

easy **AQUA**

(MINI) MARKETING PLAN

MARKETING MANAGEMENT - 1ST TERM 2011

Instructor: João Borges de Assunção

Grader: Amélia Pina

November 25th, 2011

24 Pages

GROUP

Bruno Franco, 11127

Inês Santos, 11126

Luís Teodoro, 11130

Pedro Alves, 11122

Table of Contents

1. Executive Summary	2
2. Situation Analysis.....	3
2.1. Market	3
2.1.1 Primary Data	3
2.1.2 Secondary Data.....	6
2.2. Customers.....	7
2.3. Competitors	8
2.4. Porter’s Five Forces	9
2.5. SWOT	10
3. Marketing Strategy	10
3.1. Objectives	10
3.2. Market Segmentation and Target Market Decisions	11
3.2.1 Branding.....	14
3.3. Marketing Mix	14
3.3.1 Product	14
3.3.2 Place/Distribution.....	15
3.3.3 Promotion.....	16
3.3.4 Price	18
3.4. Operational Plan.....	20
3.5. Financial Analysis.....	20
4. References.....	23

1. Executive Summary

easyAQUA is a product designed to seamlessly transform a 5 litres water package into a drinking fountain, providing a better experience of drinking bottled water at home.

In Portugal more than half of the population consumes bottled water. Three quarters of the consumed water are 5 litres water packages and the great majority of these consumers are not satisfied with its usage. Enters easyAQUA to make drinking bottled water easier. An online survey demonstrated a high acceptance potential for easyAQUA among bottled water consumers, even with those that do not buy 5 litres packages.

The market has been paying little attention to the category. Currently there are very few products and rivalry among competitors is low, as is the branding and the marketing effort. Consumers are unsatisfied with the products they use to perform the same function, evaluating them as being unpractical and unreliable.

The product will be positioned as an innovative product revolutionizing the way 5 litres water packages are used at home. Its differentiation factors are: design product sold at an affordable price, integration with the design of the home division and reliability.

easyAQUA will be produced at a low-cost site (most likely in China) and shipped to Portugal to be sold to retailers and wholesalers. easyAQUA will be available to end consumers through supermarkets and hypermarkets (such as Continente, Pingo Doce and Auchan), and in specialized retailers (such as VIVA, area[∞] and casa). The company will not sell directly to final consumers.

In order to reach high market penetration fast, the launch of easyAQUA will be supported by a strong promotion and advertising campaign, including TV advertising. The goal is to make consumers aware of the product and create brand value. Because the product is not technologically advanced, it is of paramount importance the creation of brand value as a defensive barrier towards competition.

easyAQUA will be initially launched as a product made in plastic with appealing design. The medium term goal is to develop alternative products, such as a stainless steel version and a refrigerated version, and to expand internationally to other European countries, such as Italy and Spain where the consumption of bottled still water is higher than in Portugal and among the highest in Europe.

The financial analysis was developed for a five-year timeframe and considering only the first version of easyAQUA and the Portuguese market. The company will have positive results from the second year on, although this business model needs capital in advance to cover manufacturing costs and payment delay.

By the end of the five years, the company expects to have sold close to 970.000 easyAQUA units and hold accumulated EBITDA higher than one million euros.

2. Situation Analysis

2.1. MARKET

In order to evaluate the potential market for easyAQUA, primary and secondary data research were conducted.

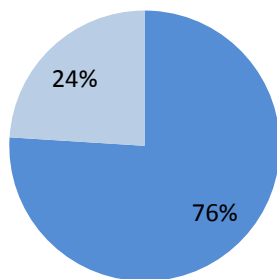
2.1.1 Primary Data

The primary data was obtained through an online survey which resulted in 293 respondents, from which 200 (68%) stated that they usually consume bottled water at home. The goal of the questionnaire was to evaluate: (a) willingness to buy the product; (b) product, price and positioning options; and (c) characterization of the target market.

The answers from the 200 respondents who usually consume bottled water were analyzed and the main conclusions are as follows:

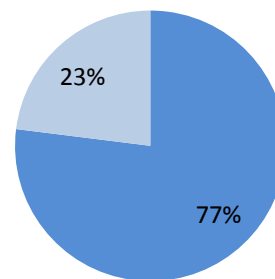
(a) Willingness to buy the product:

Q1: Do you usually consume 5 litres water packages?



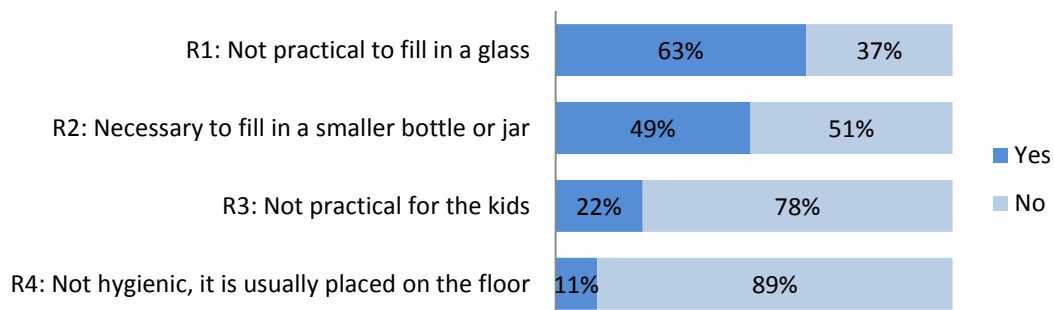
■ Yes ■ No

Q2: If yes, do you find the use of 5 litres water packages uncomfortable?



■ Yes ■ No

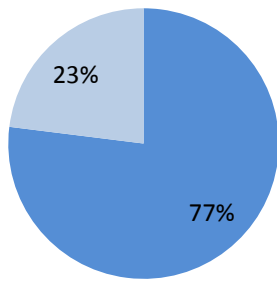
Q3: If yes, what are the main reasons?



■ Yes
■ No

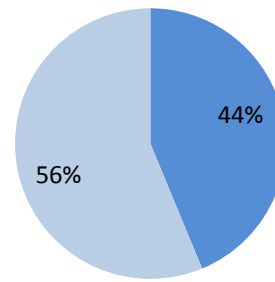
Q4: Would you consider to buy easyAQUA?

