

Artículo de Investigación

Case study: communication and product development driving halo effect within the CPG industry

Caso de estudio: La Comunicación y el desarrollo de producto generan “efecto halo” en la industria del gran consumo

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Abstract

Introduction: Countless innovations may not succeed, yet it is crucial for companies to innovate in order to survive. Through the years, we have seen many cases of innovation failures in the Fast-Moving Consumer Goods (FMCG) industry in Spain. This research determines the key factors driving innovation success and growth for a well-established Consumer Packaged Goods (CPC) brand. **Methodology:** Case study method. The research included in-depth qualitative analysis, utilizing sources such as company representatives, point-of-sale data, communication channels, and interviews with industry experts. The research is focused on explaining how the brand strategically achieved success through

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innovation, introducing approximately 15 products in the last 5 years. **Results:** Research shows that specific focus on product innovation and communication strategy are crucial, and unveils that innovation contributes to the overall success of the parent brand, that is what is called the halo effect, also the importance of a strong distribution network in the FMCG industry. **Discussions:** Through this study, insights on how to do successful innovation in Spain in FMCG are provided and describe the factors affecting the biggest challenge of the growth market. **Conclusions:** The combination of product innovation, communication strategy, and distribution has proven crucial for success in this highly competitive market.

Keywords: CPG innovation; disruptive Innovation; case study; retailers: FMCG, food, bakery, halo effect.

Resumen

Introducción: Innumerables innovaciones pueden no tener éxito, sin embargo, es crucial que las empresas innoven para sobrevivir. A lo largo de los años, hemos visto muchos casos de fracasos en la innovación en la industria de bienes de consumo de rápida rotación (FMCG) en España. Esta investigación determina los factores clave que impulsan el éxito y el crecimiento de la innovación para una marca bien establecida de productos de consumo envasados (CPC). **Metodología:** Método de estudio de caso. Análisis cualitativo utilizando fuentes como representantes de la empresa, datos del punto de venta, canales de comunicación y entrevistas con expertos de la industria. **Resultados:** La investigación muestra que el enfoque específico en la innovación de productos y la estrategia de comunicación son cruciales, y revela que la innovación contribuye al éxito general de la marca matriz, lo que se conoce como el efecto halo. También destaca la importancia de una sólida red de distribución en la industria FMCG. **Discusión:** A través de este estudio, se proporcionan conocimientos sobre cómo realizar una innovación exitosa en España en FMCG y se describen los factores que afectan el mayor desafío del mercado en crecimiento. **Conclusiones:** La combinación de innovación de productos, estrategia de comunicación y distribución ha demostrado ser crucial para el éxito en este mercado altamente competitivo.

Palabras clave: innovación CPG; innovación disruptiva; retailers; gran consumo; alimentación; bollería; efecto halo

1. Introduction

Innovation is an essential factor for the growth and survival of organizations. However, many innovations fail to produce the expected results, and the Fast-Moving Consumer Goods (FMCG) industry in Spain is no exception.

Significant managerial attention has been paid to marketing and brand innovation; however, scholars recognize that the development of successful new products is key to gain and maintain competitive advantage, therefore, understanding the strategic factors that improve success, despite having been overly studied, is still an essential area of research interest (Evanschitzky et al., 2012; Morgan et al., 2019).

The FMCG market includes Food & Beverage and Personal Care & Drugstore (Tyagi & Tyagi, 2014), These products, also called consumer packaged goods, have low unit prices and are bought in mass quantities (Liczmańska-Kopcewicz et al., 2019). The FMCG sector has experienced a 29% decline of innovative product launches since 2016. Even though innovation levels are in free fall, reflecting an apparent market failure, manufacturer brands continue to be the driver of innovation, as, of the total number of innovations introduced in the market in 2021, they are responsible for 98% of innovative products, surpassing even the previous year's levels, when they stood at 95% (Radar de La Innovación 2021, 2022).

