



Masters of Science in Business Administration

Price promotions based
strategy:

Is brand equity created?

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List of abbreviations

EDLP	Everyday low prices
Hi-lo	Hi and low promotions

Abstract

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The food distribution market has been characterized by strong and fierce price competition. Players in this market constantly make use of price appeal to attract customers and increase sales. Two main techniques have emerged over the recent years: EDLP and Hi-lo promotions. The first consists of keeping prices lower than competitors based on an efficient cost structure. The latter consists of having particular products on promotion for a certain period of time. As consumers are being bombarded with price related messages, their price sensitivity and also deal sensitivity has been increasing.

This paper revolves around the particular case of *Pingo Doce* – one of the largest players in the Portuguese food distribution market. In 2012 after several years of practicing an EDLP pricing strategy, the company swapped to a Hi-lo pricing strategy on a remarkable and memorable day. This move basically matched what all competitors were already doing, despite the fact that the company had strengthened its position among consumers through a different pricing strategy in the years before.

The research aimed to understand if the turnaround produced positive effects in what concerns brand equity creation or likelihood of brand equity creation in the long run given a medium term perspective and taking into consideration consumers' perceptions only.

It was concluded that for some factors it worked well and for some others there were significant doubts. Namely, the change in price positioning allowed *Pingo Doce* to strengthen its brand in what concerns: awareness – as consumers were proven to be generally aware of its promotions; value of the differentiating factor associated to *Pingo Doce* promotions driven by its “immediate discount” factor ; increased perceptions on a socially effortful personality trait during a period of economic recession; perceived benefit of its promotions monetary/savings which increases deal value; and finally, improvements on *Pingo Doce* price perceptions due to the appearance of promotions.

On the other hand, the strategy could not be proven efficient in what concerns: attracting new customers who would be promotion driven (mainly from *Continente* as it was the company goal); existence of perceptions of hedonic benefits that would help to increase deal value and promotions evaluation; price perceptions of *Continente* regular customers were still quite low when compared to the rest of the sample.

Resumo

Título da dissertação: Estratégias baseadas em promoções de preços: existe criação de *brand equity*?

Autor: Duarte Pinheiro

O Mercado de distribuição alimentar tem sido caracterizado por uma forte e aguerrida competição de preços. As empresas nesta indústria fazem um uso constante do apelo de preços para atrair clientes e aumentar as vendas. Duas estratégias sobressaíram ao longo dos últimos anos: *EDLP* e promoções *Hi-lo*. A primeira consiste em manter os preços mais baixos que os competidores constantemente baseado numa estrutura de custos eficiente. A última consiste em ter produtos específicos em promoção durante determinado período de tempo. À medida que os consumidores vão sendo bombardeados com mensagens relativas ao preço, a sua sensibilidade a este factor e também às promoções tem vindo a aumentar.

Este estudo debruçou-se sobre o caso do *Pingo Doce* – uma das maiores empresas do Mercado de distribuição alimentar Português – em particular. Em 2012 após vários anos sob um posicionamento baseado em *EDLP*, a empresa adoptou uma estratégia de preços *Hi-lo*, naquele que viria a ser um dia memorável. Esta jogada significou um alinhamento com aquilo que os seus competidores já vinham fazendo e praticando, muito embora a empresa tivesse ganho a sua notoriedade entre os consumidores com uma estratégia de preço diferente ao longo dos últimos anos.

O estudo procurou perceber se a mudança produziu efeitos positivos no que diz respeito a criação de *brand equity* ou possibilidade de criação desta a longo prazo, tendo em conta um horizonte temporal médio e ainda, através meramente da perspectiva dos consumidores sobre a mudança em questão.

Concluiu-se que para alguns factores a mudança foi positiva e para outros existem sérias dúvidas. Nomeadamente, a mudança na estratégia de preços permitiu ao *Pingo Doce* reforçar a sua marca no que diz respeito a: *Awareness* – uma vez que os consumidores se mostram no geral a par das suas promoções; o valor associado ao factor diferenciador das promoções do *Pingo Doce* “desconto imediato”; aumento das percepções de esforço social associadas à marca *Pingo Doce* em tempo de recessão económica; percepção do benefício monetário/de poupança associado às suas promoções o que aumenta a percepção de valor; por fim, melhoramentos ao nível das percepções de preços do *Pingo Doce* devido à aposta nas promoções de preços.

Pelo lado oposto, a estratégia não se provou eficiente no que diz respeito a: atrair novos clientes através das promoções (na sua maioria clientes do *Continente* como era objective da empresa); existência de percepções de benefícios hedónicos o que ajudaria a aumentar o seu valor e melhorar a avaliação das promoções; as percepções de preço dos clientes regulares do *Continente* foram bastante mais baixas quando comparadas com o resto da amostra.

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1. Introduction

“It was a normal Sunday morning, with a difference; it marked a historical date for Portugal, its official worker’s day a famous public holiday. Anabela, a mid-wife, had just woken up when she got a call from her mother giving her notice about the fact that Pingo Doce was having a 50% discount on every purchase worth over one hundred euros. Anabela took her car and headed to the closest *Pingo Doce* shop. Little did she know what was awaiting her... more than eight hours inside a super market store.”

Price is a crucial element of the Marketing Mix of any firm. It says a lot about a company’s positioning and it is the last and measurable element consumers use to make their judges (rationally or irrationally) on whether the utility obtained from a product or service is worth its price.

The Fast Moving Consumers Good (FMCG) in Portugal has been characterized in the recent years for its strong price competitions. The main firms have striven to differentiate themselves using this tool of the marketing mix to attract customers through loyalty cards, coupons’ discounts or simple price discounts – promotion-oriented. Typically this is called a Hi-Lo pricing strategy where products generally have a higher price but the firms constantly run price promotions that create a sense of opportunity on the customer. *Pingo Doce* on the other hand had strengthened its positioning by not using of any of these tools, stating that their prices were already “competitive every day” – a policy of Everyday low prices.

The differences among the various retail brands among promotions helped consumers build their brand knowledge. For instance as *Continente* was well-known for its loyalty card price discounts, *Mini-Preço* was famous for its coupons discounts. *Pingo Doce* was a “constant low prices” store.

The 1st of May marked a change on the company’s positioning (*Pingo Doce* called it a reinforcement of their price positioning – *Sabe bem pagar tão pouco*). Constant and immediate (hard) discounts were now part of the strategy. The word-of-mouth effect was huge, the buzz even bigger. As a result, following the 1st of May there were several price promotions of 50% off on specific products. Moreover, *Pingo Doce*’s jingle was switched from “*Pingo Doce, Venha Cá!*” to “*Se lhe dá jeito, o Pingo Doce faz!*”, taking advantage of the crisis context to strengthen the new positioning.

Months have passed since *Pingo Doce* decided to switch positioning. All the fuss caused by *Pingo Doce*'s promotions has settled. Therefore, **this paper intends to evaluate if the switch of positioning taken by *Pingo Doce*, given a medium-term perspective, has produced positive effects over the brand knowledge among consumers, thus likely to contribute for an increase on the overall brand's equity in the long run.**

To give an answer to this the following research questions were formulated:

RQ1. To what extent does price act as a key differentiating factor (compared to other sources of brand image) for FMCG retail chains during recession?

RQ1.1 To what extent do consumers incorporate items “on deal” within their set of groceries' purchases. (EDLP vs. Hi-low)

RQ2. What are the brand awareness, loyalty, differentiation and popularity associations of consumers regarding *Pingo Doce* and compared to other FMCG chains? (Before and after the repositioning)

RQ2.1 Awareness – What are the general associations of *Pingo Doce*'s promotions? Are they reaching them effectively? Are they already part of most consumers' mind set?

RQ2.2 Differentiation - How much do consumers value “immediate” discount promotions? (vs. coupon or loyalty card discount?)

RQ2.3 Popularity – To what extent do consumers associate *Pingo Doce* repositioning as a cause-related action given the economic scenario?

RQ3. What are consumers' general perceptions of *Pingo Doce*'s prices compared to other main brands?

RQ4. Are the results consistent according to an installed base of current customers and non-users?

1.1 Relevance

Research has been done in what concerns repositioning, the use of price marketing mix tool or even the impact of recession in some of the marketing variables.

Nevertheless, the relevance of this study is around the fact that it will focus on a particular case of a company that switched from EDLP to a Hi-lo positioning strategy given the influence of the recession period. More specifically it will cover most issues from the customer point of view to evaluate the (in) success of such a move.

For students it will be a guide to understand some of the issues surrounding a firm's brand equity as well as their positioning strategy. Furthermore, it will be helpful to understand how consumers act during economic recession in what concerns their responses to price promotion stimuli.

For companies the study will be relevant to draw conclusions from a particular example. How quickly do consumers acknowledge the change and how do they perceive its value on a medium term horizon.

2. Methodology

Secondary data

The main source of secondary data will be the company Jerónimo Martins. It will provide written reports and financial figures along with other sorts of existing information. Mainly it is important to understand what the financial goals were within a set timeline but also the goals among consumer acknowledge rate and impact on consumer perspective. Furthermore, other sources of financial figures might be used to cover data needed to build the case study. This includes related field newspapers, competent authorities or previous studies focusing on the same company. The secondary data will be useful in providing starting guidelines that will serve as reference marks to be compared with the consumer perspective derived from primary data.

Primary Data

As to the primary data, on one hand it will come from the company - personal views gathered from interviews on a more individual level. On the other hand it will consist of online surveys as well as interviews to frequent groceries shopping consumers. The idea is to gather consumers that are users of both coupons and loyalty cards as well as non-users. Through this it will be possible to understand how they perceive this *Pingo Doce*'s move and if it was responsible for positive changes in their mind set towards the brand in question.

3. Literature Review

This section provides a thorough analysis on topics that are useful for the comprehension of this research. Firstly, a detailed look at the concept of positioning and repositioning strategies, followed by the emergent trends in the retail food industry in terms of price positioning: EDLP and Hi-lo price positioning strategies. The second topic covered is on consumer's response to promotions marketing communication tool. The third topic is around brand equity creation, particularly the case of consumer based brand equity. Finally, the last topic is a detailed analysis on existent research on whether price promotions are or not a brand building tool.

Keywords: EDLP, Hi-lo, Consumer behavior, Sales promotions, Consumer based brand equity.

3.1 Retail positioning/repositioning

3.1.1 Positioning - Definition

The positioning strategy of any firm is a crucial pillar of their marketing strategy. Within a consumers' perspective, the positioning of a brand is crucial for the decision makers because it will affect consumers' brand perceptions and brand choice. (Jewell 2007). This definition can also be applied to the case of retailers as it can be defined as the differentiating factor from competitors that is perceived by its target customers (Corstjens et al. 1989).

The choice of any positioning strategy cannot be done by a firm without taking into consideration three main factors: the cost structure of the firm, the preference structure and as importantly a firm's competitors moves (Houser 1988). When analyzing these three main factors, intuitively, one can draw the conclusion that they are very likely to evolve and become different over time. After taking this into consideration it makes sense that any positioning strategy will always be challenged by the evolution of those factors as also extraneous factors such as the maturation of markets (Corstjens et al. 1989).

3.1.2 Repositioning a brand – changing the pathway

The concept of repositioning arises from what was said above. Changes in the business environment lead retailers to re-think their current positioning strategy and adapting it (repositioning) (Corstjens et al. 1989). For instance, repositioning an existing brand, by adjusting price is a consideration in mature markets (Houser 1988).

However, when a firm is trying to change its target segments or the differentiating factor perceived by its customers (Corstjens et al. 1989) it is considered a hard task given the risks associated. There is a risk on the commitment to a new and different concept (Corstjens et al. 1989); a risk of dissatisfaction of current customers who are happy with the current positioning (Corstjens et al. 1989); or a risk associated with the effects on product's margins when the repositioning is based on price (Hoch et al. 1994). As Downs et al.(1984) summarizes on the one hand “if a company were to change its product mix and pricing strategy in an effort to promote discount image consumers might not recognize the change and thus not respond to it” and on the other hand “if a company were to adequately promote its strategy change, consumers might recognize it but not really believe it”. This risk is even more significant when firms do what Corstjens et al. (1989) called a radical repositioning – a “discontinuous shift” into at least a different competitive advantage. This appears to be the case of a firm moving from EDLP to a Hi-lo price positioning strategy (topic that will be analyzed further on).

2.1.2.1 Repositioning strategy – what does it need to succeed

The success of a repositioning strategy can be measured on two consumer related factors. Firstly how well consumers acknowledge the new positioning i.e how strong is the association of the brand name with the new salient attribute (Jewell 2007). In other words, if consumers are indeed aware of the change (Downs et al.1984). For this purpose, intensive communication of the new positioning is the strategy defined by Jewell (2007) so that consumers rapidly and effectively learn in their mindset to associate the brand with the new attribute. Secondly, how effectively consumers' mind goes away from the old positioning (Jewell 2007) which is related to how favorable are consumers for the change (Downs et al.1984). For this purpose, Jewell (2007) states that the more intense advertising competition is the more salient the new attribute will be in consumers' mind. Besides consumer-related factors Downs et al.(1984) also highlight

the importance of accounting for financial variables such as sales amount, market share or profits to access the success of a new marketing strategy.

3.1.3 Retailers price positioning

Over the past couple of decades, competition among retailers on the FMCG has been characterized by strong price competition. Retailers have been trying to differentiate themselves through positioning strategies with emphasis on price making consumers aware of promotions on different brands (Kalra et al. 1998). With the evolution of price competition two main positioning strategies based on price have arisen: EDLP and Hi-lo. The first corresponds to retailers that adopt constant and below the average product prices and do not recur to any temporary price discounts. (Hoch et al. 1994) The latter happens when a retailer constantly offers products within a temporary price discount that provides customer with prices that go lower (during that period) than the prices of EDLP competitors (Hoch et al.1994).

3.1.3.1 Influencers of price positioning

Overall the pricing decision of a supermarket chain is far from a straightforward task. Not only does it imply a strategic view/positioning (EDLP vs. Hi-lo) as it also requires the definition of particular products' prices (Bell et al. 1998). Retailers' use of different pricing formats is in accordance to the evolution in demographic factors, economy but also the development of consumer interests and lifestyles (Hoch et al. 1994). Furthermore, firm and store level characteristics (Ellickson et al. 2008) competition (Shankar et al. 2004; Ellickson et al. 2008) as well as consumers' price elasticity (Shankar et al. 2004) also influence the choice for price positioning. Surprisingly or not firms seem to match each other's pricing strategies (Ellickson et al. 2008; Shankar et al. 2004), given the fact that when that happens it drives consumers to spend more money in their stores (Ellickson et al.2008). According to the authors this indicates that consumers prefer to get a "consistent message" from supermarkets.

3.1.3.2 New trends on retail positioning: Effectiveness of EDLP vs. Hi-lo pricing strategy

Such influences make it difficult to provide a general agreement on what strategy will be more efficient and effective as it will probably depend on the factors mentioned above.

For instance one might be led to think that supermarkets should adopt the same strategies as the main competitors use. Nevertheless Hoch et al. (1994) state that the success of an EDLP strategy is dependent on the creation of a low-price image on consumers' mind set on the one hand and a low cost structure associated on the other. Research from Ellickson et al. (2008) also showed that EDLP favors stores with large operating space and attract larger households with less income. As to consumers' elasticity it appears that EDLP stores are more appropriate for consumers with higher price sensitivity whereas Hi-lo stores serve consumers better who are more deal-sensitive (Shankar et al. 2004). When taking into account financial figures, Hi-lo strategy appears to be at least more profitable. Hoch et al. (1994) study revealed that a 10% increase on average prices and frequent product promotions (Hi-lo) led to a 3% volume reduction but 18% profit increase. Whereas a 10% decrease on average prices with no use of price promotions (EDLP) led to a 3% volume increase but 18% profit decrease. Furthermore changing to a Hi-lo positioning strategy led a retailer to increase its amount in sales significantly although not having an impact on the amount of customers (Mulhern et al.1990).

3.2 Sales promotions as a marketing tool

Sales promotions are a communication tool used by marketers. They can be defined as “an action-focused marketing event whose purpose is to have a direct impact on the behavior of the firm's customers” (Battberg et al. 1990, cited in Laroche et al. 2003, pp 514). Sales promotions can be divided into monetary promotions - such as temporary price reductions, coupons or rebates - or nonmonetary promotions - such as freegifts, freesamples or sweepstakes (Mela et al. 1997; Chandon et al. 2000).

Generally, the decision making process of supermarkets for consumers is complex as it is not only based on purchases across different categories, but also often choosing different stores for that purpose (Bell et al. 1998). This is congruent with the fact that for several consumers the decision in which retail place to buy from accounts for more than just (low) prices (Hoch et al. 1994). Especially because for the majority of the products consumers do not know their current prices previously to buying them (Bell et al. 1998). When other key factors such as location or convenience are added into the equation, price alone cannot make the business of a supermarket work properly (Hoch et al. 1994).

3.2.1 Sales promotions and Consumer behavior

The impact on customer's behavior mentioned by Battberg (1990 cited in Laroche et al. 2003, pp 514) has been extensively studied.

One general and consensual conclusion is the fact that consumers' purchase intentions increase with sales promotions, more specifically with price discounts (part of monetary promotions) (Teng 2007). Moreover, when talking about high volume promotions (ex. 50% off) consumers have better perceptions of deal value and their purchase intention is greater if it is expressed in terms of a price discount rather than a bonus pack (non-monetary) for instance (Hardesty et al. 2003; Palazon et al. 2009).