Consumers of 5 litres water packages



■ Yes ■ No

Non consumers of 5 litres water packages

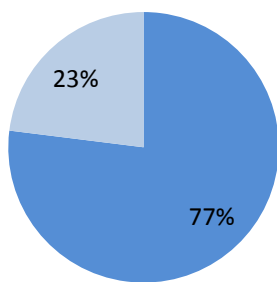


■ Yes ■ No

Q4: Would you consider to buy easyAQUA?

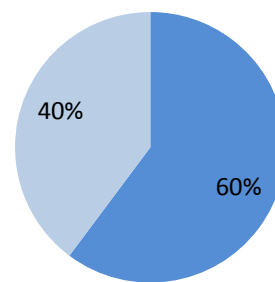
(same question as before but females versus males perspective)

Females



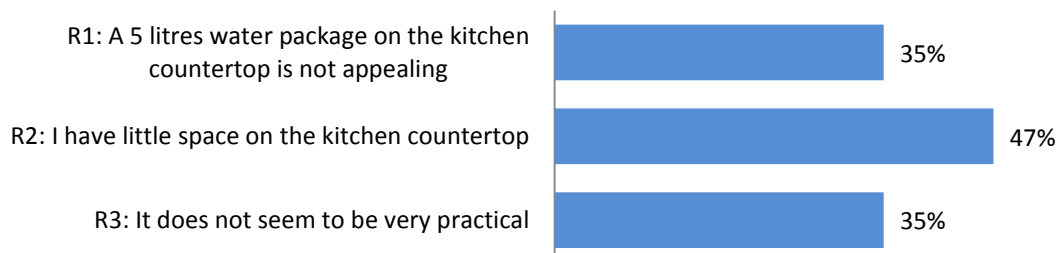
■ Yes ■ No

Males



■ Yes ■ No

Q5: If you usually buy 5 litres water packages and you do not consider to buy easyAQUA, what are the main reasons?



The results show a good acceptance of easyAQUA. 76% of the people who consume bottled water, usually buy 5 litres packages and are direct potential customers. Furthermore, 77% of the people who usually buy 5 litres water packages, find its use uncomfortable, stating as main reasons: “Not practical to fill in a glass” and “Necessary to fill in a smaller bottle or jar”.

When asked if they would consider to buy easyAQUA , 77% of the people who buy 5 litres water packages say “Yes”. It is also important to point out that 44% of the people who usually do not buy 5 litres packages,

also answer that they would consider to buy easyAQUA, which means that if easyAQUA exists, they would probably start using 5 litres packages instead of smaller size packages.

In addition, women show a higher tendency to consider buying easyAQUA than men.

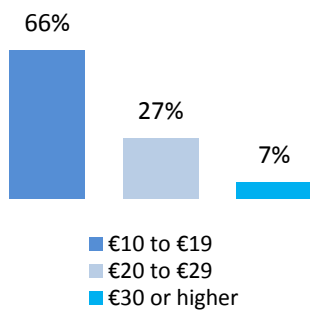
When people who usually consume 5 litres water packages answer they would not consider to buy easyAQUA, the main reasons pointed out are: “I have little space on the kitchen countertop”, “A 5 litres water package on the kitchen countertop is not appealing” and “It does not seem to be very practical”. These are important issues to take into account when designing easyAQUA.

(b) Product, Price and Positioning:

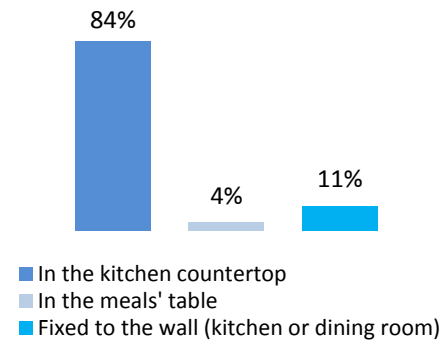
Q6: Which version of easyAQUA would you prefer?



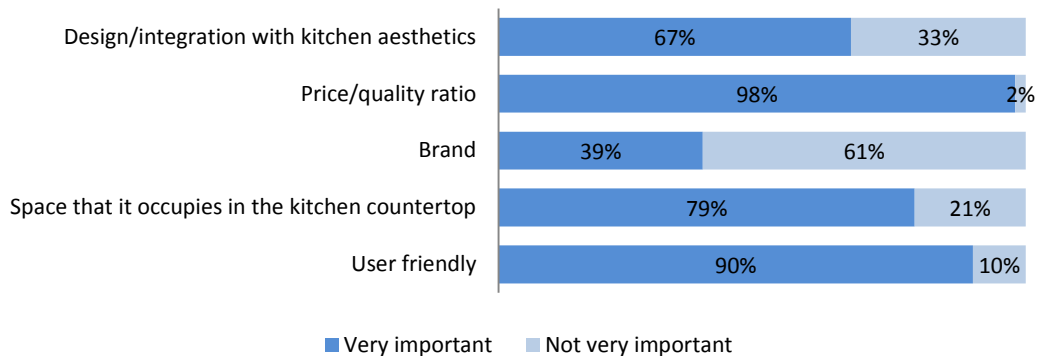
Q7: How much would you pay for easyAQUA?



Q8: Where would you place easyAQUA?



Q9: When choosing a small appliance, how important are the following aspects?



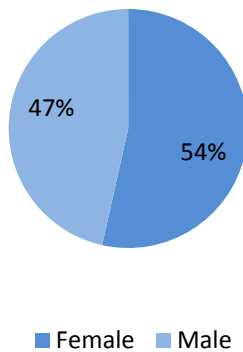
The answers for “which version of easyAQUA would you prefer” are very similarly distributed among the three categories: “stainless steel”, “plastic with design” and “plastic and economic”. However, it is important to point out that 40% of the people who chose the “stainless steel” version consider that the product price should be between €10 and €19, which is probably not feasible.

For the people who consider to buy easyAQUA, 66% would pay a price between €10 and €19 and 84% would place it in the kitchen countertop.

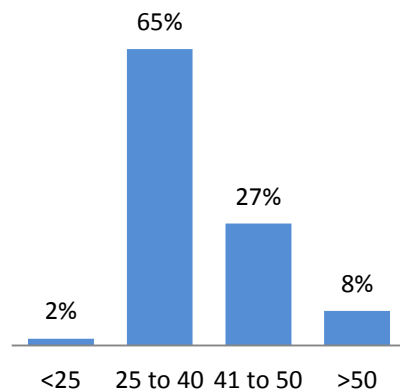
When selecting a small appliance, the most important concerns are “price/quality ratio”, “user friendly” and “space it occupies in the kitchen countertop”. It is essential to take into account these issues when designing the product.

