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Internationalization of the Ethnic Food Industry

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The Case of a South African SME - Ethnic Cuisine Investment Ltd (ECI) Positioning Strategy in the Swedish Market

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ABSTRACT

Small companies from newly emerging markets are usually limited in their growth strategy by lack of market in their own countries. This is mainly due to low purchasing power of the population in their countries. Therefore the companies seek possibilities to grow by establishing themselves on foreign markets. However, due to insufficient resources, the SMEs are not in a position to do enough research on the nature of the new environment they will be faced with. As a result, they do not actually know how to position themselves strategically in terms of marketing efforts.

The purpose of this thesis is to investigate the ethnic food segment of food industry and to analyze how a small foreign company manufacturing ethnic food can position itself strategically on the Swedish market. We have used a South African SME -- Ethnic Cuisine Investment Ltd (ECI) as our case company.

In order to analyze the elements of importance in ECI's strategy, we briefly investigated the macro-environment in order to identify the drivers in this industry. However, our main focus is on the ethnic food segment of food industry, in order to understand its logic. We also scrutinize the firm's resources and capabilities, so that we can identify the gaps that need to be filled in order for it to succeed in the Swedish market.

The complexity and dynamism of the Swedish market for ethnic food poses several challenges to a small foreign actor. Thus to act efficiently, the company will need to be very committed and goal oriented. The success of the small actor entering this market will depend on how well the company can organize itself in order to achieve effectiveness in its operations.

Key words: Sweden, South Africa, Food Industry, Ethnic Food segment, Industry logic, Key success factors and positioning.

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Misic Aleksandra, Limon Tamar, Wambugu Hannah

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1 INTRODUCTION

The purpose of this chapter is to give the reader an overview of what will be the content of our thesis and the different parts that are to be discussed. The chapter contains the background of the research problem that leads to the problem and purpose of our thesis. First an introduction (trends) in food industry, which goes a long way to explain the origin of ethnic cuisine segment of the same industry. This is followed by a description of our case company, Ethnic Cuisine Investments (ECI). The chapter will also specify the research problem, the connected sub-problems and limitation of our thesis. Further, the definition of terms considered to be central in the thesis is given in order to specify specific words or concepts for the reader.

1.1 Background

Having learnt about large companies and the problems they encounter in establishing themselves in new markets during our masters program course, we kept wondering what it would be like for a small enterprise from the emerging market, venturing into a mature market in the developed world. We become interested in investigating the environmental factors in the developed market and the influences it may have on the strategy of a small foreign actor. Our dream was realized when with the help of our supervisors and SSBF (Swedish and South African Business Partnership Fund), we identified a small enterprise Ethnic Cuisine Investment – ECI based in West Cape South Africa, which was in the process of expanding its market to Sweden. It was not the ECI initiative to carry out research on the prevailing conditions on Swedish market due to its financial limitations. However, SSBF felt it was necessary for this research to be done in order to expose ECI to the prevailing conditions in the Swedish market, given that this is one of the main functions of SSBF. The SSBF feeling is that, with this exposure, ECI will be better placed when positioning itself in terms of strategic alliances and marketing efforts.

1.2 Research Problem

1.2.1 Background

Market diversification is where an enterprise decides to branch out and find new customers. Development of this type has the advantage in that, the enterprise grows at a faster pace and risks of dependence on a single market are limited. Economies of scale from the point of view of production and other enterprise functions can also be achieved.

Small companies that have an established presence on their domestic and neighboring markets, see a possibility of establishing themselves on the distance market. As small and medium sized companies in the emerging markets try to internationalize, the main question is what these companies should do in order to realize their goals. Small markets in terms of both size and purchasing power derive the quest for internationalization. What such firms should be aware of is the fact that, successful business is often synonymous with managing successfully in export markets.

However, a small company that wishes to internationalize has different considerations to make compared to a large firm, bearing in mind that it does not have enough resources to establish presence, neither does it have enough resources to do research before establishing itself on new markets. As a result, the rate of failure for SMEs can be so high due to lack of enough knowledge of the conditions in the new environment.

SMEs without enough financial resources tend to diversify through alliances with distributors or manufacturers in the new markets. Through such alliances, the SMEs hope to benefit from the other partners' customers and market experience. Apart from this advantage, SMEs particularly those from emerging markets stand to benefit from the fact that they are helped by their partners in their attempt to penetrate mature markets in the developed world by drawing on the experience accumulated by the partner. Furthermore, alliances between the SMEs from the emerging market and partners from the developed world benefit the two in that, they are able to enhance their national image by developing an international image. The overall strategy pursued by the SMEs on entry to the new market in this case is very much dependent on the distributors positioning strategy. The distributor's positioning strategy dictates the key elements that the SME involved should focus on in order to survive the challenges facing the two partners in the business environment.

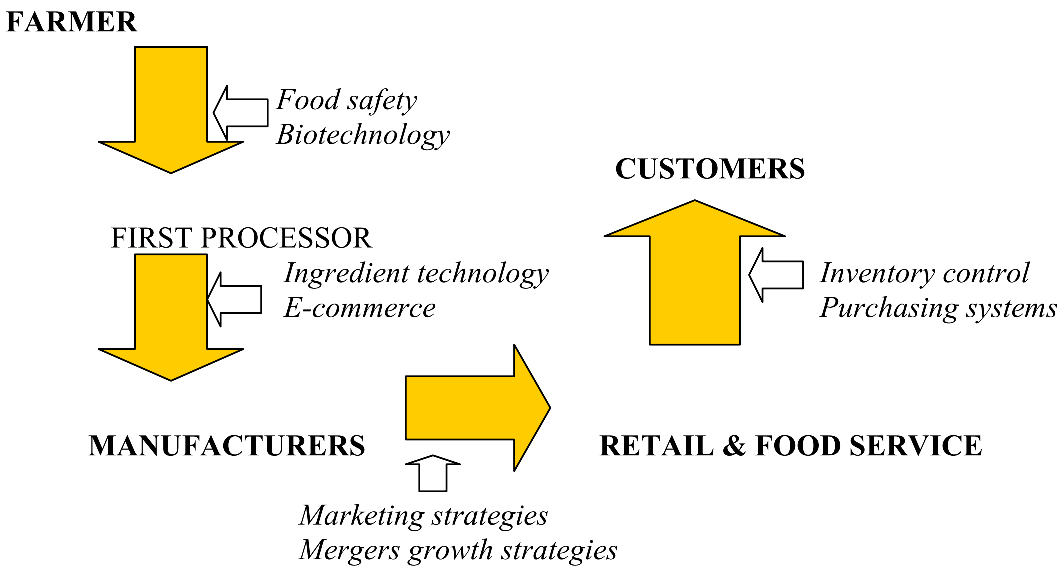
1.3 The Food Industry – Global Perspective

Although our thesis will focus on the ethnic food in Sweden, it has to be understood that this is just but a segment of the food industry. Thus, there is a need to first understand the trends and driving forces in the food industry in general within the global perspective as a background to our case.

The activities involved in this industry includes; food processing, manufacturing, distribution and food service, all of which involves different activities aimed at creating value demanded by the final consumer. In this industry today, there are several forces that are acting on and within each stage of the value chain. Such forces include issues related to food safety, production technology influences, and the desire for increased profitability, which has led to mergers and acquisitions.[1] The diagram below shows the value chain in the food processing sector and the forces that are evidence in every sector in the chain.

[1] www.promarinternational.com, visited September 5, 2001.

Figure 1.1 *Interrelationships in the Food Industry Development in the Global Perspective*



Source: Our Own

1.3.1 Technology Influence

To boost production, the farmers in the past tried to apply new technology - use of genetically modified seeds and sprays. This has been met with a lot of opposition from the consumers due to health considerations. To cope with consumer demands on quality ingredient technology has become so important. At the same time, the competition in food industry is very stiff and to cope with it, the manufacturers have come to brief that, "product isn't everything, it's just a thing". Thus the food companies are demanding winning products to be developed and be brought to market faster than ever. Thus, R&D departments in food manufacturing firms are required to be quicker on the trigger, which means that the companies are spending quite substantial amounts on R&D to meet those demands in attempt to remain competitive.[2] Instead of true innovations the companies are taking the easy way out, where product extensions often take precedence.[3]

The landscape within which an R&D department operates in the food industry has been defined differently. The integration of technology into all aspects of

[2] www.foodproductdesign.com, visited September 7.
[3] Defelice, The nutraceutical revolution: its impact on R&D in food industry, 1995.

food business -- from operations to sales and marketing has been one of the most notable and necessary changes in the industry.[4] The R&D department in food manufacturing firms has been forced to develop an improved understanding of food business and customer needs, and to come up with better focused and prioritized research programs and also to maintain more contact with resellers and end-users. Such particular insights are vital to supplying customers with exactly with what they want. Thus it is true to say that technology has taken a more "pro-active" approach to food manufacturing where the issue is to identify technology-driven opportunities for the customer.[5]

Technology has also influenced food industry in the way that, e-commerce has profound impact on the relationships between ingredient suppliers and food manufacturers, and also between manufacturers and their customers in food service, wholesaling and retailing.[6] The use of e-commerce and internationalization taking place globally has had a very specific changing effect on the price setting of products. With the break through in IT, there are many opportunities and ways for customers to measure and compare prices across country boundaries and across the whole range of competitors. What has resulted from greater usage of e-commerce are intensified competitive pressures, increased ease with which companies can expand market and also the opportunity to squeeze costs out of the system through logistical efficiencies.

1.3.2 Dominance of Multinational Players

One other dimension in which the food industry has changed concerns the internationalization and the introduction of multinational players that cover nearly the entire world as their market. The large food manufacturers are spreading their organization from one continent to the next, exploiting their organizational capabilities in all possible markets. The size of these organizations is becoming greater and their power in the market with it. The three big food manufacturers such as Unilever, Kraft and Nestlé have too much

[4] www.foodproductdesign.com, visited September 15, 2001.
[5] Ibid.
[6] www.promarinternational.com, visited September 12, 2001.

power, such that small players have more and more difficulties in entering or even remaining within the environment of increasingly intense rivalry.[7]

1.3.3 Demand for Profitability

Looking at the food industry, its characteristics are those of a mature industry. In this industry there is a reduced number of opportunities for establishing the competitive advantage. At the same time, there is price pressure caused by lack of opportunities for product differentiation. Thus the profitability in the industry is decreasing while there is intense cost-based competition, a factor that can be attributed to the industrial development phase. On the other hand, the demand for profitability has increased over time in the companies involved in food processing. This can be attributed to demand for improved performance by the shareholders, which would increase the returns on their investment in the firms involved. This together with the intense competition has led to a quest for mergers and acquisitions in the food industry. The quest for mergers and acquisitions is not only restricted to the manufacturing firms, but is also taking place between different retail outlets.[8]

1.3.4 Private labels - New Boundaries of Competition

Another development in the food industry worth mentioning is that, the boundaries of the food market are changing in many ways as competition drives future innovations and developments forward. Retail brands are slowly venturing into the food industry. The brand has been stretched along the supply chain and the food manufacturers find themselves no longer being the sole manufacturers of food products. Surprisingly, the retail brands are of increasingly better quality, almost to the same level with well known brands thus becoming "premium private labels" and are being used by retailers to differentiate themselves from other chains.[9] Soon DOBs may become too strong a competitor for food manufacturers and importers to defeat.[10]

[7] www.cordis.lu, visited September 15, 2001.
[8] Ibid.
[9] Winnigham, 1997, p. 109-114.
[10] Olsson, A, interview, October 4, 2001.

1.3.5 Customers/Resellers

The balance of power between the suppliers and the customers is weighing back and forth on the scale for each development or trend. The power of the food retailers has become greater as they have become so big and are able to manage their vertical organization. As a result, retailers and wholesalers in developed world are so integrated and the extra margins that this allows are so big, boosting further the bargaining power of the retail chains. With the greater share of power, the food retailers can then threaten with delisting, pressure for larger extract concessions and have a very large impact on the overall price level.[11]

Given the above trends, relationships become important for both the food manufacturer/distributor and the retailers, and all elements in the chain leading to relationship management are becoming a crucial strategy to provide competitive advantage. These trends also reflect new attitudes and rethinking of the relationship between the customer and food suppliers as they see the opportunities that a strong relationship can offer. The companies that earlier saw themselves as two totally separate identities now integrate to facilitate the collaboration with each other. These partnerships also form new perspectives from short-term profitability goals to the longer term.[12]

Decisions of purchasing in the food retail chains are moved further up in the organizations at a central level thus not enabling some sort of discussions. This implies that, the ways in which the food suppliers have to communicate with the customer has to change with the new setting. According to this change, the suppliers approach to influence these decisions also has to adapt. This is not only a question of how well to communicate but also a question of how to best serve the customer.[13]

1.3.6 Consumers/End-Users

Another important force driving the food industry is the increasing recognition of the significance of organic food by the consumers. This is mainly influenced by health safety considerations, thus labels that read “certified organic” tell the

[11] Häggström, A, interview, September 18, 2001.
[12] Ibid.
[13] Ibid.

consumers that the food they have purchased have been produced from land that has not been exposed to synthetic insecticides, fungicides, herbicides or fertilizers for at least three years. With the demand for organic products increasing at an estimated 20% per year, organic industry is well placed for a similar increase.[14]

1.3.7 Focused Growth in Europe

Basing their arguments on health grounds, consumers are also demanding less fat and more flavors. As a result, it is all part of the boom in Europe for example, where the demand for fiery food products of all kinds has increased significantly over the last few years. Overall, the European market is expected to show growth rates of 2% annually depending on the market or product. For product categories like functional foods, organic foods and convenient foods, growth rates are considered to be far above the average and may reach 7-10% annually. It is safe to forecast that the sectors with the largest growth potentials are those closely related to health and convenience.[15]

The above trends are a clear indication that, sales of fat "replacers" are expected to increase the most in the future. Furthermore, a recent study done in the European market found that, due to the reduced flavor of reduced fat foods, flavor "enhancers" (sauces and spices) will be the fastest growing category of the specialty ingredients market. This business segment is estimated to be increasing by 4.8 percent a year. In 1996, it increased from $59.3 million to $71.8 million in 2000.[16]

1.3.8 The Idea Behind Ethnic Food business

The value chain activities of consumer goods and desire to taste foreign recipes is the main secret behind the ethnic food sector of food industry. It is quite obvious that, most consumer goods however simple are not consumed directly. In most cases, they are involved in a chain of activities before total consumption. This is the case with both durable and non-durable consumer products. Ethnic food being a non-durable good, the chain of activities involved before its consumption include; purchase, transport home, removing from the

[14] www.cia.com, visited August 3, 2001.
[15] www.fiery-food.com, visited July 27, 2001.
[16] Ibid.

package, heating and serving. Thus the ethnic food manufacturers are looking for ways and means through which the product of specific origin could be formulated, packaged and distributed in order to assist the consumer in performing those chains of activities in the easiest and cheapest way possible. The manufacturers of herbs, sauces, other condiments and frozen oriental dishes quite aware of this are blending different ingredients in order to save the chefs' time for looking for different ingredients during purchase. The blending of the different ingredients is also aimed at helping the consumers to minimize costs. Manufacturers tend to specialize on spices, sauces and frozen foods of particular origin -- Asian, Latin American, Indian, African foods etc.

1.3.9 Why the Need to Investigate the Food Industry

The dynamics continuously changing the food industry makes the ethnic food industry an interesting field to investigate. Furthermore, the expanded worldwide trading in food products as a result of WTO and deregulation processes seems to have fundamental influence on this industry. Such influences together with new trends emerging as a result of continuous changes in consumer tastes in the global market increased our desire to do research on food industry.

The fact that, the global trend in the food industry is towards spicier and more "interesting" food with less fat content sends some signal that the sale of "replaces" and flavor "enhancers" are expected to increase. This together with the facts pertaining to ECI being interested in exporting ethnic food to Sweden as already discussed earlier, is all the more reason why there is need to investigate the Swedish market for ethnic food. It is the feeling of SSBF representatives that by understanding the conditions prevailing in the Swedish market, ECI will be able to design proper ways of positioning themselves strategically in the Swedish market.

To know how the environment in the Swedish market for ethnic food environment will affect a foreign firm requires an understanding of historical and environmental effects as well as expected or potential changes in environmental variables. Many of those variables will give rise to opportunities and others will exert threats on the business organization. With limited financial resources, ECI has not been able to scrutinize the Swedish market in any depth with regard to competition, and the consumer behavior. Without thorough knowledge of the characteristics of the Swedish market, ECI will not be able to exploit the opportunities the market characteristics may offer. At the same time, ECI will not be able to face the threats present in this market. Furthermore, if ECI is to succeed in exploiting the opportunities provided by the new environment and at the same time cope with its threats, the company strategy must be aligned to the new environment.

1.4 Problem Statement

The problem statement is based on the above given problem background and consists of one main problem and three research problems. By solving the three research problems, the main problem will be solved. The main problem stems from ECI's interest to venture into the Swedish market with little knowledge about the market conditions, thus not quite sure of how it can position itself strategically in terms of strategic alliance and marketing efforts. Thus our main research problem is as stated below.

Main problem
How can a foreign SME, operating in the ethnic food industry, position itself strategically in the Swedish market?

To be able to give a general picture of the situation on the Swedish market, analysis of the societal influences is necessary since societal influences have great influence on the trends in the food market and the whole process of both product and brand internationalization. The general picture of the situation in the macro-environment therefore functions as a *background* when trying to understand the forces at work in the ethnic food industry. This leads us to sub-problem one:

Sub-Problem 1
What factors in the macro-environment influences the ethnic food sector in Sweden?

In order to solve our main problem, we have to analyze the competitive forces in the ethnic food industry. Here the principle structural features of the ethnic food industry and their interactions will be investigated in order to understand the nature of the competition. Thus we had to formulate our second question:

Sub-Problem 2
How is the competitive environment on the market for ethnic cuisine products in the Swedish market?

Since the analysis carried out on the structural features of ethnic food industry in Sweden will only reflect factors influencing the profitability of firms involved in ethnic food industry, the demand side needS to be investigated. This is necessary if our analysis is to show the basis on which the customers select their suppliers. These factors will reflect the dimension of the competition in the ethnic food industry, enabling us to identify the potential for competitive advantage within the industry in terms of the factors that determine a firm's ability to survive and prosper - *key success factors* within this industry. Without considering the two sides of the market, no conclusions can be made on whether a foreign actor in this industry has opportunities to gain from the Swedish market or not.

The success of a firm's global strategy comes from key issues that are both internal and external to the company. So far, our two research questions stated above are concerned with issues that are external to our case company. Thus we decided to have our third research question:

Sub-Problem 3
What are the organizational factors that will influence ECI in its attempt to respond to the requirements of the Swedish market?

1.5 The Purpose

The aim of this thesis is to investigate how a foreign firm, which is quite new in the Swedish market, can position itself in the market for ethnic cuisine. Our aim is to investigate this segment of food industry in the Swedish market, by identifying the influential actors, their organization and influence on the ethnic cuisine market. The analysis will also touch on macro-environment as the background to our case in order to understand the socio-cultural drivers of the food industry. This will enable us to identify opportunities for competitive advantage and key success factors in this industry. Although ECI is quite new and small in size, we will have to understand its capabilities, so that we can be able to analyze how well the company can adapt to the new environment.

1.6 Case Company – ECI

Established in 1996, Ethnic Cuisine Investments (ECI) is based in Cape Town, South Africa, and it specializes in production and marketing of ethnic food products from Africa. ECI consists of a holding company, where four marketing companies also known as brand companies are found. This makes the brand management to be carried out per each brand, but one company does manufacturing (see appendix 1).[17] ECI has grown to what it is today through entering into strategic alliances with experts in order to develop African products for national and international ethnic cuisine market. Given the blend of knowledge and expertise, the company has the potential to grow and it is aiming quite high in the ethnic food sector of food industry.[18]

ECI is growing rapidly. The turnover was just 0.24 million ZAR in 1998, 0.6 million in 1999 and 1.2 million by the end of year 2000. This shows that sales more than doubled every year. The company turnover is expected to have doubled by the end of this year 2001. [19]

Over 80% of sales are outside Africa, and today the company is in Sweden, France, Germany, Canada, Denmark, U.K and US. The choice on what market to enter is based on the size and the growth of the ethnic food sector in the particular country. However, due to the lack of enough financial resources, no research has been done on the Scandinavian market.[20] To make it easy for its internationalization process, ECI enters into strategic alliances with distributors

[17] Johnson and Scholes, 1999, p. 57.
[18] De Klerk, P, interview, October 22, 2001.
[19] Ibid.
[20] Ibid.

and agents allied to the food industry in Europe and United States. In the African market, ECI has been selling its products to the hotels and restaurants in Namibia and Botswana. ECI uses its sales force to penetrate the few countries it targets in Africa. The company views the African market to be limited since within the African market, ECI's products target the niche market.[21] In its attempt to enter Swedish market, ECI is competing with an Indian company Patakas, which is also trying to do the same. However, ECI is a bit stronger than its rival in the local market in that it has a wider product range. Having captured the West Cape region, the region with the richest population in South Africa as the base, ECI has competitive advantage compared to other local manufacturers.

1.6.1 ECI's Overall Strategy

The company's strategy is to develop high quality products that have authentic flavor of traditional African cuisine. Its vision is to become an international company that is a world leader in African ethnic cuisine. All ECI's products are beautifully packed and rigidly quality controlled to ensure a high quality product at all times.

Quite aware of the need to show its presence both in local and international markets, ECI has developed a promotion strategy, which if well and consistently pursued, could enable it to gain visibility both at local and international markets. In the local market, it does all sorts of advertising through the radio, T.V. and talk shows, while in the printed media it arranges for product editorials and promotional articles. Use of endorsers/celebrity marketing has proven successful both in the local and international market. In-store demonstrations are used when launching new products both in the local and international market. Brochures and pamphlets have also been used for advertising in the international markets such as France. The company also displays their products in international and local trade shows, where it has performed quite well.[22]

[21] Parsons, M, interview, October 23, 2001.
[22] Ibid.

1.6.2 ECI Resource Based Strategy

The company in the initial stage, invested quite a large amount in R&D, which has enabled it to produce products of high quality, and to keep standards in packaging. Its investment in R&D and the stock of expertise has born it fruits, given that other smaller companies are outsourcing to ECI some activities such as packaging.

The company strives to achieve its objectives through hiring highly qualified manpower, right from product development, sales, marketing departments and ground personnel. The company has 36 employees who are qualified in food technology and for the ground personnel, ECI is committed to its training programs.

The product range is quite wide and currently includes Cass Abrahams "Cape Malay" range and the Chef Khumalo "Africa in a Bottle"[23] In the *Cass Abrahams product range*, the products are: Cape Malay Atchars, Cape Malay Blatjangs/Chutneys, Cape Malay Cooking Sauces, Cape Malay Easy Meal Spice Kits, Cape Malay Pan Fry Sauces, Cape Malay Cooking Pastes, and Gift packs. In *Chef Khumalo* range the company has the following products: Basting Sauces, Cooking Paste, Vegetable Relishes (Chaka-lakas), Pestos, Bottled Salt and Curry Powder, Shakers, Cooking Sauce, Gift Packs and Spice Grinders. Within each product range, ECI has been registering quite a number of patents per year given that the company is only four years old.[24]

1.6.3 Capabilities

Changing from the previous performance of ECI, the company has organizational capabilities in various functional areas of its operations. The marketing department has portrayed capabilities in promoting and executing sales. The rate at which this company is expanding shows that the management understands the global trends in food industry and it is acting fast in attempt to respond to them. The general manager has capabilities in effectively motivating and coordinating business units.

[23] Parsons, M, interview, October 24, 2001.
[24] Ibid.

The R&D of this company has the capability in basic research given the number of patents the company has been registered within such short time since establishment. In manufacturing, the company can be said to have the capability in efficiency in volume manufacturing given that, the new markets are being entered all at once and the firm has been trying to meet the deadlines given by their appointed distributors abroad. ECI has the capacity for continued improvements in the production process and customers' demands in regard to packaging have been addressed to. For instance, the packaging of Chef Cass Abraham's product range has just been adjusted in an attempt to do away with dull packaging. By hiring qualified personnel, the company is determined to maintain efficiency in production, while the location of the firm near the port enhances its capability to deliver the goods on time to overseas market despite the long distance between South Africa's location and Europe and America's.

The management has also managed to ensure that, the systems required for easy operations are in place. Information flow in ECI is quite good. To reduce the cost of inventory handling, the company relies on just-in-time delivery system. However, there is more to be done on brand building management and development of customer service capabilities.

1.6.4 Mode of Entry for Swedish Market

ECI is quite new on the Swedish market, and a company based in Malmö, Agro-Union AB has been approved as the distributor for the Swedish market. ECI's products have just been placed on the shelves in some retail outlets in the Swedish market, and negotiations are still going on between Agro-Union and some major retail outlets in attempt to secure more shelf space.

1.7 Delimitation

The purpose of this thesis is to evaluate the Swedish market from the perspective of a foreign SME active in the ethnic cuisine sector of food industry. The term ethnic cuisine is rather wide, which means that the ethnic cuisine market in Sweden can be divided into several segments. For the sake of relevancy of our thesis, we will concentrate on the market segments that are relevant to ECI that is retailing and manufacturing. The Hotel Restaurant and Catering market (HoReCa) segment is not relevant to ECI business activities, thus will not be our focus. However, the segmentation according to products will be investigated for the sake of future strategic decisions, regarding where else to venture into in future. The suppliers to the sector are also beyond the scope of our thesis and the information concerning final consumers is gathered from the actors involved in this sector - no interviews with end-users.

1.8 Definitions

There is one concept that is central and frequently used through out our report. As it might be difficult for the reader to relate to it, this concept needs to be evaluated and explained.

The concept *Ethnic Cuisine* will be frequently used. The concept embodies the business area in which ECI operates. The concept of ethnic cuisine can be defined as any food products that are considered to be exotic to the indigenous Swedes and originate from Asia, Africa, Latin America and the islands in the Caribbean Basin.[25] Ethnic cuisine sector is a sub-segment of the food industry and is concerned with the manufacture and marketing of ethnic food products. When it comes to marketing of ethnic food, the hotel and catering service handling foreign food are incorporated in the ethnic food sector of the food industry.

Another concept repeatedly used in our report is *functional foods,* which refers to food products with scientifically proven and documented benefits to human health and well-being.

1.9 Acronyms

The following table shows the abbreviations used in our thesis:

[25] Sida, Ethnic food in Sweden report, 1998.

Figure 1.2 *Table of Acronyms*

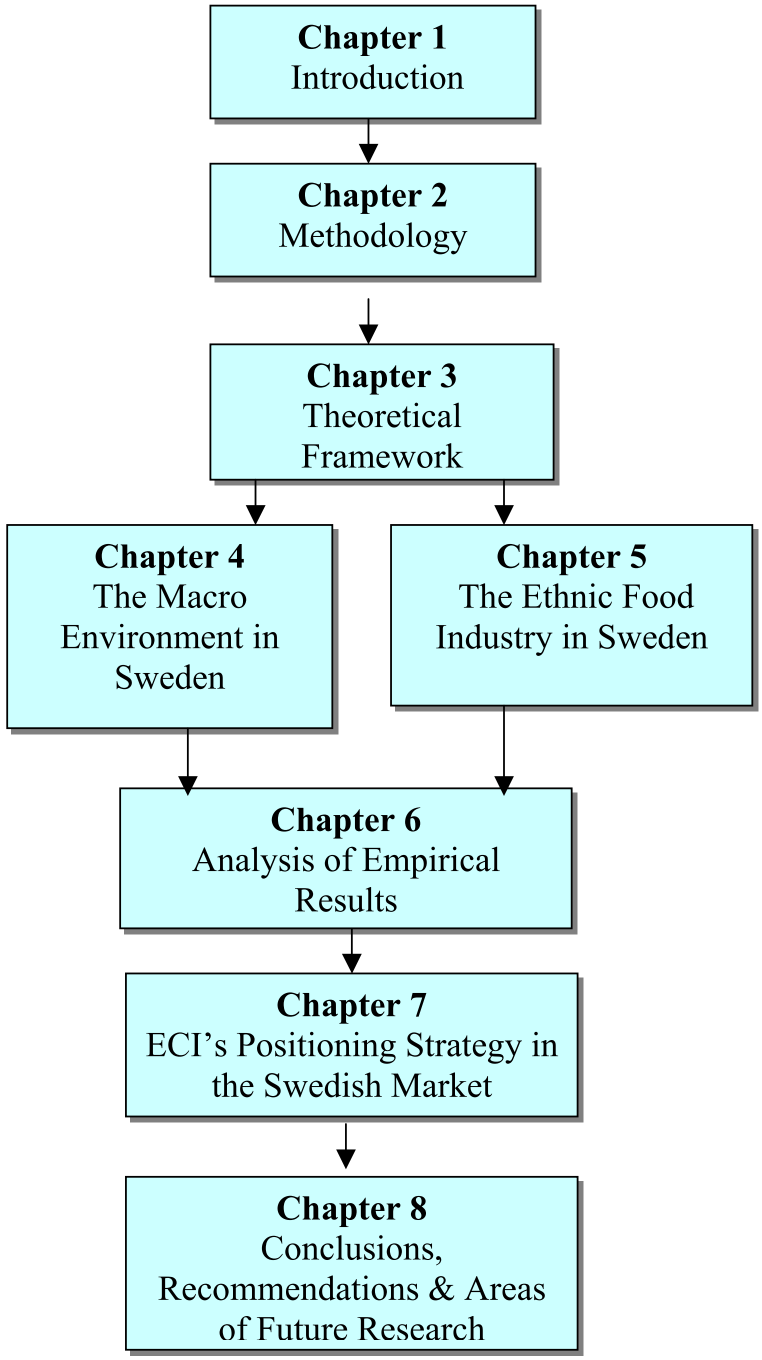
Acronyms	*Meaning*
ACP - Countries	African Caribbean Pacific countries
DOB	Distributor's own brand
DLF	Dagligvaruleverantörernas Förbund
DUR	Dagligvaruhandelns Utvecklingsråd
ECI	Ethnic Cuisine Investment Ltd
GSP	General system of Preferences
HoReCa	Hotel Restaurant and Catering
OEM	Original Equipment manufacturers
OECD	Organization for Economic Cooperation & Development
R&D	Research and Development
SMEs	Small and medium sized Enterprises
SSBF	Swedish and South African Business Fund
VAT	Value Added Tax

Source: Our Own

1.10 The outline of our thesis

The following model will be followed in attempt to solve our problem.

Figure 1.3 *The Outline of Our Thesis*



2 METHODOLOGY

The purpose of this chapter is to explain and justify the methods and processes we have used in our research. It is in this chapter that we discuss and give reasons for our course of action. In each section, theoretical definition and explanation is followed by our own methodology. We start by describing research strategy, the case study design, the method, data collection and triangulation. Finally, the process of analyzing the data and evaluation of our research results is discussed.

