UNIVERSITY OF AGDER

Market share in the Norwegian grocery sector

A study of internal factors that affect market share

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This master's thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.

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Fakultet for økonomi og samfunnsvitenskap

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Preface

This master thesis indicates the end on my studies in business administration with a specialization in management accounting. By the University of Agder. Working on this thesis have both been challenging and interesting.

I want to give a special thanks to my counselor: Jökull Hafthor Johannesson for guiding me in the right direction. The advice has been helpful for the work on the thesis and other thing I have been wondering about.

I also want to give a special thanks to my fellow students which have been helpful in giving their advice when I have been stuck.

In the end of the master thesis there is a reflection notice explaining how my thesis is related to Internationalization, Innovation and Responsibility which is the focus areas of the School of Business and Law - Universitetet i Agder.

Rune H Undheim

Executive summary

This thesis is an exploration of internal factors on headquarter level, on what effect market share. This thesis is based on the Norwegian grocery sector. The actors in the Norwegian grocery sector have over the years gotten fewer and fewer with bigger market share.

All the factors independent variables have been written about by many scholars in some of the independent variables I have chosen to look at big international scholars but in other cases I have chosen the leading Norwegian scholar in the field.

Like in the independent variable, franchising I have had my focus in the literature review on the leading Norwegian scholar Nilssen . Supplemented by other scholars. In my research on the literature review look at a Norwegian scholar I have the opportunity to look at local factors.

From the quantitative analysis done I have been able to identify a few factors that are significant in relations to market share. The result on the umbrella level where better than on the concept level. These factors are informative for foreign firms that want to establish them self in this industry in Norway. These factors are also interesting for companies that challenges the way that the actors in the Norwegian grocery sector, actors that offer grocery's online.

All my findings are being reinforced by the scholars I have researched in my literature review which are making my thesis a stronger contribution to the academia.

Table of content

Table of figures

1.Introduction

In the Norwegian grocery sector there are getting fewer and fewer actors, and the market power is getting more concentrated. What are the internal factors that make Norgesgruppen the market leader? In this paper I want to explore some of the internal factors that effects how big the market share is. I will do the research on the umbrella chain level and the concept level of the company. The research model will be a bit different on the concept level than on the umbrella level because the factors that are interesting on the different levels.

What makes this research interesting is the research want to identify some of the factors that make the actors successful in the Norwegian grocery sector. This will be helpful for foreign giants that would like to enter the Norwegian market. I want to identify factors that could potentially be competitive advantages.

Some of the actors are close to the limit on what is legal according to the competition authority, so these identified factors can be used when the competition authority is making decisions about this sector.

The theory in this thesis is mainly based on strategical theory but also include elements of operation management, industrial organization, marketing and statistical methods.

The background for this thesis is that a lot of people care about this industry since everyone need to buy groceries to survive. Across the value chain the main focus of this thesis will be on the retailers that supplies products to the end customer.

The grocery sector in Norway is an oligopoly(Pepall, Richards, & Norman, 2008). Oligopoly is a market structure where there are a few actors, and the actors are usually able to set the price and be forced to take a price based on competitor's action. The most recent evidence that the sector is an oligopoly is the price war this Easter ,on candy (ANDERSEN, 2016)

When we compare the Norwegian grocery sector with the UK or the US grocery market in both of them there is a lot of more actors which will when we use general economic theory result in a lower price for the customer.(Singh & Vives, 1984)

Another indicator of this is the Herfindahl-Hirschman index when we calculated this for the Norwegian grocery sector we get: 2772 as of 2014. When the number is above 2500 the

market is considered to be really concentrated. The Herfindahl-Hirschman is calculated by:

$$H = \sum_{i=1}^{N} s_i^2$$

2.Problems and questions

The research question that I want to answer is: What are some of the internal factors affect market share in the Norwegian grocery sector?

H1.1: ROA effects market share positively

H1.2: Franchise effects market share positively

H1.3: Average number of items effect market share positively

H1.4: Loyalty program has positive effect on market share

H1.5: Private label has positive effect on market share

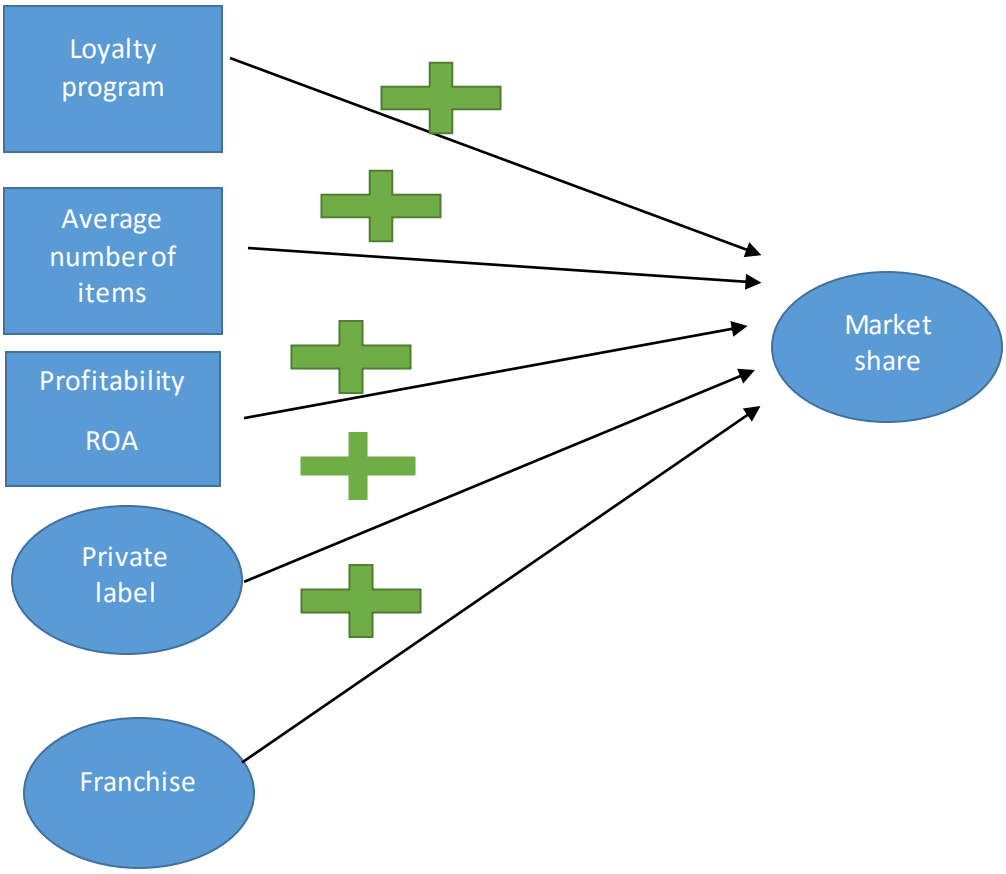

Figure 1 research design model on umbrella chain level

This research model is on the umbrella companies after doing the research I will try to do similar research based on each concept to the umbrella companies

H2.1: Franchise effects market share positively

H2.2: Average number of items effect market share positively

H2.3: Loyalty program has positive effect on market share

H2.4: Discount concept effects market share positively

H2.5: Hypermarket concept effects market share negatively

H2.6: Neighborhood store concept effects market share negatively

H2.7: Supermarket concept effects market share negatively

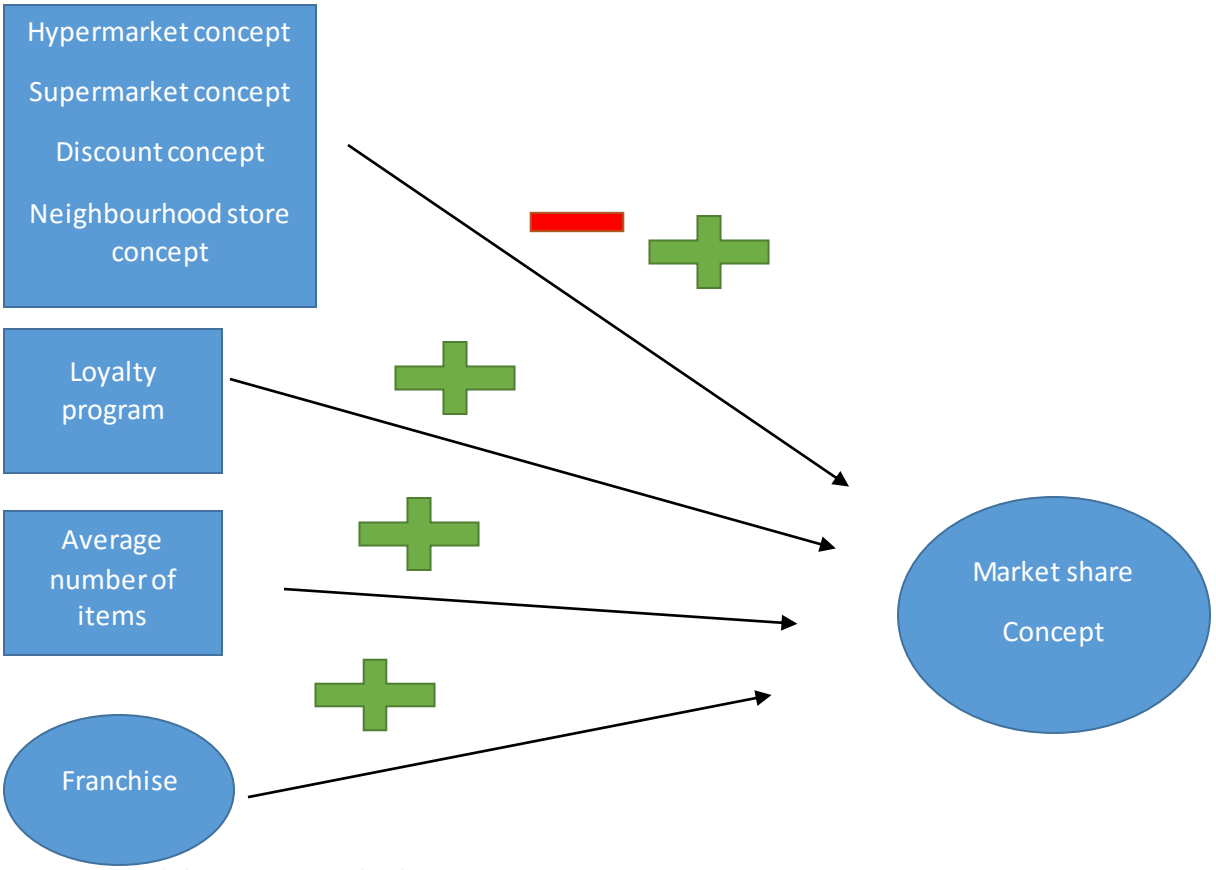

Figure 2 research design on concept level

3.Relevance

The model below from 2012 shows that the retail industry contributes 6% of Norway's total GDP. All of us need to buy grocery's to be able to survive therefore is it important to research growth strategies in the grocery sector.

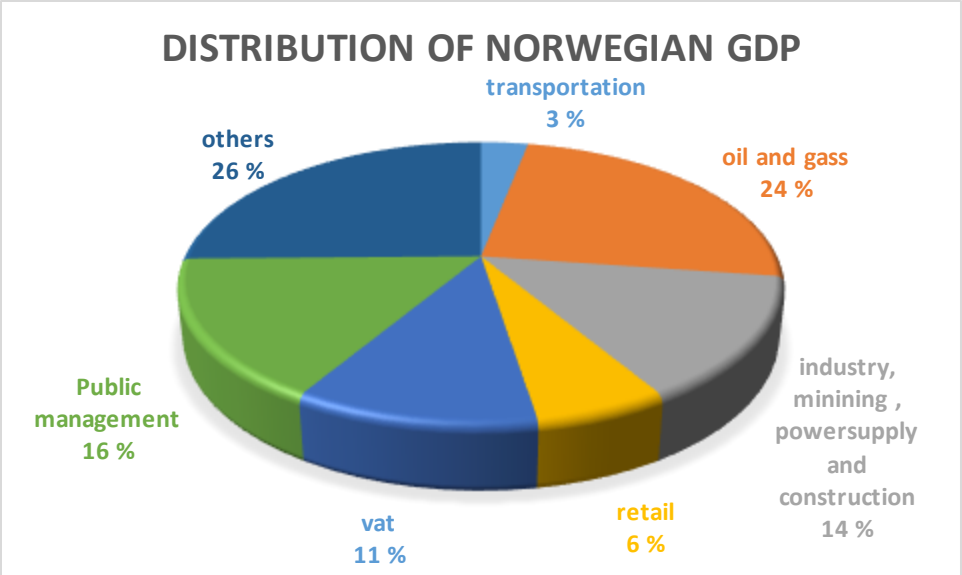

Figure 3 distribution of norwegian gdp source:(Statistisksentralbyrå, 2013)

3.1.1 Market share

Some of the reasons that doing research in what effect market share is interesting is shown by the research done by Buzzell, Gale and Sultan(1975). This research shows that the higher market share you have the more profitable the business will be. Reason that they have indicated in their research have in their research said that the higher market share gives profitability is economies of scale, in areas like logistics and marketing. from the table below you see as your market share gets bigger you are getting less back from your investments.