(c) Characterization of the sample:

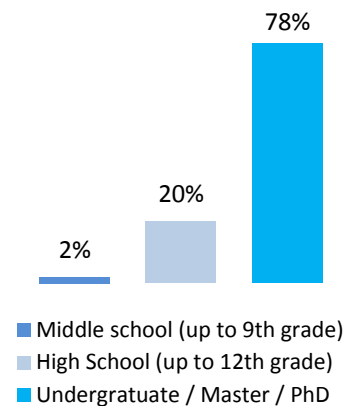
Q10: Gender



Q11: Age



Q12: Education Level



Among the respondents, the proportions of men and women are similar. However, the majority of the respondents are aged between 25 and 40 and have an undergraduate, master or PhD degree. One must note that this sample may not be fully representative of the Portuguese population.

2.1.2 Secondary Data

The secondary data was obtained from INE (Instituto Nacional de Estatística), PORDATA (Base de Dados Portugal Contemporâneo), ERSAR (Entidade Reguladora dos Serviços de Águas e Resíduos), EFBW (European Federation of Bottled Water) and Zenith International (Specialist consultants to the food and drink industries worldwide).

EFBW statistics show that consumption of bottled still water in Portugal is very high (87 litres per capita) compared to other countries in Europe (Exhibit 1). Furthermore, the consumption of bottled water in Portugal is far from tending to decrease (Exhibit 2) even though the quality of tap water is nowadays very high.

Exhibit 1 – Consumption of bottled still water in Europe in 2010 (litres per capita)

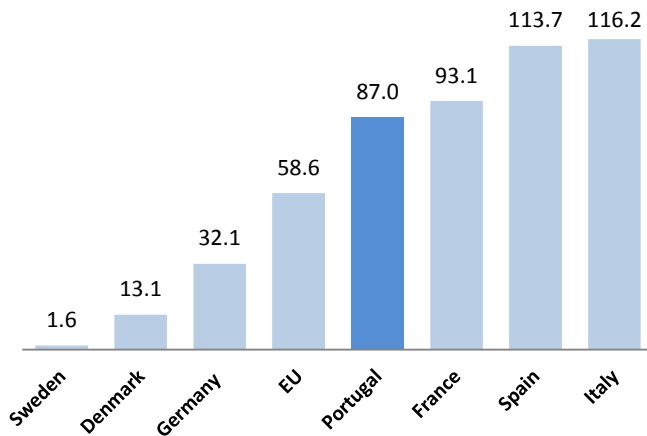
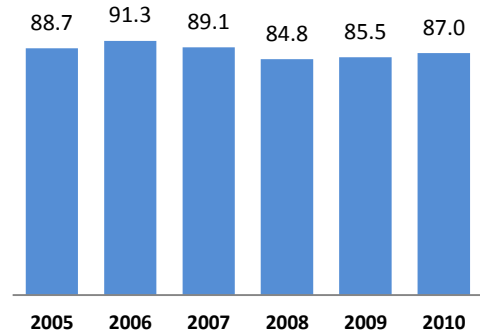


Exhibit 2 - Consumption of bottled still water in Portugal (litres per capita)



In 2007, IRAR (which is now ERSAR) estimated that 55% of the Portuguese population usually drinks bottled water (IRAR, 2007). Taking into account that there are 4,079,577 families in Portugal (INE, 2011), the result is 2,243,767 families in Portugal who usually drink bottled water.

2.2. CUSTOMERS

For easyAQUA, potential customers are people who usually consume bottled water. They perceive the quality and taste of bottled water as better than tap water.

Most likely, potential customers are the ones who consume 5 litres water packages and do find its use uncomfortable. Questionnaire respondents stated that 5 litres water packages:

- Are not practical to fill in a glass;
- Require to fill in a smaller bottle or jar;
- Are not practical for the kids.

easyAQUA main purpose is to solve these respondents discomfort.

Additional potential customers are people who consume bottled water but usually do not buy 5 litres packages. 44% of the respondents with this profile, stated they would consider to buy easyAQUA, which means they would consider to start buying 5 litres water packages due to easyAQUA existence.

Moreover, 50% of the people who consume 1,5 litres water bottles are not satisfied, mainly because “they produce to many empty packages” and “they need to be bought very often”. Using easyAQUA these people could buy 5 litres water packages instead of 1,5 litres packages to mitigate these hassles.

2.3. COMPETITORS






























There are few types of products available in the market to perform the task of serving a glass with water from a 5 litres water package that can compete with easyAQUA, namely:

- Jar of water;
- Deposit with tap;
- Drinking water pump;
- Drinking water dispenser.

To better understand the features of each competitor, an illustrative picture of each one is shown.

			
Jar of water	Deposit with tap	Drinking water pump	Drinking water dispenser

In the following table, a qualitative comparison between these products is made.

PRODUCT	EASE OF USE	HYGIENE	CHOICE OF WATER BRAND	DURABILITY	PRICE
Serve directly from the 5 litres water package*				n.a.	
Jar of water					
Deposit with tap					
Drinking water pump					
Drinking water dispenser					
easyAQUA					

* For comparison purposes

Legend:

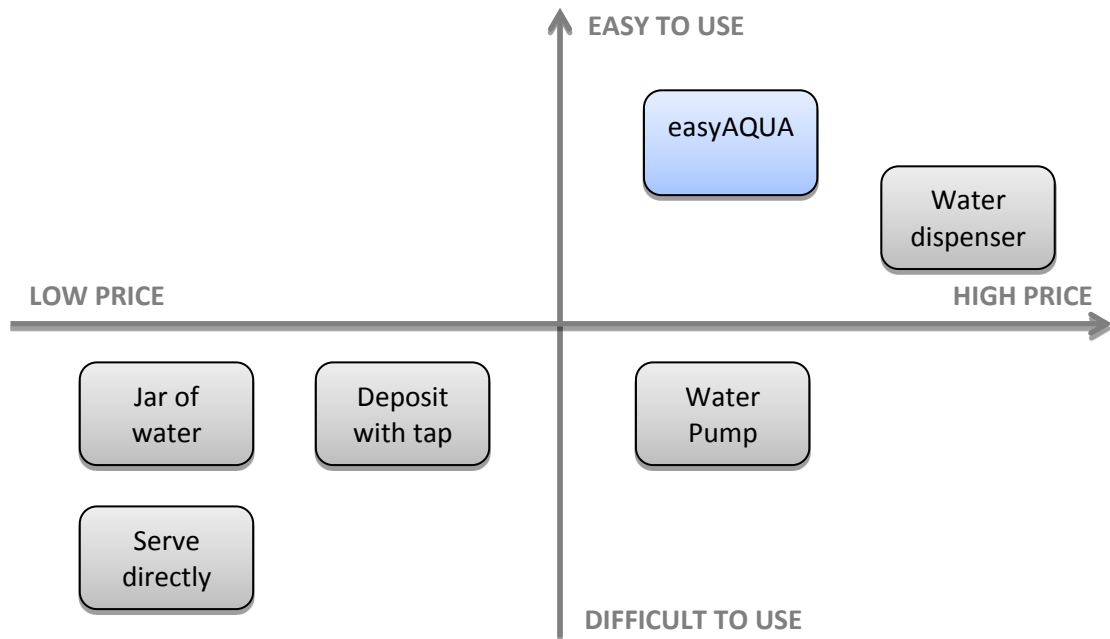


Denotes the most benefit for the user



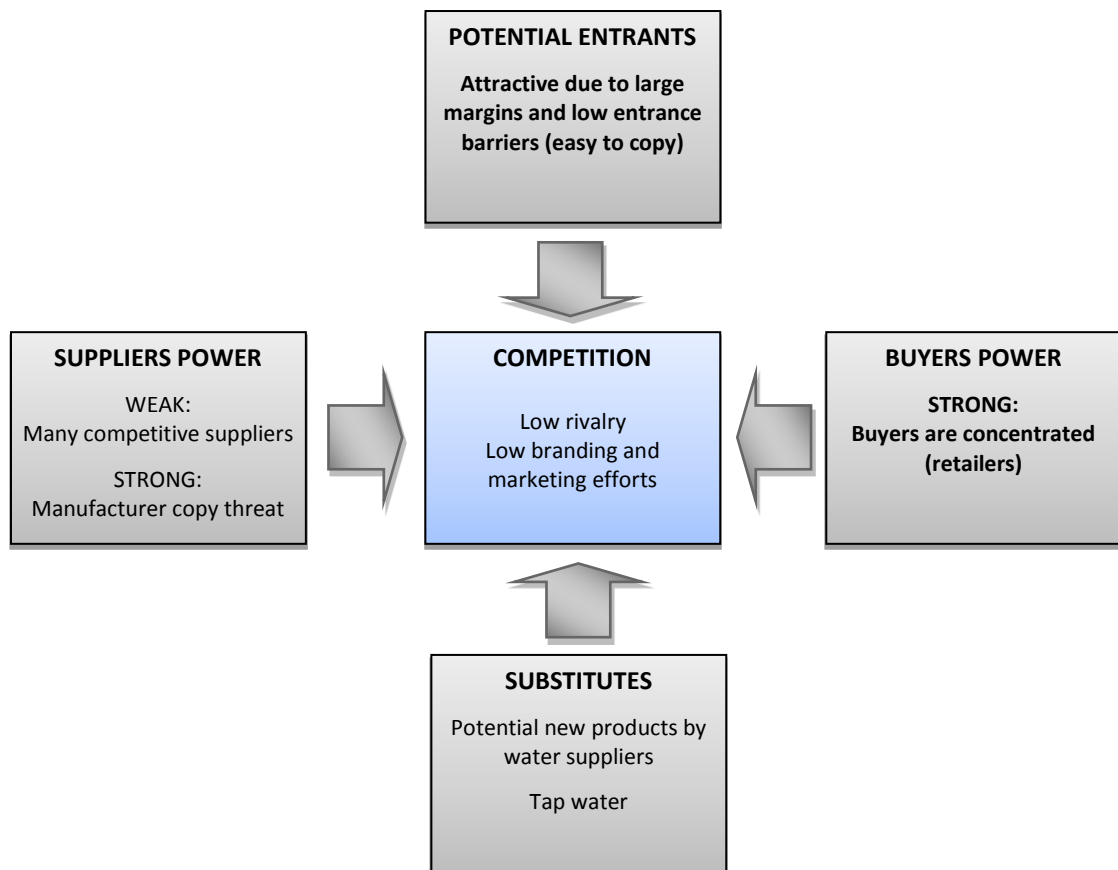
Denotes the least benefit for the user

Based on the simple competition analysis shown in the previous table, a perceptual map was built highlighting the “Ease of usage” versus ”Cost”, from the consumer point of view.



2.4. PORTER’S FIVE FORCES

To simplify the analysis of the industry where the product is competing, we considered that the manufacturing will be outsourced and that the product will be distributed to retailers.



2.5. SWOT

To better understand how easyAQUA will enter the market and define the appropriate strategy, a SWOT analysis was made to identify the product Strengths and Weaknesses and the market Opportunities and Threats.

	POSITIVE	NEGATIVE
INTERNAL	<u>Strengths</u> <ul style="list-style-type: none"> - Makes drinking bottled water easier - Innovative product - Low price, accessible to everyone - Encourages the use of cheaper bottled water 	<u>Weaknesses</u> <ul style="list-style-type: none"> - Uses space in the kitchen countertop - Limited experience in the field - Limited distribution network
EXTERNAL	<u>Opportunities</u> <ul style="list-style-type: none"> - Few direct competitors with low brand image - Consumers are not satisfied with existing solutions - High bottled water consumption in Portugal 	<u>Threats</u> <ul style="list-style-type: none"> - Easy to copy both from competitors and manufacturers - Potential decrease in bottled water consumption - Retailers/Distributors buy power

3. Marketing Strategy

3.1. OBJECTIVES

The market objectives for easyAQUA could be divided into short-term, medium-term and long-term objectives.

Short-term (first year): Labeling the Category

The category for this product formally doesn't exist, hence creating the category is the most important marketing goal in the short-term. Initially the consumer, although it has clearly the necessity for this product, firstly must be made aware that there is a new solution in the market and later, must be "educated" for the use of this new product and its advantages in simplifying his life. Since there is the threat of potential entrants, a rapid increase in penetration and market share must be achieved, while labeling the category as easyAQUA. To allow a rapid growth, communication must create a buzz in the market for the new product and help the company gain access to existing distribution channels. To allow this growth and market position it is necessary to carry an advertising campaign in mass media, including TV advertising. This will increase the perceived value and credibility of the product and consumers will identify the product that they saw in TV with the product in the stores. To gain access to distribution

channels, mass media advertising is also important because it will increase the probability for retailers to buy the product.