2.1 Research Strategy

There are several research strategies to choose from when undertaking social science research. Depending on what the researcher wants to investigate, the researcher has to determine which research strategy best suits the purpose of study. The five relevant situations for research strategies are; experiments, survey, archival analysis, history and case study[26]. These different research strategies imply different ways of collecting and analyzing the empirical evidence, providing for various advantages and disadvantages.[27]

Different strategies are also favored for questions who, what, where and why. As a result, the first thing the researcher must do is to identify the type of research question posed. If the research question focuses on "what", survey strategies or the analysis of archival records are likely to be the best choice. These two strategies are advantageous with regard to the discrepancies of incidence or prevalence of a phenomenon, or when the research goal is to predict certain outcomes. In addition, case studies, histories and experiments are more suited to "how" and "why" research questions. This is because, such questions mostly deal with operational links, which have to be traced over time rather than frequencies or incidence.[28]

Secondly, the control an investigator has over actual behavioral events further helps the researcher to identify the strategy that best suits the purpose of study. The needed extent of control over certain situation varies in the different

[26] Yin, 1994.
[27] Ibid.
[28] Ibid. p. 6.

research strategies and they all have their distinctive characteristics. Surveys, archival analyses, histories do not require control over the events, and they are the best strategies where the researcher is dealing with cases that happened in the past. Conducting experiments means that the events can be manipulated directly and systematically and held under control.

The third condition is the focus on a contemporary as opposed to a historical phenomenon, which is advantageous when the purpose of the research is to generalize in an analytical way. According to Yin, histories can also be done about contemporary events, and in this situation, the strategy begins to overlap with the case study. Surveys and case studies concentrate upon recent or contemporary events. This is also the case with experiments; the only difference being that experiments create for themselves the specific situations investigated. Despite these distinctive features, most of the strategies usually do overlap and no strict boundaries can be drawn between the different strategies.[29]

We have chosen a case study research strategy, since it best suits the purpose of our study. Our main research problem, "How can a SME operating in ethnic food industry, position itself strategically in the Swedish market?" is a "how" question. While the sub-questions are both "How" and "What" questions. When investigating this case, the macro environmental factors will function as a background to our study. We have also to focus on the contemporary events and their impact on the future of the ethnic cuisine industry on the Swedish market. In this case we will have no ability to control the investigated variables and events. The case study strategy was also chosen due to its ability to deal with multiple sources of evidence. Data will be collected according to theories concerning environmental analysis, framework for identification of key environmental forces -- all developed in the theoretical chapter according to the structure of our thesis.

[29] Yin, 1994, p. 10.

2.2 Case Study Design

A research design is defined as a "plan that guides the investigator in the process of collecting, analyzing, and interpreting observations"[30] It can therefore be said to be the logic that links the data to be collected and conclusions to be drawn to the initial questions of a study. According to Yin there are four types of design for case studies; single-case holistic design, single-case embedded design, multiple-case holistic designs and multiple-case embedded design.

The assumption here is that, single- and multiple-case studies reflect different design situations and within these two types, also can be a single or multiple unit of analysis. There is difference between a single and multiple-case study designs. The difference arises from the number of case studies used when trying to solve the research problem. The decision on the number of cases to use should be made before embarking on the collection of the evidence. A single-case design is advantageous when "the case represents the critical test of an existing, well-formulated theory, when the case represents a rare or unique event or when the case fills a revelatory purpose". The multiple-case design is used when the same study contains more than one single case.[31]

A distinction has also to be made between embedded and a holistic design. The embedded case study includes more than one unit of analysis and focuses on one or more sub-units and their outcome within the case study. These units can be selected through sampling or cluster techniques or by other criteria. The holistic case study rather aims at examining the global nature of the problem. The latter is appropriate when no logical sub-units can be detected or when the case itself is of a holistic nature.

The holistic case study aims at examining the global nature of the problem. The latter is appropriate when no logical sub-units can be detected or when the case itself is of holistic nature.[32] There are many problems associated with holistic research design in that, it allows the investigator to avoid examining any

[30] Yin, 1994.
[31] Ibid. p. 44.
[32] Yin, 1994.

specific phenomenon in operational detail. The other problem likely to occur when dealing with holistic design is that, the entire case study may be conducted at an abstract level, lacking any clear measures of data. There is also the likelihood that, as the study proceeds, a different orientation from the initial one may emerge, and the evidence may end up addressing different questions all together.[33]

2.2.1 Choosing the Case Study Design.

We have chosen a holistic-single-case study design in our case study of ethnic cuisine market in Sweden. Our theory is going to be tested on our case, furthermore our company is small, thus we could not identify various units that could be investigated individually. Furthermore, there were many product lines in this company but there were no individuals responsible for each of them.

2.3 The Case Study

After having confronted the Swedish market in several courses during our studies in the course in international business at the university, an interest in studying business environment in a mature market like Sweden developed and we decided to focus upon this part of the world in our thesis. The knowledge we had gained about this market was mainly related to heavy industries such as automobile and also common consumer goods industries, apart from food related industries. We therefore developed interest on ethnic food industry in Sweden, for we felt that this was an interesting area, which has not been investigated much in prior research.

The SSBF representatives in South Africa hinted to us that, ECI has entered into a distribution agreement with a Swedish distributor at Malmö, in an attempt to strengthen its competitiveness when entering the Swedish market. After having contacted the SSBF we realized that, the company had very little information regarding the Swedish market. ECI had not been able to carry out enough research due to its size that dictates the amount of resources at its disposal. Since SSBF usually undertakes studies of business sectors considered to have potential for co-operation between Swedish and South African

[33] Yin, 1994, p. 42.

enterprises, the officials were willing to support ECI to carry out the research on the Swedish market. According to sources at SSBF, the ethnic cuisine sector in which ECI operates, is deemed to have the potential due to changes that have taken place in the consumption habits of the Swedish people. This made us even more interested in looking at the trends in this market, the level of competition and general consumption habits of the Swedes (demand analysis).

2.4 The Method

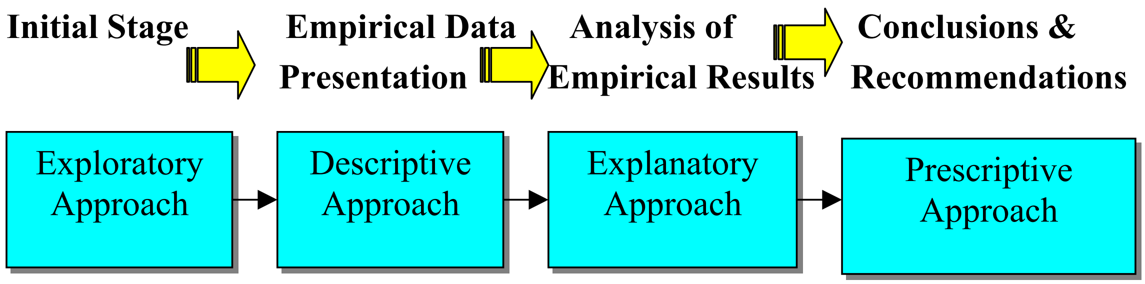
A case study may be geared towards achieving different objectives, which may include the following; exploring, describing or explaining a phenomenon. In reality the three approaches are applied when carrying out research, but in the initial stages of the study, the researcher usually tends to use exploratory research in attempt to familiarize himself with the research problem. In the beginning of our case study, an exploratory approach was used in order to become more familiar with the subject -- ethnic food segment of food industry in Sweden, and to explore what theories that could be used. By using this approach we were able to be flexible and open to different perspectives. The personal interviews we conducted at ECI gave us the overview of the problem. Our exploratory approach continued as we continued with our interviews here in Sweden in order to gather more information that was needed in order to answer the other sub-problems that were formulated in order to answer the main problem.

The main objective of the descriptive approach is to describe the investigated phenomenon.[34] Thus the aim here is to describe an observed event but with no attempt to generalize the findings into theory. In our study, this approach was used when we presented our empirical findings, where we described our findings without any attempt to analyze them since we had already a separate section for that - analysis of empirical chapter. The explanatory approach, exemplifies a cause- and effect relationship between different factors. It is used when knowledge and theories exist to explain the relationships. Thus this approach matches the chapter in which the empirical findings were analyzed following theories already developed in our theoretical chapter. However, the explanatory approach did change later when we draw our conclusions and

[34] Kinnear and Taylor, 1996.

recommendations, where we adapted the prescriptive approach. Thus in our thesis we can identify the following steps based on the research approaches used.

Figure 2.1 *Alternation of Research Approaches in the Process of Writing our Thesis*



Source: Our Own

A research study can either be quantitative or qualitative, and in other instances, a combination of both. In the quantitative approach, the researcher is in control and defines what relationships are of particular interest, based on the research question. In a quantitative method, the researcher collects less information about a huge amount of research units, which makes his research broad.

2.4.1 Qualitative Research

Qualitative research method is based on collection of detailed data that cannot be quantified. The purpose of qualitative research is to understand the core of occurrence or experience. Unlike the quantitative method, the qualitative method is used in attempts to understand how the different parts co-operate to make a whole.

In our study, we have used a qualitative approach, since the data we collected through various interviews in Sweden and South Africa cannot be quantified into statistical categories. However, the interviews questions enabled us to gather information that was so revealing thus quite useful in answering our research question.

When conducting a case study, a researcher uses different types of reasoning. His reasoning can either be inductive, deductive or abductive. In our case -

How ECI can position itself in the Swedish market, the main objective was to work with already existing theories. Thus building a personal theory was not our objective. The study was more of abductive character, where we used existing theories in a new area. Therefore, the data was collected and analyzed governed by existing theoretical framework.

2.5 Data Collection

There are two sources of data used in the research, *primary* and *secondary* sources. Secondary data is previously collected information, and it includes information from articles, books and Internet sources. Primary data is information gathered for the first time through interviews and it is for the purpose of a specific study. There are six sources of primary data; documentation, archival records, interviews, direct observations, participant-observation, and physical artifacts.

2.5.1 Sources of data for Swedish Market

When answering our research question, we focused on both primary and secondary sources of evidence. At the initial stage, we focused on secondary sources such as magazines, books and the Internet. While the secondary data gave us the picture of the situation in ethnic cuisine industry in Sweden, the interviews with the distributor, the Chamber of commerce, retailers and competitors gave us more information. The interviews we conducted in Sweden helped us to gather general information about the Swedish market, since the respondents have good knowledge of Swedes and the Swedish market.

From the interviews with the distributors and retailers in Sweden, we got information regarding the competing products in ethnic food sector and general information required for industry analysis. The first interview conducted was with Agro-Union AB, who is the appointed distributor for ECI. The reason of conducting this interview was due to the fact that, there was no other source of information available for us before starting collecting the data. Another reason for the choice of conducting the interview with the appointed distributor is that further research needs to be established with the competitors, retailers, other institutions of importance and the case company. The distributors were also in a position to give us the future prospects of the ethnic food sector in Sweden and also enlighten us about the sharing of sales promotion costs and how the new entrants get access to the retailers display shelves. For the sake of benchmarking, foreign firms already established in the Swedish market were interviewed, not necessarily those with a profile similar to that of ECI We had to look at the strategies they used when establishing themselves in the Swedish market and their future strategies. The competitors also enlightened us about the dimension of the competition and the demands of the customers and end-users in this sector of food industry.

2.5.2 Sources of information about ECI

In order to get to know our case company, we conducted interviews with different people at different positions in ECI. We discussed the company internal information they provided us. This provided us with information regarding the company profile in regard to financial position, strategy, brands etc. We were very concerned with how their product development, sales execution and marketing in general and procurement are carried out. We also needed to know about the human resources and general organization of the firm, thus we therefore had to interview people from sales, marketing, product development departments and the general manager.

2.6 Triangulation

The term triangulation can be defined as a process of combining findings from different sources to reach a conclusion of the research problem. In order to increase the accuracy of the final conclusions from a case study, the researcher should be able to combine different sources of data. Although there are several kinds of triangulation such as data triangulation, investigator triangulation, theory triangulation and methodological triangulation, we used data triangulation to ensure accuracy of our findings. We interviewed different people in different organizations related to ethnic food industry in Sweden and the ECI in order to understand it and its current position. This was also supplemented with secondary data to ensure some degree of accuracy.

To get to know the facts of the macro-environment in Sweden, we not only relied on the current statistics from the statistic data basis, but we also visited the West Sweden Chamber of Commerce and Industry for more information about the Swedish economy in general. The respondent interviewed here was on the management. In the second part, the respondents at the West Sweden Chamber of Commerce and Industry were chosen according to his knowledge about the Swedish market in terms of economic, technological and socio-cultural environment.

All respondents in the distributor and retail level had some degree of expert knowledge about the food distribution system in Sweden and the food market drivers in general. Thus the respondents interviewed here were on the management level and had a long experience of everyday life business in Sweden. At ECI, we interviewed respondents at top management who were quite familiar with the functioning of the company. Table 1 shows the interviews we conducted in Sweden and South Africa.

***Table 1** Summary of the Interviews we Conducted and Respondents*

Competitors	**Company**	**Name & Job Title**	Location
	Santa Maria	Agneta Olsson – Nordic Brand Manager	Gothenburg
	Kockens	Henrik Ericsson, Product Manager	Helsingborg
	Blue Dragon	Peter Webster	
Indirect Competitors	Indian Shop	Store Manager	Gothenburg
	Chinese Shop	Store Manager	Gothenburg
	Maxi Food	Sali, Store Manager	Malmö
Retailers	ICA Focus	Mats Redberg, Store Manager	Gothenburg
	Willy’s	Jonas Englund, Store Manager	Gothenburg
Distributor	Agro-Union	Anna Häggström - Head of Marketing department	Malmö
South Africa	ECI	Mark Parsons, Sales and Marketing Manager	Cape Town
		Paul De Klerk, Managing Director	Cape Town
		Wouter Steyn, Financial Manager	Cape Town
		Chris Kurucz, Production Manager	Cape Town
Institution	Swedish Chamber of Commerce	Björn Hedberg, Director Trade Department	Gothenburg

Source: Our Own

2.7 Data Analysis

There are a number of steps to follow when analyzing the data in an attempt to present it to the user in a way that he can easily follow and understand. The first step involves arranging the data according to topics. In the second step, the data is classified according to categories, themes and types. Depending on the type of research the final stage involves developing models or generating a theory.

After conducting our interviews, we organized the data according to major fields - the macro-environment and micro-environment in Sweden and the firm -- ECI. For the analysis, we followed the same major topics -- macro and micro-environment in Sweden, but we picked major sub-topics according to what we felt would be of concern to a firm entering a new market. The analysis was based on the establishment strategy of a firm used as the starting point in the theoretical framework. Industry analysis model was used in the analysis in attempt to be clearer in our analysis. ECI analysis was approached differently, since it was to be compared with the analysis already done on the micro and macro-environment on the Swedish market. The analysis enabled us to highlight the important things about the Swedish market and its future development.

Then we moved to the next step of analyzing ECI and the Swedish market conditions in order to identify the opportunities and challenges in this market and the elements that should be emphasized in ECI strategy in order to meet the demands of the Swedish market. This was followed by implications and the conclusions and recommendations which were company and industry specific.

2.8 Evaluation of Our Research Results

The interpretation of an empirical study's quality is usually necessary in order to convince the reader of the validity and reliability of the study results. As opposed to an experimental survey, the validity and reliability in a case study are based on the researcher's ability to plan the study, his analytical skills and the conclusions and recommendations made. A qualitative investigation should provide the reader with a detailed description, which makes it possible for the reader to decide whether the conclusions drawn are logical or not.[35]

2.8.1 Validity

Validity can be defined as a situation where the theoretical results of research are in accordance with reality. The interpreter of those results terms the results as valid. There are several forms of validity, construct validity, internal validity and external validity.

Internal Validity usually shows how well the results from empirical study are related to the reality i.e. whether the results do capture the reality. In other words, validity tries to measure whether the researcher has investigated what

[35] Merriam, 1998.

was supposed to be investigated. The validity of the case study can be affected if the researcher makes systematic errors, e.g. if the researcher has used the wrong method.

Our conceptual framework consists of four parts, which are logically connected. The macro-environment concerns factors that are specific to the Swedish market into which ECI wants to enter. As a result those factors are necessary for the company to consider since they have influence on the food industry. The microenvironment helps us to understand the logic behind the industry that ECI want to enter. The factors have to be taken into account in order for ECI to know how to position itself strategically in Sweden. ECI resources and capabilities will definitely support its positioning strategy, thus it is worth being discussed right in the beginning of our thesis. Positioning strategy elements are also quite important since they will always act as a guide to ECI when competing in Swedish market. Thus we feel that the four parts in our thesis are logically connected since they aim to describe various areas of importance to a company looking for ways of establishing itself in new markets. Thus we have tried to increase the internal validity by using this framework and by looking holistically to the positioning strategy issues.

Construct validity establishes correct operational measures for the concepts being studied. Despite the fact that we were using formulated theories, we developed our own research model in order to clarify the investigations we were to carry out.

External Validity refers to whether or not the study findings are possible to generalize beyond the immediate case study. To be externally valid, the study must first meet the requirements for internal validity. Although a single case can serve as basis for broader generalization, this at times is restricted by the fact that, some factors are case specific. Since this thesis describes how ECI can position itself in the Swedish market, it is possible to generalize for firms in a similar position, particularly if they are involved in ethnic food business. However, the extent to which the generalization can be made is limited by the fact that, the conclusions made in our case are company specific.

2.8.2 Reliability

The research results are subjected to a reliability test, whose aim is to see whether or not an investigator should arrive at the same findings and conclusions if he followed exactly the same procedures as in our study.

The reliability of our thesis is highly connected to any possible errors, our case study contained interviews from which the reality was drawn from the respondents' point of view thus there was the likelihood of being subjective. The interpretation of the data may be wrong due to wrong interpretation of data, an error that may arise as a result of the respondent not answering the questions accurately or just because the researcher interpreted the answers incorrectly.

To avoid making this mistake, we have taken various precautions. For instance, during our interviews, we were always quick to explain questions in case the respondent failed to understand them. Most of the interviews were conducted in English, the few that were in Swedish were interpreted by one of our colleagues who is Swedish. Despite her help in this area, some information could have been misunderstood.

In our research, we avoided the use of tape recorders despite the help they would have given us in an attempt to interpret our data. This is mainly because, we wanted the respondents to feel free when answering our questions. However, to avoid making errors related to misinterpretation, we all took notes during the interviews, which we always exchanged among the three of us before compiling them, so that we could make sure that all the aspects were included. Furthermore, given that there were three of us, not many things could be said during the interview and go unrecorded. For this reason we strongly feel that there is a low possibility that significant errors have been made that may affect the reliability of our thesis.

3 THEORETICAL FRAMEWORK

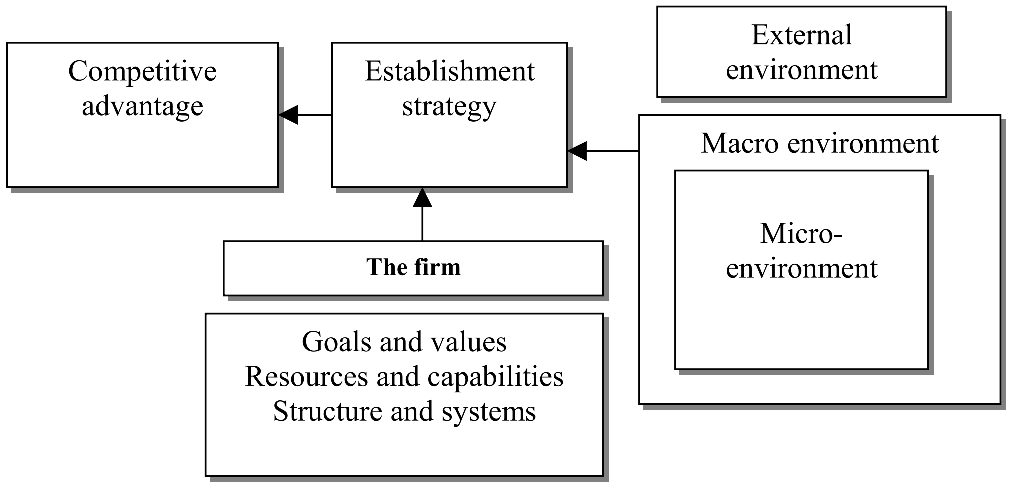
In this chapter, we present the theories and concepts we have used through out our study. We first present Grant's establishment model as our starting point. The description of the Institutional Network Theory for analyzing the Swedish macroenvironment is followed by the industry analysis model. Other issues of importance to a new entrant such as, challenges of entry, substitutes and the industry development phase are also presented in this chapter. The different theories lead us to a research model on which our study is built.

The competitive advantage that the firms gain towards their competitors depends on how well the firm is able to match its resources and capabilities to the opportunities that arise in the external environment. The environmental awareness determines whether it is possible for a firm to adapt its operations to suit the specific environment and to exploit the opportunities it generates.[36] Since our purpose is to investigate how a foreign firm can position itself strategically in Swedish market for ethnic food, we will have to analyze the effect of external environment and micro environmental factors on the strategic position of the firms in ethnic food industry.

We will also try to understand the competencies that our ECI possesses, since all will influence its competitive position in relation to its competitors. Therefore, we have decided to use the following model as our point of departure.

[36] Grant, 1998, p. 53.

Figure 3.1 *Establishment Strategy*



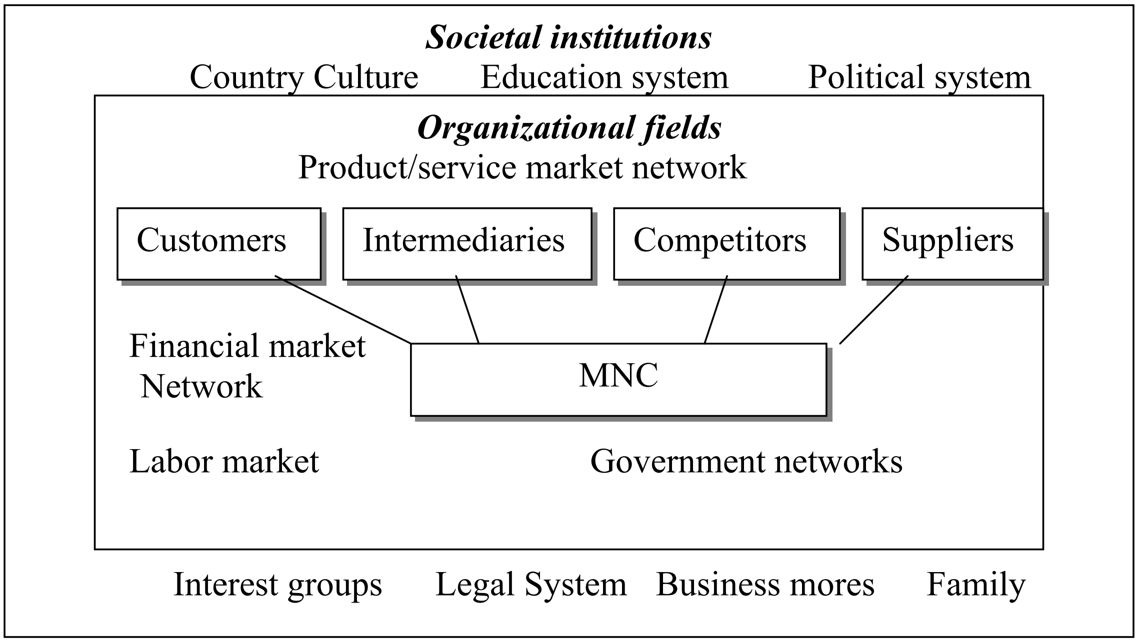
Source: Grant 1998, Modified

3.1 Macro and Micro Environmental Analysis

3.1.1 The Networks Institutional Model

The networks institutional model developed by Jansson (2000) emphasizes the importance of relationships within the institutional setting. According to Jansson, the institutional networks model introduces a new way of international strategy language in the form of a new theoretical framework to analyze different external environments and to relate them to the strategic options and international strategies of the MNC. The model is introduced in figure 3.2.

Figure 3.2 *The Networks Institutional Model*



Societal factors include political and legal systems, religion, business mores etc. Those institutions do not influence the MNC directly, but they are governed by rules to which the MNC and its counter part -- customers, intermediaries and suppliers must comply with.

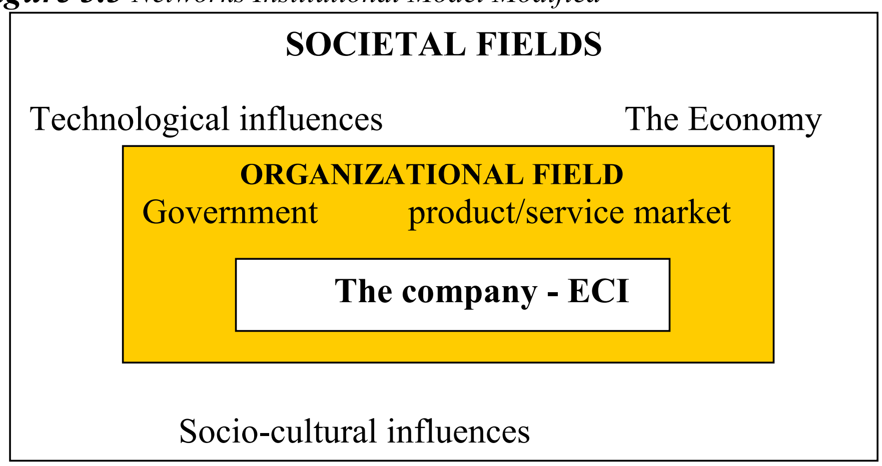
The organizational fields include the product/service market network, financial market, labor market and government network -- all located in the middle part of the networks model. These fields have direct influence on the MNC and its networks thus they constitute the direct environment in which the MNC and its counterparts operate. However, the societal factors exert a lot of influence on the organizational fields.

The third part of the networks model is the *MNC*, referring to the firm's internal networks and the entire organization. The main issue for an MNC is to match the internal network to the prevailing external environment i.e. developing the firm's environmental skills.

3.2 Networks Institutional Model Modified

Although this model was developed for companies trying to penetrate the emerging markets, it can be modified to suite any industry analysis even in mature markets. In our case, the institutions are viewed from the perspective of our case company, which is surrounded by various institutions influencing it, thus the interaction is therefore one way. Unlike other models developed for business environmental scanning, the model enables the researchers to develop a deeper understanding of the market actors and the societal factors that influence the organizational field within which any company operates. To suite the purpose for our thesis, the networks institutional model was modified as shown below.

Figure 3.3 *Networks Institutional Model Modified*



Source: Jansson 2000, Modified

3.2.1 Economic Factors

Economic factors are of great influence to strategic position of any given firm. They usually dictate the market potential of any market, which depends on whether they are favorable or unfavorable.[37] Hence, keeping the track on such factors as business cycles, GDP trends, interest rates, inflation, unemployment, disposable income, consumption levels and income distribution will enable the new entrant to predict the potential of any given market. The indicators mentioned above usually dictate the pace of economic growth and the direction of the economy, all which have great influence on the business strategy of the

[37] Johnson and Scholes, 1999.

firm, given that the firm operations have to be adapted to the economic development.

In order to show the trends in Swedish market for ethnic food, our analysis will focus on the consumption levels and income distribution and general economic growth and development trends over the last few years.

3.2.2 Socio -Cultural Factors

These factors generally touch on demographic features, social mobility, changes in lifestyle, attitudes to work and leisure and the level of education.[38] Social factors influence both demand and supply of goods and service both directly and indirectly, which determines the potential of any market for particular goods and services.

In our thesis, the socio cultural factors to be considered include the demographic features and changes in the lifestyle of the Swedes in regard to eating habits, since the two factors will certainly dictate the trends in the Swedish market for ethnic food. Another cultural factor worth analyzing is the Swedish attitude in regard to time.

3.2.3 Technological Influences

These factors should be analyzed in regard to government and industry focus on technological efforts, new discoveries and speed of technological transfer. In this thesis, our attention will investigate the Swedish industry focus on technological effort. The greater the amount the firms are spending on R&D in the ethnic food industry, the greater will be the rate of innovation, improved processes and improved marketing means. All these elements combined determine the dimensions of the competition in the ethnic food industry, which has direct influence on the positioning strategy of a new firm.

[38] Johnson and Scholes, 1999.

3.3 Organizational Fields

3.3.1 Product and Service Market

This is the core of our thesis, and in this area our main concern is the industry logic, which is well understood through developing the understanding of the actors. Industry analysis therefore makes it possible for companies to understand the direct environment in which the company and its counterpart operate. It therefore forms the base and starting point for decision making in matters that are critical to the company.[39] However, the suppliers are beyond the scope of this thesis, our main concern is the competitors, intermediaries and customers in the ethnic food industry. By developing the understanding of the market actors -- competitors, distributors and customers, we will be able to identify the key success factors in the ethnic food industry and the sources of competitive advantage. Since ECI has already chosen the mode of entry into Swedish market i.e. through a distributor, the other institutions in the organizational field, such as labor institution, financial market, legal system, interest groups etc will not be focused on in our thesis. Therefore, financial institutions and labor markets will not be emphasized. Since industrial analysis (product/service market analysis) is very important in our thesis, more analysis is devoted to it in the latter part of our theoretical framework (See figure 3.4).

3.3.2 Government Institution

This has to do with taxation policy, foreign trade regulation, employment law and government stability. There is need for a foreign actor to understand those rules and regulations since they usually affect the daily operations of the business.[40] Regarding the government institution we will concentrate mainly on the rules and regulations governing trade on food in Sweden.

3.3.3 The Company – ECI

As stated earlier, the main issue for the company is to match the internal network to the prevailing external environment i.e. developing the firm's environmental skills. The analysis of ECI will be carried out in regard to the core competencies it possesses. Core competencies will determine whether ECI will be in a position to match its products or services to the identified needs of

[39] Jansson, 2000.
[40] Ibid.

customers and end-users in the Swedish market. Furthermore, according to Hamel and Prahalad, core competencies also provide the firm with basis for entering new markets. [41]

In our case, ethnic food industry in the Swedish market, we will have to analyze the sources of value added that may need to be provided to the Swedish customers and end-users and then check whether ECI has the required core competencies. The company analysis will torch on resources and several core competencies for consumer goods business -- innovation, product range and brand. Since the company has made its decision to expand its operations to the Swedish market through a distributor, the main issue is how to make it work for the company to achieve its global objectives. Therefore, we need to understand the resources, organizational capabilities and systems since this is the most important source of competitive advantage.

3.3.4 Institutional Networks Model Usage

Having decided to use the institutional networks model, there are two main approaches available as regards how to use the model: the outside-in perspective and the inside-out perspective. We have chosen to use the former, since we consider this to be the most suitable in our situation. First we have to develop the understanding of the environment in Swedish market, which we will later try to analyze how our case company should respond to it.

