers, being these the main important to mention:

- Power of incumbent firms: SCC and Unicer have exactly 94% of the market (Exhibit 4).
- High market concentration, not just as a two player market but as a two branded market (Sagres and Super Bock have almost 90% of the entire market – page 11).
- Brand equity. Consumers are very loyal towards mainstream brands, even with novelties they always end up by returning to the "original" brand (page 14). Plus, these market novelties were introduced, almost always, by SCC and Unicer (for example, the launch of Sagres Radler, Somersby or the Limited Edition of 1927 Selection of Super Bock), showing that even the two biggest companies in the Portuguese market sometimes are not able to succeed (for example *Sagres Puro Malte*, since consumers did not perceive it as a premium brand – page 19).
- Access to distribution. Off-trade was completely full and listing fees were normally higher for new brands, since shelf space would be cut from already established brands (page 24).
- High capital requirements. Associated with new product launches, there is always a certain level of marketing activities (page 15).

Overall, *the threat of new entrants is low* because, even being a profitable industry (page 12), SCC and Unicer owned the Portuguese market, turning the overall profit into a competitive one. The increase in the number of national craft beers was not yet that significant to actually disturb the industry's profits.

Bargaining power of suppliers

Before analyzing suppliers' power, it is crucial to understand who they are and the raw materials required to produce beer.

First of all, students must understand that beer suppliers could be either independent producers or the actual brewery. In the case of SCC and Unicer, both produced their own national beer (Exhibit 4), depending only on raw materials. When it comes to global brands, the production site depends on the company policy. Affligem, for instance, is produced in only one place: Belgium (page 20).

Secondly, students need to enumerate the raw materials required to produce beer: barley, water, non-malted cereals (wheat and barley) and hops (page 10). Even if SCC fully depends on those raw materials to produce, this does not mean that those suppliers have all the power. Based on this, it should be referred the discrepancy between supplier's switching costs as opposed to SCC's switching costs. Students must understand that those raw materials' suppliers could lose a lot if SCC decides to switch supplier, for instance given suppliers' pricing demands. However, it should be noticed that raw materials' quality is a vital condition to produce an excellent beer, so, the impact of inputs in differentiating beer brands is huge.

Overall, *the bargaining power of suppliers is low* because the earnings of raw materials' suppliers have a greater weight compared to SCC and Unicer's dependency level on those raw materials to produce beer.

Bargaining power of buyers

Based on the beer distribution channel, students should recognize two type of buyers: on- and off-trade clients, and consumers.

The number of on- and off-trade outlets differ a lot (Exhibit 5, Table 1 and 2), as well as their relevance for the industry (on-trade represented 60%). However, changes in consumption behavior were influencing those percentages (page 13). Even though the number of outlets in the Portuguese market is high, it is extremely important to maintain a good relationship with the ones SCC already have, since they could easily purchase competitor's products. Hence, buyer's switching costs are lower compared to firm's switching costs.

Focusing on off-trade, students must understand the need to follow those clients closely because they are the ones placing the actual order (page 9). Nevertheless, retailers also suffer if shoppers or consumers want to buy a specific brand and that brand is not available. So, it is a win-win situation to have a wide range of assortment inside the store both for firms and retailers.

Consumers are located in the other side of spectrum. When purchasing beer, they are surrounded by similar options in both on- and off-trade outlets. While this product variety decreases the negative impact on consumers' switching costs, it increases companies' switching costs if they decide to purchase competitors' brand. In fact, consumers' price sensitivity is what is stressing the beer industry with price wars. The two main market brands, Sagres and Super Bock, were constantly decreasing prices through price promotions (page 15). Even specialty beers, as Leffe, were suffering from this pressure (page 18). Besides, *Sagres Puro Malte* could not handle the connection between Sagres brand and low price, given consumers unwillingness to pay a higher price for this beer (page 19).

Overall, *the bargaining power of buyers is medium/low* since firms rely on brand loyalty to maintain or gain extra profits. Both clients and consumers have a crucial role in firms' well-being. And, because this industry is extremely competitive, they could change supplier or brand very rapidly if they are not satisfied or if they want to pay less.

Threat of substitute products

When it comes to beer, enumerating possible substitutes would lead to a vast list, from soft drinks to cocktails. Students should recognize that the best way to evaluate possible substitutes is by defining different competition levels, but not by firstly identifying the different consumption occasions related to beer. Usual occasions could be defined as: lunch, afternoon break, evening cocktail, dinner, and after dinner. Additionally, students should identify as an important factor for consumers' choice the need behind that consumption.

The competition levels one could identified are:

1) Product form: other beer brands, from mainstream to craft ones.
2) Product category: other type of beverages (sodas, ciders, spirits or wine).

3) Consumption moment: if one considered lunch or dinner, wine could be a substitute for beer. If one considered an afternoon break, soft drinks or juices can act as a substitute.
4) Consumer’s needs: for example, if the need is refreshing, soft drinks or natural juices could be an alternative. If the need is social, then spirits or cider could be considered substitutes.

In fact, the great number of beer substitutes could increase substantially the likelihood of consumers purchasing them in response to price increases or product unavailability. It should also be referred that the number of available substitutes will depend on the consumption location. To some extent consumers could have higher switching costs if, for instance, they are price sensitive.

Overall, *the threat of substitute products is medium-high*, given the huge amount of beer substitutes, but it depends always on the occasion and consumption need.

Rivalry among existing competitors

The beer industry may not have a great number of different competitors, but the offer is almost identical. SCC and Unicer own 94% of the market (Exhibit 4). The other 6% are either specialty beer companies or private labels (page 11). In terms of products, both firms have lager, stout, red, alcohol free and flavored mainstream beer brands, and they both compete in the premium market. The main difference relies on the cider category, given Somersby launched in 2013 (Exhibit 4).

Another issue students should identify as a rivalry factor is the launch of Affligem. This brand aimed to compete in the craft beer segment, a global trend. And in Portugal, since 2011, 29 national brands appeared (page 12). Even not being a significant threat, it was enough to create a certain tension in important market groups, as HEINEKEN (pressuring its OpCos[121] to launch Affligem - page 5). Super Bock was already competing in this segment with Limited Edition 1927 Selection (page 18).

