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Nestlé

A MARKETING PLAN FOR A HEALTHY LOW FAT YOGURT

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EXECUTIVE SUMMARY

For a company who aims to be the “world’s leading nutrition, health and wellness company”, Nestlé reveals a surprising weak presence in the health segment in the Portuguese yogurt market.

Today consumers are looking for products aligned with a healthy lifestyle while maintaining taste and pleasure. Nutraceutical food industry is growing as health awareness rises, especially on the dairy sector. Therefore, it is crucial for Nestlé to position itself in the fastest growing segment in the market, to be more aligned with its corporate mission and increase its market share in the yogurt category.

To enter on the health segment, Nestlé should take advantage of its internal strengths and technology achievements, and in line with the new market trends and customer needs, extend its low fat yogurt brand, Sveltesse, to embrace the launch of a new product, Sveltesse Balance, a fat free nutraceutical yogurt that provides two different health benefits: maximise the fat burn metabolism and provide a stronger bone condition.

Launching this concept will benefit Nestlé’s overall position in the market since these benefits can attract a considerable potential market considering that a quarter of the Portuguese population suffers from rheumatic and bone related diseases and more than half is overweight. Moreover, this health concept was not explored before by any of its competitors. Sveltesse Balance will be targeted to active urban women, who value a yogurt that can help them to control weight and maintain strong and healthy bones through their lives.

This Marketing Plan fits with Nestlé’s corporate mission in delivering a healthy and balanced product, while promoting a wellness lifestyle to its customers.

The Plan begins by exposing a deep category analysis, focused on the market trends and customer behaviour, and also on the key players on the industry. Then the marketing strategy for this new product is depicted and the different marketing elements detailed, followed by a financial analysis to demonstrate the viability of the plan. At last, the implementation plan and controls are presented, as well as a brief contingency plan.

As support material to this Plan it was used Nielsen’s quantitative and qualitative reports about the category, specialized market articles, as also theoretical marketing literature. An online survey was also conducted to evaluate the potential of this product, as well as consumption patterns.

SITUATION ANALYSIS

MARKET OVERVIEW

Yogurt market is one of the most dynamic markets in Portugal, not only because of the constant product innovations in the different segments, but also because of the fierce competition between producer's brands and private labels.

Portuguese consumers are showing a familiar connection with yogurts and its consumption is rising every day. In 2007, yogurt market sales were about €427 million, reflecting 154 million Kgs of yogurt sold.¹ **Exhibit 1** reveals that from 2006 to 2007, total yogurt market sales in Portugal grew 4.6% in value.

The yogurt market can be divided in six different segments: basics, health, low fat, adult drinks, children and indulgence. Basics, accounting for 15% of the market in 2007, were the first yogurts appearing in the industry and are the simplest yogurts in the market. It includes natural, flavoured and fruited solid yogurts, as for example Longa Vida Aromas and Puro Danone. Adult drinks segment represents brands that are only commercialized in the drinkable format. With 19% share, these yogurts don't offer any additional value besides the ease of use, like Yoggi, Dan'up, Yop, Mimosa Líquido and Adágio. Low fat segment represents yogurts with low fat or fat free content, which can be liquid or solid, like Sveltesse or Corpos Danone and represent 14% of the market. Health, also known as functional or nutraceuticals yogurts, was the most sold segment in 2007 with a share of 26%. Health yogurt consumers look for products that have a medical effect on human health, in brands such as Actimel, Activia, LC1, Danacol and Benecol. Children segment delivers the specific nutritional benefits required for young children, as Yoco or Nesquik and account for 15% of the market. At last, indulgence representing 11% of the market. These are products designed to appeal to consumers who look for fuller tasting more indulgent yogurts, like Longa Vida Receita Cremosa or Dupla Delícia. All these segments and its weight in the market are presented in **Exhibit 2**.

Besides being the most sold yogurt segment in Portugal, health segment is also the one that is growing more, as it is shown on **Exhibit 1**. The same pattern occurs with adult drinks, the second most sold segment, where consumption is also increasing. Indulgence yogurt sales are stabilized, while children, basics and low fat are decreasing its sales volume.

Regarding producers, Danone is the leader with a share of 37% in 2007, followed by Nestlé with 17%. Private labels have a huge weight in the market with 29%. Danone and Private Label brands together represent 2/3 of the Portuguese market.² See **Exhibit 3**.

Concerning retailers, the Portuguese retail industry is transiting from a more traditional retailing environment dominated by independent specialist retailers to one dominated by

multinational multiples. The major supermarket and hypermarket chains are beginning to have an increasingly dominant role in Portuguese retail and have been a major source of consolidation in the industry, as many independent food specialists have been unable to compete with the low prices and convenience that they offer. Discounters have also proven a popular retail format in Portugal and have helped drive average prices down across the retail industry, making the industry as a whole more competitive.³ The top 5 retail food chains in Portugal represent 64% of the market.⁴

MARKET TRENDS AND EVOLUTION

Yogurt manufacturers are launching every day innovative products to fulfil the most recent consumers' wants and needs. Changes in working patterns and lifestyle, and in attitudes to life itself, have also led to new consumer needs.

The functional and nutraceuticals yogurt market in Portugal, with an estimated value of €108 million in 2008, is growing steadily as consumers become more health-conscious.

Portuguese consumers are showing a growing concern with health matters, so they seek food products associated with well-being, with yogurts perceived as a source of healthy and natural nutrition. These products are seen as credible, natural and even used as means to fight diseases, such as cholesterol or high blood pressure. Within the health-food market, consumers are shifting away from products that reduce or eliminate unhealthy ingredients, such as "light" or "low in fat" products, to products that have extra health benefits, such as functional and fortified foods. As population ages and health-care costs rise, the trend of increasing health-consciousness is expected to continue, thus driving the demand for functional food products. It is expected that manufacturers will continue to develop and introduce new functional and fortified ingredients into their traditional product offerings, as well as develop new products to address specific health concerns.⁵

To increase consumption occasions and therefore drive product sales, producers are developing and experimenting different package formats to evolve yogurt consumption from at-home consumption to a practical all day snack, Euromonitor said.⁶ Consumers want to be able to buy and eat food anywhere, at any time. Some examples of more convenient formats are yogurts with disposable plastic spoons, or in squeezable tubes. Some manufacturers like Danone prefer instead to focus on building a strong drinking yogurt portfolio. These changes in the consumers' lifestyle drove the drinkable format sales, while solid yogurt consumption decreased from 46% to 41.3% in volume.⁷

Other diversifying trend has been to produce more luxury, creamier or exotic varieties, such as cheesecake or stracciatella flavours, positioning these yogurts as dessert options.⁸

Euromonitor predicts that the moves towards healthier, more luxurious and more convenient products are expected to continue in the immediate future, and retail yogurt sales will continue to increase. Drinking and functional yogurt sales will be the main drivers of this growth, as they more than any other dairy product address the key demands of today's consumers - health, convenience and taste.

A Nielsen's study about chilled dairy products in Portugal states that low fat yogurts, despite the fact of its consumption is slightly decreasing, will continue to evolve in the future, since people are ever more concerned about their looks and weight. These consumers expect that the segment will continue to have more and more varieties and flavours covering all brands and with other health benefits associated, besides the simple benefit of being fat free.

Consumers also wish them to become more affordable, more natural and with fewer chemicals.⁹ The same study believes that health yogurts will also continue to evolve and diversify. It is expected that the health functions will continue to increase and cover other type of needs such as anti-skin aging, anti-cellulite, anxiety control, etc.¹⁰

According to Hipersuper magazine, yogurt consumption has moved from a seasonal product to an all year food product, as well as changed from being associated with junior segments to become part of the daily eating habits of a large part of the population.¹¹

CONSUMER BEHAVIOR

As a low-involvement purchase, consumers will unlikely follow all the seven steps in the consumer decision process model¹² when buying yogurts. It is unlikely that the consumer will initiate a process of information search to determine brand characteristics, nor is he likely to evaluate alternative brands to identify the most favoured one.¹³ Instead, the consumer receives information passively while watching TV, reading newspaper and magazines or when exposed to other kinds of advertisement like in-store advertisement. The consumer is not really evaluating the advertising; he is just seeing the ad and storing information. Then, one day this consumer while shopping will see the brand on the store shelves and will associate it with the advertising theme. If he formed a favourable opinion and because of the familiarity that repetitive advertising produces, he will probably give it a try.

Thus, the purchasing process follows basically three main steps. Consumers become aware of the product and form beliefs about it passively, then they make a purchase decision with little brand information and after that they evaluate the product after the purchase to determine the level of satisfaction. If consumers are highly satisfied, repeated purchase decisions become easier.

Although being a low-involvement purchase, when consumers consider buying Sveltesse Balance for the first time they will face a limited problem solving situation. The introduction of new products, changes in the existing brands, or a desire for variety may cause a consumer to switch from a routinized choice to limited decision making.¹⁴ Involvement with the category is low, but the introduction of a new product is enough to produce interest and curiosity. The decision process still follows a low-involvement hierarchy, as there is little information seeking and brand evaluation. The consumer forms beliefs about the brand (controls weight, fortifies bones, convenient), purchases the brand, and then evaluates it based on initial trial.¹⁵

Health yogurt consumers look for a product with a specific medical effect on their health, and they want to achieve it through a natural food product. Consumers when watching TV advertising for Sveltesse Balance will find a product that can help them to control body fat and protect their bone condition. If they are concerned about their body shape and condition, these wants will be activated, and if they believe that these benefits are true, they develop disposition to buy.

According to the reasons for buying model¹⁶, consumers when buying health yogurts choose products by performance criteria, mainly ancillary use function and convenience, consumers choose products with nutraceutical benefits they are concerned with, especially in drinkable formats that can be taken on the go; by its intrinsic appeal, like attractiveness of packaging or the sound of the brand name; by adaptive reasons, like brand reputation; by integrative criteria, nutraceuticals is a trend on the food market and finally, economic criteria, if yogurts are priced too expensively they won't buy it, they go for the normal one or the cheapest of the usual brands, price-quality relation is always considered since these products are more expensive than normal ones. After trial purchase, consumers choose without deciding, picking the last used brand if it was satisfactory, turning it into a habit. Usually, health yogurt consumers are loyal to a brand or a type of benefit since there aren't many alternatives in the market.

