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"Axellus – Entering the Singaporean Health Supplement Market with High Quality and Innovative Products"

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Lastly, we would like to thank all our respondents who took their time to contribute to our research.

Thank you very much!

Executive Summary

This research project is conducted for Axellus AS with the aim of evaluating the market potential for the company's Möllers and Gerimax brands in Singapore. Axellus has not yet launched their products in this market, but plan to do so in the near future.

An external analysis was conducted to identify opportunities and threats of the health supplement market in Singapore. Furthermore, an internal analysis helped identify if Axellus have the resources needed to enter the market. The external and internal analyses have been summarized in a SWOT to evaluate Axellus' strengths, weaknesses, opportunities and threats.

E-mail interviews with distributors, short interviews with pharmacists and a consumer survey have been conducted for the collection of primary data. From our analysis we have revealed that the market is fragmented and that the consumers embrace quality.

We have recommended Axellus to follow a differentiation strategy when entering the Singaporean market, where quality should be their point of difference. Furthermore we recommend launching a few products in the entry phase with a premium price to emphasize the quality. The products should be distributed to pharmacies and promoted through different marketing channels, mainly newspapers and magazines. In addition, promotional campaigns would be effective.

Definitions

OTC (over-the-counter products): Available without a prescription, in contrast to prescription drugs that require a doctor's order.[1]

Health supplements: Are products that contain substances like vitamins, minerals, foods, botanicals and amino acids (natural and synthetic) in specific dosage form. They most often appear in capsules, tablets or liquids. Dependent on national legislation, health supplements may consist of one or more ingredient or a combination that have a beneficial nutritional or physiological effect[2]. Across Asian countries there are different regulatory authorities that regulate the term “health supplement”. While Axellus refer to their own products as “dietary supplements”, the term used in Singapore will be “health supplements.”

Functional Foods: Functional foods can be whole foods or foods that naturally contain or have been fortified with nutrients (such as vitamins, minerals, amino acids and essential fatty acids) and/or bioactive substances (such as probiotics, dietary fibre, phytosterols, isoflavones and so forth) that provide a specific benefit to health.[3]

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[1] www.medicinenet.com
[2] Marketing Health Supplements, Fortified & Functional Foods in Asia, Legislation and Practice, www.eas-asia.com
[3] Marketing Health Supplements, Fortified & Functional Foods in Asia, Legislation and Practice, www.eas-asia.com

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CHAPTER 1 - INTRODUCTION

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This document reports a research project that began in October 2008 between the authors and Axellus AS. The main objectives were to evaluate current and future market conditions regarding the launch of the omega-3 brand, Möllers, and the ginseng brand, Gerimax.

1.1. Problem Definition

Based on information and requests from Axellus and advice from our supervisor we have developed the following problem statement:

What is the market potential for Axellus' omega-3 and ginseng products in Singapore? What are the characteristics of the distribution network in the health supplement industry? How is the competitive environment? What will be the recommended positioning and marketing strategy for Möllers and Gerimax?

1.2. Orkla ASA

Axellus is the health supplement and OTC company within Orkla Group. Orkla's core business areas are; Orkla Brands, Orkla Aluminium Solutions, Orkla Materials, Orkla Associates and Orkla Financial Investments.

Figure 1: Organization Chart

Source: www.orkla.com

Orkla is one of Norway's largest companies on The Oslo Stock Exchange, and have a turnover of NOK 66 billion and 32,000 employees in more than 40 countries.[4] Axellus is a part of Orkla Brands and further more Orkla Brands Nordic.[5]

Axellus is a result of mergers with Scandinavian companies which all had strong quality brands and long traditions built up over time. In 1990 Möllers merged with Orkla Borregard AS (now called Orkla AS), and further on with Collett Pharma in 2005. The new company MöllerCollett merged with Dansk Droge AS in the autumn 2006 and Axellus became the new company name in 2007.[6]

[4] http://www.orkla.com/eway/default.aspx?pid=243
[5] Company Information
[6] www.mollers.no

1.3.Möllers

Möllers was founded in 1854 by Peter Joachim Möller. The company's goal is to deliver natural and healthy products, substituted with superior information about healthcare. The health products contain high quality raw materials and go through strict quality controls.[7]

Möllers Tran was the first product Peter Möller introduced, and is today one of the most experienced brands on the Norwegian market. Today, Möllers have a wide range of products in which two are among Axellus' top ten selling products.[8]

1.4.Dansk Droge AS

Dansk Droge AS was founded in Denmark in 1994, and was acquired by Polaris Private Equity in 2002. Today, Polaris Private Equity and the Möller Hansen family own 75 percent and 25 percent of the shares, respectively.[9]

Dansk Droge`s mission is *"to develop, manufacture and market health-promoting products, primarily multivitamins, dietary supplements and natural remedies".*[10]

Since the acquisition, Dansk Droge has experienced a rapid growth and has become one of the largest players within the vitamins, minerals and (food) supplements (VMS) market in Scandinavia. Dansk Droge manufactures and markets a large number of known brands, including Gerimax energy products with ginseng.

Gerimax was launched in Denmark in 1981 and is now one of Europe's leading ginseng brands. The brand is market leader in the Scandinavian countries and has increasing export to more than 25 markets. Dansk Droge has developed a unique ginseng extract, GGE,

[7] http://www.mollers.no/t-Ommollers.aspx
[8] http://www.mollers.no/t-Produkter.aspx
[9] http://www.danskdroge.dk/uk/
[10] http://www.danskdroge.dk/uk/

comprising a special composition of active components, the effect of which has been documented through extensive clinical trials in several countries.[11]

1.5. Axellus AS

Axellus offers health and wellness products and provides solutions which make it easier and more attractive to live a healthy life. This is reflected in their mission statement: *'Healthy living made easier!'* On Axellus' website they assert that *their people, their knowledge about nutrition and health, their pursuit of unique consumer and market insight, combined with a culture built on their values – trust, team spirit, action and innovation – will enable them to follow their mission and to achieve their goals.*[12] (Appendix 1a)

Axellus aims to be the preferred distributor in their home markets and an important player in selected international markets.[13]

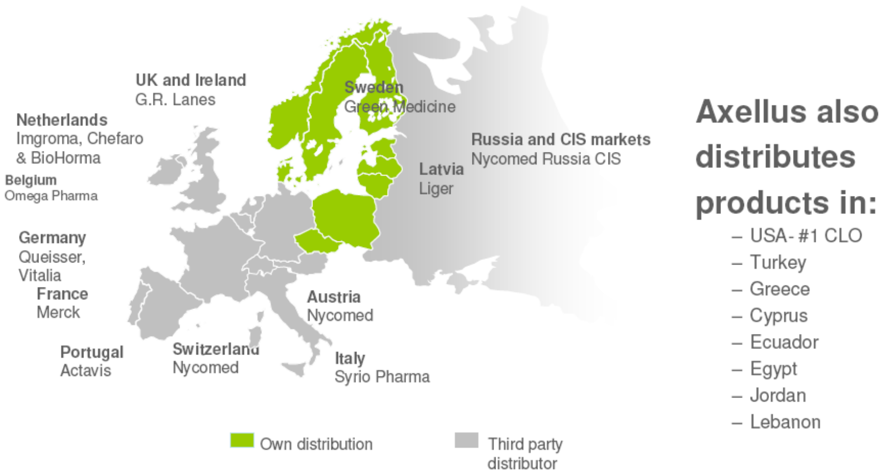

Figure 2: Axellus' International Distribution

Axellus have 9 home markets, with approximately 90 million consumers. Orkla is already present in Asia with companies such as Elkem, Borregaard, Sapa and Jotun which all have a long history in the region. Orkla's main markets are currently Europe and the U.S, but they are expanding their presence in the Asian region.

[11] www.danskdroge.dk/uk/
[12] Company Information
[13] www.axellus.no

1.6.Literature Review

There are several reports and journals on consumer behavior and regarding health trends in Singapore. These show that there is an increase in health awareness and consumption of health products such as vitamins and health supplements in the region. The literature review will in the first part cover research that has been conducted on the pharmaceutical market in Singapore, before it will focus on the health supplement market in Singapore. In addition, there will be looked at what represents the Singaporean population and the typical consumers of health supplements. Further on there will be elaborated on market trends in Singapore and the boosting trend of Traditional Chinese Medicine (TCM) and the effects of omega-3 and ginseng. Finally, the literature review will cover future prospects.

1.6.1. The Pharmaceutical Market in Singapore

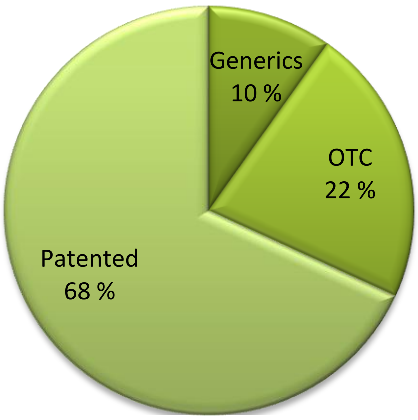

Figure 3: Singapore Pharmaceutical Market by Sector

Although Singapore has limited growth potential due to its small size, Singapore is considered as an above-average proposition for multinational pharmaceutical companies operating in 15 key markets within the Asia-Pacific region.