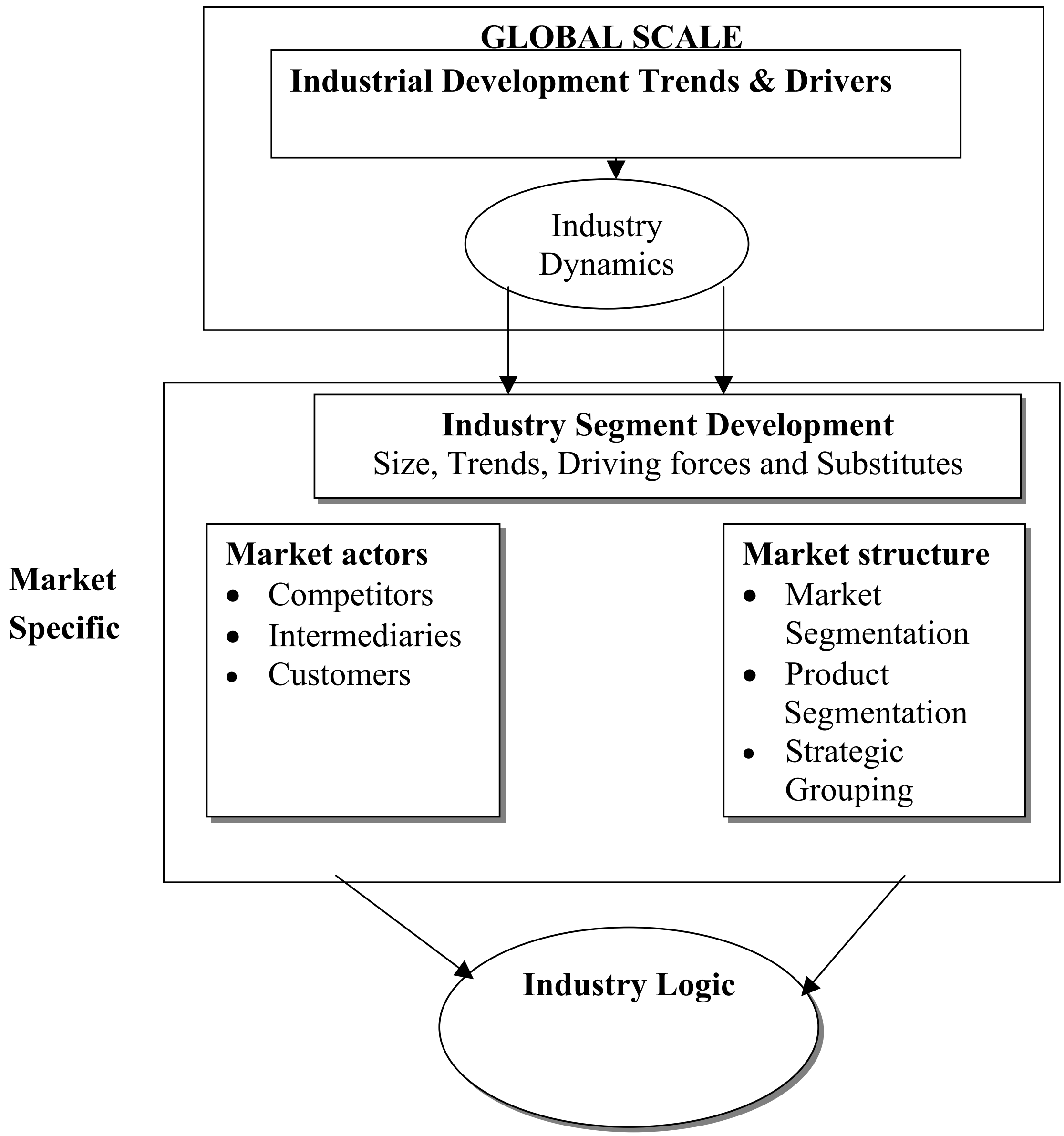
3.4 Industry Analysis Model

Although Porters five forces model could have been adapted when doing industrial analysis, we never considered it as appropriate in our case. We preferred the industry analysis model developed by Emilson and Holmberg (see figure 3.4) since we felt it would be more applicable to our case.[42] This was due to the fact that, the model was applied to a case similar to ours, given that it was applied when doing industrial analysis where a small actor was intending to venture into. Usually, all small companies have one thing in common, i.e. they do not have the power to influence the industry development. This makes it very important for them to identify the most powerful actors that lead the way

[41] Hamel and Prahalad, 1994.
[42] Emilson and Holmberg, 2000.

in industry development.[43] However, the model was not adapted grossly, some modifications were made in order to make it applicable to our case study.

Figure 3.4 *Industry Analysis Model*



Source: Emilson and Holmberg 2000, Modified

3.4.1 Industry Logic

In order to position themselves strategically, firms need to understand the actors and the driving forces in a given industry. Emilson and Holmberg (2000)

[43] Emilson and Holmberg, 2000.

define *industry logic* as the necessary concerns, which are of decisive importance for success within the industry. By understanding the industry logic, firms can easily deduce the prerequisite for success in a given industry, mainly by developing the understanding of who the actors are and what they are up to. This is very important if a firm is to develop proper strategies, which will enable it to venture into an industry.

3.4.2 Industry Dynamics

According to Johnson and Scholes (1999), market dynamics have to do with the rate of change in the business environment. Dynamic business environment is characterized by continuous changes, which makes it quite unpredictable. While this is evident in technologically based industries, this also seems to be the case with industries which are highly influenced by changes in consumer taste. This is the case with the ethnic food sector of the food industry, thus it becomes necessary for companies active in this industry to continuously follow up the changes within the industry in order to survive. Whatever is happening within food industry in the global scale tends to be replicated on the market level.

3.4.3 Market Structure

In order to understand the forces driving the industry, it is important to understand the industry structure. According to Grant (1998), industry structure refers to those factors, which determine the type and intensity of competition within that industry. There are two factors that shape the structure of an industry, which include market segmentation and strategic grouping also known as strategic mapping. Therefore, to develop the understanding of the dynamic forces in the industry, it becomes necessary to do the *market segmentation* by identifying the actors dominating each segment and at the same time do the *mapping* of the strategic groups within the industry. By so doing, we will gain insight into the actors' competitive structures, and at the same time be in a position to identify opportunities and obstacles for development.[44]

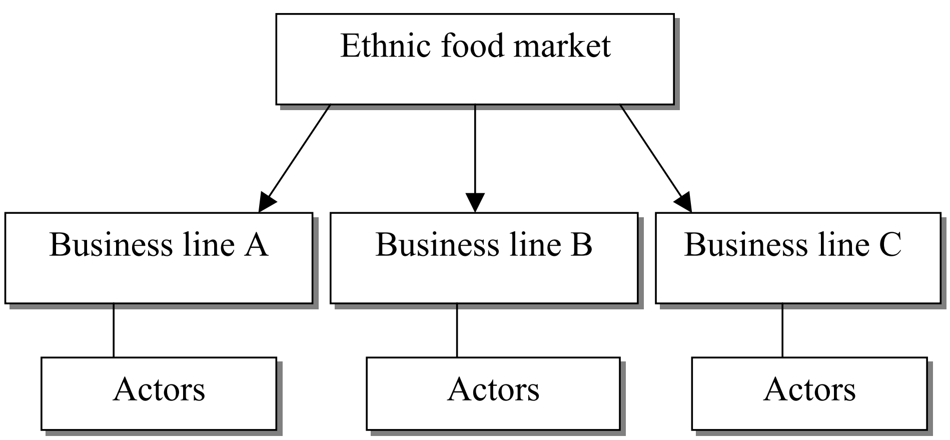
[44] Emilson and Holmberg, 2000.

3.4.3.1 Market Segmentation

According to Johnson and Scholes (1999), one problem in analyzing competition is that, the idea of the industry is not always helpful because its boundaries can be unclear and are not likely to provide a sufficiently precise delineation of competition. This is because the actors may be in the same industry but they are not competitors in the real sense. This may be the case if industries are targeting different customers or are pursuing different interests, which results in different companies competing on different bases. Therefore, we felt that there is a need for us to have an intermediate basis of understanding the relative position of organizations between the level of the individual firm and the industry, and one such basis is the market segments.

In our case ethnic food in Sweden, we found it useful to consider the basis of segmentation, in order to be able to explain the dynamics of Swedish market, which will help us to identify strategic opportunities for development. Different lines of business in ethnic food business can be identified in the Swedish market (see figure 3.5). In each of these lines there is competition between the actors involved.

Figure 3.5 *Segmentation of the Ethnic Food Market in Sweden*

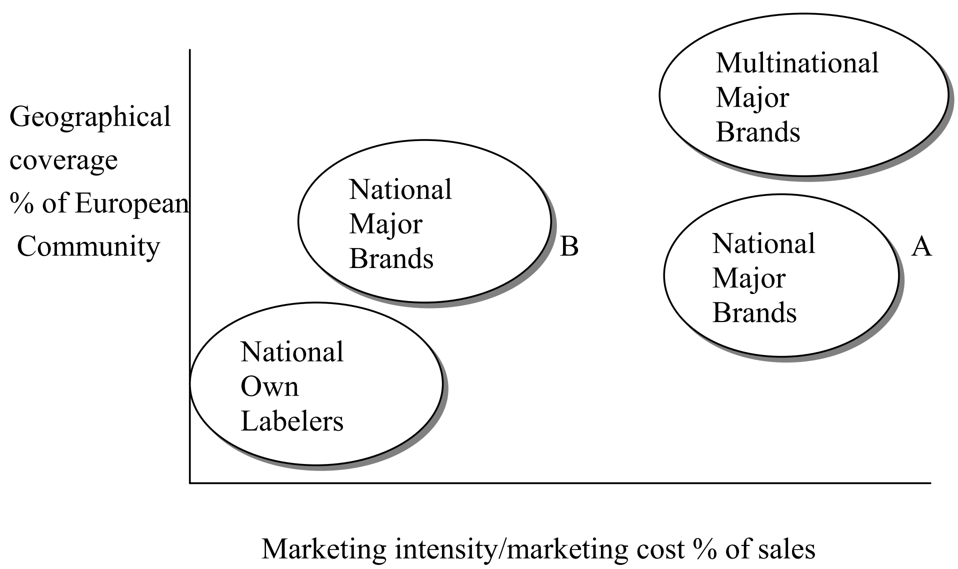


Source: Our Own

3.4.3.2 Strategic Mapping

The other basis of understanding competing actors is through strategic group analysis. According to Johnson and Scholes, strategic group analysis aims at identifying organizations with similar strategic characteristics, which are following similar strategies or competing on similar basis.[45] There are many characteristics, that distinguish between organizations making it easy to identify strategic grouping. They include, geographical area covered by the firm, the size of the firm, advertising expenses etc. The characteristics that are of great importance when identifying strategic grouping in the ethnic food industry is the size, which is denoted by geographical coverage then placed against the marketing cost as a percentage of sales. Thus within the European market, the strategic groupings in the food industry is as shown in figure 3.6.

Figure 3.6 *Strategic Mapping of Competing Brands*



Source: McGee and Segal-Horn 1990, Adapted

We will have to investigate whether the same groupings are replicated in the Swedish market for ethnic food. Furthermore, it is important to address the question*; what factors are acting as barriers to mobility between strategic groups*, which if well answered will give an insight of the sources of competitive advantage within each group. Such information will be important

[45] Johnson and Scholes, 1999.

to ECI, when it comes to choosing the alternative modes of entry in case they would like to diversify the business segments in future.

3.4.4 Market actors

According to Jansson 2000, the industry structure is the teamwork and dynamic forces among the following actors in the industry; suppliers, customers, competitors, substitutes etc. To achieve the purpose of our thesis, the actors that are important to investigate are; competitors, customers and intermediaries.

3.4.5 Competitors

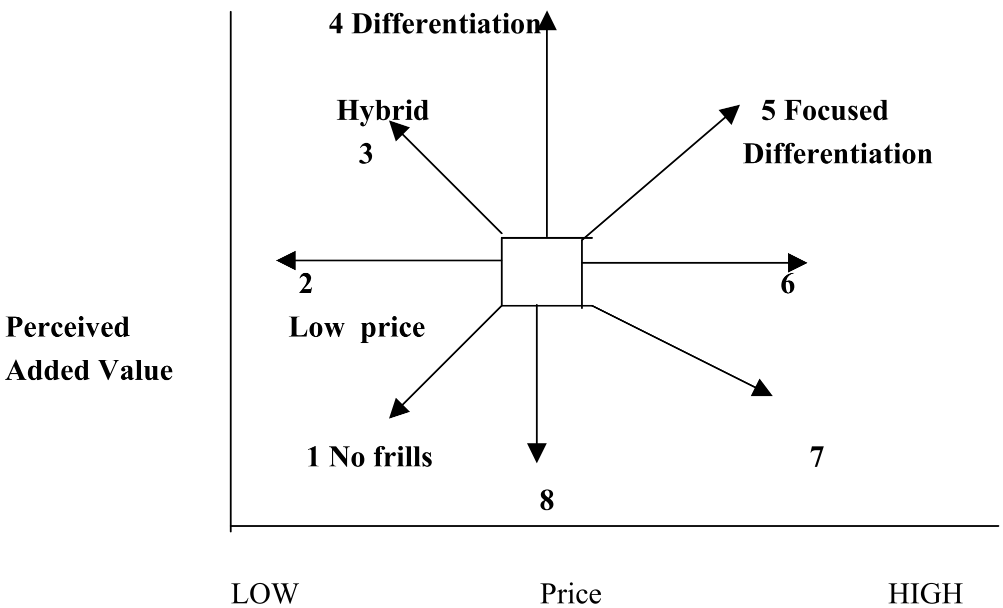
The issue here is to identify who the competitors are and what they are up to. In our case, the understanding of the competitors in the ethnic food industry should be based on their size, brand loyalty, marketing capabilities and local knowledge accumulated by existing firms. Already mentioned items are worth scrutiny because they form the barrier for new firms trying to establish themselves in the new market. Another element that needs to be analyzed is the competitive strategies of the competitors. This is important because, large firms with dominant positions in an industry use certain strategies that small firms cannot afford.[46] Furthermore, with a proper understanding of the competitive strategies of competitors, small companies can develop strategies that give them better rates of return than larger companies enjoy.[47]

3.4.5.1 Competitive Strategy Options

There is very little adaptation to customers' needs that can be done on ethnic cuisine food thus, we cannot analyze the strategic profiles of the competitors using the degree of standardization versus the customers as suggested in Jansson's (1994) strategic profiles model. Brown's competitive strategy options model was most appropriate in our case, since it shows the strategy paths followed by companies when venturing and establishing themselves in the new market.[48] The strategy paths being followed by the competitors will illustrate the dimension of the competition in the ethnic food industry. The success of the competitive strategies adapted by any firm depends on whether the firm has been able to identify clearly who its customers are and what they want.

[46] Emilson and Holmberg, 2000.
[47] Kotler and Armstrong, 1994.
[48] Johnson and Scholes, 1999.

Figure 3.7 *Brown's Competitive Strategy Options Model*



Source: Johnson and Scholes 1999

By pursuing a *no frills* strategy, the company targets the low cost and low-added value sector. In this case, we expect that the company products are seen as cheap and bought with few added value expectations. The feeling here is that the sales that this move will produce and the experience gained from the market entry strategy will allow them to form a bridgehead into the new market and later develop a more profitable strategy. *Low price strategy* seeks to achieve a lower price than competitors while still trying to maintain a similar value of product or service to that offered by competitors. The risk involved here is retaliation by established firms, which may result in price wars and low margins.[49] *Hybrid strategy* seeks to simultaneously achieve differentiation and a price lower than that of competitors. The success of this strategy depends on the ability both to understand and deliver enhanced value in terms of customer needs, while having a cost base that permits low prices and is sufficient for reinvestment to maintain and develop bases of differentiation.

[49] Johnson and Scholes, 1999.

Differentiation strategy is where a company follows a strategy, which seeks to provide products or services that are unique or different from those of competitors in terms of dimensions widely valued by buyers. The aim is to achieve a higher market share than competitors by offering better products or services at the same price; or enhanced margins by pricing slightly higher. *Focused Differentiation* is where the company enters into the market targeting a particular segment, for which they increase the perceived added value, warranting price premium. Routes 6, 7 and 8 need not be considered for a new entrant, for they are strategies destined for ultimate failure. Consumers cannot be willing to pay a high price for low added value products.

3.4.6 Intermediaries

Those are business organizations that help other companies promote, sell and distribute their goods to end-users. Intermediaries include appointed distributors, wholesalers and retailers and they are worth analyzing when doing industrial analysis since some of them are too strong, so that they dictate terms in some industries.[50] Our main concern will be how the merchandizing decisions are made in the retail outlets i.e. where is the power concerning what to stock in the retail outlets concentrated, and the basis on which these decisions are made.

3.4.7 Customers

According to Jansson (2000), there are three types of customers, a classification based on the purpose of purchase of a given product. Industrial customers consist of companies and organizations buying the goods or services for further processing, while resellers buy the goods and services to resell at a profit. End-users on the other hand consist of individuals and households that buy the goods for personal consumption. In order to remain competitive, manufacturers must also know how to relate to each customer category.[51]

We aim to identify our case company’s customers and their operations in order to establish what they demand. This will be very important since ECI has to

[50] Kotler and Armstrong, 1994.
[51] Jansson, 2000.

maintain a match between the customers' demands in regard to value added and core competencies required to create this value.

However, the end consumers will not be in focus in our case study, but their preferences and demands will be taken into account through information gathered from retailers.

3.5 Substitutes

The degree of customers' sensitivity to price is determined by availability of substitutes for a product. The absence of close substitutes for a product means that customers are comparatively insensitive to price. This makes the demand for that particular product inelastic with respect to price and vice versa.

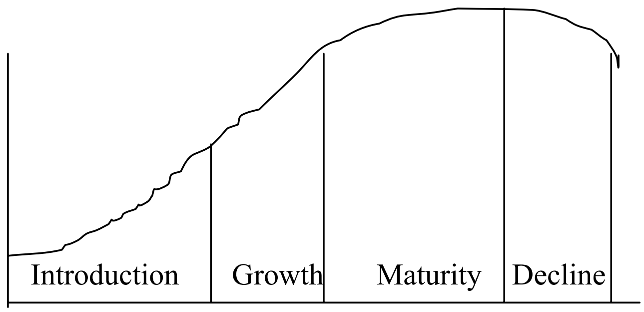
In our case, we will have to investigate whether products of different importers can easily be substituted for each other, a factor that will be determined by whom each importer is targeting.

3.6 Industry Development Phase

One particular important set of turning points in any market sales occurs when the growth phase of the product life cycle changes to flat maturity phase and when the maturity phase changes into a decline. These transitions are important to analyze since they are the indicators of health and the nature of the market. Furthermore, each transition phase is accompanied by changes in the key success factors.[52]

[52] Aaker, 1999.

Figure 3.8 *Industry Development Phase*



Source: Grant 1998

3.7 Entry Challenges

According to Grant (1998), there are several sources of barriers to entry into a given industry. For instance, the higher the capital requirements of getting established in an industry, the greater the probability that new entrants are discouraged. Since the intermediaries control the channels of distribution, our focus will also be on the difficulties encountered when trying to gain access to the distribution channels. Capital and research intensive industries require the firms to operate in large scale so that they can enjoy economies of scale. The new entrants must therefore make a choice of either entering the industry on a small scale, which means incurring higher unit cost or enter in large scale and face the risk of capacity under utilization. The two alternatives may end up discouraging the new entrant. Other barriers include the differentiation of products and ability of established firms to reap economies of scale.

In our case, ethnic food in the Swedish market, the barriers of entry worth investigating relates to monopoly kind of ownership of the retail distribution channels by the big distributing firms, which may create a barrier when new entrants want to secure shelf space in the distribution channels. Another barrier worth scrutinizing is differentiation of products, which makes the established firms to have advantages of brand recognition and loyalty.

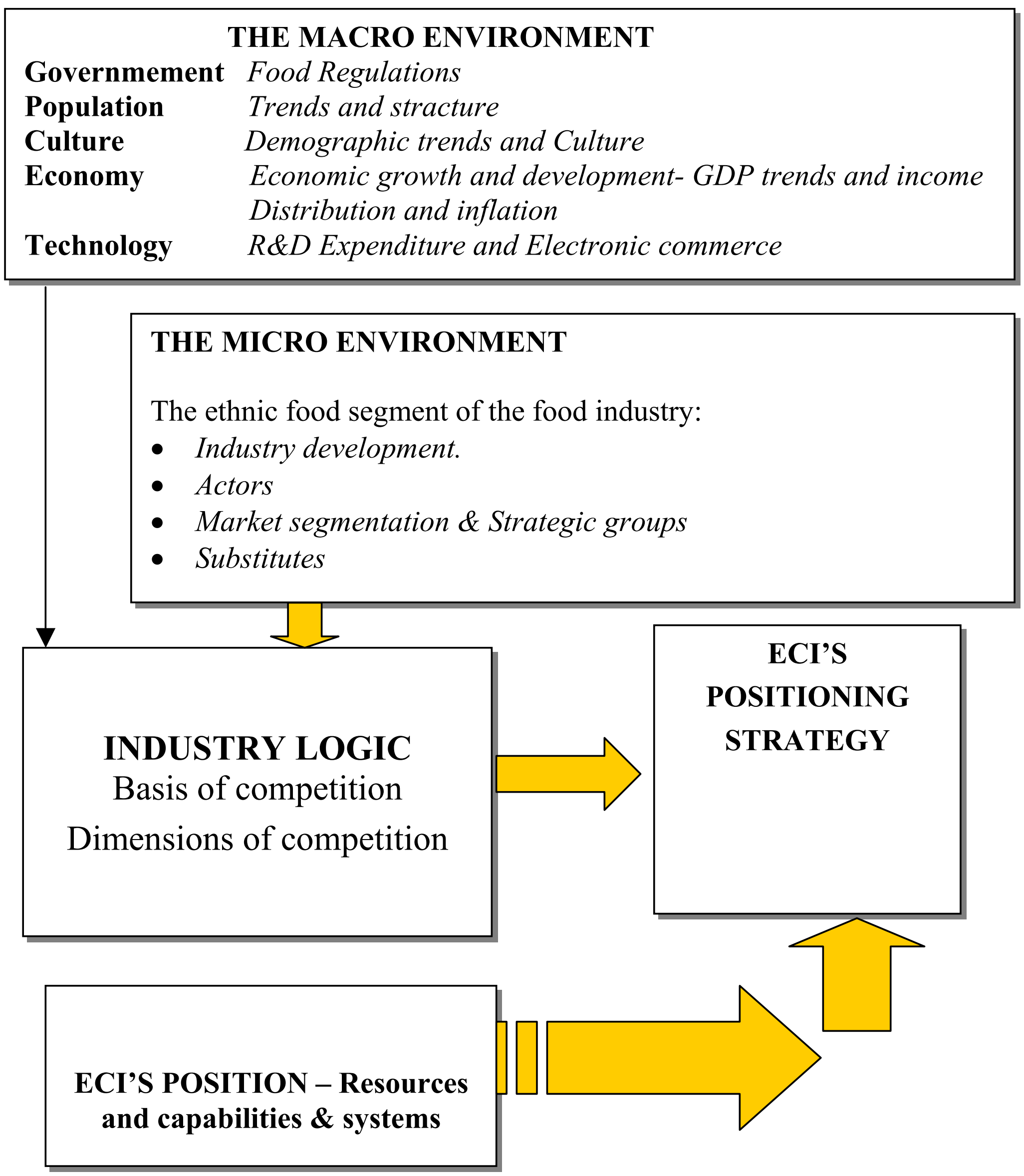
3.8 Opportunities

After having analyzed the situation in the Swedish market, we hope to identify the opportunities that exist in Sweden for ECI. This mainly will be based on the development phase of ethnic food segment.

3.9 Research Model

The model illustrated below forms the general framework of our study of factors in the macro environment influencing the ethnic food segment of food industry, the actors and customer environment in the micro environment level. The micro environment factors gives the trends and the driving forces in the ethnic food industry, while the understanding of market actors and the general stucture will enrich the understanding of the industry logic, which will greatly influence ECI in regard to strategic decisions now and in future.

Figure 3.9 *Research Model*



Source: Our Own

4 MACROENVIRONMENT – SWEDEN

This chapter aims to present the macro-environment factors in Sweden that have an influence on the food industry in general and subsequently influencing the companies that wish to enter the country. The institutional network theory that was modified to suit this study was applied. However, the implications of the macro-environment factors to the product/service market will not be presented at this level. It will have to be presented later on in the analysis chapter. The results in this chapter were based on both primary and secondary data.

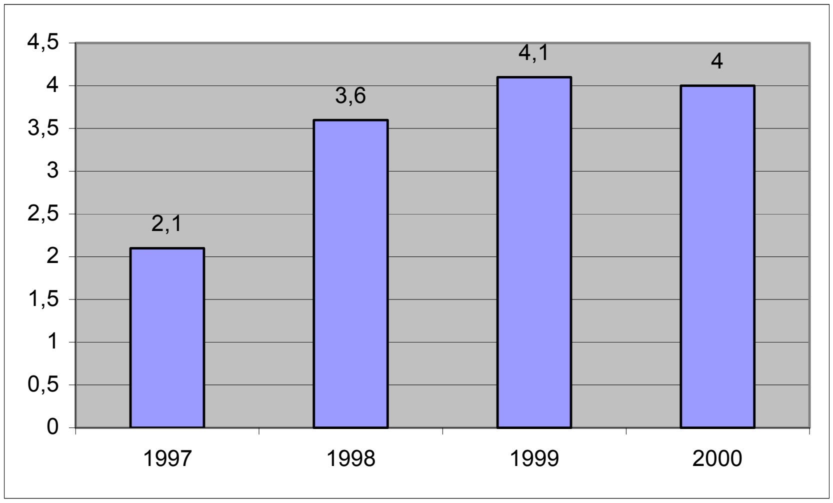
4.1 Economic Factors

Sweden's macroeconomic developments show a recovery from the recession of the early 1990's. The Swedish economic indicators have brightened significantly in recent years and the growth in GDP is due to strong private consumption and robust exports. The gross domestic stood at 223.9 billion in 1999, while the gross domestic per head in PPS increased from 18100 in 1995 to 21600 in the year 1999. In the same year, Sweden had a GDP per capita of 119.5 in terms of EU average of (EU-15=100).[53] Consumer price index has remained relatively low, 1.3% in the year 2000. However, towards the end of 2000, there was a slowing of economic growth, which has continued to the year 2001. Mainly the small development in the stock market has affected consumers' confidence and growth of retail sales has been slowing, leading to discouraging private consumption growth in 2001.[54]

Inflation in Sweden has been low since 1996 due to well planned monetary framework, with explicit and creditable inflation targeting, and even the increase in inflation from 0.6% in 1999 to 1.3% in 2000 is still below the inflation target in that year.[55]

[53] Economic Portrait of the European Union 1999: 2000 Edition.
[54] European Economy Report, 2001, p.140.
[55] Ibid.

Figure 4.1 *Sweden GDP Growth Rate in percentage 1997-2001*



Source: European Economy Report 2001

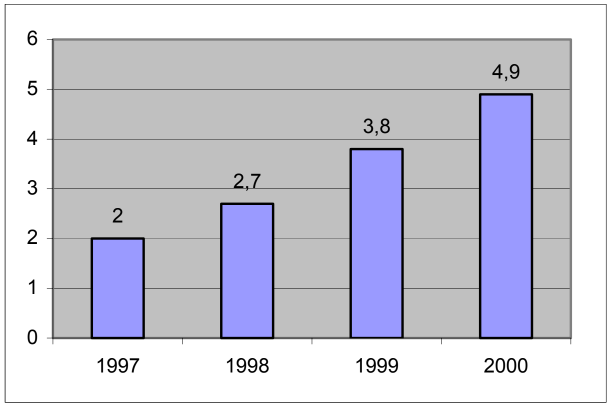
4.1.1 Private Consumption

The income distribution in Sweden tends to be even, which has influenced the buying behavior of the Swedes. They have a tendency to consume similar baskets of goods since the gap between the poor and the rich is minimal. This can be reflected in the consumption habits in food, clothing and luxury products. The standard of living in Sweden is relatively high, meaning that the consumption levels are quite high.

Based on the GDP trends above, Sweden can be said to have been experiencing positive economic growth and development. However, despite Sweden's recent economic growth, Swedish consumers remained cautious until the second half of 1997, when the total private consumption that year reached the figure of SEK 920 billion, on 103,000 per capita.[56] In 1998, there were signs of increasing consumption in all areas including food. The real disposable income of households increased by 3.6% 1999 and by 4.3% in 2000.[57] Figure 4.2 shows increase by percentage of private consumption in Sweden.

[56] Sida, Ethnic food in Sweden report, 1998.
[57] www.state.gov, visited September 17, 2001.

Figure 4.2 *Sweden Private Consumption Growth Rate in Percentage 1997-2000*



Source: European Economy Report 2001

4.1.2 Food Consumption

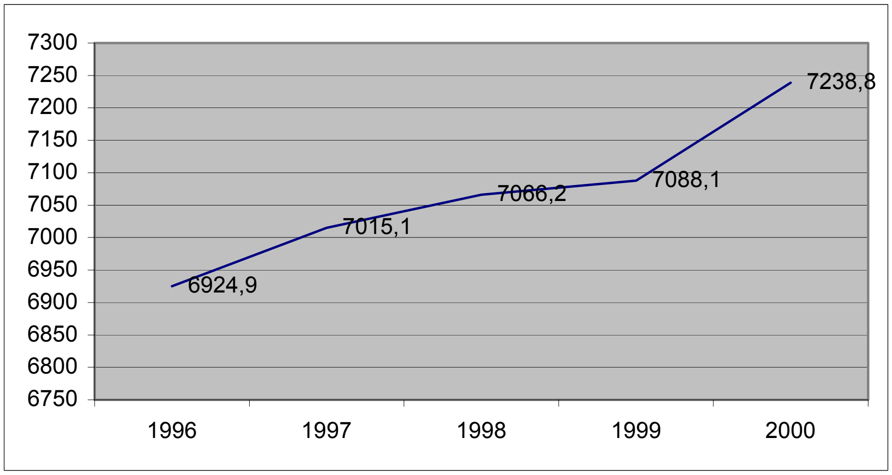
The food industry was not an exception and was on a path of growth in terms of consumption. In 1997 food accounted for approximately 75% of the total expenditure on groceries. 90% of the food consumption was processed foods representing a high proportion on the global scale, the remaining 10% are non-processed products such as fresh fruit and vegetables.[58] In the same year, the food retail stores sales rose by 1.7% and reached the figure of USD 21 billion in 1998.

The increase in consumption, equivalent to USD 300 million, reflected a 1.2% rise in value, and a 0.5% gain in volume.[59] Compared with July 2000 retail sales in non-specialized stores and specialized food stores (for example, department stores and specialized grocery stores) increased by 4.6%. This can be attributed to the positive trends in private consumption and GDP analyzed above.[60]

Figure 4.3 shows the trends in consumption of sauces and dressing and condiments in million SEK. The three has experienced a positive trend between 1996 till 2000.

[58] Sida, Ethnic food in Sweden report, 1998.
[59] Tetro, Retail food sector report for Sweden and Finland, 1999.
[60] wwv.scb.se, visited September 20, 2001.

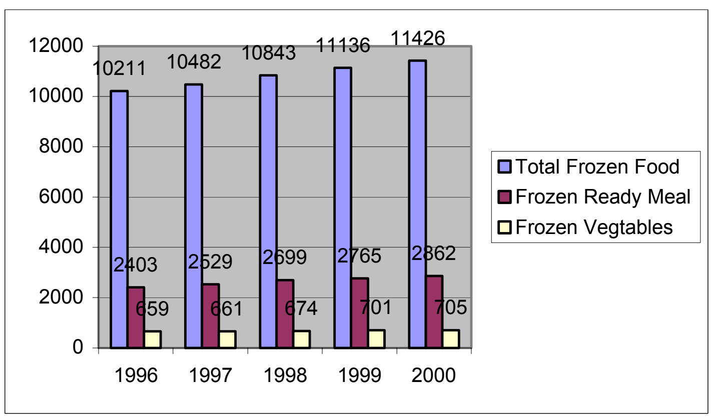
Figure 4.3 *Sweden Food Consumption – Sauces, Dressings & Condiments – Sales Value 1996-2000 (Million SEK)*



Source: Economic library statistic data basis. World consumer markets 2001

In the frozen food industry, during the last five years the level of consumption in terms of value sales rose by 10%. However in the sections frozen ready meal and frozen vegetables the growth is on a very low scale.