Continuous innovation and huge levels of advertising should also be referred by students as important factors of industry rivalry. In order to avoid a constant price promotion strategy, both firms invest a lot in advertising, either to launch new brands or

[121] OpCos stands for Operating Companies.

to maintain the market position of already established ones (Sagres Radler and Somersby could be mentioned as an example of this – page 14 and 16 – Heineken and Desperados marketing activities could also be signs of hard investments in established brands – page 16 and 17).

Overall, *the rivalry among existing competitors is very high*, since the two main market players offered undifferentiated products, resorting to price promotions to compete and investing a lot in advertising and in disruptive marketing activities.

Summing up Porter's 5 Forces analysis (**TN Exhibit 1**):

- Two powerful firms that own 94% of the market, constantly fighting for market share with a low pricing strategy (showing that the beer industry is in the maturity phase – **TN Exhibit 2**). An industry that has entry barriers in terms of distribution, brand loyalty and high capital requirements.
- Suppliers with low power to raise prices, given the possibility of firms switching to other raw materials' producers.
- Buyers are a vital part of firms' success, having a great influence over them. Both consumers and clients can easily change to competitors' product if they are not satisfied with firm overall performance. However, they have low power to force firms to decrease prices.
- There are a lot of product substitutes, depending on consumer needs and consumption moments.
- The level of rivalry is huge, both firms deliver identical products with massive advertising and constant innovation.

Students should conclude that the industry is somewhat attractive in what concerns profit generation and the low power of suppliers and buyers, which could be good for small companies addressing a market niche. However, if the goal is to compete with SCC and Unicer, it would be very risk, since there is a high likelihood of those firms retaliating with price promotions and aggressive marketing activities.

When comparing beer habits between Portugal and Belgium, these are the main differences students should state (page 14 and 15):

- Belgian consumers see beer as an aspirational drink (they look for beer brands with a story, an authenticity and a soul).

- Craft beer brands are gaining market strength, pressuring mainstream ones.
- More than 1100 beer brands (versus more than 40 beer brands in Portugal), 180 active breweries (versus 9), 18.7 million hectoliters produced (versus 7.9 million hectoliters) and a consumption per capita of 78 (compared to 49).

2. Does SCC have the right competencies to enter in the craft beer market?

The purpose of this question is to get students to understand how market leading companies maintain their leadership and gain future growth in a highly competitive environment. Firstly, students need to understand two things: what this craft beer trend means and the features of the Portuguese market in what concerns specialty beers. Secondly, to justify entering in this new product category, they should analyze SCC's market position and experience, while illustrating the company's key competencies.

When it comes to this trend, students must have in mind that:

- Several microbrewers were emerging in Portugal, gaining a lot of popularity across consumers (page 12 and 13).
- Craft beer is a global tendency – in the US 2,700 craft breweries were operating (page 17).
- This segment is characterized by a superior consumer base: high annual incomes and consumers who value superior products (page 17).
- Craft stands for beer with a distinctive character, taste and superior quality (page 17), which allows a higher price and, consequently, higher returns.
- The production levels are low, having only one production site – for example, *Sovina* produces between 2 and 3 thousand liters per month (page 13).
- SCC's main competitors were already trying their luck in this trend. Super Bock entered in this category with a premium line extension: Super Bock 1927 Edition. The goal was to produce a small amount of seasonal limited edition craft beers (page 18). Estrella Damm was also betting in this category with Estrella Damm Inedit (page 19).

In Portugal, the specialty segment represented less than 2%. Both present in on- and off-trade, those brands had low rotation levels and no marketing activities. Besides, shelf placement was shared with other global premium brands – Desperados, Guinness and Somersby (Exhibit 10, Figure 2). The positive side relied on the higher margins specialty brands have, given their higher price – Sagres costs 1.99€/liter as opposed to Leffe with 6.03€/liter (page 18 and Exhibit 10, Table 1).

Being a market leader, SCC will take market leader actions: expand total market, protect market share or expand market share. Entering in the craft beer category means expanding the market share for the whole company, while increasing portfolio value and gaining additional profits. Students should have in mind that SCC had two possible brands to enter in this segment: a premium line extension of Sagres or Affligem (page 19). However, Affligem was always the prime choice, given SCC's previous experience with premium line extensions of Sagres and the way consumers perceive global brands (page 19). In addition, it would take more time to create a product from scratch using SCC's R&D department, probably missing the craft beer wave. Moreover, innovation would be more expensive than acquiring the brand distribution rights. At this time, students must have in mind how the distribution channel works for a global brand (**TN Exhibit 3**).

Analyzing SCC's previous experience and market knowledge in what concerns introducing new brands and entering in new product categories, students should mention some of the facts below:

- Since 1941, SCC has been diversifying its portfolio (Exhibit 1) through several product launches, line extensions and reaching different consumers' segments (page 7, 8 and 15).
- Innovation culture – *Sagres Puro Malte*, *Sagres Preta Chocolate* and the latest: Sagres Radler (page 8).
- Taking risks sometimes pay off – Sagres Radler success was not foreseen not even by brand managers (page 16). Desperados was also a risky launch, proving its success after 2 years with a 26% increase in trial and having 1.7% consumers preferring this brand (page 17 and Exhibit 8).
- Experience dealing with failure (*Sagres Puro Malte*) and success (Sagres Radler) provided a valuable learning: if no marketing activities were

assigned to line extensions, consumers would end up by forgetting them (page 16).

- Success in launching global brands and maintaining positive results – the premium segment increased 0.8% from 2011 to 2012 (page 12), with Heineken reaching a share of 20.2% and Desperados 2.5% (page 13).
- Creating love brands and being in the right place describes SCC's strategy (Exhibit 8).
- Providing disruptive marketing strategies – Desperados' marketing campaign for 2013 (page 17).

After identifying SCC's previous experience and knowledge, students should realize that marketing is one of the most important key drivers for the company. In addition, following market trends and being constantly innovative is also part of their DNA. So, it was obvious that SCC was going to follow this trend. Students should also recognize product development as one of the main sources of SCC's competitive advantage for future growth (**TN Exhibit 4**). Based on this, in order to remain competitive, the company needed to differentiate their market offer, since competing on prices was proven not to be sustainable over time (page 15).