Vertical integration	Market share				
	Under 11%	10%-19%	20%-29%	30%-40%	Above 40%
Low	65	61	46	56	55
high	77	76	75	70	69

Figure 4 table on vertical integration(Buzzell, Gale, & Sultan, 1975)

From their research they have found that market leaders like Eastman Kodak, IBM, and Procter & Gamble. They use relatively more money on research and development than their competitors in the same industry. (Buzzell et al., 1975) . because of the Norwegian accounting standards NGAP you can recognize research and development as an expense right away. Compared to IFRS were you have to write it in the balance as long as you expect that the research will give future potential earnings. Like if you are doing research on a new type of cartoon that you expect will increase sales u have to write it to the balance but if times show that it actually doesn't increase sales but they are just kept at a stable level you have to depreciate it. Why this is important for this research is because of the Norwegian accounting standards in most cases all the R&D that is done are being written as expenses right away making it hard to identify differences among the companies.(Finansdepartementet, 1998)

The research done by Urban,Carter,Gaskin and Mucha (1986)there they argue that there will be a market share penalty when you are a later entrant to the market(Urban, Carter, Gaskin, & Mucha, 1986). The oldest firm in the Norwegian grocery sector have roots all the way back to the 1850 (Coop, 2016) and the market at this time were so totally different than the market today .Norgesgruppen also have roots from 1866 (Norgesgruppen, 2016) we see that they are the oldest actors in the market and they also have the highest market share . Bunnpris roots are also from the 1860 they have relatively lower market share than Norgesgruppen , They were until 2010 a part of Norgesgruppen as far as market share where calculated. So you can say that they are penalized in market share by being a later entrant to the market as the research done by (Urban et al., 1986)indicates. Also the story about lidl when they were later to enter the Norwegian market the where penalized by lower market share.

3.1.2 Grocery retail in Norway

In Norway today there are three big players: COOP , Norgesgruppen and REMA 1000 .Where Norgesgruppen have the biggest market share of 40,6% ,COOP have the second biggest with 31% , Rema 100 23,7% and bunnpris 4,4 (virke 2015) . There is high possibility for error in these numbers because ICA where also a player in the Norwegian witch had a market share be on 10,5% before they exited the Norwegian market. When the exited the market the biggest portion of their stores ,549 went to coop, 50 went to Norgesgruppen and 43 went to Bunnpris. In my research Ica will be included as an actor because in the data, this research is based on is ICA included. Totally in the grocery retail in Norway there is a little under 4000 stores.

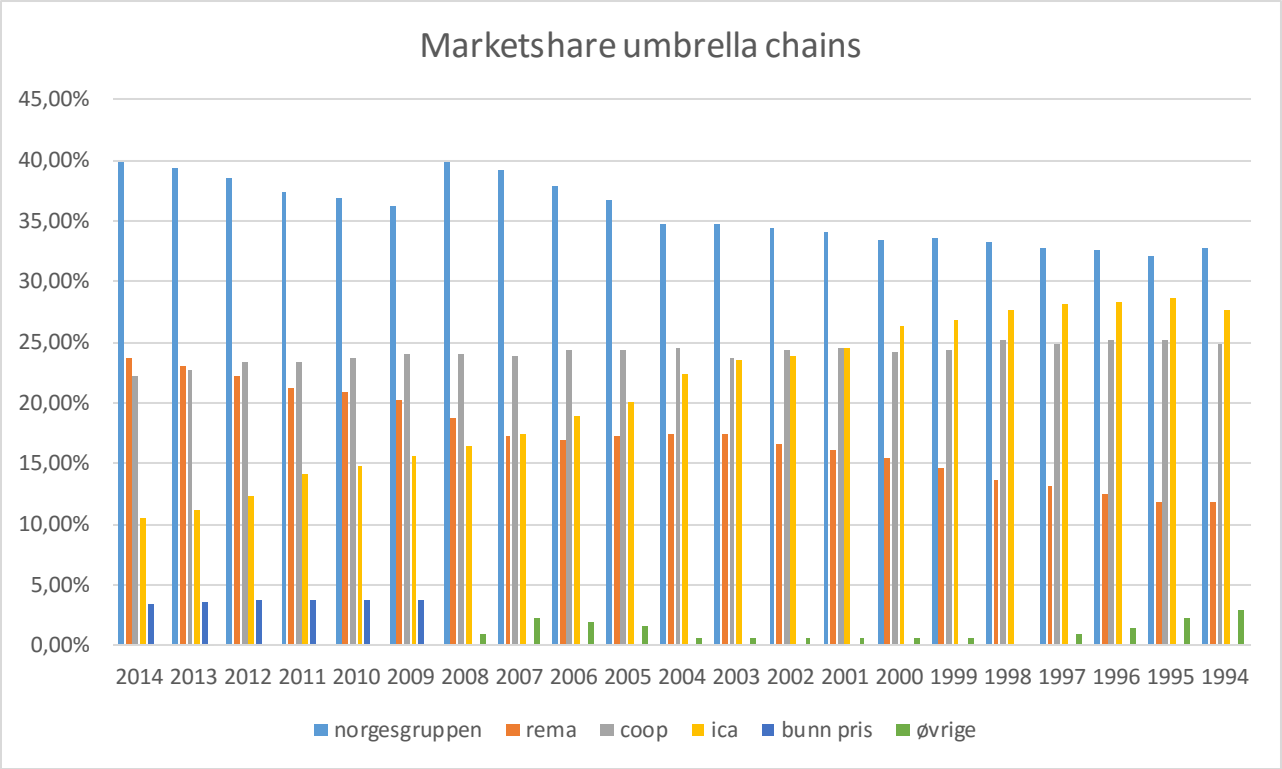

Figure 5 market share umbrella chain sources:1994-2000(Konkuransetilsynet, 2005)2001-2003(nilsen, 2004)2004(nilsen, 2005)2005-2010(forskning, 2010) 2011-2014(Størksen, 2015)

All the actors have the stores that are operating with different strategies. The strategy that most of the stores uses is low price strategy, with 2062 stores (61,8%). The second biggest is supermarkets 601 stores (23,7%). then is it neighborhood stores 1197 (8,3%) and then there is hypermarkets with 39 stores (6,1%) the percentages are of the total sales.

The strategy that have shown the highest growth is the low price strategy, while the other have been declining. (Størksen, 2015)

These are the actors in the traditional grocery stores. Food and beverages are in Norway also being sold through other channels like:

- Specialty stores with food and beverages
- Kiosk, gas stations and service trade shops
- Farm shops, Small markets and square trade.
- Online shopping with food and beverages.
- Across the border shopping.

3.1.3 Supermarket

Supermarket is a bigger grocery store with self-service. Super markets have a bigger assortment that cover most of the consumers' needs, especially the need for fresh produce like meat or fruit that is not the most common.(Kaurel, 2009b)

3.1.4Neighborhood stores

Neighborhood stores is stores that are close to where the customers are living usually this is a small store with limited assortment. In the neighborhood store segment there is a lot of different kind of neighborhoods therefor, it is a lot of different kind of neighborhood stores in Norway you have the example with "landhandel" that is a grocery store. Usually they carry products that people in the neighborhood need like if it's a farming community they are having farming related products as well as grocery's (Kaurel, 2009a).

3.1.5 Hypermarkets

Hypermarkets is large place (20000m+^{2}) with in retail. There assortment is usually between 60%-70% groceries and 30%-40% household related products and leisure -related products. The sales form is self-service. Their location is easy accessible and plenty of free parking spaces. This player that is closest to this concept is Coop Obs. Before smart club was a real hypermarket that was owned by coop but they rebranded and separated their three smart club stores.(Fredriksen, 2010)

3.1.6 Discount store

Discount store is a store with limited assortment. They use price as their main marketing tool. As a consequence of this, these kind of stores have a high degree of self-service, you can easily identify this because these stores don't have fresh food counter like you see in other type of stores. Some do but there are no rules without exceptions. Compared to the other type of stores the discount stores have less special offers than the others but focuses on low price on all their goods Examples of this kind of stores in Norway are Rema 1000, Kiwi and Coop Prix. These kind of stores also sell goods that are not grocery's but then it's usually a limited amount or goods that are out of season.(Fredriksen, 2009)

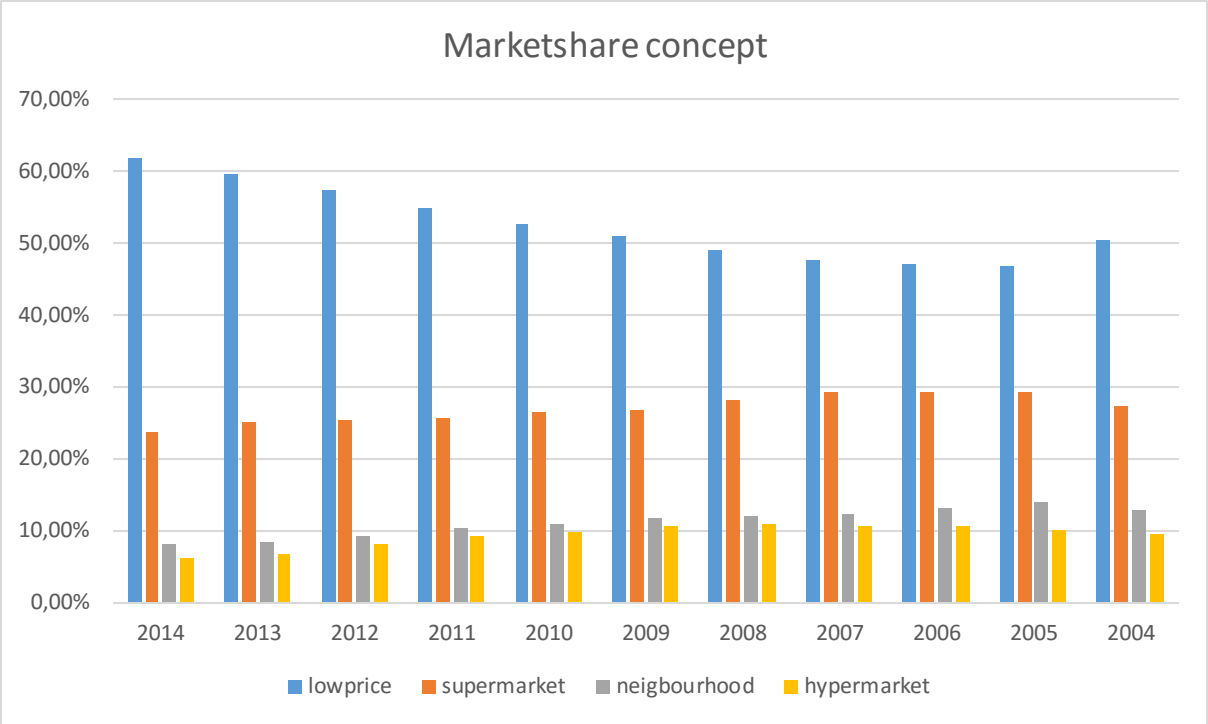

Figure 6 marketshare concept 2001-2003(nilsen, 2004)2004(nilsen, 2005)2005-2010(forskning, 2010) 2011-2014(Størksen, 2015)

3.2 Norgesgruppen ASA

The largest firm is Norgesgruppen, within retail and wholesale business in Norway. It was established in 1994 as a collaboration between a lot of different actors within the retail and wholesale within the grocery industry. In the beginning it was just an alliance, but in 2000 it was established as an integrated trade company when the fusion between Joh. Johannsons wholesale business, retail chains and profile houses took place. This where the first time the company named Norgesgruppen was established. Norgesgruppen ASA is a publicly listed company and as of 31.12.2014 the owners were:

JOH JOHANNSON AS	74,4%
BRØDRENE LORENTZEN AS	9%
Others	6,34%
PETT KJEDE OG SERVICEKONTOR AS	6,32%
BUTIKKDRIFT AS	1,81%
DRAGESET AS	1,08%
KRÅKTUN AS	1,05%

Figure 7 owners norgesgrupen(norgesgruppen, 2015)

In addition to be represented in the grocery industry are they also represented in the service trade with MIX, deli de Luca and Fresh which supplies Shell and Statoil. In this industry

Norgesgruppen have been gradually increasing their position until 2011. (Norgesgruppen, 2016)

Through ASKO are Norgesgruppen having full control over its wholesale operations. ASKO have the responsibility for the flow of goods and information through the value chain from producer to retailer. Within the market segment, Grocery, offshore, kiosk and service trade.

