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## **Case-Study**

# **Sagres Beer and its Sponsorship Strategy:**

## **Will Sagres Score with Sport Lisboa e Benfica?**

Paula Alexandra Jacinta Nunes

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A Project carried out with the supervision of:

Professor Dr. Luis Vasconcelos

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Sagres Beer and its Sponsorship Strategy:  
Will Sagres Score with Sport Lisboa e Benfica?

**Abstract**

In the last day of 2008, Sagres signed a “long-term” sponsorship contract with Sport Lisboa e Benfica that reinforced the support of the beer brand to football, as well as, to one of the greatest Portuguese sports clubs.

This case reviews Sagres’ search for leadership in the Portuguese beer market along with its strategy of association with football. It focuses on understanding Sagres’ gains and the implications for the dynamics of the Portuguese beer market.

**Keywords:** sponsorship, brewing industry, competition, strategy.

## **Project's Purpose**

Sociedade Central de Cervejas e Bebidas (SCC) is one of the major beer producers in Portugal. Producing also other beverages and beer brands, it focuses closer on the growth of its core brand, the Sagres beer. On the last day of 2008, SCC signed a long-term sponsorship contract with Sport Lisboa e Benfica, one of the top Portuguese sports clubs. Among other things, this contract includes the right of exhibit Sagres brand logo at the team's shirt during 12 years, starting in the 2009/2010 football season.

This case-study proposes to analyse the implications of this sponsorship contract for Sagres brand. The understanding of the variation of Sagres' market share due to this agreement, as well as, the impact on the level of competition in the beer market, will determine at what extent it will be profitable for SCC to have Sagres sponsoring a club like SL Benfica.

The case first describes how Sagres performed in the beer market until 2008, including how it lost the beer market leadership and how it regained ambition to recover the leader position. Furthermore, it is emphasised the connection of Sagres image with football, characterized by the long-standing support to the Portuguese Football Team and with the recent sponsorship of the main football competition in Portugal. These partnerships have allowed Sagres to reach a wide number of beer consumers and capitalise the emotion and passion lived in this sport.

Then, are given some insights regarding sponsorship of football in Portugal to the comprehension that sponsoring SL Benfica has a different side from sponsoring other properties, seeing that beer consumers behaviour may be influenced by their team preference, that is, by the rivalry among clubs.

This project's main purpose is to evaluate the strategic decision of Sagres' sponsorship of SL Benfica and to assess Sagres' gains from the contract in the next years.

## Introduction

*It is with great satisfaction that Sagres beer reinforces its relationship with Sport Lisboa e Benfica, the football club with the greatest number of members in the world. Football is part of Sagres' DNA [...] it could not leave out a club like Benfica, joining together two of the most prestigious Portuguese brands.*<sup>1</sup>

— Alberto da Ponte, CEO of SCC

Sagres is a Portuguese beer, brewed by Sociedade Central de Cervejas e Bebidas, S.A. (SCC). Since its creation, Sagres brand has maintained a strong presence in the sector, dividing great part of the Portuguese beer market with Super Bock beer which is produced by Unicer.

While music has been the 'stage' more used by Unicer to promote Super Bock's image, football is the 'field' preferred by SCC in Sagres beer association. This relationship of Sagres with football allows capitalizing the brand's "Portugality". Since 2003, Sagres sponsors the Portuguese Football Team, and on January 2008 the beer became sponsor of Portugal's main football competition.

Sagres lost the leadership in the domestic beer market to Super Bock in 1991, but maintained a solid second position and, almost two decades later, was market leader in the two-month period October/November of 2008, given the steadily growth of its market share since 2003. At the end of 2008, while the brewers were dealing with the challenges posed to the sector by the economic slowdown and outlining solutions, the major Portuguese sports clubs – Sport Lisboa e Benfica, Futebol Clube do Porto and Sporting Clube de Portugal – started a search for the substitution of a key sponsor, Banco Espírito Santo (BES).

SCC saw a chance there and celebrated, as stated by the CEO Alberto da Ponte, a "long-term contract" with SL Benfica on the last day of that year, which turned Sagres in SL Benfica's official sponsor for twelve years.<sup>2</sup> But, what are the gains of this sponsorship

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<sup>1</sup> Quoted in the contract formalisation with S.L. Benfica, June 26, 2009. Retrieved November 17, 2009 from SCC's press release "Cerveja Sagres patrocina o Sport Lisboa e Benfica", [www.centralcervejas.pt](http://www.centralcervejas.pt).

<sup>2</sup> Hugo Real, "Sagres reforça investimento no futebol e substitui BES nas camisolas do Benfica", *Semanário Económico*, January 3, 2009.

contract to the Sagres brand? How may this sponsorship affect competition in the brewing industry and Sagres' market leadership, recently conquered?

## **SCC Background**

The early years of SCC are extremely in line with the whole Portuguese brewing industry. Only at the end of the 19<sup>th</sup> century and beginning of the 20<sup>th</sup> century the industry experienced greater developments in Portugal. Three mergers came out joining some of the largest breweries in different regions of the country. In 1890, the North saw seven brewers merging in a single company called CUIFP. In 1934, SCC was established to sell the beer produced by its four former brewers based in the South. One year after, two companies, in the Madeira Islands, joined together to form Empresa de Cerveja da Madeira (ECM).

SCC launched in 1940 a Pilsner beer to represent the company at the Portuguese World Exhibition. Its denomination, Sagres, the name of a Portuguese town located at the southwest tip of Portugal, is allusive to its aim of vocation to export, evoking the Portuguese Discoveries. The most active years for SCC following Sagres launch coincided with the construction of a new plant at Vialonga, in 1968, and with the acquisition in 1970 of Sociedade da Água de Luso (SAL), producer of the bottled water brand Luso.

The Revolution of 1974 in Portugal induced the nationalisation of the five largest brewers which in 1977 were folded into just two companies: Centralcer – Central de Cervejas EP (formed by SCC and Cergal) and Unicer – União Cervejeira EP (replacing CUIFP, Copeja and Imperial). In 1990, Central de Cervejas underwent complete privatisation, assuming its control the Colombian Bavaria Group. Unicer, likewise, was privatised after 15 years of nationalisation that enabled Super Bock to conquer, in 1991, the leadership of the beer market given the better access to geographical and financial conditions than its rival Sagres.<sup>3</sup>

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<sup>3</sup> Interview with Nuno Magalhães, SCC's Board Adviser, in "Revista Natural", No. 5, a publication of SCC. Retrieved October 1, 2009 from the Web page [www.centralcervejas.pt](http://www.centralcervejas.pt).

At the end of the 20<sup>th</sup> century, Unicer and Central were already established as the two key players in the Portuguese brewing industry, while ECM and João Melo e Abreu (JMA) conserved timid presences in the Autonomous Regions of Portugal (see **Appendix 1**).

In 2000, Central was sold to a Portuguese group of investors, Parfil, who assigned 49% of Central's share capital to the international group, Scottish & Newcastle (S&N). Soon after, the company's denomination was changed to SCC – Sociedade Central de Cervejas.

### **SCC's Change of Attitude**

In 2003, the brewer S&N acquired the remaining 51% of SCC's share capital, assuming its total control. The market positions of SCC's main brands, Sagres and Luso, were far from their potential. Between 1989 and 2003, Sagres experienced considerable losses in competitiveness evidenced by the market share decline from 49% to less than 35%.