Singapore ranks as number four in “The Pharmaceutical Business Environment Ratings” provided by BMI, behind established leaders such as Japan and South-Korea, but ahead of more emerging markets like Vietnam and Pakistan. Due to the country's small size, improved placement in the rating is dubious. Sales of generic drugs are very modest in Singapore. BMI calculated the value of the sector to be approximately US$50 million at the end of 2007. This represents around 9.8 percent of the total pharmaceutical market.[14]

A report by Reuters, characterizes the Singaporean pharmaceutical market as a market with modest growth, a low uptake of generic drugs and strong sales of branded products promoted by multinationals.[15]

Singapore had in end of July 2008 approximately 1.4 physicians per 1,000 people, 4.2 nurses per 1,000 people,[16] and only 0.3 practicing pharmacists per 1,000 people, which is low compared to other developed states.[17] The country's per capita expenditure on pharmaceuticals is among the highest in the Asia Pacific region.[18] The pharmacy chains in Singapore with the largest number of outlets are Guardian, Unity Health care and Watsons.

1.6.2. The health supplement market in Singapore

Asian consumers typically consume less health supplements than the European consumers. In recent years there has been an increase in both awareness and consumption of preventive healthcare due to the consumers' fear of diseases such as bird flu, SARS and other epidemics.[19]

Different research reports and journals support the assumption of increased health consciousness in Asia during the 20th century. In 2007 products such as vitamins, health

[14] Singapore Pharmaceutical & Healthcare Report Q1 2009, BMI, www.businessmonitor.com
[15] Singapore Pharmaceuticals and Healthcare Industry, Sept 2008, www.reuters.com
[16] http://takingnote.tcf.org/2008/07/health-care-in.html
[17] Singapore Pharmaceutical & Healthcare Report Q1 2009, www.businessmonitor.com
[18] Singapore Pharmaceutical & Healthcare Report Q1 2009, www.businessmonitor.com
[19] http://www.nutraingredients.com/Consumer-Trends/Vitamins-boom-after-disease-outbreaks-in-Asia

supplements, botanicals and tonics were globally estimated to be of more than US$ 60 billion, in which the Asia Pacific region contributes about 40 percent of the sales.[20]

1.6.3. The population in Singapore

The population in Singapore is ageing, and the number of middle-aged adults increased by 51 percent from 2000 to 2007.[21] Reuters forecasted Singapore to be the world's third-fastest ageing country, as the proportion of those aged 65 and above will double to 20 percent by 2020. The two main causes of this are the low birth rate and the high quality of healthcare.[22]

The ageing population in Singapore has been one of the main driving forces for growth in the OTC sector in this region. However, manufacturers have been recognizing the hectic lifestyle of younger consumers, and in that regard they have started to focus on the products with faster-acting formulas that can provide more rapid relief of symptoms and enable consumers to get back to work quickly. The consumers in Singapore are recognized as stressful people with little time and a busy lifestyle, but the population desire to have a better quality of life. Combined with a greater awareness of health needs and problems due to unhealthy food, there is a greater demand of health supplements to compensate for the lack of vital nutrients. The general health awareness of the consumers has materialized to a higher level the past years and encourages living healthier.[23] The consumers in Singapore are generally known to be well-informed, individualistic, time-poor and socially responsible.[24]

[20] Marketing Health Supplements, Fortified & Functional Foods in Asia – Legislation and Practice,www.eas-asia.com
[21] Consumer Lifestyle Singapore, June 2007, www.euromonitor.com
[22] Singapore Pharmaceuticals and Healthcare Industry, Sept 2008, www.reuters.com
[23] Consumer Lifestyle Singapore, June 2007, www.euromonitor.com
[24] www.tnsglobal.com

1.6.4. Health disorders in Singapore

A study conducted by BMI in the first quarter of 2009, shows that a significant number of Singaporean residents are facing an increased risk of cardiovascular diseases. Interesting enough, the study also points out that around 50 percent of those being diagnosed have failed to have their cholesterol levels tested in 2007. Among the diseases threatening is also diabetes, which is classed among approximately 1.6 percent of the population.[25] Heart disease and stroke combined accounts for 32.3 percent of all deaths in 2007. In other words, 1 out of 3 deaths in Singapore are due to heart disease or stroke.[26] (Appendix 2a) Patients in Asian countries including Singapore are increasingly seeking new ways to get hold of information on health disorders and treatments. Evidence suggests that patients are more aware and more easily influenced by information given by outlets. It is also suggested that they find sources like broadcast, print and online media to be increasingly reliable.[27] Singapore has the highest savings ratio in South East Asia, but their income distribution has worsened since 1997. In spite of this, the Singaporean consumers have contributed to a promising growth in health goods and medical services. The Singapore government spent only 1.3 percent of GDP on healthcare in 2002, whereas the combined public and private expenditure on healthcare amounted to a low 4.3 percent of GDP. Nonetheless, international experts rank Singapore's healthcare system among the most successful in the world in terms of cost-effectiveness and community health results.[28]

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[25] Singapore Pharmaceutical & Healthcare Report Q1 2009, www.businessmonitor.com
[26] Singapore Heart Foundation, www.myheart.org.sg
[27] Singapore Pharmaceuticals & Healthcare Report Q1 2009, www.businessmonitor.com
[28] http://econlog.econlib.org/archives/2008/01/singapores_heal.html

1.6.5. Market Trends in Singapore

2006 proved a successful year for vitamins and health supplements with over 11 percent current value terms growth.[29] In 2007 there was a 3 percent current value growth, and vitamins and health supplements sales were close to S$498 million. Multivitamins experienced a better growth than single vitamins in 2007, because it offered consumers a more convenient format to ensure adequate nutrition. Products targeting bone and joint ailments had the best positioning in vitamins and health supplements in 2007. With the ageing population in Singapore, older consumers are facing more health issues. Fish oils, particularly omega-3, also attracted consumers because of its positive effect on heart health. Consumers' concerns about heart disease helped value growth of fish oils in 2007.[30]

Due to the increased number of dual-income households in Singapore, child-specific vitamins and health supplements enjoyed a better performance in 2007 than in 2006. Parents purchase vitamins and health supplements to enhance their child's wellbeing. Products that contained high levels of DHA also faced a growth in 2007, which are good for brain development and can thereby enhance their child's performance in school. International manufacturers still accounted for the majority of the value sales of vitamins and health supplements in 2007 because of their brand awareness among consumers. This is due to the consumers who find it safer to purchase vitamins and health supplements offered by companies that are recognized worldwide.[31]

The increased use of and reliance on information available on the Internet will continue to promote OTC as an own class and create new demand. Private labels have achieved an increased reputation the last years due to the fact that they are able to remain high quality, but offer low prices. The OTC market will continue to grow and be stimulated by patient demand.

[29] Consumer Lifestyle Singapore, June 2007, www.euromonitor.com
[30] Vitamins and Dietary Supplements – Singapore, June 2008, www.euromonitor.com
[31] Vitamins and Dietary Supplements – Singapore, June 2008, www.euromonitor.com

Strong purchasing power and general wealth of the population will also gain the OTC growth.[32] Education campaigns dealing with heart health, a balanced diet and healthy lifestyle by the Health Promotion Board are likely to continue for the next three years.[33]

Product attributes and suffixes such as “extra”, “fast relief”, and “effective” are perceived as value adding to brands and products in Singapore. The hectic lifestyles of consumers together with their increasing health consciousness have helped boost the performance of vitamins and health supplements.[34]

Given the intense competition among players, promotions such as value packs or price discounts were a trend in 2007, however, the unit price of vitamins and health supplements still increased. This was due to the manufacturer's effort to include more ingredients in order to attract sophisticated consumers. The rise in the sales tax from 5-7 percent that was implemented in July 2007 also contributed to the rise in the unit price of vitamins and health supplements. A further rise in unit prices of vitamins and health supplement are expected. Manufacturers' efforts in launching concentrated formulas and products with added ingredients are also expected to attract more affluent consumers as they trade up to these products for better benefits.[35]

1.6.6. Traditional Chinese Medicine

The Singaporean market is set to a boost for Traditional Chinese Medicine (TCM), after many companies decided that the Singaporean market was too small for continued exports. Due to the extra effort put into assembling, preparations, costs of individual treatment will increase and boost the value of the overall pharmaceutical market in Singapore. BMI believes that this

[32] Singapore Pharmaceuticals & Healthcare Report Q1 2009, www.businessmonitor.com
[33] Vitamins and Dietary Supplements – Singapore, June 2008, www.euromonitor.com
[34] Consumer Lifestyle Singapore, June 2007, www.euromonitor.com
[35] Vitamins and Dietary Supplements – Singapore, June 2008, www.euromonitor.com

in turn may attract Chinese manufacturers back to the city-state. However, a report about the consumer lifestyle in Singapore shows that TCMs are gaining unpopularity due to the easy accessibility of OTC drugs and supplements in pharmacies and convenience stores. Chung Hwa Medical Institution is one of the leading players in the Singaporean TCM market and benefits from the reduction in TCMs and is therefore enlarging their production. BMI reports that Chung Hwa Medical Institutions tactic is paying off, and the result of the increased demand has increased the typical price for their products with 50 percent.[36]

1.6.7. Effects of Omega-3 and Ginseng

Research has shown that omega-3 can help reduce the risk of many chronic conditions like cardiovascular disease, diabetes, cancer, obesity, autoimmune diseases, rheumatoid arthritis, asthma and depression, and emphasises that there should be a balance between the intake of omega-6 and omega-3. Omega-6 increases the production of factors that can lead to chronic diseases while omega-3 decreases these factors. This balance of omega-6/omega-3 should be within 1/1 and 4/1. Western diets have a ratio around 15/1, the ratio in urban areas in India is between 38/1 and 50/1 whereas in rural areas the ratio is around 6/1. This indicates that there is a high need for most people to reduce the intake of omega-6 and increase the intake of omega-3.[37]