Norgesgruppens growth strategy is not to vertically integrate through the value chain, but they have established their own private label producer. The name of this company is Unil as and they are responsible for developing, buying, branding and distribution. Norgesgruppen also owns matbørsen and bakers, and 46% of the shares in bama AS. Matbørsen is a producer of TV dinners, Bakers is a bakery and bama is a distributor of fruits and vegetables.

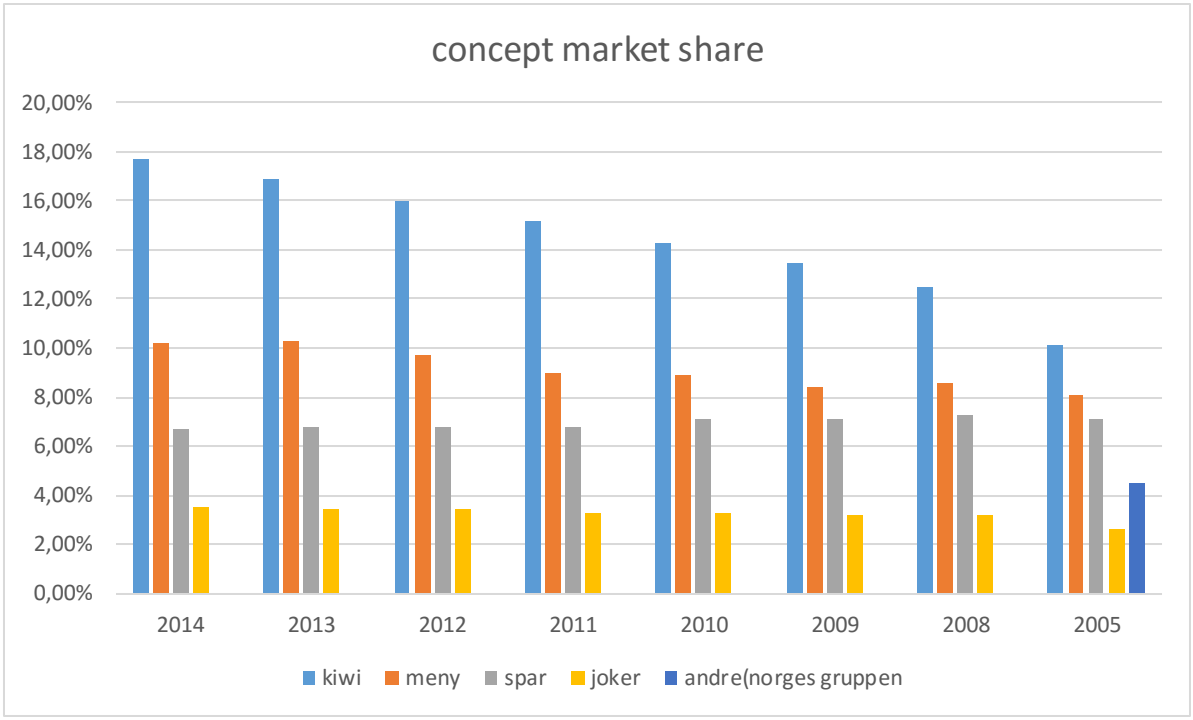

Figure 8 marketshare norgesgruppen 2001-2003(nilsen, 2004)2004(nilsen, 2005)2005-2010(forskning, 2010) 2011-2014(Størksen, 2015)

Norges gruppen consist mainly of 4 concepts Meny which covers the segment large supermarkets, Spar/Eurospar which cover the supermarket segment, kiwi which cover the low-price segment and joker which is neighbourhood store concept. Norgesgruppen have some other concepts which are only represented some places in the country. Ultra which is a hypermarket and Jacobs which is gourmet grocery store only located in Oslo. Spar, joker and Eurospar are organised under one firm called kjøpmannshuset. Because these are almost 100% franchised.

Concept	Items
Meny	13000
Joker	3000
Spar	5500
Centra ultra	20000
Kiwi	3900

Figure 9 items norgesgruppen(forskning, 2010)

Kiwi was the first concept that Norgesgruppen established outside Norway. This happened in Denmark as a collaboration with dagrofa and as of 2012 there are 78 kiwi stores in Denmark. Most of them are other stores that have been rebranded. (Størksen, 2015)

3.3 Rema

Rema 1000 is fully owned by reitangruppen As. Reitangruppen is fully owned by Odd Reitan and his sons Ole Robert Reitan and Magnus Reitan . Reitangruppen is today organized in to four companies REMA 1000, Reitan Convenience, Reitan Eiendom and Uno-X Gruppen.

Rema 1000s operations include operations in Norway, Denmark, Sweden and Rema 1000 industries

Reitangruppen have their operations organized as franchise based operations where it's supposed to be 100% franchise but from time to time will the mother company have to operate different stores for various reasons. Example if the owner of the franchise companies dies or for other reasons are unable to take care of operations. Reitangruppen have their own wholesale and distribution services, which are exclusive distribution channel for Rema 1000 and Bunnpris. AS of January 2013 engrospartner became a part of Rema distribution, which are responsible for the delivery of goods to Narvesen , 7-eleven ,YX and location. Reitangruppen also have an 85% share ownership of Reitan distribusjon, which operates in Denmark through this company they are getting effective distribution in Denmark and the they also get a close collaboration in the purchasing of goods through with EDEKA Zentrale in Hamburg. (Rema1000, 2015)

Rema 1000 are involved in the producing of goods through Rema industrier and they own shares in Norsk kylling (100 %), Home Design (75 %), Grans bryggeri (50 %), Staur foods (50 %), Bama gruppen (20 %), MaxMat (75 %) og Hugaas industrier (50 %), Spekeloftet (50 %), Gram Slot (20 %). Rema 1000 also have long-term agreement of exclusive distribution of certain producer's products, this means that the producer still owns the brand but are only allowed to deliver their products to Rema 1000 example of one these suppliers are Nordfjord and Grans.(Størksen, 2015)

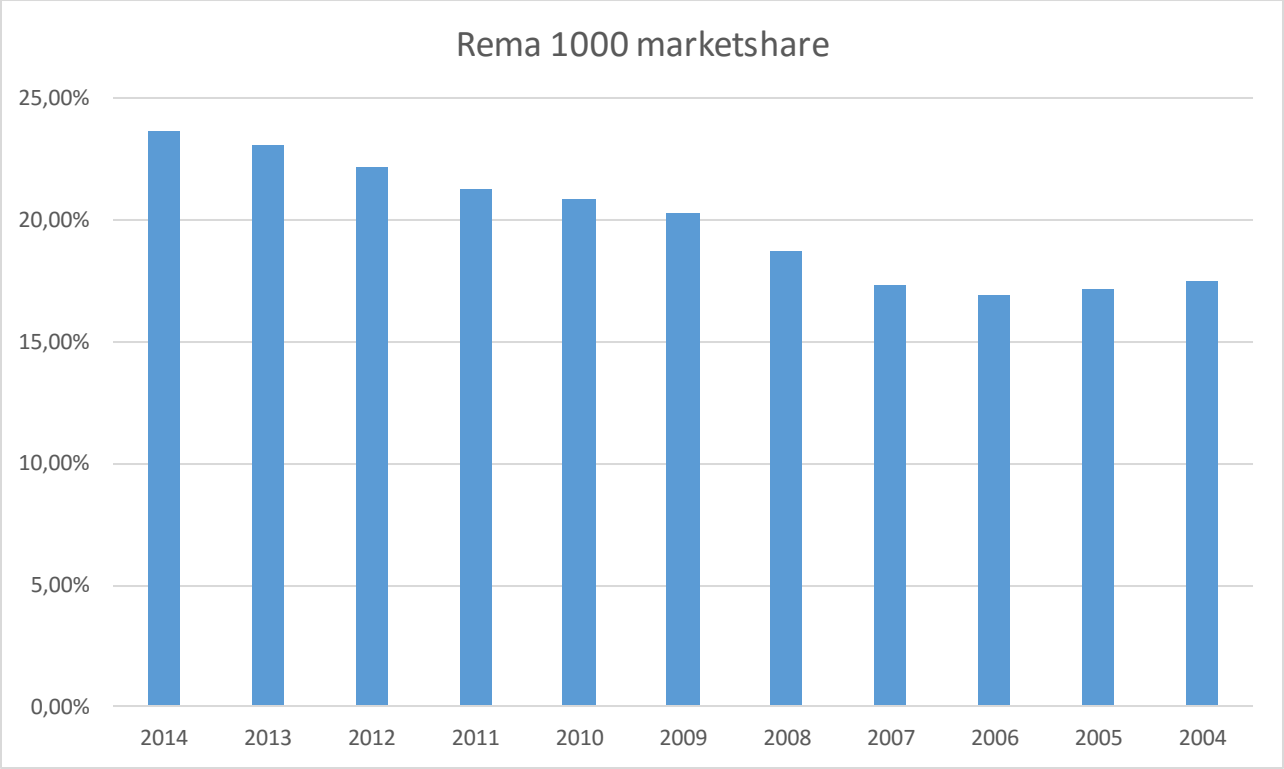

Figure 10 market share rema2001-2003(nilsen, 2004)2004(nilsen, 2005)2005-2010(forskning, 2010) 2011-2014(Størksen, 2015)

Rema have around 5500 items. Company policy is that they should have minimum 3500 items. When they started their goal was to have 1000 items there of the name Rema 1000 (Rema1000, 2015)

3.4 Coop

Coop Norge is the second biggest actor in the Norwegian grocery sector, it is the only retail firm that is fully owned by the customers. Coop Norge is like a mother firm for coop but it doesn't own any of the stores. It is responsible for procurement of good. Supply chain, chain

operations and marketing. The stores are owned by the local Co-op which is owned by the customers.

Coop is different form the other chains operating within the industry with owning the individual stores and by owing the stores and indirectly owning parts of the Nordic mother company coop have 1,5 million members which owns a share in the local stores /organization, many places the local organization owns several stores and the members own a share in all of the stores.

Coop have operations in all the parts of the value chain, coop Norge owns "Coop Norge industrier "which runs the companies such as Røra fabrikker , Coop kaffe AS, goman Holding AS , AS marg and smartclub gormet AS. Their products are being sold through Coops stores. Coop Industrier as had a revenue of 1 127 591in 2014.