Generally, yogurts consumers consume them on a daily basis. A consumer's qualitative study¹⁷ showed that many consumers normally eat 2 or 3 yogurts a day, snacking mid-morning and mid-afternoon or at breakfast. There is also a considerable group that eats 1 per day at breakfast or snacking at the end of the afternoon, when arriving home or after dinner as a dessert or a late night snack. Occasionally, some women will even reach 4 yogurts consumption a day, frequently snacking throughout the day, avoiding big meals or lunch, with a soup and fruit. Despite this major trend, there are also some consumers that consume yogurt 3 or 4 times a week, usually, not more than one a day. In the survey, results show that most of

women tend to eat 1 or 2 yogurts a day, while men typically consume them frequently, but less than 1 a day or just 1 per day. See **Exhibit 4**.

COMPETITION AND PRODUCT OVERVIEW

As explained before, the main players in the yogurt business are Danone, Nestlé, Lactogal and the private labels. As it is shown on **Exhibit 5**, Danone is the leader in all segments, except on children, where Nestlé leads with a remarkable 48% share. The third producer in the business, Lactogal, is stronger than Nestlé in the low fat and adult drinks segments. On the health segment, Nestlé has a surprising weak presence since it aims to be a leader in nutrition and health.¹⁸

In terms of brands competing in low fat and health segment, the main brands are Sveltesse (Nestlé), Corpus Danone (Danone), Adágio and Mimosa Magro (Lactogal) in low fat and Actimel, Activia and Danacol (Danone) in health.

In a consumer study conducted by Nestlé in 2005¹⁹, Sveltesse appeared to have problems with the product, packaging and image. It was considered as a less dynamic and more old-fashioned brand than Danone, the products were perceived as lower quality and less pleasant, there was a lack of awareness of the flavours available and the packaging was considered old-fashioned and unattractive. To solve these packaging problems and to be aligned with its positioning, Nestlé launched in 2007 a new packaging with a modern look, elegant and sophisticated, replacing the paper labels with a shiny blue plastic label.

Corpus Danone is a unisex brand, for people who exercise and care about their body. It has a very strong and positive image with good products at an affordable price. Adágio has a quality and pleasure image, but is priced very high, constraining its consumption. Adágio is a sophisticated, mature and calm brand. Mimosa Magro showed some effort to evolve, but it is still a weak brand with an ambivalent image, though it is associated not only with health and wellbeing but also it is perceived as a simple and rural brand.

Actimel is a reference for health dairy products. It has a strong, positive image, strongly associated with protection, it is active and healthy. Actimel is seen as a good nutraceuticals product that functions as an alternative to a medicine and sometimes consumers say that they drink it “because it’s good for you not for pleasure”. Activia is well evaluated in terms of product; it is a really strong brand in the Bifidus range despite the name Activia is still little known. Activia is perceived as a “regulating” brand and that helps you stay in shape at the same time. Danacol is quite well known, but there is little identification with the brand, although its name is associated with Danone. The fact that the package is bigger than that of

its competitors is a strength on the segment. Danacol is strongly associated with older people with cholesterol-related diseases.²⁰

NESTLÉ YOGURT DIVISION

Nestlé is a publicly owned company with subsidiaries across the world aimed to build its business as the “world's leading nutrition, health and wellness company” based on sound human values and principles, focusing in delivering to its customers the best food products through their lives. Operating on the five continents, in more than 86 countries, Nestlé employs about 250.000 people, with 481 factories and 17 research centres. In 2008, Nestlé had a turnover of €109.908 million in sales.²¹

The company's international strategy is at the core of their competitive focus, and is associated mostly with foreign direct investment in dairy and other food businesses, balancing sales between low risk but low growth countries of the developed world and high risk and potentially high growth markets of Africa and Latin America. Nestlé recognizes the profitability possibilities in these high-risk countries, but assures not to take unnecessary risks for the sake of growth.

The most important competitive advantages of Nestlé regarding its competition are its wide range of products and world-class premium brand portfolio, its comprehensive geographic presence through the world, the industry-leading research and development centres and the attention they give to people, culture and values. Their global strategy is focused on operational efficiency, product availability and the communication with the customers.

Globally, Nestlé is perceived by the customers as a traditional, trustworthy, safe and good quality brand. On the other hand, there is lack of knowledge of Nestlé products with specific health benefits and is more strongly associated with child nutrition and chocolate. While the health matter became an important factor on the consumers' choices around the world, Nestlé pushes new innovations and renovations of their actual portfolio to reach new height in finding better and healthier products for consumers. In 1998, the dairy business accounted for 5% of the company's sales revenue. More recently, in the first half of 2004, Nestlé milk-based products, nutrition, and ice cream accounted for 60% of Nestlé revenue growth.²²

In Portugal, Nestlé is present in diverse markets and its sales accounted for €542 million in 2007, employing 1523 people and 5 factories. Regarding its yogurt division, Nestlé's portfolio is composed by Longa Vida, Sveltesse, Yoco, Yoggi, LC1 Vital, Nestlé Bifidus, Smarties, Chocapic, Nesquik and Nestlé Bébé.²³

ENVIRONMENT ANALYSIS

According to Marktest, about 22.3% Portuguese with more than 15 years old consumed low fat yogurts or dietetic, representing about 2 million consumers. In 2002, the percentage of these customers was about 8.4%.²⁴ Health and low fat yogurt consumers show differences in consumption patterns among men and women. While 28.6% percent of women say they consume this type of yogurt, only 15.5% of men say the same.²⁵ Considering that around 61% of Portuguese women are yogurt consumers²⁶, this means than more than 3 million women consume yogurts, and almost half consumes low fat or dietetic yogurts. We can conclude that Portuguese women are heavy consumers of this type of product, and we should bear this in mind when defining the target market and the marketing mix elements.

In geographic terms, those living in Great Lisbon have a consumption rate significantly above average, 31.1%. Even those living in Great Porto show consumption above average: 28.1%. This trend seems reasonable since wellness and aesthetics issues appear to be a more urban and cosmopolitan matter.

About 40.9% of the yogurt consumers belong to the group of medium to superior education. Employees in services, trade and administrative also have a consumption rate well above the average, 34.5%. Marktest also states that, between different social classes, values gradually fall of 34.8% observed among individuals of high and upper middle classes for the 14.6% among individuals of low social class.²⁷ This study reveals a relation between yogurt consumption and buying power. People with higher income tend to look for more luxury or differentiated products than standard ones like basic yogurts. Health products are targeted to more sophisticated and informed consumers and are priced substantially higher than others in the category.

More than a quarter of the Portuguese suffers from rheumatic problems, with women generally being more affected then men. Experts believe that rheumatic diseases will be more frequent in the future since population is becoming older. Osteoporosis is broadly known in Portugal, but only 12% of the population prevents the disease. Obesity is a today's health matter, 51% of the Portuguese people are overweight. The population seems to be aware of the problem of obesity and the importance of regular physical activity and healthy eating habits to prevent it, but many do not have time to consider changes on their lifestyles.²⁸

SWOT ANALYSIS

At this point it is important to develop a strategic assessment of strengths and weaknesses, opportunities and threats of extending Sveltesse brand to embrace a new functional yogurt under its line of low fat yogurts. The SWOT analysis as follows:

Strengths	Weaknesses
<ul style="list-style-type: none"> ○ Large yogurt brand portfolio. ○ Leader in the children segment, and well positioned in the low fat and adult drinks ○ Global launches of new innovations and renovations of their actual portfolio ○ Perceived as a traditional, trustworthy, safe and good quality brand ○ Industry-leading research and development centres worldwide ○ Wide range of products and world-class premium brand portfolio ○ Geographic presence through the world 	<ul style="list-style-type: none"> ○ Weak presence in the health segment ○ Lack of knowledge of Nestlé products with specifics benefits or health enriched ○ High price compared with distribution brands ○ Sveltesse name is strange and does not suggest the type of product ○ More strongly associated with child nutrition and chocolate
Opportunities	Threats
<ul style="list-style-type: none"> ○ Nutraceutical industry grows as health awareness rises ○ The most sold yogurt subcategory, health, is the one that is growing more - 18.2% in 2007 ○ Convenience boosts on-the-go snacking. Drinking yogurts offer the best way forward ○ Portuguese women are heavy consumers of health and dietetic yogurts ○ People with higher income tend to look for more luxury or differentiated products ○ ¼ of the Portuguese suffers from rheumatic diseases ○ 53% of the Portuguese are overweight 	<ul style="list-style-type: none"> ○ Constant introduction of product innovations in the different segments by competitors ○ Power of private labels, accounting for 29% of the market with diversified and cheaper offerings ○ Retailers restrictions on having new product lines, especially if they have own private labels ○ Sales of low fat products slightly decreased ○ Occasion usage patterns differ from one segment to another ○ Health related products are priced substantially higher than others in the category and its communication is target to more sophisticated and informed consumers

From the analysis above, it is clear that nutraceuticals is a today's trend in the market. Consumers are looking for products aligned with wellness and aesthetics, especially in convenient formats that can be taken everywhere. Nestlé aims to be a nutrition and wellness company, and achieved many considerable developments in yogurt production, and has capabilities and resources to increase its global position in the category by entering in the health segment with an innovative health benefit, fulfilling a gap in the market with a product that prevents health problems that are rising today on society as obesity and bone related diseases as osteoporosis.

KEY SUCCESS FACTORS AND CRITICAL ISSUES

Convincing consumers of nutraceuticals effectiveness

Manufacturers must develop products with visible health benefits or else they will never persuade consumers to embrace this expensive concept of food.

Retailers' power and new products introduction

New product introduction fees, shelf space allowances and retailer's margin should be taken into account, since they could be extremely high if the retailers perceive the importance of the product to the producer.

Communicating new segment entrance through brand extension

Nestlé is not really associated with products with specific benefits or enriched, despite of its nutrition claims, in Portugal it is not represented in health dairy products. The entrance on the segment through a brand extension of Sveltesse brand should be heavily communicated in a clearly understandable way.

Achieving distribution in a reasonable time frame

The launch will be totally ineffective if the product is not available in all supermarket and hypermarket shelves nationwide, as also on the most frequented urban cafeterias and vending machines in a reasonable period of time. It is expected that in 3 weeks, it will achieve more than 50% of weighted distribution, and after being established is expected to be present in 65% of stores with a weighted distribution of 95%.

MARKETING STRATEGY

MISSION

In Nestlé's vision, food has entered a new era, nowadays consumers are looking for something more, an improved nutritional value. Nestlé seeks to provide consumers the products they need for a healthy life. It encourages a balanced, healthy diet and manufactures products that fit into it, committing itself to increase the nutritional value of its products while improving taste and pleasure. Sveltesse Balance fits perfectly on the corporate mission, delivering a healthy and balanced product allowing consumers to enjoy a wellness life.