Summing up, students should mention the following key competencies to justify SCC's decision of embracing this trend:

- Great level of knowledge obtained from experience with portfolio diversification, which arose from a culture towards innovation and taking risks.
- Being able to deliver what consumers expect with aspirational marketing activities (for example: Heineken, being an iconic brand, is one of the main sponsors of ModaLisboa; Desperados giving consumers exactly what they need: more time to actually party – page 16 and 17).
- Access to distribution: the relationship already established with big retailers could be an advantage when introducing new products. Moreover, the company's strength in the Portuguese beer market could facilitate the entrance of Affligem as a permanent SKU.

3. Describe Affligem's marketing strategy.

After analyzing the industry and proving SCC's ability to enter in the craft beer market, it is imperative students fully understand the Affligem brand and its marketing strategy to make future decisions. Affligem's main goal is to be the beacon brand of specialty beers (page 20). Besides, the brand wants to be seen as an additional substitute for meal occasions (page 10).

Being a global brand, the first thing to identify is the type of marketing strategy. According to Kotler (2008), there are two strategies that global brands can adopt: standardized marketing mix or adapted marketing mix. The difference relies on the level of standardization and adaptation. In the case of Affligem, the marketing strategy is located in the middle: some elements are standardized and some SCC can locally change.

Even not being entirely managed by SCC (page 21 and 22), to some extent Affligem's marketing strategy can be locally adapted. Even if the product is the same across the 35 countries (Exhibit 9), the communication can be adapted (**TN Exhibit 5**). Price, packaging, ATL/BTL merchandise and positioning were entirely managed by HEINEKEN (page 21). Still, SCC had the possibility to choose where to distribute, what to communicate and what merchandise to use.

To properly define the marketing strategy students should apply the two most fundamental marketing frameworks: STP[122] and Marketing Mix (or 4 P's).

Segmentation	Targeting	Positioning
Men, upper 30, high education level and income, from an upper social class.	Self-indulgent ambitious men, who value the finer things in life: going to the tailor or reading a good book.	"The Purist": Affligem is synonym of pure pleasure and craft mastery. A legacy of heritage and dedication.

[122] STP stands for Segmentation, Targeting and Positioning.

After analyzing the STP, the next step is to define the Marketing Mix (or 4 P's), a set of tactical tools acting as a SCC's response to what the target wants. Students should mention the following:

Product (page 20 and 21)

With 6.8% alc., Affligem Blonde is similar to a lager beer but more sophisticated. More than a specialty beer, Affligem is one of the 22 certified abbey beers that still operates with the monks' help, conveying a sign of quality and tradition. After almost one thousand years of existence, it is still produced in only one location worldwide. The second fermentation process occurs inside the bottle, giving Affligem a more intense and unique taste. To properly enjoy it, similar to all the other Belgium beers (Exhibit 7), the right goblet must be used, as well as the right pouring ritual.

Price

Since Affligem belongs to the specialty beer segment, the pricing strategy will be market-skimming pricing, otherwise the brand could lose the special and craft status. Kotler (2008) defines market-skimming pricing as "setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price; the company makes fewer but more profitable sales". The decision is both global and local, given HEINEKEN requisites to price Affligem higher compared to Sagres, Heineken or Leffe (page 21).

Price discounts, coupons, price packs or any other type of price reduction promotions will not be considered for Affligem's strategy, since Leffe lost its special status due to huge amounts of price discounts (page 18).

Place (page 23)

With a selective distribution, Affligem will be present in on- and off-trade. In on-trade, the brand will be available at top premium restaurants in Lisbon and Oporto and in some bars/cafes that already offer specialty beers. In off-trade, it will be available only in main retailers (Continente, Pingo Doce, Auchan and El Corte Inglés). Since Affligem wants to cover meal occasions, gourmet and wine stores were also part of off-trade distribution strategy.

__Promotion__ (page 22)

Similar to the distribution, the communication strategy will be very selective. Since Affligem is not a mainstream brand, heavy advertising was not part of its strategy. It will not be present in every newspaper or magazine, nor in television.

In terms of on- and off-trade marketing activities, Affligem will enjoy from POS merchandise and sales promotion activities. In what regards the communication concept, there were two possibilities:

- Time: slow-cooking recipe book and a handmade special edition of Expresso.
- Self-indulgence: pop-up barber shop called "Purist Barbière".

Since the budget is very limited and, in order to generate positive word-of-mouth and earned media, one of the abovementioned strategies will have to be the winning one.

4. Which of these concepts will deliver more efficiently Affligem's message: time or self-indulgence?

One of the main issues today is firms' ability to deliver an integrated message to consumers across all channels: from digital to on- and off-trade. Consumers expect, if not the same, a consistent experience in all brand touch points. After describing Affligem's marketing strategy (STP and Marketing Mix), students need to assess the best option for the communication strategy. Understating the concept of integrated marketing communication is the first thing to do. Then, they should identify the advantages and disadvantages of each concept.

Why is it so important to have an integrated marketing communication strategy? One should notice that when a consumer wants to find something, he or she goes online to search it. At the same time, substitute products, news, reviews or bloggers giving their feedback, could pop-up. On top, consumers can easily generate online content about their experience with the brand. And bad word-of-mouth travels faster than good, according to Kotler (2008). In what concerns the promotion mix, Affligem can enjoy only from sales promotion, personal selling, given SCC' internal sales team training with Affligem's

Global Sommelier (page 22), and public relations, since both communication concepts are very innovative.

To develop an effective communication strategy the first two steps are: defining the target and brand positioning. Next, it is imperative to establish the objective the brand wants to achieve. Since Affligem is a novelty, the main goal is to inform the market about its presence, while creating awareness, generating trial and increase product recognition. The final step is setting the budget – already established: 500 thousand Euro – page 20.