The distribution of innovations remains insufficient. Despite the efforts made by manufacturers' brands to innovate, their presence in some major retail chains continues to be very low. Mercadona, the biggest retailer in the country, only references 7% of the innovative products of the Manufacturer's brands, Aldi 8%, Lidl 10%, and the chain that references the fewest innovations is Día, with 3%. In contrast, Carrefour (67%), Alcampo (36%), Grupo Eroski (31%) and El Corte Inglés (30%) maintain the highest levels of introduction of new products on their shelves (Radar de La Innovación 2021, 2022)

The focus of the study will be on food, particularly in the mature pastry market which was worth 1.004 Million € in 2021 (Nielsen scan track). It is a market with a clear dominance of the private label in which the two first brands (Bimbo and Dulcesol) account for less than 30% of the market ("DBKSituación Del Mercado de Panificación y Pastelería Industriales," 2021).

A particular company, Bimbo Group appears every year on the Kantar Innovation Radar plus one of its packaged bakery brands, Donettes®, appears twice in the past five years.

Within the packaged bakery and pastry industry, the most significant categories, accounting for an average of 30% of the total market (Nielsen panel 2016), are muffins and doughnuts.

In this article, we will focus on Donettes®, a well-established mini doughnut in the pastry industry, from a company that innovates; it has been successful in its innovations and launched about 15 products in the past five years and is successful among critical KPIs (brand recognition, sell-out, and penetration) in the fast-moving consumer goods (FMCG) industry.

2. Goals

The main goal of this research is to analyze Donettes® as a brand with a differentiated strategy within the very competitive private label-driven pastry market in Spain that according to the Nielsen Scan track grew a 50,4% from 2016-2021.

To contextualize the case study, the development and establishment of the sector in Spain is analyzed and the theoretical innovation framework. Donette's keys to success are proposed based on the following dimensions: product & innovation, price & promotion, distribution, and communication.

3. Methodology

This research follows the case study methodology, widely used in qualitative investigations (Busquet-Duran & Medina-Cambrón, 2017; Yin, 2018) , particularly in business and management (Baškarada, 2014) . The case study is suitable when three criteria are met: addressing "how" and "why" questions, limited control over behavioral events, and focusing on a contemporary phenomenon (Yin, 2018, p.12). By studying Donettes® in real-time within its natural context, we observe a unique scenario (Rashid et al., 2019) .

Methodology choice depends on the problem, issue, and field of study (Hancock et al., 2021). A single case study is appropriate for this research, meeting Yin's premises. It allows testing a theory, analyzing characteristics of an extreme situation, and exploring unstudied aspects. Donettes® exemplifies adaptability, market challenges, and innovation, contributing to industry growth and leadership.

For the Donettes® case study, primary and secondary sources were utilized, including Bimbo's documentation, management interviews, point of purchase data, expert and consumer interviews, and industry reports.

For the point of purchase, we visited fifty-three different points of purchase of the brand in different parts of Spain: hypermarkets, supermarkets, convenience stores and vending machines.

For the communication, we took into consideration the TV campaigns provided by the brand and the social media aspect. We searched and navigated on their website Tiktok, Instagram, and Twitter profiles to analyze how and what Donettes® communicates and interacts with in internet networks.

Intending to understand the market, insights about the current situation, and hypotheses on how the brand is growing we conducted seven semi-structured interviews with senior or director level experts in the market research industry with at least 15 years of experience.

In the years of working in the marketing field, understanding the consumer is a crucial element, and it seemed necessary not to omit the consumer's voice in a marketing case study. To further understand, we conducted five semi-structured interviews with Donettes® target consumers without trying to be representative of the market, with the intention to have a deeper understanding of the case. The criteria for selecting the subjects were as follows:

People between 15 and 25 years old, since the brand mentioned this age break as their core target, that had bought or eaten Donettes® at least once in the past month living in Catalonia (highest brand penetration in the country). It is a sample of five from around Catalonia living in rural or urban areas.

The fieldwork has been completed with the analysis of the main reports published by Kantar "Radar de la Innovación" 2016, 2017, 2019, 2020, 2021, 2022, ESADE and ProMarca's "Impacto económico y social de las marcas de fabricante en mercados de gran consumo en España" 2022, the CMR study "Mercado de la Alimentación en España", among others.