In five years (long-term perspective), the objective is to reach 87% of market penetration and a sales volume of 968.757 units.

Medium term (second year): Competition and Product development

After the category is labeled, the objectives are:

- Prepare for competition: mass media communication will depend on whether there is new competition or not and their ability to enter the market and gain access to distribution channels. If competition enters the market more promotions should be done, especially quantity discounts to retailers, which will decrease revenue but will decrease their interest in competitors products.
- Create new products to target consumers that may not be identified with the “Plastic with design” product (eg. Stainless steel). A cooled version of easyAQUA or a version to be placed inside the refrigerator could also be an option. A version to place easyAQUA attached to a wall instead of placing it on the kitchen countertop should also be assessed.
- Survey new market segments: consumers should be assessed in order to prospect other potential targets, such as small offices, for which easyAQUA could be distributed in specialized retailing (eg. Staples stores) with a different packing and communication.

Long term (third and on): Internationalization

Portugal is not the only country with high consumption of still bottled water in Europe. Spain and Italy are the main consumers of still bottled water in Europe and these countries are right “around the corner”. These markets and others should be analyzed to assess the feasibility of introducing easyAQUA in these markets.

3.2. MARKET SEGMENTATION AND TARGET MARKET DECISIONS

According to 2011 census preliminary data (INE, 2011), there are 4.079.577 families in Portugal. The potential market for easyAQUA is to be measured in families, since the product will be used at home and most likely no more than one “easyAQUA” per home will be purchased.

In the following page the potential market for the product is presented.

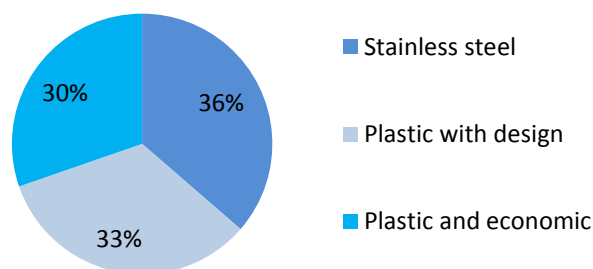
NUMBER OF PORTUGUESE FAMILIES	4.079.577	#
Consumes bottled water? - No	1.835.810	45%
Consumes bottled water? - Yes	2.243.767	55%
Total	4.079.577	
Consumes 5 litres water packages? - Yes	1.635.779	73%
Willingness to buy the product? - Yes	1.259.405	77%
Willingness to buy the product? - No	376.374	23%
Total	1.635.779	
Consumes 5 litres water packages? - No (consumes 1,5 litres water packages)	607.989	27%
Willingness to buy the product - Yes	267.515	44%
Willingness to buy the product - No	340.474	56%
Total	607.989	
Total Potential Market		
Willingness to buy the product - Yes		
5 litres water packages users	1.259.405	
1,5 litres water packages users	267.515	
POTENTIAL MARKET SIZE (NUMBER OF FAMILIES)	1.526.920	

The two potential types of customers considered are:

- Families that consume 5 litres water packages at home and consider buying easyAQUA and;
- Families that do not consume 5 litres water packages at home, but consider buying easyAQUA.

According to the survey, the market can also be segmented into three product lines, as can be seen in the graphic below. In what regards gender, women prefer “stainless steel” and “plastic and economic”, while the most consensual product between genders is “stainless steel”.

Consumers' Preference (women and men included)



Among the 3 possible products lines, and because the survey showed that there isn't any clear preference among the potential market, only one product was chosen to be launched, because of the increased complexity in developing a product line.

The product that was chosen was “Plastic with design”. It was considered that this option is the “middle” solution because it is the type of product that may attract more potential consumers from other product options: “plastic with design” product may conquer some stainless steel fans due to its design

characteristics and some “plastic and economic” fans due to the plastic characteristics of the product that allows it to have a price range adequate for this type of consumers. It’s a cheap and chic solution.

Below a table is presented with the target market computations:

PRODUCT PREFERENCE ACCORDING TO SURVEY	
Stainless steel	36%
Plastic with design	33%
Plastic and economic	30%
	100%
10€-19€ price buyers per type of product	
Stainless steel	42%
Plastic and economic	80%
Target Market considering cannibalization from other products based on price interval	
Stainless steel (42%)	15%
Plastic with design (100%)	33%
Plastic and economic (80%)	24%
	73%
% of total families of water packages consumers	55%
TARGET MARKET FOR DESIGN PLASTIC PRODUCT (73%) (number of families)	1.110.487

Taking in consideration the potential market for the product, the target market for the “Plastic with design” easyAQUA is 1,1 million families.

Other potential segmentations vectors, such as gender, education level and geography, were not considered because the survey didn’t clearly show any change of willingness to purchase the product when changing this variables. Moreover, the product is positioned for anyone that consumes water packages, which is a wide group of consumers across those segmentations vectors.

Positioning ladders

VALUE	BEING DIFFERENT	SIMPLICITY	FAMILY MAN/WOMEN
EMOTIONAL BENEFIT	I feel smarter.	It makes my life easier.	Kids love it. “I am the best”
FUNCTIONAL BENEFIT	It is a smarter way of drinking bottled water.	It is easier to drink water.	Everyone can drink bottled water at home easily.
ATTRIBUTES	Stylish Simple Incorporated tap	Practical Simple Easy to attach to 5 litres water package	Easy to use. Reliable Simple Incorporated tap

The “simplicity” positioning was chosen because it is the one that most clearly identifies the consumer needs and the product attributes (the survey concluded that 68% of the people that use 5 litres water packages consider that they are not satisfied with its use).

The product positions itself in the market as being an innovative product that wants to change the way 5 litre water packages are used at home. It’s a design product sold at an affordable price (affordable design similar to Ikea concept) that is meant to make life easier by allowing a more comfortable use of 5 litres water packages. It differentiates from competition by being a product that easily integrates in the design of the home division where it will be placed (usually the kitchen) and by being a reliable product that is meant to last.

3.2.1 Branding

“easyAQUA” brand goal is to emphasize and strengthen the positioning of the brand.

easy + AQUA:

- Easy – The objective is that consumers clearly connect the product with ease of use;
- Aqua – Water in Latin.