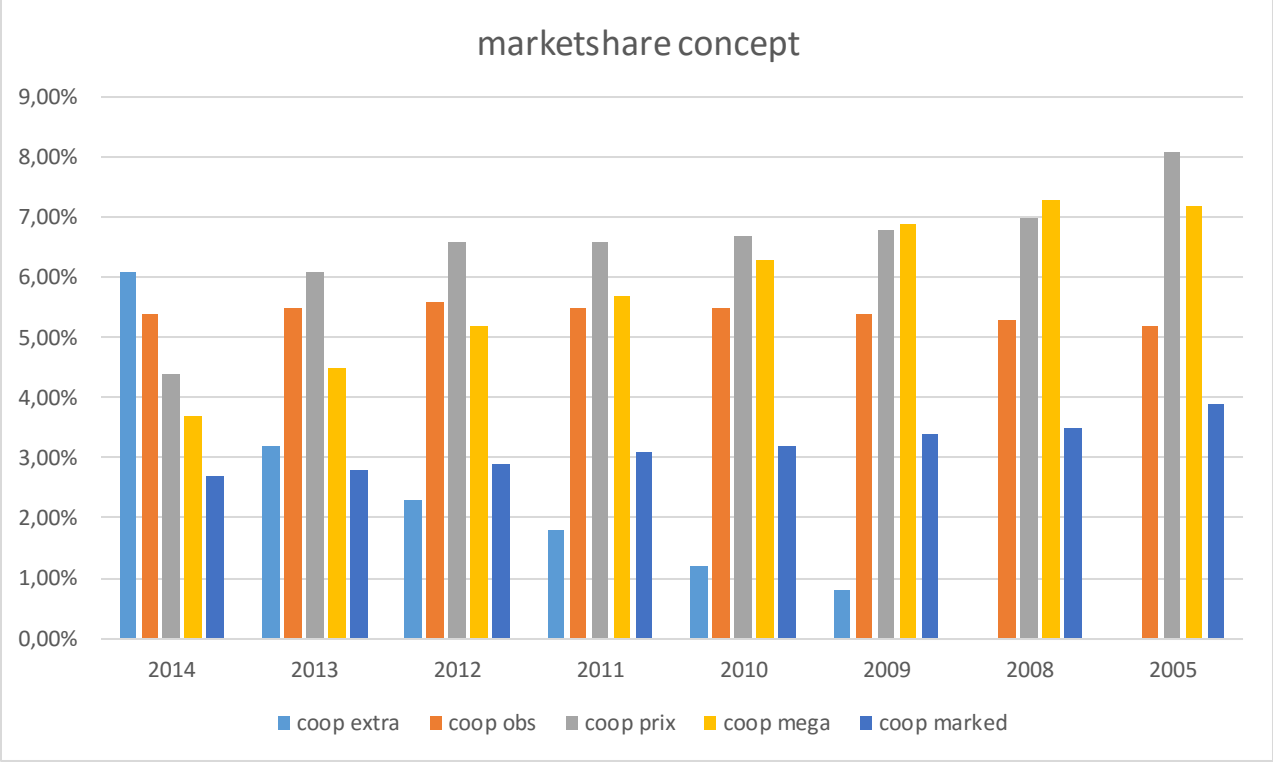

Figure 11 market share coop 2001-2003(nilsen, 2004)2004(nilsen, 2005)2005-2010(forskning, 2010) 2011-2014(Størksen, 2015)

Concept	Items
Coop extra	7200
Coop obs	8300
Coop prix	5750
Coop mega	9500
Coop marked	5750

Figure 12 items coop(forskning, 2010)

3.5 Ica Norge

Ica Norge was the fourth largest actor in the Norwegian grocery sector. But in 2015 is was bought by coop as written before. Since they are a part of the analysis it's important to mention what it was.

Ica Norge was a daughter company of Ica Ab which are operating in the grocery sector Sweden and the Baltic as well as it was operating in Norway. Their organizations are organized as both franchise and company owned stores.

Ica Norge was mainly focused in the wholesale and distribution in Norway

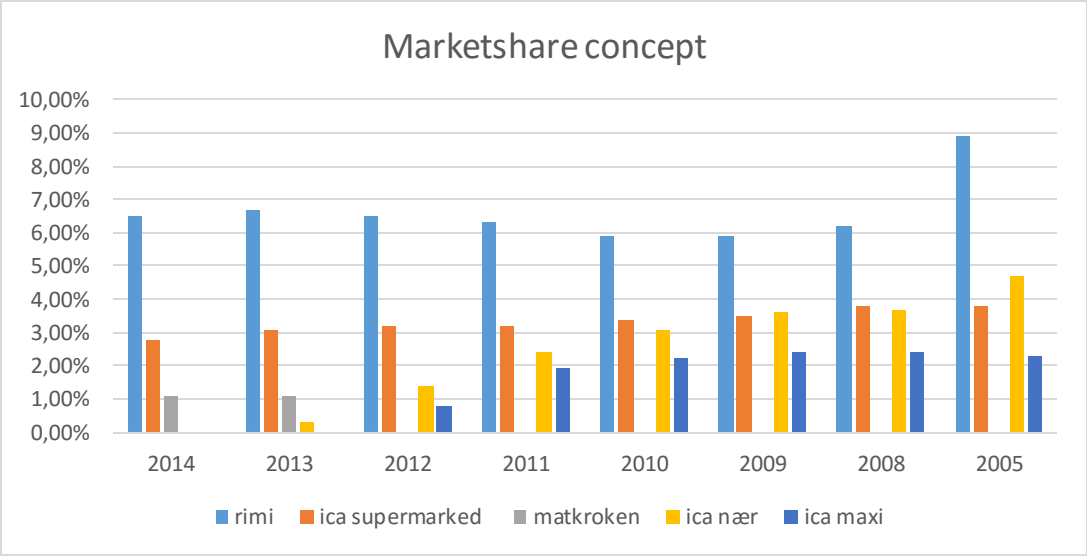

Figure 13 market share ica 2001-2003(nilsen, 2004)2004(nilsen, 2005)2005-2010(forskning, 2010) 2011-2014(Størksen, 2015)

Concept	Items
Rimi	4250
Ica supermarked	13000
Ica nær	4000
Ica maxi	12500
Matkroken	4000

Figure 14 items ica (forskning, 2010)

3.6 Bunnpris

Bunnpris is owned by IKlykke and is the smallest of the four actor in the grocery sector until 2010 its market share was included in to Norgesgruppens market share since they were having norgesgruppen as supplier of inventory. In 2010 they signed an agreement with Rema 1000 for procurement and distribution of goods. (Laugen, 2010) .Bunnpris is the smallest actor in the grocery industry they are trying to different approaches in gaining market share against the biggest actors, they were the first of the grocery actors to introduce fully self-served checkout.

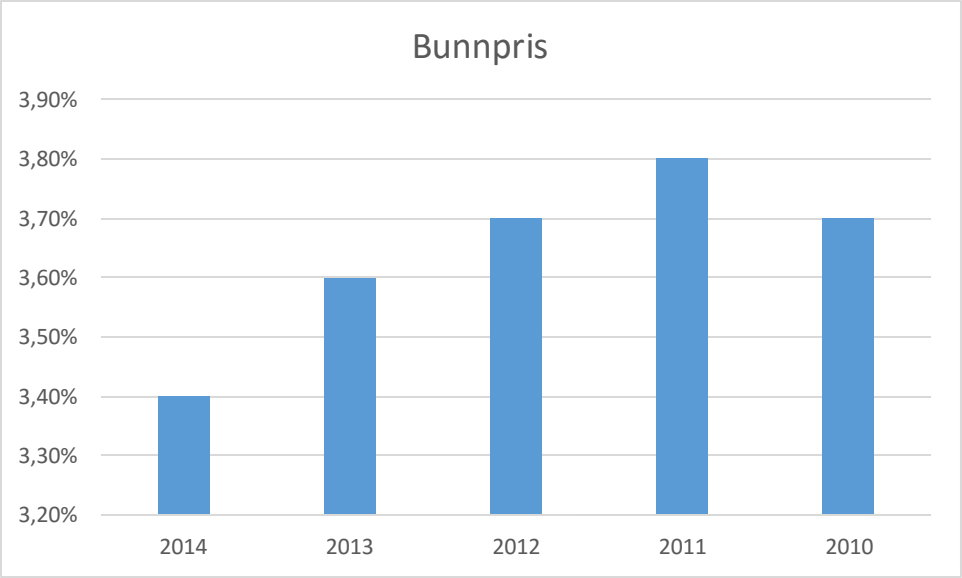

Figure 15 2005-2010(forskning, 2010) 2011-2014(Størksen, 2015)

3.7 Online stores of groceries

Coop is the only of the big chain in the grocery sector which have a functional web shop however this shop doesn't sell grocery's it only sells nonfood. Norgesgruppen also owns a web shop named flust.no. There are smaller companies which operate a web store that is selling grocery's like a conventional store. The biggest and most know actor is retthjem.no which primary sells groceries to companies. Another actor is "www.kolonial.no" that offers services where you order the grocery's online and pick them up at a pick up point. And their webpage is considered to be innovative and easy to use. kolonial.no have Rema as a supplier so here, is one of the big actors involved but otherwise are none of them involved in selling grocery's online. There are also other actors that offer these services like Matenhjem.no, Matnet.no, Matbox.no, Supermarket.no and Rollut.no. (Evensmo, 2014)

Stein Erik Hagen which is most know for starting Rimi which have given him the nickname "Rimi-hagen ". Today through his owner interests in Komplett group a beta test of a web shop for grocery's called marked.no .(Evensmo, 2014)

We also have to mention that there are web shops that are operating with just niche with in the grocery sector examples are Spekehuset.no and Pølsemannen.no which sells meat, Solgardlevert.no which sells ecological food. Fiskebilen.no, Svanoylaks.no and Klippfiskbua.no which sells fish. this is just to mention some of them. and there are also web shops which are selling are selling prepacked dinner solutions which contains all you need to prepare a given dinner. Examples here are godtlevert and Adams matkasse . (Evensmo, 2014)

All these companies can be considered as innovators as they are using a blue ocean strategy, blue ocean strategy is a strategy when you don't compete with existing actors but you create a new market in a way. The strategy when you are competing with large existing firms are red ocean strategy. This is called a red ocean strategy since when you are competing with existing actors the competition is usually bloody. (Johnson, Whittington, Scholes, Angwin, & RegnŽr, 2013)

4 Theory

4.1 Porters 5 forces

In this research I will do research on competition and rivalry. The goal of this research is to identify internal factors that are explaining the company's market share. When we look at this research with the porters five forces we are looking at the competition/rivalry part. The reason that we are looking at this part is because we want to identify the factors that the make the firms that are there today successful. This research is interesting because there are high barriers to enter the market today because of the concentrated power in the grocery sector today.

In this thesis we are not looking at the power of the customers or the power of the suppliers. Treat of substitutes is mention just to show that in the future there will be other ways of buying grocery's than the way we are buying them today.

4.2 Agency theory

When we look at franchising its natural to look at agency theory where we have the principal(franchisee) and the agent (franchisor). In this agency theory we analyze the relationship between the principal and the agent. In the franchising agreement there have been written a contract on how the agent should be rewarded for the services the agent preforms for the principal. And vice versa. There are usually three reasons that can cause problems between the principal and the agent. (Vanebo, 2000)

- Differences in goals for the principal and the agent
- Asymmetrical information
- Different risk profile.

The franchise contract is trying to limit these factors but there these factors will always make some challenges for.(Vanebo, 2000) And also the degree of power will effect this relationship both the formal power and the informal power.

4.3 Franchising system

Franchising is a business strategy for firm's growth. Usually between two parts where the franchisee has developed and owns the concept, the have started their own unit with this concept and tested that it is profitable. The franchisor pays a onetime fee to become a part of the concept, this fee is under no circumstance payed back. In addition, they usually pay royalties to the franchisee through the agreement. The royalties vary on the agreement depending on how many services that are being provided by the franchisee. Most people think about retail when they think about franchising but it exists in most of the industries; Retail, service, hospitality, IT, recruitment and accounting. (Nilssen, 2015)

Franchising is a way of running a business which is becoming increasingly popular .50% of all the trade within the US retail-industry is happening through franchising systems. Based on a questionnaire from 1998 the estimate in Norway is way lower only 15-20 %. Even though franchising is getting a more and more popular way of running a business the Norwegians knowledge of franchising varies a lot .(Nilssen, 2002

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Most people are not getting formal education in this field. In my higher education in business and administration we never had an own subject on this way of doing business but we touched it in different subjects.