4. Development of the Investigation

The marketing mix is one of the most widespread tools in marketing, used in the management of brands and their offers. Borden, describes marketing as a recipe where the "marketing executive is a decider, a mixer of ingredients which sometimes follow a recipe prepared by others, sometimes prepares his own recipe as he goes along, sometimes adapts a recipe to the ingredients immediately available, and sometimes experiments with or invents ingredients no one else has tried" (Borden, 1964, page 7). Borden identified twelve controllable marketing ingredients that, properly managed, would result in a "profitable business operation" McCarthy, 1964 reduced Borden's factors to a simple four-element framework: Product, Price, Promotion, and Place, which soon became the predominant and indispensable element of marketing theory and operational marketing management. The marketing mix is a set of controllable variables that a company puts together to get a response from objective target market (Kotler and Armstrong, 1989).

4.1. Marketing Mix

Promotion is communicating information between the seller and the potential consumer or others in the channel influences attitudes and behavior. Media support is a key element for the consumer to get to know the innovation and reach high rotation levels for retailers to keep the innovation on the stores and gain the retailer's trust that is directly related to the distribution variable (Derqui, Fayos and Occhiocupo, 2022). Place refers to the availability of goods and services in the right quantities and locations when customers want them (Borden, 1964; Constantinides, 2006). Product refers to the physical or digital goods and services offered by

the organization. Simply put, the product can be described as a package of benefits that a marketer offers to the customer at a given price which is the amount of money charged for "something" of value can be referred to as the value charged for a product or service (Borden, 1964). Pricing is a critical decision area as it affects the product's demand and the company's profitability (Thabit, 2018).

Although some academics have controversy about adopting this method (Constantinides, 2006), nowadays, the marketing mix toolkit is used among practitioners, and the theory is taught in universities and business schools.

4.2. Marketing Mix

Innovation is a wide term that should not be limited to product-related issues: it can refer to new techniques, new forms of organization, new solutions, or even new sources of customer satisfaction, but in all cases, innovation is about novelty (Chimhundu, 2018).

Brands increasingly recognize that new products are essential to their survival and growth. At the same time, new product development is costly and risky. Some new product ideas are technically unfeasible after much money has been spent, and others prove to be commercially unsuccessful after more money has been spent.

Thus, management finds itself in a dilemma: it must develop new products, yet the odds are against it. The answer lies in making the innovation process more rational through improved decision-making procedures. Brand innovation through the launch of new products is common for FMCG brands.

There are different ways to categorize innovation according to different authors. Innovation can be categorized into seven product innovations: cost reductions, product improvements, line extensions, new markets, new uses, new category entries, and new-to-the-world products (Kahn, 2018). Other trends of thought are more minimalistic, categorizing them into three different kinds of product innovations: line extensions, renovations, and new category creation (Ind and Iglesias, 2017).

Product renovation are improvements of form or function. A product renovation replaces the original product, so the original product is no longer available. Product enhancements are usually labeled as "new and improved" or "better". For example, a new and improved muffin recipe that is now "with less sugar with the same taste as before" is characteristic of a product enhancement. Product enhancements also include changes in packaging, as long as the core product the customer buys remains unchanged (Kahn, 2018).

New categories is referred to new products for the company but not new to consumers as a category. Apple's entry into the watch market with the Apple Watch is an example of entering a new category (Olenick, 2017).

Line extensions are an existing brand's new product offerings in the same product class or category (Keller & Swaminathan, 2019). Within the FMCG, line extensions are the most common, and the focus of this case study, approximately 90% of new products introduced annually are line extensions (Hoskins and Griffin, 2019). Line extensions are added features or options to an existing product that provides unique functionalities and benefits – for instance, adding offerings alongside an original yogurt product such as vitamin D deepens the yogurt product line and is indicative of a line extension (Kahn, 2018).

A common misunderstanding is a belief that innovation must be completely new and radical and that minor incremental innovation does not count. This belief has a problem, as radical innovation is very challenging, may require unique resources, and reflects substantial risk, certainly more risk than incremental innovation. Incremental innovation and radical innovation balance the innovation effort by allowing for small wins in the pursuit of big wins. Successful organizations understand that innovation falls along a continuum, ranging from minor incremental changes to major radical innovations; innovation is not a binary phenomenon (Kahn, 2018).