The mixture of both English and Latin words creates a sound when spoken that is easy to say and easy to remember. The peculiarity of having a mixture of two languages in the same word creates an innovative term that is what our product is.

easyAQUA is a brand that is easily understood in many languages, including Portuguese because the word “easy” it’s a very well-known English word and the word “aqua” is very similar in terms of sound when spoken with the Portuguese word for water (“Água”). One of the major advantages of the brand is the internationalization ability, especially for Latin speaking countries (Eg. Spain, Italy, France).

The logo should reflect ease of use, clarity, design, tranquility, durability. Suggested colors for the logo could be a mixture of light and dark blue. Blue is a color associated with water and it’s a color that is appreciated by both man and women. Dark blue carries the meaning of trust and stability, while light blue carries meanings like purity or cleanliness.

3.3. MARKETING MIX

In this section the four components of the Marketing Mix are presented.

3.3.1 Product

easyAQUA is a product designed to seamlessly transform a 5 litres water package into a drinking fountain, allowing a better experience of drinking bottled water at home without having to frequently hold a heavy 5

litre package. With a mechanism that screws directly into the package neck, of any brand of bottled water, it provides a safe upside-down turn while keeping the tap of water attached.

At this stage only one model will be built, so the market can be tested keeping low development costs. It will be a product with a certain level of design to fit nicely on customer's kitchen, built of quality plastic.



Figure 1 – Preliminary sketch of the product

The product packaging will be carefully designed to be attractive and to show the usage and benefits of the product through pictures on the external side of the carton box.

Because of its simplicity, the product will have a standard 2-year warranty without any service included.

3.3.2 Place/Distribution

The company will develop and market the product while outsourcing production and logistics, acting as part of the distribution channel.

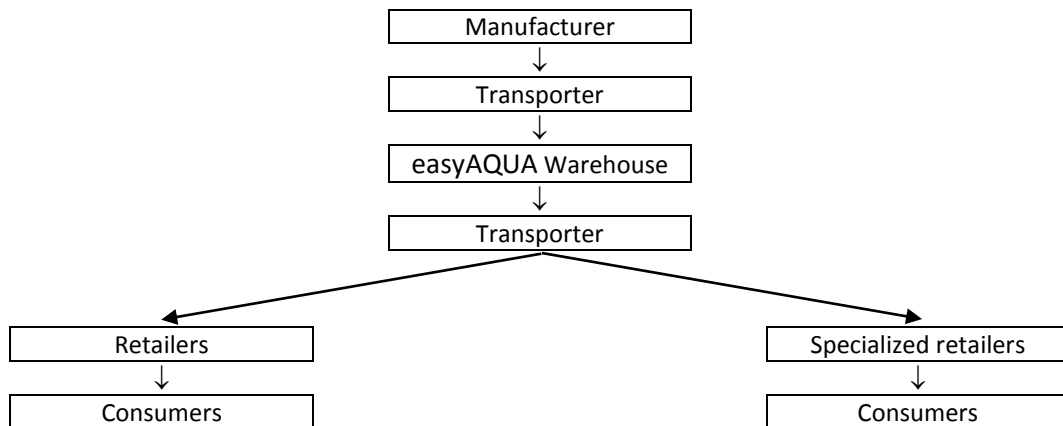
easyAQUA will be produced in a low-cost site, most likely in China, and shipped to Portugal where it will be stocked in the company warehouse and then sold to retailers and wholesalers who will then sell to consumers. easyAQUA will have a selective distribution strategy centered in supermarkets, hypermarkets and specialized retailers.

easyAQUA will be distributed in the main supermarkets and hypermarkets of Portugal, such as Continente, Pingo Doce and Auchan, with an estimated retailers' margin of 50%. During the first six months easyAQUA will be placed in the water section, close to the 5 litres packages and later easyAQUA will be moved to other sections where it will be near similar products. On a yearly basis, during summer months, easyAQUA will be placed again in the water section.

easyAQUA will also be distributed in specialized retailers such as VIVA, area[∞] and casa, with an estimated specialized retailers' margin of 100%.

The distribution strategy will be a mix between “push strategy” and “pull strategy”. As easyAQUA is a new product/brand, it is important to induce intermediaries to carry and sell the product to end users.. Exhibit 3 illustrates the distribution channel for easyAQUA, where the push strategy will be implemented.

Exhibit 3 – Distribution channel for easyAQUA.



3.3.3 Promotion

Push Strategy - B2B

A campaign will be targeted to the main distributions chains in order for the products to enter hyper and supermarkets distribution channels.

To do this, an “upside-down label campaign” will be created presenting several 5 litres water packages from reference brands standing “upside-down” with the label printed in the correct position (the label is readable only if the 5 litres water packages are place upside-down). The objective of this campaign is to show the disruption power that this product wants to have in the way people consume water at home. The campaign will materialize itself with a brochure and a powerpoint (with video) presentation for the sales-force to sell the product to the distributors.

Pull Strategy - B2C

To allow a rapid growth and significant market position it is necessary to carry a mass media advertising campaign, including TV advertising. The objective is to create awareness for the product and create brand value, which will increase the perceived value and credibility of the product. Since the product is not technologically advanced it's very important to create brand value provinding a defensive barrier towards competition.

With a strong advertising campaign consumers will identify the product that they watched on TV with the product in the stores, because in-store merchandising will follow the same line of communication to promote the product.

Product launch must be before the summer, when water consumption increases. The launch of the product will be supported by 1 month top shelves (“topo de gondolas”) or specific “islands” in the main hypermarkets. The merchandise will be used to both promote the product and to show how the product is used (consumer education). For supermarkets specific merchandise will be developed taking in consideration the limited available shelf space to place the product.

For specialized retailers, the promotion of the product will be made mainly through its packaging and through catalogs that this specialized retailers usually have.

Cross promotions with bottled water producers

This product may have an impact on sales of bottled water, especially for 5 litres packages. The objective is to have an exclusive promotion with a top brand (Eg. Luso or even Continente brand) to cross promote easyAQUA (eg. with the purchase of easyAQUA, the consumer will have a discount in the purchase of a pack of three 5 litres water packages). On the other hand, when consumers buy the pack of three 5 litres water packages, they will have a discount in buying an easyAQUA product.

Sales promotions

It will be an objective to list easyAQUA in Continente’s leaflet of discounts, especially prior to the Summer period. For the first year, no other promotions to reduce price of the product will be made.