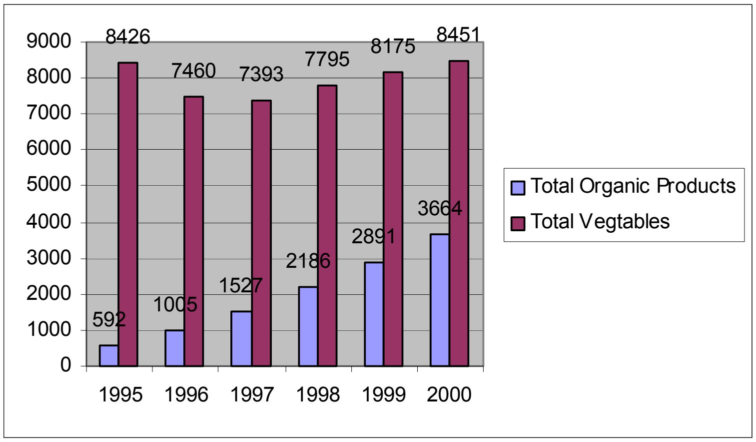
Figure 4.4 *Frozen food Consumption – Sales Value 1996-2000(Million SEK)*



Source: Economic library statistic data basis. World consumer markets 2001.

In the Fresh food category a rapid growth is mainly seen in organic products with approximately 25% increase in consumption on a yearly basis since 1995. Fresh vegetables as a whole show a moderate but constant level of increase in consumption

Figure 4.5 *Fresh Food Consumption – Sales Value 1995-2000 (Million SEK)*



Source: *Economic library statistic data basis. World consumer markets 2001.*

4.2 Socio-Cultural Factors

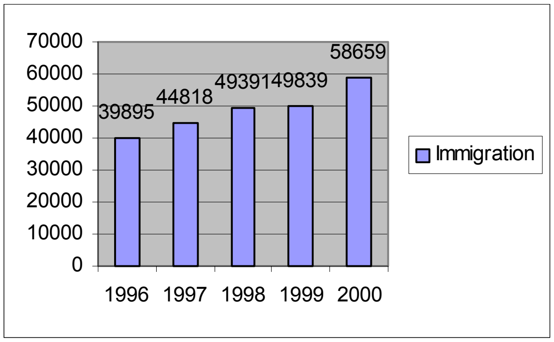
Culture is a complex concept, however, specialists in this field such as Hofstede and others tend to agree on the definition and elements that constitute culture. They see culture as knowledge, belief, art, morals, laws, custom and any other capabilities and habits acquired by man as a member of the society. It is concern with language, religion, social structure, politics, education, history etc.[61] Thus culture is acquired knowledge that people use to interpret experience and generate social behavior. As highlighted earlier, the socio-cultural aspects in the Swedish market will only focus on the demographic structure and the changes in the cultural aspects in the Swedish society. The understanding of the two socio-cultural aspects will enable us to explain the trends feasible in the Swedish market for ethnic food.

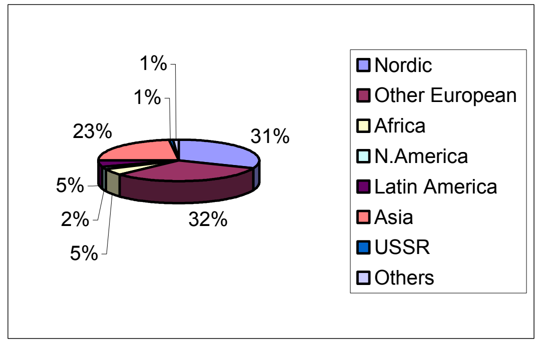
4.2.1 Demographic Features

Sweden has a population of 8.9 million. In the last decade, the population has grown by 300,000 (3.5%), a growth that can be attributed to increased immigration. The immigration to Sweden has been positive during the past few years, a trend that can be seen from the diagram below. The breakdown of the immigrants according to continents of origin is also shown in figure 4.6 below:

[61] Hofstede, 1991.

Figures 4.6 *Immigration Trends to Sweden 1996-2000 and its Breakdown by 1998*

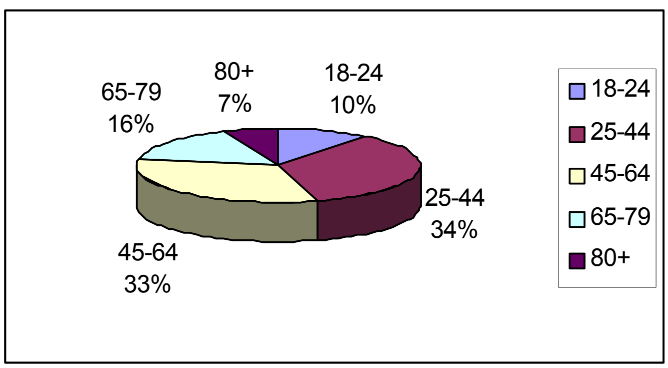




Source: www.scb.se and statistics yearbook for Sweden 1998

Approximately one million people, an equivalent of 12% comprises of foreign nationals or individuals born abroad. The largest share of immigrants is from Asia, Africa and Latin America. In 1997, foreign nationals from Asia and Latin America accounted for 35% of the total number of foreign nationals, while out of the total Swedish population, they account for 4%.[62] The general population structure is as shown in figure 4.7 below.

Figure 4.7 *Population Age Breakdown in Sweden in Percentage by Year 2000*



Source: www.scb.se

4.2.2 Changes in Family Life

Swedish family life has changed drastically in the past two hundred years. At the beginning of the last century, the majority of the population lived in the countryside. The families were quite large and the man was the head and the provider of the whole family. At the same time, marriages were kept together at

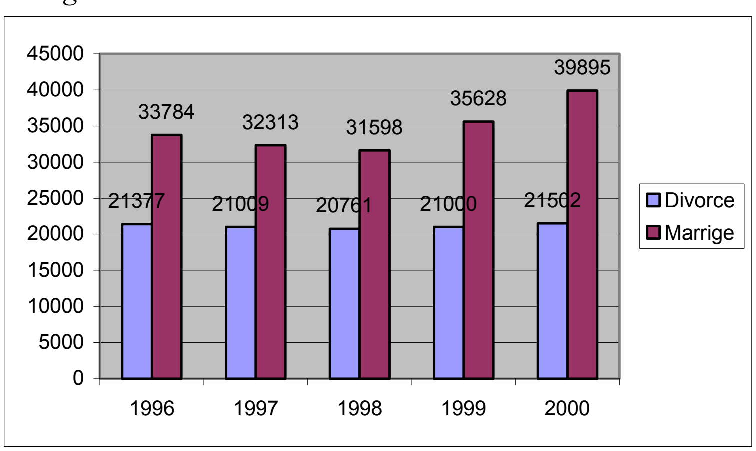
[62] Sida, Ethnic food in Sweden report, 1998.

all costs, and the evangelical Lutheran creed church was all pervading and was the dominant influence in family life.

Since the 20th century, Swedish society has fundamentally changed. Indeed the changes were so great that in terms of family life, none of the previous paragraph applies today. New laws were introduced which changed the position held by the man in the family and unmarried women were declared to be legally competent at the age of twenty-five. The position of women has gradually been strengthened and in order to enable women to participate in the world of men--equal opportunities, childcare services and parental insurance were introduced.

By the end of the nineteenth century, industrialization was also a fact of everyday life. Less work was required on the farms and more and more jobs were to be found in the urban areas. With men and women increasingly seeking employment outside home, family life has never been the same again. The influence of the church has steadily declined throughout the twentieth century. This has contributed to the acceptance by most people today of divorce and illegitimate children. The divorce rate has been quite high in Sweden, such that of those who got married in 1970 for example, 35% were divorced after only 10 years of marriage and the situation became worse by the close of the century. The figure below shows the divorce trends for the last five years.

Figure 4.8 *Marriage and Divorce Rate in Sweden 1996-2000*



Source: www.scb.se

4.2.3 Media Influence on Swedish Society

Quite aware of the importance of mass media to functioning of democracy and providing social development, the Swedish government has allowed the society full access to the media. There are large numbers of daily papers in Sweden plus magazines and journals. Given their levels of income, nearly every Swede has access to both radio and TV and the government does allow both the public and private radio to operate together.

The Swedish society can be said to be an information-oriented economy. This being the case then, the Swedish society can not fail to go by the global trends, since the media and the new technology makes it easy to know what is happening in the other parts of the world. The Swedes are quite aware of what is in demand in other parts of the world, especially the US, where the Asian and Mexican food is popular. Thus what is happening in the US in regard to ethnic food has been replicated in the Swedish market.

4.2.3.4 Swedish Society in Regard to Punctuality

The Swedish business culture can be characterized as delegation of responsibility, friendship with subordinates, orientation towards innovation, planning and order, and punctuality.[63] Being punctual is not only regarded as a sign of respect but also of efficiency, sticking to time is very important while doing business in Sweden and it is generally not considered rude to set a deadline for a thing to be done or a decision made such as delivery time in regard to both products and payments. Punctuality is a very important element in the Swedish culture not only in the business arena but also when it comes to purely social gatherings.[64] Failure to keep time/appointments is a serious issue and a fee can be imposed on a person for not appearing on time for an appointment. Sweden was the first country to introduce timetabled transport system to enable the Swedes to comply with time in working places as well as in social places.

[63] Lindell and Arvonen, 1996.
[64] www.sverigeturism.se, visited November 2, 2001.

4.3 Technology

Although the R&D spending as a proportion of GDP has remained on a downward trend in the core countries of the EU, Sweden and other Scandinavian countries have continuously increased their expenditure in this area. In 1997, Sweden spent 3.8% of its GDP on the R&D, representing the highest rate in Europe. In the same year the total R&D expenditures in Sweden amounted to SEK 67 billion. The Swedish business and industry was responsible for 68% (1997) of the total R&D expenditures. [65]

The biggest foreign financiers are companies, but through its framework program the EU is also a significant financier of research in Sweden. According to the statistics dating from 1997, Sweden is the next country in OECD after the USA in terms of the highest public funding per inhabitant on R&D. Relative to its size, Sweden is one of the worlds biggest producers of scientific knowledge. Comparing the number of the R&D personnel as a percentage of labor force in the EU member countries, Sweden, Denmark and Finland's number of jobs in research field has continued to grow over the last ten years. At the same time, Sweden is also ranked among the high patenting countries with about 4.9% shares of patent applications in 1998.[66]

Sweden is well advanced in research disciplines of importance to functional food development such as; medicine-nutrition, food science, biotechnology, microbiology and process technology. In December 1998 a Swedish Center of Excellence and Innovation in Functional Food began operating to meet this need.[67] The center intends to help the food industry take advantage of the development of knowledge and newly acquired knowledge and thereby develop new and innovative food products, which can compete on the world market.[68] The main objectives of the Center are to act strategically and nationally and to help promote knowledge about how to influence public health in a positive direction. It also has the responsibility to suggest how to create links between

[65] Statistics in focus - theme 9-3/1999.
[66] Ibid.
[67] www.worldfoodscience.org, visited September28, 2001.
[68] www.chalmers.se, visited September 28, 2001.

market and academia, thus enabling the development of innovative, high-tech food products, and to strengthen the competitiveness of Swedish food industry.

5 MICROENVIRONMENT – SWEDEN

In this chapter we aim to describe the situation in ethnic food segment of food industry in Sweden. This was achieved through the understanding of the industry structure as well as the trends and the government regulations on food. The conditions in the industry environment have a big influence on the elements a new entrant must emphasize in its strategy. The facts in this chapter are based on interviews conducted in Sweden as well as secondary sources.

5.1 Introduction

First we will have to highlight what has been happening in food industry in Sweden in general. The trends in the ethnic food industry and government regulation on food will also give us some background. In order to understand the dynamics of the market for ethnic food in Sweden, there is a need to understand how the actors - manufacturers and resellers are organized. In order to develop the understanding of manufacturers, the market segmentation according to product lines and also according to the market - strategic mapping of the competing groups is done below. The main direct competitors are selected in each strategic group and discussed individually, so that the sources of barrier against various strategic groups could well be understood. This will also help us to understand the competitive strategies of particular cluster of actors.

Our study of the ethnic food distribution in Swedish market highlights the roles of actors involved; wholesalers and retailers and the changes taking place within the whole distribution system since it has direct effect on the boundaries of competition within the ethnic food sector. The final discussion is centered on the consumer/end-user in order to develop proper understanding of the dynamics of ethnic food sector. Consumer demands and basis of decisions pertaining to where to buy ethnic foods also defines the basis of competition between different channels of distribution.

5.2 Food Industry in Sweden

In Sweden, the food industry is the second largest in regard to production volume. The trends in food industry in Sweden reflect the global trends already highlighted in the first chapter. For the last few years the growth in the food industry in Sweden has been rather low, 3-5%, and characterized by high price-based competition and lack of product differentiation resulting in general decline in profitability.[69]

The abolition of trade barriers as a result of formation of the EU has increased cross border trade in food, which has made the competition between the national firms and foreign firms quite stiff. The multinationals dominating in food industry in Sweden are Unilever, Kraft, Nestlé, Nordfalks, Felix, Old El Paso and Findus under EQ (Scandinavian/European Investment Company). Under Unilever group are brands like Knorr and Kockens in the sauces and spices business segment. The national brands which are famous in Swedish market are; Santa Maria, Dafgårds, Hälsans Kök, Kronfågel, Guldfågeln, Munzings and many others.

In order to survive the competition in the food industry, the quest for mergers and strategic alliances among firms has been evident. At the same time, the consumer's tastes highlighted earlier have been changing drastically due to food safety concern among other things.[70]

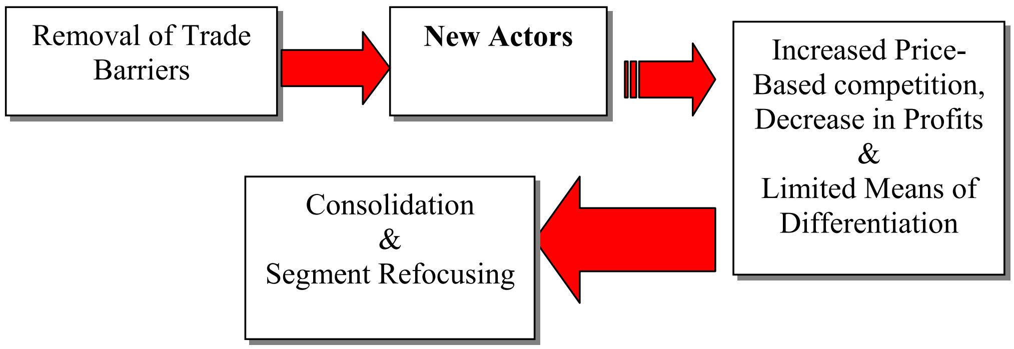
5.2.1 Segment Refocusing

What is evident in food industry is that, the profitability in the industry varies very much between industry segments. The segments involved are quite a number and they include; baby food, dairy product segment, general food segment and ethnic food segment. Performance in those segments over the years has been rather low, particularly in the dairy product segment that has been affected currently due to outbreak of animal diseases. Thus the demand for meat products for instance has been low, pulling the whole sector down in terms of profitability. The decimal performance in the other segments is as a result of saturation and high competition due to increased number of actors. As a result, choice of segments has been the strategy issue in food industry. Widespread and far-reaching segment refocusing has been taking place. The refocusing is guided in part by each company's distinctive capabilities and

[69] Eriksson, H, interview, October 15, 2001.
[70] Tetro, Retail food sector report for Sweden and Finland, 1999.

experience in food business. Some companies have focused in ethnic food segment where there are few competitors, the demand is growing and a potential for differentiation between competitors and product is possible.

Figure 5.1 *Interrelations in the Food Industry Development*



Source: Our Own

Even though the economic growth rate in Sweden has slowed down over the last few years, growth in ethnic food consumption has been increasing. Although there is no official statistics showing what percentage of total food consumed in Sweden is ethnic, the average growth rate in various ethnic product segments (spices, sauces and condiments business segments and pre-ready and frozen foods) is about 7% per year.[71] According to most respondents interviewed in ethnic food business it still stands at this figure at the year of year 2001. The fact that the Swedes have developed interest in spicy food indicates that there is market potential in Sweden for ethnic food.

5.2.2 Trends in Ethnic Food - Sweden

Three major ethnic food categories; Italian, Asian and Mexican/Latin American category tend to dominate the Swedish market. However, the Italian food has become too common in Sweden to be regarded as ethnic food.[72] The most popular among the three types of ethnic food is the Mexican/Latin American food and the demand keeps increasing. As a result, it is now possible to find a whole range of Mexican food products available under different brand names. The Mexican food is followed by the Asian food; of which it is also possible to

[71] Eriksson, H, interview, October 15, 2001.
[72] Sida, Ethnic food in Sweden report, 1998.

find a whole range of products, consisting of sauces, chutneys, spiced mustards and spiced pastes. The African ethnic cuisine is slowly emerging and according to food market analysts, the prospect for African food is very promising, due to its wide variation and tastefulness.[73]

Ethnic food stores are to a large extent focused on the Middle East and South East Asian products and to a large extent to Latin American products. The number of specialized food stores has also increased greatly in the last few years. However, although they claim to be handling Asian or Indian food, they also sell a great deal of products of African origin.[74]

The same trend can be seen in the restaurants serving ethnic food. There have been an increased number of new restaurants that prepare dishes from various regions of the world. Restaurants of Latin American, Indian and Asian origin have increased by 200% in the recent years. For instance in the Stockholm area, restaurants that are serving ethnic food accounts for approximately 20% of the total number of restaurants.[75]

There has been a great change in the Swedish market in regard to composition of the consumers of ethnic food. Several years ago, immigrants constituted the principal consumer group, but this has changed over the years. Indigenous Swedes are now the main consumer group of ethnic foods. This can be attributed to the fact that, with improved incomes and standards of living in general, what was once a trend for an exclusive group has become more common for most Swedes. Furthermore, the number of Swedes with inborn immigrant backgrounds is constantly growing and this will continue influencing the ethnic food industry a great deal. Obviously, this will lead to more and more business establishments offering ethnic food. This implies that, more and more Swedes will be more exposed to foreign food products and the market will thus definitely grow.

[73] Sida, Ethnic food in Sweden report, 1998.
[74] Ibid.
[75] Ibid.

Demand for food with less fat content has led to more Swedes turning to flavors to replace the lost food taste as a result of reduced fat content. As a result, the demand for sauces and other spices continues to increase. The consumer interest in fiery food has attracted more and more companies and individual importers to venture into the ethnic foods, making the competition stiffer.

5.3. Government Regulations on Food Industry

Under government institution, we will focus on food labeling and packaging, customs duty, taxes (VAT) and transport regulations, since this is of concern to any foreign player who is wishing to export to Sweden.

5.3.1 Labeling and Packaging

Food safety regulations are mandatory controls over the quality attributes of final products, based on the potential effect on human health from food handling, preparation or consumption. The growing importance of food safety controls in the public debate is based on both scientific and economic grounds. The food safety regulations are based on scientific grounds and it includes the assessment of risk of food related hazards and the release of information about risk to the public. The economic basis for food safety regulation refers to the level of risk at which the marginal costs of food safety regulations equal the marginal benefits to the society.[76] The argument here is that, health eating has an economic implication in that the government will spend less on provision of health services in certain areas.

Sweden has already adopted the EU regulations on food, and the rules include those related to labeling, nutritional information and additives. The aim of having these rules is to inform and protect consumers and prevent different national legislation impeding the free movement of foodstuffs. The National Food Administration (Livsmedelsverket) in Sweden is responsible for these rules and regulations. The rules generally touch on food additives, such as sweeteners, coloring, preservatives, antioxidants, emulsifiers, thickening agents and stabilizers. When it comes to labeling of foodstuffs it must contain the following;[77]

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[76] Wilson and Otsuki, Global Trade and Food Safety: Winners and Losers in a Fragmented System, 2001.
[77] Sida, Ethnic food in Sweden report, 1998.

- ✓ The name of the manufacturer/packer or the importer must be indicted on the label. The name under which the product is sold in the country of origin may also be used (brand name), except where, despite the other compulsory particulars and the addition of other descriptive information, it could create confusion in Sweden. In addition to the name under which the product is sold it must also contain the physical condition of the foodstuff or the specific treatment, which it has undergone (powdered, freeze-dried, deep-frozen, concentrated, smoked, etc.

- ✓ The packages must show all ingredients in descending order of weight and be designated by their specific name. There is no need to list ingredients on fresh fruit and vegetables, carbonated water, cheese butter, vinegar, milk and cream and products comprising single ingredients where the name of the product is identical to the name of the ingredients or it is well understood what ingredients are in the product. In addition the ingredients of a complex ingredient, which constitutes less than 25% of the foodstuffs does not have to be shown.[78]

- ✓ Another important item in the labeling is the expiry date. The information should include the day, month and year. However, foodstuffs, which will not be kept for more than three months, day and months are adequate. Foodstuff that can be stored up to 18 months, in that case month and year are sufficient, and for foodstuff that is kept for more than 18 months, it is enough to write the year.

- ✓ It is also a requirement from the National Food Administration office that all the information on the label should be in Swedish. Usually, the Swedish importers inform the foreign suppliers of these regulations and of these rules. The importer also wants to be guaranteed that the supplier can meet the demands of the National Food Administration before he signs a contract.

[78] Wilson and Otsuki, Global Trade and Food Safety: Winners and Losers in a Fragmented System, 2001.

However, there are no official regulations regarding how imported goods should be transported to Sweden or how the products should be packed to facilitate transportation. It is the duty of the importer to see to it that the goods are transported in such a way that they arrive to Sweden without damages. At the same time, when it comes to packaging, special attention should be given to regulations concerning the metal content of canned products. It is a requirement by the National Food Administration in Sweden that, the tin content may not exceed 250 parts per million. The National Food Administration also has regulation on the lead content, which should not exceed 0.3 parts per million.[79] Furthermore, even where the goods have meet all requirements pertaining to packaging, shipments are subject to testing by the authorities according to general international requirements.

5.3.2Taxation on Imported Food

When calculating the value of the amount of food imported into Sweden, the price paid by the importer, including insurance and flight charges up to the Swedish border are taken into account. It is on this value that, the VAT is charged at the same border point. Afterwards, VAT is levied on the value added at each stage during the manufacturing and distribution processes.[80]

Sweden is a full member of the European Union (EU), thus a member of customs union, which implies that, there are no customs duties or other trade barriers between EU member countries and Sweden. However, for the imports from non-member countries, the import duty and quotas apply, with exception of imports from ACP-countries and less developed countries which are covered by GSP agreements. The latter may lower the applicable duties on products from the trans-Saharan region, Southern Africa, Brazil and Croatia among other less developed countries[81].

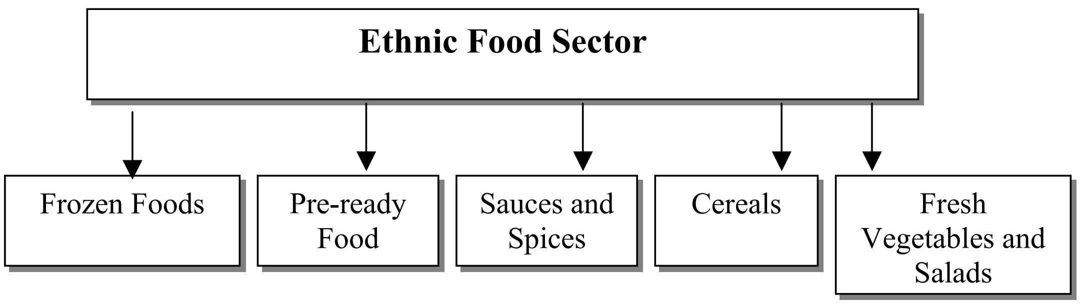
[79] Sida, Ethnic food in Sweden report, 1998.
[80] Ibid.
[81] Ibid.

5.4 Industry Structure

5.4.1 Product Based Segmentation

Segmentation in the ethnic food sector of food industry according to the products involved look as follows:

Figure 5.2 *Product Based Segmentation of Ethnic Food in Sweden*



Source: Our Own

Findus is the most famous brand when it comes to frozen food but it also has a presence in pre-ready foods. Other famous brands in the pre-ready and frozen foods segment are Old El Paso, Tex Mex, Italian Pizza, Felix, Hälsans kök, Dafgård, Ardo, Guldfågel and Kronfågel. Top (frozen food) is a new player in frozen foods with concentration on Wok Bali (Indonesian), Thai, Mexico, and Wok Oriental. Other new firms dealing with foreign frozen foods are Ti Food AB and Muntzings (which is dealing with Ice-cream but now also has Chicken Thai). Since health considerations are of much significance in this market, companies like Heinz with its brand, Weight Watchers have come up specializing in frozen foods such as Lasagne, Pasta Mexicana, and Pasta Tortellini.

Regarding sauces and pastes and other spices, the dominant brands which are dealing with foreign food are Santa Maria, Blue Dragon, Mediteran Foods, Uncle Bens, Agro-Union, Eurotaste and Buffe. Knorr is a big player in the areas of soups and sauces. Concerning cereals, there are quite a variety of brands but Uncle Ben's, First price (Private label AXFOOD), and Risenta are the most popular. In regard to herbs, Santa Maria and Kockens are the main competitors, sharing the market by 50% each.[82] [83] Knorr has some presence here too, but its presence is insignificant.

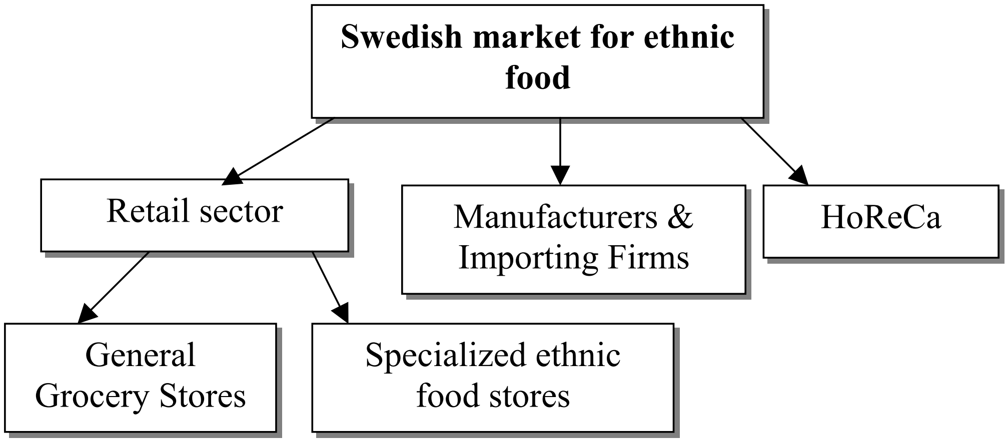
In the frozen vegaetables and salads, Findus dominates with products from USA, Holland and other parts of the world. Ardo is another company dealing with foreign frozen salads, they are selling broccoli, parsley and China mix salads. Small companies from Zimbabwe and Kenya are supplying fresh salads to the main retail chains. TOP AB from Sweden is another player in fresh salads line of business and are dealing with already prepared fresh green salads in order to reduce the activities involved before the salads are consumed. See appendix No 7.

5.4.2 Market Segmentation

There are three market segments for imported ethnic foods in Sweden, the retail sector, HoReCa (Hotel, Restaurant and Catering Businesses Systems) and food manufacturers. [84] The following is the elaborated segmentation of the Swedish market, which is later followed by discussion of each market segment, but the retail sector segment is discussed in detail later in the section- distribution of ethnic food in Sweden segment, see section 5.7.

[82] Englund, J, interview, September 27, 2001.
[83] Redberg, M, interview, October 12, 2001.
[84] Sida, Market Brief Ethnic Food, 1998.

Figure 5.3 *Market Structure for Ethnic Food Segment in Sweden*



Source: Our Own

5.5 Catering Sector

The HoReCa sector accounts for 20% of the total food consumed in Sweden. A fairly large amount of the restraunts, especially in the big cities are oriented towards ethnic food. Most of ethnic food hotels concentrate on the Italian, Mexican and Asian food and other foreign foods although the former are the most popular.[85]

5.6 Manufacturers & Importing Firms

Sweden has become a home country of many ethnic food manufacturers and importers such as; Santa Maria, Van den Bergh Food AB with its Kockens brand, Blue Dragon, Agro-Union, Mediteran Foods AB, and Estrella AB. The manufacturers relies on imported raw materials and ingredients used in those products, although others, like Santa Maria, are importing already made sauces and spices from the USA to sell in the local market. The main reason for doing so is that, the packaging required for those particular products cannot be done here in Sweden.[86] The importing firms like Agro-Union import already manufactured ethnic food products.

Looking at the Swedish market for ethnic food, the multinational manufacturers brands tend to dominate. The source of competitive advantage of the

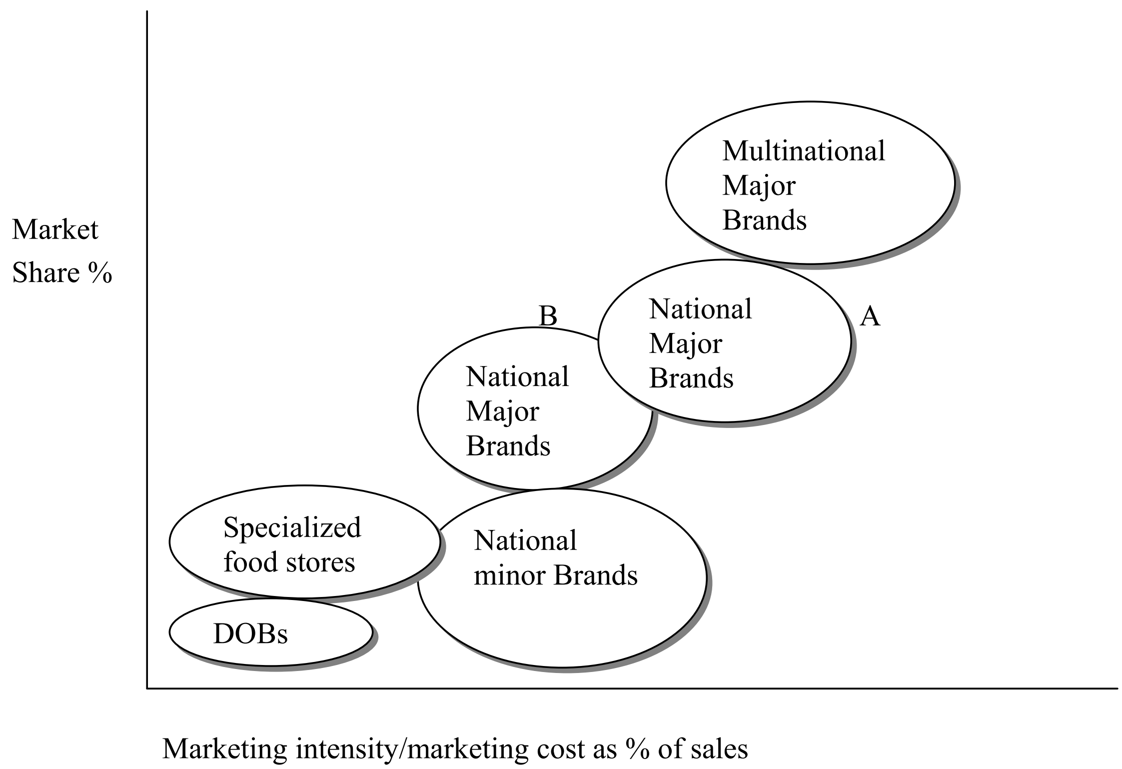
[85] Ibid.
[86] Olsson, A, interview, October 4, 2001.

international brands; Kockens and Blue dragon and major national brands such as Santa Maria is the promotional activities. The two types of companies are spending a large share of their sales turnover on marketing activities. However, some national minor brands spend less on marketing compared to major national brands and the multinationals. The *specialized food stores* covers only a small percent of the Swedish market and they do not have sufficient resources to devote to advertising.