Therefore, a line extension innovation's main advantage is that it has lower costs, lower risk arising from leveraging the parent brand, and the ability to increase sales quickly and inexpensively (Loken, Ahluwalia and Houston, 2010). Indeed, introducing innovations through line extensions has become an increasingly important strategy (Sinapuelas et al., 2015).

Such innovations are known as the halo effect, which reinforces the parent brand and attracts more people. The halo effect is a cognitive bias whereby people form an opinion about one characteristic of a product attribute based on their predisposition (positive or negative) towards another attribute (Nicolau, Mellinas and Martín-Fuentes, 2020).

Since an innovative line extension is defined as introducing a new feature or benefit under a parent brand, consumers may respond not only to the parent brand effect but also to their perception of an innovative product that introduces a particular feature or benefit. Perceptions of the parent brand and the benefits of the innovative product may also interact, such that a strong brand preference may overcome any uncertainty arising from an innovative feature (Sinapuelas et al., 2015).

4.3. The FMCG Market in Spain

The Spanish FMCG market is very complex and atomized. There are several players who are very different from other European markets because it is shaped by one strong player: Mercadona, which holds a substantial share of the market with the most significant distance from the second competitor.

Scholars acknowledge that successful new product development is crucial to gaining and maintaining competitive advantage, so understanding the strategic factors that boost success, despite having been abundantly studied, remains an essential area of research since succeeding in innovation is not the most common outcome (Evanschitzky et al., 2012).

Mercadona has the most significant market share in grocery retailing in Spain but does not accept much innovation, 7% acceptance rate. Based on data presented in April 2022, with 26%, followed by Carrefour with 9.8% with a high innovation acceptance rate: 57% (Radar de La Innovación 2021, 2022).

In addressing the effects of innovation, an additional source of innovation advantage may be in increasing the effectiveness of marketing mix activities (Bowman & Gatignon, 1996) producing something called the halo effect. Research in breakthrough innovation is key as it is an engine of economic growth and a source of improved solutions to human needs (Chandy and Tellis, 1999). The analyzed innovations belong to well-established brands that launch new products under a parent brand, consumers may respond not only to the parent brand effect but also to their perception of an innovative product that introduces a particular feature or benefit. Perceptions of the parent brand and the benefits of the innovative product may also

interact, such that a strong brand preference may overcome any uncertainty arising from an innovative feature (Nicolau et al., 2020; Sinapuelas et al., 2015).

Regarding marketing mix and innovation, we find that marketing mix variables tend to correlate with parent brand strength in the context of new line extensions. If this endogeneity is not considered, it could introduce some bias in estimating the relative impact of marketing mix variables on purchasing a new line extension product (Sinapuelas et al., 2015).

The mature market of Pastry, which was worth 1.004 Million € in 2021 (Nielsen Scantrack), has remained stable since 2015 (987 Million €). It is a market with a clear dominance of the private label in which the two first brands (Bimbo and Dulcesol) account for less than 30% of the market (DBK Situación del mercado de panificación y pastelería industriales, 2021).

Up-to-date data from this market is private and very expensive to acquire. That is why for describing the market, we are using the last data we had access, which is from 2016. For conversations with interviewees, the proportions are still relevant. The market is dominated by the private label, which accounted a 47% in 2016, according to a Nielsen report. The first company to lead the market is Grupo Bimbo with about 20%, which has several different brands such as Donuts®, Bollycao®, La Bella Easo®, Qé!®, Donettes®, Bony®, Tigretón®, Pantera Rosa® and so on. The second big company accounting for a large percentage of the market is Vicky Foods, well known for its commercial brand Dulcesol with a 10% market share.

In terms of the top categories, doughnuts account for the largest share with 14,3%, muffins at 14%, croissants at 10%, brioche with 5% of the total market share, and puff pastry palmier a 3%, according to also to Nielsen.

In 2021, the incremental value of innovation was 12%. This means that consumers who bought innovations increased their consumption in these categories by 12%, an aspect in which manufacturer brands play a key role. Innovation means not only additional sales for the brand that carries it out but also incremental market growth. All the players in the food chain benefit from this, which has an impact on the end consumer. In this way, positive consumer response is the greatest incentive for manufacturers' brands to continue to strive for innovation (Radar Kantar Informe Radar de la Innovación 2020, 2019).