Word of mouth and discount to a friend or buy a second product promotion

The first lot of products will be packed with an easyAQUA voucher allowing a 10% discount for the purchase of a second unit of easyAQUA. Early adopters may offer the voucher to friends or family, endorsing the product and generating sales.

Website and Facebook page

In order to both promote the product with the B2C and B2B market, a website will be developed with information about the product. Consumers won’t be able to buy directly from easyAQUA company to avoid distribution conflicts.

The Facebook page of the product will be used to promote the product, and collect consumer comments and experiences regarding product usage.

Public relations

In order to get publicity for the product, a PR agency will be hired to promote the launch of the product.

3.3.4 Price

Market Size

The total market size considered were the 1.1M families from the secondary data previously computed.

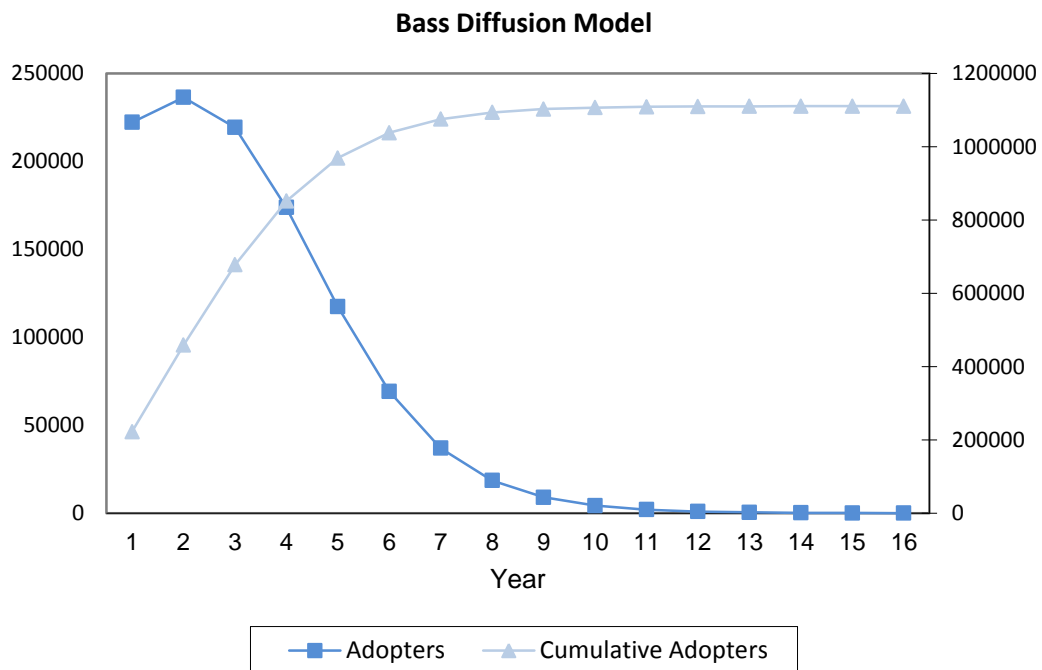
Bass Diffusion Model for Demand

The Bass Diffusion Model was used to estimate demand of the product. For a 5-year plan the expectation is to achieve 87% market share (approximately 960.000 units), as shown in the following table and detailed after.

MARKET TOTAL	1.110.487
SALES	968.757
MARKET PENETRATION	87%

The peak of sales is expected to be reached during the second year with declining in the following years.

The **p** and **q** parameters reference was the Water Softener from U. S. Economic Almanac because both products (Water Softener and easyAQUA) are products to water consumption. The **p** parameter was increased due to the strong promotion investment needed to accelerate customer's adoption, a key success factor for the launch of the product.



#	SALES	ADOPTERS	REMAINING
YEAR 1	222.097	222.097	888.390
YEAR 2	236.312	458.409	652.078
YEAR 3	219.244	677.653	432.834
YEAR 4	173.729	851.382	259.105
YEAR 5	117.375	968.757	141.730
TOTAL	968.757		

Cost Based Pricing

To achieve the planned margin levels, the product must be manufactured at a low-cost site, like China, with an expected production cost of 2.00€, obtained from production companies websites.

The total estimated cost of the product is 2.77€, which reflects the production, shipping, warehouse and distribution costs, as shown in the following table.

DESCRIPTION	VALUE
PRODUCTION PRICE	2,00 €
MIN. ORDER QUANT.	5000
TOTAL ORDER COST	10.000,00 €
MANUFACTURER NAME	Guangzhou Sunshine Technology Co
COUNTRY	China
COST TO SHIP BY OCEAN 5000 UNITS	1.500 €
WAREHOUSE COSTS (PLACE + PERSONNEL)	8%
DISTRIBUTION	9%
TOTAL COST PER UNIT	2,77 €

Price to Retailers and to Consumers

The gross margin will be 70% of the selling price to retailers and the suggested markup to retailers is 50% and to specialized retailers is 100%.

The price to retailers will be 7,92€ and to consumers 14,61€.

PRICE TARGET	VALUE
TO RETAILERS	7,92 €
TO CONSUMERS (INCLUDING VAT)	14,61 €

In the following table, the breakdown per distribution channel is shown.

Market Value

DESCRIPTION		UNITS	RETAILERS	SPECIALIZED RETAILERS
NUMBER OF FAMILIES WILLING TO BUY OUR PRODUCT		1,110,487	80%	20%
MARKET PENETRATION	87%	968,757	775,006	193,751
PLASTIC WITH DESIGN		968,757	5,752,519 €	2,876,259 €
TOTAL			5,752,519 €	2,876,259 €

3.4. OPERATIONAL PLAN

Being a new product in the market, a company will be created to develop and market easyAQUA. Data was gathered from several sources regarding production and transportation costs, advertising and promotion costs, and margins typically carried in the retail channels. For the Marketing Plan purposes, a very simple cost structure and several simplifications were considered.