OBJECTIVES

Sveltesse Balance's main objective is to establish a credible Nestlé brand on the health segment in the Portuguese yogurt market. Considering that the ultimate marketing objective for every company is to maximize profit²⁹, therefore sales (absolute volume) and consequently market share (relative volume in the category) goals will be set for the initial launch period and beyond, since health is a growing market segment in Portugal and we are launching a new product in the market.

Today, Nestlé has 2.7% market share on the health segment. The goal is to attain 8% market share on the first year, 10% on the second and 12% on the third year. Hence, if the goal is to attain an 8% share in its first year, and assuming the market will continue to grow at the same rate, 18%, it represents approximately €10.6 million of retail sales in one year. In the second

and third year, sales will be €15.7 million and €22.3 million respectively. Calculations are presented on **Exhibit 6**.

SEGMENTATION AND TARGET MARKET

In order to maximize Nestlé ability to satisfy consumers, the market should be segmented according to different consumer needs and preferences. Segmentation involves dividing the market of potential customers into homogeneous subgroups, which may be distinguished in terms of their behaviour patterns, attitudes, demographic characteristics, psychographic profile, and the like. Marketing effort will focus on targets whose needs correspond to the firm's capabilities.³⁰

Yogurt market segmentation will be based on the benefits that consumers seek from products in the category, thus the yogurt market will be segmented in two different variables: fat content and nutraceutical enrichment. With regular fat content and nutraceutical effect, the main brands are Activia, Actimel, Danacol and Benecol. With low fat content and not health enriched, are Corpos Danone, Mimosa Magro, Sveltesse and Adágio Magro. With regular fat content and not health enriched are Dan'Up, Puro Danone, Yop, Longa Vida and Yoggi. In the low fat and health enriched quadrant, there are not specific brands with this purpose, only low fat brands with Bifidus or health brands with low fat content, as Actimel 0%, Activia 0%, Mimosa Magro Bifidus and Adágio Magro Bifidus. These yogurts are fairly known for the regular consumer and there isn't any particular communication on this segment, it simply varies as if it was a new flavour. Market segmentation is presented on **Exhibit 7**.

Sveltesse Balance will target consumers that look for low fat yogurts enriched with a specific formula to improve body health. The survey shows that prospective buyers of this type of product are health conscious adult women who care about their looks and inner body condition that lead active lives, who expect from a yogurt a healthy snack that can be taken calmly at home, at work or even on the go.

POSITIONING

Brand positioning refers to the specific, intended meaning for a brand in consumers' minds. More precisely, a brand's positioning articulates the goal that a consumer will achieve by using the brand and explains why it is superior to other means of accomplishing this goal.³¹

The first step in establishing brand position is to identify its category membership and in which segment it will compete and make it different from the other products there.

Sveltesse Balance will belong to the healthy low fat yogurt segment. In this segment there are only low fat brands with Bifidus, like Mimosa Magro Bifidus and Adágio Magro Bifidus; and health brands with low fat content, like Actimel 0% and Activia 0%.

Sveltesse Balance will differ from its competition by its innovative health proposition, which was never explored before, a fat free yogurt able to regulate body weight, by increasing the fat burn metabolism, while at the same time fortifying bones.

In the end, all the positioning strategy must now be represented in the form of a positioning statement. Thus, according to the previous analysis, the positioning statement will be: *“To health conscious adult women, from 18 to 60 years old, who lead active urban lives that most of the time results in eating away from home, Nestlé offers a new healthy fat free drinkable yogurt that is able to prevent weight gain and provide a stronger bone condition. Sveltesse Balance yogurt has zero fat content and sugars, and is especially enriched with extra calcium and vitamin D that regulates the fat burn metabolism and fortifies bone structure, assured by Nestlé’s expertise in food”.*

STRATEGY SUMMARY

Defining marketing strategy involves two key activities: “selecting a target market and determining the desired positioning of the product in the target customer’s minds; and specifying the plan for the desired activities to reach the desired positioning”.³²

Aiming to establish a strong product in the health segment, and also increase its share on the yogurt market in general, Nestlé should follow a product development strategy, by launching a new product on a category it already competes in.³³

Nestlé will develop Sveltesse Balance, a fat free drinkable yogurt, enriched with extra calcium and vitamin D, able to maximise fat burn metabolism and build strong and healthy bones. This yogurt will be launched through a Sveltesse brand extension.

Sveltesse Balance will be targeted to active health conscious women that most of the time eat away from home and expect from a yogurt the health complement they need. The product will be low in calories and 0% fat yogurt able to maximise fat burn metabolism and build strong bones due to calcium and vitamin D intakes. Price will be defined by considering average market prices, product manufacturing costs and value delivered to consumers, and it will be distributed on supermarkets, hypermarkets, discounts, small retailers and also on the HoReCa channel. Communication will be based on the two main benefits: controlling weight and building healthy bones, through TV advertising, point-of-sale promotions, sampling and some other specific promotion and advertising tools.

MARKETING MIX

PRODUCT

Scientists at the Nestlé Research Centre have developed a formula that helps consumers maximise their fat metabolism, while at the same time fortify their bones. Taken as part of a

balanced diet and regular exercise, Sveltesse Balance can help with weight management thanks to its calcium content. Research indicates that calcium can play an important role in body weight regulation and fat metabolism. Even better, by increasing intake of dairy calcium consumers may be able to reduce future weight gain. Moreover, adequate dietary calcium intake combined with vitamin D is one of the most important factors contributing for healthy bone structure. The most efficient absorption of calcium depends on the presence of vitamin D in the body, which is a key ingredient in the various hormones that enable calcium to pass from the digestive system into the blood or bones. Insufficiency of calcium over time may cause bone related diseases, like osteoporosis and osteomalacia.

As mentioned before, Sveltesse Balance will be launched under the Sveltesse brand, in a line brand extension, since the new product will still compete in the yogurt category, in a new line, as already happens with Sveltesse Fresh or Sveltesse Sabores, in order to reduce launching costs and corporate issues, and most important to benefit from Sveltesse awareness in the Portuguese market. Consumers frequently follow adaptive criteria, like brand reputation, when buying yogurts.

Brands are among a company's most valuable assets, particularly when the company, like Nestlé, is active in the consumer goods industry. As such, the value of a brand cannot be based purely on its sales, equally important, if not more so, is its emotional value. Today, Nestlé has only two kinds of brands, corporate brands and range/product brands, which can be used at all three levels – worldwide, regionally and locally. According to the brand relationship spectrum³⁴, Nestlé is a master brand, under which the company sells chocolates, dairy products, child nutrition products, waters, and a variety of other goods. It seems clear that the predominant brand strategy Nestlé is using is a corporate endorsement strategy. Nestlé has gathered several products under a global umbrella. This is saving costs for Nestlé in brand communications, but it is also reassuring for the client when they know that one product they like is related to a product they don't know yet, but which they want to try out. They know the good quality the product represents. This enabled products under the Nestlé umbrella to benefit from the prestige and familiarity of Nestlé, and the company to benefit from their popularity.

Sveltesse is endorsed by Nestlé; an endorser brand is used to give credibility and substance to the offering. Endorsements are powerful because endorsers are somewhat insulated from the brands they endorse. Thus, they can contribute with reduced risk that their associations will be affected by the performance of the endorsed brand.³⁵

Sveltesse is geared mostly to aesthetics and diet, and a low fat brand in order to be credible should be firstly associated with health. Keller refers that the basic assumptions regarding

brand extensions are that consumers have some awareness of and positive associations about the parent brand in memory and that the brand extension will evoke at least some of these.³⁶

Sveltesse is a recognized brand in the low fat segment, it is a reliable Nestlé brand and perceived as good quality. At the same time, consumers perceive it as less dynamic than its competition, namely Danone. The ability of the extension to establish its own equity will depend on the salience of parent brand associations in the minds of the consumers in the extension context and the resulting favorability and uniqueness of any inferred associations.³⁷ If Sveltesse Balance succeeds in the market and is appreciated by consumers, it will affect positively consumers' perception about all Sveltesse range. Sveltesse current range can be seen on **Exhibit 9**.

Naming new line extensions should comply with Sveltesse brand identity, as well as provide a meaning coherent with the product attributes and benefits. Brand identity is on the sender's side, while brand image refers to the way in which people decode all the signs emanating from the products, services and communication covered by the brand, brand identity specifies the brand's meaning, aim and self-image.³⁸

Brand Identity Prism framework was used to evaluate current Sveltesse brand identity, and also to project the new Sveltesse Balance identity.³⁹ The results of this evaluation are shown on **Exhibit 8**. Adding "Balance" to Sveltesse brand is communicating that besides the happy and in shape image that Sveltesse has, this new product can even improve your health system, giving balance to your body system in an urban active life, keeping your weight controlled and your bones healthy. Intrinsic criteria as the sound of the brand name or attractiveness of the packaging are also buying criteria followed by consumers.

Brand is also a fundamental part of product's packaging, which in turn is the most cost-effective mean of advertising⁴⁰ as it creates an unbreakable link between the product, the manufacturer and the consumer. The package may be more influential for low-involvement goods because it is encountered in the store⁴¹, thus it is important to attract the attention of the consumers through an appealing and distinctive image. Packaging is also becoming an increasingly important source of consumer information, for which Nestlé created a new basis in 2005 when it increased the amount of nutritional information in particular. All Nestlé products now generally bear a visually and linguistically appealing Nutritional Compass with useful information about the product's contents.

The Sveltesse cup will be in the same format and design from regular Sveltesse to save production costs, and also because the cup was improved recently to a more ergonomic and attractive design. The main difference will be on the colour, that will be in a dark golden tone and more transparent, allowing to see the product and to transmit the idea that the product is

so natural and healthy that you can actually see it before you buy it. The plastic label should shine and not be dull. The card involving the yogurt pack will be white, only with the cups' shape in the same golden tone, as if it was the yogurt skeleton. Furthermore, the name Nestlé should continue to appear in the package to give reliability to the product, as also the two 0% symbols, meaning that it has 0% fat content and 0% sugar addiction, to be fully aligned with a credible low fat and healthy product. Presenting this type of product as light or low fat has a huge impact on customers' perception. Light is perceived as more artificial, is associated with less natural and less healthy products, while low fat is more natural and associated with simpler manufacturing processes, more related to the removal of harmful elements (fats), instead of adding additives.⁴² Sveltesse Balance packaging proposal is presented on **Exhibit 10**. As it was mentioned before, this yogurt will be commercialized only on the drinkable format, since today's consumer values on the go snacks that can be taken anytime, anywhere. Concerning flavours and varieties available, the decision was made based on two indicators, first the most selling yogurt flavours in Portugal, that are strawberry, peach, wild berry, pineapple, and tutti-frutti⁴³, and second, the survey conducted for this project, where it was shown that consumers prefer by order, strawberry, wild berry, banana, natural and mango. Since producing more flavours will increase production costs by using different raw materials, different packaging, and in the production line itself, Sveltesse Balance initially will be launched in strawberry, wild berry, banana and mango. If the plan succeeds, in the second year it will be launched in peach and pineapple, and on the third year tutti-frutti and plain. By increasing flavours assortment to satisfy consumers that seek for variety and to match the most appreciated flavours by the target market, it will also reduce distribution costs by minimizing listing fees. Promotions and TV spots should focus the new offering. Concerning the size of the package, since it will only be available in liquid format, the quantity will be 180g, the current size of Sveltesse cups.