Cancer prevention by omega-3 fatty acid is also supported by others,[38] although there are no clear-cut data which indicates how much and how often the omega-3 should be consumed to have this effect. It is also claimed that ginseng has an effect of reducing the risk of certain cancers. However, even though ginseng is commonly purported to have positive effects on

[36] Singapore Pharmaceuticals & Healthcare Report Q1 2009, www.reuters.com
[37] Simopoulos (2003)
[38] Award (2006)

various diseases[39], data remain conflicting on how strong positive effect it has and there is still vital research which needs to be solved.[40]

1.6.8. Future prospects

The ageing population of Singapore continues to gain retail value growth in vitamins and health supplements. It is forecasted a constant value growth of vitamins and health supplements are expected an average 3 percent annually from 2007-2012. Health food stores, such as Nature's Farm and GNC will continue to gain prominence in Singapore. They have expanded their presence in various shopping malls and engaged knowledgeable promoters to build consumer confidence and encourage purchases. [41]

The Singaporean population will continue to be recognized as busy, the consumers are increasingly looking for easy solutions and will continue to favour multivitamins rather than single vitamins. As a consequence of increased sophistication and education of consumers about vitamins and health supplements, this has led them to be more selective about brands. This is in contrast to earlier where consumers were more willing to try out various products. People are increasingly purchasing products that can support joint health, and Glucosamine is therefore expected to see the strongest constant value growth. The rise of functional foods is projected to increase as a threat to vitamins and health supplements, and drew quite a lot of attention from consumers in 2007. This is due to the fact that consumers can satisfy their nutritional needs through these products. As the numbers of 65-year-olds and older consumers will continue to rise, health issues such as joint pain and health maintenance will become increasingly important in Singapore. This is expected to further boost sales of glucosamine,

[39] Tracy (2007)
[40] Packer (2004)
[41] Vitamins and Dietary Supplements – Singapore, June 2008, www.euromonitor.com

calcium and omega-3, which provide health benefits for older consumers. Multivitamins is expected to continue to appeal to consumers because of its all-in-one convenience. Consumers who are just beginning to use vitamins and health supplements are expected to turn to multivitamins initially. Vitamin C will likely remain the key driver of sales of single vitamins.[42]

[42] Vitamins and Dietary Supplements – Singapore, June 2008, www.euromonitor.com

CHAPTER 2 – EXTERNAL ANALYSIS

CHAPTER 2 - EXTERNAL ANALYSIS

This chapter will be analysing the general environment, followed by an analysis of the health supplement industry in Singapore. In addition a competitor analysis will be conducted.

2.1.PESTEL

The framework PESTEL has been used to analyze macro-environmental factors that affect the organization and industry. The classification distinguishes between the political, economical, sociocultural, technological, environmental and legal factors that surround Singapore.

2.1.1. Political Factors

Singapore is a parliamentary republic and gained independence 9th of August 1965. They are member of ASEAN, WTO and other international organizations, in order to ease bilateral trade.[43] The political conditions in Singapore have been stable and remained consistent with the policies of the People's Action Party (PAP) since the independence. The PAP government has brought social stability, housing, employment, and a rise in living standards to the citizens of the country.[44]

Singapore is ranked as one of the least corrupt countries in Asia and fourth least corrupt in the world.[45] These results attract foreign direct investments and enable the country to develop competitive advantages in several sectors like manufacturing and services. The government has taken quick and positive steps during March–October 2008 to forge free trade agreements with both China and Taiwan. The pact is expected to improve bilateral ties and advance

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[43] www.cia.gov
[44] Country Analysis Report, Singapore, November 2008, www.marketlineinfo.com
[45] Country Analysis Report, Singapore, November 2008, www.marketlineinfo.com

cooperation in East-Asia. Free trade agreements will bring enhanced market access to business in Singapore.[46]

2.1.2. Economic Factors

Singapore's open and flexible economy is one of the fastest growing in Asia. For several years Singapore has made efforts to make the country's conditions suitable for business and ease bilateral trade.[47] Singapore has a GDP per capita equal to that of the four largest West European countries, and is recognized as one of the four Asian Tigers.[48] The economy depends heavily on exports, particularly in consumer electronics, information technology products, pharmaceuticals, and a growing service sector.

Singapore's economy has been slowing down in 2008 due to the global financial crisis. The economy entered into a recession in the third quarter of 2008, and is currently facing a more advanced stage of weakness, as the slowdown is affecting the country's export, manufacturing and tourism sectors. The country's manufacturing output fell by 8.5 percent in the third quarter of 2008, resulting in the worst performance of this sector in seven years. As the financial crisis becomes broader and more protracted, there will be significant external shocks for Singapore, given its heavy exposure to external demand and international trade.[49] The GDP growth between 2004 and 2007 was 7 percent, but as a consequence of the financial crisis the growth in 2008 was 1.2 percent. The GDP per capita in 2008 was US$52 000 and the unemployment rate was 2.3 percent.[50]

[46] Country Analysis Report, Singapore, November 2008, www.marketlineinfo.com
[47] www.innovasjonnorge.no
[48] www.cia.gov
[49] Country Analysis Report, Singapore, November 2008, www.marketlineinfo.com
[50] www.cia.gov

One of the challenges Singapore is facing today and in the future is low productivity growth, which plays a vital role in enabling a country to maintain healthy economic growth and superior standards of living. Another challenge is that Singapore is losing foreign direct investment to China and Taiwan due to Singapore's large cost disadvantage.

2.1.3. Sociocultural Factors

Low birth rate, an ageing population and the high degree of income disparity are increasing problems in Singapore. The population density is high with 4.7 million people living on 692.7 sq. km.[51] Over the last years the population has grown older, and the biggest age group in the is between 15-64 years, which account for 76.5 percent of the total population. During the recent decades, the population aged below 15 years has decreased to 671,300 in 2008, from 712,000 in 1998. This reflects a declining trend in past fertility. The population consists of slightly more females than males (male 1,717,357/female 1,809,462).[52] Singapore is a multiracial country with a majority population of Chinese (75.2 percent), with substantial Malay (13.6 percent) and Indian minorities (8.8 percent)[53], and has four official languages. Malay is the national language, and English is the administrative language.

As a small country with a lack of natural resources Singapore is dependent on foreign countries for import and export. As English is the administration language, the potential language barriers for western companies are reduced. New research shows that the appetite for nutritional supplements and vitamins has never been stronger. This reflects the increased affluence of the Singaporean population, and the increased awareness concerning health

[51] www.cia.gov
[52] www.cia.gov
[53] www.singstat.gov.sg

issues. A third factor that has contributed to the growth in the market for vitamins and health supplements is the observation of a stressful and time-poor lifestyle in Singapore.[54]

AC Nielsen conducted a survey about the increasing interest for health supplements among Singaporeans. From the survey, it seems like diet pills are one of the most popular among these supplements. It shows that Singaporeans rather like to eat diet pills to lose weight than to do exercise or cut down the amount of fattening food.[55] Even though this study is five years old, the findings are still relevant indicating the trend of growing health consciousness in Singapore.

2.1.4. Technological Factors

Singapore's economic development can be characterized by a remarkable growth since their independence. The economy has moved from being a labor-intensive industry, to capital-intensive industry, and is today an economy with focus on knowledge- and technology-based industries.[56]

Technology is very important for the individual Singaporean, businesses located in Singapore and the Singaporean government. The telecommunication industry is strong with a penetration rate for mobile at 117 percent in 2008 and household Internet at 71 percent in 2006. Singaporean businesses have established international technology roadmaps, both in the semiconductors and electronics segment and the data storage segment. They have also become world leaders in these segments.[57]

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[54] OTC- HealthCare Singapore, January 2008, www.euromonitor.com
[55] Consumers in Asia Pacific – Our Weight, Diet, Fitness, and personal Grooming, 1st Half 2004, www.nielsen.com
[56] Ng (2002)
[57] Country Analysis Report, Singapore, November 2008, www.marketlineinfo.com

R&D incentives are available from both the Economic Development Board (EDB) and Agency for Science, Technology and Research (A*STAR). The prospect for the biotechnology and pharmaceutical industry is promising and should be of interest for Norwegian companies.[58] With its open and flexible economy, Singapore has an excellent environment for R&D activities, as a test market for new products and services, and as a starting point for launching to the rest of the Asian market.[59]

2.1.5. Environmental Factors

Singapore is considered as one of the most urbanized and industrialized countries in the Asian region. The main issues are industrial pollution, limited natural fresh water resources, limited land availability that presents waste disposal problems, and seasonal smoke/haze resulting from forest fires in Indonesia.[60]

Other environmental threats from e.g. SARS and bird flu have contributed to an increased health consciousness in the Asian countries. Because of the country's location with water surrounding and a 193 km long coastline, Singapore is vulnerable to raising sea levels. Because of the higher temperatures, the risk of tropical diseases has increased.[61]

Strikes and labor protests will remain rare, if not absent in Singapore for the foreseeable future due to the government's autocratic insistence on a business-friendly environment. Policymakers will continue to use heavy-handed tactics to ensure the unions stay pliant.[62]

[58] www.innovasjonnorge.no
[59] www.innovasjonnorge.no
[60] www.cia.gov.sg
[61] Singapore Pharmaceuticals & Healthcare Report Q1 2009, www.businessmonitor.com
[62] Singapore Pharmaceuticals & Healthcare Report Q1 2009, www.businessmonitor.com

2.1.6. Legal Factors

The Singapore legal system has been influenced by the British colonization and therefore based on the English Common Law system.[63] This legal system is an independent judiciary that is headed by the Supreme Court and the subordinate courts.