Nevertheless, intensive creative promotions can be seen as a way of creating novelty and excitement which increases in-store interactions with consumers (Hoch et al. 1994). This suggests that promotions can do more than simply providing consumers with a perception of deal value derived from a monetary perspective. And indeed, research run by Chandon et al. (2000) has enlarged the scope of benefits that sales promotions provide consumers with other than savings/monetary perspective merely. Chandon et al. (2000) developed a model where two types of benefits derive from sales promotions: Three Utilitarian (savings, higher product quality and improved shopping convenience) and three Hedonic (opportunities for value expression, entertainment and exploration). The most important conclusion is the congruence between type of benefit and type of product. In other words Chandon et al. (2005) concluded that monetary promotions are more effective when associated with utilitarian products (typical from supermarkets),

particularly for the case of high-equity brands, or in the case of this paper high equity store brands.

Laroche et al. (2001) went further and developed a cognitive, affective and conative model to better understand the attitudes and responses of consumers towards sales promotions in particular towards price promotions (See **Figure 1** for summary of the model). Important conclusions were drawn on that research:

- 1) The more consumers search for information about price promotions the more the more they are likely to enjoy and evaluate their benefits.
- 2) The more consumers like price promotions the greater will be their intentions of buying promoted products (as well as the more promoted products they will actually buy).
- 3) Market mavens (see Laroche et al. 2001 for clear definition) search indeed for more promotions information than average consumers but not necessarily evaluate their benefits more positively.
- 4) The more variety-seeking consumers are the more they like price promotions (although not proven for coupons).
- 5) Consumers who have tighter budgets (financial wellness) are more likely to enjoy and make use of price discounts.
- 6) The more consumers are willing to search for information, evaluate benefits and make use of price promotions the more they are also willing to switch store.

M. Laroche et al. / Journal of Retailing and Consumer Services 8 (2001) 251–260

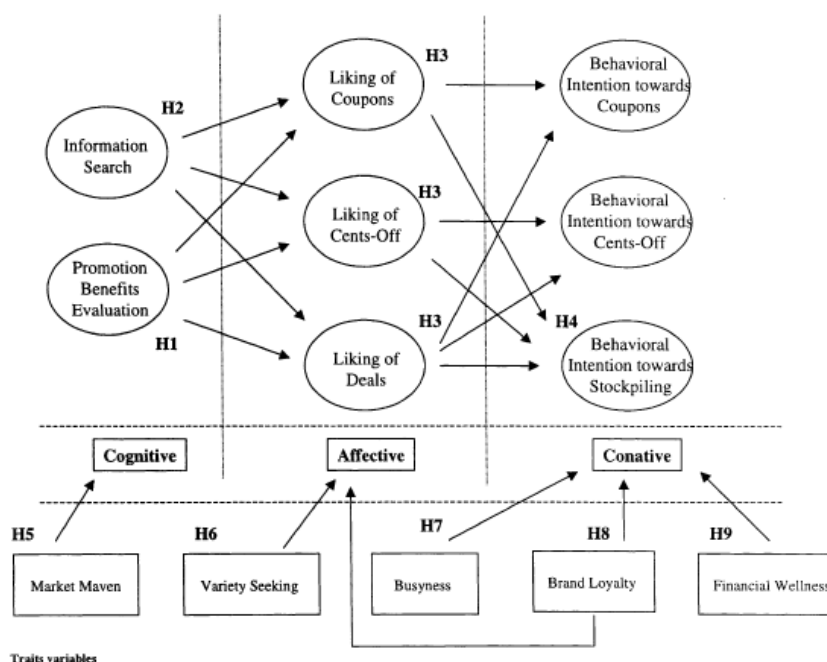


Figure 1: cognitive, affective and conative model – Laroche et al. (2001)

Following the last conclusion from Laroche et al. (2001), it is in accordance with previous research. The brand switching behavior that sales promotions induce is also reported by Rothschild et al. (1981). The underlying idea is that once the promotion is over for a certain brand consumers will tend to search for another brand on promotion. This trait is even more evident when talking about price promotions (Gupta 1988). However, there is evidence that long-term relationship derives from good trial stimuli (ex. Promotions) but also good reinforcement stimuli that leads consumers to repeated purchases (Rothschild et al. 1981). Therefore when thinking about the development of a store brand concept rather than individual product's brands (Luijten et al. 2009) one may think that once promotion stimuli are repeated constantly (on a weekly basis) consumers will have less incentive to switch stores. This is due to the fact that the promotion stimulus never ends when applied to a store brand concept and thus consumers will always have in their minds the promotion incentive for a given store. In fact, Bell et al. (1998) showed that if consumers are already loyal to a store then the effectiveness of price promotions will depend on how often and how much they buy. In practical terms, if consumers shop more often and buy smaller quantities they will be more deal-sensitive (more sensitive to specific product's price rather than the whole basket price) and thus more willing to make use of promotions or shop at a Hi-lo store.

Another dimension of price related activities is the effect on perceived quality. Among other studies Yoo et al. (2000) and Darke et al. (2005) showed how consumers perceived inferior quality from lower prices. Moreover, Buil et al. (2011) concluded that price promotions affect negatively quality perceptions as a result of lower prices. Following this line of thought, one could be led to think that supermarkets with a Hi-lo pricing strategy could be damaging their product's quality perceptions by heavily betting on price promotions that reduce sometimes the prices down to half. However, a study by Darke et al. (2005) also states that these inferences are more likely to happen in a segment of High to medium prices, which is not the case of the majority of supermarket products. Teng (2007) also revealed that the better are prior associations with a brand (quality included) the more that brand is likely to be part of consumers' consideration set once is on promotion. Moreover, the stronger a brand is the less consumers will perceive low quality from its products (Darke et al. 2005). This can perfectly be applied to the store brand concept (Luijten et al. 2009) mentioned before. Finally the low price low quality inference is also a reality for the case of EDLP stores

(Darke et al. 2005) that have their prices lower than average, which suggests there is no advantage on quality perceptions between both price strategies.

3.3 Brand equity - Definition

Brand equity's has been a highlighted topic of research over the past two decades. Although definitions may vary, Aaker (1991) defines it as "a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers "(See **Figure 2** for a summary of Aaker (1991) Brand equity definition). In order words brand equity is the value added to both company and customers from having a strong brand. However it is possible to tight this definition in terms of the consumers point of view. Brand equity is then the value added to a product or service to the consumer from being linked to a certain brand (Aaker et al. 1993). The idea that brand equity can be measured from both firm's (ex. Revenues, market share or profits) and customer's (ex. Loyalty, positive associations, knowledge) side is also developed by Ailawadi et al. (2003).

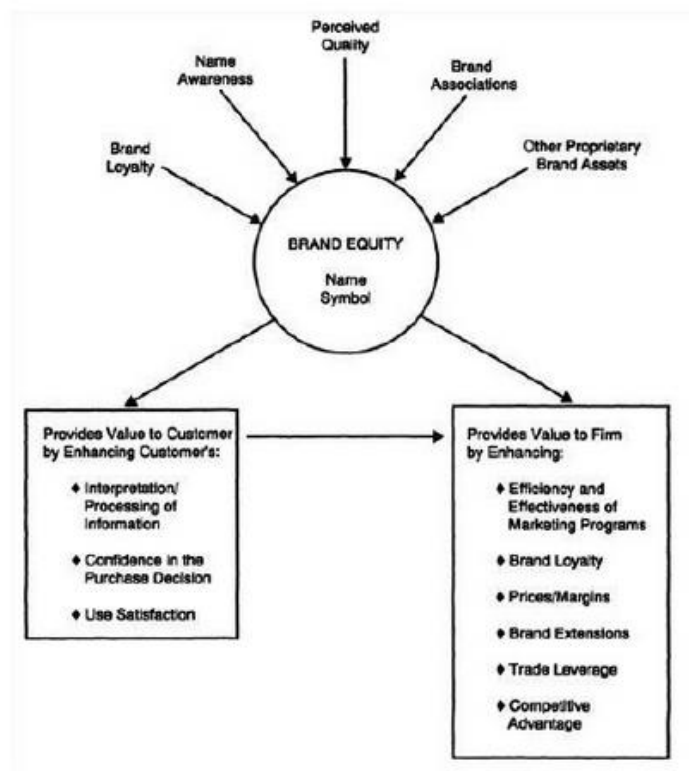


FIGURE 1-3 Brand Equity

Figure 2 Brand Equity definition – Aaker (1991)

For that purpose Keller (1993) proposes a model of Customer-based brand equity that is defined as “the differential effect of brand knowledge on consumer response to the marketing activities of the brand”. In other words, the impact of consumers’ prior awareness and set of associations towards a brand in their response to any change on the marketing mix (Product, Price, Promotion and Place) taken by the brand. Therefore Customer-based brand equity is created when consumers are highly aware of a brand and the set of associations they hold from previous experiences are positive, strong and as unique as possible (Keller 1993). It is also the creation of customer-based brand equity that leads to improvements on other financial figures such as profits, sales volume or market share, which can be seen as the firm’s brand equity (Keller 1993; Ailawadi et al. 2003).

The concept of brand equity is generally applied to a specific product or an assortment of products of a certain brand. However, this does not mean that the concept cannot be extended to a “store” level. In fact, as mentioned previously, Luijten et al. (2009) developed the concept of brand equity applied to supermarket stores which they called Store Formula but that stands for Store Brand equity.

3.3.1 The process of brand equity creation

One of the purposes for which is interesting to measure a firm’s brand equity is to access the effectiveness of a new marketing strategy (MSI, 1999 cited in Ailawadi et al. 2003, pp. 2). Given this, Customer-mind set based brand equity (Keller 1993) is then well defined to draw conclusions upon the referred goal (Ailawadi et al. 2003). Furthermore, in the long-term for any marketing initiative to succeed among creation of customer-based brand equity, decision makers have to take into account how short-term marketing programs will influence customer’s brand knowledge (Keller 1993, see **Figure 3** for a better understanding of Brand Knowledge concept). The more consumers develop a set of strong associations that remain in their mind and that are unique and differentiating from competitors, the more a new marketing program will be likely to succeed (Keller 1993).

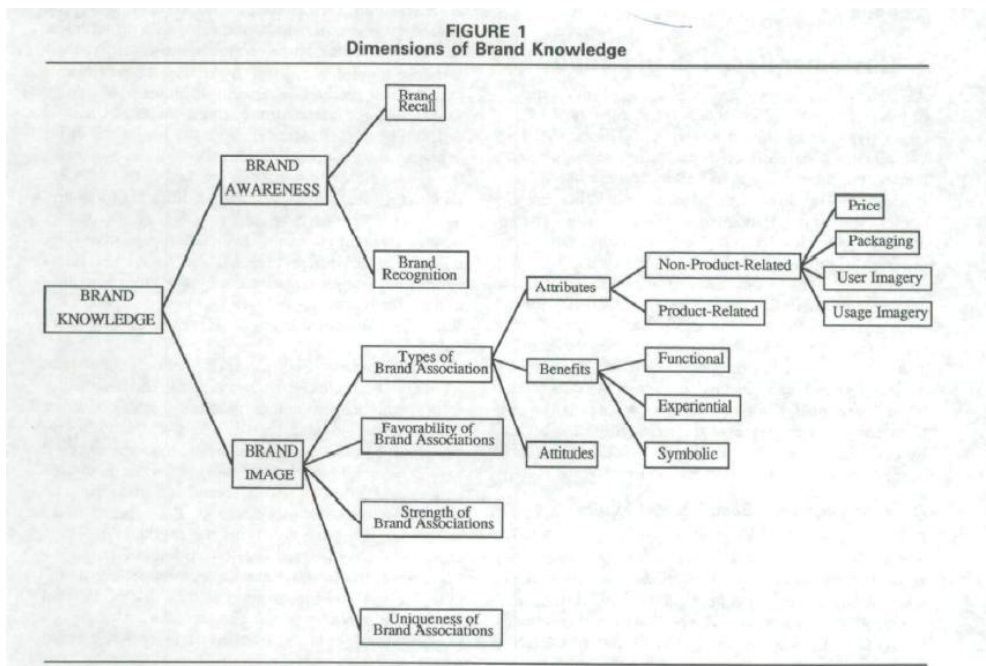


Figure 3: Dimensions of brand knowledge – Keller (1993)

The creation of brand equity brings several advantages to the firm. Among them, more loyal customers which makes it harder to switch brands; higher margins from customer willing to pay a price premium (very often designated as paying for the brand's name); a sustainable competitive advantage over other firms; or a unique and positive set of associations that makes a brand distinct in a particular attribute (Aaker 1991).

3.3.2 Dimensions of Brand Equity and its measurement

According to Aaker (1991) there are five dimensions that support the creation of brand equity: Loyalty, awareness, perceived quality, brand associations and other brand assets (patents, trademarks...).

Nevertheless, for all that was stated it is difficult to reach an agreement in what concerns the use of a methodology to measure brand equity creation. In this paper it will be used The Brand Equity Ten model (Aaker 1996, see **Figure 4** for a summary of the model), as it is effective for any sort of products and markets (although it can also be a good starting point for a specific product or brand), combined with the model of customer-based equity creation proposed by Keller (1993).

TABLE I. The Brand Equity Ten

Loyalty Measures
<ul style="list-style-type: none">• Price Premium• Satisfaction/Loyalty
Perceived Quality/ Leadership Measures
<ul style="list-style-type: none">• Perceived Quality• Leadership
Associations/ Differentiation Measures
<ul style="list-style-type: none">• Perceived Value• Brand Personality• Organizational Associations
Awareness Measures
<ul style="list-style-type: none">• Brand Awareness
Market Behavior Measures
<ul style="list-style-type: none">• Market Share• Price and Distribution Indices

Figure 4: The brand equity ten model: Aaker (1996)

Among several dimensions that can be study to measure brand's equity, 6 were chosen based on two factors: their relevance to brand equity creation, their link to customer-based brand equity which is the perspective most relevant for the purpose of this study. Thus the paper will be assessing the impact of price promotions on: Awareness, Loyalty, Image (associations), Perceived Quality, Differentiation and Personality (Aaker 1996; Keller 1993). A more detailed view on each of them will now be done.

Awareness - It can be defined as the degree to which consumer may recall a brand within a certain product category (Aaker 1991). Its relevance for the process of brand equity creation has to do with its effect on the creation of perceptions and attitudes (Aaker 1996) and its value is driven by familiarity – consumers like what is familiar and more so what consumers are able to recall is very often what they have in their consideration set. (Aaker 1991).

Loyalty – It can be defined as degree to which customers keep buying from the same brand despite changes in the environment, competition or the brand itself (Aaker 1991). To measure it, Aaker (1991) identifies dimensions such a satisfaction, commitment and switching costs. In this paper loyalty is referred not in terms of the general concept of brand loyalty but to a broader concept of Store loyalty (Luijten et al. 2009). In the case

of store loyalty for FMCG it makes little sense to evaluate loyalty under the perspective of price premiums but it makes sense to analyze it on a satisfaction perspective (Aaker 1991; Aaker 1996) for instance the role of price promotions on in-store purchase experience overall satisfaction that may lead customers to chose one chain over the other more frequently.

Brand associations – They are memory associations linked to a brand (Aaker 1991). It may create positive attitudes towards a brand, particularly when linked with a successful positioning strategy (a strategy that triggers the right associations) (Aaker 1991; Jewel 2007). The uniqueness of these associations are an important factor for a brand and it will be dependent for example on consumers' knowledge from competitors (Keller 1993).

Perceived Value Associations – It intends to measure the value consumers perceive from a brand (Aaker 1996). Furthermore the notion of value does not necessarily have to be connected to quality. In fact for some brands it makes more sense to use the value measure as it is more connected to the “benefit” and “practical utility” of consumers' purchases (Aaker 1996).

Personality Associations – As part of consumers' associations, brand personality can contribute to brand equity creation through differentiating the brand, providing a reason to buy or even create a set of positive attitudes and/or feelings. (Aaker 1991). This dimension is extremely important in markets where the physical differentiations are somehow limited and as a consequence brands can make use of the “social setting” to do “statements” regarding consumers (Aaker 1996).

Perceived Quality – It is one considered one of the foundations of brand equity creation (Aaker 1991; Aaker 1996). In terms of definition it is the customer's general perceptions about the quality of a product and it can be very important as it provides a reason-to-buy or differentiation factor among brands. (Aaker 1991). Nevertheless, for the purpose of this research the interest is not so much understanding the role of price promotions on perceived quality as it is generally proven negative (Yoo et al. 2000; Darke et al. 2005; Buil et al. 2011). However previous research also stated that the stronger perceived quality associations are the more positive will be consumers' response to price promotion stimuli (Chandon et al. 2000; Teng 2007). Thus, the interest is in evaluating if current perceived quality is enhancing the acceptability and

performance of price promotions. This is coherent with the direct approach of measuring brand equity proposed by Keller (1993), which measures the effects that current brand knowledge has on the response to marketing mix elements.

Differentiation – The differentiating factors of a brand help consumers making unique associations about them. According to Keller (1993) the more unique associations are the more the brand is distinct in a consumer's mind set which positively influences the creation of brand equity. Also differentiation is what allows brand's to have premium prices over each other (Aaker 1991). When firm's make use of price promotion generally they are lacking the use of brand building advertising and enrolling into price competition which makes the differentiation task much harder (Aaker 1991, Aaker & Biel 1993, Keller 1993). Nevertheless there are different price promotions strategies. Chandon et al.(2000) reported that some of those strategies might be more useful depending on the evaluation consumers make of the benefit levels.

3.4 Sales promotion as a brand building tool

Sales promotions are typically seen as a short-term instrument to raise sales as the main reason why they would be considered beneficial (Gupta 1988; Aaker et al. 1993, Ehrenberg et al. 1994).