After over a decade of losing market share to Unicer, SCC seen by many as a sleeping giant finally woke up. With the takeover completed, S&N recruited a new leader with a career in beverages and consumer goods companies, Alberto da Ponte. Joining SCC in May 2004, he and a new team under his leadership started a process of deep strategic, organisational and cultural change, aiming to generate a winning dynamic in a company that had gotten used to be the second Portuguese brewer when it could legitimately aspire to be number one.

SCC's new attitude and objectives included a growing focus on brand by raising revenues and awareness of strategic brands, fostering a culture of innovation, understanding consumers' needs and developing a winning team. The makeover of SCC's institutional image, proposing proximity with the consumption act and satisfaction, jointly with a new corporate mission "to be known as the best drinks company in Portugal, with a sustained growth and generating maximum return on investments" corresponded also to symbols of change to show a proactive company that endorses a leader attitude.

SCC's visibility and projection grew and many victories were rapidly achieved. From the new culture of innovation set in motion, the major success was Sagres Bohemia (a premium beer that allowed Sagres brand to enter the meal-enhancement segment, see **Appendix 2**). Brand awareness was also accomplished, in part by promotional activities and sponsorships. Furthermore, in 2006 over 90% of SCC's employees revealed to be proud of working at the company and the lack of leadership had, finally, been restored.<sup>4</sup>

To the corporate denomination of SCC it was added the word *Bebidas* (beverages) to better reflect SCC's scope of activity. Besides the production and sale of beer, which is the company's major source of revenue, SCC sells Luso, the brand leader in the bottled water market, and is also present in the soft drinks market. SCC's beer sales revenues increased from €170 million, in 2003, to €254 million, in 2007, and represent almost 80% of the total revenues of the company. (see **Appendix 3** for SCC's financial information).

In April 2008, the number one brewery in Europe, the Heineken Group, acquired 100% of S&N businesses in Portugal, assuming SCC's command. The Dutch Group left SCC's management team and autonomy unchanged. In July, SCC started the distribution of Heineken beer in Portugal.

### **Enhancing Sagres Beer 'Portugality'**

Sagres' brand logo exhibits a Portuguese symbol part of the Portuguese flag, called *quinas* (five blue shields), that endow confidence, openness and the Portuguese sprit to the brand.

Relying on Portuguese suppliers has been one way of the ways to fortify the association of Sagres brand with the concept of "Portugality". SCC brews and packages its beer, using national barley and national packaging materials in great extension.

Yet, football is the key element concerning the values of the brand. Sagres' engagement with football started in 1993, when it was the first brand sponsoring the Portuguese

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<sup>4</sup> "Revista Natural", No. 7, a publication of SCC. Retrieved October 20, 2009 from [www.centralcervejas.pt](http://www.centralcervejas.pt).

National Football Team, highly rated among all the worldwide national football teams. Through associating with it, Sagres beer capitalises many of its values, including the 'Portugality'.

From 2004 on, SCC increased its effort in the activation of the sponsorship of the National Team. When it took place Euro 2004 in Portugal SCC hung in Lisbon, the 'shirt number 12' with messages of support to the National Team and Sagres beer named seats in the new football stadiums for Euro 2004. Two years later, to the World Cup'06, SCC set up, in various public places in Portugal, giant screens to fans get together and watch the team's games – an initiative called "Sagres Stadiums", repeated in the Euro 2008 – and launched Sagres Selecção, a new edition of Sagres beer from 1966, as a tribute to the 1966's team and an incentive to the 2006's team.

This contract, key in the identification of Sagres beer with Portugal, makes Sagres to be the brand more associated with the National Team.<sup>5</sup> Besides it has been renewed several times, the agreement was followed by Sagres sponsorship of the National Teams from other Portuguese-speaking countries export growing markets of the brand, namely Angola, Mozambique, São Tomé and Príncipe, Cape Verde, Guinea-Bissau and East Timor.

Sagres' commitment to the development of football in Portugal and its "Portugality" were strongly reinforced at the beginning of 2008, with a 4-year contract transforming Sagres the official sponsor of the main Portuguese football competition. This agreement was stated by SCC's CEO as "one of Sagres' largest ever bets in its history" and as a decisive force to Sagres achievement of the market leadership.<sup>6</sup> SCC developed many initiatives linked with the sponsorship of the onwards called *Liga Sagres*, including a €2.5 million advertising campaign, the *Liga Sagres* anthem, and the promotion of Sagres Zero in stadiums.

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<sup>5</sup> Marktest, 2008. Sagres was indicated as the brand with the highest level (32%) of spontaneous association to the National Team.

<sup>6</sup> Quoted by Alberto da Ponte, January 23, 2008. Retrieved December 6, 2009 from SCC's press release "Liga Sagres já na próxima época", [www.centralcervejas.pt](http://www.centralcervejas.pt).



Fostering the joy and pride of being Portuguese, Sagres closeness to Portuguese consumers is proven by Reader's Digest's study "Trust worthy brands in Europe", which showed that consumers claimed Sagres as the most trusted beer brand in 2007 and 2008.

## **Sagres in the Portuguese Beer Market**

### *Market Size and Developments*

Beer is the most consumed drink of the Portuguese alcoholic beverages market which accounts with approximately 42% of total beverages consumption (see **Appendix 4**).

Within Portugal there are nearly 3.1 million beer consumers. About 71% of them are men and nearly 64% are aged between 18 and 44 years.<sup>7</sup>

Consumption of beer decreased 2.2% from 2007 to 2008 related to the impact of the economic downturn on demand.<sup>8</sup> To face this situation, beer producers have increased the focus in finding ways to differentiate their products, packages and consumption occasions.

The market decline in volume was not reflected in value, because beer price increased nearly 8-10% in only one year to compensate the substantial price augments of beer inputs such as barley, corn, hops and packaging materials.<sup>9</sup> Even so, brewers' sales volume has been growing due to exports (see **Appendix 5**), particularly to Portuguese-speaking countries, as the Portuguese beer market is stagnant.

Exports are, therefore, fundamental for brewers to dilute fixed costs.<sup>10</sup> Portugal exports annually 140 million litres of beer to Angola, whose beer market is similar in size to the Portuguese market. Despite 125 million litres to be from Unicer's brands (Super Bock, Carlsberg and Cristal), SCC revealed the desire of being leader there in 2012.<sup>11</sup>

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<sup>7</sup> Markttest, "Consumir cerveja com álcool", April 5, 2005.

<sup>8</sup> António de Sousa and Sónia Pereira, "Consumo de cerveja cai pelo segundo ano consecutivo", *Diário Económico*, June 15, 2009.

<sup>9</sup> Cátia Almeida, "Preço da cerveja aumentou entre 8%-10% em apenas um ano", *Diário de Notícias*, March 27, 2008.

<sup>10</sup> Quoted by João Sampaio, Marketing Director of Unicer, "Especial cerveja", *Expresso*, 2009.

<sup>11</sup> Marina Conceição, "Guerra entre Sagres e Super Bock estende-se a Angola", *Diário Económico*, May 19, 2009.