The laws, rules and regulations in Singapore concerning business are focused on making Singapore attractive for foreign companies and lower trade barriers. Foreign trade is an important factor in Singapore's economy. Singapore's business environment is one of the best in the world and is rated to be number one out of 181 countries in ease of doing business by the World Bank in 2009.[64] Singapore holds the second place in the index of Economic Freedom League table compiled by the Heritage foundation and the Wall Street Journal.[65]

This favourable business environment includes low taxes and tax treaties with several countries including Norway. This tax treaty is to avoid double taxation and prevent fiscal evasion with respect to taxes on income.[66] Most products can be imported to Singapore without a license and taxes are minimal since about 96 percent of all products in Singapore are tax-free.[67] All firms must however register at the Accounting and Corporate Regularity Authority (ACRA).

Health Supplements can be imported and sold without a license by HSA, however there are some guidelines[68] dealers of health supplements in Singapore must follow. Legislation concerning health supplements can be found in the Medicines Act 1975, the Medicines (Advertisement & Sale) Act, the Sale of Drugs Act and the Poisons Act.

[63] http://notesapp.internet.gov.sg/__48256DF20015A167.nsf/
[64] www.doingbusiness.org
[65] Singapore Pharmaceuticals & Healthcare Report Q1 2009, www.businessmonitor.com
[66] www.iras.gov.sg
[67] www.innovasjonnorge.no
[68] Guidelines for Health Supplements by HSA, November 2008 by HAS, www.hsa.gov.sg

The guidelines for health supplements specify the maximum limits for certain vitamins and minerals in health supplements. A list of these limits and a list of prohibited content can be found at the HSA website.[69] There is also some quality and safety requirements health supplements must fulfil. (Appendix 2a)

It is not allowed to promote health supplements for any medical purpose, such as cardiovascular disease. All claims must be proved by adequate scientific evidence (Appendix 2b). There are no regulations on nutrition labelling in Singapore, it should however contain information useful to enable consumers to make informed decisions. The information should be adequate and truthful, and must be in English. (Appendix 2c)

The regulatory framework for health supplements might change after the year 2010. By then ASEAN has a goal of introducing a harmonised regulatory process and technical requirements standard for health supplement that will affect the regulations of the countries in the region.[70]

[69] www.hsa.gov.sg
[70] Marketing Health Supplements, Fortified & Functional Foods in Asia, Legislation and Practice, www.eas-asia.com

2.2.Porters Five Forces

Porter's Five Forces will be used to determine the competitive intensity and attractiveness of the health supplement industry in Singapore. To provide a competitive advantage it is important to have knowledge about the forces that impact on an organization.[71]

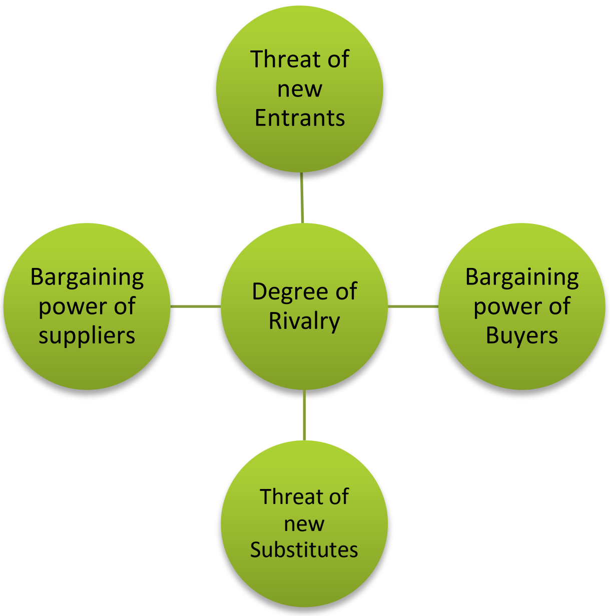

Figure 4: Porters Five Forces

2.2.1. Bargaining Power of Buyers

The buyers in the health supplement industry in Singapore are defined as retailers. These retailers will again be defined as pharmacies, health food stores and supermarkets.

Supermarkets

Health supplements are not the main product category stocked in supermarkets. Health supplements are products that are purchased in large quantities and will increase the supermarkets' bargaining power and make the switching cost low. If the supermarket chain and the distributor do not agree on the terms, the chain can easily switch to another distributor. Supermarkets therefore have a high bargaining power.

[71] Ireland (2007)

Health food stores

In comparison to supermarkets, health supplements are the main product category health food stores stock. They are dependent on having health supplement products available at all times. As in supermarkets, the bargaining power will be increased since health food stores also buy health supplements in large quantities. Health supplements in general, are moderately undifferentiated and standardized products. The increasing popularity of health food stores like GNC, results in a moderate to high bargaining power for health food stores.

Pharmacies

Pharmacies are the most common type of outlets for health supplements in Singapore. There are about 180 pharmacies, where the two major chains are Guardian and Unity Healthcare.[72] In addition, Watsons should be mentioned as it is a large personal care store with pharmacy counters in selected stores. Compared to supermarkets the pharmacies are smaller in size, which may lead to reduced bargaining power. However, the high percentage of health supplements sold in pharmacies will increase the bargaining power. Pharmacies are dependent on having health supplements available at all times, and the switching cost is high. Pharmacies like Guardian, Unity Healthcare and Watsons, contribute to a large share of the industry's total output. Because of these big chain stores, the sales of the product that is being purchased, account for a significant portion of the seller's annual revenues. Pharmacies have a moderate bargaining power. The overall bargaining power of buyers based on the three sectors discussed above, is set to be moderate to high.

2.2.2. Threat of Substitutes

Substitutes are all products which can fulfill the same need as health supplements, without being in the health supplement industry.

[72] Singapore Pharmaceuticals & Healthcare Report Q1 2009, www.businessmonitor.com

Substitutes for the end-consumer would be functional foods, a healthy and nutritious diet, TCM, and prescription medicine. Singaporeans have become more health conscious. This may have contributed to a desire of a healthy and nutritious diet. Functional foods have been developed through collaboration between SPRING Singapore, three local companies and republic Polytechnic School of Applied Science.[73] Examples of functional foods are chocolate with calcium and nutrient-enriched ice cream with the same health benefits as broccoli or carrots. The goal is that these products will be in sale and introduced as a direct competition to health supplements by the end of 2011.[74]

TCM is widely known and available in Singapore. The majority of the Singaporean population is Chinese and their tradition is very important to them, which may cause them to prefer TCM products rather than other health supplements. There has been an increase in both popularity and sales of TCM, due to technology driven transition to make the products more user friendly.[75] With TCM available to a great extent combined with the Singaporeans focus on traditions it might be more interesting for the consumer to buy pure quality products from a TCM store rather than "westernized" quality products from other stores like Guardian and Watsons.

The threat of prescription medicine will not be direct since it is usually used for treating more serious diseases. The volume of non-prescriptive medicine will increase, but the prescription medicine is still not expected to lose any ground to OTC-products.[76] All in all, the switching cost is low for the end-consumer because there will always be substitutes to health supplements. Threat of substitutes is moderate, but is expected to increase over time.

[73] www.spring.gov.sg
[74] www.spring.gov.sg
[75] Singapore Pharmaceuticals & Healthcare Report Q1 2009, www.businessmonitor.com
[76] Singapore Pharmaceuticals & Healthcare Report Q1 2009, www.businessmonitor.com

2.2.3. Threat of New Entrants

Because of Singapore's open economy there is little to no restrictions for international businesses to settle down, which can increase the threat of new entrants. The legal barriers to enter the health supplement market are fairly low and according to HSA[77], there is no need for a license to do import and sales of this kind of products.

When consumers are to buy health supplements, they need little comprehensive information search in advance of the purchase. The price is relatively low and the consumer can choose from many different brands in the same price category without taking a big risk of losing money. This makes the switching cost low and can make the threat of new entrants high. However, loyalty through relationship building between retailer and consumer, may lead to higher switching costs even though there are many players in the market. New entrants need to consider the competition before they enter the market. Many competitors can lead to limitation in shelf space and increased competition will reduce the attractiveness for both existing and new players. Threat of new entrants is therefore moderate to high.

2.2.4. Bargaining power of Suppliers

In the health supplement industry the suppliers are defined as the manufacturers of the end products and/or raw materials. The manufacturers have many suppliers who are integrated in the production process. It therefore exist interdependency between the manufacturers and the suppliers. The bargaining power of the suppliers is low.

[77] http://www.hsa.gov.sg/publish/hsaportal/en/health_products_regulation/complementary_medicines/supplements.html

2.2.5. Degree of Rivalry

The rivalry among competing firms in the health supplement industry can be considered as strong where the competitors are numerous and equally balanced both in size and resources. There are many players in the market, but no manufacturers are expected to gain dominance.[78]

Competition in the OTC sector is increasing which can further lead to price wars between competing firms. Due to the large extent of players in the market it makes it is easier for the end-consumer to switch to other firms. However, the health supplement market in Singapore is still in growth, which means that companies does not have to compete for customer awareness to generate revenues. This contributes to decrease the degree of rivalry in the industry, and the degree of rivalry among competitors is therefore moderate to high.

2.2.6. Conclusions from Porters Five Forces

There are many players in the health supplement industry in Singapore, which makes the switching cost low for buyers. In a growing market with high rivalry among firms that are all equally balanced both in size and resources, the bargaining power for buyers will be moderate to high, due to the high percentage of health supplements sold in Singapore. However, entering an industry with a high degree of rivalry might be a risk since they all are competing for the same customers. The threat of substitutes will increase with time. In conclusion, based on the analysis, the health supplement industry in Singapore is defined as moderately attractive.