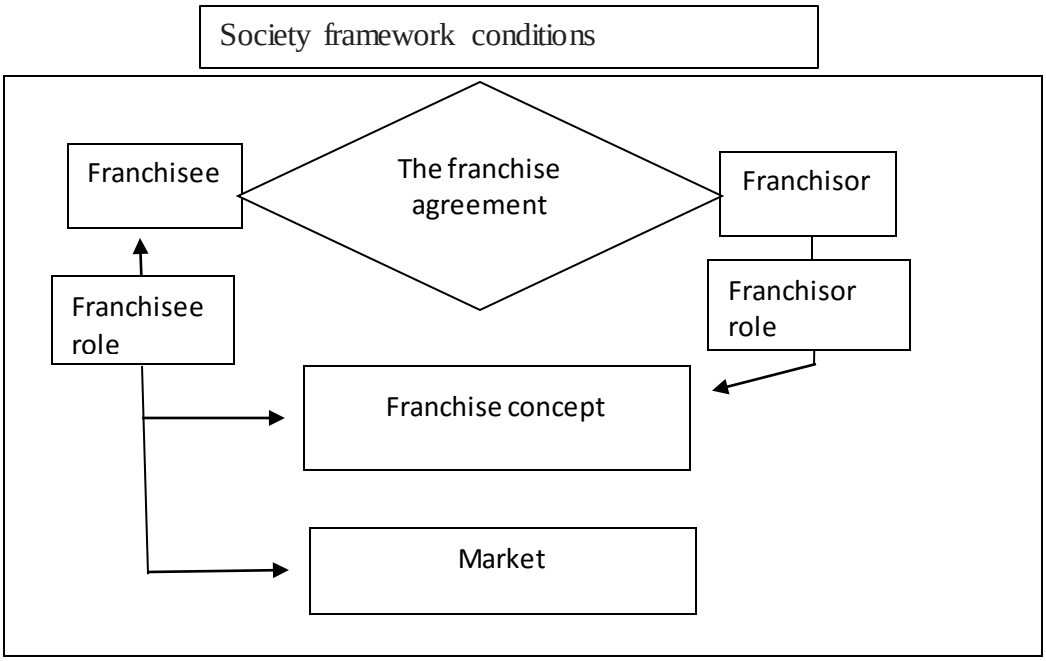

Figure 16 franchise model(Nilssen, 2002

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This model is showing the connection between the franchisee and the franchisor, the concept, the written agreement and the society. The thing that is the most important in the franchising model is the concept. The only way to make franchising successful in the long run is that every involved party earns revenue(Nilssen, 2002

)

4.3.1 Cash flow in franchising

To have a successful franchising system is it important that the franchisee is making money, to be able to maintain their duties to their franchise takers. As u can see in the model below when the supplier is not the franchisee the payment to the supplier goes directly to the supplier. Also u can see in the model that its common to pay for marketing separately for the royalties payed to the franchisee. Only when the franchisor is making a sufficient margin to cover its expenses and pay their suppliers, and the royalties.

The suppliers will be naturally being paid before the royalties because the franchisor need to be able to stock its shelfs continuously with goods to be able to obtain a sufficient margin.

The royalties are the most important income for the franchisor; in most cases this will be a fixed percentage amount of the sales excluding VAT. Usually this is calculated every month. Sales is one of the best way to determine if a franchise system is good or bad. Other models are being uses gross profit or result after expenses are being covered.

On a research done in the USA 93% uses the model explained first. Many of the franchisor are doing services for the franchisee, like doing payroll, accounting etc. under these circumstances this services should be payed separately but there are different practices being used here as well.

One way that franchisor can increase its revenues is to buy central facilities being used by the franchisee and rent them to franchisor. When we look at Rema this model is being widely used (Stein Stugu 2007) a lot of the franchisors want to do the accounting for the franchisee. By doing this they gain more control over financial situation for the franchisee. When the franchisor is selling accounting services to the franchisee. This is usually forced by the franchise agreement. The franchisor should be able to provide these services at a competitive price. The best way to do this is to organize the accounting as an own strategic business unit, but by doing this the low the unit need to authorized to sell this kind of services take effect. (Nilssen, 2002

)

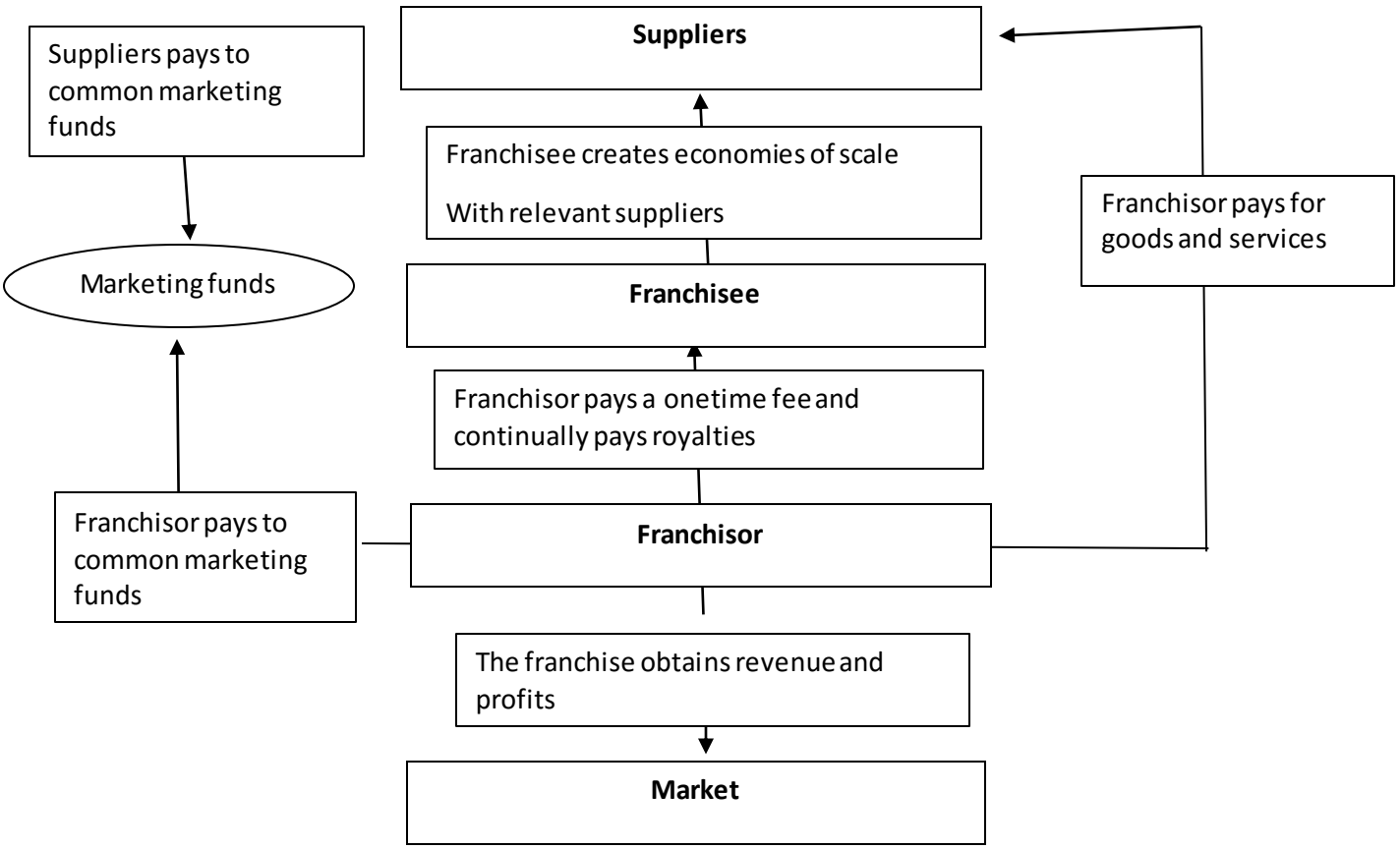


Figure 17 cash flow in franchising system (Nilssen, 2002

)

4.3.2 Exporting the franchise system

Most of the export from Norway is raw materials, especially fish, aluminum and oil and gas . The exception to this is the oil and gas industry here Norway have been able to build a competence within this industry. That are also being exported. In the last year 20th century Norway have developed many franchise concepts within different industry's but not many of the franchise concept have been exported, reasons for this is:

- The franchisor hasn't work enough on developing the documentation of the results of their franchise concept.
- The way that the franchisor is trying to establish its self is not successful because of example choosing a bad local partner.

There are four different ways of exporting a franchise system

- Subsidiary
- Joint venture

- Master franchising
- Direct franchising

Subsidiary is that the franchisee is starting their own subsidiary in the country/area they are expanding to, to let people in the area know that about the brand and to show that that the concept is viable. After proving this they let a franchisee take over the day to day operations and expand with other franchisors.(Nilssen, 2002

)

Joint venture means that you together with a person establish a company and develops the market, the partner might be a local supplier or at least some one with a real interest with your company growing. But if we look to china the joint venture is usually a collaboration with the government. Rema used this model when they entered the Danish market .(Nilssen, 2002

)

Master franchising is to sell the rights to person or a company to be the franchisee in that country or region.

Direct franchising is that you are treating the whole world/operating area as one region

Yae Sock Roh(2002) argues in his research that franchising is used as a strategy for growing firms, to gain market share without having to go in to substantial amount of debt. He also argues that when the firm gets bigger the franchisor should buy back the most profitable units of the business to keep the profits in the firm. This research is done on restaurants but restaurant and grocery sector serve the same need so we believe that franchising will affect market share positively. (Roh, 2002)

4.4 Number of items in grocery stores

All logic says that the more different product you carry the higher cost you will have related to inventory and inventory handling as we see in the research done by Gaur,Fisher and Raman (2005)we see that the higher profit margin we have on the goods the lower turnover we will have (Gaur, Fisher, & Raman, 2005) . From the general ABC analysis, we see that 10-15% is A items, B items is about 30% of the inventory and C items cover 55% of the inventory. (Heizer, Render, & Weiss, 2004). When we increase the number of items we increase the

number of all A, B and C items and all logic will point to that profitability will decrease since A items represent 70-80% of the annual revenue so in theory from a profit maximization perspective it will be better to have a lower number of items that your competitors. (Heizer et al., 2004).

On the other hand, you might lose customers because they will go to your competitors since at your store are they not able to get all the products that they need in their daily life. Also you might lose potential sale from the customers that are already shopping at your store.

Enterprise resource systems are getting better and more companies are introducing lean you can see from the research done by Gaur,Fisher and Raman(2005) that there is a trend from the 1980s to the 2000s that the cost of handling inventory have decreased. Also more of the actors are introducing the concept of Just in time which say you should decrease your assortment. (Heizer et al., 2004).

Gourville and Soman(2005) argues in their research that when one brand has higher variety than a competing brand. This will result in the bran that have the higher variety will gain higher market share. (Gourville & Soman, 2005)

Barbara E.kahn(1998) argues in here research that one way that companies can compete in the 21th century is offering a large variety of items. The reason for offering a high variety of items is that they want to meet every customers needs and preferences. (Kahn, 1998). The research is also mention that a high variety of items can cause frustration for customers.

Kahn also conclude in her conclusion that having a large variety of items is a better strategy long term than just offering a limited assortment at a lower price. We can also see this trend from the Norwegian grocery sector where Rema started with around 500 items but today have a minimum of 3500 items (Rema1000, 2015)

“Line extensions rarely expand total category demand. People do not eat or drink more, wash their hair more, or brush their teeth more frequently simply because they have more products from which to choose”(Quelch & Kenny, 1994) so when we look at the number of items we are not creating a bigger demand among the already established customer base. But they are simply stealing customers from their competitors.

From the brand manager’s perspective increasing one brand, product line is one of the fastest way to increase sales. But the gain in market share and sales is usually short lived. This is also

identified in the research by Quelch & Kenny (1994) as a strategy used by the brands to gain shelf space or/and increase competitors admission fee for shelf space.

You should apply the logic test to the items in what strategic role it plays in the segment.

The Norwegian grocery sector have adapted the same strategy as Avon described in the research by Quelch & Kenny (1994) where they have many products and have special promotions making the sales people focus on the promoted product. These products also get better shelf placements usually paid for in full by the brand or partially paid for by the brand. (Quelch & Kenny, 1994)

Quelch & Kenny (1994) suggest a few things you can do in practices you can adopt to increase your profit: improve cost accounting, allocate resources to winners, research customers behavior, apply the logic test and work with distribution partners. And since Robert D. Buzzell, Bradley T. Gale, and Ralph G.M. Sultan(1975) have found it to be a relationship between profits and market share these practices will help companies to gain market share.