The following advantages and disadvantages are proposed for analyzing each communication concept:

Time

Advantages	Disadvantages
- Easiness in showing the connection between Affligem and the concept of craft, dedication and heritage, since it is a handmade newspaper of Expresso. - Easier to connect Affligem with meal occasions, due to the recipe book. - Cooking gained a lot of popularity in the last years (several cooking books and cooking channels). - Time could be at the same time a rational and emotional concept: the importance of having time to enjoy life. - The connection between beer and food is very well-known for Portuguese consumers. - Controlled form of communicating the several brand characteristics.	- Usually who purchases cooking books are women and not men. - With a cookbook there is no personal contact between brand and consumer. - Time is not tangible, making it harder to establish a connection with POS activities. - Difficulty in measuring the effectiveness of this idea, since it will be very hard to prove that consumers actually understood the brand and its characteristics. - Harder to demonstrate Affligem's pouring ritual. - Since it is only one Expresso edition, will it be memorable enough? - Could very easily bore consumers if there is a great level of brand elements in the recipe book and in Expresso edition.

Self-indulgence

Advantages	Disadvantages
- Unique and disruptive concept. - Easy to communicate all brand characteristics face to face. - Easy to ensure consumers know the brand and complete the buying process. - Possibility to demonstrate Affligem's pouring ritual and incite consumers to try doing it for themselves. - Generate higher levels of word-of-mouth and media, since it is a totally new concept: barber shop and a bar. - Deliver what purists seek for: a place where they can enjoy the finest things in life. - Completely emotional and aspirational concept, a barber shop is the ultimate place where men can relax and be spoiled.	- Portuguese consumers are not so well familiar with the concept of pop-store. - To some extent it could generate a bad image, since is not usual to go to the barber and drink beer. - Harder to link Affligem with meal occasions. - The people flow inside cannot be totally controlled, which can jeopardize Affligem's image. - If consumers are not 100% satisfied with the service or if they experience a problem, it could easily generate bad worth of mouth.

At the end, the goal of this question is to generate a debate among students. There is no right or wrong answers, students should only have in mind the components of an effective communication strategy and the AIDA model (get attention, hold interest, arouse desire and obtain action). Since it is crucial an integrated message across all channels, they should also remember that the communication concept needs to be linked with all the other Affligem's marketing activities.

5. Identify three sales promotions' activities for off-trade that will guarantee a purchase from innovators and early adopters.

Introducing a new product in a highly competitive market, where the category has a very low share, is always challenging. The ultimate desire is to guarantee consumers purchase the product, mention it and repeat the consumption. The first thing students should notice is the lack of marketing activities allocated to specialty beer brands in off-trade, which could give Affligem a pioneer advantage (page 18). After setting the communication strategy, students need to understand the steps to build a competitive and targeted POS strategy.

With a marketing budget of half of a million Euros (page 20), sales promotion activities are a way to guarantee consumers create a connection with the brand. At this point, students should recall that price promotions are actively put into practice by the main market brands: Sagres and Super Bock (page 15).

When thinking about on- and off-trade channels, students need to understand primarily the difference between them. Off-trade concerns in-home consumption, whereas on-trade means immediate consumption (page 8).

Students should have in mind that on-trade conveys the advantage of having a waiter to recommend the brand, while explaining all its characteristics. They should also refer that in off-trade consumers decide for themselves what beer to buy, unless there are influencers at the store, such as sales promoters or price discounts. In addition, they need to keep in the back of their minds that this brand conveys three features that must reach consumers: Belgium origin, abbey beer and double fermentation (page 22).

After discussing all those issues, students should enumerate the five stages of the Buyer Decision Process for New Products (see **TN Exhibit 6**) and understand what each stage means. The next step relies on identifying the difference between innovators and early adopters' values (recall **TN Exhibit 6**):

- Innovators: they are adventurous, even with the risk of being the ones trying a new product attached.
- Early Adopters: they are opinion leaders but they are guided by respect, being more conscious. They are the ones trying the product right after Innovators.

Another important feature to have in mind is that different product characteristics will have different influences on the adoption rate. For instance, some products are quickly accepted, like when Apple releases a new iPhone, while others need more time to get a purchase from consumers. Students must understand that these two groups should be the first ones to be targeted by Affligem's communication strategy, since they are the ones exerting some influence in other consumers. Innovators and Early Adopters could either be new consumers or competitors' product regulars. With this in mind, sales promotion should be a way to promote the product by adding value to it, while convincing those consumers they have a not yet discovered need for Affligem. Students should recall, at this time, how Leffe lost its special status due to high levels of price discounts (page 18). Another issue equally important to mention relies on the product life-cycle concept and the strategies to apply accordingly with the stage the product is in. Affligem is in the introduction phase (see **TN Exhibit 2**), which means:

- Awareness and trial are the main marketing objectives.
- Rely heavily on sales promotion to incite trial.
- Advertising should focus on raising awareness amongst innovators and early adopters.

In order to be able to create loyalty in the long run, students should also consider the concept of delivering an emotional message. According to the Brand Emotional Loyalty Pyramid framework (Hallberg, 2004), "significant financial returns are gained only when the highest level of loyalty is achieved" (see **TN Exhibit 7**). Since the marketing budget is very limited, sales promotion need to be very effective to actually provide returns on investment. Based on this, students should discuss the following sales promotion activities as being the ideal to reach all the above mentioned objectives:

- Point-of-purchase (POP) promotions to stir trial. An Affligem promoter should be at the store inviting shoppers to try the product, while explaining the three main Affligem's characteristics and showcasing the pouring ritual.
- Premiums in the form of in-pack gifts. For example, if consumers purchase three bottles, they can have Affligem's goblet for free (Exhibit 9) in order to properly enjoy it.
- Advertising specialties as explanatory brochures and presence in the retailer leaflet/catalogue. With this, consumers could learn about the product's main credentials, the pouring ritual and other curiosities (such as the specificities of Belgium beer).

6. **Considering a weighted average on three measures you find most suitable, evaluate the best packaging option: loose bottle or 3-pack. Suppose SCC wants to sell both, calculate the P&L of each option assuming a volume target for off-trade of: 240 thousand liters and a cost per bottle of €0.50 and per 3-pack of €1.59.**

To make decisions it is important to use both emotional and rational principles. Emotional ones come from previous experience and knowledge. Rational deals with risks and benefits evaluation, as well as pros and cons analysis. Since the marketing budget goes in accordance with profit generation, with this students will learn how to use real data to make decisions. They should also understand the importance of creating a P&L in order to build the marketing strategy.