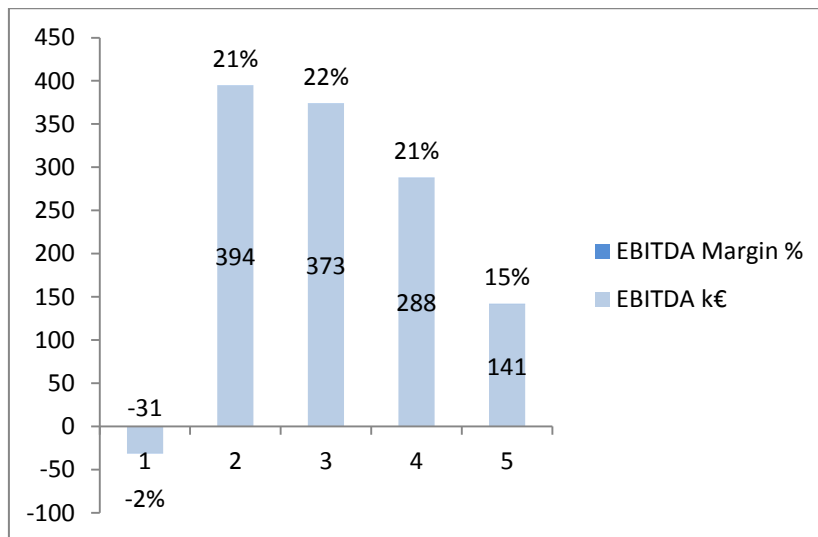
easyAQUA will have a Marketing and Sales team, and will subcontract design, manufacturing, logistics, and other non-core functions (such as accounting, human resources, among others).

After the decision to go ahead with the project, the most important steps will be the product design and the qualification of supplier(s) – both subcontracted –, which will prevent the company to sell in the first 6 months of existence.

3.5. FINANCIAL ANALYSIS

The time frame considered for the financial analysis was 5 years. Although there is a clear potential to develop a product line and to internationalize, these options were not considered in the Financial Analysis.

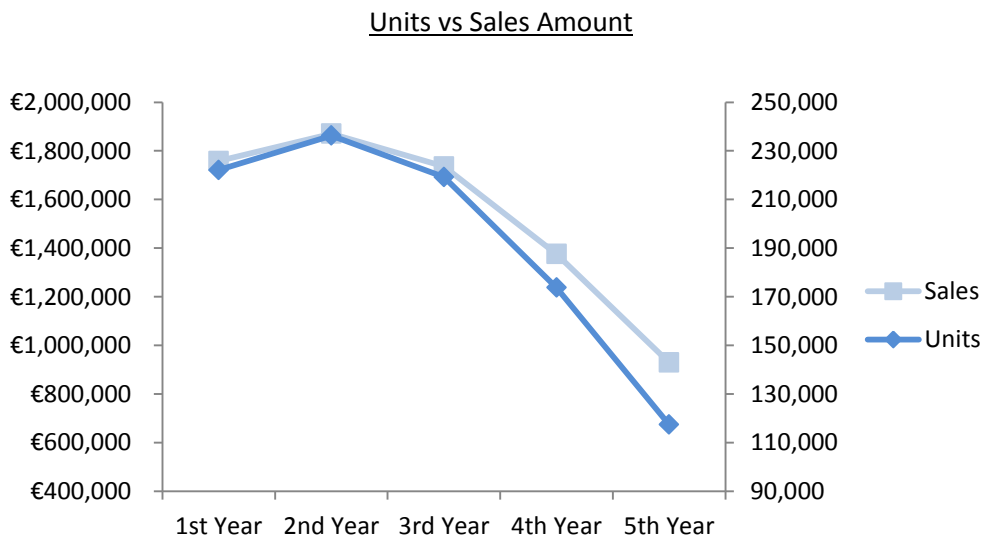
The expected return for the investment for the 5 years is presented in the following chart.



In the first year the margin is impacted by the costs of promotion. In the second year the costs of promotion will reduce and the margin will increase as the promotion costs will be focused in the distribution channel.

Main focuses of financial attention

Income



In the second year sales will reach its peak reflecting the effects of promotion and in the following years sales will decrease as the rest of the market will be reached.

Costs

For the first year the breakdown of costs is as follows:

- Production Costs representing 25% of total costs;
- Shipping representing 4% of total costs;
- Promotion & Wages representing 67% of total costs.

The summarized costs for the 5 years is shown in the following table.

	1ST YEAR	2ND YEAR	3RD YEAR	4TH YEAR	5TH YEAR
COSTS	1.789.337 €	1.476.798 €	1.362.538 €	1.087.832 €	787.995 €
PRODUCTION	25%	32%	32%	32%	30%
SHIPPING	4%	4%	4%	3%	2%
Promotion & Wages	67%	48%	44%	35%	27%

The financials for the five years are summarized in the table below.

DESCRIPTION	UNIT	1ST YEAR	2ND YEAR	3RD YEAR	4TH YEAR	5TH YEAR
OPERATIONAL DATA						
SALES	Units	222.097	236.312	219.244	173.729	117.375
FINANCIAL DATA						
COST		1.789.337	1.476.798	1.362.538	1.087.832	787.995
PRODUCT	€	444.195	472.623	438.489	347.458	234.750
SHIPPING	€	66.629	70.893	65.773	52.119	35.213
WAREHOUSE	€	35.536	37.810	35.079	27.797	18.780
DISTRIBUTION	€	39.978	42.536	39.464	31.271	21.128
PROMOTION	€	1.023.000	708.935	657.733	521.187	352.125
WAGES	€	180.000	144.000	126.000	108.000	126.000
REVENUE		1.758.430	1.870.970	1.735.841	1.375.480	929.304
RETAIL (80%)	€	1.406.744	1.403.227	1.301.881	1.031.610	696.978
SPEC RETAIL (20%)	€	351.686	467.742	433.960	343.870	232.326
EBITDA	€	-30.907	394.172	373.303	287.648	141.308
EBITDA MARGIN	%	-2%	21%	22%	21%	15%

The business will have a slight negative margin in the first year, mainly due to promotion costs. In the following years it will have a margin higher than 20%. The company will need a strong and continuous financial support to finance product development, production runs and communication, because it will collect money typically 90-days after invoicing.

The key for the business to be successful is the strong promotion to label the category and create brand awareness in a way that competitors will have difficulties to enter.

4. References

EFBW. (2011). *Excel statistics on bottled water consumption (sent via email)*.

INE. (2011). *Census 2011 - Preliminary Data*.

IRAR. (2007). *Instituto Regulador de Águas e Resíduos, Relatório nº1/2007*.

Kotler and Keller. (2011). Marketing Management, 14th Edition.

Marketing Management Class Handouts. (2011).

PORDATA. (2011). *Website (www.pordata.pt)*.

U.S. Economic Almanac.

ZenithInternation. (2011). *Excel statistics on bottled water consumption (sent via email)*.