However, previous research shows that it cannot be seen as a brand building tool (Aaker et al. 1993) and its long term effects can be harmful to brand equity. For instances they increase significantly price-sensitivity and deal sensitivity (Mela et al. 1997); it causes consumers to perceive low product quality and it weakens brand associations (Yoo et al. 2000) or; it creates discrepancies in the price consumers expect to pay (their reference price) thus affecting negatively brand choice (Winer 1986). Moreover, the fact that firm's incur in lower profit margins is also a risk of sales promotions (Teng 2007).

Nevertheless it is clear that FMCG retailers have been increasingly making use of such tool as part of their marketing communication (Laroche et al. 2001; Hardesty et al. 2003; Darke et al. 2005; Palazon et al. 2009). Furthermore, retailers tend to use brands that already possess strong brand equity more frequently on promotion with intention to drive more customers into their stores (Shankar et al. 2004). One question that immediately poses is: Why are retailers using it so intensively if it is to harm their brand

equity in the long-run? Indeed, as short term price competitions increases in many industries, this topic of research gains even more relevance (Aaker et al. 1993).

More recent research has proved that opposite to the idea that sales promotions are merely a short term incentive that produces undesired effects for the brand's equity in the future, that is also a positive side on the long-run brand equity related. As mentioned before Chandon et al. (2000) reported that there are a lot more benefits than savings for consumers derived from sales promotions. Based on this it was concluded that high-equity brands can benefit from sales promotions if the benefits they provide are adjusted to the benefits consumers are searching for.

If the analysis of these effects takes into consideration consumer segmentation, then there is brand equity creation among deal proneness consumers (Jopseh et al. 2008; Vallete-Florence et al. 2011) and high involved consumers (Jopseh et al. 2008). The extent to which a consumer is more or less deal proneness can be related to a variety of factors such as self-esteem, price sensitivity, value consciousness, shopping enjoyment or importance of smart shopping (Vallete-Florence et al. 2011). These factors, in turn, can be connected to the benefits model proposed by Chandon et al. (2000).

Palazón-Vidal et al. (2005) also mention the fact that sales promotions are useful for a firm's brand equity in the sense they develop brand knowledge as consumers report a greater number of positive associations. Moreover, monetary promotions are more effective regarding the creation of brand equity when applied to utilitarian products – the ones that provide consumers with utilitarian related benefits such as savings, quality or convenience (Chandon, et al. 2000; Palazón-Vidal et al. 2005). Non-monetary promotions also positively enhance brand equity as they positively influence perceived quality and brand associations (Buil et al. 2011).

Another benefit of advertising in general (Buil et al. 2011) and in particular of price discounts is that it enhances brand awareness (Teng 2007). The idea is that once consumers are faced with a price discount (whether or not is requires a minimum purchase expenditure) the brand will move from their mind hold set to the mind consideration set. This relationship will be stronger if prior associations with the brand on the hold set (ex. Quality) are positive (Teng 2007). Enhancing brand awareness is of particular importance at it increases perceived quality and brand associations (Buil et al. 2011). The latter, in turn, increases brand loyalty (Buil et al. 2011).

Thus, the controversy of the theme and its dependence on a variety of factors makes it of major interest to study particular cases and assess if brand equity was indeed created.

4. Case Study – price promotions during economic crisis: is brand equity created?

It was the 1st of May of 2012 - one of the most important public holidays in Portugal - *Dia do Trabalho*. During the previous days everything seemed normal in what concerned the supermarket industry in Portugal. However, on that Sunday morning, it was revealed that *Pingo Doce* was running an extremely aggressive promotion allowing consumers to get 50% off on every purchase beyond one hundred Euros. The promotion was intentionally not communicated in advance. But at the end of the day even the directors of the company – responsible for planning it – were surprised with the magnitude such initiative had reached throughout the entire day: Social networks were flooded with all sorts of reactions; The opening news on every channel was about it; Several reports and images at the scene showed the turmoil of people waiting in the line to get inside stores and even more to reach the checkout points; Inside households the phone would ring to give notice about it or people would purely “be forced” to talk about it.

Pingo Doce was during that day under the spotlight. The event was, however, only the beginning of what would be a remarkable turnaround and it was followed by several aggressive price promotions on a regular basis.

Months have passed. Most of the fuss created by the promotion run on the 1st of May has settled down despite the following price promotions that have kept going on regularly. It was time for an evaluation. Sara Pinto – who worked in the marketing communication department of Jerónimo Martins– had in mind the fact that this constituted a significant turn in *Pingo Doce*'s life. After all, the company had strengthened its image over the recent years on the basis of no promotions, rather keeping prices low at all times. *How had consumers perceived it? Had the brand really strengthened after the repositioning?*, she thought. Her boss, the head of the marketing department would want answers to those questions.

She was sure that consumer's response in the mid-term would be crucial for the success of the new strategy in the long run.

4.1 The Supermarket Industry in Portugal at the time

The evolution of the food distribution industry in Portugal had been characterized by changes in the market structure that went along with changes in social and demographic dimensions of consumers. The board of *Pingo Doce* was aware of key characteristics of the industry at that time.

The growth of modern distribution – Consisted of larger supermarket chains. These chains, *Pingo Doce* included, benefited from cost efficiency, larger revenues and economies of scale to provide customers with more variety and lower price products. Its growth started during the 90s and was characterized by the proliferation of hypermarkets (more or less 7000 square metre stores). More recently, since the beginning of the new millennium, supermarkets (smaller stores between 800 to 3000 square metres that would very much characterize the majority of *Pingo Doce* stores) had grown intensively from 25.2% in 1994 up to 50.8% in 2004 (See **EXHIBIT 1**). Mainly convenience and proximity but also the matching in terms of lower prices and quality & variety of the assortment had contributed for the upraising of supermarkets compared to hypermarkets. As a consequence the traditional distribution composed of small local shops has been decreasing intensively over the past two decades – from 74.1% in 1987 to 16.3% in 2004.

From the consumers point of view, modern distribution was seen as useful mainly in terms of lower prices and increasing variety of products (See **EXHIBIT 2**).

The increase of the industry's concentration – As a result of modern distribution proliferation, several events related to mergers and acquisition had happened in the past few years. *Continente*, one of the two top players in the Portuguese market acquired all the stores from Carrefour in 2007 whose market share accounted for about 3% of total sales (See **EXHIBIT 3**). On the other hand *Pingo Doce* acquired Plus which had a position of about 1% of total market share of sales and also integrated Feira Nova (Group Jerónimo Martins' hypermarket chain) within the set of *Pingo Doce* stores. Group Jerónimo Martins was also the owner of *Pingo Doce*.

The main consequence of this was that concentration in the Portuguese food distribution sector had been increasing. Data from 2007 showed that the six biggest players had up to 70% of market share in terms of sales.

The growth of the relative importance of price – Consumers were taking price into consideration more carefully when making their choices.

As mentioned above lower prices were the main reason why consumers would consider modern distribution beneficial. And indeed over the past few years modern distribution had allowed for lower prices. Typically in most categories prices had rose inferiorly to inflation and clearly below traditional retail prices¹. Moreover, from the relevance of price in the decision process two trends had emerged recently within the food distribution sector:

The appearance of discount chains and their gain of power – From the six main players, two (Lidl and MiniPreço) were discount chains. In other words stores that had prices considerably lower (15% to 40%²), an assortment of products composed significantly by private labels and less variety. Nevertheless, being lower prices their main appeal, this sector had experienced considerable growth. For instance their market share in 2004 was 14.8% (twice as much than in 1998)³.

The development of chain's private labels – All of the major players had at this time their own brand present in their assortment of products. The penetration of own brands had grown at an average rate of almost 9% between 1994 and 2005 (the average market share of each chain's own brand was at that time nearly 13%)⁴. However the goal of main players like *Pingo Doce* in developing their own brands was not purely to provide customers with lower price products. It was also to attract customers based on high quality products, developed through thorough tests, which could at the same time be sold at lower prices. Self owned brands were also seen as a tool to help establishing a trustful relationship with customers.

4.2 Pingo Doce - Historical Overview

Pingo Doce was a retailer of food distribution – commonly known as supermarket. Its creation had been done a long time ago, back in 1978 and it started operating two years

¹ RolandBerger report for APED 2009

² Taylor Nelson Sofres (TNS) analysis cited in Palma et al. (2005)

³ Data from Palma et al. (2005)

⁴ AC Nielsen reports cited in Palma et al. (2005)

later. The brand was part of a major group – *Jerónimo Martins* - and it was created to signal the intention of the group to enter in the food distribution market.

It was not until around 12 years later that something remarkable happened: the group decided to enroll for a repositioning strategy with intention to accelerate growth. As a result, within the food distribution market, in 1993, almost one hundred supermarket stores from different chains were acquired with privilege to the north and centre urban areas of Portugal. *Pingo Doce* became by that time the leader of food distribution within the supermarket segment.

During the 90s *Pingo Doce* started developing aspects that would have revealed later and up to the time of writing core elements of its stores: an appealing store environment based on organization and efficiency of shopping experience; and the preeminence of its “fresh” products (fish, meat, vegetables and bread) as core saliencies of the store.

The end of the 90s had been, however, characterized by a strong development of hypermarket chains. These were located on the boundaries of urban areas and due to their dimensions were able to provide customers with lower prices and wider assortments of products. The Group *Jerónimo Martins* had acquired a hypermarket chain back in 1993 – *Feira Nova* – but its main strategy had to do with the supermarket *Pingo Doce*. And back at the end of that decade *things were not going as initially planned*, Sara confessed. *The fact is that we were stuck to a niche market, as the majority of consumers had perceptions that somehow we were quite an elitist chain with higher prices. And this is not what we wanted!*, Sara firmly said. *In fact that positioning was strongly inadequate to the market at that time* – where consumers were starting to become more price sensitive for example due to the growth of hypermarkets.

4.3 The first turnaround of the 21st century

The group then designed a strategy completely focused on its supermarket chains. Moreover, after having built part of its image on quality and store environment over the years, in 2002 *Pingo Doce* did its first repositioning exercise - price being its main focus. The main communication message was “*O Pingo Doce baixou os preços*” – *Pingo Doce has decreased its prices*, and, indeed, the prices went down.

The following years were then characterized by two ongoing tasks: on the one hand the development of *Pingo Doce*'s own brand products; and on the other hand the strengthening of the new pricing strategy, all together with the expansion of the store presence throughout the entire country (See **EXHIBIT 4** for store number increase) . As a consequence between 2006 and 2008 and through efforts in cost efficiency the store was able to reduce prices year after year especially within their own brand products. During this time consumers were being bombarded with price related messages but at the same time experiencing the other foundations of *Pingo Doce*'s brand mentioned before such as the products quality, the differentiating store environment and the convenience/proximity of its stores. Radio, TV and street outdoors were media means intensively used by the brand to not only reach consumers but also repetitively spread the message. *We wanted to keep establishing a trustful relationship with our customers that would allow us to become the leader in the market*, said Sara.

4.3.1 Pingo Doce EDLP strategy

The year of 2009 constituted a remarkable period for the strengthening of the brand. Its communication message started not only focusing on price but also in enlightening the EDLP strategy. Competitors were making use of price promotions but *Pingo Doce* decided to stick to its EDLP policy based on the fact that they were being able to effectively reduce their cost structure. Their core message was changed to “Preços baixos e competitivos o ano inteiro” – *Low and competitive prices throughout the entire year*- as well as “No *Pingo Doce* não há cartões nem talões” – *In Pingo Doce there is no need for coupons or loyalty cards* - exploiting the “annoying” effect of carrying a loyalty card or a coupon to redeem.

As to the difficulties of maintaining an EDLP policy given its low margins: *It really was all about having an efficient cost structure*, Sara said. *For instance when price volatility is lower (proper from EDLP) you tend to have more bargaining power in negotiations with manufacturers.*

It is also during this time that the process of unifying the brand starts accomplishing. The hypermarket Feira Nova was rebranded *Pingo Doce* along with the store characteristics and products assortment. The same happened with the supermarket chain

– Plus – acquired in 2008. The group was striving to reinforce the presence of the brand near consumers more and more.

4.3.2 The repositioning results of the beginning of the 21st century

Pingo Doce was by 2010 the market leader in the food distribution in Portugal. Its predicted market share for 2011 represented 16.3%⁵ of the industry total sales. Moreover the number of stores had doubled up since 2004 up to nearly 380 stores. The efforts of the company throughout the new century had been successful. Sales volume had grown exponentially narrowing the gap for the main competitor – *Continente*. But more importantly, the sales like-for-like had been growing year after year with steady EBITDA margin growth (See **EXHIBIT 5**). The weight of the supermarket business inside Group Jerónimo Martins had been increasing as compared to other sources such as the cash and carry (See **EXHIBIT 6**).

As to customers, there was an identification with the brand's repositioning that led those to re-trust *Pingo Doce* thus acknowledging it in their consideration set. As a result the number of regular clients increased. One of the least positive characteristics pointed out by consumers was variety⁶, although the company was aware of that as efficiency costs efforts had weakened the variety of *Pingo Doce*'s assortment.

4.4 The repositioning strategy of 2012

In the previous year the industry trends, brands and positioning strategies were clear: All the major stores were making use of smaller and more conveniently located stores. As to positioning and among other aspects *Continente* was present in consumer minds through their loyalty card promotions, *Minipreço* was present through its low prices and coupon promotions. *Pingo Doce* was identified for its EDLP strategy where one could make use of generally lower prices. Promotions and discounts were not part of *Pingo Doce*'s image nor had the brand's current equity at that time been built around those communication tools, unlike its main competitors.

The group had however identified important evolution of demographic trends:

⁵ Dados Internos. Dados de mercado calculados com base no Volume Negócios INE (Volume de negócios (€) das empresas por Atividade económica (Subclasse - CAE Rev. 3) e Escalão de pessoal ao serviço; Anual (1)). Vendas *Pingo Doce* consideradas - Store Sales. versão 20121025.

⁶ PRM Marketing Intelligence – Investigação “Tracking Retalho Alimentar 2011”

- Consumers were adjusting their purchase habits to their lower income by buying more frequently but spending less at each time.
- Price sensitivity among consumers was growing and consequently more attention was getting paid to the price factor.
- Consumers were choosing increasingly products at lower prices, especially, own brand ones.
- Increasing comparison of prices among different stores and more importance given to price as a decisive variable at the moment of purchase.

Along with the changes in demographic terms the board had access to data from PRM marketing intelligence market research in 2011 on consumer perceptions on different supermarket brands revealed important but concerning data (See **EXHIBIT 7** for full study report). The study showed that among core consumers of *Pingo Doce* and in comparison with 2010, perceptions of prices and promotions had decreased from 22% to 14%. This was the worse result among all players within the same study, despite the brand had been trying to keep its prices lower than competition with huge cost efficiency efforts and repetitively communicating that message to consumers. The fact that core consumers had weaken their perceptions on price and promotions also led to a lot of uncertainty as to what non-core consumers of *Pingo Doce* would think.

Moreover, for the first time in a long time *Pingo Doce* had lost market share to its main competitor - *Continente*. This happened for two months in a row. *The changes in the social demographic sphere made us realize that we were in the need of adjusting again our strategy*, said Sara. *We were already making some experiences at the end of 2011 such as promotions of “get two pay only 1”*. *The decrease in the market share was the trigger to start planning the repositioning strategy more seriously*, Sara added.

4.5 The new strategy

The 1st of May was then the chosen date to get the new strategy started, based on aggressive price promotions. One week after Cláudia Falcão - Investor Relations of the Group Jerónimo Martins- said *“The market is really competitive and active in what concerns promotional campaigns. I do not think we are starting a price war. We have a strategy”*.

To Sara this was directly connected with the execution of the company guidelines within its objectives such as – reinforcement of price competitiveness and of the value proposition. *The strategy is long term oriented*, Sara explained. *For our core clients, who value Pingo Doce stores more than merely for price, it would represent an additional bonus as we did not change a thing in what concerns our core identity and differentiating factors.* The study also revealed that indeed consumers had still strong perceptions on those elements. *As to our “one-off” clients, we believed it would act as a trial incentive in the short-term.* However, Sara also knew about the importance of the latter group of clients in the long-term success of the new strategy. *It has only started, there is still a lot of work, especially communication related, to turn these one-off clients into loyal*, she stressed.

4.5.1 The use of Price Promotions

Theoretically the use of EDLP should be a mean convenient to deal with increasing price sensitivity. But more than price sensitive the Group realized in fact that consumers had turned into more deal proneness, hence the choice for a value proposition based on promotions. *Price promotions became a need in consumers’ mind*, Sara recognized. *Not only it allows consumers to feel the monetary effect of saving money (that corresponds to the price sensitivity effect) as it also adds value in the sense of smart shopping feeling or in terms of an entertaining effect*, Sara added. Therefore this move was nothing else then a matching from *Pingo Doce* to the new needs of consumers.

As to the switching store effect that price promotions could create, especially in the segment of consumers that constantly seek for a better deal, the Group was confident that even if this was to happen in the short-term they would be able to overcome it in the long-run by turning these consumers into loyal. Although there were no signs on how to really increase loyalty among this set of consumers.

4.5.2 A short term look at the new strategy

Claudia Falcão had said short after the campaign that the new move *allowed to reinforce the brand and the competitive position in the market.* She also said that the negative results from the campaign on the 1st of May – losses of about 10 million euros – was something that the Group had well accounted.

Indeed, one of the greatest benefits of the new strategy was the prominence achieved by the brand. As stated before especially during but also after the 1st of May, the word-of-mouth effect among consumers was huge. Suddenly and without almost any communication costs, most consumers were aware of *Pingo Doce*'s new promotions. On the other hand this enabled the brand to significantly reduce its costs with TV or radio advertising. *We felt that flyers had gained relevance again as consumers would spend time looking at it searching for good promotional deals*, said Sara.