The first thing one needs to do is to state the dilemma: choosing what type of packaging to have in off-trade, 3-pack or loose bottle. In order to establish measures, students need to formerly mention a few facts about this channel and why it is relevant for SCC:

- Off-trade increasing strength – in almost ten years this channel grew 135.29% (page 13). The number of hypermarkets and supermarkets had been growing since 2007, as well as retailers' number of stores (Exhibit 5).
- The shelves are organized by beer type and firms' brands (Exhibit 10), so Affligem will be placed along side with other specialty beers and close to SCC's premium brands, as Heineken, Guinness and Desperados.
- Beer aisles are crowded (Exhibit 10). While international craft beer brands were present in all retailers, national ones were only in El Corte Inglés, being all offered as loose bottle (page 23).
- Specialty beers' packaging are very similar in terms of color (Exhibit 9). Super Bock diversified its offer with a cork stopper and 0.75cl bottles of 1927 Selection (page 18).
- Creative packaging design gained more popularity and relevance across several product categories (page 25).
- Affligem's limited budget is a constraint for the level of marketing activities. Having in mind that 70-80% of buying decision happens inside

the store (page 23), the type of packaging could act as a sales promotion tool.

- Both bottle and 3-pack were already designed by HEINEKEN (page 21 and Exhibit 9).

To choose from two alternatives is always important to evaluate each one. One of the several possible methods is applying a weighted average on pre-established measures. A weighted average means assigning an average from 1 to 100% to each criteria, according to its relative importance, and then multiply it by the score each criteria had, within a specific scale. For this case, a performance five-point scale was applied, being 5 – *Far Exceeds,* 4 – *Exceeds,* 3 – *Meets,* 2 – *Meets Some,* and 1 – *Does not meet*.[123]

Before starting to deliberate about possible measures, it is important students understand the differences between the two options (Exhibit 9):

- Loose bottle: single brown bottle, brand name visible, as well as the double fermentation note. A single bottle goes in accordance with the already established specialty beer brands, which could create a similarity between this new brand and all the others (page 24). On top, the bottle has a quality seal to reinforce the abbey credentials.
- 3-pack: the 3-pack is entirely yellow, the brand name is visible, as well as the double fermentation note. With this packaging, it could be simpler to gain more space on shelves. Moreover, the 3-pack informs automatically the beer volume and alcohol content. On top, in only one purchase consumers will bring home three bottles instead of one.

Based on off-trade features, students should have in mind that an effective packaging needs to be seen on shelf, to engage shoppers, to communicate why they should buy that brand and not another and to complete the actual sale. Based on this, they should refer the following three measures:

1) <u>Visibility and Engagement</u>

If the packaging by itself does not stand out, consumers are unable to purchase the product: unseen is unsold. Besides, if Affligem’s packaging is going to be a source of

[123] Source: Optima360 Consultancy Company.

sales promotion, it is crucial to be seen automatically, while having a suitable amount of facings. Students should understand that the number of facings is controlled by retailers, if no listing fees are involved. J. Asher (2010) concluded that to actually get shoppers' attention, the packaging has to be distinctive compared with other brands, which can be measured through color, shape and the graphic element.

The extent to each shoppers are attracted by the packaging has to do with engagement. Even if it is extremely visible, if they are not attracted, they will probably not buy it. According to J. Asher (2010), "the fastest and most effective way to do this is by using a visual. A picture truly is worth a thousand words, as it acts quickly, holds attention and is highly credible". As for any marketing activity, is crucial to create an emotional connection with the shopper.

2) Communication

The packaging by itself has to create an emotional connection, but what is written on it must deliver a clear, simple and meaningful message. Shoppers should understand automatically the product's goal and the brand behind it. Secondly, it is also important to give additional features about the product (the flavor, for example).

To be effective, shoppers should read the brands' main information at a certain distant. In order to do so, size, color and placement are very important tools to guarantee the shopper understands in 2-3 seconds what is the brand about and why should it have an additional look from him or her. In the case of Affligem, it should communicate the Belgium origin and the double fermentation characteristic, while transmitting that craft heritage feeling.

3) Authenticity and Practicality

To actually be distinctive from the several options shoppers have, the packaging needs to be authentic, original and memorable. But being authentic and not practical could jeopardize the actual sale. For example, if it is really unique but then truly hard to hold, consumers could prefer to buy a "normal" packaging.

Established the scale and measures, the next step is to assign a weight to each criteria. Since Affligem is a new product, awareness is crucial. To create awareness the brand needs to stand out from all the other products on shelf. Therefore, students should assign the higher weight to visibility and engagement measure (50% out of 100%). Still based on the novelty feature, understanding the type of product is vital. So, communication must be very simple, clear and effective because even if the packaging is unique and authentic, if shoppers do not understand what it is, they will not buy it. For that reason, the communication measure should have a greater score compared to authenticity and practicality measure, 35% and 15%, correspondently.

Having all those issues in mind, students have to build the actual table. As a solution, the following table is proposed:

Measures	***Weight (%)***	**Loose Bottle**	**3-pack**
Visibility and Engagement	*50*	2 (1)	5 (2.5)
Communication	*35*	3 (1.05)	4 (1.4)
Authenticity and Practicality	*15*	4 (0.6)	5 (0.75)
Total	***100***	**2.65**	**4.65**

* The value in brackets is the multiplication of each measure weight by the criteria of each packaging type.

Summing up, the 3-pack has a greater score compared to loose bottle mainly due to visibility weight. The off-trade is already full of specialty beer brands in the form of loose bottles. Additionally, this category has the lower share in the market – 2% (page 18). So, Affligem's bottle, even being new amongst others, has the exact same color and size. The 3-pack being yellow and unique would generate greater visibility. Besides, the 3-pack displays Affligem's bottle image, creating a better connection with the brand. In what concerns feeling the bottle, shoppers can touch it from the packaging ends. Students should conclude that the reasons for 3-pack being the best solution are: creating huge levels of visibility, shoppers can have three beers instead of one in only one purchase, and having greater potential to increase the number of facings.

Notwithstanding, students should have in mind the perception a 3-pack may cause on shoppers' mind, since, until now, specialty beers were offered as loose bottles. Since Affligem will not be offered as loose bottle, it could lead to an association with global mainstream beer brands. This last thought will lead to the next part of this question: SCC choosing to enter in off-trade with both loose bottle and 3-pack.