In Portugal, about 62.5% of beer sales occur in the on-trade<sup>12</sup> and the remaining 37.5% through the off-trade<sup>13</sup>, registering the latter the higher growth in the last years. The average consumer price of beer in the on-trade is estimated at €6 and in the off-trade at €1.6.<sup>14</sup> Unicer and SCC have higher domain in the fragmented on-trade channel, in which they congregate 92% of the volume sales, while in the off-trade they reach only 73% of sales. Contrarily, private labels have conquered some share in the off-trade, achieving already 7.6% of this channel whereas in the on-trade its share is below 1%.<sup>15</sup>

### *Market Structure and Competitive Environment*

In Portugal, there are six brewing companies owning seven modern breweries. Still, the Portuguese beer market is since early largely dominated by two firms, Unicer and SCC, and their respective core brands, Super Bock and Sagres (see **Appendix 6**).

Sagres lost the leadership of the Portuguese beer market to Super Bock in 1991. But, only after 2003 SCC's attempt to recover the leader position became visible, by means of heavy marketing budget allocation. The gap between market shares of those brands has, in fact, been decreasing since that year, culminating with Sagres being leader at the end of 2008 (see **Appendix 7**), although Super Bock remains the leader considering annual sales.

Geographically, brand preferences are not uniform. Sagres has a stronger presence in the South of Portugal, being leader in approximately 70%-75% of the territory, as evidenced in **Appendix 8**. However this leadership is done with a market share of roughly 55%, while Super Bock is leader in nearly 30% of the remaining territory with 70% of that market.<sup>16</sup> Sagres' weak presence in the Northern Littoral of Portugal, and particularly in the district of Porto, has been determinant in preventing to attain leadership in the domestic market.

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<sup>12</sup> The on-trade channel includes hotels, bars, restaurants, snack bars, cafés and traditional coffee shops.

<sup>13</sup> The off-trade channel includes distribution networks, such as, supermarkets, hypermarkets and discounts.

<sup>14</sup> Ernst&Young, "The Contribution Made by Beer to the European Economy", August 2009, page 164. Retrieved October 1, 2009 from the Web page [www.apcv.pt/asp/documentos.asp](http://www.apcv.pt/asp/documentos.asp).

<sup>15</sup> Hipersuper, "A guerra' da cerveja dentro dos lares", WorkMedia, June 12, 2009.

<sup>16</sup> Interview with Alberto da Ponte, SCC's CEO. Milena Melo, "Vamos entrar no Brasil em 2009", *Ojé*, June 18, 2008.

Sagres and Super Bock are closely priced and their process of production is very similar. Subsequent to a lack of dynamism in the brewing sector, the Portuguese beer market was flooded by variations<sup>17</sup> of the main brewers' core products that confer a higher degree of differentiation among beer brands and allow charging a price superior to the prices of the standard product (see **Appendix 9** for line extensions of Sagres).

Consumers' loyalty to national brands makes the growth of other brands difficult. The third place of the market has been coveted by two new companies entering in Portugal between 2001 and 2002. Joining Unicer, SCC, ECM and JMA, in 2001 Cereuro was established in Portugal with Tagus and Grolsch beers. The following was the brewer Drinkin In with Cintra beer. Any of the two succeeded in the objective of achieving 10% of the market. The first attains roughly 1.5% of the beer market, while Drinkin In after some years holding 2% of the Portuguese market, dropped to only 0.11% share at the end of 2008.<sup>18</sup> Coral and Especial beers from ECM and JMA brewers have no expression in Portugal Mainland. So, the far third and fourth positions of the domestic beer market correspond to Carlsberg and Cristal brands, distributed by Unicer.

### *Communicating Differently*

The two giants of the Portuguese brewing industry advertise-heavily and the restrictive regulation for beer advertising on content, time and place in the media is not a barrier.

Marketing studies have identified advertising to have not a significant impact in beer primary demand, but positive associations with selective demand across brands and product categories have been recognised.<sup>19</sup>

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<sup>17</sup> Illustrated by: Super Bock Green (2004), Sagres Bohemia (2005), Sagres Zero (2005), Super Bock Twin (2005), Super Bock Abadia (2006), Sagres Chopp (2006), Sagres Bohemia 1835 (2006), Super Bock Tango (2006), Sagres Limalight (2007), Super Bock sem Álcool (2007), Sagres Bohemia D'Ouro (2007).

<sup>18</sup> Canadean, 2008. Retrieved from Revista Super Market, No.173, May 2008.

<sup>19</sup> Wilcox G. and Gangadharbatla H., 2006. "What's changed? Does beer advertising affect consumption in the United States?", *International Journal of Advertising*, Vol. 25, No. 1, pp. 35-5.

Although investing intensively in advertising, Unicer's and SCC's communication strategies are also supported by sponsorships, a less traditional communication tool, which goes beyond advertising power as it is not subject to the restrictive legislation and the targets are inserted in a context of enjoyment. Sports and music include the most attractive properties to sponsors and are also the chosen by Unicer and SCC.<sup>20</sup>

Music is in Super Bock roots and is a key element of proximity with consumers that transfers to the brand the values of conviviality, authenticity, modernity and fellowship. The brand name in the music festival Super Bock Super Rock is an important asset of the beer, helping in reaching the youngest targets. Super Bock has also been associated in a smaller extent with cinema and sports activities, sponsoring for instance the Portuguese Rugby (a sport with increasing audience in Portugal).

Summer absorbs almost 40% of Sagres' sales, not only due to temperature, but also to the occurrence of major events.<sup>21</sup> Sagres brand sells around 3 million litres of beer in events per year. Without overlooking music potential, illustrated by the sponsorship of the music festival Rock in Rio Lisboa in its 2004, 2006 and 2008 editions, it is in the engagement with football that Sagres capitalises the values of joy, passion, conviviality, as well as 'Portugality'. Sagres has a strong tradition and a great inheritance in terms of association with football, taking advantage from the emotion carried in this sport.

These dissimilar, but consistent, communication options of both brands have proven to be quite effective. While Super Bock is the leader in the spontaneous association with music (34.7%), Sagres is the most remembered brand regarding football (26.4%).<sup>22</sup>

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<sup>20</sup> Grupo Consultores, 2008. The interest of the Portuguese is focused mainly on sports (52%) and music (47%). Football is the sport arousing more interest (35%).

<sup>21</sup> Milena Melo, "Vamos entrar no Brasil em 2009", *Ojé*, June 18, 2008. Interview with Alberto da Ponte, SCC's CEO.

<sup>22</sup> BrandScore 2008, Grupo de Consultores. There is a higher turnout of brands in the football territory when comparing with music resulting in a lower dispersion in consumers' minds.

## Sponsoring the Portuguese Football Industry

Football is the most popular sport in Portugal and exerts a relevant role in the recognition of the country abroad. Besides the creation of talented football players and noteworthy football managers, the performance of the Portuguese National Football Team and also of the main Portuguese football clubs is notable in international competitions.