5.6.1 Strategic Grouping of Ethnic Food Brands

Given that the companies involved in ethnic food business in Sweden are spending different amounts on promotional activities, the general description of the main competitors strategic grouping given below is according to the companies' expenditure on sales promotion and the market share—all in percentage.

Figure 5.4 *Strategic Grouping of Competitors in Ethnic Food Segment in Sweden*



Source: Our Own

Apart from spending too much on promotional activities, the multinational category of competitors are enjoying many advantages such as; consumer brand indentification, proprietary process, economies of scale and marketing and organizational skills. They also have the advantage in that they have accummulated knowledge of doing business due to their long experience in the international business in food. Due to the economies of scale they tend to reap out of their whole operations, the multinational players try new innovations now and then, and in case the product fails to penetrate the market, they do not feel the loss like the national players would.

The national major groups were split into two, given that the companies in this category are spending differently in regard to promotion. Group A is spending quite a substantial amount on promotion, but not as much as that being spent by the multinational firms. These companies are competing with advantages acquired in manufacturing process knowledge, brand loyalty, marketing skills and local knowledge. Nordfalks, under which *Santa Maria brand* is, found has many years of experience in the Swedish market.

The companies in national brands group B -- *Agro-Union, Mediteran foods AB and others* spends less on promotion compared to group A, but they tend to gain their strength from low production costs, low total costs, some proprietary process and local knowledge. These brands are of high quality and functionality and the owners tend to concentrate on the wide product range.

To understand the dimensions of competition, we identified the main actors in every category i.e. the main competitors active in ECI's area of competency at various levels.

5.6.2 Multinational Actors

5.6.2.1Blue Dragon

The company was established in 1977, G. Costa & Co Ltd, is based in England and all its products are imported straight from the Far East or produced in the UK and exported to Europe. It is a multinational company and its product range comprises of 150 oriental food products. In 1977 G. Costa created its own range of Chinese foods, which was named after the Chinese symbol of fortune - Blue Dragon. They started with modest launch of five carefully selected products, all recipes to go with those products accompanied with clear instructions of use, an idea, which gave the consumers reassurance, and guidance they needed. The company's success in securing growth was in 1986, when it introduced a range of four other varieties of Chinese Stir-Fry sauces in Sachets, the first on the market. It gradually became evident, through the growing number of Chinese restaurants and take-a-ways, that the British public liked Chinese food. [87]

Blue Dragon always involves the consumers in its product development by welcoming their comments, which has enabled the company to meet their needs. The executives in the company usually visit Far East every year to meet with the suppliers and to inspect the factories where their products are produced. Blue Dragon chefs are continually sourcing new and exciting products, which has resulted in a broad product range. They are experts in ingredients required to recreate Chinese, Thai, Japanese, Korean and Malaysian dishes. These visits create excellent opportunities for this company to find new and exiting products to expand its product range, while still ensuring that the products remains authentic. The company product range is quite wide and includes; fry sauces, noodles, soups, bottled cooking sauces, chili sauces, variety packs, coconut products and rice.[88]

Blue Dragon has its sales office in Sweden and it supplies both to the grocery retail outlets and the catering division. Given that the Asian food is the most famous ethnic food in the Swedish market, Blue Dragon has the opportunity to prosper in this market. The company has positioned itself with high quality product at competitive prices and it is attracting the retailers with the high margins they expect from its products compared with competitors', for instance Santa Maria products, which are highly priced.[89] However, Blue Dragon has less experience of the Swedish compared to Santa Maria neither does it embarks on promotion activities like Santa Maria does.[90]

[87] www.gcosta.uk, visited October 6, 2001.
[88] Ibid.
[89] Redberg, M, interview, October 12, 2001.
[90] Ibid.

5.6.2.2 Van den Bergh Food AB (Kockens)

Van den Bergh Food AB's brand - Kockens is within Unilever and the company has great knowledge about spices since it has long time international experience which dates back from 1916. The company produces herbs, other dried products such as mustard, vinegar, soya and onion. It has grown to be what it is through mergers and acquisitions and there is a great interest among the people working at Kockens, which enables the company to offer a complete range of ecologically cultivated spices. The company blieves that '*New design makes it easy to find the right product'* thus it is keen on the R&D in order to blend the spices in the right way.[91] This is because, the management feels that, the customers are not only looking for low price, quality or the company reputation but they are very interested in companies that can drive the category into the future and create growth and line extensions within the spice market.[92]

Knowing quite well that the consumers are demanding organic foods, ecological spices are in line with Kockens' strategy. Kockens' range of ecological herbs is imported from different parts of the world, the USA (California), Sri Lanka and Hungary. Curry in different tastes has been brought from the Asian cuisine, for example Garam, Masala, Turmeric and coriander. To create the right, authentic spice mixes, Kockens is co-operating with foreign chefs. The chef symbol has always been there since 1950 but the symbol has had to change style to fit in the current trend.

Kockens stands for Swedish qualities such as; reliability, high quality and a good reputation, which is hard to beat. During this year 2001, Kockens has been considering changing to a more modern design and the products will be divided in different groups on the shelves. All pepper spices will for example be next to each other and have a united color and picture. Meaning that Kockens are quite aware of the importance of differentiation through packing. The company also spends quite a huge percent of sales on

[91] Eriksson, H, interview, October 15, 2001.
[92] Ibid.

promotional activities, which has increased the brand recognition and loyalty.[93]

5.6.3 National Firms Group A

5.6.3.1 Santa Maria

Established in 1996, Santa Maria is one of the most famous competitors in the ethnic food sector of food industry in Sweden. The brand stands for quality and function, however, the management is quite aware of the fact that the final consumer is first and foremost attracted by the product design, thus the company is consious of the design of its products. Santa Maria brand is not only communicating "deliciousness" and authencity but it is also communicating "coolness", thus it is attracting every one in Sweden who is attracted to ethnic food for fun.[94]

Santa Maria was the first company of its kind in the Swedish market, therefore we can say that the company have tried to position itself as an innovator and its position as innovators in the field of ethnic food - Mexican food has been growing strong over the years. The success of Santa Maria can be attributed to many factors including its promotional capability where it is spending a very large precentage of its sales effort on promotion activities. Given the company's capability in marketing, and product development which is well supported by heavy investment in R&D, commited management and many years of experience through Nordfalks, Santa Maria has great potential and will continue to be strong in the ethnic food sector. [95]

Every individual in every department in Santa Maria understands the ethnic food business quite well including R&D department, which proves that it has competency in all areas. The company tries to top its competencies by trying to stay close to their customers in order to understand and meet their needs which, has improved their relationship quite a deal. As a result of the well established relationship with its customers, Santa Maria does not have problems in securing shelf space unlike other competitors. [96]

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[93] www.kockens.se, visited October 10, 2001.
[94] Olsson, A, interview, October 4, 2001.
[95] Ibid.
[96] Olsson, A, interview, October 4, 2001.

Given all the sources of competitive advantage at the company disposal, Santa Maria has all the capabilities to introduce ethnic foods of other origins with greater success. Furthermore, the management is always keen on the trends in the travel business, which dictates what ethnic food is to be in demand in the Swedish market in the future. Right now the company is aware of the fact that the Mexican food has been in the global market including Sweden for quite sometime, as a result Santa Maria has tried to diversify by incorporating Asian foods. The company has relatively a great variety of Asian sauces, chilis and pastes which it is trying to introduce in the Swedish market.[97]

However, Santa Maria has not thought of introducing African food yet, it feels it is not yet time since the Swedes are now travelling more to Asia. If Santa Maria is to introduce African food in future, it can only buy OEM, in order to sell the finished product under its brand name or if it is to enter into any strategic alliance, the African company must have a full range of products.[98]

5.6.4 National Brands Group B

5.6.4.1 Agro-Union

Agro-Union started operating in Sweden in the 1970s by a man originally from Yugoslavia. The main products Agro-Union is selling in Swedish market are chili, pepperoni, and garlic in different marinades and sauces. The products are imported from countries in the South East Europe, like Italy, Bulgaria and Turkey. Agro-Union's main market is the whole of Sweden, and has started selling in Finland. It is also looking to expand in Norway in a few years. Agro-Union sees Santa Maria not only as a competitor, but also as an opportunity for the Swedish people to gain knowledge about foreign food since Santa Maria has the financial strengths to promote its products.[99]

The strength of the company is its long experience in the business. The company tools for competition are competitive prices and quality. Agro-Union customers are ICA and other big players, which accounts for 70% of the company's sales while only 30% go to other stores. Regarding promotion, Agro-Union attends different food exhibitions and has ads in reading

[97] Olsson, A, interview, October 4, 2001.
[98] Ibid.
[99] Häggström, A, interview, September 18, 2001.

magazines. They also perform wet demonstrations in the chain stores any time that it is launching new products.[100]

5.6.5 National Minor Brands

5.6.5.1 Mediteran Food AB

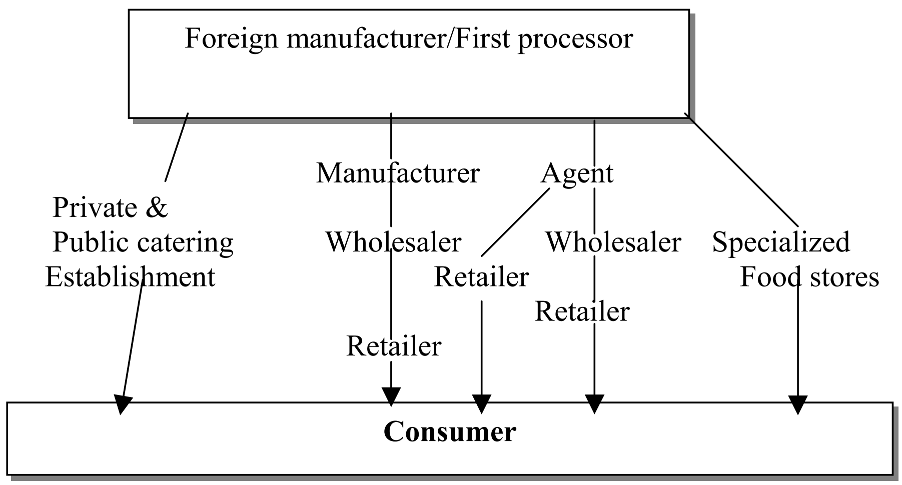
This is a small company importing salads such as Pepperoni, Kebab-feferoni, Red paprika and Salads. Just like Agro-Union, the company is competing with high quality products at competitive prices. Given its size, the company is spending quite a small percentage of sales on promotion activities.

5.7 Distribution of Ethnic Food in Sweden - *Intermediaries*

The distribution of ethnic food in Sweden follows many channels and is worth analyzing, mainly because it determines the final price and the retailer's margins. The private and public establishment may import the ethnic food and sell directly to the final consumers, while the domestic manufacturers usually sell to the wholesalers who sell to the end-users. The agents on the other hand import the ethnic food, which they sell to the wholesalers, who later sell to the retailers who sell to the final consumers. The specialized food stores on the other hand import ethnic food and sell it directly to consumers.

[100] Häggström, A, interview, September 18, 2001.

Figure 5.5 *Distribution Channels of Ethnic Food in Sweden*



Source: Our Own

5.7.1 Retailers

The retail sectors and wholesale in Sweden are largely integrated and concentrated. ICA, KF and AXFOOD are the main wholesale players in the food industry and they cover over 70% of the market. 200-300 small and medium sized companies handle the remaining 25-30% of the whole trade in food. It is a rule in Sweden that those importers are specialized in a certain product group or selling to specific customers, for instance customers in the restaurants sector or industrial sector.[101]

Within this sector, two sub-divisions can be identified; general stores and special ethnic food stores.[102] The position of retailers as the closest link in the supply chain to the final consumer of ethnic food gives it some distinctive characteristics that are different from those of other intermediaries, which makes us put more emphasis on them in our study. The understanding of the consolidation going on within the distribution system should be followed by the analysis of how the retail chains choose their suppliers. The new entrants to the Swedish market have to understand the distribution chains more in regard to the number of suppliers they intend to maintain relationship with. More so

[101] Sida, Ethnic food in Sweden report, 1998.
[102] Ibid.

retailers' demands must be known to the new entrant to this market, for the entrant will always be working towards meeting those demands.

5.7.2 General Food Stores

There are about 6500 general grocery stores in Sweden and the general trend continues with discount stores, hypermarkets and large supermarkets increasing in volume and gaining larger and larger shares of the total retail food sales. The table below shows the changes in form and market shares of retail outlets in the Swedish market between 1970 and 1999.[103]

Table 2 *Retail Outlet Shares in the Swedish Market 1970-1999*

	1970		**1980**		**1990**		**1999**	
Type of Outlet	**No of outlets**	**Market Share %**	**No of outlets**	**Market Share %**	**No of outlets**	**Market Share %**	**No of outlets**	**Market Share %**
Super market	**800**	**30**	**1550**	**57**	**1860**	**66**	**2000**	**75**
Other Outlets	**12200**	**70**	**7450**	**43**	**5840**	**34**	**4500**	**25**
Total	**13000**	**100**	**9000**	**100**	**7700**	**100**	**6500**	**100**

Source: Tetro, Retail Food Sector Report for Sweden and Finland, 1999.

5.7.3 Specialized Ethnic Food Stores (Indian &Asian)

There are 200-300 specialized food stores in Sweden, they are found in big cities such as Stockholm, Gothenburg and Malmö plus other small cities with a high concentration of immigrants. They constitute only a small market for ethnic food – 2% and the owners feel that importing from countries of origin is their advantage since their products can be marketed as being authentic as opposed to those manufactured in Sweden. A majority of those stores are dealing with Asian, Mexican and Indian foods, there are no single specialized food stores concentrating on African food only. Its only Taj Mahal African

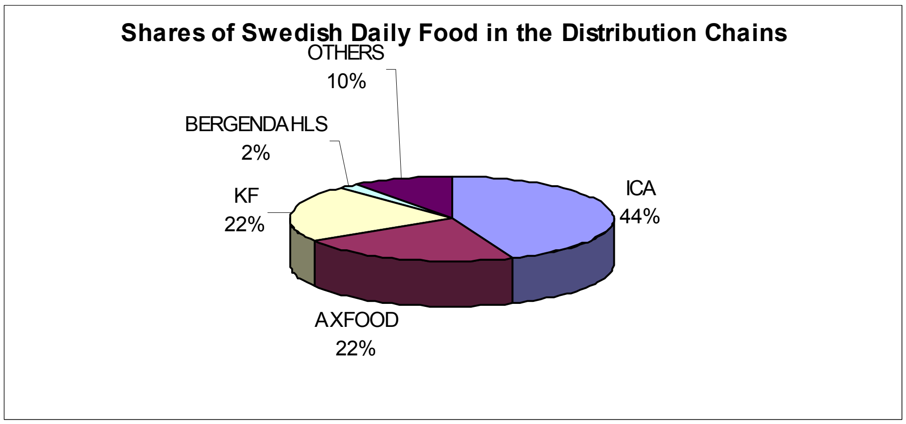
[103] Tetro, Retail Food Sector Report for Sweden and Finland, 1999.

food store in Stockholm that sells some African food but it has Asian and Indian food too.[104]

5.7.4 Retail Company Profiles

The wholesale and retail food market in Sweden is dominated by three groups, ICA, KF and AXFOOD all accounting for 70 percent of everyday commodity retail market. The figure below shows the retail chain in sizes according to market share based on annual sales volume.

Figure 5.6 *Retailers' sizes according to market shares by year 2001*



Source: Agro-Union Report

ICA is the largest of the Sweden's food import/wholesale/retail operations with 2125 stores. Each store is privately owned but they buy half of their products from ICA wholesale companies. ICA stores accounts for almost 35 percent of Sweden's food sales.[105]

KF (Cooperative Movement) is Sweden's co-operative union and is the second largest retail organization after the ICA group. KF is a fully integrated producer, importer, wholesaler and retailer of food and non-food items. Cooperative societies are the backbone of KF operations. These societies operate 1332 retail food outlets and have about 20% share of the market for food items. In October this year, the merger between all the Nordic cooperatives was concluded and it will include all the cooperatives in Sweden, Norway, Denmark and Finland. The result of the merger was the "COOP

[104] Sida, Ethnic food in Sweden report, 1998.
[105] Tetro, Retail Food Sector Report for Sweden and Finland, 1999.

Norden AB" and the aim of this merger was to enable the cooperatives involved to compete with private trade.[106]

AXFOOD AB is the third largest after ICA and KF, and has 924 stores and has a market share of 15%. Recently, a merger between AXFOOD and Hemköp (a large private food retailer) has been announced and if this merger sails through, the new organization will be one of the largest food retail operations in the Nordic countries.[107]

5.7.5 How the Three Block of Retailers Work

While the co-operation between the three groups differs slightly, there are both horizontal and vertical connections.[108]Although the chains are competitors in the real sense, they cooperate at one point for a common cause. Knowing very well that the suppliers in the Swedish market have got their own association DLF, the retail chains cooperated to form their own association known as DUR, in order to balance the influence that DLF may have on them. However, in other cases DUR and the DLF do cooperate particularly in research projects that are aimed to benefit both parties.

The chains through DUR also cooperates in the sense that, the association looks after matters related to food safety, quality and working conditions of all the employees in the retail chains. This is mainly for the benefit of the Swedish society, and has convinced them that the chains are not only concerned with making profits, but society welfare too. However, in strategic issues such as category management and sales promotion activities, each chain acts individually, thus acting as competitors.

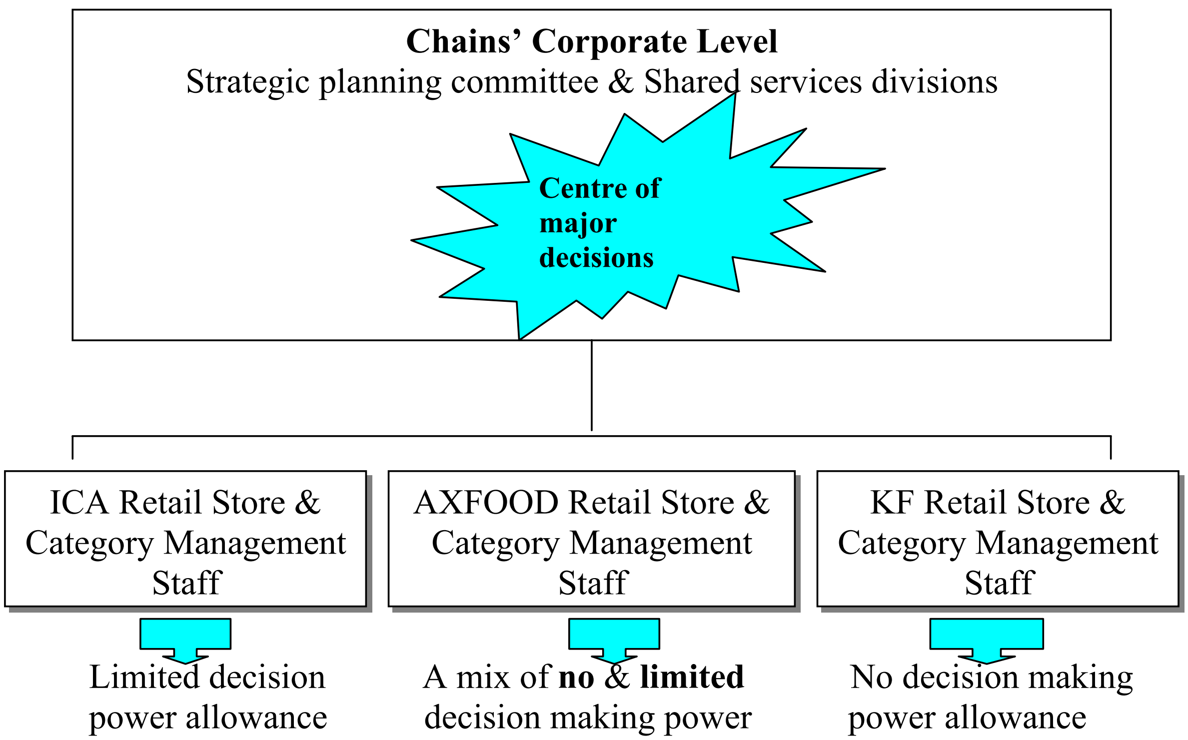
In the areas of food safety, DUR also cooperates with international associations of major retailers on global scale in regard to products safety, for instance right now there is a debate in international level of having all the food suppliers being certified and DUR is working with other associations on the issue. If this issue succeeds, the future of the food industry will change since only the certified suppliers will be guaranteed of an opportunity to continue delivering products in this market.

[106] Tetro, Retail Food Sector Report for Sweden and Finland, 1999.
[107] Ibid.
[108] Ibid.

5.7.5.1 Major Retailers' Merchandizing Decisions

The merchandizing decisions in the major retail outlets are highly influenced by the retail companies' organizational structures. For instance, in ICA, KF and AXFOOD the strategic planning committee & shared services divisions are mainly at the corporate level and it is in this level that the major decisions are made. Although the retailers follow category based management, the store managers have very little power in regard to decision making. Figure 5.7 describes how the situation looks like in different chains in regard to decision-making power.

Figure 5.7 *Decision Making Power Distribution Within the Hierarchy in major Retail Outlets*



Source: Our Own

In the three blocks of retailers, there is centralized provision of common services and functions. This includes basic corporate management functions such as strategic planning, financial control cash and risk management and government and shareholders relations. Due to centralization of the provision of common services and management functions, the services used by the retail businesses are also provided on centralized basis, which includes research, human resources management and purchasing among other things.

The merchandizing decisions are also centralized in such a way that the store managers and category management staff have very limited freedom or none at all in regard to the choice of the suppliers they would like to do business with. Although in some cases the store manager at the lower level may see the need to have a product in the store, he cannot just have it at his own will since the decisions have to come from the corporate level.

However, in ICA, the merchadizing decisions are more flexible, although this also depends on the product categories and the consumer demands. For the general foods like sugar, salt, tea etc, the store managers have to order as per the regulations set by the corporate office. However, for some products such as ethnic food products, the store managers can excersice their authority in regard to where to order from. In AXFOOD, the managers previously never had any freedom, but the situation is changing towards the same situation as it is in ICA, but since the chain has not yet allowed the managers at this level the same freedom like ICA has done, we treat them like they are somewhere at the middle. In KF, the situation is rather different, the stores outlets must take all the decisions set at corporate level.

The retail chains corporate level non-readiness to accept new products in their stores is a result of the fact that right now retailers are consolidating the number of their suppliers, which enables them to reduce costs and simplify the supply chain through less documentation and more efficient organization of deliveries.[109] Thus centralized purchasing decision will continue hindering new products to acquire shelf space in various retail outlets.

The strategic planning department in the corporate level take merchandizing decisions on the basis of intrinsic characteristics of the Ethinic food products and on the way in which products can link together in an assortment to maximize profitability. When introducing a new product range, the retailers wish to know whether the range can make more profit for the shelf space that it

[109] Englund, J, interview, September 27, 2001.

occupies than the product it replaces. Every decision regarding what to be stocked in the retail outlets is based on how quick the product can generate profits for the chain stores.

The elements of retail profit on a product line is a combination of the following:[110]

- *Margins per unit*, which is the difference between buying prices, costs for the retailer in making the product available in the store and selling prices.

- *Volume of sales,* which in this case is measured by the speed of turn over of the product for a given shelf space.

- *Impact on sale of other products*, this is the issue of whether the presence of this item in the store will bring in more customers to the shop and hence increase the sale of other products.

Proliferation of brands and competition between the retail chains have made the retailers very keen when selecting the suppliers. The following are the areas of concern to retailers before entering into contract with a supplier;[111] [112]

- ✓ Products sought and match of manufacturer with retail quality position
- ✓ Ability to meet orders
- ✓ State of operations
- ✓ Ability to grow product volumes with market development
- ✓ Lead times
- ✓ Efficient information systems
- ✓ Attitude and business culture of suppliers
- ✓ Potential profit margins
- ✓ Marketing support from suppliers

[110] Olsson, A, interview, October 4, 2001.
[111] Englund, J, interview, September 27, 2001.
[112] Redberg, M, interview, October 12, 2001.

The mix of factors however varies with the market position of the retailers. A retailer targeting high income groups like ICA Focus, may well make different choices from those of a discount retailer mainly concerned to obtain low base prices and low operating costs. The retailers are the ones dealing directly with consumers and they know what their customers want. Therefore they evaluate their suppliers not only on the basis of their products, but also on other factors such as;[113]

- ✓ Ability to deliver just-in-time, in small lots and with great frequency.
- ✓ Ability to package material for ease of use is also relevant, so that the total system from the manufacturer is designed to minimize handling cost.
- ✓ Ability to preserve product quality to the final point at which the consumer buys is also essential.

Another development that has emerged as a result of competition between the chains themselves is the private labels. To compete with other retail outlets, the strategic divisions in the reatail chains such ICA have even introduced their own brands in the areas of foreign foods and spices.[114] AXFOOD has private labels in exotic drinks, which are of very high quality thus almost becoming premium brands.

5.8 Consumers/End-users

The Swedish customers are demanding high quality products at reasonable prices and immediate availability at the time of buying and use. Therefore, consumers know what they want in regard to regular purchases of ethnic foods. Retailers of course pander to this comfort purchasing pattern by making the complementary products available in their shops, for instance if a family wants to prepare the Thai food for dinner, it is possible to get all the ingredients in one store.[115]

[113] Englund, J, interview, September 27, 2001.
[114] Olsson, A, interview, October 4, 2001.
[115] Englund, J, interview, September 27, 2001.

More so, Swedish customers tend to look at the fit-and-finish dimension as a signal for quality. Buyers assume that, if the firm's products do not have good fit and finish, they probably will not have other more important quality attributes, thus the first thing the consumer looks at when making a decision to buy an unfamiliar product is the packaging design.[116]

In an attempt to reduce the risk of purchase, the Swedish customers usually tend to go for the brands they are familier with. Retailers also being aware of this, they emphasize the strong brands such as Santa Maria, Kockens, Blue Dragon, Old El Paso etc. The problem that this phenomenon creates for retailers is that, the premium brands will usually yield lowest margins. A strategy for the retailer in this situation according to ICA Focus, is to attract consumers with the premium brands, and then use prices and exposure within the store to pursuade customers to choose type B brands, which will yield more margins instead.[117]

The other thing which can clearly be observed on the side of the Swedish consumers is that, they are not overly receiptive to entirely new products. However, they are curiously attracted to new variations of products they can easily recognise, e.g products that are differentiated through packaging or origin.[118] [119]

5.8.1 Basis of Consumers' Decisions on Where to Buy Ethnic Food

Consumers in Sweden have to choose either to buy ethnic food from Swedish grocery stores or the special food retail outlets. At one extreme, the specialist food retail outlets relies on the cosumers who are willing to visit this trading format for limited products. The idea here is based on the fact that, the foreigners who are used to the products in their home countries would be willing to make a special effort to visit those shops. Thus the reason why those shops are concentrated in areas where there are many foreigners and in the major cities.[120] However, specialized food stores in the Swedish market are not targeting only the foreigners, but also the Swedes who may value authencity of

[116] Olsson, A, interview, October 4, 2001.
[117] Redberg, M, interview, October 12, 2001.
[118] Englund, J, interview, September 27, 2001.
[119] Redberg, M, interview, October 12, 2001.
[120] Englund, J, interview, September 27, 2001.

the products.[121] Those specialized food stores are appealing to customers through competitive prices since they do not have the financial strength to advertise their products.[122] [123]

In other cases, the consumers in Sweden are willing to drive considerable distances to the large grocery stores, mainly because the assortment of goods in those shops justifies the trip. The consumers who wishes to purchase a large selection of these items during a single trip would always opt for larger stores. Thus larger stores such as ICA, KF etc, that sell very large numbers of food and non-food items rely on the range as a major competitive advantage.

However, within each chain of distribution, there is a business idea that is followed. KF follows competitive prices business idea, while ICA follows both competitive prices business idea and high prices depending on the business location. Quite aware of this the consumers know where to buy given their personal considerations. Table 3 shows the basis on which the end-users make their decisions on where to buy ethnic food.[124]

[121] Sali, interview, September 17, 2001.
[122] Indian food store, interview, September, 2001.
[123] Asian food store, interview, September 2001.
[124] Englund, J, interview, September 27, 2001.

Table 3 *Basis of consumers' decisions on where to buy ethnic food*

Retail Format	Consumer Requirements	Merchandise
Large-Discount Stores	Low prices	Wide product range Leading brands
Convenient Stores	Time/Convenient	Premium prices Wide product range Few lines - leading brands
Superstores	Time/Convenient	Wide product range Competitive prices Leading brands
Exclusive stores (ICA Focus & Konsum)	Exclusivity	Premium prices Wide product range Leading brands
Specialized food stores	Choice/Originality/Price	Narrow product range but in depth

Source: Our Own.

6 ANALYSIS OF EMPIRICAL RESULTS

In this chapter we present the analysis of empirical results, which is divided into two sections, macro and micro environments. The analysis of the macroenvironment highlights the socio-cultural, economic and technological drivers in the food industry. The analysis in the micro environment concentrates on the ethnic food segment of food industry in Sweden, food regulations and the analysis of the ethnic food industry was partly based on the industry analysis model, thus such concepts as industry logic, actors, industry development, substitutes and key success factors are used.

6.1 Macro Environment

6.1.1 Introduction

A combination of macro-level factors such as economic, technological factors, population structure and other cultural factors in Sweden continue to influence the food industry in different ways. These factors determine what the consumers are ready to buy and why. The factors have effect on the product categories that are likely to be in demand now and in future, and also which brands will continue dominating the Swedish market for ethnic food.