Sara also believed no identity had been lost despite having built their strength over the previous years on the basis of no promotions. *Our price promotions are done on top of the lower prices we already had. Plus, we did not neglect other core values of our stores, so it remains equal at the end. If anything we think we gained more consumer trust as they feel we are making effort to match their needs.*

Another issue that was not clear was if the fact that *Pingo Doce*'s promotions had no loyalty incentive such as coupons redemption or loyalty card association would be advantageous for the brand. *Indeed not having any source of loyalty can be harmful, but we trust our communication policy to demystify the flaws that competitors' promotions do have despite their loyalty effect*, assumed Sara.

4.6 The crucial assessment

Despite Sara's beliefs and impressions on the short term success of the new strategy she was aware that a more deep full analysis had to be done.

Her major concern had not to do with financial figures. Not only because the strategy had well accounted for less positive results in short term but also because within a recession context it could be that other extraneous variables were influencing it. Therefore it would be hard to separate all variables and measure their influence on the financial performance of the new strategy during such a short period.

What she really felt had to be done was a thorough analysis among consumers. She was sure that the strengthening of the brand with the new strategy would only occur if consumers' perceptions, attitudes and beliefs were in accordance. And more importantly, she was sure that the success of the strategy in the long run –financially

included as well – would be much dependent on consumers’ reactions at that time, both for core and non-core consumers of *Pingo Doce*.

5. Market Research

One interview and one survey were conducted in order to better understand if the new strategy had revealed successful in what concerns brand equity creation.

5.1 Methodology

The goal of the interview was to understand some underlying dimensions related to motivations and expectations on the basis of the new strategy (See **EXHIBIT 8.**). The author then chose Sara Pinto employed within the marketing department of *Pingo Doce* who was along most topics mentioned above. It was useful to understand the motivations behind the new move although as to expectations lack of thorough analysis made it more difficult to corroborate. Most of it had an open ended structure to allow the interviewed to cover side topics that could be useful to complement core topics and to more easily manage the conversation.

Nevertheless the survey was the key research method used by the author. It was driven online as the majority of people have internet access which made it easier to collect answers. However, the author decided not to make use of social networks to gather answers as these were still undermined by a younger generation of users who were considered not useful for the purpose of the study. Therefore it was distributed online within several entities, both public and private, as well as across a wide range of industries from banking through to the energy sector.

Related to the above topic was the target audience. For the purpose of the current study that focused mainly on the consumers' side, the author considered of major importance to evaluate supermarket consumers who would be responsible for grocery shopping for they household. Mainly Portuguese adults who would spend more or less time doing it as they would already possess perceptions on the different supermarket brands. Moreover the study intended to evaluate consumers' opinions which were considered of the most importance and this target audience was seen as the most likely to have formulated credible opinions.

The author also considered a minimum of 150 inquires for the study to be credible enough. Although it could seem that 150 answers would be not large enough, it had to

be taken into account the restrictions mentioned above which would make it hard to collect a larger of responses.

Finally the last step was the design of the survey. At this stage and after recurring to topic related literature, the considered optimal survey was divided in seven parts each one with a different strategic purpose with all questions being close-ended (See **EXHIBIT 9**).

The first strategic component, composed by six questions, intended to evaluate shopping behavior in a more objective way. Question 1.1 was essential to evaluate if the respondent was the person usually responsible for grocery shopping within the household with only two options available: Mostly, or rarely. The following three questions (1.2; 1.3 and 1.4) were related with each other. Firstly respondents were asked if most groceries shopping were done in only one store. This was considered useful to evaluate store loyalty. Secondly they were asked to express their frequency of visits, at the time of answering, given a constant sum question where 100 points had to be splitted along 4 given stores or a fifth option composed by an open ended option where they could state a particular store. *Continente*, *Pingo Doce*, *MiniPreço* and *Lidl* were the given stores. *Continente* was chosen essentially given its role as the main competitor of *Pingo Doce*. The other two as they represent the top discount stores in Portugal an emerging sector that can also be a fierce competitor of *Pingo Doce*. Thirdly, the exact same question was then asked but related to 6 months before. Not only it was a time horizon suitable of being easily remembered by respondents as it, most importantly, could evaluate different visiting patterns after the new move from *Pingo Doce*. Finally question 1.5 and 1.6 probed consumers on both the frequency of visits and amount spent per visit to supermarket stores. The information provided by these two questions could be useful in segmenting consumers.

The following strategic part intended to evaluate different store (brand) personalities. The four stores mentioned before were under evaluation in question 2 through six items related to their personality. A likert scale with four points was used with extremes being strongly disagree and strongly agree. Essentially this segment of the survey intended to gather consumers' perceptions on the personality of the brands as making an effort to help them through for instances, sacrificing their own profits.

The third strategic component fit the purpose of analyzing consumers' evaluations of the promotions' benefits across the supermarket industry in general. It was built around a model present in Laroche et al. (2001) mentioned in the literature review section. Essentially it could be useful to understand if and what consumers get underlying benefits from price promotions other than the money saved such as entertaining or a feeling of "smart shopping". Therefore, and once again, question 3 was composed by a 4 point likert scale was used to measure 8 items in the shape of six affirmative sentences. It is important to mention that the last item (question 3.8) was divided into three sub-items where respondents were asked how likely they were to buy a product under different price promotions schemes (Cents-off; Coupon or Loyalty Card). The goal was to understand, all other circumstances being equal, which would be their favorite price promotional method.

As to the next component it covered a series of lifestyle consumer traits. It was also built recovering to the same theoretical model mentioned before and through the same question structure. Lifestyle traits were considered extremely valuable to possibly segmenting consumers in dimensions such as market "mavenism", loyalty, financial wellness or time availability. Question 4 had seven affirmative items to be judged by respondents.

Following lifestyle another shopping behavior probing section was added. This time however, with a much more qualitative dimension rather than quantitative and objective like the one mentioned previously. Therefore, price sensitivity (questions 5.3 and 5.4), deal proneness (questions 5.2; 5.5; 5.6 and 5.7), joy of grocery shopping (question 5.1) and low price/ low quality promotion effect (question 5.8) were evaluated. As to the structure it followed the same 4 item liker scale, with respondents being asked the extent to which they would agree with the eight affirmative sentences.

The second last segment was directed to an evaluation specifically about *Pingo Doce*. It was purposely positioned lastly so respondents would not be tempted to bias their responses. A 7 point bipolar scale was used. The author wanted to evaluate, among others, the WOM effect of *Pingo Doce* promotions (question 5.2) as well as the brand price promotions value (question 5.4) and other core factors that the brand was well known for (questions 5.3 and 5.5) such as store environment and quality of fresh products.

Finally the last strategic had to do with demographic factors. Therefore questions 6.1; 6.2; 6.3 and 6.4 were respectively related to gender, age, household size and annual revenue.

In what concerns the data statistical analysis, it was performed with SPSS program. Four main tools were used to grant credibility and support the findings: Descriptive analysis, linear regression, paired and independent sample t-tests and, Pearson bivariate correlation analysis.

5.2 Sample

In what concerns the survey a total of 337 responses were collected. However due to missing values or unfinished versions the final amount of completed surveys was reduced to 230 responses.

As to gender the sample had nearly two thirds represented by women. The age was more evenly distributed. The most significant group was aged between 36 and 45 years old and represented 39.6% of the sample, followed closely by the set of people aged between 35 and 45 that accounted for 31.7% (See **EXHIBIT 10.**). As it was the author's intention, only one person under 25 years old took the survey.

More importantly, almost 80% of respondents were responsible for the household's groceries shopping most of the times. This was considered important as people who tend to do more often this chore would be more likely to possess better information and perceptions about the industry. Moreover, this was even more evident in the case of women whose responsibility in supermarket shopping most of the times accounted for 92.5% of their population. The value was significantly lower in men- 53.6%. Although the population of women was twice the men, the fact that most women were responsible for the chore made it useful to have a larger representation of those in the sample.

Finally it is important to mention that nearly 88% of respondents assumed to visit the supermarket at least once a week. Another remarkable issue was that 57% percent stated doing it at least twice a week (See **EXHIBIT 11.**). Along with the frequency of visits was the average expenditure per visit. Nearly 60% of respondents assumed spending maximum forty Euros per shopping trip (See **EXHIBIT 12.**). This figure is along with

what the company had already identified as a new trend in grocery shopping where people tend to do it more frequently and spending less money per visit.

5.3 Statistical Analysis

The following chapter is composed by statistical analysis run by the author to give answer on all the proposed research questions. The analysis was performed and supported through a series of statistical tests on SPSS.

RQ1 To what extent does price act as a key store choice factor for FMCG retail chains?

To address this question two dimensions had to be related: firstly price sensitivity should be measured and, afterwards, its relationship with store choice.

In what concerns price sensitivity questions 5.3 and 5.4 were addressed. The first one had a mean of 2.46 and the second one 3.14. In general, it can be seen that price concerned customers as the means of both questions were quite high, especially the latter one. The next step was then to create a new variable that would separate price sensitive customers from the ones non price sensitive. In both questions all the values were replaced by 0 (before 1 and 2) and 1 (before 3 and 4). The author then assumed that price sensitive customers were the ones that in both new variables would have the value one. Therefore a single variable was created. It was assumed that 0 value would mean non price sensitive segment and 1 would mean price sensitive segment. Generally speaking 101 respondents were considered price sensitive. By itself this indicator would be quite relevant as it represented nearly half of the whole sample.

On the other hand store choice was measured through question 1.3 which indicated store choice according to frequency of visits. The distributed points were interpreted as a percentage as they would add up to 100 points. Then, they were replaced by numbers 1, 2, 3 and 4 (75% - 100%; 50% - 74%; 25% - 49% and 0% - 24% respectively) for all the stores. Within the sample it was clear that *Continente* and *Pingo Doce* were the only chains that attracted customers more regularly. For instances, 36% of respondents assumed they visited *Continente* more than 50% of the times and 21% more than 75% of the times. Similarly, 33.5% respondents visited *Pingo Doce* more than 50% of the times and nearly 16% more than 75% of the times. For both discount chains (MiniPreço

and Lidl) these values (>50%) were representative of only less than 3% of respondents. (See **EXHIBIT 13.**)

The next step had to do in understanding the relationship between price sensitivity variable and store choice for each store. To do so four linear regression analysis were performed (See **EXHIBIT 14.**) The dependent variable was price sensitivity and the independent variables store choice. None of the models were statistically relevant so it could not be concluded that price sensitivity was related to store choice in any case. However, in practical terms, there was an interesting pattern. **As one would expect the more price sensitive consumers would be the more often they would visit the discount players (MiniPreço and Lidl). But, additionally, they also would visit more often Pingo Doce. Continente was the only chain which would be negatively affected for price sensitivity.**

Therefore, price could be related to store choice. The most relevant conclusion is that, **for the case of Pingo Doce, it could still attract more price sensitive consumers. Therefore the stores that mostly made use of the price appeal were the ones that were attracting more often price sensitive consumers.**

RQ1.1 To what extent do consumers incorporate items “on deal” within their set of groceries’ purchases. (EDLP vs. Hi-low)

This question intended to evaluate if respondents were, actually, making use of items on deal. Moreover, if the use of items on deal was related in any way to the number of visits to supermarkets and total amount spent per visit by respondents, which could identify their preferences for EDLP or Hi-low chains.

Firstly deal proneness was accessed (questions 5.2; 5.5; 5.6 and 5.7) on itself. The means for all questions were positive or above 2, but also not higher than 2.50 which suggested a certain degree of uncertainty. Nevertheless, it seemed that generally consumers were indeed buying items on deal. Question 5.5, which evaluated deal proneness through store switching behavior, had the lowest mean which could be considered a positive factor given *Pingo Doce* predictions of such negative behavior.

Through a regression analysis, with a model statistically significant, it was not possible to conclude for the majority of the variables, if deal proneness and promotions benefits

evaluation factors would influence number of trips to the supermarket (See **EXHIBIT 15**). This was due to the fact that all variables had significance levels above 0.05. Moreover, there was no regular pattern among them in what concerns how they would influence frequency of visits to the supermarket – either increasing or decreasing them. Nevertheless, one variable - the joy of groceries shopping (question 5.1) – was statistically significant – its significance was equal to .000. As the Beta was negative, the more one enjoyed groceries shopping, the more often it would go to the supermarket.

	R² = .103	Sig.	B.
Model Sig. = .012a			
Joy of groceries shopping		.000	-.338

Dependent variable: Frequency of visits to supermarket (Question 1.5)

On the other hand, frequency of visits to the supermarket and total amount spent per visit (question 1.6) also had a medium positive correlation as shown by a Bivariate Pearson correlation analysis (See **EXHIBIT 16**). Therefore, it became clear that the more often respondents visited the supermarket the less they would spend per visit. And, consequently, the more respondents enjoyed groceries shopping the more often they would go to the supermarket and the less they would spend per visit.

Finally, the author evaluated what variables (from the ones analyzed before) would positively influence the joy for groceries shopping through another linear regression (See **EXHIBIT 17**). Although the model could not explain well the relationship between variables (R^2 close to 0) it was significant (sig. = .000). There was one variable – the fun benefit from promotions – statistically significant for the same reasons mentioned before. As a conclusion, the more respondents perceived promotions as something fun to enroll in, the more they would enjoy groceries shopping.

	R² = .148	Sig.	B
Sig. = .000^a			
Fun benefit from promotions		.002	.184

Dependent variable: Joy for groceries shopping (Question 5.1)

Finally there was a small positive correlation identified between perception of the fun benefit and deal proneness variables, through another Pearson Bivariate correlation analysis (See **EXHIBIT 18**). Therefore the more perception of the fun benefit the more deal prone respondents will be.

In conclusion respondents appeared to incorporate items on deal within their purchase set. Promotions may affect the frequency of visits and total amount spent in the cases where: consumers perceived hedonic benefits from promotions (the fun in particular), which would in turn positively influence the joy of shopping trips. Finally the more they enjoyed groceries shopping the more often they would do it and the less they would spend per visit. Additionally, one must take into account that the perception of the fun benefit is positively correlated with deal proneness.

This also suggested that **in fact deal proneness consumers would tend to prefer Hi-lo stores where they could make use of deals within a shopping pattern of more visits and less money spent per visit.** This was similar to what what Shankar et al. (2004) found in their studies as well.

RQ 2.1 Awareness – What are the general associations of *Pingo Doce*'s promotions? Are they reaching them effectively? Are they already part of most consumers' mind set?

To better test the awareness, two dimensions on how consumers were learning about *Pingo Doce* promotions were measured and compared: either marketing efforts taken by the company or through word of mouth effect.

Generally speaking the mean values were not impressive on a scale from 1 to 7. Consumers were more aware of promotions through the marketing efforts of the company (Question 6.1 - mean 3.89) rather than word of mouth effect (Question 6.2 - mean 3.51). This conclusion was proven through a paired sample t test which model was statistically significant (See **EXHIBIT 19**). However there is an important difference between the whole sample and the more regular *Pingo Doce* customers (the author assumed regular customers of a given brand all respondents that assumed visiting a given store more than 50% of the times). The awareness through marketing effort is still greater but the values for both are clearly higher: mean of 4.30 for the marketing

efforts and 4.00 for the word of mouth. Moreover the same paired sample t test had a significance level of 0.212 which means it could not be rejected the hypothesis that means were equal (See **EXHIBIT 20**). Due to that, it could not be said that marketing efforts were more effective than the word-of-mouth effect for this group of respondents. **Therefore the promotional message was reaching better consumers that would shop more regularly at *Pingo Doce* than the rest, especially in what concerns the word of mouth effect.**

Nevertheless, there seemed to be a general positive perception on *Pingo Doce*'s promotions value (question 6.4). The sample mean was 4.68. However, again there was a significant difference between regular and non regular customers of *Pingo Doce*. The means were 5.14 and 4.44 respectively. Not surprisingly, word-of-mouth effect would influence positively promotions evaluation as it can be seen through the following linear regression analysis. Even though and once again the model was not that good, this was another indicator which reflected that the new strategy was reaching more effectively the current installed base of customers.

	R² = .135	Sig.	B
	Sig. = .000^a		
Fun benefit from promotions	.000		.275

Dependent variable: *Pingo Doce* promotions evaluation (Question 6.4)

Finally the author performed a regression between reading of flyers (question 3.1) and deal proneness variables (questions 5.3; 5.5; 5.6 and 5.7) (See **EXHIBIT 21**). The model was poor but statistically significant. As to the deal proneness variables all but one had significance levels below 0.05. It became clear that flyers were an important communication tool to deal proneness consumers in what concerns their awareness on promotions. Moreover, flyers, which very often would be placed in store, could also explain the greater awareness levels of regular customers versus the rest of the sample population as well as the greater word of mouth effect among those.

Overall it could be concluded that consumers were aware of *Pingo Doce* promotions, although this reality was more pronounced in the case of its regular customers, which tends to be reflected in the more positive evaluation they made on the company’s promotions as well.

RQ2.2 Differentiation - How much do consumers value “immediate” discount promotions (compared to coupon or loyalty card discount)?