Being part of the Portuguese culture, football entails millions of fans. More than 1.87 million Portuguese use to attend football games, a practice that mainly covers men (72.2%), and the youngest (53% are under 35 years old).<sup>23</sup>

Football has been increasingly covered by media – «football», followed by «SL Benfica» and «FC Porto», represent the main words used in the 2008 Portuguese press<sup>24</sup> –, being evident why football teams, players, competitions and other related properties are heavily requested by sponsors. Along with the opportunity of increasing exposure in terms of both reach and frequency, sponsors hope consumers to develop positive attitudes and, then, purchase intentions towards the sponsoring brand.<sup>25</sup>

Passions and emotions are developed mainly on team attachment. It was found that about 8.7% fans felt strongly encouraged to consume a product or brand because it sponsors their preferred club, while 75.6% assumed that it would not interfere on their purchasing choice at all.<sup>26</sup> When asked about rival teams, 4.47% respondents indicate they would not buy a product sponsoring a rival team of the club they support.<sup>27</sup> Also the joint sponsorship of rival teams was shown to be not well accepted by the most involved fans.<sup>28</sup>

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<sup>23</sup> Markttest, 2004, "Ir ao futebol".

<sup>24</sup> Cision, January 29, 2009, "Futebol domina imprensa em 2008".

<sup>25</sup> Vale J.; Serra E.; Vale V. and Vieira J., June 2009. "The impact of sponsorship on a football team's brand equity"; *Journal of Sponsorship*; Vol. 2 No. , 267-280.

<sup>26</sup> Bennet, R., 1999. "Sports sponsorship, spectator recall and false consensus", *European Journal of Marketing*; Vol. 33 No.3/4, pp.291-313

<sup>27</sup> TNS Sports, 2008.

<sup>28</sup> Davies F., Veloutsou C., Costa A., 2006. "Investigating the Influence of a Joint Sponsorship of Rival Teams on Supporter Attitudes and Brand Preferences"; *Journal of Marketing Communications*, Vol. 12 No.1, 31-48.

Fan support is, therefore, focused primarily on the Portuguese League, Portugal's major football competition, dominated by 3 main contestants known as the "big-three": SL Benfica (SLB), FC Porto (FCP) and Sporting CP (SCP).

Given its audience records, football is not so demanding in supplementary investments to activate a sponsorship as other sports.<sup>29</sup> Beverage, sports, telecommunications and banking sectors include the most common entities associated with football, in Portugal.

Sports brands are more obvious in the association with football than banks. However, many banking entities have privileged this territory. The bank Millennium bcp supports and has the name rights of the Portuguese Cup since 2008. Its competitor, BES, sponsors the National Football Team and maintains sponsorship contracts with the "big-three" since 2002, guaranteeing about €1.5 million per year to each club and accessing in counterpart to static advertising in stadiums, advertising in press rooms (bottom panel and microphone) and its logo in the back of the clubs' football shirts.

Along with BES, the telecommunications company Portugal Telecom (PT) is shirt sponsor of the "big-three". Jointly, these brands have led the return on investment in sponsorships measured by media equivalents among all the brands sponsoring the Portuguese football.

Beverages have also a vast visibility in this sport. In 2008, Sagres became the new official sponsor of the Portuguese League, now called *Liga Sagres*. The Second Division and the League Cup competitions were already sponsored by Unicer brands since 2007 and, due to name rights, acquired the denominations of Liga Vitalis and Carlsberg Cup. Super Bock entered for the first time in the football territory in 2008 sponsoring several contestants of *Liga Sagres* – Vitória SC, Leixões SC, FC Porto and Vitória FC. The presence of the beer segment in the football industry is also patent with the sponsorship by Coral beer of two clubs in Madeira Island – CD Nacional and CS Marítimo – contesting the main League too.

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<sup>29</sup> Davies F., Veloutsou C., Costa A., 2006. "Investigating the Influence of a Joint Sponsorship of Rival Teams on Supporter Attitudes and Brand Preferences; *Journal of Marketing Communications*, Vol. 12 No.1, 31-48.

### *Sport Lisboa e Benfica among the “Big-Three”*

From all the Portuguese clubs, the attention is focused on the “big-three” (SL Benfica, FC Porto and Sporting CP) that accumulate most of the victories of the Portuguese football competitions and enclose respectively 38.8%, 24.4% and 20.2% fans among Portuguese inhabitants, holding a loyal fan base of committed supporters highly involved with the team and the sport (see **Appendix 10**).<sup>30</sup>

SL Benfica, also known as “The Eagles”, “The Glorious One” or “The Reds”, is since 2006 the club with the most paying members in the world. It is an eclectic multisports club based in Lisbon, like Sporting CP, whereas FC Porto is based in the city of Porto. SL Benfica’s fans are spread throughout the country and the world. In Angola, Benfica believes it has nearly 4 million fans.<sup>31</sup>

In Portugal, great part of the paying members of the club lives in the Littoral of the country. **Appendix 11** shows the distribution of paying members in Portugal.

Victories are essential to boost revenues and achieve financial balance (see **Appendix 12**), as well as, to attract new sponsors, who, in turn, represent an important source of revenue to those clubs; mainly the shirt sponsors, as their brand recall and recognition is higher.<sup>32</sup>

Benfica ranks its sponsors as official sponsors, technical sponsor and co-sponsors. The official sponsors are shirt sponsors like BES, which is in the back of SLB’s football shirts until June 2009, and PT figuring in the shirts’ front of the club, through a contract lasting until 2010. Adidas is the equipment manufacturer and the technical sponsor until 2013. Co-sponsors are in higher number, but have also less valuable rights. These contracts usually last one year and assume diversified conditions with each sponsor.<sup>33</sup>

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<sup>30</sup> Futebol Finance, “Fans – The real assets of clubs” and “The number of club members in 2009”

<sup>31</sup> “Benfica – Domingos Soares de Oliveira diz que clube tem 14 milhões de adeptos”, *Lusa*, December, 2009.

<sup>32</sup> Vale J.; Serra E.; Vale V. and Vieira J., June 2009. “The impact of sponsorship on a football team’s brand equity”; *Journal of Sponsorship*, Vol. 2 No. , 267-280.

<sup>33</sup> Disclosed in Comissão de Mercado de Valores Mobiliários ([www.cmvm.pt](http://www.cmvm.pt)), April 2007, “Sport Lisboa e Benfica - Futebol SAD announces Listing Prospectus for 4,000,000 bonds”.

## The New Sponsorship Opportunity

In November 2008, Alberto da Ponte assured that the hard times ahead would imply “some adjustments which, indubitably, would not undergo a decline of the investment in football. Football fulfils 90% of SCC’s ambitions”. SCC’s CEO stressed also that the geographic regions where Sagres’ presence is weaker and the relationship with music should be reinforced too.<sup>34</sup>

On December 31, SCC and Sport Lisboa e Benfica signed a 12-year sponsorship contract whereby Sagres, starting in the 2009/2010 season, becomes SL Benfica’s official sponsor. An opportunity created by the fact that BES had already decided to not renew the sponsorship contracts with the “big-three”, due to the no agreement regarding the new values of the deal to renew the sponsorship contracts.

The space left by BES required the three clubs, SL Benfica, FC Porto and Sporting CP, to start analysing different alternatives. Benfica was the first replacing BES, consolidating its relationship with SCC, as Sagres brand was already naming some seats of its stadium.