4.4. Donettes® case study

The focus of the study on Donettes®, a well-established mini-doughnut brand in the bakery and pastry industry from a company that innovates; it launched about 15 products in the past five years and is successful among key KPIs (Sell-out, and Penetration) in the fast-moving consumer goods (FMCG) industry. The study ranges from 2016 to May 2022.

Donettes® is a brand with 49 years of history, with high levels of notoriety and esteem. The Donettes® brand is closely linked to the physical attributes of the product but also has an emotional link and very different brand values.

Donettes® is a successful brand in terms of sell out. Sell out is the sales value (€) reported from the store's scan tracks in this case conducted by Nielsen. The brand grew a 50,4%, which is astonishing since, as read before, this is a very competitive and mature market that had no growth on the analyzed period. 2021 was a very good year in terms of sell-out; the brand grew a 24% compared with 2020 (Nielsen Consumer Panel cumulative data 2021)

Penetration in the FMCG is a term that refers to the percentage of people that consume a

particular product. As we can see in the following graphic, Donettes® managed to have 4pp more in 5 years growing in four consecutive years, meaning that the product has been consumed by a larger number of people every year (Nielsen Consumer Panel cumulative data 2021).

As stated in interviews with Nielsen, innovation drives incremental Penetration to the brand because it is differential in terms of concept and has a different consumer: "with the limited editions (line extensions), the brand is able to gain 60-70% of incremental penetration. The consumer is the kid".

Market share is referred to the portion of the market that your sales (in value in that case) add to the total market. For instance, if the market is 100€ and a company sells 20€ in that market, that would mean that the company has a 20% market share.

Considering the stable pastry market, Donettes® market share grew a 25% over the last five years (2016-2021).

Donettes® is a brand that sells round-shaped "mini-doughnut" pastry products made with a cake dough covered with chocolate or powder sugar. It is served in a multiportion pack that has a minimum of 4 units in it. It is sold in a yellow plastic tray and packaged with plastic film. Donettes® packaging is meant for a shared consumption ranging from packaging with four units to others that have up to 8 units. Consuming the product with a group is a distinct element of Donettes® compared to other pastry products.

Donettes® launches between 2 and 3 line extensions every year. The product is launched and retired of the market to let the shelf space to another innovation. Those innovations do not have large sales compared to mainstream products. They achieve around a 10% of the total Donettes® revenue. Those innovations include experiences, or gamified innovations.

An experience is something that happens to the customer that purchases the product or the one that consumes it. Experiences are "memorable events that engage each individual in an inherently personal way" (Pine and Gilmore, 2013) Packaged food can contain an experience that can be related to the packaging, like the games printed on the back of the cereal boxes, on the product itself, or in the effects of a product. For example, Donettes® launched several experience-based line extensions in which the product influenced you when eating it, like painting your tongue blue or not.

In 2015-16 the brand wanted to go to another level with its line extensions with the goal to be different and add value to the consumer. Being true to the brand's values, Donettes® developed an experiential category based on the play, which is very social and fun, like the brand. After the "Hacke tus Donettes® " launch, where consumers picked how they wanted the new Donette, the brand started to deliver games with the product itself, not only through communication.

They started thinking about possible games that could be played with the product and how to make it feasible for the manufacturing process, which is often a restraint in the FMCG industry. They came up with adding one special Donettes® that would have a differentiated flavor which ended up being: spicy.

In this category, it is very difficult to describe the innovations without a communication strategy. We will present the objectivity of the product of those innovations on the communication section. Active listening in social media is key for the brand. Understanding trends and fads are crucial for Donettes® relevancy. Donettes® analyzes what the target market likes, follows, and shares and then creates concepts of those interests that can be relevant to the brand.

Regarding pricing Donettes® recommended pricing is the market's highest, with a retail price of 2,50€. The manufacturer's price Donettes® and Mini-Soles information come from the recommended price of sale that Bimbo and Dulcesol suggest to the retailers. The private-label prices are taken directly from the retail visits, which are consistent across stores.