DISTRIBUTION

Sveltesse Balance will only succeed in the market if the channels, as routes to the market, are able to respond to the demand level expected for the product, by taking into consideration demand and supply-side factors while aiming at the same time to minimize operating costs. Sveltesse Balance, as the other Nestlé yogurts commercialized in Portugal, will be produced in factories located in Spain and France, that serve also many other European markets. In order to be commercialized, all yogurt batches must be tested by sampling. Yogurts are kept in the factories for control testing for two days and after that are shipped to the Portuguese distribution centre in Matosinhos. Shipping is outsourced to specialized companies in long haul

trucks. One truck carries about 33 pallets, 700 packs, approximately 2.500 yogurts. The journey from the factories to the distribution centre takes about three days. After being produced and packed, yogurts have a shelf life of about 37 days.

Regarding distribution strategy, Sveltesse Balance will follow the same distribution strategy already followed by Nestlé to distribute their products. Channels are divided in three main routes to consumers that are classified as Modern trade, Traditional channel and Auto-sales. Modern trade are centralized supermarket chains, as Auchan, Dia, Mosqueteiros, Jerónimo Martins, Modis, Elos, E.Leclerc, that place orders through the EDI system directly to the distribution centre. After the order is processed, there is a single delivery to the client's logistic platform, and from there, clients are responsible for their own distribution to stores. On Modern trade, prices and conditions are negotiated at a central level and the results from this negotiation are applied in every store. Trade margins on this channel can range from 10% to 50%, depending on the retailer's force, in exchange of stocking Nestlé's products, obtaining better shelf space and other operating benefits.

Traditional channel is a channel that serves individual stores, stores belonging to supermarket chains, hard discounters, as also small distribution companies, that sell the product through the HoReCa channel and some small grocers. On the Traditional channel, orders are placed through Nestlé Customer Sales Support and are integrated with the distribution centre's information systems.

Auto-Sales represent a channel where sales are done by agents, driving small refrigeration trucks, which sell door-to-door in places in the country where there is no benefit in having a direct sales force. It serves also the HoReCa channel and small grocers. Sales are integrated with the Nestlé Customer Sales Support by the agents' PDAs. In this case, price list is applied with commercial discounts.

Nestlé's yogurt sales weight is 25% by hypermarkets, 25% supermarkets, 15% traditional channel, and the rest are hard discount and out of home, 45%. All market players, including Danone are identical in terms of channel sales distribution, with the exception that Nestlé is present in Hard Discounters and Danone is not.

The entire Sveltesse Balance value chain can be found in **Exhibit 11**.

Regarding channel structure and intensity, Sveltesse Balance since it is a convenience product will follow an intensive coverage strategy by being present in all stores with high sales volume, achieving a high level of weighted distribution. This policy is common for Sveltesse products and is supported on the fact that fast moving consumers goods brand market share is disproportionately related to distribution coverage. After a certain level of coverage being reached, securing a few more points of distribution coverage reflects in a sharp growth in

market share. This occurs because many consumers will not leave one store to visit another if they cannot find their preferred brands; they will more probably buy another brand. Small retailers frequently only stock the top one or two brands due to space constraints, knowing it will be sufficient for most of their customers. As a result, coverage over a threshold level boosts coverage in small outlets, which rapidly boosts a brand's share disproportionately. The higher the brand's market share the greater the likelihood that other small stores will adopt the brand, increasing its share.⁴⁴

Usually, when it launches a new yogurt in the market, Nestlé achieves about 55% to 60% of weighted distribution after three weeks with a 25% to 30% numerical distribution. As yogurts are products that get spoiled very quickly, with a limited shelf life, they are rapidly distributed to stores after production, given that is necessary to produce large batches since the beginning to justify the product viability in terms of production costs.

After the product is established in the market, it frequently achieves 95% of weighted distribution with a 65% of numerical distribution, as hypermarkets and supermarkets sales represent a large portion of overall brand sales.

Competition distribution levels are similar to Nestlé, although as Danone makes more advertising, its rotation in stores is higher.

Another important consideration is about how the product is bought or what are called service outputs. An end-user's decision about where to purchase a product depends not just on what the end-user is buying but also on how the end-user wants to buy it.⁴⁵ Thus, analyzing the service level outputs for Sveltesse Balance from the demand and supply-side perspective, we obtain the chart on the **Exhibit 12**.

In terms of bulk breaking, consumers buying on the HoReCa channel will want to buy a single unit of the product, but in supermarkets people tend to buy more than one unit at a time. Bulk breaking will not be a problem since the product can be sold in 4 units packs and in single units, even on supermarkets, despite of being produced in large, batch-production lot sizes. High spatial convenience is required especially in low-involvement purchases as consumers will probably not look for another store to buy a specific yogurt brand. Although Nestlé will attempt to be strongly present in every store, initially it will take time to achieve the ideal distribution level and the product will not be available everywhere since there was no distribution for this product before.

Given that yogurts are products bought instantly on the supermarkets, waiting time is low since consumers will probably not wait to buy a brand, and if it is not available in the moment they will take another brand. Sveltesse Balance will be initially available in four flavors, while consumers will demand in the future for more flavors that fit with their personal tastes. And

last, information provision demanded is medium as customers do not need to be fully informed about the product to purchase it. Thus, Balance advertising will focus on transmitting information about the benefits since it is a launch of a new health concept in the yogurt market, as well as the nutrition facts in the package.

According to interviews with Nestlé management team, channel flows are efficient, achieving the right balance between meeting the consumers' demands for service outputs at minimum cost of performing the necessary channel flows that produce those service outputs.⁴⁶

Demand side gaps can be closed by increasing service outputs. For spatial convenience, service outputs can be increased by launching channel incentive programs. A price-off trial promotion of 2% will be launched in the first year, and 1% on the following years. Also, there will be a 2.5% price-off when the TV advertisement is on air which aims to be passed to consumers through a promotional price. For the small retailers and the HoReCa channel, the sales force will offer branded merchandise gifts whenever retailers exceed a determined sales value. For assortment, Nestlé will launch new flavors every year to fulfill customers' seek for variety.

PRICING

Pricing should be in sync with the value creation process of the other elements of the marketing mix. A higher price is only justified when a high investment in marketing exists. The product, including brand, features, service levels, distribution and communication creates the value, price captures this value.

Nestlé prices its products combining three different perspectives: contribution margin objective for the company – cost based perspective, market average prices –competition based, and finally, product value in consumers' perspective – value based. Research techniques can give an idea of the price that consumers are willing to pay for the product.

For new products or new brands, Nestlé considers the three perspectives and conducts qualitative and quantitative market tests to measure the consumers' acceptance and also their buying intension.

Concerning price strategy, the idea is to place the product in the market as a valued added low fat product, thus higher priced than low fat, but at the same time not as expensive as a health yogurt. Hence, the low fat price will establish the floor and the health price will establish the ceiling.

Thus, based on the Nielsen sales panel values⁴⁷, the procedure was to calculate the average retail price per kg on the low fat and on the health segment. **Exhibit 13** shows that on the low fat segment, the average price per kg is €2.74 and on the health is €4.07. Considering that the Sveltesse cup quantity is 180g, a 4-unit pack would be €1.97 and €2.93, respectively.

The price adopted will follow a neutral pricing strategy, involving a strategic decision of not to use price to gain market share, while not allowing price alone to restrict it. Nestlé generally adopts a neutral pricing strategy for its yogurts because market conditions are not sufficient to support either a skim or penetration strategy. If we adopted a skim pricing when buyers consider the products in the yogurt market to be so substitutable that no significant segment will pay a premium, in the other hand if we adopted a penetration pricing strategy customers would be unable to judge its quality before purchase and would infer low quality from low prices or competitors would respond vigorously to any price that undercut the established price structure. Neutral pricing is especially common in industries where customers are quite value sensitive, excluding skimming, but competitors are quite volume sensitive, excluding successful penetration.⁴⁸

In the survey, potential customers answered that they found €2.80 price per pack as fair to this type of product. So adopting a neutral pricing strategy, €2.80 is a reasonable price point to place the product in the market according to the value of the benefits it offers.

Considering pricing at a transactional level, the focus of transaction pricing is to decide the exact price for each transaction, starting with the list price and determining which discounts, allowances and other incentives should be applied.⁴⁹ Hence, for 2009 the list price for the Sveltesse Balance will be €2.60. There can be an on-invoice promotional discount of 2.5% to stimulate the trade to buy and discount the product. This price reduction is usually practiced when the TV ad is on air and is associated with point-of-purchase initiatives. Additionally, Nestlé pays a fixed off-invoice fee ranging from 0% to 50%, depending on the format's margin, as the trade contract. This fee includes not only the cost of stocking, replenishing, and advertising, but also favorable shelf space. The final recommended PVP will be €2.82, or €2.69 when in promotion (VAT included). **Exhibit 14** shows the prices that will be practiced, and estimated trade margins.

PROMOTION

Marketing objectives and budget

The first stage when planning the communication for Sveltesse Balance is to decide the marketing objectives for the product, and next estimate the amount of advertising that will be needed to guarantee the required sales volume for the three years.

As it was mentioned before, market share objectives are 8%, 10% and 12% respectively for the three years, reflecting €10.6 million, €15.7 million and €22.3 million of retail sales.

A&P budget was estimated based on the activities selected for the plan and is detailed on **Exhibit 15**.

Target audience selection and action objectives

Target audience selection (to whom the campaign is directed) and action objectives (what action the campaign should encourage them to take) was the next step in planning product's communications.⁵⁰

From the potential market for Sveltesse Balance, the best sales potential comes from other brand loyal (OBLs), that will exchange from other brands, especially low fat and health brands like Corpos Danone, Activia, where it is possible to occur some cannibalism to other Nestlé yogurts like Sveltesse Saciante; and also new category users (NCUs) that usually don't drink health or dietetic yogurts but are concerned about their bones health or body fat, and can be potentially interested in Sveltesse Balance benefits. The goal is to turn this prospective buyers in brand loyal (BLs) representing the core of sales or at least favourable brand switchers (FBSs), by including the brand in their repertoire.