This contract transforms Sagres the main commercial partner of Benfica as the beer brand would be the new sponsor of the players’ shirts, but would be present not only in the football players’ shirts, but also in the other shirts of all other Benfica’s sports, some of them already supported by Sagres. The nature and scale of this sponsorship represent new challenges to SCC and the real outcome of this contract remains in doubt:

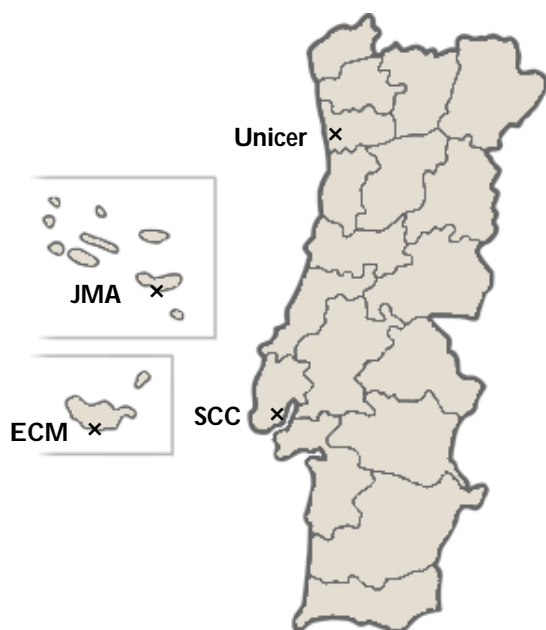
1. Which are the pros and cons for Sagres of being official sponsor of SL Benfica?
2. How much will Sagres brand gain from this sponsorship? That is, how much will this sponsorship affect SCC’s profits with Sagres?
3. Will it allow SCC to achieve an enduring and sustainable market leadership?

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<sup>34</sup> Marta Dhanis, “Sagres: Crise implica ajustes mas investimento no futebol não diminui”, *Agência Financeira*, November 25, 2008.



## Appendix 1 – Portuguese Beer Market Share, 1999



Brand	Share
Super Bock	43.4%
Sagres	33.9%
Cristal	5.6%
Carlsberg	3.3%
Imperial	2.5%
<b>Top 5 Brands</b>	<b>88.7%</b>

Company	Share
Unicer	55.2%
Central de Cervejas (SCC)	38.2%
ECM+JMA	3.5%
Imports	3.1%
	<b>100.0%</b>

Source: Scottish & Newcastle web page. Retrieved September 28, 2009 from a presentation of Navarro Machado, SCC's CEO between 2000 and 2002, regarding Central de Cervejas performance in 1999.

## Appendix 2 – Sagres Bohemia: an Innovation Example at SCC

2005	2006	2007
<ul style="list-style-type: none"> <li>Bohemia already existed since 2001, yet had no defined concept and positioning.</li> <li>Alcoholic beverages consumption was associated to meals moments, but beer was not.</li> <li>In 2005 Bohemia entered the market with a premium and meal character enhanced by a new strategy regarding communication, visibility and distribution that allowed it to compete with other drinks such as wine.</li> </ul>	<ul style="list-style-type: none"> <li>To defend the brand against competitor's response in the year after, with the launch of Super Bock Abadia, SCC launched Sagres Bohemia 1835.</li> <li>This special edition with a more similar concept to Abadia was successful in blocking competitor's entrance in the segment.</li> <li>Bohemia 1835 enabled a significant growth of Sagres' market share in Porto and to conquer the female segment.</li> </ul>	<ul style="list-style-type: none"> <li>Bohemia success led SCC to innovate again with Sagres Bohemia D'Ouro.</li> <li>This special edition was created to conquer market in the North of Portugal and was successful in achieving that goal.</li> <li>Its name is allusive to the river Douro and the celebrity chosen to the campaign was a respectful football player from that region targeted.</li> </ul>

Source: Adapted from APAN - Associação Portuguesa de Anunciantes, "Resultou: casos exemplares de comunicação publicitária eficaz", Verso da Kapa, 2008; and www.empreendedorismo.pt.

### Appendix 3 – SCC's Selected Financial Information (000 Euros)

<b>Consolidated Statements, December 31</b>	<b>2007</b>	<b>2006</b>
Net Sales	349,733	324,959
Cost of Sales	167,421	165,874
Distribution expenses	103,348	90,564
Administrative expenses	31,806	27,347
Operating income	11,714	1,573
Income before taxes (loss)	(9,926)	(14,719)
Net income* (loss)	(16,607)	(19,936)
Inventories	19,027	18,209
Accounts receivable	67,283	75,214
Cash, cash equivalents and short term investments	107,146	75,134
Property, plant and equipment	80,834	74,413
Total assets	778,157	776,960
Long-term debt	490,964	488,571
Total current liabilities	89,146	74,108
Total equity	195,838	214,075

Note: If the €35 million relative to the depreciation of the lease (goodwill) that resulted from the company ownership change in 2000 were not deducted to profits, net income would be equal to €18.4 million in 2007.

<b>Net Sales by Beverages Category</b>			
	Domestic Market	Export Market	Total
Beer	235,826	18,586	254,412
Soft Drinks	15,450	0	15,450
Waters	63,348	2,865	66,213
Other	12,079	1,579	13,657

Source: SCC's 2007 Annual Report

### Appendix 4 – Beverages Consumption per capita in Portugal (in litres)

	<b>1993</b>	<b>1998</b>	<b>2003</b>
Alcoholic Beverages	128.9	125.6	115.0
Beer	64.4	65.3	60.0
Wine	60.2	50.7	51.6
Non-Alcoholic Beverages	83.2	124.8	155.9
Water	40.0	63	77.6
Soft Drinks	40.1	54.4	70.1

Source: Instituto Nacional de Estatística (INE) and Associação Portuguesa de Produtores de Cerveja (APCV).

## Appendix 5 – Portuguese Beer Industry Statistics

	1993	1998	2003	2008
Production (000 hl)	6568	6784	7350	8208
Direct Employment	3230	1900	1848	1452
Consumption (000 hl)	6347	6494	6008	6200
Export (000 hl)	424	552	1397	2010
Import (000 hl)	137	290	67	36

Source: The Brewers of Europe and Associação Portuguesa de Produtores de Cerveja.

## Appendix 6 – Portuguese Beer Market Share, 2007 and 2008

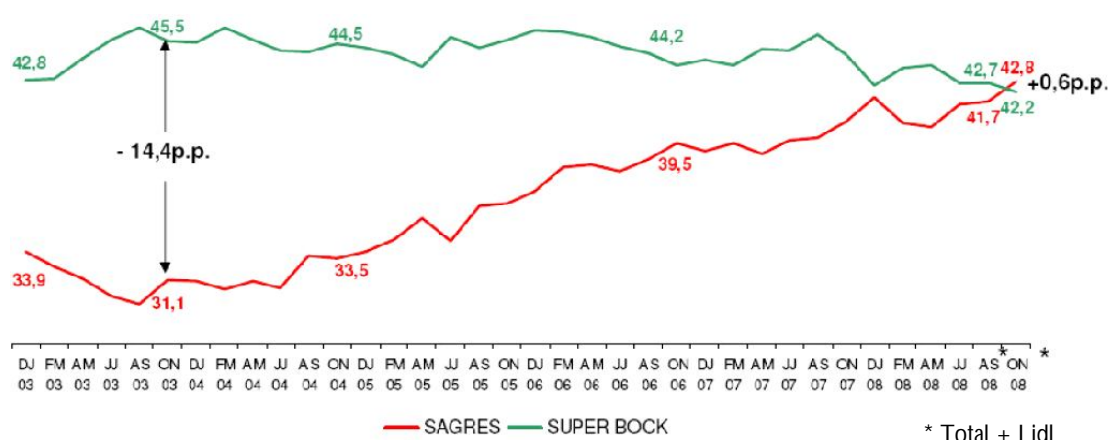
Company	Sales Revenues		Sales Volume	
	2007	2008	2007	2008
Unicer	52%	51.9%	50%	51%
SCC	44.2%	45.5%	44%	45.8%
Other	3.8%	2.6%	6%	3.2%