6.1.2 Influence of the Economic Factors - An Affluent Society?

Economic growth and development has been positive over the years particularly so in the 1960's till early 1980's. Even with the slow down from mid eighties, the living standards of the Swedish community remain quite high. For those who are unable to provide for themselves by going to work, there is an 'economic safety net' which implies that no one need go hungry or suffer material loss because of illness or unemployment. As a result Swedes indulge in consuming whatever product/service currently in fashion. Thus the Swedish community can be described as an affluent society. This can be reflected from the private consumption figures and general trends in all areas pertaining to food. A clear indication of this is the fact that shops are brimming over with expensive goods, advertisements clamor for attention insisting that they buy, and many people seems to have enough to purchase just about anything they choose. According to a survey conducted recently by a travel agency, only one Swede in ten says he or she cannot afford an annual holiday, which shows that

Swedes travel a lot. As individual incomes have improved over the last decades, the Swedish society has been able to change in regard to use of leisure time. Eating out has been one of the habits of Swedish society, something that is very common in all age groups.[125]

Thus, the Swedish market for food in general has an enormous potential despite the population size, given the number of the Swedes that have good purchasing power. Money to spend is not the issue with majority of the Swedes, the concern to most of them is quality of what they are ready to consume. Therefore, companies trading in food have to be very conscious about what they are putting on the Swedish market, since quality is more important than the price, a clear indication that there is always potential for premium brands.

6.1.3 Implication of Cultural Factors

6.1.3.1 Demographic Factors Implication on Food Industry

Sweden is a small market in terms of population size, however the composition of immigrants population will determine the type of ethnic foods that the stores and manufacturers focus on. The population composition by age will also determine the growth rate of the ethnic food business in Sweden. The old generation may be going for the old brand they are familiar with while the young and the middle-aged group is the one who does not resist change and it welcomes new brands. Thus, the population below fifty years is the backbone of this industry and it is quite a big number according to the above statistics. This is the population that is adventurous and would always try something new. With this kind of population structure, there is a potential for growth in the ethnic food business, a situation that is made more favorable by the cultural influences discussed below.

6.1.3.2 Implications of Changes in the Swedish Society on Food Industry

Socio-cultural, economic and demographic changes have a significant effect on food consumption in the Swedish market. For instance over 1.5 million Swedes are in the old generation (above 65) and more people are becoming single parents. As a result, they do not have time to prepare meals and therefore

[125] Häggström, A, interview, September 18, 2001.

are moving towards easy-to-prepare meals. This is a clear indication that frozen or microwave meals will continue to be in high demand in Swedish market. The consumption of frozen food products and salads have been increasing steadily over the last five years. At the same time manufacturers have embarked on innovations in areas of product presentation and packaging in this area in order to cope with consumer demands. Consumers have interests in oriental dishes of Mexican, Hawaii, Thai and Indian origin, and the old generation tend to identify with old brands such as: Findus and Felix, which have extended their business to oriental dishes mentioned above.

Another new development in consumption habits is that, due to lack of time about 20 percent of meals are currently eaten out of home. Fast food is therefore the area benefiting most from these changes in consumption habits of Swedes, and it is now starting to become part of the traditional restaurant sector. Eating out being a hobby of most Swedes means that, trying foreign dishes and recipes is very common with the Swedes. Therefore the changes in lifestyle of the Swedish society and the subsequent shift of emphasis in food consumption considerations, such as convenience, will continue to have a significant effect on the ethnic food segment.[126]

Due to the fact that Swedes like traveling to many parts of the world, they have acquired the taste for exotic foods, which has been enhanced by their curiosity to try something new, provided it is nutritious and of bold but mild taste.[127] This explains why Indonesian and Chinese food have become more famous than Indian food. The Indonesian dishes are rather mild compared to Indian food, thus the taste of the former dishes coincides with the taste of most Swedes. Therefore as manufacturers choose their ingredients, they should always put this factor into consideration. Currently, the Swedes are traveling most to Asian countries, which has exposed them quite a lot to the Asian foods, a fact that explains the increase in demand for Asian food in this market.

The increased information flow coupled with improved standards of living due to improved income levels has led to a situation where, what was once a trend

[126] Sida, Ethnic food in Sweden report, 1998.
[127] Ibid.

for an exclusive group has becoming more common for most Swedes.[128] This can clearly be seen from the fact that, Swedes eat more noodles per capita than other Europeans. At the same time, Swedish food manufacturers have acquired the position as leading European exporters of Mexican food products.[129]

Awareness in the Swedish society has brought in a new trend in terms of what the consumers in Sweden are ready to consume basing their choices on health considerations. The increased health awareness (food/fit link), has led to increased concern of what sort of food to consume in order to come up with health solutions alternatives.[130] The Swedish society's demand for "natural" (organic) and "healthy" food products is growing steadily. The environmental or "green" philosophy that is a considerable factor in Swedish market is seen in the food and beverage market with significant consumer awareness in the area of food safety and healthy eating habits. Consumers are willing and able to pay higher prices for food and drink products that fall into these categories.

6.1.3.3 Implications of Swedes Being a Time Conscious Society

The fact that the Swedes are so conscious of time and meeting the deadlines means that, the suppliers has to be so keen when it comes to delivery of the food products to the distributors. Failure to do so may mean being delisted by a Swedish partner.

6.1.4 Implication of Technological Factors

As demand for functional foods has continued to increase, common guidelines have been developed by the Swedish food industry. This is in regard to the use of product specific claims in the labeling of functional foods, in anticipation of legislation, which is to be realized during the year. At the same time, as the consumers get more concerned about healthy food the R&D within the food sector becomes very important. Thus companies producing food have to be very alert in producing new products which will stand up to the consumers requirements. This in turn means that companies have to spend a lot of their resources on R&D and innovation. Otherwise the company may not survive the stiff competition in this industry. It is therefore important for a company to take

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[128] Hedberg, B, interview, September 25, 2001.
[129] Ibid.
[130] Ibid.

this in consideration when exporting to Sweden. A foreign company operating in the Swedish market must have a lot of insight about the Swedish customers requirements and knowledge, so it can understand how to act on the market in regard to which type of products to put into this market.

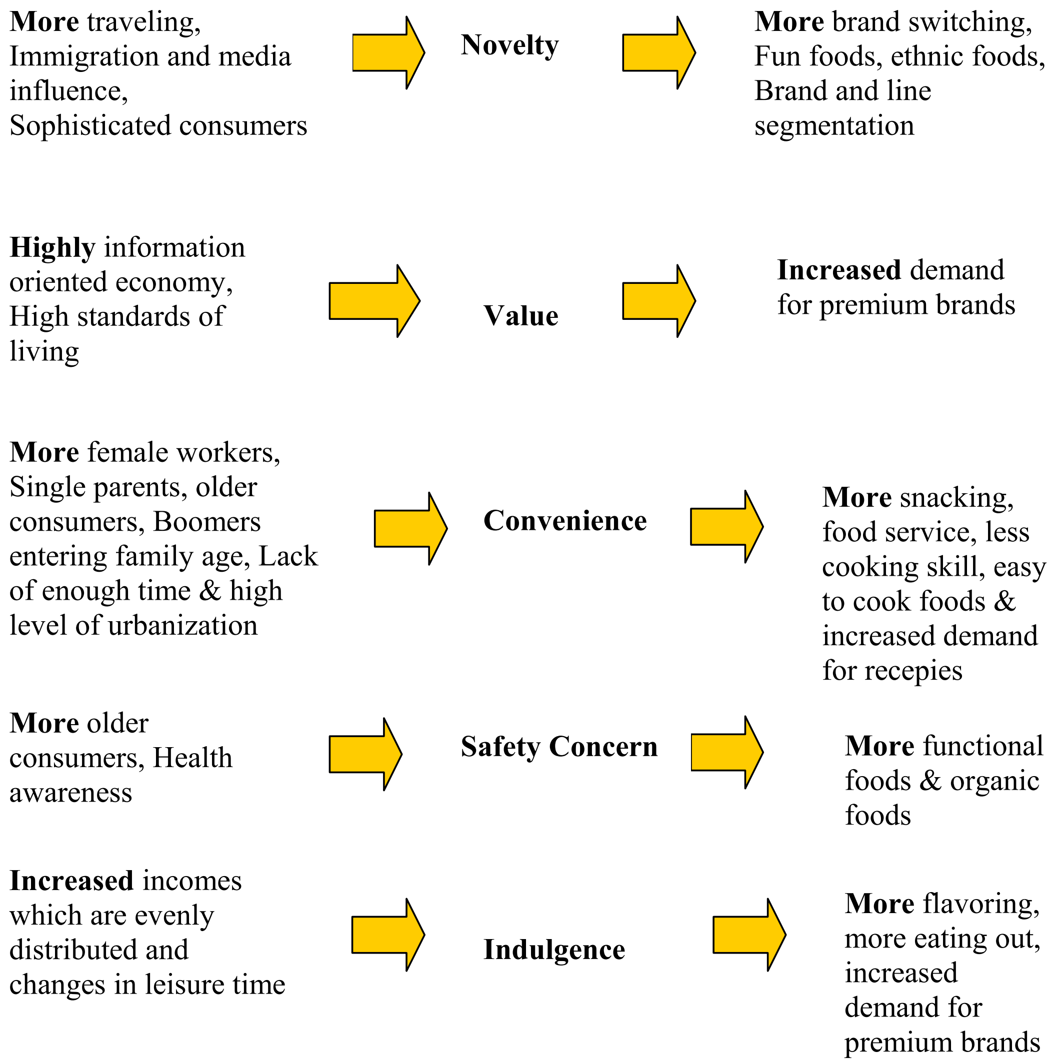
Technology has great influence on the product development and marketing of food in Sweden. It has influenced food industry in that, e-commerce has profound impact on the relationships between ingredient suppliers and food manufacturers, and between manufacturers and their customers in food service, wholesaling and retailing. Electronic commerce technologies in the food industry allow companies to reduce costs in a more cost efficient and effective management of their supply chain. By the supply chain, we are referring to upstream activities, internal activities and down stream activities. The upstream activities involve the raw material and service inputs from company's suppliers. The internal activities involve manufacturing of products and down stream activities include the distribution and sale of product to customers.

Even though Internet sales of retail food products so far has had limited proportions and only "early adopters" are shopping online today, big changes are foreseen in the near future given the documented widespread acceptance of Internet grocery buying. Remarkably many consumers are attracted by the thought of doing their food purchases from a computer and according to a recent market research in Sweden, every fourth, or 28%, (age 16-74) see themselves as future Internet customers within a five-year period of time. Among the younger age group (16-24), the share is 33% and among families with children as much as 39% like the opportunity.[131]

After having identified the factors above and highlighting the implications each is likely to have on food industry during our empirical study, we came up with the summary which shows the drivers from the combination of the macro-level factors which will continue influencing food industry in Sweden now and in future.

[131] Wilson and Otsuki, Global Trade and Food Safety: Winners and Losers in a Fragmented System, 2001.

Figure 6.1 *Summary of the Drivers Creating New Point of Value with Profound Consequences for Food Business in Sweden*



Source: Our Own

6.2 Microenvironment

6.2.1 Introduction

In order to position itself strategically, the new entrant needs to understand the necessary concerns that are of decisive importance for success within the ethnic food segment of food industry -- *Industry logic*. They include; implications of food regulations, actors and the basis of competition, industrial phase of ethnic food segment, so that we could identify the key success factors. Prerequisite for success in ethnic food industry is not only deduced by developing the understanding of who the actors are but also knowing what they are up to.

Furthermore, this also requires the understanding of both the entry barriers and threats of substitutes. All the concerns that we felt are of importance formed the topics of analysis discussed below.

6.2.3 Implications of Government Regulations on Food Industry

As regards taxation policy, the food imported from the less developed world is exempted but, while they can celebrate this, not many would find the rules regarding food handling in Sweden, as highlighted above, as simple to put up with. The authorized food importer in Sweden takes the trouble to inform the foreign suppliers about those rules and also assists as much as possible especially when it comes to putting labels in Swedish language. If the importer happens to import products without the label in Swedish, he has to incur extra costs of putting the right labels, which has negative effect on his margins. As a result, the importer wants to be guaranteed that the supplier can meet the demands of the National Food Administration Board before signing the contract with the supplier.

6.3 Actors

6.3.1 Type of Competitors

We have both *direct* and *indirect* competitors in ethnic food business. The direct competitors are those manufacturers and food importers who are represented in the distribution channels. They include the Multinational firms and the National brands group A and B according to our strategic grouping. National minor brands are also included in this category. The specialized food stores are excluded from this category and are classified as indirect competitors since they are targeting different customers and are not presented in the main retail chains.

6.3.2 Key Tools of Competition

6. 3.2.1 Product Range

It is quite clear that a wide product range is a source of competitive advantage to the firms involved in the ethnic food industry. However, the same weapon for creating a barrier against the other competitors is likely to work against the company concerned in some way. The end-users tend to get confused when it comes to selecting products of the company concerned from the stores. It becomes quite difficult to identify the difference between various products produced by such a company. This is the main problem likely to face Blue Dragon in the Swedish market.[132]

6.3.2.2 R&D

Successful firms in ethnic foods such as Santa Maria and Kockens tend to have realized that, success is not based on quite broad range of products that meet moderate success. They seem to be interested in launching the “right” products i.e. just enough products that have larger and broader commercial opportunity. To find these bigger opportunities, competitors have formalized their product development through extensive market research. The competitors are taking a very systematic approach for line extension. For instance, given that the basis for retailers when selecting suppliers is consideration of whether having a certain product in their stores will make other items to move, the R&D in ethnic food producing firms are struggling to come up with what is being referred to as “Combination Platters”. This is the idea of pairing products e.g. pairing breaded Mozzarella sticks with a new dipping source etc.

The organization of R&D in most successful competing firms has been adapted to cope with competition in the ethnic food segment of food industry. The successful firms in the ethnic food sector tends to organize their R&D into three groups; New product, existing product and customs pro products. The existing products’ group handles line extensions and focuses on product reformulation, process improvement and product maintenance. The new products’ group works on new product development concepts, new technology applications and a limited number of line extensions. To serve the national chain accounts, the custom group creates proprietary recipes to meet the chains’ particular demands.

The competitors have also realized that, the organization of R&D alone is not enough, the key competency is to make sure that R&D groups also understand the ethnic food business. The issue is staying closer to the customers in order to understand their needs. For instance, in order for Santa Maria to be proactive,

[132] Olsson, A, interview, October 4, 2001.

they have been doing their own market research on the demands of the end–users and then sharing the knowledge acquired with the retailers.

6.3.2.3 The Brand

The foundation for the ethnic food manufacturing company position in the distribution channel is derived from its ability to control the demand side of channels member operations. Thus the potential channel management role of the ethnic food manufacturers appears to hinge on the strength of their products and the brand. The brand constitutes a substantial market resource for ethnic food manufacturers when negotiating with chain stores. Strong brand creates a demand on the end of the supply chain -"demand-pull effect", such that the retail chain management feels obliged to have them in their stores to ensure the customers patronize their stores. This being the case then, there is clear feedback mechanisms in distribution system in the Swedish market that favors larger brands in comparison to smaller brands.[133] This can clearly be seen from the fact that strong brands are enjoying some benefits in terms of larger share of shelf space and first preference in allocation of the same or special displays/positioning. Such advantages combined with trade support for those products will definitely continue to earn the main competitors - multinational and national brand Group A, quite a large market share of the Swedish market for ethnic food.[134]

Since the brand is the key to acquiring shelf space in the retail outlets, the competitors are trying to build strong brands and to advertise through, stores campaigns, traditional campaigns magazines, billboards, TV, the Internet, demonstrations in the stores, and attaching the recipes on the products. Depending on their financial strength, some like Santa Maria are considering using cinema means of advertising. All the manufacturers are struggling to make sure that they are working together with the retail chains when they are carrying out direct advertising. The hotel and restaurants also help a lot in promoting ethnic foods that is if the recipes are followed in the right way.[135] The success of the Asian food in the Swedish market can be attributed to the large number of restaurants of Asian origin.

[133] Englund, J, interview, September 27, 2001.
[134] Redberg, M, interview, October 12, 2001.
[135] Olsson, A, interview, October 4, 2001.

6.3.2.4 Differentiation

While the strength of the manufacturers products and the brand are the key for the manufacturers to attract customers, the successful competitors have realized that there is more to this. According to product manager Kockens, the fact is "*Paprika is paprika whatever the source*". The proliferation of brands in all areas of ethnic foods-- herbs, salads, frozen foods and pre-ready foods on the supermarket shelves is a testimony to both the ingenuity of firms and the complexity of customer preferences. Therefore, according to all the manufacturers and the importers interviewed, the key issue is differentiation that extends beyond the physical characteristics of the product to encompass everything about the product and the value the customer drives from it. This is a clear indication that, differentiation opportunities in this sector arises from both tangible and intangible sources.

The tangible differentiation commonly emphasized by most competitors interviewed ranges from packaging, design, technology application, product performance and taste. The services that are complement to the ethnic food products are also important in relation to differential potential. The indirect differentiation critical to this sector includes availability and speed of delivery.

In the tertiary level, the way the manufacturers are dealing with the customer's problem matters in attempt to maintain the relationship between them. The way in which the firms relate with the retailers when returning goods is also important. The nature of the relationship determines the ease with which the manufacturers can acquire shelf space and also time allowance for the manufacturers products on the shelf before the retailers impose a fee on the "stuck on the shelves products".[136] [137] Sales force must foster this relationship and the competitors must realize that, good service in terms of solving customer's problem and flexibility which culminates to rapid response to customers' needs are also some of the pre-requisites for success.[138]

[136] Olsson, A, interview, October 4, 2001.
[137] Häggström, A, interview, September 18, 2001.
[138] Olsson, A, interview, October 4, 2001.

6.3.3 Competitive Strategies

The multinationl firms and the National Brands category A follows a broad differentiation strategy, which seeks to provide ethnic foods that are unique and different from those competitors in terms of all the dimensions valued by the consumers in Sweden. The aim of those manufacturers is to achieve higher market shares and enhance their profits through selling at slightly higher prices.[139] [140]

National brand category B are following a hybrid strategy, where they are seeking to achieve product differentiation by enhancing their value but selling them at competitive prices compared to the competitors in the multinational and Group A national category of firms.[141] The specialized food stores are following a low price strategy, where they seek to achieve a lower price than competitors while still tying to maintain similar value of the product to what is being offered by the competitors.

6.3.4 New Dimensions of Competition

Competitors have for the past few years been concentrating on one or just a few products of a certain origin. Given that the areas of specialization of some companies are becoming saturated, the companies are trying to diversify by introducing lines of ethnic products that are now more promising basing their judgments on where the Swedes are traveling to. Right now competitor like Santa Maria is not only concentrating on Tex Mex, they have also moved into Asian food. Other companies like Agro-Union are not only concentrating on the South Eastern Europe ethnic foods and Mediterranean ethnic cuisine, but they have now moved into African ethnic cuisine.

Having realized that oriental dishes are in demand, famous brands like Findus which were previously concentrating on the traditional European dishes and salads, have now decided to try their luck in this new line of business. They are now manufacturing some oriental dishes of Indian, Asian, Mexican and African origin. In African oriental dishes, Findus is concentrating on Couscous, a Northern Africa cuisine.

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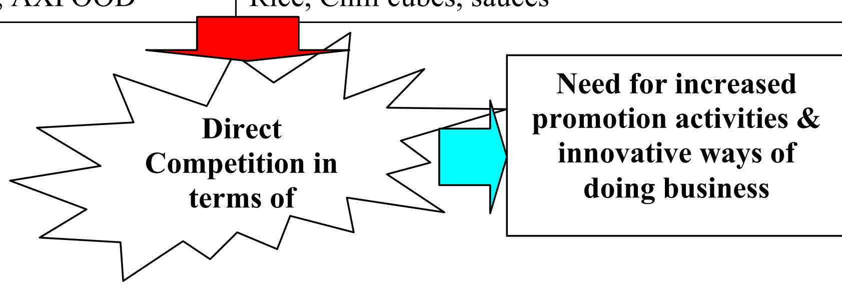
[139] Häggström, A, interview, September 18, 2001.
[140] Redberg, M, interview, October 12, 2001.
[141] Ibid.

New companies like Top, Ti Food AB and Mediteran Food AB did not exist a few years ago, but now they have entered into this segment. Blue Dragon which was concentrating on other markets in Europe, has also come to Sweden to try its luck, and it is posing a big threat to major national brands like Santa Maria. This means that the competition will even become stiffer than before, given that the firms will find themselves becoming direct competitors in regard to product similarity. Table 3 illustrates the new developments we have identified in the ethnic food segment of food industry.

Table 4 *New Developments in Ethnic Food Industry in Sweden*

THE OLD SITUATION	
Company	**Specialization & Existence of Firms**
Santa Maria	Mexican
Agro-Union	Mediterranean food, South & Central Europe foods
Findus, Felix, Hälsans kök Dafgård, Guldfågeln and Kronfågel	Traditional Swedish Food
Uncle Bens	Rice
Estrella AB	Mexican food
Ti Food AB, Top AB	Not Existing
Mediteran AB	Not Existing
Specialized Food Stores	Present but few in Number

PRESENT & FUTURE SITUATION	
Company	**Area of Specialization**
Santa Maria	Mexican **and** Asian food **and African food?**
Agro-Union	Mediterranean food, South & Central Europe foods, **and** African food
Findus, Felix, Hälsans kök Dafgård, Guldfågeln and Kronfågel	**Extended product lines** towards Japanese Mexican, Thai Chinese and Indian pre-ready and frozen food and African couscous
Uncle Bens	Rice **and** Chinese, Thai, Indian, Oriental, Indonesian sauces
Estrella AB	Mexican food
Ti Food AB, Top, Blue Dragon **(all New players)**	Asian and Mexican food
Mediteran Food AB (New)	**Now** Existing with Mediterranean food
Specialized Ethnic food Stores	**Large in size and increasing** in numbers
DOB, ICA, AXFOOD	Rice, Chili cubes, sauces



Source: Our Own

This implies that, the companies that were more diversified in terms of the regions they represent in their product range may stand to benefit if the trend in the ethnic food sector favors them. They will be able to secure some first mover advantage, which is a source of competitive advantage. However, even if a small competitor has some first mover advantage by being the first trader in some ethnic food of a certain region, the competitors who are strong in terms of promotion activities can easily succeed in eroding this first mover advantage. A good example is between Old El Paso and Santa Maria. Santa Maria has been able to overtake the former by maintaining consistency in its promotion activities.

6.3.5 Customers (Resellers & End-Users)

The shift in the power through the concentration going in the food retail business has led and will continue to make the food distributors more sophisticated in their buying operations. They are not only keen on prices but they demand long-term relationship with the suppliers who are able to deliver to them. There is likelihood that retailers will continue to exert discriminatory buying power over manufacturers and appointed distributors and that the chain stores will continue to shoulder the traditional functions of the suppliers. As the competition between the chains intensifies, they will be ready to carry out such functions as advertising, product design and development. This can be attributed to the increasing retailer knowledge of the market and the consumer behavior.

The business customers and end-user purchase decision is not based on just one element but a combination of them. Firms that will succeed in the Swedish market are the ones that will not only focus on one element but several of them. The table below shows the customer demands depending on whether the customer is an end-user or a reseller.

Table 5 *Swedish customer motivation grid*

Segment	**Motivation**
Business Customers	Reliable suppliers, Good service, Quality, Wide range, Price, Brands, Long Term Relationship
End-Users	Quality Recipes, Price, 'fit and finish', Brand reputation

Source: Our Own

6.3.6 Barriers of Entry

Since the intermediaries control the channels of distribution, the difficulties encountered when trying to gain access to the distribution channels is a barrier that is very obvious in Swedish market. Another barrier worth mentioning is differentiation of products, which makes the established firms to have advantages of brand recognition and loyalty. This means that to launch a new product is so demanding to the firm concerned in terms of trying to gain recognition.

As we mentioned earlier Swedes like trying new things provided they are of high quality. Therefore we can argue that the Swedish culture is not a barrier to entry into the Swedish market. However, there is a feeling from the retailers interviewed that there is the stereotype of Africa which is hard to defeat, which means that it is difficult to convince the consumers about the quality of the products from Africa. For instance even if an African manufacturing firm positioned itself in the Swedish market with products of high quality at competitive prices, it may not capture any market, because it is difficult for customers to trust products of African origin. For a foreign firm to venture into Swedish market, it is good to go through a firm with long experience in the Swedish market, such that the consumers know the company and can identify the products of this company as products of high quality.

6.3.7 Substitutes

6.3.7.1 Cheap Imported Products

The degree of customers' sensitivity to price is determined by availability of substitutes for a product. The absence of close substitutes for a product means that customers are comparatively insensitive to price. This makes the demand for that particular product inelastic with respect to price and vice versa. In case of ethnic food manufacturers, there is to some degree a threat from cheap imported products by specialized ethnic food wholesalers and retailers who import directly from their home countries and sell directly to the consumers or to resellers. Some retail outlets are considering buying from specialized food wholesalers because of high profit margins they expect to get from those products compared to what they get from products from either the appointed distributors or the manufacturers.

However, there has been complains from the grocery reatilers that the products bought from specialized retail food stores are not meeting packaging standards required in the Swedish market. Some specialized food retailers fail to put the instruction of use in Swedish langauge after importing into Swedish market, only the expiry dates are in Swedish. This is a clear indication that, although the specialized shops claim to be targeting both the Swedes and the foreigners, this may not be the case because not many Swedes will be ready to buy products which are not labeled as per the E.U. labeling standards. This also means that the grocery shops buying from specialized food reailers have to bear the cost of putting the instructions of use in Swedish, which reduces the margins they expect to gain from those products. Given such complains majority of the large retailers will continue buying their products from the appointed distributors and the manufacturers

6.3.7.2 DOBs

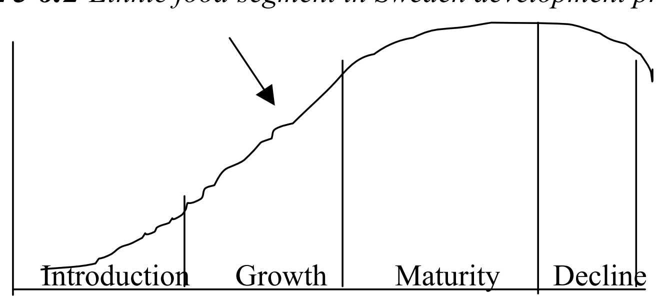
In the ethnic food market, retail chains are launching their own brands (DOBs) which will force the manufacturers to compete with the owner of the shelf space in addition to "traditional" competition, meaning that DOB has become another substitute of some kind. ICA for instance are packaging their own souces and chili cubes as a way of trying to create positive associations to their store, given the fact that the end-users cannot find the product elsewhere in

Sweden. DOB is something that the manufacturers should watch out for the private brands may even supersede the quality manufacturers products. DOB in this case becomes premium private labels which will finally become a "very difficult competitor to defeat". The manufacturers and the appointed distributors like Agro-Union and others must know that the control the retailers have over private label enables the retail chain to quickly respond to demand changes. Since the retailer does not have to buy distribution, costs for DOB are quite low which will enable the retailers to take the risk connected to product innovation.

Furthermore as competition between manufacturing firms and food importers ranges, many manufacturers may be ready to stoop to a self defeating strategy by supplying unbranded goods to the retail chains which may be used to defeat manufacturers on the retailer's shelves. This will lead to "the trapped brand situation" meaning that the manufacturers are likely to lose market shares however strong they may have been in the past and their main competition weapon which is promotion will be rendered uneconomical.

6.3.8 Industry Development Phase

Figure 6.2 *Ethnic food segment in Sweden development phase*



Source: Our Own

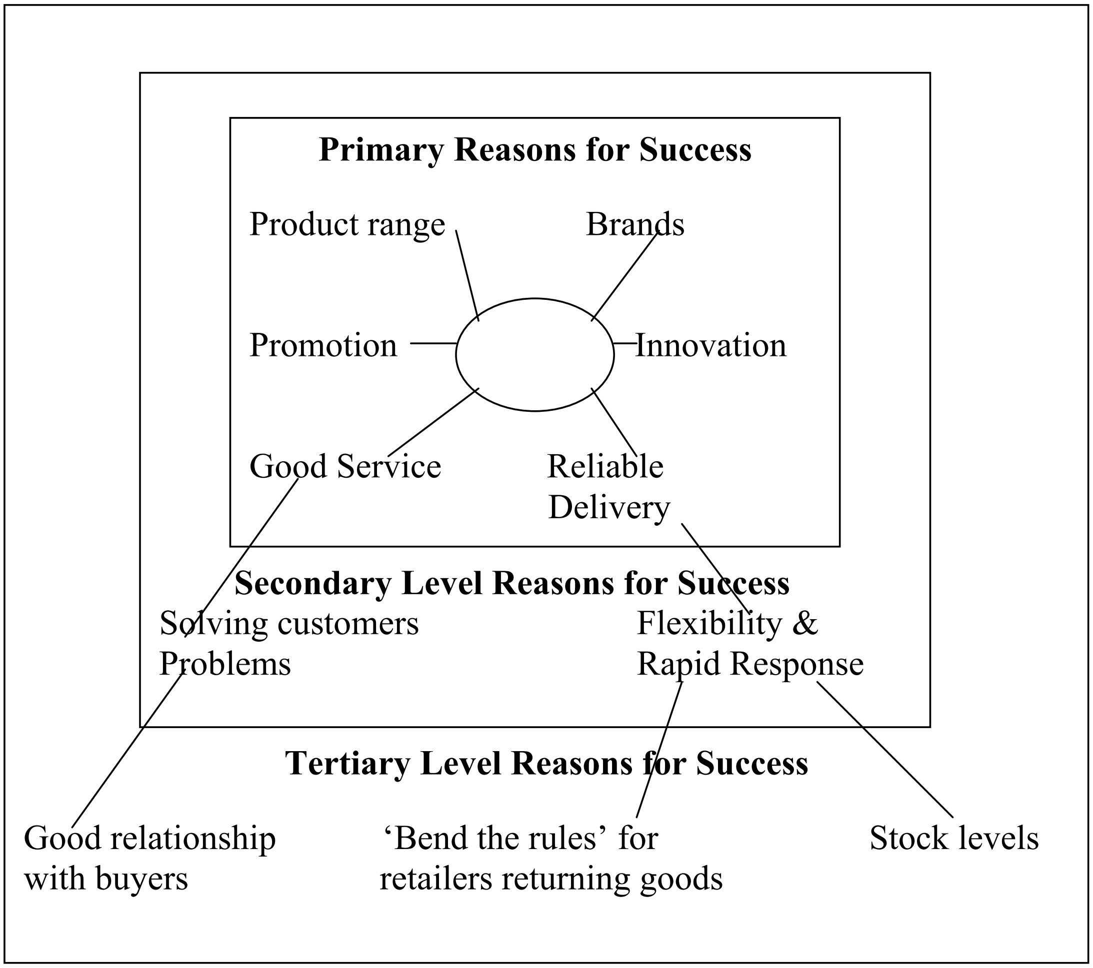
The ethnic food industry seems to be in the growth stage, since it has been growing steadily at a rate of 7% yearly. Right now eating different exotic foods is fun and as more and more Swedes get exposed to foreign dishes and recipes, the industry will continue to grow. The sauces segment is growing dramatically fast at the moment due to the image exotic food gotten in the past. The ethnic foods whose demand is increasing includes; Herbs and spices typically Asian, spicy low fat content dressing sauces, spicy sauces, chutney, noodles, curry paste, sesame paste garlic – fresh and dried, frying mix, spice mixtures, coconut milk from Asia, and taco products. Others include; ingredients for wraps and spring rolls, egg and rice noodles, couscous, canned wok vegetables, canned bean sprouts and canned fruits. The growth signs means that more and more foreign manufacturers will continue to try their luck in this segment and the scramble for shelf space to place new products will continue.