Taking as a base (100%) the cheapest brand Mini Soles, the index price in terms of €/Kg is 271% for the smaller packet of Donettes® and 227% for the larger, which has increased a 47% since 2015. The cheapest of all is the other manufacturer brand, Mini-soles, which did not vary its pricing since 2015 and costs 6,45€/kg.

In terms of distribution, the Spanish distribution market is very particular in terms of players. There is a player that holds 23% of the market, and this share is even higher categories. This market, the pastry market, is dominated by distribution brands.

Although the most common distribution model for the FMCG market is to distribute the product to a retailer distribution center and the retailer itself delivers the products to its stores, Bimbo is a company that delivers most of its products directly to the retail. This permits them to access the market more quickly and be able to reach a broad independent store range.

As of 2022 Bimbo have 80 different sales distribution centers ('Bimbo web page Spain', 2022). Although data came from an interview, Bimbo accounts for 80% of the total market coverage.

Bimbo visits the stores directly and checks what is about to expire and what is needed bringing what the previous day of the visit was missed. Some stores are visited daily, others with less frequency but a minimum of twice a week.

We could not find data relevant to the distribution of the competitors. Donettes® is distributed in all retailers but Mercadona, Lidl, and Aldi. The private label brands are distributed only to their retail stores, and Dulcesol is hard to find; neither on the retail visits, we were not able to find Dulcesol, or on online stores of the retailers, it does not appear on the main seven players.

In terms of brand communication, Donettes® is a well-established brand that has been very solid on the brand proposition and has been able to maintain it over the years, adapting it to the market that varies over the years. Because Donettes® has been consistent with its communication message for over 30 years. Donettes®' brand image is also stable and attached to a good vibe, happiness, fun, and friendship. Other factors very relevant to the brand are related to deliciousness, snacking between hours, or popularity.

Regarding the innovation communication, from 2016 until now, the innovation has appeared at the end of the TV commercial, having less than 3 seconds of air. The goal was to raise awareness of the novelty.

Besides the packaging, communication on social media is crucial for Donettes® and has been conducted along with each product launch. Having a core target audience ranging from 15 to 25 years old, the brand has profiles on the most relevant platforms for the mentioned target, which are: Instagram, Twitter, and Tiktok.

The communication that the brand is following is attached to the product innovation distinguishable feature. The brand picks a trend that is latent on the market. Creates a concept for their new launch; this concept is approved by management; they develop it involving the different teams that are necessary and promote it using push and pull strategies.

The pattern they are following is that from the early stage of trend hunting, they think about communication. Donettes® do the following: they make a digital video commercial to present the novelty, create some sort of challenge, and create a media plan to raise awareness and

engagement with display, social ads, influencers, and sampling. Product placement and influencers play the role of information spreaders and join the challenge to amplify the participation and gain user-generated content.

Line extensions are launched under the Donettes® brand following the same brand architecture. Consumers perceive the brand as more innovative and contribute to the brand image. The innovation drives a halo effect to Donettes®. In other words, it generates buzz for the brand, more opportunities for the point-of-sale visibility, for talking about the brand, and for contributing to a more visible and available product.

5. Conclusions

The place element from the marketing mix is one of the key elements for innovation success in the current market situation. Distribution enables availability in the place of purchase so that the product reaches the target market. The negative trend in FMCG innovation in Spain can be explained by the increasing difficulty in reaching distribution and, due to the resulting reduced sales potential, by the greater difficulty in justifying the necessary marketing efforts in economic terms. If products are not available in the point of purchase, they cannot be bought by consumers that had been impacted by communication and it becomes a vicious circle.

Mercadona is the biggest retailer in the country and has a 26% of the market. As seen before, it is the retailer with the lowest innovation referencing. Spain's small and unorganized stores are most stores, and because Bimbo has a strong distribution power, the brand can have a very good distribution without counting on Mercadona. Bimbo's distribution model works very well because they can reach the stores directly and fast. Donettes® can reach those stores with the innovations having 80% of the impulse coverage. The small traditional stores are eager for novelties. It is also a way for them to have a differentiated portfolio.