Brand	Sales Revenues		Sales Volume	
	2007	2008	2007	2008
Super Bock	46%	45.5%	43%	43.1%
Sagres	43%	43.7%	40%	41.8%
Other	11%	10.8%	17%	15.1%

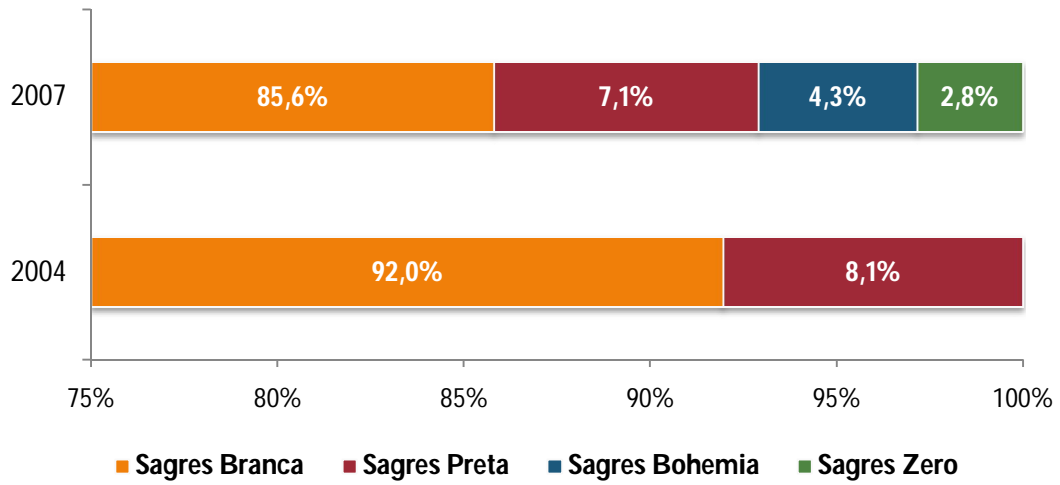
Source: AC Nielsen

## Appendix 7 – Market Share Evolution: Sagres versus Super Bock (Sales Volume)



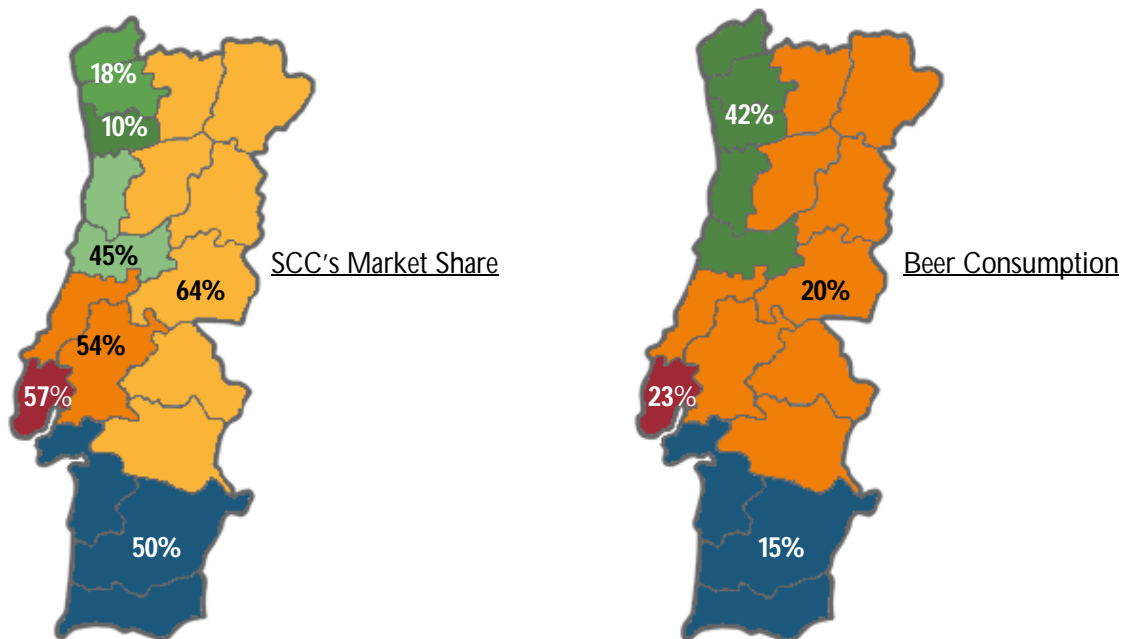
Source: AC Nielsen

**Appendix 8 – Distribution of Sagres Brand Sales by Beer Segment**



Source: Adapted from the Web page [www.empreendorismo.pt](http://www.empreendorismo.pt).

**Appendix 9 – SCC's Domestic Market Share and the Portuguese Beer Market by Region, September 2007**



Note: Only Portugal Mainland is considered.

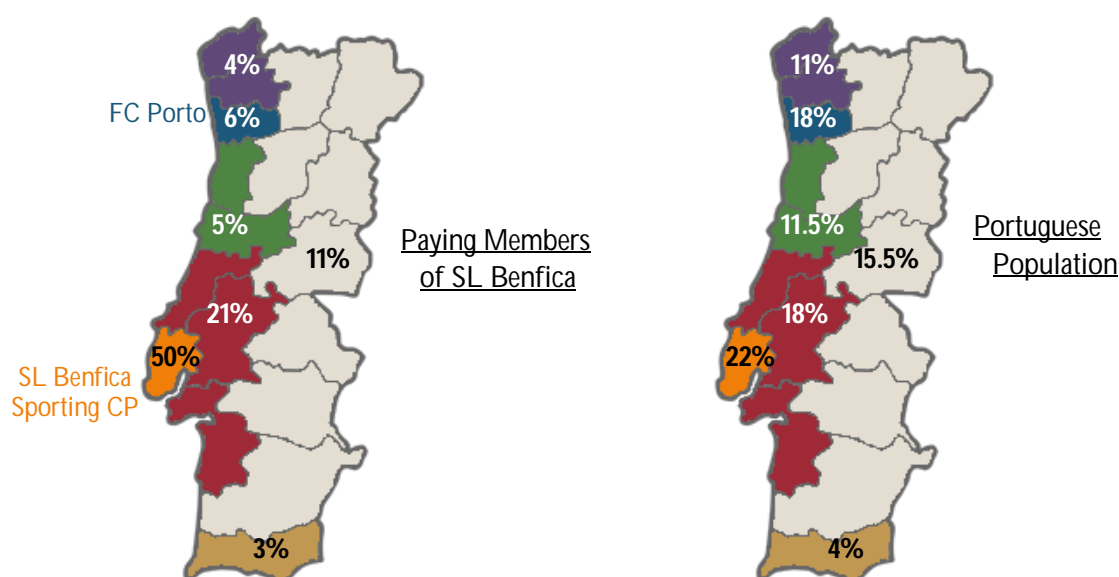
Source: Adapted from "Revista Natural", No. 9, a publication of SCC (retrieved October 1, 2009 from SCC's Web page [www.centralcervejas.pt](http://www.centralcervejas.pt)) and from Marktest, "Consumir Cerveja com álcool, April 5, 2005.