Another important dimension of which the author probed consumers was how important it would be this differentiating factor associated to *Pingo Doce* promotions. Namely, the fact that promotions at *Pingo Doce* were immediate and consequently did not require any artificial tool such as a coupon or a loyalty card as compared to its main competitors (questions 3.8.1; 3.8.2 and 3.8.3). It was clear that the “immediate factor” (mean of 3.70 out of 4) was quite popular among the whole sample when compared to coupons (mean of 2.45) or loyalty card (mean of 2.63). Although there was a slight difference between customers that regularly shop at *Pingo Doce* compared to the rest of the sample (immediate discount was even more valued among regulars of *Pingo Doce*), the general pattern was the same. The paired sample t-Tests to both pairs (Immediate vs. Coupon) and (Immediate vs. loyalty card) were statistically significant (See **EXHIBIT 22**). Therefore the author was able to reject the hypothesis that means were equal which meant that **consumers preferred immediate discount to any of the two other forms of price promotions.**

More importantly was the relation between the preference for immediate discount and the evaluation of *Pingo Doce*’s promotions. Through a linear regression analysis that produced a significant model (although with a really low R^2) the author showed that the more a consumer appreciated immediate discount the better it would evaluate *Pingo Doce* promotions. **In practical terms one of the strengths of *Pingo Doce* promotions was indeed its immediate discount factor.**

	$R^2 = .090$	Sig.	B
	$Sig. = .000^a$		
Preference for immediate	.000	.000	.626

discount

Dependent variable: *Pingo Doce* promotions evaluation (Question 6.4)

Finally it is important to mention that time scarcity and financial wellness were not statistically related to the likeliness of immediate discounts.

RQ2.3 To what extent do consumers associate *Pingo Doce* repositioning with a social effort dimension given the economic scenario?

One important goal of the new strategy was its link to a social effortful image. Consumers were expected to perceive the new move as an effort from *Pingo Doce* to match their needs given the difficulties felt over the recession period. In other words, the marketing efforts of the company should be translated in consumers' perceptions of *Pingo Doce* personality as said before.

The author considered important to analyze personality traits related to social dimension by comparing all the four chains. After all the other major players already had price promotions running, although *Pingo Doce* was the only one making use of the new move to reinforce its social effort underlying motivation. Therefore, the four major brands mentioned before were compared according to social dimension personality traits. Questions 2.2 and 2.3 for each brand were used and the fifth option of response - Do not know/Do not answer - was eliminated for the purpose of the analysis.

Although both questions equally intended to analyze perceptions on a social effortful personality, the values for all the brands were higher for the concernment with customers (question 2.2) versus the pure profit goal intention (question 2.3). One possible explanation was the fact that indeed the main goal of most companies is to profit which may have led respondents to analyze it purely over this perspective. Nevertheless the differences among brands led to some interesting conclusions.

Pingo Doce was the highest in both questions among all the chains. In question 2.2 its mean was **3.00** compared to *Continente* (2.83), *MiniPreço* (2.70) and *Lidl* (2.69). As to question 2.3 its mean was **2.66** compared to *Continente* (2.59), *MiniPreço* (2.55) and *Lidl* (2.56).

Nevertheless a paired sample t-test was run pairing *Pingo Doce* and each of the other chains for both questions (see **Model 1 EXHIBIT 23**). The only two pairs not significant, and which equality of means hypothesis could not be rejected were with both discount players and for the second question. But means were still higher for *Pingo Doce*. **Therefore, respondents perceived *Pingo Doce* better than competitors at this social dimension.**

Still the author sought for further information particularly among differences between *Pingo Doce* regular and non-regular customers.

Regular customers of *Pingo Doce* (N=77) had higher means in both questions: **3.26** in question 2.2.2 and **2.87** in question 2.3.2. Their evaluation on other chains personality had clear lower values. The same analysis was performed as before. (see **Model 2 EXHIBIT 23**). The results were exactly the same as in Model 1. However, the difference in means was much more significant. **Clearly regular customers of *Pingo Doce* had a significantly higher perception of its personality as being more socially effortful compared to other chains.**

(as opposed to 2.86 from the rest of respondents) (as opposed to 2.55 from the rest of respondents)

Finally perceptions on the group of non regular customers of *Pingo Doce* were analyzed as well. Although for this group *Pingo Doce* also had the highest mean among all chains for both questions (**2.86** and **2.55** respectively), the differences were much smaller. The main difference the author found when recurring to the same analysis had to do with *Continente*. Among this group of consumers and, for both questions, it could not be rejected that the means between *Pingo Doce* and *Continente* were equal (see **Model 3 EXHIBIT 23**). **Which chain would have better personality perceptions at this level was hard to say among this group of respondents. Even so, the results were the same when compared to discount players and *Pingo Doce* still had higher mean values than *Continente*.**

Overall *Pingo Doce* was the brand with the strongest perceptions on a socially effortful personality no matter if talking about its regular customers or non-regulars. However it was clear that among the first group of respondents

mentioned (regulars) those perceptions are quite stronger compared to the rest of the respondents.

RQ2.4 Store Loyalty – Are consumers shopping more times at *Pingo Doce* (out of their whole shopping times) than before?

The answer for this question was driven by questions 1.3 and 1.4. By having a broader look to both questions there was no significant differences in shopping patterns from the time of collection of responses to 6 months before in any of the four stores.. Particularly at *Pingo Doce*, the number of people shopping more than 75% grew from 14.3% up to 15.7% whereas shopping frequency between 25% and 49% of the times was reduced from 21.3% down to 19.1% of respondents.

In absolute terms *Pingo Doce* visits grew over the six months period according to 31 respondents. On the other hand they decreased according to 35 respondents. More or less 160 respondents did not state any change in their shopping patterns in what concerns store choice. A close analysis to the two groups mentioned before which referred changes showed that they were both formed by either more regular customers of *Continente* or *Pingo Doce* respectively (See **EXHIBIT 24**). The mean of frequency of visits to *Pingo Doce* of those 31 respondents increased from 26% up to 43% over the 6 months period, which is quite significant. This was even more relevant when taking into account that it came mainly at the expense of *Continente* – which mean dropped from 44% down to 25%.

On the other hand, the other 35 respondents mean values of visits to *Pingo Doce* dropped from 44.6% to 29%. One important issue, however, was the fact that unlike the case before *Continente* was not the main winner with this situation - it only increased 6%.. Discount players gained a significant share of these customers shopping trip evolution.

In all the questions that evaluated *Pingo Doce* characteristics in particular such as promotions, quality of fresh products or store environment the group of respondents that switched from *Pingo Doce* to other stores had significantly higher mean values (See **EXHIBIT 25**). This was quite surprisingly. One would expect respondents who started visiting *Pingo Doce* more frequently to have better perceptions. Price perceptions about *Pingo Doce* had the closest mean. Additionally perceptions on price when compared to

Continente (question 2.6.1 and 2.6.2) had different means for both groups. *Pingo Doce* had better perceptions in both, although it was not statistically significant according to the paired sample t-test run.

However, **one possible explanation on the switching behavior towards *Pingo Doce* (group N = 31) could indeed be price related**, given that most consumers that switched towards *Pingo Doce* had done it at the expense of *Continente* as shown before.

The last thing to do was to check if there was any relation among this group between promotions and price perceptions. If this relation was to exist then their switching behavior could indeed be promotion driven.

	R ² = .503	Sig.	B
	Sig. = .000 ^a		
Promotions			
Evaluation		.000	.669
(Question 6.4)			

Dependent variable: *Pingo Doce* price evaluation (Question 6.5)

According to this linear regression analysis, promotion influence significantly price perceptions in a positive way, even if though the model had a reasonable R². Therefore it was assumed that switching for this group was promotion driven. In other words, on average, **by creating better price perceptions, promotions acted liked the trigger for these respondents to increasing their frequency of visits to *Pingo Doce*.**

Finally, there was not registered any remarkable data in what concerns deal proneness and loyalty in both groups.

Therefore the author could not conclude if *Pingo Doce* registered an increase in shopping visits as two similar groups had opposite evolutions. Also it was not possible to find possible reason on why a group of respondents decreased their visits to *Pingo Doce*. On the other hand, it was concluded that promotions drove a group of respondents to increase their visits to *Pingo Doce*. The trial incentive of promotions worked mainly at the expense of *Continente* more regular shoppers.

RQ2.5 Do consumers associate promotions with inferior quality products? How is the perceived value of *Pingo Doce* promotions?

Firstly the mean for inferior quality perception based on promotions (question 5.8) was quite low – 1.83. At a cold look this fact could anticipate that promotions and inferior quality would not be related. Moreover, *Pingo Doce* had the highest mean in what concerns credibility of its promotional campaigns (question 2.4.2) out of every other chain – 2.96. Although according to a paired sample t-test the hypothesis offer different means was rejected only against MiniPreço. Also one of the core factors of *Pingo Doce* image –quality of fresh products (question 6.6)- was positively evaluated by the sample in general and even more by its regular customers. The mean was 5.13 and 5.39 for the whole sample and regular customers, respectively. One would expect these values to be lower if promotions and the quality of products were to be negatively related.

The author then used a Bivariate Pearson correlation test between questions 5.8 and 2.4.2 that were mentioned before (See **EXHIBIT 26**). The results were statistically significant and, indeed, there is a small negative correlation between the credibility of *Pingo Doce* promotional campaigns information and inferior quality perception about items on deal. Therefore the more respondents believed in *Pingo Doce* information the less they would perceive inferior quality on its products on promotion.

Unlike other studies, all together, **the author concluded that there was no negative relationship between *Pingo Doce* promotions and its products quality perceptions, which worked in benefit of the store.**

The second part of the question intended to evaluate the value associated to *Pingo Doce* promotions. To address this it was crucial to measure the benefits that respondents would associate with the promotions. In other words, if it would go beyond the monetary value to more hedonic benefits like Chandon et al. (2000) stated in their studies.

To do so, the author run a a linear regression analysis between the evaluation of *Pingo Doce* promotions (question 6.4) as the dependent variable and benefits of promotions (questions 3.2; 3.3; 3.4; 3.5 and 3.6) as independent variables. Although the model was stastically significant it could not be said that they matched Chadon et al. (2000) findings. The reason was because the only significant benefit was the savings associated

with promotions. Consequently the author could not affirm that hedonic benefits would account for better promotions evaluation.

	Sig.	B
Promotions help me saving a lot of Money (Question 3.2)	.001	.421
I enjoy buying products on deal regardless of the money I am saving (Question 3.3)	.476	.084
Buying products on deal makes me feel like a smart shopper (Question 3.4)	.883	.017
I feel excited about promotions every time I go groceries shopping (Question 3.5)	.156	.179
It Is fun to make a good use of promotions (Question 3.6)	.951	.006

Therefore respondents perceived *Pingo Doce* promotions to be valuable in what concerns its monetary value. As to hedonic benefits apparently they also influenced positively promotions evaluation. However, not only their influence was quite weaker than the savings benefit as it cannot be proven statistically.

This conclusion however was not completely dissonant with what Chandon et al. (2000) found. *Pingo Doce* promotions were cents-off based, and indeed, those were more likely to generate monetary benefits perceptions than other types of retail promotions.

Moreover a Bivariate Pearson Correlation test between *Pingo Doce* promotions evaluation and the brand general impression was also statistically significant, showed a medium positive correlation among these variables (See **EXHIBIT 27**). As a result, it could be said that *Pingo Doce* promotions accounted for a positive general impression of the brand even though respondents only perceived its monetary benefit.

This reality was true for both regular and non-regular customers.

RQ3. What are consumers' general perceptions of *Pingo Doce*'s prices compared to other main brands?

By having a broader look on *Pingo Doce* price perceptions in particular (question 6.5) it was positively evaluated by the whole sample of respondents – mean of 4.30. The perceptions of *Pingo Doce* regular customers were even more positive as its mean was 4.77. Another interesting fact was that for *Continente* regular customers the perceptions on *Pingo Doce* price, although positive, were the worst out of the whole sample with a mean of 4.06.

However, to better answer this research question the author would have to analysis price perceptions when respondents were asked to compare all major brands (questions 2.1.6; 2.2.6; 2.3.6 and 2.4.6). Excluding the answers “Do not know/Do not answer”, *Pingo Doce* was in the middle of the four brands with a mean of 2.71. Lidl had the highest - 2.79, MiniPreço was very close to *Pingo Doce* – 2.70 and, *Continente* was by far the brand with worst mean – 2.51.

This was a good indicator as *Pingo Doce* had similar scores to discount brands who typically are known for their lower prices.

The author then run a series of paired sample T tests to verify the significance of such values between *Pingo Doce* price perceptions (question 2.6.2) and all the other brands price perceptions (See **EXHIBIT 28**). The results confirmed the first impressions. The pair between *Continente* and *Pingo Doce* was the only statistically significant which proved that *Pingo Doce* price perceptions were, indeed, better than *Continente*. Also as to the discount brands, the tests were not significant which meant that it could not be concluded that the discount brands had better price perceptions than *Pingo Doce*.

These results were very important: **on the one hand *Pingo Doce* was ahead of its major competitor in terms of price perceptions; on the other hand it was not worse off than the discount players.**

Moreover, there is a strong positive correlation between evaluation of its promotions and price perceptions (See **EXHIBIT 29**). And also, the author performed a statistically significant regression where the dependent variable was price perceptions and the independent variable promotions evaluation in the figure shown below.

	R² = .503	Sig.	B
	Sig. = .000^a		
Promotion		.000	.669
Evaluation			
(Question 6.4)			

Dependent variable: *Pingo Doce* price perceptions (Question 6.5)

As a conclusion price perceptions increase as promotions evaluations increase as well. **Therefore, the positive perceptions respondents have about *Pingo Doce* prices are positively dependent upon promotions, which means the new move helped improving price perceptions.**

Nevertheless, and particularly talking about *Continente*'s regular customers, their perceptions on *Pingo Doce* prices were quite lower than the rest of respondents– 4.06 compared to 4.30 from the sample and 4.77 from *Pingo Dcoe* regulars, as stated earlier. By performing an independent sample T test to the means of question 6.4 between both groups of regular customers, the author was able to reject the hypothesis that means were equal (See **EXHIBIT 30**). **Therefore, *Continente* regular customers clearly have worse price perceptions about *Pingo Doce*. This was a poor indicator as to the trial incentive for on-off customers, as it was intended by the company.**

RQ4. Are the results consistent according to an installed base of current customers and peripheral ones?

This question's answer is based on a summary of the conclusions reached before.

In what concerns awareness, clearly there are differences among both groups. The promotional campaign that followed the new strategy reached much more effectively the current installed base of customers, especially in what concerns the word of mouth effect. This fact influenced evaluation of promotions which were worse in the case of peripheral customers.

The “immediate” factor which distinguishes *Pingo Doce* promotions was valued by the whole sample of respondents. In fact, for both regular and non regular customers this factor positively influenced their promotions evaluation.

Similarly both groups demonstrated a high association of *Pingo Doce* personality as being cause-related, as it was the company's intention.

No obvious increase in shopping visits was found to *Pingo Doce* and it could even less be proven to be promotion driven among both groups. If peripheral customers did not increase their visits to *Pingo Doce* then it would be hard to also increase loyalty levels from this group, at least in such time horizon.

Also both groups did not perceive inferior quality of products based on promotions. In fact the whole sample's general impression on *Pingo Doce* was positively influenced by the evaluation of its promotions.

Finally, as to price perceptions, *Pingo Doce* is ahead of its major competitor, *Continente* and also not behind discount players. However, when having a look into groups of customers it was possible to identify that *Continente* regular customers clearly had significant worse perceptions about *Pingo Doce* prices than its regular customers.

6. Teaching Notes

In this section the author provides a descriptive plan about the use instructors might make of the present case study. The plan is composed of key learning topics as well as detailed goals to be achieved by students after reading the case. Before going through the plan the author starts this section with a case synopsis to wrap up the main components of the case study.

6.1 Case Synopsis

The food distribution industry has been characterized by intensive use of price as a core appeal to attract customers on the one hand. On the other hand, the emergence of large food distribution chains increased price sensitivity among consumers and they also see price reduction as the main benefit of this emergence.

As a result, two main pricing strategies have risen: EDLP and Hi-lo. Although strategically there are some differences associated they both make use of the same appeal – price.

This case study focus on the particular case of *Pingo Doce* and its move from a price positioning of EDLP that was used for a long period of time, to a Hi-lo promotions based strategy that matched what competitors were doing as well.

The main goal is to understand whether this move can be considered a brand building tool or not, taking into account purely consumer perspective and perceptions about *Pingo Doce*'s turnaround into a new pricing strategy.

6.2 Making use of the present case study

The present case study makes use of a wide range of marketing topics that can be used to teach specific marketing subjects in class, through dynamic teaching methodologies. The covered topics range from positioning and repositioning strategies, different pricing strategies within the food distribution area to consumers' response to Hi-low pricing strategy and brand equity dimensions to be reinforced by companies.

- Understand and define the concepts of positioning and repositioning strategies as well as what differentiates them both
- Clearly define both EDLP and Hi-low pricing strategies that includes: whom they are targeted for, what characterizes them in terms of operational and strategic decisions and when is each one of them more effective than the other

- Understand and define key dimensions of a company’s brand equity – the difference between consumer based brand equity and company based brand equity factors
- Understand how pricing strategy can positively or negatively influence a company’s brand equity, within a perspective from consumer based brand equity.

6.3 Teaching Plan – Assignment questions

1) What are the two main price positioning strategies for a food retailer distributor and what differentiates them strategically?

Students should be able to provide following answers:

	EDLP (Every day low prices)	Hi-lo (Hi and low promotions)
Definition	Pricing strategy based on cost efficiency. Store are able to keep general prices lower than competitors on average 20%	Pricing strategy based on temporary promotions on specific products. Can be monetary (ex: cents off) or non-monetary (ex: samples)
Strategically	<ul style="list-style-type: none"> • Consumers with less income • Consumers that buy less often and larger basket • Stores must possess efficient cost structure to support shorter margins • Serves better price sensitive consumers • Success depends on the creation of a low-price image on consumers mind 	<ul style="list-style-type: none"> • Short term goal – Increase sales (More consumers buying and buying more) • Ideal for deal prone consumers • Novel and excitement – instore interactions with consumers • Ideally more than saving benefits – hedonic benefits

Readings: Hoch et al. (1994); Shankar et al. (2004); Ellickson et al. (2008)

2) What are the main pros and cons about the use of sales promotions?