2.3.Competitor Analysis

Before entering a new market it is crucial for Axellus to know who their competitors are, and what drive the competitors based on their strategies, assumptions and capabilities. The

[78] Singapore Pharmaceuticals and Healthcare Report Q1 2009, www.businessmonitor.com

framework is based on a competitive analysis model.[79] The information used to get an overview of each competitor is their respective corporate websites and marketlineinfo.com.[80]

For the selection of the competitors we have utilized the competitors market share and information gathered from the pharmacists in Guardian and Watsons.[81] We have also taken our survey into consideration where we have looked at consumers' preferences of brands.

There are about 30 manufacturers offering health supplements in Singapore. The market is recognized as fragmented with many players and strong rivalry. The market leader of health supplement is Cerebos Pacific Ltd, which hold a market share of 5.7 percent as of 2007.[82]

2.3.1. Cerebos Pacific Ltd. Manufacturing BRAND'S

Cerebos is a Singaporean company and has more than 170 years experience, and has developed a strong foothold in the market with a solid brand image. Cerebos sell most of their health supplements under the name BRAND'S, and the top selling product is BRAND'S Essence of Chicken.

During 2007, the health supplements segment recorded revenues of 442.2 million, which is an increase of 14 percent from 2006. Cerebos has the highest profit level achieved in the last ten years, and has improved through a combination of focus and good strategy. To reach their goals for the next and following years they are focusing on R&D in order to develop innovative diversification of their products to suit the varying health needs of consumers' lifestyles at different life-stages.[83] There has been done extensive in-depth-analysis on the

[79] Ireland (2007)
[80] www.marketlineinfo.com
[81] Vitamins and Dietary Supplements – Singapore, June 2008, www.euromonitor.com
[82] Vitamins and Dietary Supplements – Singapore, June 2008, www.euromonitor.com
[83] www.cerebos.com

regions and countries where Cerebos operate in order to identify the important factors and trends that will determine their next mid-term success.[84]

Cerebos` assumption of the future is that the Singapore population are to become more aware of their health. Moreover, people tend to think over a long term basis and are being more aware of problems connected with ageing in particular. The flagship product BRAND'S Essence of Chicken is a strong driver for revenues. Due to this, they have strong financial performance and a strong balance sheet. Cerebos has a diversified geographical presence that further can contribute to spread risk. Their weakness is lack of sales, and stagnated market shares.[85] Cerebos' opportunities are to take advantage of the growing Chinese economy and expansion in the Taiwanese market.[86]

2.3.2. General Nutrition Centre Manufacturing GNC

GNC started 70 years ago in the US, and is today a worldwide company with its own franchise retailers. They have nutritional supplements and the product line includes vitamins, minerals and herbal supplements (VMHS), sports nutrition products, diet products and other wellness products. GNC operates through three segments which are retail, franchise and manufacturing/wholesale. They have about 60 stores located throughout Singapore.

GNC anticipate that revenues from manufacturing and wholesale will remain stable over the next five years. They assume that the nutrition industry will grow at an average annual rate of 4 percent from 2008 to 2014 globally, and that their franchise trend continues to improve. In 2005, GNC undertook series of strategic initiatives to rebuild the business and to establish a foundation for stronger future performance. In 2006 and 2007 they started to see favourable

[84] Business profile: Cerebos Pacific Ltd, www.marketlineinfo.com
[85] Vitamins and Dietary Supplements – Singapore, June 2008, www.euromonitor.com
[86] Business profile: Cerebos Pacific Ltd, www.marketlineinfo.com

results. This has created a stronger foothold in the market, brand awareness, and competitive positioning to improve the overall performance.[87] Important strengths of GNC are that they have a strong brand name and their own retailers so they do not have to compete with competitors to get appropriate shelf space.[88]

2.3.3. Amway Pte. Ltd Manufacturing Nutrilite

Amway was established in 1959 in the US and is the world's largest direct selling company selling vitamins, personal care, home care, nutrition and commercial products under the brand Nutrilite. Nutrilite is a global brand of vitamins, minerals and health supplements in tablet or capsules. Amway's products and services are marketed through independent business owners worldwide.Amway's goal is to develop and produce products that delight its customers as well as improve their wellbeing, their environment and their lives. They have strategically sponsored the successful soccer club AC Milan in order to grow its presence globally.[89] Amway has a strong brand name worldwide and has shown a strong financial performance. Their market share has increased from 2.9 percent in 2006 to 4.4 percent in 2007.[90]

2.3.4. Herbalife

Herbalife is a global network marketing company, with origin in the US, which sells weight-management, nutritional supplements and personal care products intended to support a healthy lifestyle. Herbalife's collection of targeted nutrition products includes health supplements which contain herbs, vitamins, minerals and natural ingredients. Herbalife's products are to be found in 65 countries and had a 13.8 percent increase of revenues from

[87] Business profile: GNC, www.marketlineinfo.com
[88] Business profile: GNC, www.marketlineinfo.com
[89] www.amwayglobalnews.com
[90] Vitamins and Dietary Supplements – Singapore, June 2008, www.euromonitor.com

2006 to 2007. Asia Pacific accounted for 21.2 percent of the total revenues in 2007, an increase of 20 percent over 2006.

Herbalife expects a growing health consciousness among the consumers, and has sponsored many sporting events in the international arena in order to increase brand awareness.[91] Further on, they have made substantial investment in science-based product development in the area of weight management, nutrition and personal care. They focus on having an effective distribution by selling their products through a network of independent distributors both domestically and internationally.[92]

Herbalife is dependent on their most popular product Formula 1, which constituted a significant portion of the company's sales during the last three years. Herbalife sees its opportunities in the future with a focus on new product launches, which are expected to have a positive impact on the company's future revenue.

2.3.5. Pharmaton

Pharmaton SA is a Swiss company owned by Boehringer Ingelheim Group. Pharmaton do their own R&D and produce multivitamin and mineral products that are available in pharmacies, drugstores and health food stores in over hundred countries.[93] Boehringer recorded revenues of approximately US$15 million during 2007, an increase of 3.6 percent over 2006. America is currently their greatest geographical market, accounting for 50 percent of the revenues. Asia, Australia and Africa accounted for 16.5 percent of total revenues in 2007, an increase of 1.6 percent over 2006. The consumer health care self-medication business contributes 10 percent of Boehringer's total net sales.

[91] http://siva-sg.jobstreet.com/_profile/previewProfile.asp?advertiser_id=40712
[92] Business profile: Herbalife, www.marketlineinfo.com
[93] Business profile: Pharmaton SA, www.marketlineinfo.com

Pharmaton’s goals for 2008 were to ensure reinforcement of the company's innovative power in order to achieve the company's long-term vision. Sustaining and raising the productivity of their R&D further is of particular importance to them. In addition they want to ensure and extend the successful marketing of their products in a challenging market environment. Boehringer's strengths are their significant presence of the respiratory, cardiovascular and hematologic therapy areas. Their weaknesses are mainly their high dependence on their well-known product Spiriva.

2.3.6. Conclusions from Competitor Analysis

The health supplements industry is characterized by a fragmented competitive environment with various small players holding the largest value share, 5.3 percent in 2007. The most significant competitors are Cerebos, Amway and GNC. However this analysis has also taken smaller corporations into consideration. All companies analyzed, use quality as a key element in their marketing. In addition they put great effort into R&D in order to meet various demands in the market.

CHAPTER 3 – INTERNAL ANALYSIS

CHAPTER 3 - INTERNAL ANALYSIS

This chapter will recognize and give details about Axellus' organisational capabilities by describing the company's tangible and intangible resources. Finally, both the external and the internal environment will be summarized and evaluated in a SWOT.

3.1. Axellus AS

Axellus AS is a part of the Orkla Group. They try as best they can to take advantage of the many resources held by both Orkla Brands and Orkla ASA. Examples of shared resources are shared services related to hardware and software, and also the use of the personnel department in Orkla Brands Nordic for all matters related to personnel. Axellus also benefit from shared market information and knowledge, and the physical connection to the other Orkla companies.[94]

3.2. Axellus' Capabilities and Resources

Analyzing the role of resources and capabilities is the principal basis for firm strategy. By identifying these factors a firm can in addition to increase profit, fill resource gaps and build capabilities for the future.

3.2.1. Tangible Resources

Tangible resources are relatively obvious, examples include buildings, plants, equipment, exclusive licenses, patents, stocks, land, debtors, employees – generally tangible resources can be touch or felt, they have a physical shape.[95] The main goal of a resource analysis is to understand a company's potential for creating competitive advantage. Since Axellus is a part

[94] Company Information
[95] Mills (2002)

of Orkla ASA and delivers financial reports according to that, we have decided to put focus on company structure, production plants and financial resources gained from Orkla.

Company Structure

Axellus consists of three companies in Scandinavia with long tradition and strong quality brands built over time. The management group consists of Managing Director, seven Department Managers, and one Quality/Regulatory Manager. Axellus has eight business units, Norway, Sweden, Denmark, Finland, Sports Nutrition, Baltics, Poland/Czech and International.

The organisation wants Axellus to be the preferred provider in the home market and play an important role in international markets. Axellus has different approaches to different markets, and adjust both the pricing strategy as well as the offered product types between the markets.