## Appendix 10 – The main Portuguese Football Clubs in Numbers.

	SL Benfica	FC Porto	Sporting CP
<b>Paying Members</b> in the World	171,000	115,000	96,000
Portuguese League (74)	31	23	18
Portuguese Cup (85)	27	17	19
<b>Wins</b> (Total)			
League Cup (1)	0	0	0
Portuguese Super Cup (30)	4	15	7
UEFA competitions	2	4	1

Source: Retrieved November 7, 2009 from the Web page [www.futebolfinance.com/o-numero-de-socios-dos-clubes-2009](http://www.futebolfinance.com/o-numero-de-socios-dos-clubes-2009) and [www.pfutebol.com](http://www.pfutebol.com).

## Appendix 11 –Membership of SL Benfica and the Portuguese Population by Region, 2008



Note: Portugal's population in 2008 is estimated in 10.6 million. Those maps only consider Portugal Mainland, whose population rounds 10.1 million. The 3.6% paying members living abroad were, therefore, excluded.

Source: Adapted the Web page [pt.wikipedia.org/wiki/Sport\\_Lisboa\\_e\\_Benfica](http://pt.wikipedia.org/wiki/Sport_Lisboa_e_Benfica) and from Instituto Nacional de Estatística (INE), accessed on November 11, 2009.

## Appendix 12 – Benfica's Revenues (000 Euros)

	2007/2008	2006/2007	2005/2006	2004/2005
Advertising and Sponsorships	9,726	11,031	8,133	8,353
TV Broadcasting	8,409	9,205	7,625	8,796
European Competitions	7,883	8,511	9,520	0
Memberships	7,848	8,328	6,542	5,790
Ticketing	7,686	9,893	11,688	8,008
Merchandising	2,470	2,499	2,405	2,213
Other	5,481	31,521	13,279	12,950
<b>Total</b>	<b>49,503</b>	<b>80,988</b>	<b>59,192</b>	<b>46,110</b>

Source: Annual Reports Sport Lisboa e Benfica – Futebol SAD 2008, 2007, 2006 and 2005

## Discussion Note

### 1. Which are the pros and cons for Sagres of being official sponsor of SL Benfica?

Pros:

- Highly brand awareness accomplished with Sagres logo presence in SL Benfica players' shirts, the prestige of the club and great media coverage.
- SL Benfica holds a large number of fans in Portugal and in the world, who translate into potential targets of Sagres and are expected to facilitate the desired leadership achievement in the Portuguese and Angolan markets. The most involved fans are more likely to develop a positive image for their team sponsor, exhibit higher intentions for purchasing and recommending sponsor's products<sup>35</sup> and, consequently, to increase Sagres' market share and brand loyalty. The contract will have impact on Sagres' profits in export markets of the brand but it is in Portugal where that impact will be better perceived, because it is here the most committed fans live. There is a great opportunity in the regions of Portugal where Sagres has very low market shares or where SL Benfica fans are highly represented. The contract increases Sagres level of differentiation and some consumers will become less sensitive to price and, therefore, competition will reduce, affecting profits positively too.
- Reinforcement of Sagres long-term relationship with football, which is one of the major assets of the brand, defining Sagres brand image and positioning in the beer market.
- Block/pre-empt the main competitor, Super Bock, in the association with SL Benfica.
- This partnership with SL Benfica also confers to Sagres the opportunity to launch new products directly alluding to the sports club (for instance a line extension called Sagres

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<sup>35</sup> Gwinner, K., Swanson, S., 2003. A model of fan identification: antecedents and sponsorship outcomes", *Journal of Services Marketing*, Vol.17, No.3, pp.275-294.

Benfica), without affecting the existing consumers' of Sagres and allowing to charge a higher price to those fans more involved and less sensitive price.

Cons:

- Strong emotional commitment towards a favoured team is frequently balanced by negative attitudes towards rival teams.<sup>36</sup> Until now sponsoring the National Football Teams or the Portuguese League did not raise such problems for Sagres, but sponsoring SL Benfica may affect negatively Sagres beer consumers from the rival clubs, Sporting CP and FC Porto. That is why BES and PT supported the "big-three" at the same time. If Super Bock sponsored Sporting CP or FC Porto, some of the fans of these clubs would decrease Sagres' market share and profits.
- There is an increased risk for Sagres as the success of this "long-term" sponsorship is also dependent on SLB's victories and team performance.
- In order to maximise the potential impact of this sponsorship, SCC must use supporting communication tools allowing fan involvement<sup>37</sup> (as it has happened with the National Team), which will require an additional investment and will create an opportunity cost.
- The level of SL Benfica's fans across the Portuguese territory may limit Sagres growth in the long-term.

## **2. How much will Sagres brand gain from this sponsorship? That is, how much will this sponsorship affect SCC's profits with Sagres?**

The sponsorship of SL Benfica is expected to impact on Sagres brand revenues. On the one hand, the quantity demanded will vary: positively with beer consumers of a brand different from Sagres who are fans of SL Benfica and feel encouraged to switch to Sagres since it

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<sup>36</sup> Davies F., Veloutsou C., Costa A., March 2006. "Investigating the Influence of a Joint Sponsorship of Rival Teams on Supporter Attitudes and Brand Preferences; *Journal of Marketing Communications*, Vol. 12 No.1, 31-48.

<sup>37</sup> Sutton, W. A., McDonald, M. A., Milne, G. R. and Cimperman, J. (1997), "Creating and fostering fan identification in professional sports", *Sport Marketing Quarterly*, Vol. 6 No. 1, pp 15-22.

supports their club and; negatively with Sporting CP and FC Porto consumers of Sagres brand, but who would switch to other beer brand as Sagres sponsors a rival club. On the other hand, seeing that this sponsorship increases the level of differentiation and, therefore, some customers become less sensitive to price, there is an opportunity for charge a higher price for Sagres as some consumers will attribute it a greater value than before.

In addition, to analyse Sagres' gains it must be considered the possibility of Super Bock to sponsor the two other clubs finishing the contract with BES in 2009 too, because Unicer has already recognised the potential of associating with football and, despite the association of Super Bock brand image with music, in 2008 the company introduced Super Bock in the support of some football clubs of the Portuguese League. Moreover, FC Porto has already Super Bock as partner and sponsoring Sporting CP would be important to increase the beer presence in the South of Portugal, where Sagres is stronger.

In the assessment of Sagres' gains, two scenarios will be considered: *Scenario I* for no move by Super Bock on sponsoring the two rivals of SL Benfica and; *Scenario II* for similar contracts signed by Super Bock with FC Porto and Sporting CP. On both, only variations on quantity demanded will be measured as price equations are unknown, as well as, consumers' sensitiveness to prices. In addition, because Sagres' presence is weaker in the Northern Littoral of Portugal and fans of SL Benfica are also differently distributed, a separated analysis can be done on the Northern Littoral and on the rest of the country.