For OBLs, action objectives will be brand trial, brand retrial and increase repeat rate. For NCUs, objectives will be category trial and especially brand trial.

Communication objectives and positioning

When planning a specific advertising communication or promotion campaign, communication objectives must be selected by managers. For Sveltesse Balance launching campaign the communication objectives to reach are category need, brand awareness and brand attitude.

Brand purchase intention was not selected for the campaign since it is a low-involvement brand choice, thus it is reasonable to suppose that a very favourable brand attitude is sufficient to automatically stimulate brand purchase intention when the next purchase opportunity arises.⁵¹ In-store stimuli such as coupons, displays, or price deals should be used to stimulate brand purchase intention when consumers are uninvolved. Consumers may purchase the brand at eye level or the one with the largest shelf space simply because of the reminder effect.⁵² Category need objective was selected since we are developing a new type of product inside the health segment, and we want to create the need of a product that satisfies both benefits of controlling weight and fortifying bone structure in prospective buyer's minds. Brand awareness and brand attitude are always communication effects desired in every communication campaign. Potential consumers of Sveltesse Balance would need to learn the new product's name and to recognize the product on the supermarket shelves, and must believe the product is able to provide the benefits and form a favourable opinion of the brand.

Creative strategy and IMC strategy

To guide Balance's creative strategy it was used Rossiter and Percy's model of brand awareness and brand attitude advertising strategies.⁵³

Given that yogurts are sold mainly through supermarkets, where almost half of all brand choices are made by impulse, and where point-of-purchase displays remind shoppers of category need, then brand recognition is the awareness objective to choose. Consumers scan the packages on the shelf and recognize brands that fulfill their needs. Therefore, advertising should feature the package as it will be seen on store, then one day while shopping, consumers will see the brand on the shelf and remember it, and if the advertising transmitted a positive feeling they will probably give it a try.

Brand attitude depends on the interaction between a potential consumer's involvement with the purchase decision and the motivation to purchase. Accordingly, as it was stated before yogurt purchasing is a low-involvement process, while in terms of motivation, consumers will look for Sveltesse Balance to avoid problems with bone related diseases and to control their body weight, thus an informational strategy must be used.

According to the model, the campaign should use a simple problem-solution format and should include only the two main benefits of the product. The benefits should easily be learned in one or two exposures and should be stated in the ads extremely. In the low-involvement, informational brand attitude strategies it is not necessary for target audience to like the ads. So, in line with the position statement defined above, Balance ads should focus on the two benefits, controlling weight and protecting bone structure, and emphasize the reasons to believe in the product.

For effectively reach the target audience and move them to purchase, both advertising and promotions should be used in combination. While advertising communications "turn the mind toward" purchase by creating positive mental impressions about the brand, promotions are a more direct form of persuasion, designed to stimulate immediate purchase.⁵⁴ Promotions if well built and addressing brand attitude helps reinforcing the positive brand attitude of regular users and keep occasional users.

Media Strategy

The final planning stage centres on media strategy, deciding on where to reach the target audience more efficiently, media selection, and how often the target audience must be reached in order to produce the intended communication response and ultimate action, media scheduling.⁵⁵

When brand recognition is a communication objective, we are looking for good visual content, not much time should be required for processing, and low frequency will do.⁵⁶ Television, magazines, outdoors and any other medium where good colour reproduction is possible are good choices in the case. Radio and monochromatic newspapers are out because you cannot show the package. In a low-involvement, informational strategy there is no strong visual

requirement, only a brief processing time is needed, and high frequency is not necessary because the benefits used in adverts following this type of brand attitude strategy must be learned in one or two exposures if it is to be effective.⁵⁷

Nestlé does most of its consumer advertising on television, so this will be no doubt the primary medium selected for the introduction of Sveltesse Balance. Additionally to TV advertising, there will be used other secondary media, as print advertising on magazines and outdoors. Point-of-purchase materials will be used in stores in combination with consumer promotions to activate purchase intention.

Regarding Media scheduling, Sveltesse Balance will follow a bursts strategy⁵⁸, appear heavily a few times a year between long periods of no advertising, after the strong media campaign that will introduce the product and create awareness.

In contrast to its brand policy, Nestlé's advertising is decentralized, as it must take into account the cultural and linguistic characteristics of each market. Despite this decentralization, the markets are not entirely free to decide how they spend their advertising budget and must work with major international advertising agencies selected corporately, while the relevant department has a co-coordinating role. This strategy has enabled the company to save on costs and to concentrate advertising on a number of "megabrands".

The media agency working with Nestlé in Portugal is Carat, where Nestlé obtains discount from price list ranging from 50% to 80% in TV commercials and 10% to 50% in outdoor advertising. The more expensive and mass media the medium, the greater is the discount conceded to Nestlé. In the Group-wide guidelines for consumer communication stipulate that advertising should promote the moderate consumption of food on the basis of a healthy, balanced diet, should respect the culture of the relevant country and avoid any discrimination.

Trade and consumer Promotions

Trade promotions have a crucial role since the beginning to ensure sufficient coverage for advertising to work. A manufacturer's consumer-oriented advertising and promotion is likely to fail unless trade promotions have succeeded in persuading channel intermediaries to stock adequate quantities. Trade allowances are used to reward retailers for performing activities in support of the manufacturer's brand. These allowances encourage retailers to stock the manufacturer's brand, discount the brand's price to consumers, feature it in advertising, or provide special display or other point-of-purchase support, but also to obtain favorable shelf space. Many retailers receive a fixed off-invoice allowance ranging from 10% up to 50%, depending on the retailer's force. Other trade promotions initiatives will be implemented as mentioned before.

For trade promotions to be effective, Nestlé should not only push the product through the trade channel, but also pull it via end-consumer demand creation at the same time for best results. If the distributor knows that the product is being simultaneously promoted to final buyers or consumers, he is more likely to give the product favorable shelf space and display. To stimulate trial purchase, it will be launched a sampling initiative on stores, shopping centers and health clubs. Besides being one of the most effective and profitable trial promotion activity, Nestlé has to produce large product batches since the beginning to support production costs efficiency, so, it can use the extra quantities produced in the sampling activity. Despite the high initial cost, this cost will be “amortized” over repeated purchases from the consumers. Most of the people who receive samples will try it, and if favorable evaluated, some of them will buy it. It will also be used couponing on regular Sveltesse packs to redeem on the purchase of a Sveltesse Balance pack. For repeated purchase, it will also be used bonus packs, with an extra unit of product on the pack and next purchase coupons.

Advertising and Promotion activities summary

The advertising and promotion activities will follow three different stages.

In the first stage, the product will be communicated internally in the company and the sales force will be trained to sell the product. Trial trade promotions will be implemented to encourage the purchase and stock of the largest volume of product possible. Stock will arrive on stores on the 1st August.

One month after, the second stage will begin with a large media campaign, with TV ads spread throughout the day, outdoors and print ads on magazines. Also, the sampling initiative will be implemented in this phase with point-of-purchase displays installed on stores. This stage will last for two months, considering that two months are sufficient to create awareness and develop brand attitude, to stimulate trial purchase.

In the third stage, TV ads and the other medium will appear heavily a few times a year between long periods of no advertising, while consumer promotions will be the focus of the communication strategy. Consumer promotion activities to be implemented will be couponing and bonus packs.

The A&P activities are presented in detail on **Exhibit 16**.

MARKETING RESEARCH

To support a marketing plan conveniently it is crucial to have information about a particular market segment, a geographic area, or customer preferences to fundament the decisions that can make the plan work. Marketing research is the guide to obtain this information before

launching a new product in the market, as it can provide precious insight that can help shape the business plan and prevent costly mistakes.

First, it was conducted secondary research, which was based on Nielsen's quantitative data about the Portuguese yogurt market between 2007-2008, in quantity and retail sales value, in the different segments, a Nielsen's qualitative study about the chilled dairy market in Portugal, INE statistical information and many other articles available about the market in the Internet. Although secondary research is less expensive than primary research, it's not as accurate, or as useful, as specific and customized research. Secondary research showed the market trends in the yogurt business and what type of products are consumers looking for, but not how much they're willing to pay for a product designed to fit their wants and needs for example.

The primary research techniques conducted for this plan were interviews with Nestlé Marketing team and an online survey. This survey was designed for obtaining deeper consumer behavior patterns and preferences, as yogurt consumption, preferred flavors, which food stores are more frequented; and also, to test Sveltesse Balance acceptance, by asking if interviewees were potential interested in buying a product with these benefits, the importance of each benefit and the adequate price for the product. The survey was conducted on an online survey tool and was exposed to 161 people, 105 women and 56 men. The reason it was exposed to both men and women was to ensure that this kind of benefits were more appealing for women than for men, what it confirmed to be true. The survey technical sheet and results are presented in **Exhibit 4**.

Secondary research was conducted before primary research since it laid the groundwork of the plan and primary research helped to fill the gaps. The two approaches together gave a global view of the market and the information needed to support business decisions.

FINANCIALS

Before implementing the plan, we must predict the probable outcomes of the Sveltesse Balance launch, by forecasting sales and costs for the period covered by the plan.

Exhibit 15 shows the projections made for a time interval of 3 years after the launch. The current Nestlé's health yogurts turnover is €3 million at retail price. According to the product's goals, it is expected that market share will be 8%, 10% and 12% in the first three years, thus assuming that the market will continue to grow at 18% per year, we will reach €10.6, €15.7 and €22.3 million respectively at retail prices. Discounting an average trade margin of about 27.2%, we obtained the net sales value and with COGS assumed to be 50% of net sales, we estimated the Gross Margin value. TV advertising is the heaviest investment in the A&P budget, and was based on the relative TV investment in the category (as % of sales). The

remaining funds from the A&P budget were dedicated to magazines ads, outdoors, point-of-purchase materials and trade and consumer promotions.

Given these estimates, the Net Present Value of this project, at a discount rate of 9%, is expected to be about €4.58 million.

IMPLEMENTATION, CONTROLS AND CONTINGENCY PLAN

Sveltesse Balance implementation plan was developed for a total of three years, and can be globally divided into three distinct stages, as defined before. The first stage will assure the proper distribution of the product before launching the media campaign, after three weeks time the second stage begins with a large media campaign, which last for two months. From there, maintenance media campaigns will be on air four times per year and the marketing focus will be on consumer promotions. The implementation plan is presented in more detail in **Exhibit 16**, and requires the coordination of the Marketing, Sales and Logistics teams.