Students need to be familiarized with the concept of “Profit and Losses Statement” (or “Income Statement”) in order to calculate it. The components are the first thing to consider: revenues and costs. Revenue is calculated by multiplying Affligem’s potential volume and respective price. The costs to have into account are only the transfer prices (cost per bottle/3-pack).

Revenue

Target Volume = 240 thousand liters.

Students need to estimate the potential price for loose bottle and 3-pack. They should have in mind the price index HEINEKEN established for global brands: 180-250 vs Mainstream brand, 140-160 vs Heineken or 110 vs Leffe (page 21).

Setting the price for loose bottle is easier, since there are several brands one can use as benchmark. Observing Exhibit 10, Leffe costs 1.99€/0.33cl bottle and 110 above Leffe means 1.99x1.10 = 2.19€. As mentioned, 1 liter of Sagres costs 1.99€ (page 18), so a bottle of 0.33cl costs 0.66€, which means Affligem should be priced at least between 1.18€ and 1.64€. Heineken has a price of 5.69€ per 6 bottles of 0.33cl (Exhibit 4), so per bottle of 0.33cl the price is 0.94€. Therefore, Affligem’s price should be placed between 1.32€ and 1.50€. Summing up, Affligem’s price needs to be set between 1.18€ and 2.19€, but how to decide? On average the selling price for a specialty beer in Portugal is 2.82€ (Exhibit 10, Table 1).

To decide about the 3-pack’s price, students need to remember the different possible options: Super Bock 1927 Selection price, Estrella Damm Inedit price or other 3-packs available in the market (page 24). So, students should have in mind the following factors:

- All Super Bock limited edition bottles are priced at 4.99€/0.75cl (page 18).
- Estrella Damm Inedit, also targeting meal occasions, but with a price of 3.99€/0.75cl bottle (page 19).
- Other 3-packs available in the market (Exhibit 4): Desperados at 3.99€. Somersby, even not being a 3-pack, is the second smallest pack within the market at a price of 4.99€ (page 13 and 24), being a valid option to consider as benchmark.

Having all those features in mind, students must understand that the 3-pack can never be priced at 3.99€, since Affligem should not have the same price as Desperados in order to reveal a feeling of heritage and craft. Another way to establish the price could be by summing up the loose bottle price. Following this thought and considering the price range for loose bottle previously established, this is what students should calculate:

Loose Bottle	3-pack
1.18€	1.18 + 1.18 + 1.18 = 3.54€
1.69€	1.69 + 1.69 + 1.69 = 5.07€
2.19€	2.19 + 2.19 + 2.19 = 6.57€

Before starting to select the best alternative, students should have in mind that, whatever the decision for the 3-pack is, the price needs to be set a little bit lower compared to the sum of three loose bottles, in order to incite consumers to buy the 3-pack. Observing all possible options, the first conclusion is that a price of 1.18€ for loose bottle is not acceptable, since the 3-pack will cost less than Desperados. A price of 2.19€/loose bottle may be adequate, but 6.57€ for a 3-pack is very high given the market offer and Portuguese consumption habits (Exhibit 5). Hence, the best price to apply is the middle between 1.18€ and 2.19€ = 1.69€. However, the 3-pack should be priced lower than 5.07€. In that sense, a price of 4.99€ is the best option, in accordance with the other market offers.

Another issue to consider is the different volume for loose bottle and 3-pack. To decide on what volume to set, two assumptions need to be make:

i. Based on the power of visibility the 3-pack will sell a higher percentage of the total volume (80%).
ii. There are always consumers that are risk averse. Those would prefer to purchase only one bottle and try it (20%), and in the case they like it then buy the 3-pack.

COGS (cost of goods sold)

Transfer Price for Loose Bottle = 0.50

Transfer Price for 3-pack = 1.59

To calculate the COGS it is necessary to assess the number of bottles to reach the 240 thousand liters. Each bottle contains 0.33cl and each 3-pack contains 0.99cl. To know the exact number it is required to divide the volume by 0.33 or 0.99. In that sense, it is necessary to have 145,455 loose bottles (48,000/0.33) and 193,940 3-packs (192,000/0.99). To avoid losses, let's assume an order of 150,000 and 200,000. Finally, to calculate COGS, one needs to multiply the transfer price by the number of loose bottles and 3-packs.

Net Income

Having the price for both packaging formats and volumes, it is simple to calculate the net income (or profit).

	Loose Bottle	**3-pack**	**Total**
Volume (liters)	*48,000*	*192,000*	*240,000*
Price (€)	*1.69*	*4.99*	-
+ Sales	81,120	958,080	1,039,200
- COGS (transfer prices)	75,000	318,000	393,000
= Net Income	**6,120**	**640,080**	**646,200**

In order to decide which the best alternative, students need to calculate, as well, the net income for selling only loose bottle or 3-pack. This is how it should look like:

	Loose Bottle	**3-pack**
Volume (liters)	*240,000*	*240,000*
Price (€)	*1.69*	*4.99*
Number of bottles	*730,000*	*250,000*
+ Sales	405,600	1,197,600
- COGS (transfer prices)	365,000	397,500
= Net Income	**40,600**	**800,100**

With that in mind, the alternative that provides the highest profit is selling only the 3-pack to consumers. However, it is important to notice that it might be good to offer the possibility of buying only one bottle. Since consumers are used to see specialty beers offered in the form of loose bottle, it should be good to have available in off-trade a certain amount of loose bottles. Even if profits are not so high in the beginning (646,200 as opposed to 800,100), having loose bottles available can be a way to generate trial among consumers averse to innovation.

7) What has happened?

SCC launched Affligem in March 2014. The launch event took place at the Belgium Ambassador's official residence in Portugal, to where only a selective audience was invited: Belgian VIP's, journalists, opinion leaders, bloggers and connoisseurs.