Seeing that the effects that will be computed to know the variation in quantities are a result from a survey where the answer is given having knowledge of the sponsorship (something that does not happen in the real world) the results obtained will correspond to annual variations in a more advanced phase of the sponsorship that lasts for twelve years.



The next table, adopting appropriate assumptions<sup>38</sup>, summarizes the information about the Portuguese beer market and the three main Portuguese clubs by region:

			Northern Littoral	Rest of the Country
Beer Market	Sagres	41.8%	23.6%	55%
	Super Bock	43.1%	70%	23.6%
Clubs Fans	Benfica	38.8%	14.4%	55.4%
	Sporting and Porto	44.6%	69%	28%

Table 1 <sup>39</sup>

### Sales Variation:

- *Scenario I* – No reaction by Unicer

Considering that between 8.7% and 24.4% SL Benfica fans<sup>40</sup> will switch to Sagres, while 4.47% of Sporting CP and FC Porto fans will not consume Sagres anymore, two types of effects can be estimated on Sagres market share of 2008:

Sagres Market Share	Northern Littoral 42%	Rest of the Country 58%	Total
Δ Positive (min) 8.7%	$0.764 \times 0.144 \times 0.087 = 0.96\%$	$0.45 \times 0.554 \times 0.087 = 2.17\%$	1.66%
Δ Positive (max) 24.4%	$0.764 \times 0.144 \times 0.244 = 2.68\%$	$0.45 \times 0.554 \times 0.244 = 6.09\%$	4.66%
Δ Negative 4.47%	$0.236 \times 0.69 \times 0.0447 = 0.73\%$	$0.55 \times 0.28 \times 0.0447 = 0.69\%$	0.70%
Net Effect (average)	1.09%	3.44%	2.45%

Table 2

- *Scenario II* – Reaction by Unicer

In this situation, the negative impact on Sagres' market share would be higher as more SportingCP and FCPorto fans would also adjust their beer brand preference to Super Bock.

<sup>38</sup> Assumptions: constant beer demand in the Portuguese market and constant prices; average individual consumption levels; significant rivalry uniquely among the "big-three".

<sup>39</sup> To build the table were used: Sagres and Super Bock market shares in 2008 of Appendix 6; SL Benfica and the sum of Sporting CP and FC Porto percentage of fans in Portugal in page 14; the market shares of Sagres and Super Bock in each region were achieved in page 9 for one region and in the other region it was computed using the different beer consumption of each: 42% and 58% (example for Sagres:  $41.8\% = 42\% \times X + 58\% \times 55\%$ ); to the clubs fans of SL Benfica it was assumed similar distribution of clubs membership to the distribution of fans in Portugal, except from the district where the club is based, so knowing that 15% of SLB paying members live in the Northern Littoral, the extrapolation for the number of fans using the populations distribution by region means that 14.4% of the population of that region are fans of SL Benfica; to the rest of the country the weights of the Portuguese population in each region were used in computations; to know Sporting CP and FC Porto fans percentages it was used for both regions a percentage of individuals who are not fans of any of these clubs equal to the national percentage.

<sup>40</sup> The use of an interval was done because 15.7% fans were not so certain about switching their consumer behaviour, which can be influenced for instance by the club victories during the year and mainly by how sponsors can promote team attachment and create initiatives to take advantage from that. An average of the net effect was then calculated in order to reach conclusions more precisely.

Because it is a joint sponsorship of two clubs competing also with each other, the most committed fans will not have so positive attitudes towards the sponsor as in a single sponsorship situation. Hence, taking into account the previous positive effect and the new negative effect, a new it will be deduct the 4.47% respondents who assumed that their brand preference would be affected by a sponsorship of a rival team to the interval.

Sagres Market Share	Northern Littoral 42%	Rest of the Country 58%	Total
Δ Negative (min) 4.2%	$0.236 \times 0.69 \times 0.042 = 0.69\%$	$0.55 \times 0.28 \times 0.042 = 0.65\%$	0.67%
Δ Negative (max) 19.9%	$0.236 \times 0.69 \times 0.199 = 3.24\%$	$0.55 \times 0.28 \times 0.199 = 3.07\%$	3.14%
Net Effect (average)	-0.15%	2.27%	1.25%

Table 3

### Valuation of Sales Variation:

The value of increased sales can be extrapolated from Sagres' sales in 2007 as it was assumed that prices are constant. Sagres sold 40% of the beer volume consumed in Portugal in that year, meaning that it sold 242.66 million litres. SCC's beer sales were valued at €235.826 million and, therefore, Sagres sales at €229.4 million. Being the cost of goods sold about 50% of the sales total amount it can be assumed a gross margin of €114.7 million. Sagres' gains in each scenario are the following:

Scenarios	Variation (%)	Volume (Litres)	Gross Margin (€)
I	2.45%	15,190,000	7,180,000
II	1.25%	7,750,000	3,663,400

Table 4

The real outcome of this sponsorship will be equal to the Gross Margin of Sagres increased sales minus the annual investment on this sponsorship, considering not only the value agreed with SL Benfica, but also the investment in the sponsorship activation.

### 3. Does it ease Sagres achievement of an enduring and sustainable market leadership?

The contract sustainability will depend on whether the profit generated by it will be higher than the investment. Assuming that it will be it can be assessed if it will lead Sagres to market leadership.

Doing similar computations to the Sagres' ones for Super Bock market share, it can be compared the impact of sponsorship(s) on both brands shares in volume:

Scenarios	Brands	Variation in Volume	Market Share Before	Market Share After
I	Sagres	2.45%	41.8%	44.25%
	Super Bock	-2.25%	43.1%	40.85%
II	Sagres	1.25%	41.8%	43.05%
	Super Bock	0.59%	43.1%	43.69%

Table 5

Sponsoring SL Benfica seems to be a great opportunity to increase Sagres market share. It must be referred that switching effects are not linear and can vary among fans of each region, fans of each club and fans of each beer brand. Along with teams' performance, the sponsorship activation will determine the capability of attract new consumers.

The main reason why Sagres has failed to achieve market leadership is related to the district of Porto, where its main competitor is by far the leader. From the previous computations, it could be concluded that this contract would increase market share only if there was not a reaction from Super Bock. But looking at Porto, where lives nearly 18% of the population and where it has been very hard for Sagres to growth, there is a great opportunity to improve Sagres market share of only 10% as shown in the next tables<sup>41</sup>:

Information about Porto		
Beer Market	Sagres	10%
	Other	90%
Clubs Fans	Benfica	12.9%
	Sporting and Porto	70.5%

Table 6

Sagres Market Share in Porto	
Δ Positive (min) 8.7%	1.01%
Δ Positive (max) 24.4%	2.83%
Δ Negative (min) 4.2%	0.30%
Δ Negative (max) 19.9%	1.41%
Net Effect (average)	1.07%

Table 7

To conclude, SCC should manage this sponsorship in a different way regarding each region. Because in Porto it is hard to grow and there is an important number of committed fans, SCC can activate this sponsorship in a stronger way.

<sup>41</sup> The market share of SCC in Porto is 10% as shown in Appendix 9, but it was assumed the same share for Sagres because it congregates almost the total sales of the company.