However, the growth rate we have given here should not be grossly applied to all exotic foods, for some exotic foods the market seems to be saturated for instance the Italian foods market does not have any potential for growth any more. Eating Italian food is not seen as something "fun" it just like any other Swedish dish, and thus Italian food is no longer exotic to the Swedes. The Mexican food has also been in the Swedish market for quite a long time, and soon it may not be regarded as exotic any more. According to product manager at Kockens although there is growth in the dry spices fresh spices will become more important in the future.

6.4 Conclusions of the Industry Analysis

Various drivers continue to shape the future developments in the food industry. The analysis also shows that, competition in the ethnic food sector is becoming quite stiff thus, the firms that will survive are the ones whose competitive advantage is based on complex bundles of organizational capabilities rather than individual resources and capabilities. Such a move makes it more difficult for a competitor to diagnose the determinants of success in the rival firms. It is clear from our analysis that the reasons for success in the ethnic food business can be grouped in three levels; Primary level, Secondary and Tertiary level. Figure 6.3 shows the key success factors in this segment.

Figure 6.3 *Summary of Key Success Factors in Ethnic Food Industry in Sweden*



Source: Our Own

Figure 6.3 shows that, it is important that the ethnic food manufacturers are able to identify the bases of the perceived value by the customers, in this case the retailers. This has to do with the reputation of the ethnic food manufacturers delivery service and its production range and innovation associated with it. The Brand strength is built and maintained through promotional activities. Promotional activities are therefore important in attempt to create brand awareness. All those elements forms the core reasons competencies, which we can classify as the primary reason for success.

As our analysis above shows, a good deal of the ethnic food manufacturers success is underpinned by their efficiency in distribution, which is achieved through flexibility and rapid response. Another factor that supports the core competencies above is the manufacturers' ability in solving customer's problems. These supportive factors are the ones we are referring to as secondary reasons for success.

Lastly, each of the secondary reasons for success should be unpacked by the ethnic food manufacturers by asking themselves various questions. For instance, why are the competitors flexible and how is it possible to solve customers' problems. By so doing we felt that the manufacturers get to what we referred to as tertiary reasons for success at operational level of detail, that may not be immediately obvious. For example, to achieve rapid response in regard to delivery, the manufacturers have to check their stock levels. The management may be forced to 'bend the rules' when it comes to taking back goods from major retailers even if the systems of the business did not allow it. This is mainly for the sake of trying to maintain good relationship with their customers, which is a source of competitive advantage in Ethnic food business.

7 HOW CAN ECI POSITION ITSELF STRATEGICALLY IN THE SWEDISH MARKET?

In this chapter, our aim is to answer our research question by presenting normative implications derived from our analysis in the previous chapter. The issues discussed below are of importance to ECI positioning starategy since we will identify both opportunities and challenges present for ECI in the ethnic food segment of food industry in Sweden. Furthermore, ECI's positioning strategy will be highly guided by the distributor's competitive strategy and how the ECI brand - Cass Abrahams is positioned in this market. The difficulties that face new entrants in their attempt to secure shelf space in Swedish market made us to comment briefly on the criteria for choosing a distributing agent. At the same time, the distributor-supplier relationshipis will be of great importance if the supplying firm is to succeed in Swedish market.

Main problem

How can a foreign, SME operating in the ethnic food industry, position itself strategically in the Swedish market?

7.1 Normative implications

7.1.1 Criteria For Choosing a Distributing Agent

Given the competion in the Swedish market, the choice of the distributor to do business with becomes an important issue to the exporting SME. There are several factors that the exporting firm should consider before choosing a distributor to represent it in Swedish market. For instance, the exporting firm must consider whether the distributor has established contacts with potential customers (retailers). This is in order to be assured of whether the appointed distributor will provide the exporting firm with the access to the distribution channels. The exporting firm concern is to look for possibity of reducing the high management cost of establishing and maintaing the relationships with the retail chains.

Another aspect that is of concern to the exporting firm is the distributor's commitment to selling the exporting firm's products. Athough this generally depends on whether the distributor will make money out of the exporting firm's products, commitment can also be assessed from the readiness of the distributor to assist the exporting firm in the innitial stages of preparation to enter the new market.

Another important factor for the exporting firm to consider is the strength of the appointed distributor in regard to the requirements of Swedish market. For instance, since this market is dominated by multinational firms and national major brands group A which are very strong in sales promotion, thus the exporting firm must also look for a distributor with promotion capabilities. This particularly so considering the fact that the SME's brand is new when entering this market and has to consistantly be communicated to the consumers.

7.1.1.1 Qualities of Agro-Union as Partner to ECI

Agro-Union, has been in Swedish market since 1970 thus it has accumulated a lot of knowledge about the Swedish market and has established a strong relationship with major distributing firms such as ICA, KF, AXFOOD and Bergendahls. In catering division, it has contacts with Servera, R&S, ICA Menyföretagen, Servicegrossister, Svensk snabbmat and others. Given that ECI lack market experience and it is quite small in size which implies that it is limited in terms of resources, it would be very expensive for it to establish such contacts. Right now Agro-Union has already managed to place ECI products in KF and AXFOOD and negotiations regarding this are going on between Agro-Union and ICA.

As a result, ECI does not require to have a great deal of capital investment and the risks it is likely to face are lower than if it followed the direct exporting or green field mode of entries. After all, ECI wants to have a fast mover advantage by being the first company to penetrate the Swedish market with a full range African Cuisine, thus the organic development of ethnic food business in Swedish market from the scratch through direct export or green field investments, would have been very slow and a difficult task thus eroding the first mover advantage.

Exporting through Agro-Union will also enable ECI to overcome some barriers in the Swedish market, particularly considering the fact that there are big cultural differences between Africans and Swedes regarding the ways of doing business and also the language barrier. However, Agro-Union does not have enough resources to compete on equal terms with Multinational and national brands Group A in regard to promotional capabilities.

7.1.2 Challenges

While the products from Africa countries are allowed tax exemption through GSP agreements, the rules on labeling per EU standards stands in Swedish market, and would be a big challenge for small firms wanting to enter this market. However the importers are always ready to assist the new entrant in handling this challenge.

Since ECI has entered the Swedish market through their distributor Agro-Union, there are no formal barriers in regard to food legislation. However, one thing is quite clear about the Swedish market. Large multinationals and national firms group A have well known brand names and good reputation in Sweden. In this case, it is rather difficult to compete against those firms. Competitors like Santa Maria, Kockens, Blue Dragon, manufactures products in large scale which enables them to enjoy economies of scale. Their marketing capability makes it quite difficult for new brands to compete on equal terms. This implies that, putting ECI’s product on the shelves is one thing, making them “move” is another.

In ethnic foods, there seems to be a big correlation between the famous cuisine and the number of restaurants serving it in Sweden. This could be seen with the number of restaurants serving Asian food and Indian food. For African food, there are no restaurants to support their cuisine, which means that the rate of creating awareness is very low or non-existent. The Swedes who travel to Africa have nowhere else to follow up what they tasted in Africa and they may forget the taste of African food, which has negative effect on the African products put in this market.

7.1.3 Opportunities

The positive trends in overall growth of the ethnic food business which is 7% per annum is one opportunity existing in Swedish market. The fact that the trend towards African food is slowly emerging is something that SMEs of Afriacn origin like ECI should not ignore. The increasing number of immigrants coming to Sweden and the Swedes' habit of wanting to try something new means there is great potential for this segment of food industry to continue growing. Although the travelling trends are not focused towards the African continent, the little travelling that is there is towards North and South African countries. Therefore, given that ECI is selling its products to catering section in the neighboring countries, more Swedes travelling there will be exposed to the Cape Malay foods which may have some effect on the Cass Cuisine in the long term.

The fact that the developments in the ethnic food industriy in Sweden is towards diversification by the existing firms gives ECI another opportunity in that it can sell OEM. However, selling OEM may not give it enough profits, thus it should concentrate on promoting its brand through Agro-Union for long-term benefits. After all given that ECI is already in Sweden with its new brand, selling OEM to another company in Sweden means that the company will be fighting its own brand.

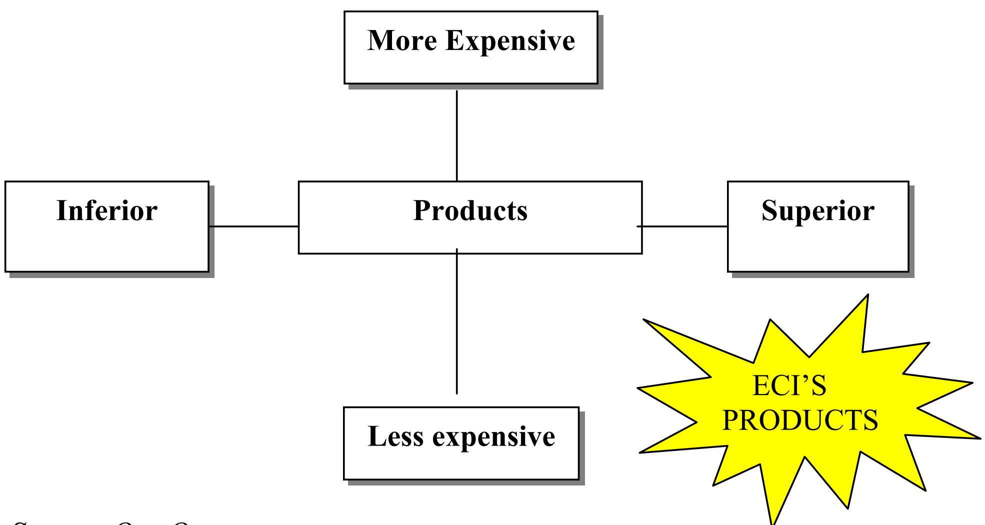
The stiff competition in frozen foods and pre-ready foods means that it would be very difficult for ECI to venture in those areas. After all the processes involved in manufacturing products in the two categories is rather expensive for a small company like ECI for the moment. However, opportunity does exist in the fresh vegetable salads line of business. Packed fresh sallads from Zimbabwe, Kenya and other African countries are doing well, since the processes involved here is cheaper than any other.

7.1.4 Positioning of ECI Products in Swedish Market

Positioning of exporting firm's product in the Swedish market will definitely depend on how the distributor's products are positioned in this market. By developing this understanding, the exporting firm is in a position to know which elements to emphasize in their current and future operations strategy in order to achieve their goals.

Agro-Union as the appointed distributor of ECI products is competing with products of high quality at competitive prices in relation to that of other competitors. Thus Agro-Union is following a hybrid strategy which seeks to simultanously achieve differentiation at a price slightly lower than that of the competitors, and in this case ECI products has been positioned the same in Swedish market (see figure 7.1).

Figure 7.1 *The Positioning of ECI Products in Sweden*



Source: Our Own

This strategy suits ECI since the company is entering into a market with established competitors, where high prices and new products may work against the company. Considering the competitive situation and the consumers demands, this is the only strategy through which ECI can establish a foothold in the Swedish market from which they can move further in future.

The success of this strategy depends on the ability to understand and deliver enhanced value in terms of customer needs, while the firm also tries to maintain a cost base that permits low prices and is sufficient for reinvestment to maintain and develop the basis of differentiation. In following such a strategy therefore, ECI should ensure that;

- ✓ The overall cost base is such that low margins are sustained

- ✓ A follow through strategy has been considered for when the entry to the market has been achieved

- ✓ Principles and methods of achieving quality in production are followed to avoid the 'trade-off' between high quality and low cost.

- ✓ Innovations in manufacturing technology and manufacturing management should result in simultaneous increases in productivity and quality. By this we refer to a situation where ECI strives for fewer defects and greater product reliability.

7.1.4.1 ECI Key Strategy Elements to keep up with Demands of the Hybrid Strategy.

The key elements that ECI should emphasize on its strategy in order to compete in the Swedish market are summerized in figure 7.2 below.

Figure 7.2 *Key Elements of Importance in ECI Future Strategy*

	Key Strategy element	**Resource & Organization Requirements**
	Design for manufacturing	Process re-engineering
	Effiecient plant	Tight cost control
Hybrid Strategy	Control of overheads & R&D	Job specialization
	Emphasis on brand building	Marketing abilities
	Quality	Product engineering skills
		Creativity
		Research capability

Source: Our Own

ECI current and future strategy should stress the importance of branding, advertising, quality and design. This calls for creativity on the part of management, marketing skills and research capabilities to facilitate product engineering skills.

ECI has almost all of the elements in its strategy but some of them cannot be fully developed because of lack of financial resources. For instance, Brand building is not emphasized the way it should be, while the manufacturing plant is rather small making the working environment unfavorable for the ground staff. To increase the eficiency in creating value demanded by the customers, there is need for job specialization but right now this is impossible since ECI is not in a position to hire enough workers.

7.1.5 The Brand

The analysis done on Swedish market shows that, brand is the key when competing with other firms and for this reason, multinational and National brands group A are dominating the ethnic food segment of food industry. Thus the new entrant must be keen on how they position their brands in this market. A brand should position itself in the market by communicating the three benefits that the brand aims to provide to the customer. They include functional, emotional and self-expressive benefits. Functional benefits include quality, and safety and they have direct link to customer purchase decisions. Emotional benefits is when the customer purchases the brand and gets a positive feeling, for instance feeling safe. Self-expression attributes helps the consumer to express themselves.

Although ECI brand is new in this market, the company has tried to cultivate most of the above benefits in its brand -- Cass Abrahams Cuisine by emphasising quality and originality. The brand is well supported by a symbol to make it easy for the consumers to identify the brand. The Cass Abraham and chef Khumalo symbols involves a metaphor -- "Taste of Africa" which emphasizes authenticity/originality of the product. Thus the Swedes seeking authencity of African cuisine, may be attracted to this brand if this attribute is communicated effectively. The experience and qualifications of the chefs as hilighted on product range of Cass Abraham and Chef Khumalo is a guarantee of quality. Thus the targeted consumers are guaranteed of quality from the ECI products which should make the consumers feel safe when using the product.

7.1.6 Responding to Challenges – Degree of Match

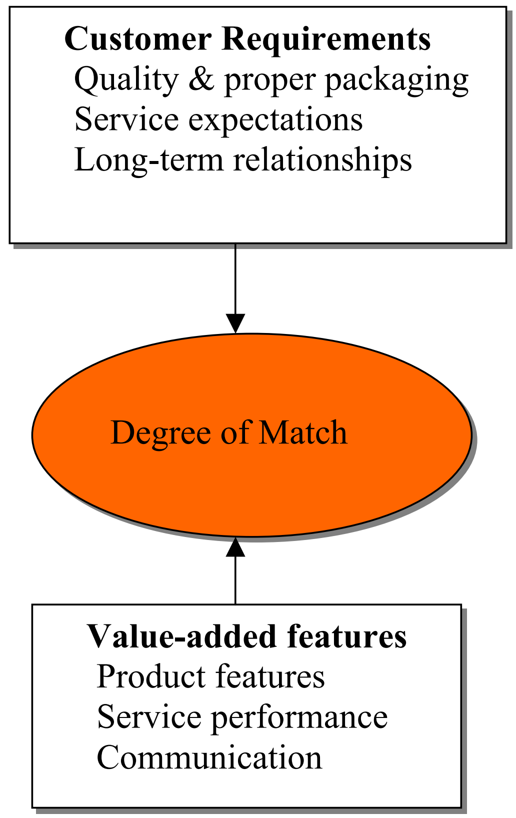
Competition in the ethnic food segment is getting tuff and it is based on several factors. Therefore, the SMEs venturing into it must try to achieve the highest level of "effectiveness" in order to respond to challenges they are likely to encounter. We acknowledge that the term effectiveness is difficult to define and in this case we are looking at it as a measure of the level of value, which can be created from a given level of resources. "Effectiveness" therefore needs to be looked at on the basis of how well the organization is matching its products or services to the identified needs of its customers and the competencies, which underpin this effectiveness. Such core competencies include:

- ✓ The ability to offer high quality products and the services that support the product as expected by the customers.

- ✓ Ability to ensure that the systems for communicating with customers before, during, and after purchase adding the value to the relationship. It also applies to the process through which brand name or corporate image is built and communicated through marketing literature or whether sales information is in place.

We used figure 7.3 in an attempt to explain how the SMEs interested in entering the Swedish market should match the customer requirements and value-added features that we felt are a pre-requisite for success in this market. The term customer in this case is referring to business-to-business customers, while service performance in regard to ethnic food business refers to delivery.

Figure 7.3 *"Degree of Match"*



Source: Our Own

The business customers in the Swedish market are very concerned on the quality of the products and product attributes as demanded by the end-users. They are also demanding long-term relationships with their suppliers. Thus SMEs preparing to enter this market must respond to this by providing well-packed products of the right quality. The way in which the suppliers relate to the business customers before, during and after purchase is also very important in Swedish market. To create awareness, the product attributes must also be communicated to the customers. Delivery service is another important value added that SMEs should not ignore since the Swedish business customers are so keen on this.

Since retail chains are demanding long-term relationship with their suppliers (manufacturers and importing firms), the latter also desire to have long-term relationships with their suppliers. Therefore, the exporting SMEs must realize that the existing relationships between them and the distributors are a powerful barrier to the entry of another company to replace them. The barrier consists of uncertainties for customer in any change of supplier and the distance that exists between the buyer and the potential seller after having been concentrating on a given relationship with one supplier. Good relationship with Agro-Union is therefore an asset that should be cultivated in order to reduce the effects of the ever-increasing competition and also to facilitate the success of the ECI positioning strategy. [142]

ECI success in the Swedish Market will depend on its relationship with its distributor, which in turn will be determined by whether the company will guarantee Agro-Union with continuous supply of high quality products which are well-packed, as demanded by the Swedish customers.

Since the ECI products are new in Swedish market, communication of the brand attribute is also very important since it has a lot of influence on the customer's purchase decision. The functional, emotional and self-expressive attributes of the brand should be effectively communicated to the customers. Intensive advertising is what is necessary in order to show the brand image. The aim of doing so is to facilitate the message of the brand and to give a holistic picture of this brand.

However, if ECI is to compete on value added basis, it is important to remember that the detailed assessment of value added must be done from the point of view of the customer or end-user of the product. Although this may seem quite obvious, the company may not do this so easily due to the fact that several intermediaries distance these companies from the final users, in this case distributors and retail chains in Sweden. Although it is important to recognize the strategic role of the intermediaries as direct customers, there is a danger that an understanding of value to the final customer is filtered through or interpreted by these other parties rather then assessed directly by ECI. In other words, there is possibility for ECI to remain out of touch with realities of Swedish markets. In the extreme, this could result in its product being substituted for another. To avoid this, a good relationship between ECI and its

[142] Gordon, 1998.

distributor is important in order to facilitate the sharing of information between them.

7.1.7 Distributor – Supplier Relationship

As highlighted in section 7.1.6 above, the success of the positioning startegy of firms entering Swedish market is highly dependent on the relationship between the exporting firm and the overseas distributor. ECI had an agent, Stevens and Brotherton, handling the company's sales in U.K in late 1999, but due to "non-performance" ECI terminated this relationship. This makes analyse and comment briefly about exporting firm-overseas distributor relationship for the sake of ECI-Agro-union relationship. The main thing here is to understand how it is evolving in order to establish what ECI should do to make this relationship grow to the final stage (Long-term relationship stage).

7.1.7.1 Process of Establishing a Relationship with a Partner

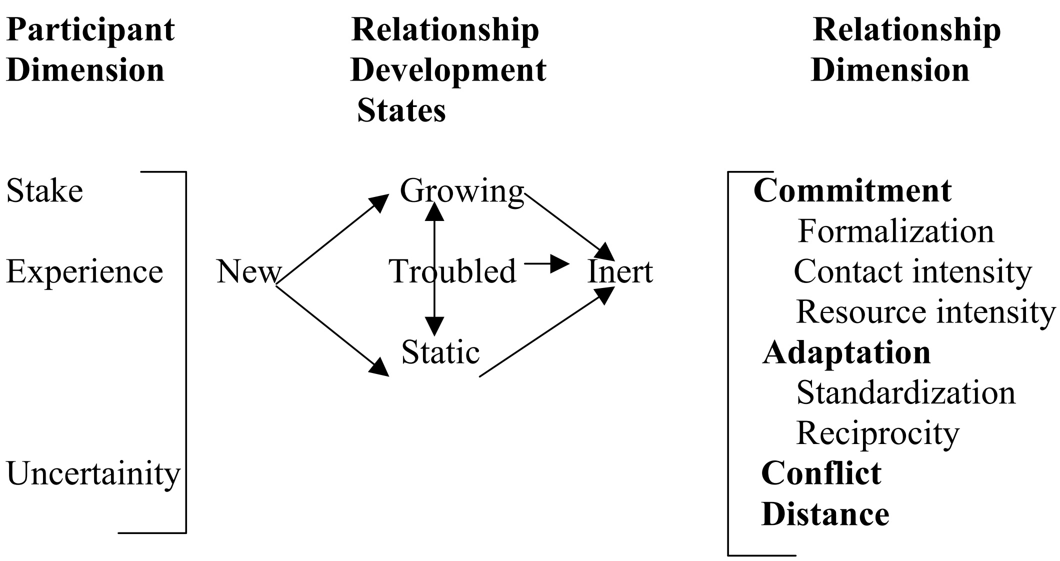
The process of establishing relationships that have meaningful sales results requires that distributor and suppliers desire such relationships. Only when that linkage is sought will the efforts of the supplying organization bear results in the form of financial rewards. The desire for such relationships depends on the stage the relationship has achieved. In the early stages of involvement between a selling and buying firm, the customer only expects a low relational involvement and primarily focuses on overall satisfaction with the product as the governing construct for future involvement. Over time, this construct can shift to a high relational involvement where the customer uses trust and commitment as the mediators for determining future activities with the selling firm.

Looking at ECI-Agro-Union relationship it is in the development stage, since Agro-Union has already assessed ECI and has concluded that it can meet the requirements for a good supplier. ECI also has sent Agro-Union the product samples, which have already met the requirements. The first orders have also been received and the products are already on the retailers' shelves.

7.1.7.2 Export Manufacturer-Distributor RelationshipDimensions

In order to understand the dimensions of ECI-Agro-Union relationship, there is a need to first of all analyze in general the three relationship dimensions as presented by Ford in figure 7.4. The dimension the realtionship takes is determined by several elements swhich includes the contact intensity and resource intensity. These are signified by how the parties are in contact and the level of parties resources commitment to the relationship. It also encompasses the formalization of the parties responsibility to the relationship. The degree of standardization in intercompany dealings and reciprocity in decision making is a clear indication of the adaptability of the two parties involved. The geographical and cultural separation between manufacturers and overseas distributors create distances, which provides an opportunity for tension and disagreements, causing conflicts between the companies involved.[143]

Figure 7.4 *Export ManufacturerDistributor Relationship Dimensions*



Source: Ford and Rosson 1997

Another important element in a relationship is the three dimensions used to describe the participants in the manufacturer-overseas distributor relationship which includes; Stake, experience and uncertainty. The behavior of companies in the relationship is usually shaped by the knowledge (experience) that firms have of each other, as well as the uncertainity about the future of the

[143] Ford and Rosson, 1997.

relationship. Stake can be defined as what the parties stand to lose if the relationship is terminated.[144]

Assuming that progression in a relationship is that the relationship moves from being new to being inert, there are five possible states of development. Between the beginning point and the end, three relationships states are possible which include the following; growing, troubled or static. In the middle any sequence may be followed, i.e. growing state may be followed by troubled state, then followed by growing state again. Growth state refers to new relationships or established relationship where reasonable growth is being achieved. In troubled state, growth may be well achieved but uncertainity still exists due to some other resoans. Static state in a relationship occurs if the firms fail to increase stake in their relationship. Inert is reached if the relationship can scarcely be justified even if it is existing. In this case termination may be the only option.[145]

7.1.7.3 Dimensions of ECI-Agro-Union Relationship

Development state: Looking at the ECI-Agro-Union relationship, it has passed the early stage where Agro-Union only expected a low relational involvement by focusing only on satisfaction with ECI's products as the governing construct for future involvement. As the relationship can be said to be entering the development stage the construct is shifting to a high relational involvement where Agro-Union will start using trust and commitment as the mediators for determining future activities with ECI. Thus the relationship is growing and the parties should continue cultivating this growth.

The demands of the Swedish market are such that Agro-Union has to deliver well-packaged high quality products and on time if it is to remain competitive. Thus the company definitely expects ECI to maintain 100% quality for all kinds of products, good packaging and above all, reliable delivery. This particularly so, bearing in mind that Swedes are so strict when it comes to adhering to deadlines. *Value bonding* comes as a result of supplier being able to deliver the value demanded by the distributor. If ECI will continue to deliver

[144] Ford and Rosson, 1997.
[145] Ibid.

high quality goods on time, it is likely to cultivate this type of bonding. This is the only way Agro-Union will be convinced that it will continue to receive this value even in the future. Otherwise, failure of ECI to adjust its operations to meet these requirements can be a source of conflict, which can be made worse by the cultural and geographical distance between the two partners.

Furthermore *brand equity bonding,* which arises from the value a customer derives from relating to the product directly started to develop from the time Agro-Union identified ECI products. This type of bonding is derived from the functional, emotional and non-functional attributes captured in the brand by the customer (distributor). Fit and finish of ECI products is what attracted Agro-Union to ECI products. If the latter will be in a position to deliver goods of the same packaging and value, the bond will be enhanced even further.

Participant Dimension: Given that Agro-Union just like other distributors in Sweden receives large numbers of business offers from all over the world, ECI has a stake in this relationship in that, if this relationship fails, it would lose more, both in regard to time wast and resources. Agro-Union can easily get another supplier but it will have wasted time and some resources too. Given the developments taking place in regard to competition in this industry, the time Agro-Union will have wasted is very crucial, making it have some stake too in case this relationship fails. This is particularly so considering that by having ECI products, Agro-Union will have a first mover advantage since the other companies are also looking for ways to diversify their products and they may be targeting African cuisine products as a means to achieve this. Therefore, ECI and Agro-Union need each other very much, but when all is said and done, ECI is likely to loose more incase this relationship turns sour, thus the company should be more committed.

Relationship Dimension: Although there is less integration of technologies between ECI and Agro-Union, communication is possible through the net thus Agro-Union can inquire about the inventories any time. Other forms of interaction between Agro-Union and ECI has been going on well, the marketing manager has been visiting Agro-Union and the executives will be visiting the distributor again to witness the launching of the company products in the remaining retail chains. This is a sign that, *structural bonding* which occurs when the parties involved in a relationship are operationally and structurally linked or integrated by employing technology in attempt to facilitate interaction, is developing between the two parties.

ECI is always keen on the demands for its customers/agents abroad, the company had to do overall change on the packaging of the Cass Abrahams range, since the distributors, Agro-Union included considered the color on its packaging material to be dull. This is a sign of ECI responsiveness to distributors' needs, which are guided by the end-users needs in foreign markets. It also shows that Agro-Union is ready to share information regarding customers' needs with ECI.

Agro-Union has assisted ECI in putting instructions for use in Swedish language on the labels and also in performing the in-store demonstrations on behalf of ECI during the launching of its products. Agro-Union is doing this on its own costs which is a sign that the company is commmited to sell ECI products in the Swedish market.

Having looked at the developments in this relationship, we think it has the possibility to move to the fourth stage (long-term stage), of course this does not suggest that problems may not arise particulary given the cultural diversity of the two parties involved. This is particularly so in regard to how ECI views the importance of keeping delivery time, considering that in the African culture, failure to keep deadline is not considered a serious offence which is contrary to Swedish culture. If ECI fails to adjust, it could result in a conflict between the two parties, and Agro-Union may be forced to look for a new supplier.

7. 2 Conclusions of the chapter

The new entrant to the Swedish market must always know the elements to emphasize in its strategy if it is to compete well in this market. This is the only way to create the value demanded by the customers in this market. Our findings also emphasize the importance of exporting firm being able to cultivate good relationship with their overseas distributor. Furthermore, the new entrant must also know the attributes to emphasize on when positioning its brand in Swedish market, which should be well communicated to the targeted group of customers. After having done the strategic analysis of the ECI and the Swedish market and weighing the two against each other, some opportunities and challenges within the competitive environment in the Swedish market were exposed. At the same time, the strengths and weaknesses of ECI were also exposed, a situation well illustrated in the table below.

Table 6 *Summary of ECI Versus Ethnic Food Business Environment in Sweden (SWOT)*

ECI	SWEDISH MARKET
Strengths	**Opportunities**
• Product development capabilities • Manufacturing capabilities which is a guarantee of quality • Possibility to utilize cheap labor • Location at the source of raw material which is a guarantee of authencity of products • Competitive position in regard to breath of products • Agro-Union's long experience in the Swedish market	• Positive trend in overall growth of ethnic food sector • High acceptance of new products and concepts by Swedes • Possibility to sell OEM given the forecast diversification going on in the ethnic food business.
Weaknesses • Limited financial resources • New brand that need to be built • Promotion activities are expensive in Sweden- difficult for Agro-Union to compete with famous brands like Santa Maria	**Threats** • Other ethnic foods-- Asian, Indian and Mexican foods already established in the Swedish market. • Opposition from a small medium company Patakas, based in South Africa also trying to enter Swedish market • Slow movement of goods on the shelves due to stiff competition from the multinational brands. • Lack of knowledge of the good part of Africa, which calls for Agro–Union to consistently advertise the products to create awareness • Lack of support from HoReCa segment which currently concentrate on Asian, Indian and Mexican cuisines.

Source: Our Own

8 CONCLUSIONS, RECOMMENDATIONS AND AREAS OF FUTURE RESEARCH

The aim of this chapter is to present our final conclusions and at the same time state recommendations for ECI. While some of the recommendations may demand financial resources, others may just require creativity on the company management side. Conclusion of our research model is also presented and the areas that were not investigated in depth in our study are highlighted as areas of future research at the end of this chapter.

8.1 General Conclusions

The ethnic food market in Sweden is growing, however one consideration worth taking is that it is becoming competitive. Competition is based on various elements such as promotion, differentiation, R&D capabilities rate of innovation and firms' abilities to adapt new ways of doing business. Thus the firms that will survive are those which are able to combine several sources of competitive advantage. At the same time, the retailers are becoming quite large in size and with it their bargaining power. As a result new ways of doing business related to customer relationship management are also becoming important in order for firms to remain competitive.

It is also important to comment that, the ethnic food segment of food industry is dynamic and various driving forces continues to push the development in this sector. The changes in family life in Sweden creates new needs among the consumers and therefore generate new business opportunities. This continues to attract new firms while the old firms are quickly looking for new ways to diversify their lines of business, a situation that has led to high competion between existing and new firms.