4.5 Private labels

Private label is when the chain is having its own product example from the Norwegian market is first price is a private label from Norgesgruppen in many cases in Norway private labels is produced by the well-known brands but this usually well-hidden but in some cases its written on the packing. But there is also examples when the grocery chains on their own produces their private labels.

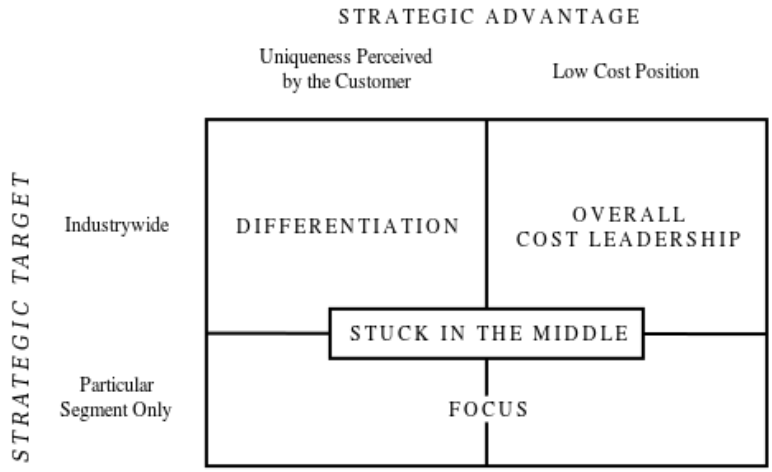


Figure 18 porters generic strategy(Johnson et al., 2013)

When we look at the Norwegian market we have private labels that are using all the different strategies that porter is describing in the model below you see that all some of the private labels in the Norwegian grocery sector have been put in the diagram according to porter's generic strategy.

	Cost focus	Cost leadership	Differentiation	Differentiation focus
Norgesgruppen	Eldorado,fiskemannen Slakteren, smart, fersk og ferdig	First price , Seidel	Jacobs utvalgte	Aware
Rema 1000	Gode hav , solving	Landlord ,Rema 1000	Ladegård brygghus	
Coop	Coop	X-tra	Smak forskjellen	Änglamark
Ica	Ica Rimi	Euroshopper		I love eco

Figure 19 private labels divided by porters generic strategies (NOU, 2011)

This model is under no circumstances complete this is just used to give an illustration of how the private labels are represented in the generic strategy model to porter. There is a middle way between the private labels and the well-developed brands and that is producers that establish exclusive agreements with one of the umbrella chains. One example of this is

landlord. This is one of the way that suppliers can develop cost leadership since they will be able to forecast demand to the firms are more open to give the suppliers access to their Enterprise resource system. (NOU, 2011)

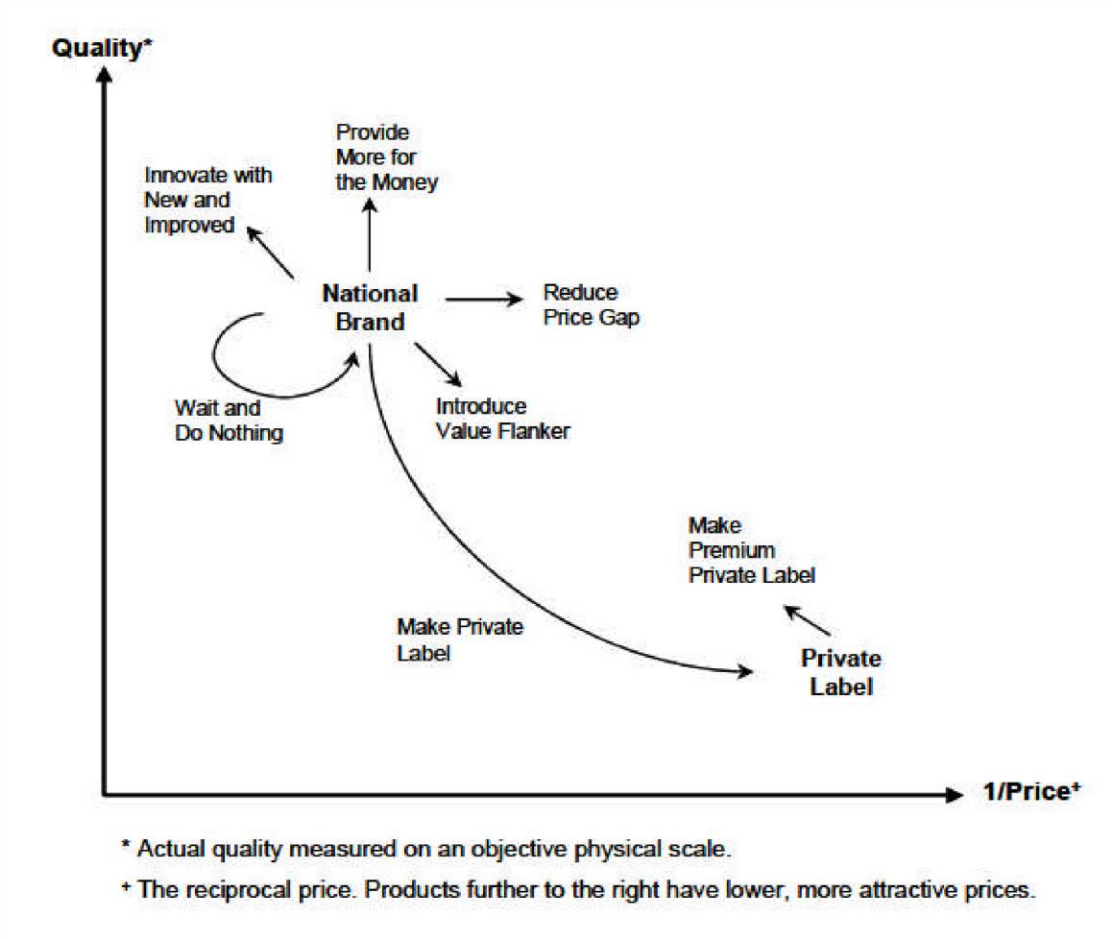


Figure 20 Hoch private label model(Hoch, 1996)

From the model we see that suppliers have different apaches to fight against the private labels. And the most used is to produce the private label product for the firm or a premium private label for the umbrella chain.

The research done in the UK by Corstjens and Lal(2000) done on the retail market indicates that there is a positive relationship between the market share and fraction of the goods sold that are private labels.

They have also found that the private label does not in all cases, have to be lower than the other brand. Because this product has the potential to draw customers to their store. In the UK market the fraction of private labels is almost twice as high as the amount in the Norwegian

grocery industry so there are possibilities that the effects in the Norwegian market will be different than the UK market.(Corstjens & Lal, 2000)

An example from the Norwegian market: Private label being identified as one of the factors that Lidl didn't manage to survive in the Norwegian grocery sector. Lidl opened in 2004 and sold their stores to Rema 1000 in 2007(LARSEN-VONSTETT, 2004). Lidl had a high fraction of private labels compare to the other actors at the time in the Norwegian market but the other goods they were caring was German products none of the competitors were carrying so they are in theory to be considered as private labels. This is an indication that to high fraction of private label was not a good strategy at that time. The Norwegian customers was not ready to give away their branded products. (Østerbø, 2008) another factor to their failure is identified that since they entered such market with high competition they ended up in having their stores in worse locations than their competitors.

From the 1985-1992 package goods for number of items increased by 15% while retail establishment increased their shelf capacity by only 1,5%. This made the relationship between the supplies and retailers worse as a result the retailers increased the fraction of private labels and allocated more shelf place to their private labels. Competition among the other competitors for shelf space got more intense and the retailers could charge more for it. (Quelch & Kenny, 1994)

4.6 Loyalty program

Loyalty is defined as repeated purchases of particular products or services during a certain period of time. For this reason, a particular brand's purchase frequency(Brody & Cunningham, 1968). In my case we are looking at loyalty as using the same store chain because of the loyalty program that offer discounts and other special offers. Loyalty programs in the Norwegian grocery's sector is offered by Norgesgruppen and coop.

To obtain a membership in coops loyalty program you have to deposit 300 NOK, when you wish to end the membership you will get the money back. The perks in this program is mainly that get cashback when you shop at a coop store. the cash back will be minimum one percent,

but it will vary on which Co-operative you are member of. You will also receive coupons offering different discounts based on your shopping preferences.

Coop have sometimes special offers that you can only take advantage of if u have a membership card. But you will also get other advantages like cashback on petrol, hotel and travel discount, discount on insurance and some special offers from totally unrelated businesses that will be a onetime offer from time to time .(Coop, 20.02.2016)

Trumf is the loyalty program to Norgesgruppen ASA this works in similar way as the loyalty program that coop offers except that this is free to obtain, but in this program you will get one percent cashback in all their stores. the main difference is that Trumf collaborate with Scandinavian airlines so that you can transferee your cashback in to airfare miles. ('Trumf fordeler," 24.02.2016

)

In 2016 Norgesgruppen extended it loyalty program at Meny and Kiwi where you register specially for this you can get a 7% cashback on healthy products.

Ica had a loyalty program before 2001 but they decided to liquidate the loyalty program because of Norwegian peoples inters in loyalty program. This program where collaborating with warner gruppen which owns a lot of different cloths store. (ICA, 2001)

Research have shown that the customers loyalty is largely related to the loyalty program and not the actor that is behind the loyalty program. This can make challenges since if the customer doesn't find the loyalty program lucrative anymore the customer will disappear as a customer from the grocery store. (Evanschitzky et al., 2012)

Youjae Yi and Hoseong Jeon(2003)argues in their research ,why brands and firms are using loyalty program is that they want customers to be loyal to the firm or brand and don't want the customers to use their competitors. The firms also trying to increase their A customer's. A customer is the most profitable customers. 20 80 rule is that 20% of their customers' accounts for 80% of the profits (Yi & Jeon, 2003).They want to keep these customers to keep the wheels turning . Also loyalty program is being used to gain new customers. Some customers also get a better relationship with the firm when the firm are using a loyalty program (Yi & Jeon, 2003)

From the research done on airfare companies we see that loyalty program only has an effect when the airfare company have a significant large market share. (Liu & Yang, 2009) this

gives indication to that there will be a positive relationship between loyalty program and market share.

5. Method

5.1 Data collection

This research has been based on available data. From different sources. The information about market share have been collected from the Nilsen company, which every year produce "dagligvare rapporten" where there is information about market share, number of stores total revenue. Svalbard is excluded from the data material, and all the numbers are excluded VAT.

Return on assets (ROA) is calculated by $\frac{net\ profit}{total\ assets}$ with using the numbers from the company's financial statements from proff forvalt since the that way all the numbers are from the same sources. The numbers from proff forvalt differs a bit from their annual report.

From the report "daglivare og mat 2013" the information about is items collected. All the concepts in the umbrella chain have been weighted equally and its only included grocery's not nonfood items. Information about fraction of franchising and private labels is also from this report.

The information about their loyalty program is collected form the respective company's webpages.

This paper uses something called hypothetical deductive. first a research question with a testable hypothesis is established. Then its tested with analysis if analysis show that the prediction in the hypothesis are accurate they are confirmed otherwise they are rejected(Gripsrud, Olsson, & Silkoset, 2004). I have chosen to use quantitative to analysis to do the analysis for this paper. Since the access of the data available. I want to check the relationship between one dependent many independent variables I have chosen multiple regression as my statistical method to investigate the relationship between the variables. (Sekaran, 2006)

The data that is being uses is the data for the whole population, since the population will only be the grocery sector in Norway since you cannot generalize this research to the whole world. Because if you were to do the same research in another country, the environment around the research would be different. just to mention some factors that will be different: legal, economic and social.