Several references to this topic are mentioned throughout the literature review and the case study. Students should be able to provide the following answers:

	Pros	Cons
The use of sales promotions as a marketing tool	<ul style="list-style-type: none"> • Increase in purchase intentions • Increase in deal value perceptions • Creates novelty and excitement 	<ul style="list-style-type: none"> • Induces brand switching behavior • Negative price/quality perceptions • Decreases price references

Readings: Hoch et al. (1994); Yoo et al. (2000); Buil et al. (2001); Laroche et al. (2001); Teng (2007)

3) How can sales promotions affect brand equity creation?

Several references to this topic are mentioned throughout the literature review and the case study. Students should be able to provide the following answers:

	Positively	Negatively
Sales promotions as a brand building tool	<ul style="list-style-type: none"> • Hedonic Benefits perception • Among deal prone and high involved consumers • Brand knowledge development through a bigger number of associations • Increase in brand awareness 	<ul style="list-style-type: none"> • Increases price sensitivity • Increases deal sensitivity • Low quality inferences • Negatively affects brand choice by reducing expected price to pay • Lower profit margins

Readings: Winer (1986); Mela et al. (1997); Teng (2007); Josephot et al. (2008); Vallet-Florence et al. (2011)

After going through general question on the referred topics, instructors should move into the particular case of *Pingo Doce*. At this point students will be asked to have a look at *Pingo Doce* new pricing strategy and analyse what indeed worked in favour for the company's brand to be reinforced and what did not act in accordance to a brand building tool.

4) Imagine now that you are Sara Pinto. You have done your research and analyzed the results. Your boss, the director of the marketing department at *Pingo Doce* asks you for a detailed report on consumers' perceptions of the new move, which he will have to present the board with. How would you evaluate the new move according to the data you have in what concerns consumers' response? (Provided that the main goal is to understand if there is room for brand equity creation through the new pricing strategy)

Students should highlight all the factors that, according to consumers' response created or are likely to create brand equity in the long run as well as those that did not, especially taking into account what were the company main goals with the new move. The following table provides some topics to be covered on their answers.

Factors Measured	Brand Equity Creation <u>Likelihood</u>	Brand Equity Creation <u>Unlikelihood</u>
Awareness	Consumers were generally aware of the brand's new move. This is important as awareness is an important brand building tool for any brand.	
Immediate Discount	Differentiating factor valued by the whole sample. The more unique the associations are about a brand, the more salient it will be on consumers' minds.	
Socially Effortful Personality	The brand with strongest perceptions on this trait. If consumers perceived this personality trait from the new move they are likely to have better perceptions about the brand in general and thus more likely to shop there.	
Trial Incentive/Increasing Visits		No conclusions on if promotions are or not generating an increase in the number of new customers. One of the main goals of the company was to attract peripheral customers through the new pricing strategy. If this is not proven than new clients are not likely to become loyal customers of <i>Pingo</i>

		<i>Doce.</i>
Deal Value	Positive perceptions about <i>Pingo Doce</i> promotions in what concerns the monetary/savings benefit. It is very important that consumers associate <i>Pingo Doce</i> promotions with value – in this case monetary savings. It adds value to the brand as well.	
Hedonic Benefits		No hedonic benefits perceived from <i>Pingo Doce</i> promotions. Fun, smart shopping, excitement were not part of the benefits associated with its promotions. For instance if consumers only value monetary savings then they are likely to switch store to find a better deal.
Price Perceptions	Promotions increased price perceptions about <i>Pingo Doce</i> . The new move helped increase price perceptions but also no negative low quality inference. Important in a strong and fierce price competition industry.	Price perceptions of <i>Continente</i> Regular customers about <i>Pingo Doce</i> were still quite weaker than the rest of the sample. The goal of the company was to attract those customers. If their price perceptions did not improve then this is likely to not happen.

In the end students should justify if overall it was positive or not. They should be able to mention that for a more effective answer, financial figures would have to be added as well.

7. Conclusions

The main purpose of this paper was to understand how consumers would perceive a move from an EDLP to a Hi-lo price positioning strategy. More specifically to understand if a strategy focused on price promotions such as Hi-lo is likely or not to strengthen a brand on some of the dimensions of consumer based brand equity. The author explored the particular case of *Pingo Doce*, which had recently made this switch on their price positioning strategy.

Firstly, it was important to get to know what the company's main goals with this move were. Secondly, it was as important to gather information on consumers perspectives and perceptions to draw conclusions upon if they were in accordance to the company's goals and thus, likely to reinforce the brand in the long run, or, in other words, to create brand equity.

Price was found to be an important influencer of supermarket store choice. As predicted, more price sensitive consumers tended to choose discount stores for their groceries purchases. Furthermore, unlike *Continente*, *Pingo Doce* appeared to also attract more price sensitive consumers. Overall, the stores that were mostly making use of the price appeal factor were responsible for attracting more often than not price sensitive consumers. Additionally, and very important, findings on the influence that promotions had on frequency of visits and amount spent per visit suggested that, indeed, deal prone consumers would prefer Hi-lo stores where they can visit more often spending less per visit, in an attempt to find a better deal.

Particularly the case of *Pingo Doce* promotions, generally, most consumers were aware of it. However, the awareness was more pronounced in the case of consumers that would more regularly do their shopping at *Pingo Doce*. As a result this group of consumers were the ones that would have better evaluations on the deal value of those promotions.

One of the features most appreciated was the "immediate discount" factor as opposed to coupons or loyalty cards. In fact, the whole sample preferred to benefit from the non-usage of any artificial tool on promotions. This issue was then one of the strongest differentiating factors about *Pingo Doce* promotions when compared to other stores that also made use of price promotions.

The economic recession created an opportunity for companies to incorporate price promotions in their marketing communication, making use of a socially effortful personality. Among consumers that regularly shopped at *Pingo Doce*, the company had a strong image of being socially effortful towards consumers. In other words, consumers perceived *Pingo Doce*'s move as an attempt to help them during recession. This could not be generalized for the whole sample, but it could still be said that *Pingo Doce* was ahead of competition in what concerns to a socially effortful personality trait.

As to an increase in shopping visits to *Pingo Doce*, or, in other words, if promotions had helped to drive clients to *Pingo Doce* stores, it was not possible to sustain a general conclusion. Two different groups of respondents had opposite evolutions on their shopping trips – increasing and decreasing visits to *Pingo Doce*. Nevertheless it could be proven that promotions drove one of the groups to increase their visits to *Pingo Doce*. For this group it came mainly at the expense of *Continente*. However, this was not a general conclusion, therefore, and also due to the lack of financial data, this important factor, could not be proven in favour of the company.

Finally, the move to Hi-lo did not produce any negative effects on price/quality perceptions on *Pingo Doce* products. Also, in general, no hedonic benefits were perceived by consumers from those promotions. This means that they perceived them to be valuable, but only in what concerns their monetary value. Nevertheless, their value perceptions on promotions contributed to a more positive impression on *Pingo Doce* brand in general.

The last and one of the most important conclusions was that promotions helped to increase price perceptions of *Pingo Doce*. Additionally, on the one hand *Pingo Doce* had better price perceptions than *Continente*, and it was not proven that it had worse perceptions than discount players. Nevertheless, this reality was not true for a group of customers that would more regularly shop at *Continente*.

The table below summarizes conclusions on customers perceptions and its consequences on what it means long term brand equity creation or not.

Factors Measured	Brand Equity Creation <u>Likelihood</u>	Brand Equity Creation <u>Unlikelihood</u>
Awareness	Consumers were generally aware of the brand's new move	
Immediate Discount	Differentiating factor valued by the whole sample	
Socially Effortful Personality	The brand with strongest perceptions on this trait	
Trial Incentive/Increasing Visits		No conclusions on if promotions are or not generating an increase in the number of new customers
Deal Value	Positive perceptions on <i>Pingo Doce</i> promotions in what concerns the monetary/savings benefit	
Hedonic Benefits		No hedonic benefits perceived from <i>Pingo Doce</i> promotions
Price Perceptions	Promotions increased price perceptions about <i>Pingo Doce</i>	Price perceptions of <i>Continente</i> Regular customers about <i>Pingo Doce</i> were still quite weaker than the rest of the sample

8. Limitation and Future Research

Two main limitations are related to this research. Firstly, the evaluation covers a very small sample of consumers, who are all from the area of Lisbon. This might bias the results and also they may not be applicable country wide. Also the results can only be applied to the particular case of *Pingo Doce*, thus not being suitable of generalization.

Secondly, it only allows us to measure consumer's perceptions and draw conclusions on the likelihood of brand equity creation and the accordance to which their reaction is with the company goals. To actually get to know if the move created brand equity or not we would need a long term perspective as well as financial data, and a new study to compare with the conclusions drawn upon this research.

Therefore, future research can make use of financial figures and add them to the equation, thus measuring brand equity creation or not in the long run, or in the particular case of *Pingo Doce*. It would be interesting as well to analyze the same variables in the long run to understand if there was a positive or negative evolution.

Furthermore this research brings to discussion a theme that is quite controversial on whether it is good for a company to make use of a Hi-lo strategy in the long run. Therefore, and as companies keep making use of it, it will always be worth studying similar cases to try and find more general conclusions on whether this could or not be considered brand building.

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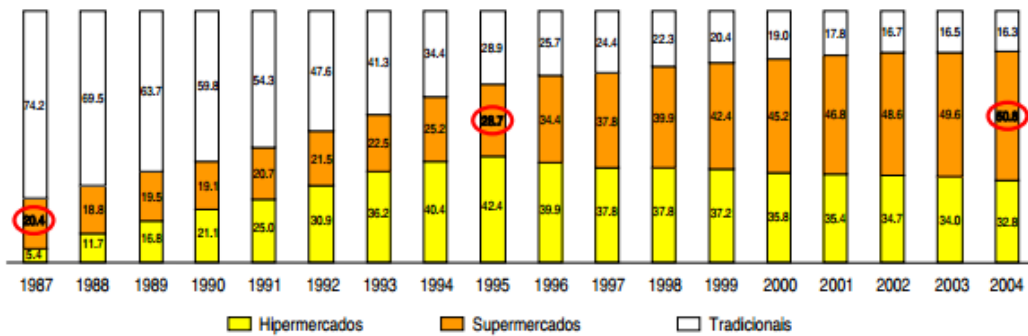
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10. APPENDIX

EXHIBIT 1. Evolution of food distribution industry in Portugal by channel.

Figura 3. Distribuição das lojas alimentares por canal*, 1987-2004, (Percentagens)



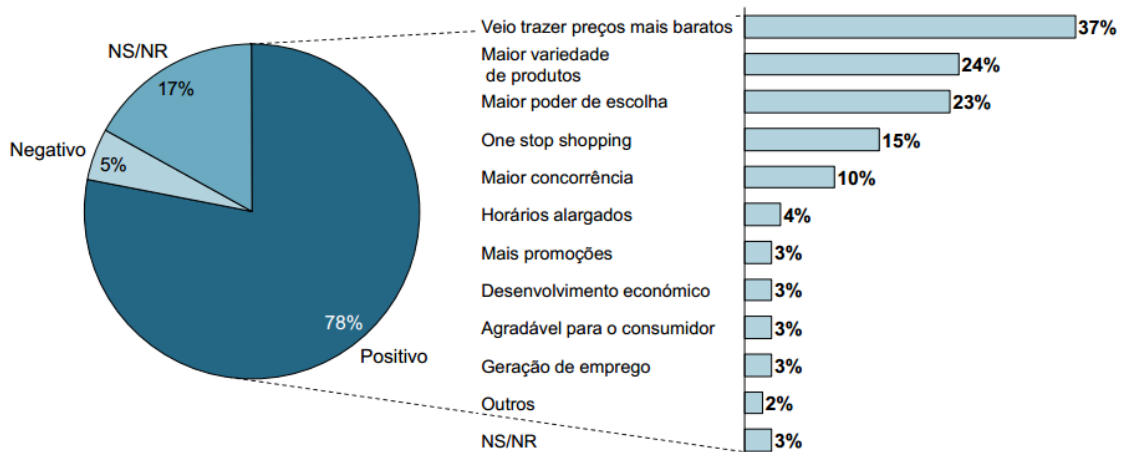
Fontes: ACNielsen, ES Research – Research Sectorial.

* Percentagem de vendas em valor no Índice Nielsen Alimentar.

Source: Palma et. al (2005) *O Sector da Distribuição Dinamismo e crescimento*, Espírito Santo Research - Research Sectorial

EXHIBIT 2. Portuguese consumers' opinion about the emergence of larger supermarket chains.

Opinião sobre a emergência das Grandes Superfícies¹⁾



1) Grandes superfícies incluem hipermercados, supermercados, lojas discount, centros comerciais, grandes lojas especializadas

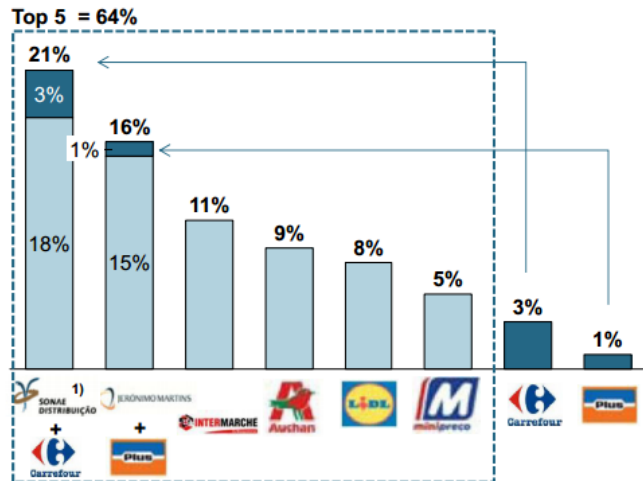
Fonte: Imagem do Sector da Distribuição - GfK

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Source: APED (2009) *A evolução da concentração da indústria e da distribuição em Portugal*, Associação Portuguesa de Empresas de Distribuição, Março de 2009

EXHIBIT 3. Market share of the Portuguese food distribution market in 2007

Quotas de mercado de distribuição alimentar em Portugal [2007; EUR bn]¹⁾



1) Não inclui distribuição especializada: Worten, Vobis, Sport Zone, etc. Considera-se o volume de vendas do Carrefour e Plus igual ao de 2006

Fonte: APED, Planet Retail, dados das empresas, análise Roland Berger

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Source: APED (2009) A evolução da concentração da indústria e da distribuição em Portugal, Associação Portuguesa de Empresas de Distribuição, Março de 2009

EXHIBIT 4. Number of stores evolution on the main food distribution brands in Portugal

Nº stores	2004	%*	2005	%	2006	%	2007	%	2008**	%	2009	%	2010***	%
PingoDoce	178	1	192	8	202	6	223	10	334	50	356	7	362	2
MiniPreço	344	1	351	2	384	9	440	15	478	9	506	6	524	4
Lidl	147	4	162	10	182	12	197	8	215	9	223	4	227	2
Modelo	92	1	95	3	105	11	114	21	117	3	125	7	-	-
Continente	N/A	-	N/A	-	19	-	22	16	38	73	39	3	170	4%
Feira Nova	28	12	29	4	38	31	46	21	-	-	-	-	-	-

*Growth percentage compared to the previous year.

** Pingo Doce acquired Feira Nova and Plus stores. Also all the Carrefour stores bought by Continente on the previous year were included in the assortment of Continente stores.

*** Every store of Modelo and Modelo Bonjour were branded Continente.

Source: APED reports about Portuguese distribution industry

EXHIBIT 5. *Pingo Doce* Sales growth LFL and EBITDA margin

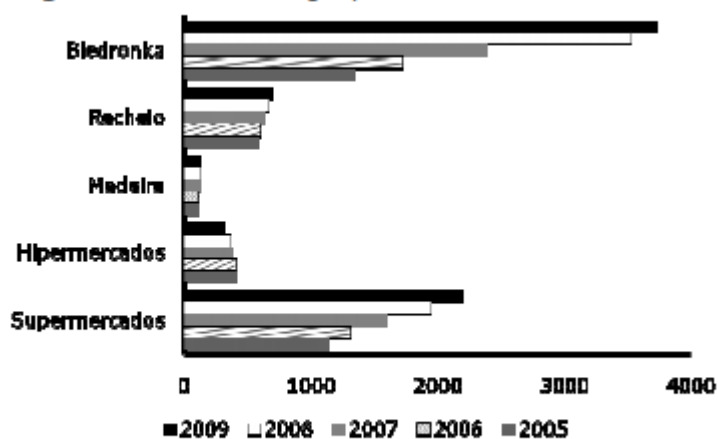
PingoDoce	2007	2008	2009	2010	2011
	%	%	%	%	%
Sales Growth (LFL)*	4	6	0,9	7,2	0,8
EBITDA Margin Growth	7,2	6,9	7,2	6,8	6,7

Source: Jerónimo Martins Anual report 2011

*Like-for-Like – which excludes all other variables that might influence sales growth from the previous period.
EBITDA *Pingo Doce* 2011 = 192.774

EXHIBIT 6. Group Jerónimo Martins sales within food distribution sector.

Figura 6. Vendas do grupo JM no retalho alimentar



Nota: Valores em milhões de euros.