Production Plants

Axellus has two modern production facilities:

- Ishøj, Denmark: VMS production
- Oslo, Norway: Production of cod-liver oil and fish oil

Management group, marketing, sales, logistics, quality, and product development is based both in Lysaker (Oslo) and in Ishøj (Copenhagen).[96]

Financial Resources

With the exception of Lilleborg, all Orkla businesses had sales and profit growth in 2008. In particular, Pierre Robert Group, Axellus, Göteborgs/Sætre and Chips Group in Sweden, Finland and Denmark reported profits. The innovation programmes in Orkla Brands Nordic have given lower sales in total than what were targeted in 2008. Nevertheless, new launches

[96] Company Information

have made important contributions to the positive trend for many of the businesses. The financial crisis had a negative effect on the 4th quarter, primarily because the weak Norwegian and Swedish kroner resulted in substantially increased purchasing costs for many of the businesses. The market shares for Orkla Brands Nordic are somewhat reduced in total relative to the previous year.[97]

3.2.2. Intangible resources

Intangible resources are by definition easy to recognise, but hard to evaluate. They include skills, experience and knowledge of employees, advisers, suppliers and distributors.[98] The resources we have chosen to put focus on are the human resources, innovative resources and market channels.

Human resources

Axellus has 380 employees, spread over 9 home markets with almost 90 million consumers. As Axellus is a part of Orkla ASA, they have access to a huge knowledgebase. The employees are a part of the same personnel department as the rest of Orkla Brands Nordic employees and have the ability to use resources both from Orkla Brands and Orkla ASA. Orkla is represented in more than 40 countries; among them are a number of Asian countries. In most markets where Orkla Brands operates, Orkla Brands is the market leader within its product areas.[99] Axellus collaborates with Norwegian actors that have high knowledge about health and nutrition. Axellus and The Norwegian Heart and Lung Patient Organization (LHL) have for instance worked together since 2000.[100]

[97] Orkla Annual Report 2008
[98] Mills (2002)
[99] Company Information
[100] www.mollers.no

Innovative resources

Axellus has more than 1,000 products, where Möllers Tran (21%), Gerimax (12%) and Nutrilett (10%) have the largest percent of combined revenues. Möllers Good For is also among the ten brands with 5 percent.[101] (Appendix 3a)

Market Channels

There are three main channels where Axellus put their focus; Health Food (40%), Grocery (30%), Pharmacies (15%), and other markets, such as mail order and Internet (15%). The Health Food market has traditionally a large number of suppliers, but new trends are pushing more towards professionalization and reduction in the number of suppliers. The Grocery market is mainly driven by innovations and growth of major varieties/demand. The Pharmacy market is primarily driven by professionalization, and has stronger focus on trade goods in the product range, generally because of the relatively low margins on pharmaceutical and OTC liberalisation.[102] The customers in each of these markets are different. It is therefore a need for differentiation regarding product range, price, delivering, and the product itself.

3.3. ACE – MODEL: Attitude, Competencies, Embodiment

To make progress in international markets, many factors need to be in place. With proactive attitudes, increased competencies and anchor both of them in the company, exporters can succeed in the internationalisation process. It is important to have good foundation for internationalisation throughout the whole organisation and make sure that the attitudes and competencies are fully embodied as time goes by.

[101] Company Information
[102] Company Information

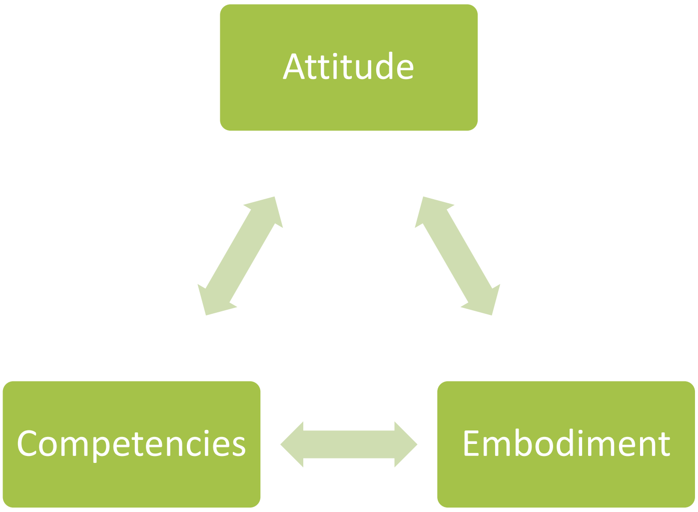

Figure 5: ACE-Model

Attitude

Axellus might have leaned too much on their mother company to get a foothold in the Asian market. The human resource development has to a great extent been dependent on Orkla Brands resources and Axellus has chosen to take a passive role when entering the Singaporean market rather than an aggressive approach. Axellus focuses on performance orientation, and do not have a physical office in every market, but rely instead on third party distributers.[103]

Competencies

Orkla ASA is a strong and competent organisation, they have training bases and learning organisations to help and educate the employees. Axellus has huge advantages by having Orkla ASA as its mother company. Axellus is very committed to build a strong, competent organisation to deliver value creation.[104] The Orkla Academy was established in 1993 with a view to raise the level of the Group's expertise in the marketing area to an internationally competitive level.[105]

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[103] Company Information
[104] Business profile: Orkla ASA, www.marketlineinfo.com
[105] http://competence.orkla.com/

Embodiment

Axellus changed their company name from MöllerCollett to Axellus in 2007. This was done to accumulate the health supplement- and health business departments, and have a more consistent business under one name. The organisation today consists of a series of earlier independent companies. By choosing to have them all under one name, Axellus shows their commitment to profitable growth, respect for unity and diversity and goal achievement.[106]

3.4. Conclusions from Internal Analysis

The internal analysis specifies Orkla ASA as an important resource for Axellus' further growth, as Axellus is a newly established organisation and needs guidelines and directions for further development. The company's tangible and intangible resources have a strong base in Orkla ASA/Orkla Brands Nordic, but they might consider loosening their strong ties to get a more concrete place in the consumers mind. This way they will be able to differentiate themselves from being a part of a big company. Event tough this can have certain advantages, Axellus might need to create a more specific and personal brand image to capture a place in the Asian consumers' minds.

3.5. SWOT Analysis

Axellus is a Norway based company with activities within health supplements and the OTC market. The analysis of the company's external and internal environment provides guidance for further development, how to increase profit, fill resource gaps and build capabilities for the future.

[106] Company Information

Strengths	Weaknesses
Differentiated and innovative products Strong market position in established markets Financial resources Good product quality	Price Weak brand name in Asia
Opportunities	**Threats**
Market growth Increased health consciousness in Asia Strategic agreements	High level of rivalry among competitors Environmental regulations/restrictive trade policies Increased price for raw material

Strengths

Differentiated and innovative products

Axellus believe in constant innovation in order to always be relevant to their consumers. For instance, not all omega-3 products are competitive. However, Axellus' Möllers Tran consists of 100% natural omega-3 fatty acids. These fatty acids are the only ones proven to have a positive effect on the immune system.

Strong market position in established markets

With Orkla's strong position as the leading consumer goods company in the Nordic-European region, and with their expanding presence in Asia, Orkla can help Axellus to be active and gain market share in many Asian countries. Orkla Foods Nordic largely holds number one and number two positions in its domestic markets. A strong market position helps Axellus to have a competitive advantage and in turn stimulate their profitability.

Financial resources

Compared to competitors, Axellus has an advantage of being a part of a huge company as Orkla ASA. As a part of Orkla ASA, Axellus share resources and report according to that. Orkla ASA had a financial turnover of 63,867 NOK millions in October 2008.

Good product quality

All the top selling products of Axellus have been proven to have superior quality. Axellus takes pride in having quality in every step they take and believe that quality is the key to continuous improvement and innovation. Nutrilett, which is Axellus' top 3 selling product, has done 19 clinical studies which have shown a documented effect of their products. Other products, such as the second most selling product, Gerimax, are a result of several years of research to find the specific extract used in the production.

Weaknesses

Price

The company's products are higher priced than many of the Asian products. Axellus' two top selling products have higher prices than those prices of Asian competitors.

Weak brand name in Asia

Neither Axellus nor the top selling brands have a place in the consumer's mind and has little public awareness in the Asian part of the world.

Opportunities

Market growth

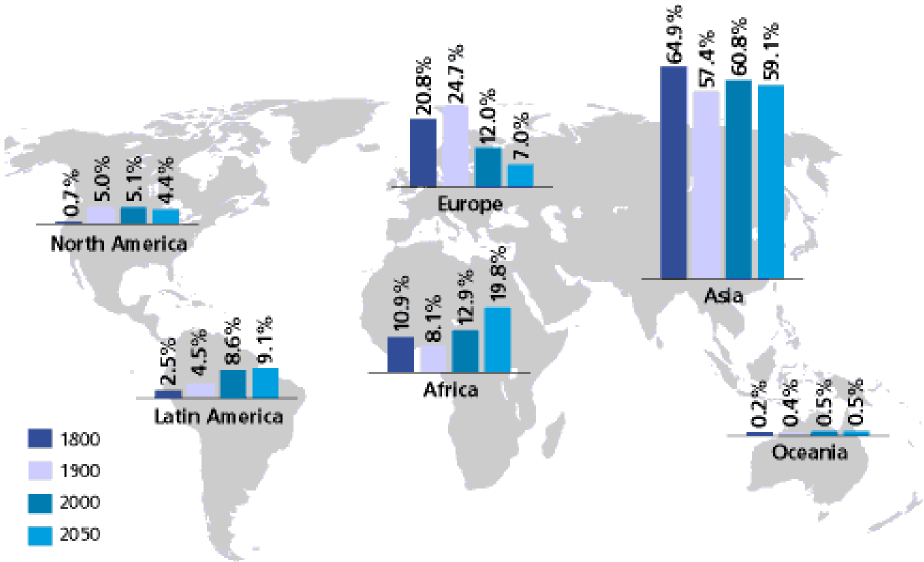

Figure 6: World Market Growth

Source: United Nations Population Division

The Asian market is one of the fastest growing markets in the world. The World population growth rate is approximated to be 1.188 percent (2009 est.).[107] The same numbers for Singapore alone are 0.998 percent (2009 est.).[108]

Heart disease and stroke combined accounts for 32.3 percent of all deaths in 2007. Omega-3 fatty acids, a type of polyunsaturated fat, may decrease the risk of heart attack, protect against irregular heartbeats and lower blood pressure. Even though some fishes are a good natural source for omega-3 fatty acids,[109] there is an increasing market for omega-3 products in Singapore.