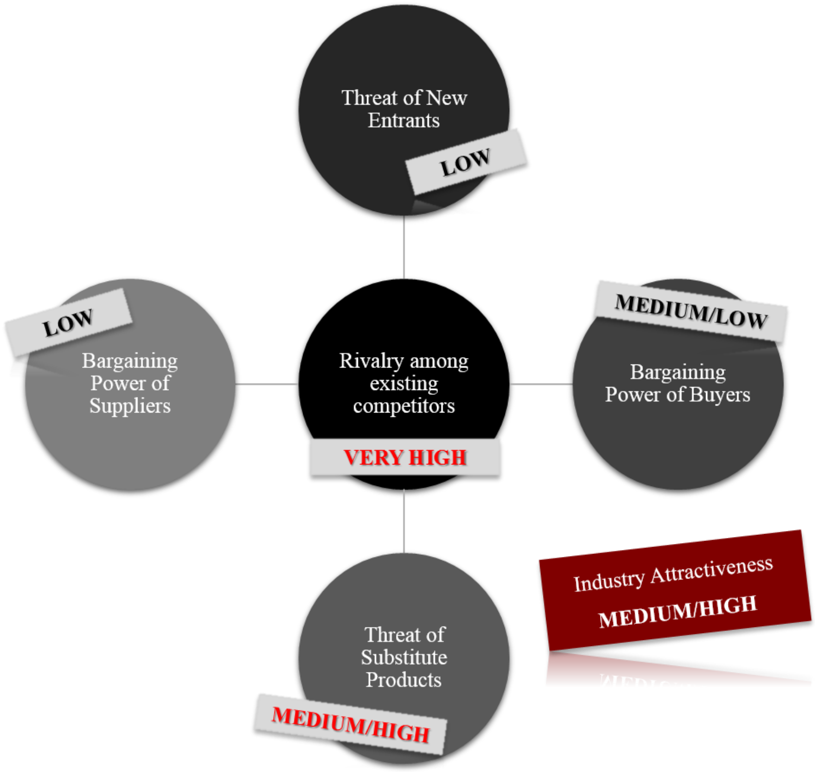
The brand was available in both channels, as it was predicted. In off-trade, El Corte Inglés, Continente, Pingo Doce, Jumbo and Pão de Açúcar had Affligem available, in both packaging formats. However, loose bottle was not highlighted, meaning that shoppers could take one bottle from the 3-pack but no loose bottles were standing in shelf by themselves (see **TN Exhibit 8**). In on-trade, Affligem reached 150 premium restaurants with BestTables' help. Some bars and cafes were also targeted. Darwin, one of the most premium restaurants in Lisbon, was assigned the important role of Affligem's flagship store. Affligem was also the official sponsor of Restaurant Week[124], with visibility on cover menus and tasting sessions at selected restaurants.

"O Purista Barbière", the Purist Barbière, opened in April in Chiado, generating very easily huge levels of PR and curiosity among Portuguese consumers and tourists passing by. It was a huge success, since the initial goal was to be open for only one month, and, 5 months after, no plans for closure were on the table.

The Purist Barbière was a huge source of product trial, since the first Affligem beer was for free. This store was a crucial touch point with potential consumers, beer lovers and specialty beer connoisseurs. And every time a consumer ordered an Affligem, the brand history was told, as well as the unique pouring ritual.

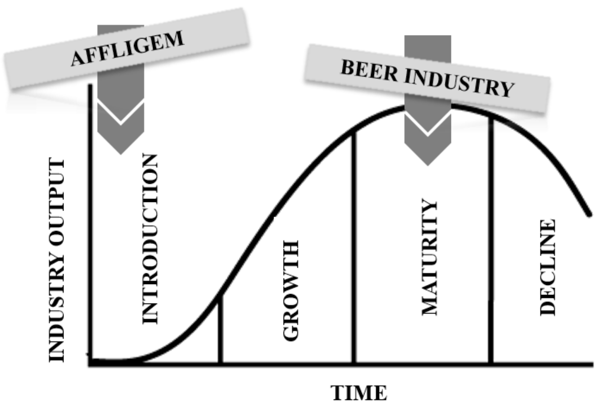
[124] Restaurant Week is a global initiative where consumers can enjoy luxury cuisine at low prices (20€ menus). The first one started in New York, and nowadays 10 thousand restaurant are part of this concept. Source: restaurantweek.pt.

TN Exhibit 1 Porter's 5 Forces



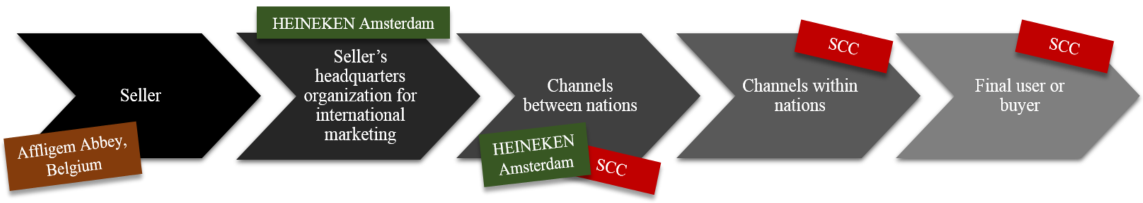
Source: Case writer, based on Lynch, R., 2009. *Strategic Management*. Fifth Edition: Prentice Hall.

TN Exhibit 2 Industry and Product Life-cycle



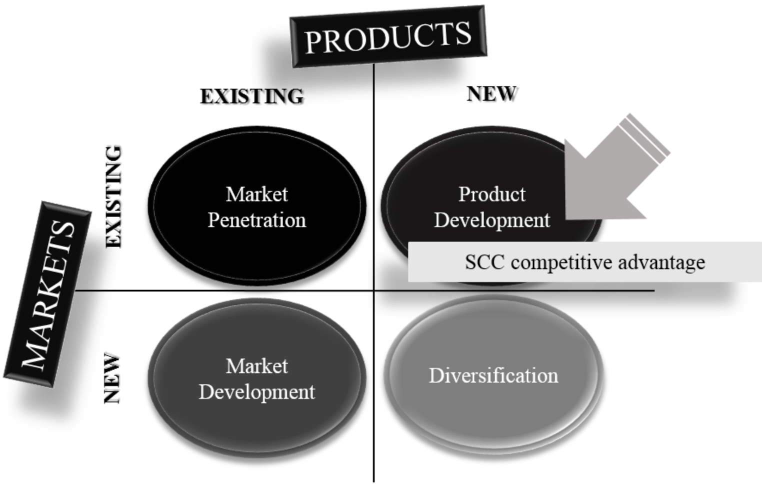
Source: Adapted from Lynch, R., 2009. *Strategic Management*. Fifth Edition: Prentice Hall.