In terms of control, it is necessary to measure the achievement of market share and sales revenue objectives continuously, as the earlier the evaluation more opportunities to adapt the plan exist and increase the chances of success. Also communication objectives attainment should be assessed. As the plan is being implemented, informal meetings with the people carrying out the plan should be done, as well as more rigorous formal ways of gathering data from sales teams, consumer groups and other agencies.

The information gathered in this process will indicate how far we are from the defined objectives and if market conditions differed significantly from the predicted, then a contingency plan must be developed.

There is some possibility of not achieving sufficient distribution in a reasonable time frame, if so, trial promotions should increase to 3% in the first year, and 2% on the following years; and also the investment in branded merchandise gifts should be doubled. If sales objective appear to be far from predicted, another sampling activity must be implemented six months after and more effort will be place on consumer promotions. These actions will result in a NPV of €4.23 million, decreasing in almost €350.000 from the initial plan, as shows **Exhibit 17**.

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- ⁴⁸ Thomas T. Nagle, John E. Hogan, *"The strategy and tactics of pricing"*, Prentice Hall, Upper Saddle River, NJ, chapter 1 pp 5
- ⁴⁹ Michael V. Marn, Eric V. Roegner, Craig C. Zawada, *"The Power of Pricing"*, McKinsey & Company, 2003
- ⁵⁰ John Rossiter & Larry Percy, *Advertising communications & promotion management*, McGraw- Hill International Editions, 2nd edition, chapter 3 pp 63
- ⁵¹ John Rossiter & Larry Percy, *Advertising communications & promotion management*, McGraw- Hill International Editions, 2nd edition, chapter 5 pp 109-129
- ⁵² Henry Assael, *"Consumer Behaviour, A Strategic approach"*, Houghton Mifflin Company, 2007, Chapter 4 pp 110
- ⁵³ John Rossiter & Larry Percy, *"A model of brand awareness and brand attitude advertising strategies"*, Psychology & Marketing Vol. 9(4): 263-274 (July/August) John Wiley & sons, 1992
- ⁵⁴ John Rossiter & Larry Percy, *Advertising communications & promotion management*, McGraw- Hill International Editions, 2nd edition, chapter 1 pp 3
- ⁵⁵ John Rossiter & Larry Percy, *Advertising communications & promotion management*, McGraw- Hill International Editions, 2nd edition, chapter 1 pp 19
- ⁵⁶ Larry Percy & Richard Elliott, *"Strategic Advertising Management"*, Oxford University Press, 2nd ed., 2005, Chapter 8 pp 138
- ⁵⁷ Larry Percy & Richard Elliott, *"Strategic Advertising Management"*, Oxford University Press, 2nd ed., 2005, Chapter 8 pp 134-149
- ⁵⁸ Larry Percy & Richard Elliott, *"Strategic Advertising Management"*, Oxford University Press, 2nd ed., 2005, Chapter 9 pp 165



EXHIBITS

Exhibit 1: Yogurt Market Sales from 2006 to 2007

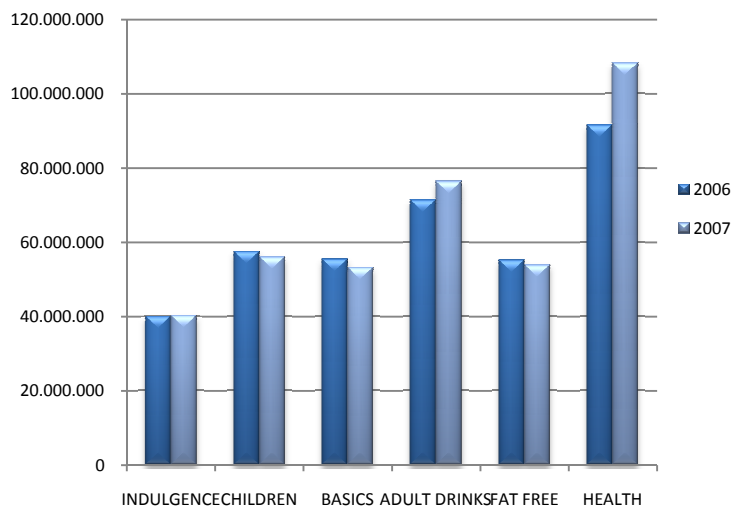


Exhibit 2: Sales weight by segment in 2007

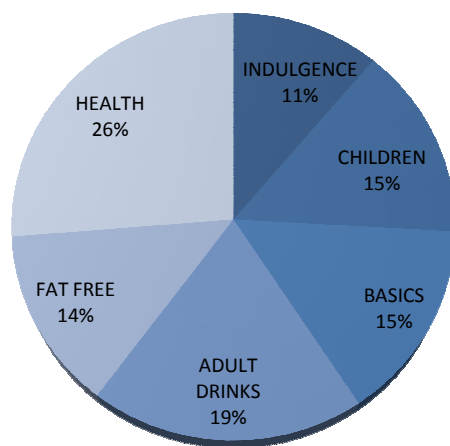


Exhibit 3: Portuguese players' sales volume in 2007

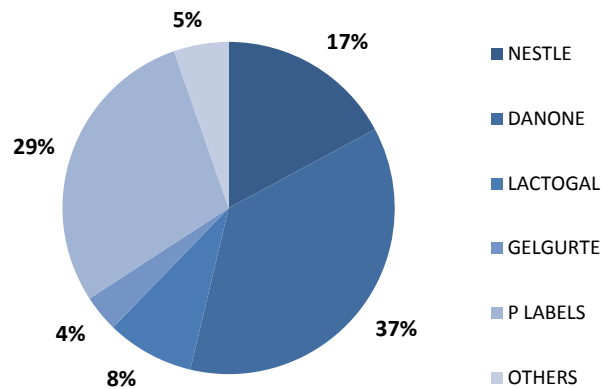


Exhibit 4: Survey, technical sheet and statistical results

In the context of this Marketing Plan, it was used an online survey to obtain deeper consumer behavior patterns and preferences, as yogurt consumption, preferred flavors, or which food stores are more frequented. It was also designed to test Sveltesse Balance acceptance, the benefits attractiveness and price.

This survey was fulfilled by a sample of 161 people, 106 women and 55 men, aged from 15 to more than 60 years old. The sample was collected through an online survey tool.

All data was statistically treated on MS Excel. The survey and its results are presented below.

1. Sex	
Female	Male

2. In which age group are you?
Less than 15 years old
15 to 25 years old
26 to 35 years old
36 to 45 years old
46 to 55 years old
56 to 60 years old
More than 60 years old

**3. How often do you shop at these stores?**

	Frequently	Sometimes	Never
Pingo Doce			
Lidl			
Continente			
Minipreço / Dia			
Modelo			
Jumbo / Pão de Açúcar			
Feira Nova			
Ecomarché / Intermarché			

4. How often do you consume yogurts?

1 per day	2 per day	3 or more per day	Weekly (less than 1 per day)	Not consume
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5. Which of the following brands do you usually consume?

Actimel
Benecol
Dan'Up
Puro Danone
Sveltesse
Mimosa Magro
Danacol
Activia
Adágio
Private Label Brands
Yop
Yoggi

6. Which are the flavors you most appreciate?

Strawberry
Banana
Cereals
Wild berry



Peach
Mango
Melon
Natural
Kiwi
Tutti Frutti
Pineapple

7. If it was launched a yogurt in the market able to increase fat burn metabolism, and at the same time, strengthen your bone condition, would you be interested in purchasing this product?
Very interested
Interested
Little interested
Not interested

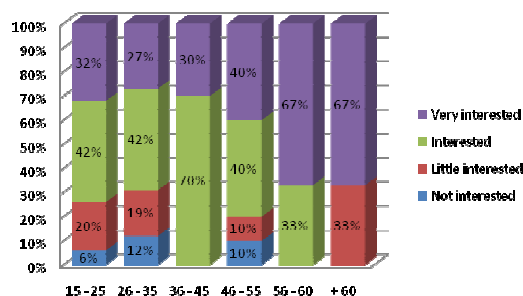
8. What importance has for you the following benefits?				
	Very important	Important	Little important	Not important
Prevent weight gain				
Protect bone condition				

9. If this product was on the market, until what price would be willing to pay for it?
€2.20 – €2.40
€2.40 – €2.60
€2.60 – €2.80
€2.80 – €3.00
€3.00 – €3.20

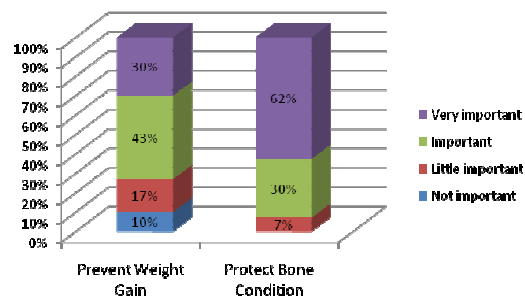


Nestlé

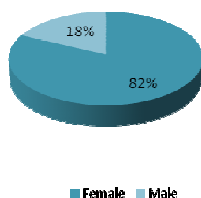
Interest regarding Sveltesse Balance



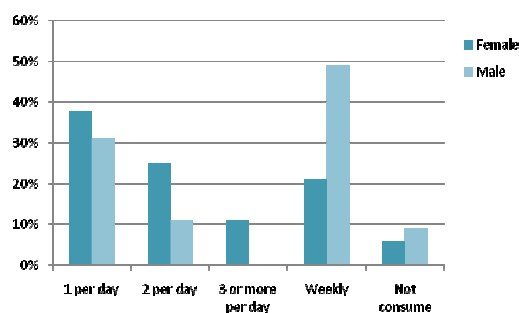
Sveltesse Balance's health benefits importance



Gender distribution from "interested" and "very interested" answers



Answers distribution between consumption patterns



Average Price Limit for this product	C2,80
Most Appreciated Yogurt Brands	Private Label Brands Dan'Up Aclivia Sveltesse Puro Danone
Most Appreciated Flavours	Strawberry Wildberry Banana Natural Mango
Most frequented stores	Pingo Doce Continente Modelo Lidl