Increased health consciousness in Asia

Both awareness and consumption of preventive healthcare have increased the recent years due to the consumers' fear of diseases such as bird flu, SARS and other epidemics. In Singapore,

[107] www.cia.gov
[108] www.cia.gov
[109] Singapore Heart Foundation, www.myheart.org.sg

an ageing population that desire a better quality of life are more health conscious than ever. The appetite of Singaporean consumers in demanding nutritional supplements and vitamins has never sounded as strongly as today.

Strategic agreements

There are about 30 pharmacy companies in Singapore and several health food stores. Axellus can through cooperation with local distributors take advantage of the many retail outlets and increase the possibility for sale.

Threats

High level of rivalry among competitors

Many have seen the upcoming opportunity to make money in peoples increased health awareness and competition in Singapore and Asia. There is a high degree of rivalry in the business, which can be explained by the large amount of players competing for the same customers. The customers have more knowledge about the different products, prices and quality standards among the players which makes it even more intense.

Environmental regulations/restrictive trade policies

The Singaporean Ministry of Health has a list of acts to regulate public health and safety, including the healthcare profession, healthcare practices/establishments as well as statutory boards charged with these responsibilities.[110] One of the acts is the “Sales of Drugs Act”. These acts are re-evaluated by the ministry and there are continuous renewals of the laws and regulations that can alter/impact Axellus’ competiveness in the market.

[110] www.moh.gov.sg

Increased price for raw material

Oil costs drive up the costs for raw materials. The previous pressure in the oil market, supply uncertainties and an increasing demand growth in the emerging market are all affecting the raw material prices.

3.5.1. Conclusions from SWOT Analysis

By summarizing the external and internal analysis in a SWOT, we have identified Axellus' main strength, weakness, opportunities and threats. These factors will be further weighted in a SWOT matrix in Chapter 6, to identify Axellus' critical success factors.

CHAPTER 4 - METHODOLOGY

CHAPTER 4 - METHODOLOGY

This chapter describes the marketing research process. To help indicate the market potential for Axellus in Singapore, the Singaporeans preference and purchasing behavior towards health supplements will be examined. The characteristics of the distribution network will also be identified.

4.1. Research Methodology

To get a better understanding of Axellus' market potential in Singapore, we found that secondary data such as books, journals, reports and Internet could not provide all the information needed. Both a qualitative and a quantitative research have been conducted to fulfill the need for primary data.

For our qualitative research we have done some short interviews with distributors as well as pharmacists, in order to provide information about the market. For our quantitative research we have made use of a consumer survey to get a better understanding of the end consumers' preference and purchasing behavior towards health supplements. It was important to incorporate the end consumer to get an overview of the Axellus' potential in Singapore. It has also been important to compare the two research parts to examine if they supplement, contradict or comply with each other, in order to better draw conclusions from the findings.

4.2.Interview with Distributors

Getting information to answer the part of our problem definition concerning distribution of health supplements proved to be more difficult than anticipated. We contacted several companies both over the phone and through e-mails without much luck. In the end we managed to come in contact with DKSH Singapore. Head of the Healthcare Department, Helen Ling, and Assistant General Manager, Jason Tan, agreed to answer some questions regarding the distribution system of health supplements through e-mail interviews. The interview questions and answers can be found in Appendix 4a.

4.2.1. Findings Regarding the Distribution Channel Characteristics

Mr. Tan characterizes the distribution channel by saying that: *"There is breadth in the distribution of health supplements as consumers could purchase them in a wide variety of channel including some high end supermarkets. Merchandising is a critical driver to drive success as certain products are purchased on impulse and through in-store marketing activities."*

As anticipated, both Mr. Tan and Ms. Ling agree that pharmacies and health food stores are the most common type of outlet stores for health supplements.

4.2.2. Findings Regarding Access to the Distribution Channel

Access to the distribution channel by manufacturers depends on several factors. Mr. Tan states that: *"Manufacturers have to understand consumers buying preferences, assess the fit of their products brand position with channel required."*

According to Ms. Ling, accessing retailers directly is not possible. Therefore manufacturers need to use distributors to get their products stocked. Listing of products with the chain stores is important since fees are attached to the number listed with the stores. The answers regarding relationship building is contradictive. Ms. Ling states that this is not an important factor while Mr. Tan says it is.

4.2.3. Findings Regarding Regulations

The regulations governing health supplements are not fully regulated at this point, however there is a limit and allowed list in the current guidance. Mr. Tan refers to the Agri-Veterinarian Authority (AVA) and Health Promotion Board (HPB) for regulations governing health supplements. More specifically Ms. Ling states: *"Promotion of pure vitamins and minerals will require permit from authority. No medical claims allowed and all claims need to be substantiating with scientific evidence."*

4.2.4. Conclusions from the Interview with Distributors

Manufacturers need to use a distributor in order to access retailers of health supplements which are most commonly pharmacies and health food stores. The regulations governing health supplements are not fully regulated, however there are some guidelines manufacturers of health supplements need to follow.

4.3. Interviews with Pharmacists

The interviews with pharmacists gave useful information about how the pharmacists perceive the market for health supplements. The pharmacists wished to remain anonymous, therefore no names are mentioned in this paper. A copy of the questions and answers can be found in Appendix 4b.

4.3.1. Research Design

Exploratory design was used to collect relevant data from the pharmacists, as it was determined to be most suitable. The aim was to get an insight into the health supplement market in Singapore. This would also help determinate the best research design for our consumer survey.

4.3.2. Sample Design

We conducted six short interviews with pharmacists from Guardian and Watsons to get an understanding of how they perceive the omega-3 and ginseng market in Singapore. We asked questions regarding health trends, brands, products, and the end-consumers.

4.3.3. Data Collection

The fieldworkers in this study consisted of two NTU/NSM BI students specialized in international marketing. They approached the pharmacists together. One fieldworker asked the questions while the other took notes. The duration of the interviews was approximately 15 minutes and was done in Singapore late January 2009 at the following locations.

- Watsons, Marina Square Shopping Centre
- Watsons, Lucky Plaza Shopping Mall
- Guardian, City Link Mall
- Guardian, IMM Shopping Centre
- Guardian, City Plaza
- Guardian, Vivo City

All questions were open-ended to allow the interviewees to elaborate upon responses. However, it was difficult to get adequate information, as the pharmacists tended to answer very "simple" and direct.

4.3.4. Findings

The findings from the pharmacist interviews have been categorized into the following parts to get a better overview; health trends, omega-3 and ginseng.

Findings regarding health trends

All over, people tend to be more aware and conscious about their health and are therefore spending more on health supplements. The consumers are seeking information more active than before and have thereby knowledge about health care products before entering the store.

Findings regarding omega-3

As of the last years demand, the trend shows that even more people are asking about omega-3 products because of their increasing knowledge about health issues.

The pharmacists indicate that the consumers of omega-3 are usually middle-aged and older people. Most of them purchase the product for their own use, but also for their children. The most common reason for people to buy omega-3 is to reduce the risk of cardiovascular diseases. People also know that it helps to improve blood circulation and to lower the cholesterol level. In some cases people use omega-3 for brain-development, joint problems and because they want lower triglyceride. More than ten different omega-3 brands are represented in all the stores. Three brands that are mentioned in particular is Shaklee, Ocean Health and Nature`s Way. One of the pharmacists also mentioned Green Life as a popular brand. This is because the package design is transparent so that the customers can see the content.

Brands from all over the world are represented in the stores, but the best selling brands are from USA and Australia. One pharmacist said that people tend to avoid Chinese brands because they are perceived to have poorer quality.

When a consumer is choosing which omega-3 brand to purchase, price seems to be the most important factor. The consumers also tend to care about quality and brand. A pharmacist indicated that value-for-money products are the consumers’ top choice. It is also indicated that the most important buying factors vary between the different regions in the country. Most of the pharmacists believe that the demand of omega-3 will continue to increase during the next five years.

Findings regarding ginseng

It does not seem to be any great demand for pure ginseng in pharmacies. The pharmacists indicate that when consumers ask for ginseng it usually comes with the motive for increased energy. The most popular brand seems to be Pharmaton, which has products containing multivitamins and ginseng.

The consumers of ginseng are quite difficult to define, but all the pharmacists indicated that it is mostly elderly who buy it for themselves. The most common reason why people buy ginseng is to increase their energy and efficiency. Some also use ginseng as a brain booster and/or a health tonic. The pharmacists say that not many people ask for ginseng, but those who do, know that it is good for their health and vitality.

In average, the stores have four to five ginseng brands. One reason why Pharmaton seems to be the most popular brand could be because of its long presence in the market.
All stores stock brands from the whole world. Our observation indicates that USA is the most popular country of origin. However the bestselling brand Pharmaton, is a European brand. Price also seems to be the most important factor when a consumer is choosing among different products containing ginseng. But in some cases, choosing one of the most well known brands could be even more important. Most of the pharmacists believe there will be a slightly increase in demand during the next five years.