5.2 Variables

- Market share is the dependent variable and collected from sources:1994-2000(Konkuransetilsynet, 2005)2001-2003(nilsen, 2004)2004(nilsen, 2005)2005-2010(forskning, 2010) 2011-2014(Størksen, 2015). The data from 2001-2014 is collected by Nilsen so this gives the data high reliability. Because its collected by the da
- ROA since the grocery industry is a goods selling industry this is one of the best measure of profitability. The numbers for calculating ROA is collected from proff forvalt .
- Information about number of items is collected from "dagligvare og mat" (forskning, 2010)here have all of the chains been weighted equally since there will be a lot of variation with in the store in all the chains I find this to be the way that creates the highest reliability.
- The data about the loyalty program is collected from the respected companies web pages so this have a high reliability since they use their web page to inform about the advantages about the loyalty program
- Information about franchising is chosen to keep at the same level during all the years since lack of data available and there is also little variation in this do to keep it at a stable level will give appropriate results. The data i have collected from defacto «franchise I varehandelen makt uten ansvar ansvar uten makt»(Stein Stugu 2007)
- Private label decided to keep at the static level that it reached at the end on 2014 since problems collecting data since it haven't been focus on this in the measuring differences from the umbrella chains

Variable	Description
Y	Market share
X1	ROA
X2	Number of items
X3	Franchise
X4	Loyalty program
X5	Private label

Figure 21 variables first regression

If the initial analysis will not support the hypothesis will there be possibility to check the hypothesis using other methods.

Multiple regression analysis is an extension of the simple regression model. Where you add more than one independent variable.

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \beta_5 x_5 + \varepsilon$$

This regression line is an illustration of the variables mention in figure 21. What I want identify in my research is the value of β. I want identify to β since this can be used as an indicator of the independent variables and how they explain the variation in my dependent variable. If there are some of the variable that are not statistical significant they will be excluded from the research and the regression will be redone with variables that are significant. Spss 23 was used to do the data analysis.

The variable X4Loyalty will be a dummy variable meaning that the value of 0 and 1 will be used. Where 1 is representing when they have loyalty program and 0 is when they don't have loyalty program. (Gripsrud et al., 2004)

I will also check the variables for multicollinearity where I will check VIF and will exclude the variable from the analysis if VIF value exceeds 10 because this is accepted as a standard. (Gripsrud et al., 2004) (Sekaran, 2006).

The variables on concept level is shown in the table below

Variable	Description
Y	Market share
X1	Loyalty
X2	Franchise
X3	Items
X4	Hypermarket
X5	Supermarket
X7	Neighborhood
X8	Discount store

Figure 22 variables store concept

In this regression the same goes for loyalty is a dummy variable here as well. But also X4-X8 is will be coded as a dummy variable. (Gripsrud et al., 2004)

6. Findings and discussion

6.1 Regression 1

The dependent variable in this regression is market share.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,972[a]	,946	,941	2,40752%

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5535,634	5	1107,127	191,011	,000[b]
	Residual	318,788	55	5,796		
	Total	5854,422	60			

we also see from the ANOVA analysis that where we get an f value of 191.011 and when we get a large number on the f value in the ANOVA analysis this indicate that the variation in the data is not random.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-19,831	5,240		-3,784	,000
	ROA	,169	,038	,172	4,454	,000
	Franchise	,110	,014	,412	7,839	,000
	Items	,004	,001	,607	6,966	,000
	loyalty program	9,491	1,709	,484	5,553	,000
	private label	,138	,156	,057	,884	,381

Coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ROA	,667	1,500
	Franchise	,358	2,797
	Items	,131	7,660
	loyalty program	,130	7,668
	private label	,240	4,169

We see here in the model that we have VIF values that are close to 10 which is our absolute limit for rejection but we want the average of the values to be close to 1 for it to be a good model and we see here that the average is far away from 1 just because one of the variables is not significant.

Residuals Statistics					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2,5942%	37,3987%	22,7885%	9,60524%	61
Residual	-5,48345%	5,10776%	0,00000%	2,30502%	61
Std. Predicted Value	-2,102	1,521	,000	1,000	61
Std. Residual	-2,278	2,122	,000	,957	61

In this research I am using a 95% coefficient interval I have to exclude all variables that have a significant above ,05 in this firs regression we see that private label has a value of ,381 which is higher than 0,05 therefore this will be excluded in the second regression and also many of the tables have been excluded her since they will be shown in the second regression Here we reject hypothesis H1.5 since the variable is not statistical significant

6.2 Regression 2

The dependent variable in this regression is market share.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,972[a]	,945	,941	2,40281%

In this regression model we get a r square of ,945. This shows that 94,5% of the variation in the dependent variable market share is explained by the independent variables. this means that most of the variation in the dependent variable is explained by the independent variable. And 5,8% of the variation in the dependent variable is explained by factors that are outside of the model. I also tried to eliminated independent variables to try to get 2 squared as high as possible but this is the highest r square I can get with including only significant variables.

We see that the difference between r square and adjusted r square is 0,004 which is relatively low, adjusted r square takes in to account the size of the sample/population. As a rule of thumb should n be 10 times as large as K in this model is 5 and 61 n/k = 12,2. This shows that 12,2 times as big as k. meaning the sample is satisfactory big enough. (Gripsrud et al., 2004)

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5531,105	4	1382,776	239,503	,000[b]
	Residual	323,317	56	5,774		
	Total	5854,422	60			

we also see from the ANOVA analysis that where we get an f value of 239,503 and this is a higher number then in regression 1 so the variation in this data is even less likely to be random.(Gripsrud et al., 2004)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-15,589	2,102		-7,415	,000
	ROA	,168	,038	,171	4,454	,000
	Franchise	,118	,011	,442	10,767	,000
	Items	,004	,000	,543	11,201	,000
	loyalty program	10,665	1,074	,544	9,935	,000

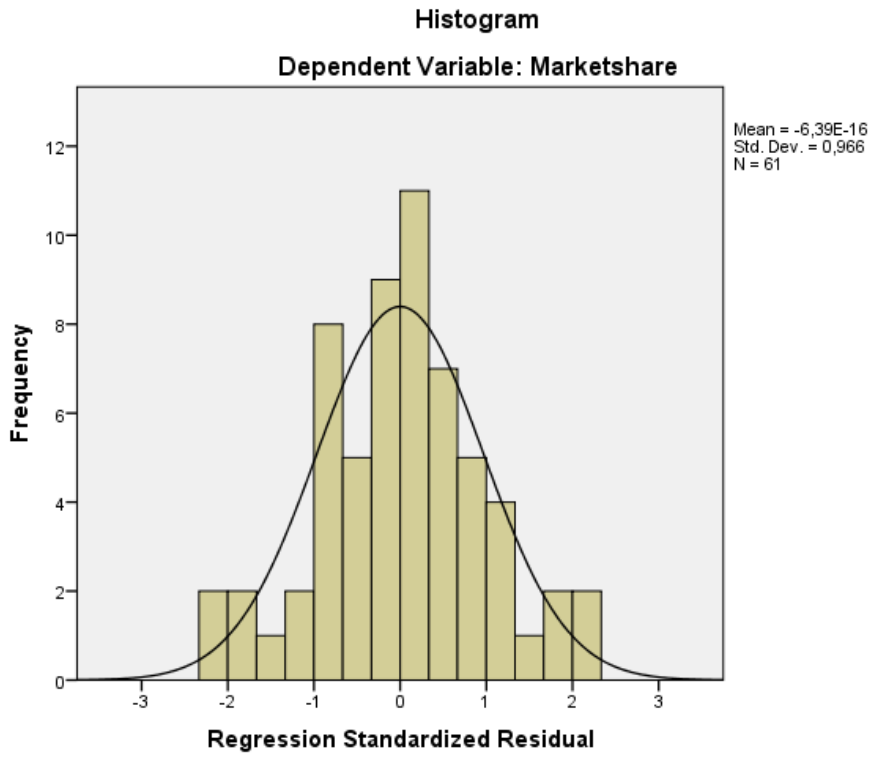
Coefficients			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ROA	,667	1,500
	Franchise	,586	1,705
	Items	,420	2,381
	loyalty program	,329	3,037

When we compare this diagram to the last one. This model is a lot better model. The average of the VIF values is 2,155 which is close to 1 so this model is acceptable. (Gripsrud et al., 2004)

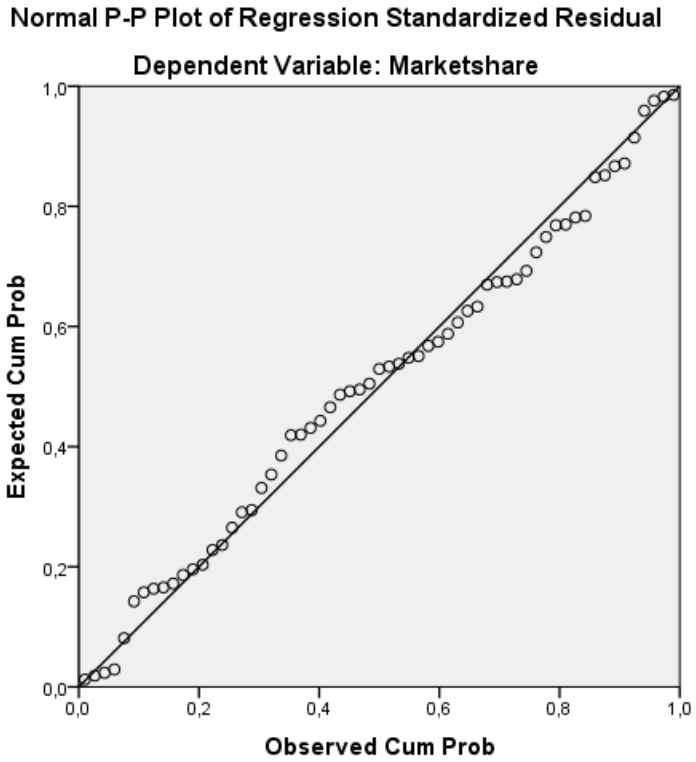
Coefficient Correlations						
Model			loyalty program	ROA	Franchise	Items
1	Correlations	loyalty program	1,000	-,483	,559	-,745
		ROA	-,483	1,000	-,506	,418
		Franchise	,559	-,506	1,000	-,322
		items	-,745	,418	-,322	1,000
	Covariances	loyalty program	1,152	-,020	,007	,000
		ROA	-,020	,001	,000	5,446E-6
		Franchise	,007	,000	,000	-1,214E-6
		items	,000	5,446E-6	-1,214E-6	1,186E-7

When we look at the coefficient correlations we see that ROA are negatively correlated with loyalty program and franchise, this make since when the fraction of franchise increase this I logical since when the number of involved franchise partner increase the profits are divided toward more actors. But there are some of the correlations which don't make any logical sense at all. Like ROA and items is positively correlated from almost all the theory that is available this I talking against the economic logic.

Residuals Statistics					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3,1705%	37,5869%	22,7885%	9,60131%	61
Residual	-5,39447%	5,24337%	0,00000%	2,32134%	61
Std. Predicted Value	-2,043	1,541	,000	1,000	61
Std. Residual	-2,245	2,182	,000	,966	61



Here we see that the columns are approximately under that line which show the data are normally distributed and the model is statistically valid.



This plot is a check if the normality is met if one of the data points are significant away from the straight line. As we see from the diagram above

Here have we done the regression analysis twice. The reason we have done it twice is because in the first analysis we get that the variable private label is not significant statistically. Therefor I have to excluded this from the model to get better results. And we see from the analysis that the VIF values drop significantly on all factors making the significantly making the VIF Values close to 1 showing that there is low level of multicollinearity. multicollinearity measures indicate the degree to which degree on independent variable is explained by the other independent variables. (Sekaran, 2006)

after doing the second regression we get the regression equation

y=-15,589+x1 ,168+x2 0,004+x3 0,118+x4 10, 665 +ε

As we see from this regression x4(loyalty program) is the one single factor that have the highest influence on market share this is a dummy variable as explained earlier. This variable is either on or off. We see from the model that this variable predicts 10,665% of the market share which is a lot, but the is solely based on historical data of the Norwegian grocery sector. We get this by differentiate the equation with reference to x4.

Problems with this research is that it doesn't look in to the differences in the loyalty programs and it just look if they have or don't have a loyalty program, and how much of the market share that can be predicted.

The factor that influence the second most is x1(ROA) when we differentiate the equation with reference to x1 we get: 0,168 but this can also influence also influence in a negative way since ROA can be negative. As we see for the data in my analysis where in 25% of the observations is negative ROA.