Exhibit 5: Market Share by segment in 2007

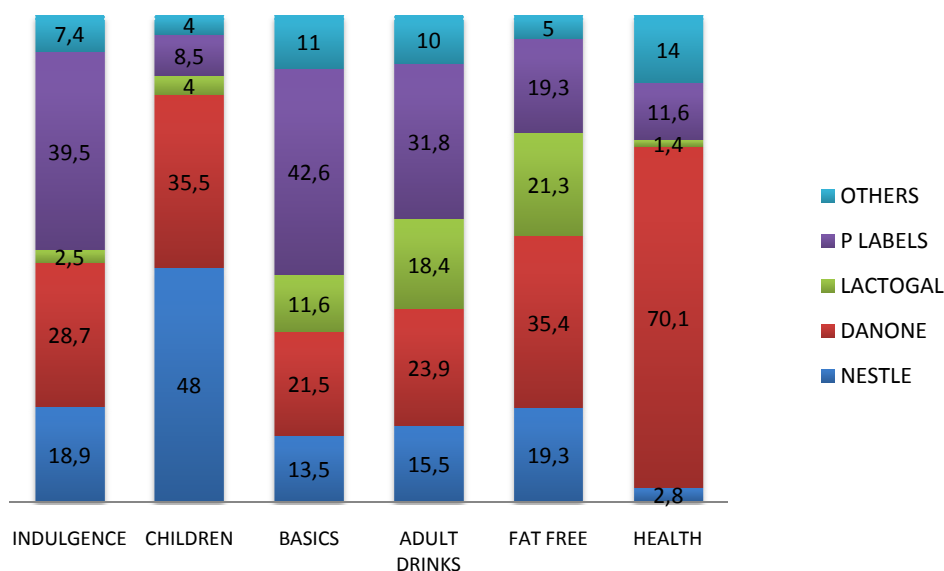




Exhibit 6: Sveltesse Balance's sales and market share goals

HEALTH SEGMENT	N	N+1	N+2	N+3
Sales Value	112.295.991 €	132.789.786 €	157.023.659 €	185.680.165 €
Growth Rate	18,2%	18,2%	18,2%	18,2%

MARKET SHARE:

NESTLÉ	2,7%	8,0%	10,0%	12,0%
DANONE	67,6%			
LACTOGAL	1,3%	92,0%	90,0%	88,0%
GELGURTE	1,0%			
OTHERS	27,4%			

SALES VALUE

NESTLÉ	3.055.039 €	10.623.183 €	15.702.366 €	22.281.620 €
DANONE	75.945.577 €			
LACTOGAL	1.484.421 €	122.166.603 €	141.321.293 €	163.398.545 €
GELGURTE	1.082.244 €			
OTHERS	30.728.710 €			

Exhibit 7: Market Segmentation





Nestlé

Exhibit 8: Sveltesse and Sveltesse Balance's identity prisms

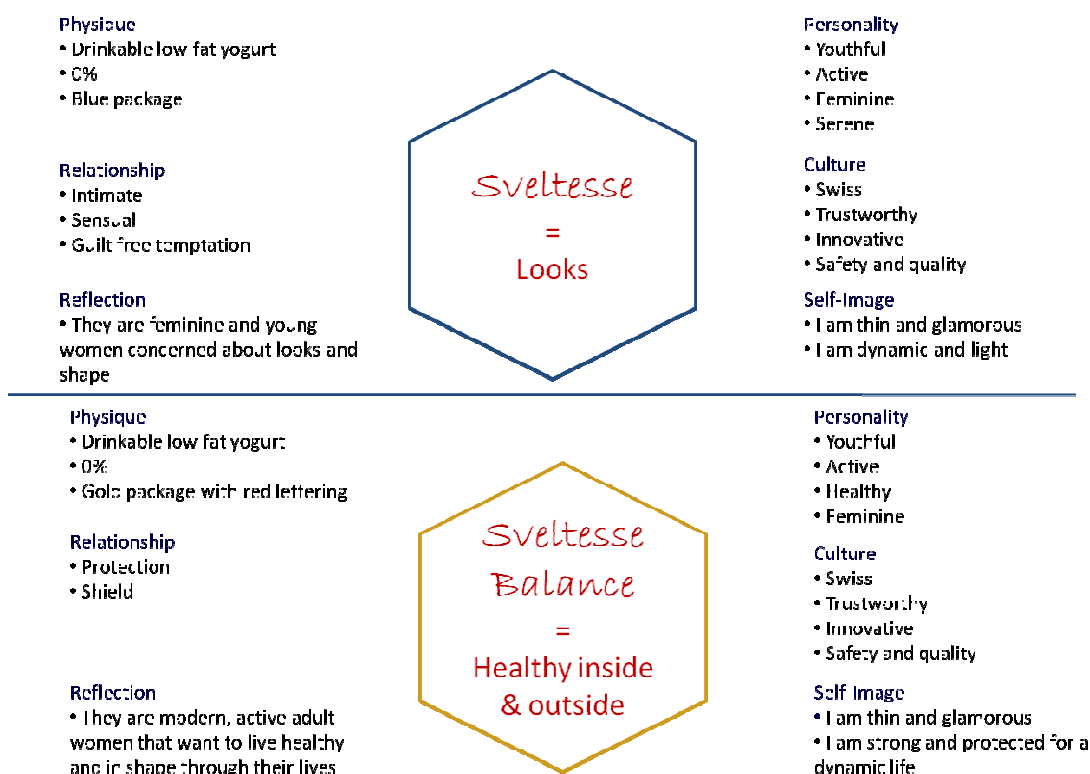


Exhibit 9: Sveltesse product range

<p>Liquid Range</p> <div>    </div> <div> <p>Sveltesse Frutas</p> <p>Sveltesse Fresh</p> <p>Sveltesse Sabores</p> </div>			<p>Liquid Range</p> <div>  </div> <p>Sveltesse Saciante</p>
<div>   </div> <div> <p>Sveltesse Muesli & Bifidus</p> <p>Sveltesse Natural</p> </div>		<div>  </div> <p>Sveltesse Fresh Summer</p>	

Exhibit 10: Sveltesse Balance packaging proposal



Exhibit 11: Sveltesse Balance value chain

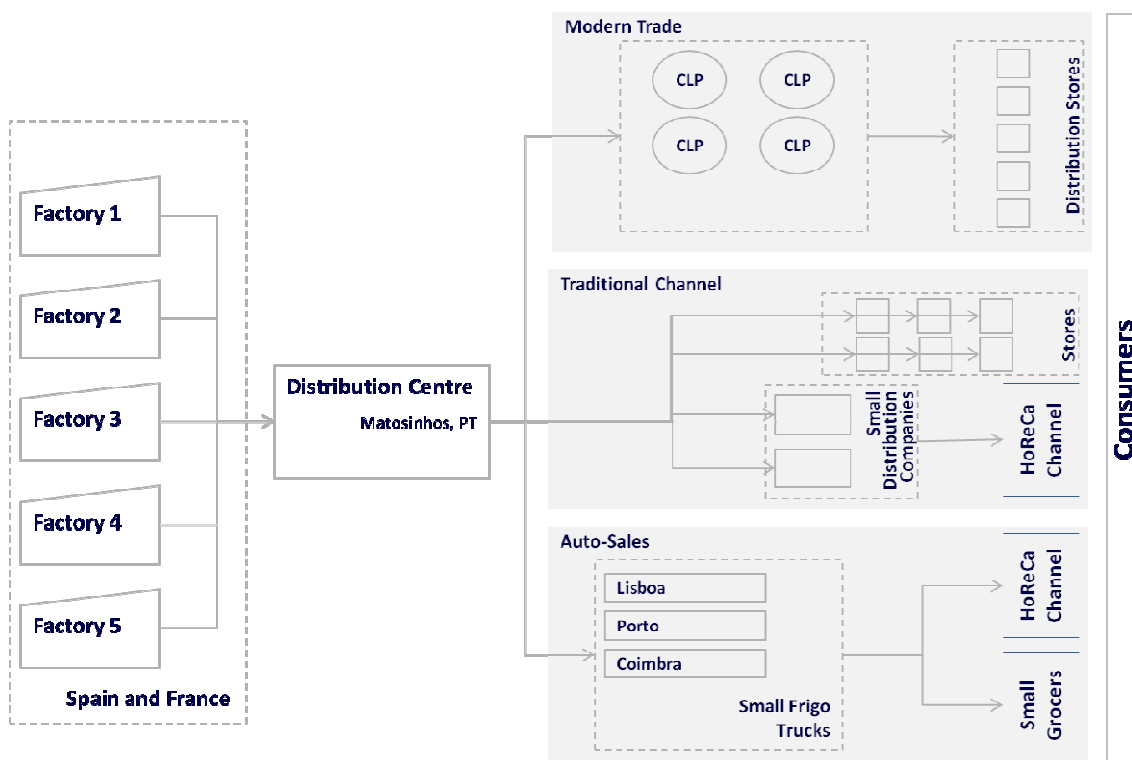


Exhibit 12: Service Level Outputs

Service Outputs	SOS	SOD	GAP
Bulk breaking	Medium/High	Medium/High	No Gap
Spatial convenience	Medium	High	SOS < SOD
Waiting time	Low	Low	No Gap
Assortment/Variety	Medium	High	SOS < SOD
Customer service	N/A	N/A	N/A
Information provision	Medium	Medium	No Gap

Exhibit 13: Average price per segment in 2008

According to AC Nielsen sales panel, price per kg is:

Market Segments	Price/Kg
Indulgence	2,82
Children	3,91
Basics	1,74
Adult drinks	2,30
Low fat	2,74
Health	4,07

Exhibit 14: Prices and estimated trade margins

	Shelf	Promo
List Price	2,60	2,60
-Promo discount (0%-5%)	0,0%	2,5%
Invoice Price	2,60	2,54
Trade allowance (0%-50%)	25%	25%
Net price	1,95	1,90
PVP	2,82	2,69
PVP (VAT excluded - 5%)	2,68	2,56
Front Margin	2,9%	0,8%
Total Trade Margin	27,2%	25,6%

Exhibit 15: Financial Analysis for Sveltesse Balance

Assumptions:

- The current Nestlé health yogurts turnover is €3.055.039 at retail price. According to the company's goals, it is expected that market share will be 8%, 10% and 12% in the first three years.
- We assume that the market will continue to grow at 18% per year.
- Tax in the chilled dairy market is 5%.
- Average trade margin is 27.2%.
- Cost of goods sold (COGS) is estimated as 50% of sales.
- TV, press and outdoors budget was based on the Media costs from Danone (main competitor) in 2007¹ on proportion of the retail sales value. TV costs were 44% of the retail sales, press 2% and outdoors 1% of the retail sales. In the 1st year, the effort will be twice the investment level from Danone in 2007 and the same level in the following years. It was considered an average 65% discount on TV and 30% on Press and Outdoors. The A&P Budget assumptions are detailed below in the chart "A&P Budget Calculations".
- For simplification purposes, we assume that each year starts on the 2nd semester.