Fonte: Adaptado de Jerónimo Martins (2010).

Source: Palma et al. (2005)

EXHIBIT 7. Supermarket brands' perceptions. Evolution 2010-2011

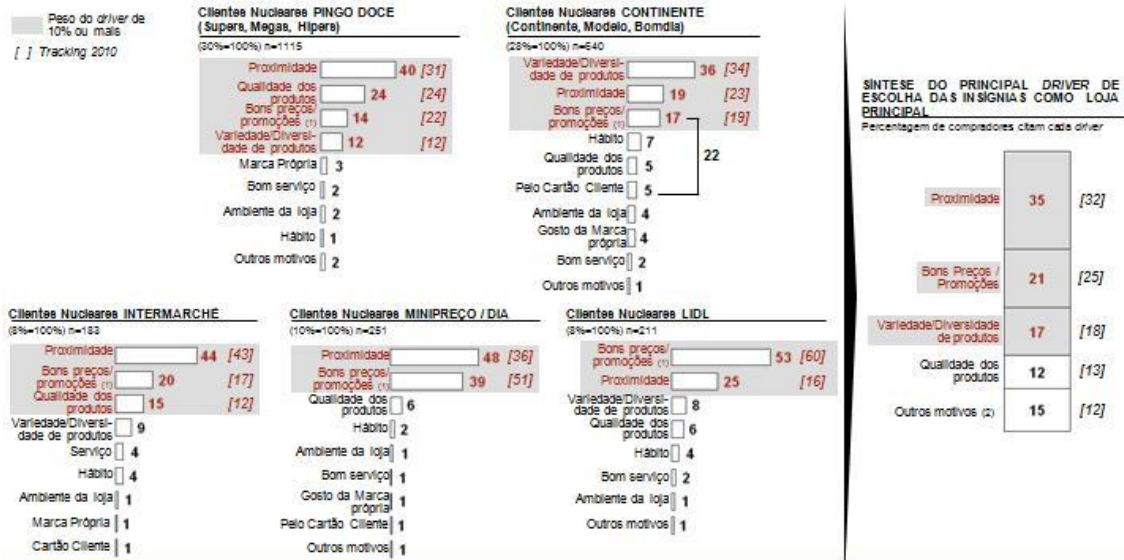
RELAÇÃO ACTUAL COM CADA INSIGNIA E A SUA FORTALEZA

1

PRINCIPAL MOTIVO DECLARADO DE FORMA ESPONTÂNEA DE ESCOLHA DE CADA INSIGNIA COMO PRINCIPAL

TOTAL COMPRADORES PORTUGAL CONTINENTAL

No nível do conjunto dos compradores, os drivers de escolha da loja principal mantiveram-se muito estáveis entre ambos os períodos, sendo a principal alteração o ligeiro aumento dos que escolhem a sua loja principal por "Proximidade" (sobretudo entre os clientes Nucleares do PINGO DOCE e os dos Discounts).



Source: PRM Marketing Intelligence study 2011

EXHIBIT 8. Script of the interview with Sara Pinto (Marketing department of Pingo Doce)

The growth of Pingo Doce from 2003 up to 2010

Question 1. The focus on the three core store factors, namely, quality, competitive prices and a pleasant store environment were chosen in the beginning of the new century. Consumers' response seemed to be an approval as they recognized improvements at those levels. Do you agree? Do you have statistical data regarding to quantify it?

Question 2. What about the choice for Every Day Low Prices. Was this a clear flaw among consumers at that time? What were the factors that drove the choice for this price strategy rather than others?

Question 2.1 Among other dimensions of success the exponential growth of sales seems to reflect that consumers appreciated the changes and the brand was

strengthened. Specifically talking about market share how was the evolution of this figure until 2010? (Back in 2007 it was about 16%)

Question 2.2 What about the things that went not so good? It is widely known that to keep prices constantly lower than competitors, is quite demanding at the cost structure level of any company. How was this situation managed and handled?

The new positioning strategy

Question 3. In 2012 the brand chose a different orientation. Although the focus is still on the price factor, do you not think the new strategy represents a contradiction of what had been said over the last years? (A policy of non use of any kind of promotions or deals)

Question 3.1 Since when had it been being planned? What were the main reasons/factors that led into the change?

Question 3.2 Price promotions were part of *Pingo Doce* installed base of customers mind set? Or was it more a need from those customers that did not visit *Pingo Doce* so frequently?

Question 3.3 According to the social and demographic trends identified, do you believe a Hi-lo strategy is more efficient than EDLP? Why?

Question 3.4 The new strategy seems to reinforce price competitiveness. However, it clearly changed the value proposition. Are you afraid regular consumers of *Pingo Doce* misinterpret this new orientation and the possible negative consequences from that? What were the general reactions so far?

Question 3.5 Do you think current strong image factors like store environment, *Pingo Doce* own brand or the quality of its fresh products can be damaged due to the new positioning?

Question 3.6 More price sensitivity could lead to a store choice where prices are indeed lower on a regular basis. Do you think that more than price sensitive consumers are getting more deal prone?

Question 3.7 To what extent will this new strategy help raising loyalty levels among peripheral customers of *Pingo Doce*?

Question 3.8 Do you not think loyalty might be harmed if *Pingo Doce* promotions are to prompt store switching behavior?

Relation with competitors

Question 4. To what extent the decisions of main competitors (that were already making using of Hi-low pricing strategies) influenced *Pingo Doce* decision?

Question 4.1 Do you think the fact that there are no coupons or loyalty card is a positive differentiating factor? Why?

Branding

Question 5. To what extent the new move will help strengthening a leadership position in the Portuguese market?

Question 5.1 Word-of-mouth and buzz apart, why do you believe the brand got strengthened with this new positioning?

EXHIBIT 9. Survey Design

The purpose of the following survey is to evaluate consumers' perceptions regarding the activity of Supermarket chains in general and its promotions in particular. All the data provided is totally confidential and fits studying purposes merely. It will take approximately ten minutes to fill. Your collaboration is very much appreciated.

(Shopping Behavior)

1.1 I am responsible for groceries shopping within my household:

1.1.1 Most of the times

1.1.2 Rarely

1.2 I do most of my groceries shopping (frequency of visits) in just one store.

1.2.1 Yes

1.2.2 No

1.3 Please distribute 100 points for the different stores according to the frequency of visits to each of them currently.

Continente

Pingo Doce
MiniPreço
Lidl

Total = 100

1.4 Please distribute 100 points for the different stores according to the frequency of visits to each of them 6 months ago.

Continente
Pingo Doce
MiniPreço
Lidl

Total = 100

1.5 I visit the supermarket

- 1.5.1 More than two or three times per week
- 1.5.2 Two times per week
- 1.5.3 Once per week
- 1.5.4 Once every two weeks
- 1.5.5 Once per month

1.6 For each visit to the supermarket I spend on average

- 1.6.1 [5 to 10 Euros]
- 1.6.2 [11 to 20 Euros]
- 1.6.3 [21 to 40 Euros]
- 1.6.4 [41 to 100 Euros]
- 1.6.5 [More than 100 Euros]

(Store Personality)

2. The following sentences/ideas are meant to describe supermarket chains. From 1 to 4 please refer for each brand to what extent you identify yourself with the idea. 1 (Completely disagree) to 4 (Completely Agree) or 5 (Do not know/Do no answer).

2.1 Trustworthy

- 2.1.1 *Continente*
- 2.1.2 *Pingo Doce*
- 2.1.3 MiniPreço
- 2.1.4 Lidl

2.2 Concerned with its customers

- 2.2.1 *Continente*
- 2.2.2 *Pingo Doce*

2.2.3 MiniPreço

2.2.4 Lidl

2.3 Interested in more than just selling products and profiting

2.3.1 *Continente*

2.3.2 *Pingo Doce*

2.3.3 MiniPreço

2.3.4 Lidl

2.4 When I see a promotional campaign of this store I believe the information about it is true

2.4.1 *Continente*

2.4.2 *Pingo Doce*

2.4.3 MiniPreço

2.4.4 Lidl

2.5 It could charge lower prices and still make profit

2.5.1 *Continente*

2.5.2 *Pingo Doce*

2.5.3 MiniPreço

2.5.4 Lidl

2.6 In general, prices are fair

2.6.1 *Continente*

2.6.2 *Pingo Doce*

2.6.3 MiniPreço

2.6.4 Lidl

(Promotions Benefits Evaluation)

3. Answer the following questions in the sense of to what extent do you identify yourself with each sentence. From 1 (Completely disagree) to 4 (Completely agree).

3.1 Before doing groceries shopping I read all the fliers about products on deal and prices

3.2 Promotions help me saving a lot of Money

3.3 I enjoy buying products on deal regardless of the money I am saving

3.4 Buying products on deal makes me feel a smart shopper

3.5 I feel excited about promotions every time I go groceries shopping

3.6 It is fun to make a good use of promotions

3.7 Redeeming coupons makes me feel good

3.8 I am more likely to buy a product on deal if it is made of:

- 3.8.1 Immediate discount
- 3.8.2 Loyalty card
- 3.8.3 Coupon

(Lifestyle traits)

4. Answer the following questions in the sense of to what extent do you identify yourself with each sentence. From 1 (Completely disagree) to 4 (Completely agree).

- 4.1 People that are close to me think that I am a good source of information in what concerns promotions
- 4.2 In the majority of supermarket stores I have a favorite set of brands and I stick to them
- 4.3 I usually do groceries shopping in stores I often visit
- 4.4 After getting use to the location of products I hate changing store
- 4.5 I have a tight budget for groceries shopping
- 4.6 I consider myself financially well off
- 4.7 “So many things to do and so time scarce” - This sentence matches me perfectly

(Shopping Behavior)

5. Answer the following questions in the sense of to what extent do you identify yourself with each sentence. From 1 (Completely disagree) to 4 (Completely agree).

- 5.1 Groceries shopping is one of the activities I enjoy the most
- 5.2 I buy as much products on deal as I can
- 5.3 The cheapest products are usually my choice
- 5.4 I choose carefully to get as much value as possible for the money I spend
- 5.5 I do groceries shopping in different stores to obtain more advantages of promotions
- 5.6 If a product is on deal that might be the reason why I buy it
- 5.7 Most of the times I buy the brand that is on deal
- 5.8 If I see a product on deal I mistrust its quality

(Pingo Doce Evaluation)

6. State the characteristics that, in your opinion, better match *Pingo Doce*. The closest to one side the better it matches the sentence on that same side. (7 points ruler)

- 6.1 I rarely see ads, campaigns or promotions VS. I frequently see ads, campaigns or promotions
- 6.2 My relatives and friends rarely tell me about campaigns or promotions VS. I hear constantly my relatives and friends talking about campaigns or promotions
- 6.3 Awful store environment VS. Excellent store environment
- 6.4 Poor promotions VS. Good promotions
- 6.5 Prices that do NOT reflect the value of purchases VS. Prices that reflect that value of purchases

- 6.6 Awful quality of fresh products VS. Excellent quality of fresh products
- 6.7 Overall I have a very bad impression VS. Overall I have a very good impression

(Demographics)

7.1 Gender

- 7.1.1 M
- 7.2.2 F

7.2 Age

- 7.2.1 Less than 25 years old
- 7.2.2 Between 25 and 35 years old
- 7.2.3 Between 36 and 45 years old
- 7.2.4 Between 46 and 55 years old
- 7.2.5 More than 55 years old

7.3 My household has:

- 7.3.1 [1 person]
- 7.3.2 [2 people]
- 7.3.3 [3 people]
- 7.3.4 [4 or more people]

7.4 My household's annual income is:

- 7.4.1 Less than 10 thousand Euros
- 7.4.2 Between 10 to 20 thousand Euros
- 7.4.3 Between 20 to 40 thousand Euros
- 7.4.4 More than 40 thousand Euros