The third factor is x2 (franchise). When we take the equation and differentiate with reference to x2 we get ,118 this will be multiplied by the fraction of the chain that is franchised. So it can maximum predict 11,8% of the total market share. This factor can't effect market share negatively. In this analysis the fraction of franchises has been hold stable during all the years that the data if gathered from but to get 100% accurate results there would be some variation in the data from Norgesgruppen and ICA but this variation would be minimal so it's just kept at a stable level.

The third predictor is x3(items) when we difference the equation with reference to x3 we get 0,004 the hypothesis was that this would affect market share negatively.

6.3 Regression 3

Here have I done the research again but on concept level not on the umbrella chain. Here I have excluded ROA since it difficult to get an accurate result from the financial statements. While here I included another variable which is coded as a dummy variable for the following variables: hypermarket, supermarket, neighbourhood. store or low-price.

The dependent variable in this regression is market share.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,709[a]	,502	,479	3,82639%

In this regression model we get a r square of ,502. This shows that 50,2% of the variation in the dependent variable market share is explained by the independent variables.

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1904,240	6	317,373	21,677	,000[b]
	Residual	1888,718	129	14,641		
	Total	3792,958	135			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	7,998	1,317		6,071	,000
	Loyalty	1,499	,764	,140	1,961	,052
	Franchise	,063	,011	,461	5,761	,000
	Items	,000	,000	-,249	-2,362	,020
	hypermarket	-2,355	1,511	-,144	-1,558	,122
	supermarket	-2,032	,974	-,175	-2,087	,039
	neighbourhood	-9,186	,937	-,738	-9,802	,000

Loyalty and hypermarket are not statisticaly significant according a 95% conenfidece interval so these will be excluded in the next regression. Also supermarket, neighbourhood and discount stores will be excluded since they are related to hypermarket.

Excluded Variables						
Model		Beta In	T	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	discountstore	.[b]	.	.	.	,000

From this model we see that items and franchise is the only significant variables since one of the variables among the dummy variables: hypermarket, supermarket, neighbourhood. store or low-price. These also are excluded from the model next time the regression is done.

Even if we get that these relationships is not statistical significant in this model we cannot prove with 100% certainty that they effect market share, but if other research where done there could had been proven that these factors are significant even if they are not in this model.

Here we reject H2.3-H2.7 since they are not statistical significant. H2.4-H2.7 are rejected since one of them are not statistical significant and they are coded as a dummy variable related to each other.

6.4 Regression 4

When I did the regression the second time items where shown not to be significant therefor it was also excluded from the model and this last model is franchise the only predictor that is included in the analysis. Items have also been removed from the model since when I did the regression with just franchise and items. Items were also not found statistically significant at this regression. Then H2.2 is also rejected. And the regression was done with market share as the dependent variable and franchise as the independent variable.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,312[a]	,097	,091	5,05477%

From this analysis we get an R squared of 0,097 which means that 9,7% of the variation in market share can be explained by the variation in franchise. They adjusted R squared is 0,091 and this differences not much different from the R squared which means that there is sufficient with enough data.

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	369,157	1	369,157	14,448	,000[b]
	Residual	3423,800	134	25,551		
	Total	3792,958	135			

Also when we look at the F level of this analysis its relatively lower compared to the second regression that is done where the F is 228,767 compared to 14,448. The f level the ratio of the mean regression sum of squares divided by the mean error sum of squares. The higher it is the more will the coefficients be different from zero.

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,166	,572		7,283	,000
	Franchise	,043	,011	,312	3,801	,000

From this we get the regression line $y=4,166+0,043x1+\varepsilon$

With these results we can maximum get a market share of 8,5% and in the data the highest market share is 23,7% so we can conclude that we don't get the same satisfying results from the analysis when it's done at the concept level and not the chain level.

7. Conclusions and recommendations.

7.1 Weakness with the thesis.

There are some weaknesses whit this thesis. One of the main problems with this thesis is because some of the variables have not been collected historical data on but this factors are keep at a constant level in this thesis. But this should not affect the findings in this research.

Also when I have chosen regression which identifies the correlation between the variables. Not which way the correlation goes. So my research shows that 10,23% of the market share can be explained by the company having a loyalty program. The case might as well be the other way around that because they have 10,23% market share are they having a loyalty program. Even though this is not the logic from previous research done.

Also when we want to apply this research in example establishing a new business in this sector in Norway, if we use these factors that are positive against market share there is a high chance that the result will be different from what this research has identified because of undiscovered factors and the reality will always be little different from theory.

From this research there is a few conclusions we can draw.

Of the factors that have been the research have focused on the one that have the highest effect on market share is loyalty program. In 2001 TNS gallup done a research on behalf of ICA on

how peoples interest for loyalty program. They found that people interests for loyalty program where decreasing as a result of this ICA decided to liquidate their loyalty program domino. (ICA, 2001)We can see that after ICAs market share was declining every year. From this there is reason to believe that this happened because of the liquidating of the loyalty program when we look at ICA isolated. But if we at the same time look at Rema 1000 their market share has been growing in the same period as Ica have been declining and they don't have a loyalty program.

So the only conclusion we can draw for sure is that there is a relationship between market share and loyalty program.

ROA have been used in this thesis as a parameter for profitability since the grocery sector is selling goods this is one of the best parameters for looking at profitability. From the regression we have found that there is a relation between profitability and market share from this research we don't know which one is influencing the other, but when we look at the data when the ROA is high the market share increase. When we look at the research done by Buzzell(1975) the ideal market share to achieve maximum profitability is between 30-40% we look away from monopolistic situations. But in this research we see that Rema 1000 have the highest average ROA and also the highest growth in market share but if we were to look closer in to the concept and the operations we would most likely identify the difference in ROA there. Since Rema 1000 is only using discount store as their concept and Norgesgruppen have a lot of different concepts.

Franchising is the only factor that was found statistically significant on both the umbrella chain level and the concept level. On concept level the parameter is 0,043 and one the umbrella level 0,118. on the concept level franchising was the only factor that where found statistical significant. We got r square of 0,097 in the concept regression compared to 0,945 in the regression done on the umbrella chain level therefore it makes a lot of sense that the level on franchising effects on the market share. This factor is 100% in the control of the mother firm, they are responsible for choosing how big portion of their stores should be franchised. Also when we look at the literature written by Nilsen (Nilssen, 2002

) this also amplifies the hypothesis that higher fraction of franchised stores equals higher market share. This is because the demand for capital is lighter on the mother firm and divided over to the franchisee.

Also from the theory explored about franchising the since the franchisee are taking greater this also usually offer opportunities for greater rewards but there are some unfortunate ones that have such a bad franchise agreement that most of the profits are channeled towards the franchisor.

This research also identifies the same as the research done by Yae Sock Roh (2002) that franchising has a positive effect on market share. Since his research is done in another country and another industry this makes this possible to research further to check if it can be generalized(Roh, 2002). In this research they are also indicating that franchise is a good strategy to gaining market share without getting in to huge debt. And when we compare the market share increasing that Rema have been having and the ROA we see that they have been having a positive profit as well as gaining market share. But this can be other factors as well as Rema are 100% franchised but based on the research done by Yae Sock Roh (2002) and from mine regression analysis. this gives indication to at least some of the market share gains is because of Rema's high use of franchising.

Average number of items is from the regression in the second regression positively correlated with market share the beta value we get is ,004 which is relatively low when we compare it with the other variables but when we think about the number of items that a grocery store can have the number is relatively large. The highest number if items use in analysis is 9080 and this explains 36,32% of the market share but we also need to keep in mind the constant of -15,589 so when we deduct for this it explains 20,73% of the market share. This makes sense because the wider verity of items a store carries the wider audience of customers' needs can it satisfy. But what we also need to keep in mind when we increase the items the inventory increase and thereby increasing holding cost. By increasing the cost related to inventory and not increasing the sales by the same amount will reduce the market share which we also found that have a positive correlation. But this can be achieved when by using the EOQ $Q^* = \sqrt{\frac{2DK}{h}}$

to calculate this we need to know the demand and the holding cost then we can minimize this .(Heizer et al., 2004) . also we need to keep in mind the research by Kahn about to big variety

is causing frustration among customers. The findings from my research correspond with the findings that Kahn found in her research that is not done on the Norwegian grocery market but is done on a general bases.(Kahn, 1998)

Demand is stable and will not increase if we increase product lines but from my research, items will increase market share but we will only steal from our competitors and they can counter with the same strategy and increase variety of items will not have any effect. (Quelch & Kenny, 1994) *"More errors in forecasting demand and increased logistics complexity, resulting in increased remnants and larger buffer inventories to avoid stockouts. • Increased supplier costs due to rush orders and the inability to buy the most economic quantities of raw materials."*(Quelch & Kenny, 1994) The end result will be that the companies cost increased and market share where stable and this resulted in a decrease in ROA and the total effect is that our market share decrease because of a decrease in ROA.

7.2 Further research

This thesis is opening for a lot of different possibilities for future research, some of the possibilities have already been explored by other master students or researchers but some are left to be researched. I would also recommend someone in 2020 when there is data available to research how the change in the Norwegian grocery sector have been influenced by coop buying ICA how this have affected the factors that have been explored in this research.

Also it would be interesting how private labels effect customer's preferences when they are choosing where to do their groceries. Since the fraction of private labels where not found statistically significant, it would be interesting to check how the effect of the different private labels effect customer's preferences in grocery concept.

It would be interesting to check out what factors that affect market share. since most of the factors in this research where found not statistically significant. This could be achieved by doing the same research and having more data points or you can choose to do similar research with a qualitative approach.

7.3 Strategical implications

From this research there have been identified several factors that would be interesting to know if and when you want to enter the Norwegian grocery sector. You should have enough different items that you can satisfy most of you customers' needs. This will result in growing market share. Items considered as C items should be removed from the assortment to minimize the frustration with it increasing your cost which again will increase your ROA. To gain market share it would be a good idea to establish some form of loyalty program to your store/ chain.

But I think that there would be a good idea challenge the traditional way that the Norwegian grocery actors are operating to gain a competitive advantage this way. But the competition is getting more intense as the actors that are offering groceries online are getting better at what they are doing. This strategy is still a blue ocean strategy as mention earlies because none of the actors here have gained a clearly strategic competitive advantage. Based on my research to gain market share franchising should be used keeping in mind the research of Yah sock Roh (2002) franchising is a way of gaining market share without gaining debt so I would recommend to use franchising in this sector independent on what way I choose to operate my business.

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9.Reflection note

When I first started doing work on this thesis I wanted to check the relationship between franchising and profitability. But as I where reading scholarly articles I modified my research to included more factors and how they affected market share. Then I decided to limit my research to the Norwegian grocery sector. This is an interesting sector to influence the factors that that effect market share. Since the market power have gotten more concentrated over the years.

I chose to write my thesis in English mostly because most of the academic research that have been done in this sector in Norway have been done in Norwegian. And one of the potential goals is to identify the actors potential internal key success factors, by this making it more likely for foreign giants to establish themselves in Norway successfully.

I have also looked on how new competitors are arriving in this sector or challenging it by using blue ocean strategies how "steal" sales from the big actors in the sector. You see actors that are offering really different products but they are satisfying the same needs to the same customer but with a different product.

This sector is a sector that everyone is having a relationship to because everyone needs food to survive so everyone has to interact with this sector in one way or another. Therefor there is our best interest that all the actors are acting ethically to ensure sustainability in the future.

We all know from economics theory in free market there will be the highest surplus for the customer compared to all the other competition models. Therefor will the only responsible thing for this market be to get more competitors to reduce the power to the already existing actors. If there are more actors that get a significant market share the actors become price takers compared to how the situation is now.

The world we are living in are continuously getting more and more globalized because of the continues innovation in technology. We could never 20 years ago have imagined how big part the smart phone would play in our lives. How we through the internet can have a conference call with someone from Argentina and Korea at the same time.

Look at the cloths you are wearing they are the designed in the US, the cotton is grown in Uzbekistan, processed in Bangladesh, assembled as a t-shirt in China. This is just one example on how we live in a global world and the internationalization will just become stronger so this is important.

I already mentioned a bit about innovation but there are so much innovation going on not only in the products that are being produced but also in how they are produced and what they are produced from. Companies are getting more responsible in what material they are using because they are thinking about the kids tomorrow that the world should be a nice place for them to live as well.