	N	N+1	N+2	N+3
Sales Value	3.055.039 €	10.623.183 €	15.702.366 €	22.281.620 €
- VAT (5%)	152.752 €	531.159 €	785.118 €	1.114.081 €
Sales Value Vat Excluded	2.902.287 €	10.092.024 €	14.917.248 €	21.167.539 €
- Total Trade Margin (27,2%)	789.422 €	2.745.030 €	4.057.491 €	5.757.571 €
Net Sales	2.112.865 €	7.346.993 €	10.859.756 €	15.409.968 €
COGS (50% of sales)	1.056.432 €	3.673.497 €	5.429.878 €	7.704.984 €
Gross Margin	1.056.432 €	3.673.497 €	5.429.878 €	7.704.984 €
A&P Costs		3.950.666 €	2.939.261 €	4.162.091 €
Contribution Margin		- 277.170 €	2.490.618 €	3.542.893 €

¹ According to "Anuário de Media & Publicidade 2007" from Marktest



	N+1	N+2	N+3
Gross Margin	3.935.889 €	5.817.727 €	8.255.340 €
A&P Budget	3.950.666 €	2.939.261 €	4.162.091 €
Media Costs:			
TV	3.271.940 €	2.418.164 €	3.431.369 €
Magazines	297.449 €	219.833 €	311.943 €
Outdoors	148.725 €	109.917 €	155.971 €
POP materials	20.000 €	20.000 €	20.000 €
	3.738.114 €	2.767.914 €	3.919.283 €
Promotion Costs:			
Trade Promotions			
Trial Promotions	146.940 €	108.598 €	154.100 €
Incentive Program	5.000 €	2.500 €	2.000 €
Price Offs	30.612 €	45.249 €	64.208 €
	182.552 €	156.347 €	220.308 €
Consumers Promotions			
Sampling	25.000 €	- €	- €
Coupons	5.000 €	2.500 €	2.500 €
Bonus Packs	- €	12.500 €	20.000 €
	30.000 €	15.000 €	22.500 €
NPV (i = 9%)			4.577.782 €

A&P Budget Calculations

TV

Year	% of retail sales	Aver. Discount	Total
N+1	88%	65%	3.271.940 €
N+2	44%	65%	2.418.164 €
N+3	44%	65%	3.431.369 €

Magazines

Year	% of retail sales	Aver. Discount	Total
N+1	4,0%	30%	297.449 €
N+2	2,0%	30%	219.833 €
N+3	2,0%	30%	311.943 €

Outdoors

Year	% of retail sales	Aver. Discount	Total
N+1	2,0%	30%	148.725 €
N+2	1,0%	30%	109.917 €
N+3	1,0%	30%	155.971 €

POP materials

Year	Quantity	Price	Total
N+1	800	25,00 €	20.000 €
N+2	800	25,00 €	20.000 €
N+3	800	25,00 €	20.000 €

Trial Promotions

Year	% of net sales	Total
------	----------------	-------



N+1	2%	146.940 €
N+2	1%	108.598 €
N+3	1%	154.100 €

Incentive program (branded merchandise gifts and other non-cash rewards)

Year	Total
N+1	5.000 €
N+2	2.500 €
N+3	2.000 €

Price-Offs:

Year	Price-Off	Frequency	Total
N+1	2,5%	2 months per year	30.612 €
N+2	2,5%	2 months per year	45.249 €
N+3	2,5%	2 months per year	64.208 €

Sampling

Year	Promoters	Samples	Total
N+1	5.000 €	20.000 €	25.000 €

Coupons

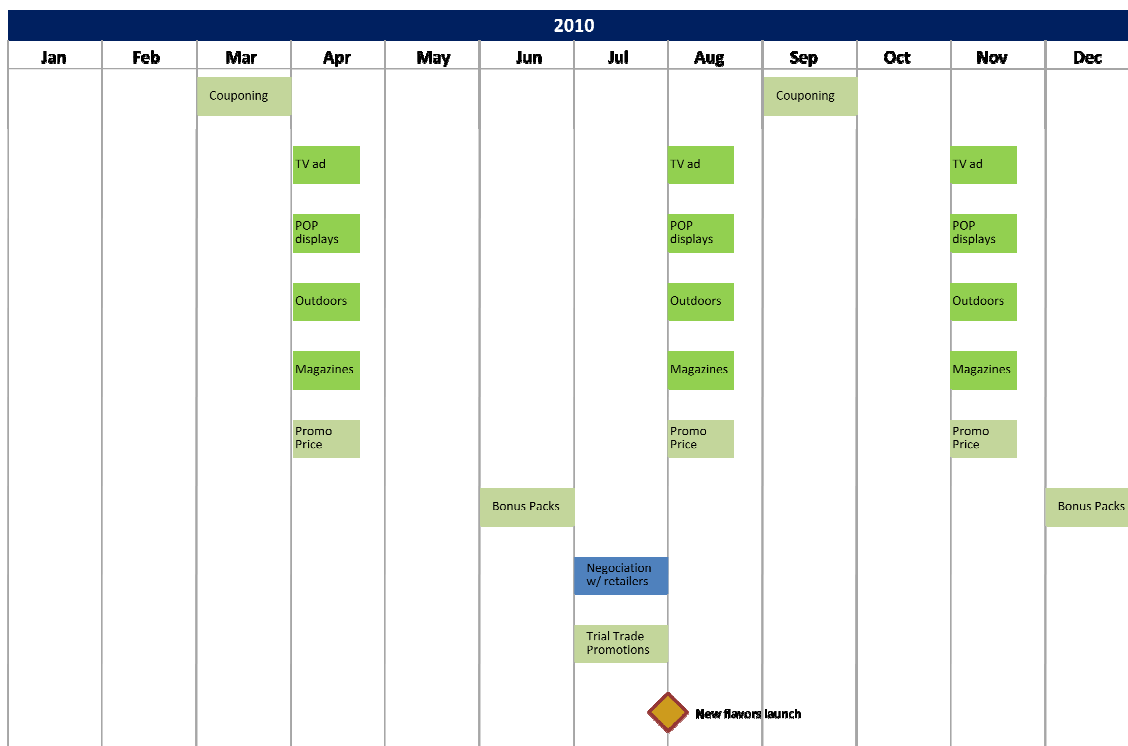
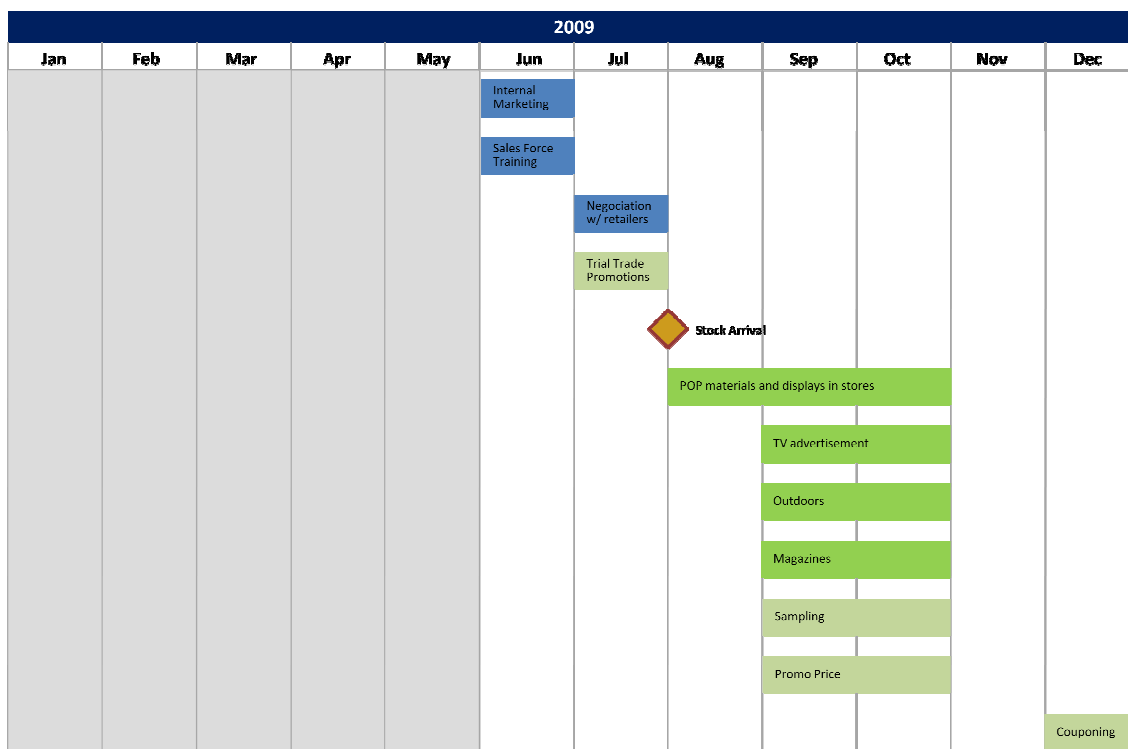
Year	Total
N+1	5.000 €
N+2	2.500 €
N+3	2.500 €

Bonus Packs

Year	Total
N+2	12.500 €
N+3	20.000 €



Exhibit 16: Implementation Plan





2012											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	TV ad			TV ad							
	POP displays			POP displays							
	Outdoors			Outdoors							
	Magazines			Magazines							
	Promo Price			Promo Price							
	Couponing										
				Bonus Packs							



N+2	2,0%	30%	219.833 €
N+3	2,0%	30%	311.943 €

Outdoors

Year	% of retail sales	Aver. Discount	Total
N+1	2,0%	30%	148.725 €
N+2	1,0%	30%	109.917 €
N+3	1,0%	30%	155.971 €

POP materials

Year	Quantity	Price	Total
N+1	800	25,00 €	20.000 €
N+2	800	25,00 €	20.000 €
N+3	800	25,00 €	20.000 €

Trial Promotions

Year	% of net sales	Total
N+1	3%	220.410 €
N+2	2%	217.195 €
N+3	2%	308.199 €

Incentive program (branded merchandise gifts and other non-cash)

Year	Total
N+1	10.000
N+2	5.000
N+3	4.000

Price-Offs:

Year	Price-Off	Frequency	Total
N+1	2,5%	2 months per	30.612 €
N+2	2,5%	2 months per	45.249 €
N+3	2,5%	2 months per	64.208 €

Sampling

Year	Promoters	Samples	Total
N+1	10.000	40.000 €	50.000 €

Coupons

Year	Total
N+1	10.000
N+2	5.000
N+3	5.000

Bonus Packs

Year	Total
N+2	25.000
N+3	40.000