EXHIBIT 10. Age distribution

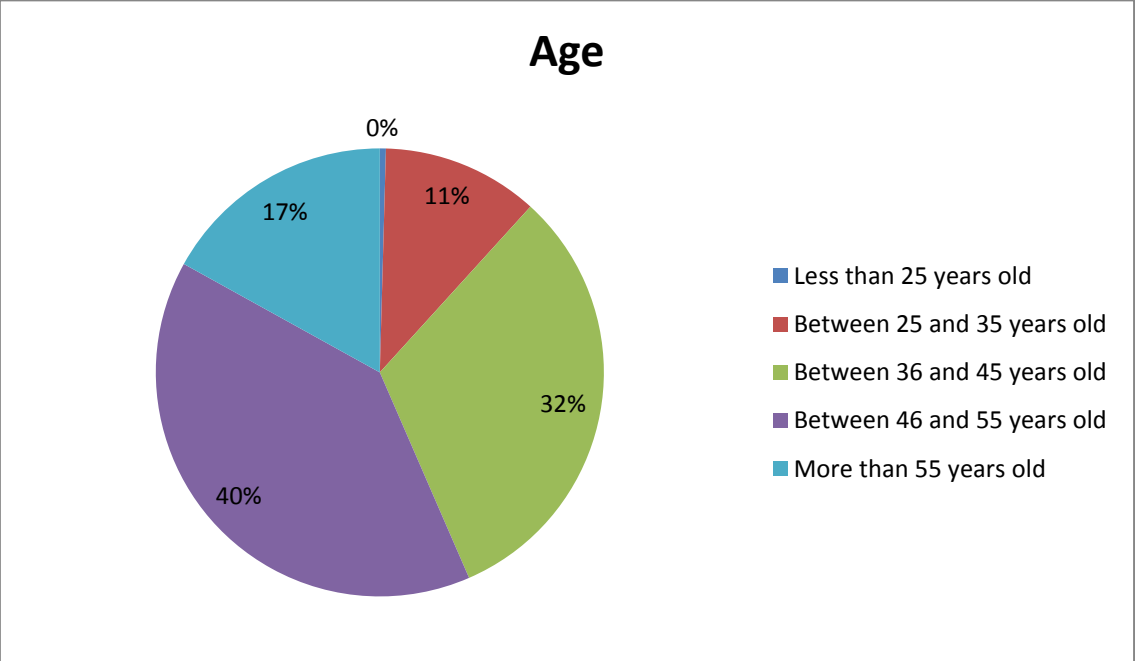


EXHIBIT 11. Frequency of visits distribution

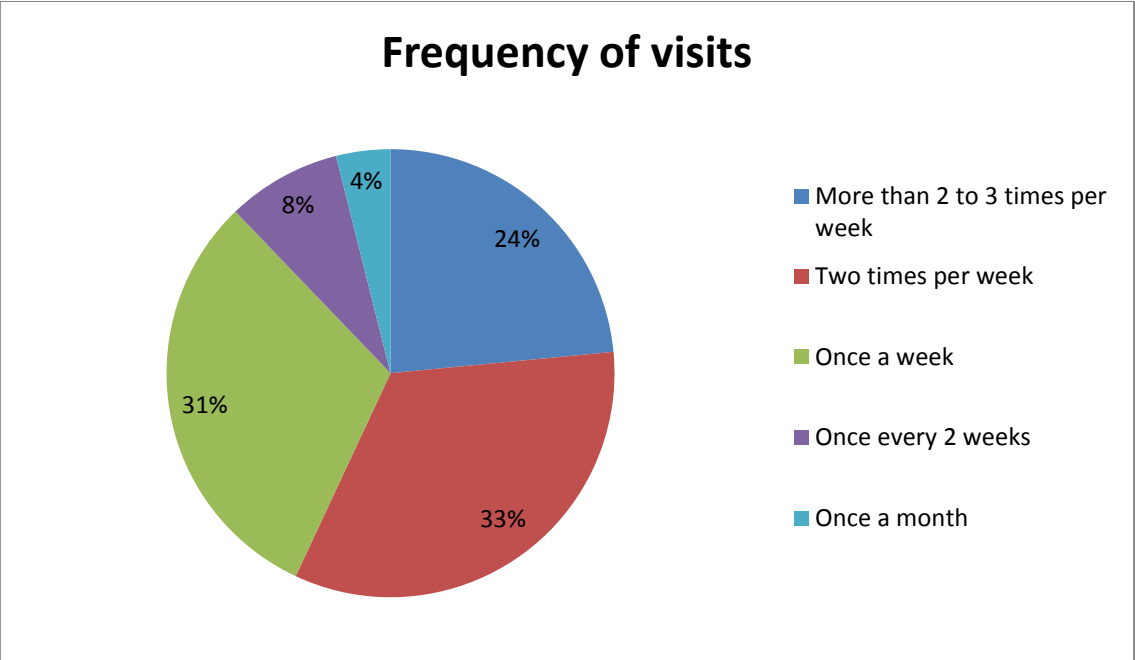


EXHIBIT 12. Total amount spent per visit distribution

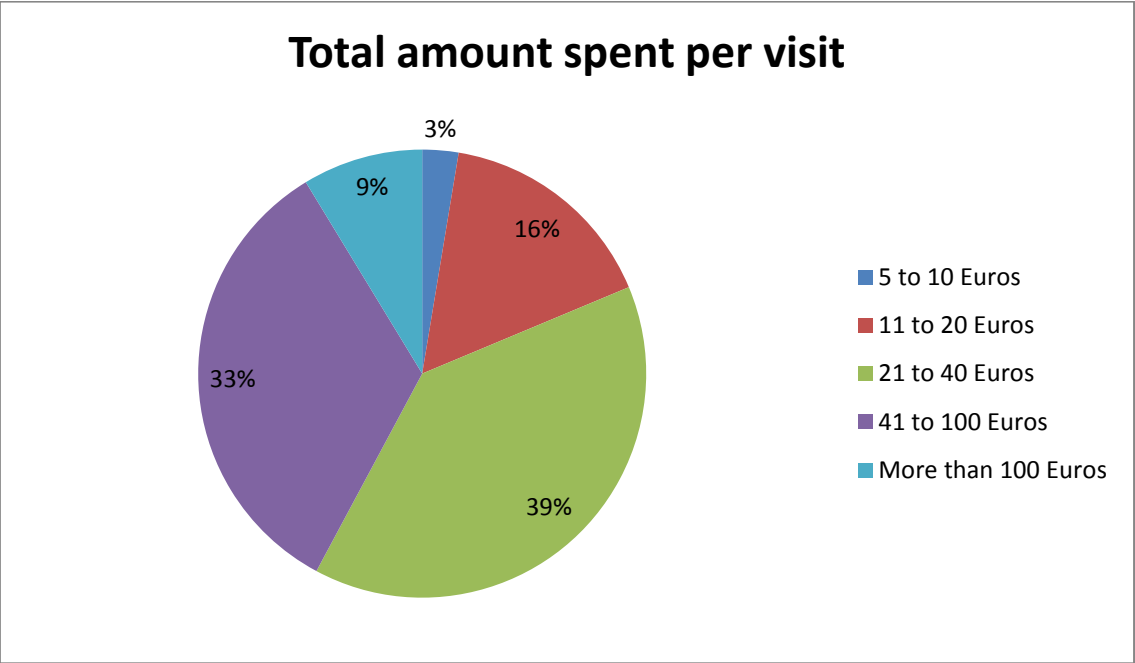
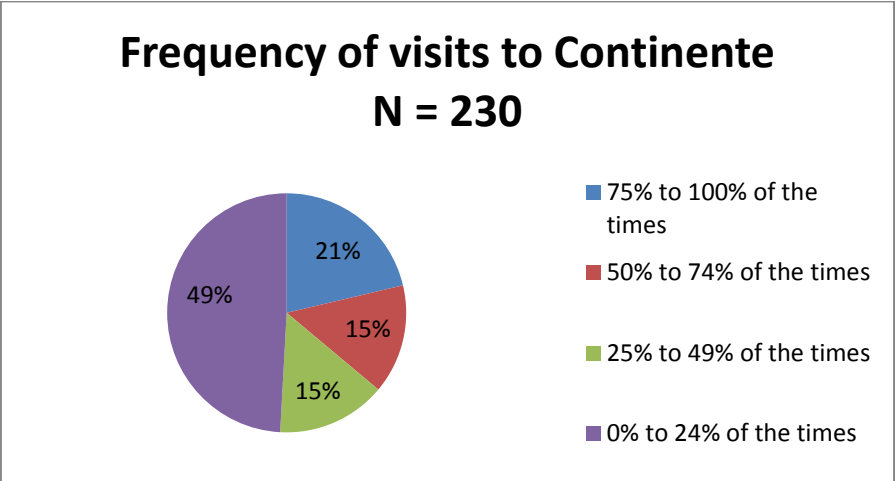
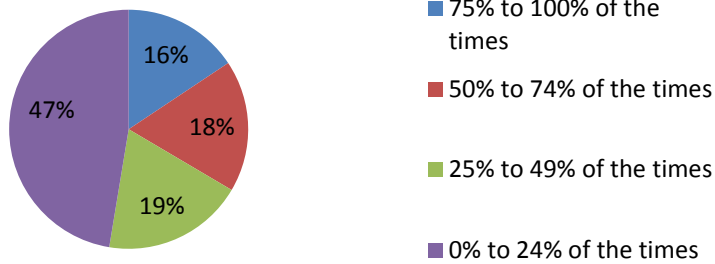


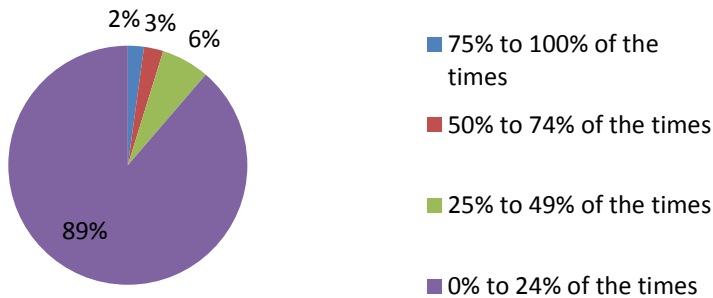
EXHIBIT 13. Frequency of visits to each store distributions



Frequency of visits to Pingo Doce N = 230



Frequency of visits to MiniPreço N = 230



Frequency of visits to Lidl N = 230

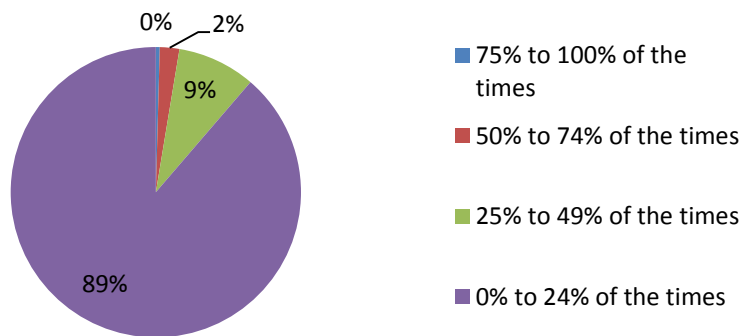


EXHIBIT 14. Linear regression. Store choice and price sensitivity

	Sig.	B
Continente	.310	.165
Pingo Doce	.540	(-).093
MiniPreço	.132	(-).116
Lidl	.450	(-)0.044

Dependent Variable: Frequency of visit to each store

Independent Variable: Price sensitivity

***Note:** the values for store frequency are in reverse order – 1 means a high level of store visits (>75% of the times) and 4 means poor level of store visits (<25% of the times).

EXHIBIT 15. Linear regression. Frequency of visits to supermarkets and deal proneness/promotions evaluation/market mavenism factors.

	Sig.	B.
Question 5.1	.000	-.338
Question 5.2	.976	.003
Question 5.5	.547	-.051
Question 5.6	.728	.031
Question 5.7	.354	-.089
Question 3.1	.366	.071
Question 3.3	.241	-.115
Question 3.4	.560	-.055
Question 3.5	.395	-.091
Question 3.6	.062	.158
Question 4.1	.624	-.041

Dependent variable: Frequency of visits to supermarket (Question 1.5)

Independent Variables: Deal proneness factors (questions 5.1; 5.2; 5.5; 5.6 and 5.7); Promotions benefits evaluation (questions 3.1; 3.3; 3.4; 3.5; 3.6); Market mavenism (4.1)

***Note:** the values for frequency of visits to the supermarket are in reverse order: 1 means a high frequency of supermarket visits (more than 2 to 3 times a week) and 4 means low level of supermarket visits (Once a month).

EXHIBIT 16. Bivariate Pearson Correlation analysis. Frequency of visits to the supermarket and average amount spent per visit.

	Pearson Correlation	Sig. (2-tailed)	
Frequency of visits to the supermarket (Question 1.5)	.531	.000	Average Amount spent per visit (Question 1.6)

** . Correlation is significant at the 0.01 level (2-tailed).

***Note:** The values for frequency of visits to the supermarket are in reverse order: 1 means a high frequency of supermarket visits (more than 2 to 3 times a week) and 4 means low level of supermarket visits (Once a month).

EXHIBIT 17. Linear regression analysis. Joy for groceries shopping and deal proneness/promotions evaluation/market mavenism factors.

	R² = .148	Sig.	B
		Sig. = .000^a	
Question 3.6		.002	.184
Question 5.2		.452	-.046
Question 5.5		.843	.012
Question 5.6		.051	.123
Question 5.7		.482	-.048
Question 4.1		.553	.035
Question 3.1		.185	.074
Question 3.3		.485	-.049
Question 3.4		.437	-.052
Question 3.5		.116	.119

Dependent variable: Joy for groceries shopping (Question 5.1)

Independent Variables: Deal proneness factors (questions 5.1; 5.2; 5.5; 5.6 and 5.7);

Promotions benefits evaluation (questions 3.1; 3.3; 3.4; 3.5; 3.6); Market mavenism

(4.1)

EXHIBIT 18. Bivariate Pearson Correlation analysis. Fun benefit of promotions and deal proneness variables.

	Pearson Correlation	Sig. (2-tailed)	
	.258	.000	Purchase of items on deal (Question 5.2)
Fun benefit of promotions (Question 3.6)	.278	.000	Store switching behavior due to promotions (Question 5.5)
	.246	.000	Promotions as reason to buy Question (5.6)
	.268	.000	Choice for the brand on deal (Question 5.7)

** . Correlation is significant at the 0.01 level (2-tailed).

EXHIBIT 19. Paired Sample t-Test for the whole sample. Marketing efforts communication (Question 6.1) and WOM communication (Question 6.2)

Model (N=230)		
Correlation = .514		
Sig. = .000	Sig. (2-tailed)	
Marketing Efforts (Question 6.1)	.002	WOM (Question 6.2)

EXHIBIT 20. Paired Sample t-Test for *Pingo Doce* regular customers. Marketing efforts communication (Question 6.1) and WOM communication (Question 6.2)

Model (N=77)		
Correlation = .378	Sig. (2-tailed)	
Sig. = .001		
Marketing Efforts (Question 6.1)	.212	WOM (Question 6.2)

EXHIBIT 21. Linear Regression analysis. Reading of flyers and deal proneness variables.

R² = .198	Sig.	B
Sig. = .000^a		
Purchase of items on deal	.007	.194
Store switching behavior due to promotions	.000	.317
Promotions as reason to buy	.035	-.162
Choice for the brand on deal	.069	.150

Dependent variable: Reading of flyers Question 3.

Independent Variables: Deal proneness factors (questions 5.2; 5.5; 5.6 and 5.7)

EXHIBIT 22. Paired Sample t-Test for the whole sample. Marketing efforts communication (Question 6.1) and WOM communication (Question 6.2)

	Correlation	Sig. (2-tailed)	
	/		
	Sig.		
Likelihood of purchase through “immediate” discount (Question 3.8.1)	.201	.000	Likelihood of purchase through loyalty card discount (Question 3.8.2)
	/		
	.002		
Likelihood of purchase through “immediate” discount (Question 3.8.1)	.103	.000	Likelihood of purchase through coupon discount (Question 3.8.3)
	/		
	.118		

EXHIBIT 23. Paired sample t-tests. Comparing means on questions 2.2 and 2.3 for different groups of customers.

Model 1. The whole sample excluding answers do not know/do not respond.

Question 2.2 Concerned with customers

		Mean	N	Correlation	Sig.	Sig. (2-tailed)	Significance
Pair 1	<i>Pingo Doce</i>	3.00	209	.529	.000	.000	✓
	<i>Continente</i>	2.81					
Pair 2	<i>Pingo Doce</i>	2.99	149	.508	.000	.000	✓
	MiniPreço	2.69					
Pair 3	<i>Pingo Doce</i>	2.99	164	.518	.000	.000	✓
	Lidl	2.70					

Question 2.3 Interested in more than just selling products and making profit

		Mean	N	Correlation	Sig.	Sig. (2-tailed)	Significance
Pair 1	<i>Pingo Doce</i>	2.68	202	.731	.000	.044	√
	<i>Continente</i>	2.58					
Pair 2	<i>Pingo Doce</i>	2.64	148	.677	.000	.129	✗
	MiniPreço	2.55					
Pair 3	<i>Pingo Doce</i>	2.66	162	.688	.000	.081	✗
	Lidl	2.56					

Model 2. *Pingo Doce* regular customers excluding answers do not know/do not respond

Question 2.2 Concerned with customers

		Mean	N	Correlation	Sig.	Sig. (2-tailed)	Significance
Pair 1	<i>Pingo Doce</i>	3.24	74	.499	.000	.000	√
	<i>Continente</i>	2.77					
Pair 2	<i>Pingo Doce</i>	3.20	50	.751	.000	.000	√
	MiniPreço	2.74					
Pair 3	<i>Pingo Doce</i>	3.17	53	.636	.000	.000	√
	Lidl	2.62					

Question 2.3 Interested in more than just selling products and making profit

		Mean	N	Correlation	Sig.	Sig. (2-tailed)	Significance
Pair 1	<i>Pingo Doce</i>	2.88	72	.645	.000	.021	√
	<i>Continente</i>	2.67					
Pair 2	<i>Pingo Doce</i>	2.84	50	.702	.000	.088	✗
	MiniPreço	2.68					
Pair 3	<i>Pingo Doce</i>	2.85	54	.757	.000	.060	✗
	Lidl	2.69					

Model 3. Pingo Doce non-regular customers excluding answers do not know/do not respond

Question 2.2 Concerned with customers

		Mean	N	Correlation	Sig.	Sig. (2-tailed)	Significance
Pair 1	<i>Pingo Doce</i>	2.87	135	.577	.000	.555	✗
	<i>Continente</i>	2.84					
Pair 2	<i>Pingo Doce</i>	2.89	99	.411	.000	.012	✓
	MiniPreço	2.67					
Pair 3	<i>Pingo Doce</i>	2.91	111	.494	.000	.019	✓
	Lidl	2.73					

Question 2.3 Interested in more than just selling products and making profit

		Mean	N	Correlation	Sig.	Sig. (2-tailed)	Significance
Pair 1	<i>Pingo Doce</i>	2.57	130	.778	.000	.557	✗
	<i>Continente</i>	2.54					
Pair 2	<i>Pingo Doce</i>	2.54	98	.659	.000	.487	✗
	MiniPreço	2.49					
Pair 3	<i>Pingo Doce</i>	2.56	108	.647	.000	.373	✗
	Lidl	2.50					

EXHIBIT 24. Evolution of shopping visits to each store over the six month period

Group of respondents that **increased** visits to *Pingo Doce* over the six month period.

N = 31	<i>Continente</i>	<i>Pingo Doce</i>	Minipreço	Lidl	Other
Average Frequency of visits 6 months before	44%	26%	6%	7%	17%
Average frequency of visits at the time of answer collection	25%	43%	8%	9%	15%
Evolution	-19%	+17%	+2%	+2%	-2%

Group of respondents that **decreased** visits to *Pingo Doce* over the six month period.

N = 35	<i>Continente</i>	<i>Pingo Doce</i>	Minipreço	Lidl	Other
Average Frequency of visits 6 months before	32%	45%	6%	8%	9%
Average frequency of visits at the time of answer collection	38%	30%	12%	10%	10%
Evolution	+6%	-15%	+6%	+2%	+1%

EXHIBIT 25. Mean values for both groups about *Pingo Doce* characteristics and price comparison with *Continente*.

	Group <i>Pingo Doce</i> ↑ (N=31) mean values	Group <i>Pingo Doce</i> ↓ (N=35) mean values
Awful/Excellent store environment (Question 6.3)	4.55	4.74
Poor/Good promotions (Question 6.4)	4.68	4.97
Prices that reflect/do not reflect the value of purchases Question (6.5)	4.29	4.46
Awful/Excellent quality of fresh products (Question 6.6)	4.84	5.54
Overall very bad/very good impression (Question 6.7)	4.77	5.43
<i>Continente</i> – In general, prices are fair (Question 2.6.1)	2.74	2.66
<i>Pingo Doce</i> – In general, prices are fair (Question 2.6.2)	2.90	2.83

EXHIBIT 26. Bivariate Pearson Correlation analysis. Correlation between credibility of *Pingo Doce* promotional camp+aign and mistrust of products' on deal quality.

	Pearson Correlation	Sig. (2-tailed)
<i>Pingo Doce</i> - When I see a promotional campaign I believe the information is true (Question 2.4.2)	-.239	.000
If I see a product on deal I mistrust its quality (Question 5.8)		

** . Correlation is significant at the 0.01 level (2-tailed).

EXHIBIT 27. Linear regression analysis.

	Pearson Correlation	Sig. (2-tailed)
<i>Pingo Doce</i> -		<i>Pingo Doce</i> -

Bad/Good promotions (Question 6.4)	.634	.000	Overall very bad/very good impression (Question 6.7)
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** . Correlation is significant at the 0.01 level (2-tailed).

EXHIBIT 28. Paired sample t tests. Comparing means on price perceptions questions (question 2.6)

		Mean	N	Correlation	Sig.	Sig. (2-tailed)	Significance
Pair 1	<i>Pingo Doce</i>	2.87	230	.588	.000	.000	✓
	<i>Continente</i>	2.63					
Pair 2	<i>Pingo Doce</i>	2.64	149	.783	.000	.114	✗
	<i>MiniPreço</i>	2.70					
Pair 3	<i>Pingo Doce</i>	2.67	166	.771	.000	.059	✗
	<i>Lidl</i>	2.72					

EXHIBIT 29. Bivariate Pearson correlation test. *Pingo Doce* promotions benefits evaluation and price perceptions.

	Pearson Correlation	Sig. (2-tailed)	
<i>Pingo Doce</i> – Good/Bad promotions (Question 6.4)	.709	.000	<i>Pingo Doce</i> – Prices that reflect/do not reflect the value of purchases (Question 6.5)

** . Correlation is significant at the 0.01 level (2-tailed).

**EXHIBIT 30. Independent sample t-test. *Pingo Doce* price perceptions:
Pingo Doce regular customers vs. *Continente* regular customers.**

	Sig	Sig. (2- tailed)	
<i>Pingo Doce</i> Regular Customers– Prices that reflect/do not reflect value of purchases (<i>Pingo Doce</i>) (Question 6.4 – mean 4.82)	.005	.000	<i>Continente</i> Regular Customers– Prices that reflect/do not reflect value of purchases (<i>Pingo Doce</i>) (Question 6.4 – mean 4.09)