The product and promotion elements of the mix are thought of as one. Being relevant and transmitting the right message is very well thought. Thinking about a product and the communication topic are considered in the early stages of product conceptualization. Once they identify a trend, they start thinking about what experience they can offer the consumer. How can they give more than a product? How can they play with the product? Then they identify key platforms and build a media plan that always counts on influencers.

Innovation accounts for about 10% of the brand's sales. This is not a high number, although innovations drive growth in terms of additional penetration and in terms of the halo effect that drives the market.

Regarding additional penetration, there are two differentiated effects: younger consumers are very interested in purchasing the novelties and the gaming experience, and the research institutes interviewed pointed out that the innovations drive incremental penetration among targets that are not core to the brand, especially in younger households. Some older consumers mentioned in the research that they ate Donettes® innovations with their younger cousins (ages 7 to 12) gave me a deeper understanding of this phenomenon. The other effect is that there are people that do not purchase Donettes® regularly but like to try the novelties; those come from the core target and older and younger targets but close to 15-25. A consumer pointed out that she tried the hot challenge for fear of missing out, another because she wanted to do something fun with her friends and did the Troleo challenge; another mentioned that she saw it everywhere on the internet.

In terms of the halo effect, having novelties to the market drives attention to the parent brand. Because the brand is communicating on social media, their new innovation brand impressions are delivered to the consumer, and that reminds the consumer that Donettes® is out there, that Donettes® is doing something, and that something because innovation is well aligned with the brand, contributes to a stronger brand reputation, helps remember the consumer that the brand is there and that drives awareness, consideration, and sales. One consumer mentioned that she saw the Donettes® Hot challenge everywhere, especially on Youtube, and considered buying it but then decided to go for the classics.

Innovation is essential for the growth and survival of companies. However, the FMCG industry in Spain has seen a decline in innovative product launches in recent years. To ensure successful innovation, companies need to focus on the place element of the marketing mix. Distribution is critical for making products available in the point of purchase so that the target market can access them. Without availability, products cannot be bought, leading to lost sales and reduced potential for justifying necessary marketing efforts.

Mercadona, the largest retailer in Spain with a 26% market share, has the lowest innovation referencing. Most stores in Spain are small and unorganized, but Bimbo, with its strong distribution power, is still able to reach these stores directly and quickly. Donettes, one of Bimbo's brands, has achieved an 80% impulse coverage in small traditional stores, allowing them to reach consumers and offer a differentiated portfolio.

To ensure successful innovation, companies need to think about the product and promotion elements of the marketing mix as one. They need to create a product that is relevant and appealing to the target audience and develop it with the communication plan in mind. Companies should identify trends and consider what experience they can offer the consumer, playing with the product and building a media plan that involves influencers.

Innovation accounts for about 10% of the brand's sales, and it drives growth through additional penetration and the halo effect. Younger consumers and those outside the core target market are more likely to be interested in purchasing the novelties, which create incremental penetration. The halo effect helps to raise brand awareness and reputation, reminding consumers that the brand is out there and contributing to consideration and sales.

Therefore, companies need to focus on the place element of the marketing mix to ensure successful innovation. They need to find ways to distribute their products effectively, even if major retailers do not reference their innovations. Companies also need to integrate product and promotion elements of the marketing mix, identify trends, and consider what experience they can offer to the consumers to create successful innovations that drive growth.

Donettes® is a successful brand among all key KPIs in a very competitive market. The brand is innovating through line extensions and has a marketing mix that is working to drive sales and competitiveness in the market.

First, the brand uses company's distribution power to reach the market. Second, the brand delivers experiences and tries to identify what is relevant for the target market, then creates a product thinking on the communication at the same time. Third, innovation drives sales due to incremental penetration and the halo effect.

This case study focuses on providing a understanding of a successful FMCG brand through innovation, and opens new paths for future research as results suggest further investigation on the media analysis incorporating the consumer or a quantitative validation that chocolate is key for success in the Spanish FMCG pastry market.

This paper focuses on Spain, and, due to the particularities of the national FMCG markets

across Europe, together with specific bakery, results cannot be generalized and therefore, it would be interesting for future studies to analyze other cases in other countries.

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