However, the competition in Swedish market for ethnic food should not discourage the SMEs which may be interested in entering this market, instead the companies should see the competition as challenge and an opportunity at the same time. This is due to the fact that, by being exposed to this competition, the SMEs will learn more, thus adding to their experience in international business. This will subsequently influence how well they can compete in other markets to which they are exporting their products. Therefore, the potential for the individual ethnic food company about to engage in business on Swedish market, largely depends on the individual company's own ability to deal with the dynamics of environment in this market. This is particulary so in regard to creating the value demanded by the customers - both business customers and end-users. Thus, from the whole analysis done on the Swedish market we suggest the following recommendations to ECI

8.2 Recommendations to ECI

8.2.1 Emphasize Quality

Everything regarding how to compete in the Swedish market revolves around creating value that the business customers and end-users demand. Since the products are positioned as superior and less expensive, ECI should ensure that the principles and methods of managing quality are followed. At the same time ECI must try to avoid the 'trade off' between high quality and low cost. Although the company is currently concerned with how it can minimize cost in R&D and labor cost, the company should also consider the effect this may have on the quality of its products and service (see just-in-time delivery system section discussed in point 5 below).

Quality should be seen as a responsibility of everybody in the work force, which implies that quality should be central to manufacturing in all levels of industrial activity. The force for managing qualitatively and service provision has to come from the senior management, but the responsibility for quality itself belongs to everybody in ECI. The main elements of managing quality in attempt to enable ECI to efficiently follow the hybrid strategy include;

1 *Team work* is the central part in creating the quality demanded by the customers, since it makes all the workers feel part of the organization. Teamwork and commitment already being seen in ECI should continue so that the value that customers want can be delivered now and in future. The company's effort of trying to maintain quality through emphasizing the qualification of its labor force involved in all areas should continue. This makes

the employees feel that the company cares for them and they will remain attatched to the firm.

2 In order to develop goods and services of high quality, *commitment* is required from the top managemant as well as the workforce in general. Considering the performance of ECI, there is evidence that the management and the entire workforce is so committed and this trend should just continue.

3 The Communication system becomes another important element to think about if goods and services of high quality will be delivered to the Swedish customers. Poor *communication* within the firm can result in organizational problems, thus there is always the need to have good flow of information so that every body will be working towards achieving the same objectives. Within ECI, the information flow seems to be working well, every department seems to be understanding the overall objective of this firm in regard to quality goods and service. This should continue or be made even better.

4 *Planning process* is another element that has to be considered if the demand for quality goods and service required by customers is to be effectively met. This requires recording of activities, stages and decisions in a form that is communicable to all. This reduces the scope of errors and also provides the basis of analysis into possible improvements. In ECI, the activities in its business plan are well defined, showing what should be done at both local market level and international markets.

However, the plan of activities is so ambitious with so many activities to be accomplished at the same time. The expansion to the new markets and the development of the local market is being done all at the same time and there is no time allowance to first develop markets in one region before moving to the other. Western Europe, Scandinavian market and US and Canada markets are not easy to develop all at a go. It will be quite demanding for a small company like ECI in terms of financial resources. In the process, we feel that the ECI may lose focus on some of those markets, thus failing to develop either of them to the desired level which would enable them to earn enough profits. Therefore a market development plan must be designed immediately, so that the company's efforts of setting its foot in new markets will not be wastage of time and resources in future.

At the same time, a strong domestic market always acts as a base for a company planning to become an international company. After all it is in this market, ECI will be in direct contact through its sales force, rather than in foreign markets where it does not have direct contact with the customers. Right now in the market development plan, the domestic market is being treated as secondary. This is wrong considering what we have already mentioned, and this being the case then, the local market will remain weak, not earning ECI enough revenues to supplement the development of the foreign markets including Sweden. After all the live span of a specific ethnic cuisine in the Swedish market is usually short, 10 years or so then its market is saturated, like it is the case already with Italian food. ECI must therefore look ahead and realize that, the domestic market is very important in future. It is in this market that ECI can import/manufacture other foreign cuisine and sells under its brand in future in order to support the European market Sweden included, which will already have become saturated.

5 Another element is the *inventory control system*, which has to do with the storage of rawmaterials, components or finished products. Keeping of stocks is physically expensive in that, it can lead to cash flow problems. ECI follows just-in-time control system, where it tries to keep stocks to the minimum, while ensuring that the supplies does not dry up. The problem right now is that the demand from the distributors is exceeding the supply, which may cause delays in delivery which in turn may risk the company future business with the distributor.

ECI must watch out since just-in-time inventory controls work well if the company processes are efficient. This is particularly so with cases where there is high automization of the production processes since machines can be adjusted to meet the required volume. Right now there is very little mechanization of the whole production process since the company is after cutting cost through utilization of cheap labour. This is quite okey considering the need to minimize costs, however ECI should realize that, automization is cheaper in the long run compared to labor, and efficiency in regard to delivery time will be easy to achieved. Automization within ECI can be done in a stepwise process given that the firm does not have enough financial resoures. For instance, a cheap machine could be installed to assist in the putting up of the labels on the bottles in order to increase efficiency, which will assist ECI to keep up with delivery time.

8.2.2 ECI Must Take the Correct View of Competitors in the Swedish Market

Agro-Union and ECI must have a new perspective when looking at competitors like Santa Maria. Time has passed for looking at competitors in this market as partners just because they are creating awareness of ethnic food in Swedish market. This argument was justified earlier given that the competitors were not competing directly with each other in terms of products. The new development in the ethnic food business shows that the companies are diversifying their products and competitors like Santa Maria will have African cuisine in future. This means that Agro-Union and Santa Maria will become direct competitors in future, thus it is the high time that Agro-Union took the advantage of its products diversity in order to secure some first-mover competitive advantage in the line of African cuisine.

8.2.3 ECI must Come Up with a Well Defined Brand Identity Building Strategy

Looking at the competition in Sweden and on the global scale, only strong brands will survive the competition in this industry. Therefore, building the brand is what is important and it should not only be a question of calculating the amount of money that has been put into the brand nor a question of price premium. ECI management tends to think that its brand is strong basing its argument on the fact that the company is targeting the niche market in the local market. The company should change and evaluate its brand with respect to a combination of qualitative criteria, which gives an idea of what a strong brand can deliver for the company. The evaluation criteria must involve current goodwill, revenues and margins, a sustainable competitive advantage as well as potential possibility for line or brand extension. After all in the internationalization process, brand building becomes even important since the brand communicates an added, emotional feeling to the customers, which makes the brand unique in the market. The uniqueness stems from the core value, thus ECI and Agro-Union must identify the uniqueness of the brand in order to communicate the right message to the target audience in Sweden.

The fact that ECI had started the frozen food line of business that later failed to penetrate the local market shows that, the Cass Abraham brand is not strong enough to allow line extension. Therefore, ECI must realize that, the power of a brand to extend itself depends on the breath of product lines that can be related to the core brand identity in term of the latter's value proposition and basis of relationship. The core identity of Cass Abraham brand of taste and nutritution could travel well throughout the stores if the company struggled more to build the brand identity.

The core identity of the Cass Abrahams brand is authentic African taste and secret combinations of herbs and spices that are less expensive. This identity should be stressed when communicating the brand in the Swedish market. If this is is done, the brand can grow and it will provide ECI with a base to extend its brand. At the moment, the best alternative for venturing into frozen food segment is core branding but even venturing into this business at the moment is too expensive an idea given the company's financial position.

8.2.4 Target the few African Cuisine Restraurants in Gothenburg and Stockholm with Recipies

The success of ethnic food is closely linked to the development of ethnic food restraurants among other factors discussed earlier in our report. This can clearly be seen from the success achieved in the Asian, Mexican food and Indian food to some extent. There are quite a few hotels serving African cuisine, and they are mainly serving dishes of North African origin and Ethiopian food. To expose the South African food in this market, there is need for ECI to target those few African cuisine restaurants with recipies so that the Swedes can be exposed to the tastes of Southern African food.

8.2.5 Commitment to Relationship With Agro-Union is Highly Required

ECI must strive to maintain a good relationship with Agro-Union. This is the only way that ECI can continue receiving customer information from Agro-Union. While the distributor should take full ownership of the products delivered by ECI, the latter deserves the access to the information regarding customers' needs. This is only possible if the relationship is developed to the final stage (long-term relationship stage). Thus, ECI must be very keen on keeping delivery time and maintaining quality of its products in order to enhance the relationship with Agro-Union.

8.2.6 Priorities in ECI Strategy Must Be Well Defined

Finally, the fact that ECI does not have enough funds right now to implement the entire strategy elements should not be used as an excuse forever. This is where the management creativity is called for since the company will not remain small forever. The above stated gaps can be filled gradually by re-investing some of the company's profits according to the urgency of need. To achieve efficiency, the firm should put the improvement of the conditions in the plant a priority. Also given the importance of strong brand as a tool of competition makes us feel that brand building should be among the major priorities.

8.3 Conclusions of the Theoretical Model

In our research, we adapted Hans Jansson model in order to analyse the institutions in both the macro and micro environment in Swedish market. Although there are many other theories that could be used to analyse the environmental factors, we felt that this model was the only one that could enable us to explain why the institutions of our interest, as was dictated by our case are operating the way they are operating. After all we had to show the implications these institutions have on the food industry. The macro environment in Sweden was to act as a background to our case by helping us to identify the economic socio-cultural drivers to the food industry.

However, Hans Jansson's model was supplemented with Emilson and Holmberg industry analysis models in order to analyze the microenvironment -- product service market. The Emilson and Holmberg (2000) industry model was so useful when analyzing the industry structure and the trends. By using this model we were able to analyze the food industry in details. The two models were modified to fit our purpose, see figure 3.3 and figure 3.4 respectively. We felt that in order to understand the industry even further we needed to look at market segmentation in a different way, thus not only did we look at strategic mapping, but we also had to look at product based market segmentation. This was very important to us since it helped us to analyze the industry environment in more details in our attempt to understand the new dimensions of the competition.

Given that the internal organization of the firm determines how a firm positions itself in foreign market, required us also to look at the current position within ECI. Here our main concern is the firm resources and organizational capabilities and systems. The discussion of the micro and macro-environments and the firm was aimed at providing us with a base of ECI positioning strategy. The three areas of our study were combined in our integrated research model see figure 3.9, which has proved to work well in our analysis. The inclusion of the ECI in the analysis was so important since it enabled us to identify which areas it should improve on if the company is to position itself in the Swedish market.

However, it would be very important to discuss whether the macro and microenvironment and the firm resource and capabilities and systems are the only elements, which determine the positioning strategy of firms in new environments. The firm structure also plays a great role just as is highlighted in the establishment model figure 3.1. It determines a lot whether the company can be able to create value demanded by customers, and has great influence on how the firm relates to its customers. In our research, we have not taken the firm structure into consideration mainly due to the vast research this would have required. Thus if we had had enough time, we would have modified our research model to incorporate the investigation of the impact company structure to ECI positioning strategy.

8.3.1 Generalization?

In our analysis of the Swedish macro-environment, we selected the institutions that were relevant to our case. Therefore, when describing and analyzing those institutions, we adapted a specific approach, showing how they influence the food industry. In this case therefore, we feel that our research result in this part can only be useful to other companies, which want to venture in food industry but not any other industry. Furthermore, the analysis of the food industry drivers and interrelationships within this industry in the global perspective as a background to our case can be useful to other firms interested in entering other segments of food industry not necessarily ethnic food segment.

However, since we approached our research question by considering the internal organization of ECI and relating it to the conditions prevailing in Swedish market, the extent to which our study can be generalized to suit other firms wishing to enter Swedish market is limited.

8.4 Areas of Future Research

- ✓ According to Hans Jansson's model, the product service market includes; competitors, suppliers and intermediaries. The suppliers of raw materials to the ethnic food segment were beyond the scope of our thesis. This was due to the vast research this would have required. Considering that, the suppliers have great on the value and the prices of the end product in any given industry, definitely the influence of suppliers to ethnic food segment cannot be ignored. Therefore, a further step in our thesis could have been to examine this subject in details.

- ✓ In our research, we focused on the trends, driving forces and the industry dynamics, which can very well explain the present situation in this industry segment today. The analysis done on the industry therefore can enable ECI to understand the potential of this market currently, but we left it to ECI to establish the potential of this market in years to come. Although it was good to include the time perspective in order to act as an "eye opener" to both ECI and its appointed distributor about the possible futures of this industry, we did not go to that length due to time factor.

The aim of our study was to investigate the dynamics of the ethnic food segment of food industry at the present in order to understand the elements of importance in positioning strategy for a new actor who has chosen to enter the market through the distributor. Therefore, a future research area is to predict the future of this industry by developing the scenarios.

- ✓ In the analysis of our ECI, we have excluded one element which is important when considering the factors likely to affect the success of positioning strategy of firms in new markets, and that is the company structure. The success of the positioning strategy of a firm entering new market does not only depend on the resources capabilities and systems. The company structure is also an influential factor. A further step in our thesis would have been to analyze the ECI structure to check whether it will hinder the success of positioning strategy given the requirements of the Swedish market.

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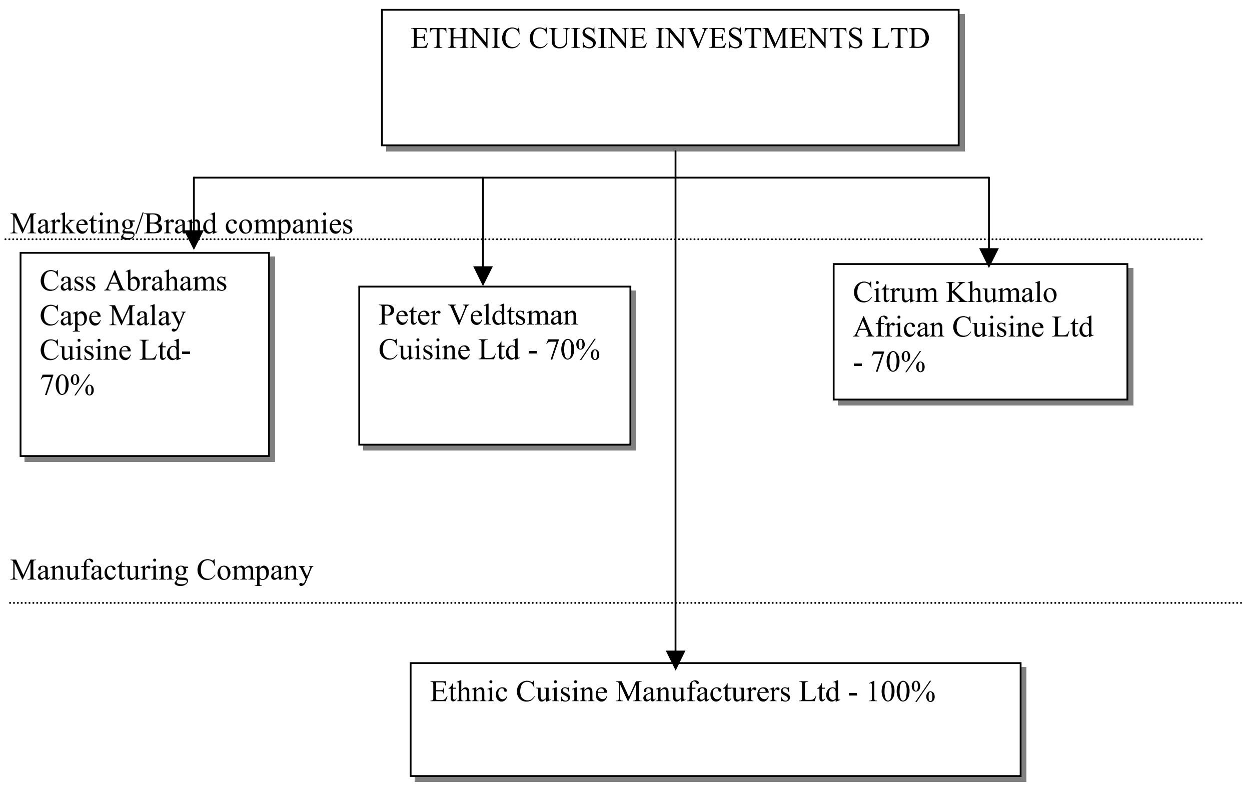
APPENDIX 1

ECI ORGANIZATIONAL CHART



APPENDIX 2

INTERVIEW GUIDE ECI – CASE COMPANY

1 Company General

Q 1What does your company stand for?

2 Company Strategy

Q 2What is the strategy of ECI?

Q 3What are ECI's goal and values (global objectives)?

Q 4 Is the strategy communicated to all employees?

Q 5 Are all employees involved in strategic planning and decision-making?

Q 6 What will be the future strategy of ECI?

Q 7 What is your future growth strategy? Do you plan to join any business partnership or Alliances to foster growth of your company?

Q 8 How do you view your business model today and in the future e.g. mass production or mass service, customer focus?

3 Marketing Orientation

Q 9 How does the company react to competitors' strategic moves?

Q 10 What is the characteristic of ECI's business culture?

Q 11 How does the company track customer needs and preferences?

Q 12 Do you have any international experience?

Q 13 Does ECI export its products outside South Africa? If so where and how successful is it?

Q 14 How do you make your presence known within the African market? Exhibitions, annual agricultural shows etc?

Q 15 Why did you choose to expand to Swedish market?

Q 16 Are you aware of the market potential for the Swedish market?

Q 17 How and what are you planning for the Swedish market?

4 Organizational Capabilities

Q 18 How are the company's routines considering collective learning, transfer of information and skills, and facilitating innovations?

Q 19 To which degree are the functional teams in ECI integrated?

Q 20 How does your company work to achieve your global objectives?

Q 21 From where do you draw your strength? Innovations, manufacturing capability, organizational capabilities in marketing and sales?

Q 22 Is ECI taking care of all the product development of ECI or are there any projects which the company is outsourcing?

4.1 Managerial Orientation and Commitment

Q 23 Is management committed to the expansion of their products to foreign markets?

Q 24 What do they do to show their presence in international scene?

4.2 Core Competencies

Q 25 How much do you spend on R&D/innovation?

Q 26 What do you have in your product range?

Q 27 How important is the brand for ECI?

Q 28 How is your logistics?

Q 29 How is your customer service and customer relationships?

5 Resources

5.1 Financial

Q 30 How is the financial strength of your company?

Q 31 How has the sales turnover of your company been for the last few years?

Q 32 How much from ECI annual budget is allocated to R&D?

Q 33 How many new patents is the company registering in a year?

5.2 Brand & Reputation

Q 34 What is the perception of the brand in South African market?

Q 35 How can its awareness be increased?

Q 36 What does the brand represent?

Q 37 How is the brand reputation in the South African market and African market in general?

5.3 Employees

Q 38 How is ECI sales force organized?

Q 39 What activities is the company carrying out in attempt to increase employee commitment? Or how does ECI motivate/reward its employees?

Q 40 Do you have training programs?

Q 41 Do you work in teams or more on an individual level?

Q 42 Do all employees focus on customers or quality/costs or both?

Q 43 How many qualified staff is there in R&D?

Q 44 How is the job turnover in ECI?

6 South African Market General Questions

Q 45 What are the general characteristics of the African market?

Q 46 How do you distribute your products in the South African market?

Q 47 What is your market share in South Africa?

Q 48 And how much from your market share goes to large retail stores?

Q 49 What changes, if any, are taking place in the South African market, concerning customer behavior, competition, and culture?

Q 50 What important trends do you see in the ethnic food industry on a global scale?

Q 51 To what extent are the value-added activities important in this market, i.e. customer service, delivery?

Q 52 What is the most important factor the South African customers are considering when buying food? Price, quality, delivery time, etc?

Q 53 What are the sales forecasts for the South African market?

Q 54 What are the key success factors in the market, beside price and innovation.?

7 Customers

Q 55 Who are your main customers?

Q 56 Do you sell to hotels and restaurants directly?

Q 57 What makes the largest part of your customers, OEM or final product customers?

Q 58 Why do you think the customers choose to buy your products in relation to those of the competitors?

Q 59 What are the consumers after? Quality, low price, uniqueness of the product, convenience to use?

Q 60 Are the customers involved in new ideas? Can they come up with recommendations (for example recepies)?

Q 61 Do you have any marketing activities coordinated with the customers?

Q 62 Do you go out to your customers to collect their opinions about the products, deliveries etc?

Q 63 How is ECI's reputation among its customers?

8 Distributors

Q 64 How do you choose your distributors, based on what criteria?

Q 65 How many distributors do you have on the South African market?

Q 66 How are the distributors promoting and protecting the ECI brand?

Q 67 What type of relationship do you have with your distributors? Are these long-term relationships?

Q 68 Are there any incentives for the distributors to promote the ECI brand? What considerations did you make in order for you to go to Swedish market through an agent?

Q 69 Who approached the other, the Agro-Union approached your company or you approached it?

9 Promotion

Q 70 How does your company show its presence?

Q 71 What kind of promotion activities does ECI use on the South African market and rest of Africa?

Q 72 How are the promotion activities shared between ECI and distributors?

Q 73 How much do promotion activities contribute to growth in sales?

10 Price

Q 74 Do you use the price as the tool for competition?

Q 75 How is the price set? Who determines prices?

11 Competitors

Q 76 What are the strengths and weaknesses in comparison to your competitors?

Q 77 Who are your main competitors in the South African market?

Q 78 What, in your opinion, is your competitive advantage?

Q 79 What is the competitors' strategy based on (price, quality, service)?

APPENDIX 3

INTERVIEW GUIDE FOR DISTRIBUTOR (Agro-Union)

1 Company General

Q 1 When did your company start operating on the Swedish market?

Q 2 What geographical areas do you cover?

Q 3 What do you consider to be the strength of your company?

Q 4 How do you rate your company in relation to other distributors?

Q 5 Who are your suppliers?

Q 6 How can you rank them in terms of share of business with them?

Q 7 Do you distribute on behalf of foreign suppliers? If yes, what percentage of your total business?

Q 8 How do you compare the prices of the foreign suppliers to that of domestic suppliers?

Q 9 What kind of agreement do you have with them in regard to import procedure?

Q 10 What functions do you perform on behalf of the supplier? Packaging? Advertising?

2 General Swedish Market

Q 11 Comment on the trends that are evident in the ethnic food industry in general?

What is the market potential?

Q 12 What characterizes the Swedish market for Ethnic cuisine products? Stable, dynamic, predictable?

Q 13 Who are the main Players? How is the market shared among the competitors (the main actors)?

Q 14 What are the drivers in the Ethnic Cuisine market? Is it price, quality or good reputation of the company?

Q 15 How is the competition in this industry?

Q 16 What is driving the competition? Is it due to:

- low barriers to entry,
- low priced imported products
- retail chains exercising strong buying power
- or scale economies in operation
- advertising?

Q 17 Who determine price? Is it the distributor or the suppliers?

Q 18 Are there cases when the manufacturers of the ethnic cuisine do without the distributors in order to cut short the chain of distribution? If yes, what impact does this have on prices charged on their products and competitors?

Q 19 Is there a possibility/hope of a new firm surviving in the Swedish market? In your opinion, what should be its strategic weapon? (key success factors) Concentrating on a niche or full range of products?

2.1 Indirect Competitors

Q 20 Comment on the indirect competitors in this industry?

Q 21 If they do exist, on what level do they compete?

Q 22 How are the prices of their products?

Q 23 Who are their main customers?

3 Swedish Customers General

Q 24 Who are your customers?

Q 25 How is their bargaining power?

Q 26 How often do you recruit new customers?

Q 27 How do your customers view new products being introduced in the market? Do they accept them readily?

Q 28 How easy is it for a new entrant to secure display shelves in the customers' business premises?

Q 29 Is there any fee charged by the customers/retailers for securing space in their premises?

Q 30 What are the customers demanding? Quality products, keeping of delivery time, packaging, assistance in putting up the display shelves etc.

4 Promotional Activities

Q 31 What promotional activities are Agro-Union undertaking?

- Exhibitions?
- Campaign brochures, advertising?
- Intra-net?
- Internet?
- Display?

Q32 Is there a price point discount used when setting the price?

Q 33 Who bears the cost incurred in promotion? Agro-Union or the suppliers or both?

Q 34 How important is advertising in this industry?

Q 35 Who makes the decision when to advertise? Distributor or supplier?

Q 36 Is there any incentive for the distributor to promote new brands?

APPENDIX 4

INTERVIEW GUIDE FOR COMPETITORS (Santa Maria, Kockens, Blue Dragon)

1 General Questions

Q 1 What are the general characteristics of the Swedish market?

Q 2 What are the drivers in the Ethnic cuisine industry?

Q 3 What is the market potential?

Q 4 What important trends do you see in the industry?

Q 5 Generally, what are the customers interested in? Low price, quality or the company reputation?

Q 6 What value-added activities are important in this market? Differentiation, cost advantage etc?

Q 7 Why do you think the customers chose to buy your products in relation to those of the competitors

2 Competitive Situation

Q 8 How intense is the competition in the Ethnic cuisine industry?

Q 9 On what is the competition based? Price, quality, delivery time, differentiation?

Q 10 Who are your main competitors?

Q 11 How is the market shared in general?

Q 12 How is the market shared between the local and foreign producers?

Q 13 Is the industry faced with competition from cheap imported products?

Q 14 Considering the market shares of the competitors, how will your company gain market share from local competitors?

Q 15 What do the competitors have that your company does not have? What strengths must your company develop in order to become competitive in relation to the competitor's?

3 Customers' Buying Process

Q 16 Who are your main customers?

Q 17 Do your customers buy directly from the company or through the intermediaries?

Q 18 Are the customers price-sensitive? Or what do they look for? How do the customers perceive price Vs quality?

Q 19 How often and fast do you recruit new customer?

Q 20 Do your customers buy from you on the basis of long term contracts or is each of their purchases a one-time transaction or what is the degree of the customer royalty?

4 Promotional Activities

Q 21 How does your company show its presence?

Q 22 Where the intermediaries are used, how are the costs of sales promotion shared?

Q 23 Who decides when to advertise?

Q 24 How difficult is it to secure shelf space for displaying your products in the retail outlet? Is lack of shelf space one of the complaints of your customers?

5 End-Users

Q 25 Comment on the changes in the consumer behavior in regard to ethnic cuisine?

Q 26 In your opinion, how do they perceive foreign recipes?

Q 27 What are the consumers after? Quality, low price, uniqueness of the product, convenience to use?

Q 28 Which are the most suitable promotional activities to reach them when introducing a new recipe?

6 Future Forecast

Q 29 What is the future of this industry?

Q 30 What is realistic depending on consumers, product offering and need?

Q 31 Do you foresee any changes in the competitor field in the future?

Q 32 What will be the competitive advantage/key success factor

APPENDIX 5

INTERVIEW GUIDE FOR RETAILERS (ICA, MIXFOOD, WILLY'S & SPECIALIZED FOOD STORES)

Q 1 What products do you sell?

Q 2 What products are in high demand; sauces, herbs, or spices?

Q 3 How difficult is it to secure shelf space in your retail out let?

Q 4 What happens if the products do not move as fast as you would like them to? Charge a fee or?

Q 5 In your opinion, what is in demand regarding ethnic food? Is it Mexican food, Asian food or Italian food? How would you rank them?

Q 6 From where do you procure/import your supplies?

Q 7 Who are your customers?

Q 8 What are the customers looking for?

Q 9 What is competitive advantage- price, quality, discounts, offers?

Q 10 What is the composition of your customers? What percentage of your customers are foreigners?

Q 11 Who are your main competitors? Large retailers or other special ethnic food stores?

Q 12 What do you think is the competing tool for the large retailers? Is it discounts from distributors, low price, better quality, packaging, advertising strength?

Q 13 What major problems did you experience when establishing your business?

Q 14 How difficult is it for you to introduce a new product to the market?

Q 15 What trends do you see in the ethnic food in general?

Q 16 Who are the main players in the Swedish market for ethnic food? How is the market shared among the competitors?

Q 17 Given the number of immigrants that visit your outlet, would it be possible to introduce African food -- sauces and spices in the Swedish market?

Q 18 Would the indirect competitors be ready to have it in their stores?

Q 19 How do you promote your products?

APPENDIX 6

INTERVIEW GUIDE WEST SWEDEN CHAMBER OF COMMERCE

Q 1 What are the main functions of this chamber in regard to production and distribution of marketing information?

Q 2 Can you please comment in general on the following issues relating to the Swedish market:

- Consumption level
- Income distribution
- Economic growth in general and development.

Q 3 What trends are evident in the food market in Sweden: food safety, less fat food, e-commerce marketing in the food industry?

Q 4 Can you comment on the market trends in general in ethnic food sector? What are the food stores focusing on?

Q 5 What factors are responsible for these trends?

Q 6 How can we forecast the development in this sector of food industry?

Q 7 Who are the dominant food manufacturers in Sweden? Is it large multinational or national manufacturers?

Q 8 In your opinion, approximately what percent of the total private expenditure is on food?
In your opinion, approximately what percentage of food consumption is processed?

Q 9 What are the formal barriers that firms are facing during establishment?

Q 10 What are the import barriers if there are any from less developed countries?

Q 11 Can you comment on the changes of eating habits of the Swedes in the recent years.

Q 12 In your opinion, how much are companies spending on R&D and innovation in general?

Q 13 How has the expenditure on R&D influenced marketing activities of firms in general?

APPENDIX 7

FROZEN FOOD INDUSTRY IN SWEDEN

Findus (frozen food)
Sweet Chili, Parsley, Wok-oriental, Sambal Oelek, Wok Thai, Mediteranean, Wok Classic Wok Chineese, Pasta Alfredo, Chicken Pesto, Italian Fish, Bolognese

Felix
Japanese Wok (frozen food), Lasagnette Bolognese (pre-ready)
Pre-ready Pizza: Tropicana, Capricciosa, Vesouvio, Mexicana, Texmex, Napoli

Ardo (frozen food)
Parsley, China mix, Ready mushrom, Broccoli mix

Scan (frozen food)
Meat balls

Hälsans Kök (frozen food)
Falafel

Kronfågel (frozen food)

Guldfågeln (frozen food)
Chicken Tandoori kryddad, Chicken Curry, Chicken Barbeque

Kronfågel's Chicky World
Chicky Tandoori, Chicky Mexican, Chicky Thai

Muntzings
Chicken Thai

Dafgårds
frozen food: Texasbiff i tomatsalsa, farmarbiff, Schnizel, Lasagne,
pre-ready food: Dafgårds makes the pizza Billy's: Bolognese Pan Pizza, Hawaii, Peperoni
pre-ready food: Dafgårds makes the pizza Gorby's: Original, Ham and Cheese, Veggie

Weightwatchers=Heinz (frozen food)
Lasagne, Pasta Mexicana, Pasta Tortellini

Top (frozen food)
Wok panna Bali (Indonesian), Thai, Mexico, Oriental

Eurotaste (salads)
Feferoni-mild

Mediteran (salads)
Feferoni, Kebab-feferoni, Red paprika, Salads

Felix
Smörgåsgurka (cucumbersallads a lot of them)

Knorr
Köttsoppa (ready soups), sauces

MasterFoods produce Uncle Ben's
sauces: Chineese Sweet and sour, Hawaiian sweet and sour, Thai Curry, Tikka Masala (indian), Oriental Chili, Indonesian Curry

Knorr - pasta with ready sauces
Carbonara, Parmesan, Pesto, Napolitana
different ready lasagnes

First Price rice is packed for Axfood Private Label
Thai rice jasmine, paraboiled foodrice

Old El Paso
Tortillas, Tortilla Chips, Taco Shells

Santa Maria
Tortilla Chips, Tortillas, Taco Shells, Taco Tubs.