TN Exhibit 3 Global Distribution Channels



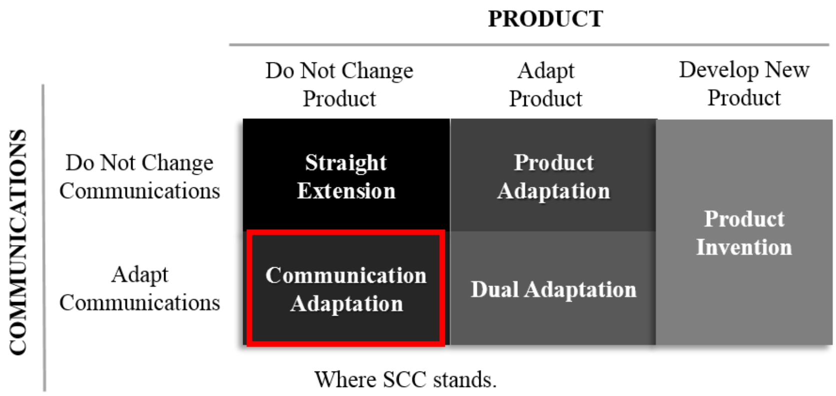
Source: Adapted from Kotler, P., Armstrong, G., Wong, V. and Saunders, J., 2008. *Principles of Marketing*. Fifth European Edition: Pearson Education.

TN Exhibit 4 Ansoff Matrix



Source: Adapted from Lynch, R., 2009. *Strategic Management*. Fifth Edition: Prentice Hall.

TN Exhibit 5 Five International Product and Promotion Strategies



Source: Adapted from Kotler, P., Armstrong, G., Wong, V. and Saunders, J., 2008. *Principles of Marketing*. Fifth European Edition: Pearson Education.

TN Exhibit 6 Adoption Process for New Products

Figure 1

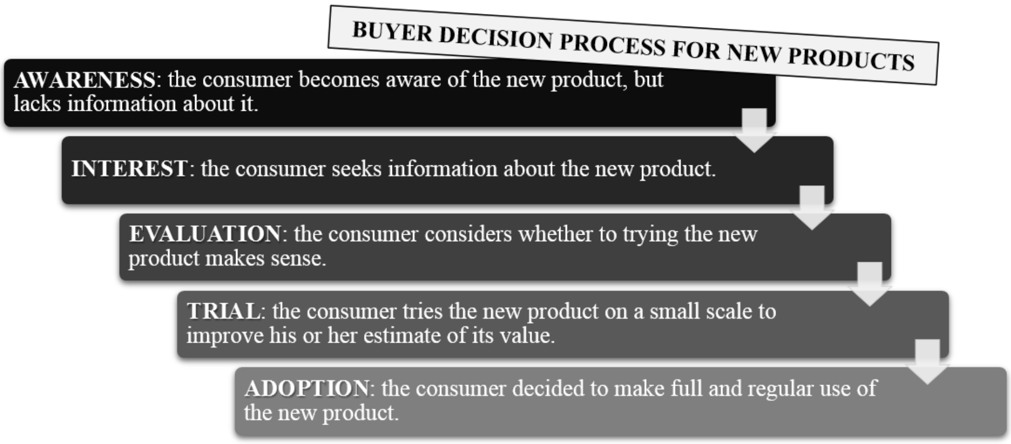
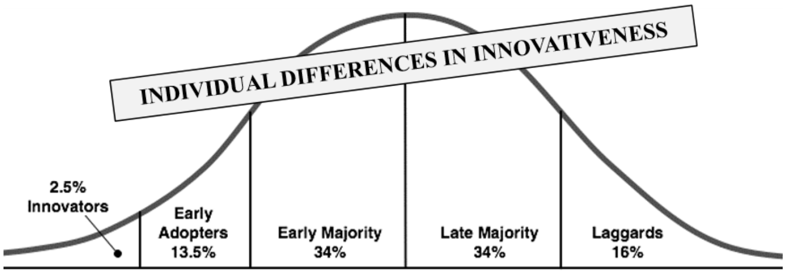
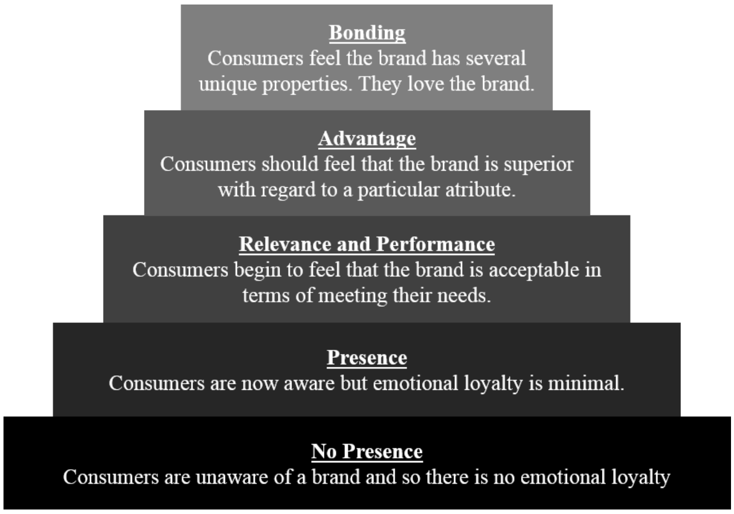


Figure 2



Source: Adapted from Kotler, P., Armstrong, G., Wong, V. and Saunders, J., 2008. *Principles of Marketing*. Fifth European Edition: Pearson Education.

TN Exhibit 7 Brand Emotional Loyalty Pyramid



Source: Adapted from Fill, C., 2005. *Marketing Communications: Engagements, Strategies and Practices*. Fourth Edition: Pearson Education.

TN Exhibit 8 Affligem 3-pack in Off-Trade

Source: Case writer, based on in-store research at Pingo Doce and El Corte Inglés.

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