4.3.5. Conclusions from the Interviews with Pharmacists

Omega-3 and ginseng brands are well represented in the stores and some brands tend to be more outstanding than others. The consumers seem to buy both omega-3 and ginseng to gain better health. More or less all the interviews indicated that price, quality and brand name are the most important factors for the consumers when purchasing a health supplement.

4.4.Consumer Survey

The main purpose of the consumer survey was to identify who the consumers are, the most important criteria when buying health supplements, level of brand loyalty and preferred type of outlet. A copy of the questionnaire can be found in Appendix 4c.

4.4.1. Research Design

A descriptive design was used to gather information about the consumers' preferences and consuming habits of health supplements. We made use of standardized questions in our surveys, so that the data easily could be aggregated and analyzed using quantitative methods afterwards. The survey consists of 19 questions based upon secondary data, the findings from the interviews with pharmacists and information gaps.

The questionnaire was developed to answer the following research questions:

- Do most Singaporeans consume health supplements, how often and what kind of health supplements? (Q1, Q2, Q3, Q8, Q11)
- Where do the consumers prefer to buy their health supplements? (Q4)
- Where do the consumers gain information about health supplements? (Q5)
- What is the most important factor(s) for consumers when buying health supplements? (Q6)
- Do the consumers have any preferences to the product consistency? (Q7)
- Are Singaporeans brand loyal to health supplements? (Q9, Q10, Q12, Q13)
- Does country of origin influence the purchase decision of health supplements? (Q14, 6d)
- Who are the consumers? (Q15, Q16, Q17, Q18, Q19)

4.4.2. Sample Design

We used convenience sampling to gather the data. The only criterion was that all respondents needed to be over twenty years old. We perceive these people as potential buyers of health supplements based on purchasing power and interest.

When considering the sample size, it was important to get enough answers to be able to indicate the trends among the consumers. As we were dependent on different answers, a sample size around 250 seemed reasonable. We decided to collect 300, as some answers may be inapplicable.

4.4.3. Data Collection

The fieldworkers in this study consisted of five NTU/NSM BI students specialized in international marketing. They all worked alone in the field. This was a self-administrated survey where the respondents were approached and asked to answer. The questionnaire took approximately five minutes to fill out.

A pretest of the questionnaire was first done on 20 respondents at Jurong Point Shopping Centre in Singapore in mid February 2009. The aim of the pretest was to detect possible problems with the questionnaire. The problems were detected while observing the respondents answering the questionnaire, and going through the answers afterwards. Some minor changes were done for clarity. The actual data were collected in Singapore during March 2009 at the following locations; Orchard Road, Vivo City, Jurong Point Shopping Centre and Gek Poh Shopping Centre. These locations were chosen to get a variation in the answers from the respondents. In each location 75 respondents answered the questionnaire.

4.4.4. Analysis of the Data

The tool used to process the data and give us relevant information was SPSS. The raw data was first transferred to a table in SPSS and then analyzed. The descriptive tests used in SPSS are frequencies and cross-tabulation. One-sample t-test is also used to check the significant level of the mean for some variables. We will elaborate on this in Chapter 5.

CHAPTER 5 – DATA ANALYSIS

CHAPTER 5 - DATA ANALYSIS

We collected 300 answers, but due to the fact that some of the surveys collected were incomplete, we decided to keep 279 answers. All the data frequencies and analysis can be viewed in Appendix 5a.

5.1.Analysis of the Consumer Survey

We ran a descriptive frequency analysis of the data to get a better understanding of the consumers' health supplement usage, preferred outlets, preferred information sources and buying criteria. A One Sample T-Test was conducted to test the significance of the means of the buying criteria. We cross-tabulated different variables in order to identify the characteristics of the health supplement consumers. A qualitative analysis was conducted on the questions regarding brand loyalty. The following findings of the analysis will answer the research questions.

5.1.1. Findings Regarding Usage

The chart below shows that 42% (118) of the respondents use health supplement on regular basis, while 58% (161) of the respondents do not.

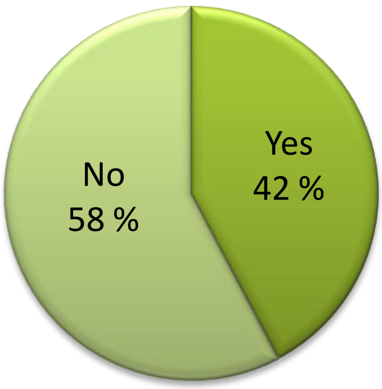

Figure 7: Usage of Health Supplements

The respondents, who use health supplements (42%), were asked to specify what type of supplement they are using. As the respondents were allowed to pick more than one alternative, each alternative was treated as individual questions, with the values 0 for *"no"* and 1 for "*yes*". "*No*" meaning that the respondent has not ticked off that alternative and "*yes*" meaning that the respondent has ticked off that alternative.

The table below shows that 36 of the respondents use omega-3 and 30 of the respondents use ginseng. This means that of the 118 respondents who stated that they use health supplements on a regular basis, 30.5% of them use omega-3 and 25.5% of them use ginseng.

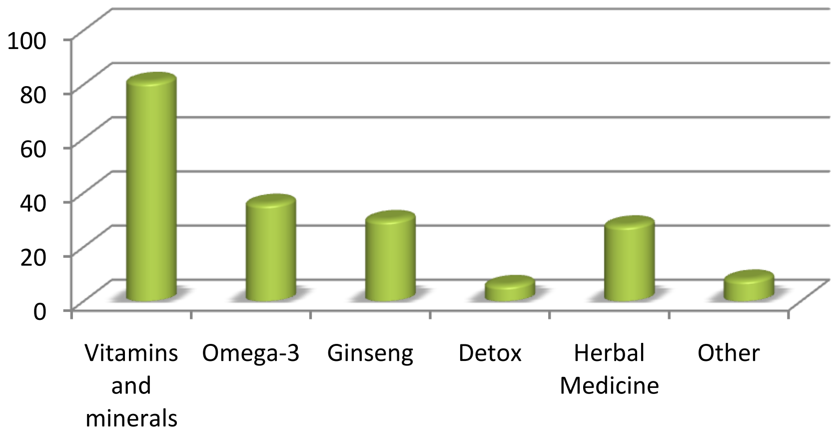

Figure 8: Categorized Usage of Health Supplements

The next table shows that 161 (58%) of the respondents do not use health supplement at the present. 38 (13.6%) of the respondents use health supplement 1-2 times a week, and 22 (8%) and 23 (8%) of the respondents use health supplements 3-4 and 5-6 times a week, respectively. Lastly, it was reported that 35 (12.5%) of the respondents use health supplements more than 7 times a week. This means that of the respondents who stated that they use health supplements on a regular basis, 32% use it 1-2 times a week, 18.5% use it 3-4 times a week, 19.5% use it 5-6 times a week and 30% of them use it 7 or more times a week.

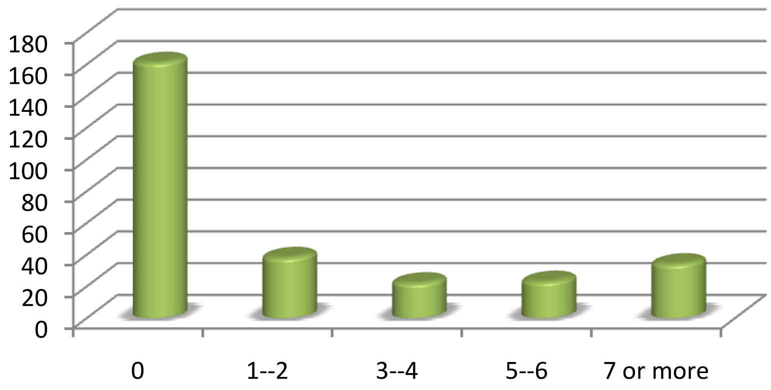

Figure 9: Frequency of Usage

5.1.2. Findings regarding place

This table shows where the respondents who use health supplements prefer to buy these products. The respondents could tick off more than one alternative as each alternative was treated like individual questions. The table shows that the majority of the respondents prefer to buy their health supplements in pharmacies. There is also a great amount of respondents who prefer to buy their health supplements in health food stores. This can indicate which retail outlets Axellus should focus on when distributing their products.

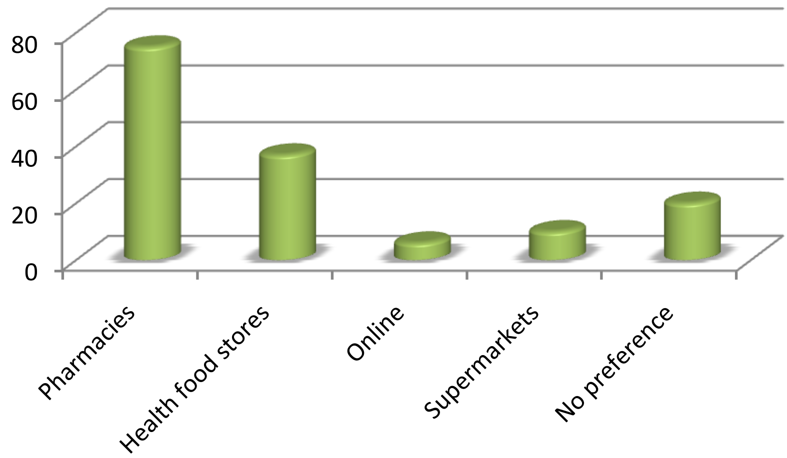

Figure 10: Preferred outlet

5.1.3. Findings Regarding Sources of Information

This table shows the respondents' main sources for information about health supplements. The respondents could tick off more than one answer in the questionnaire. As seen below, most of the respondents have family and friends as their main sources for information closely followed by magazines and TV.

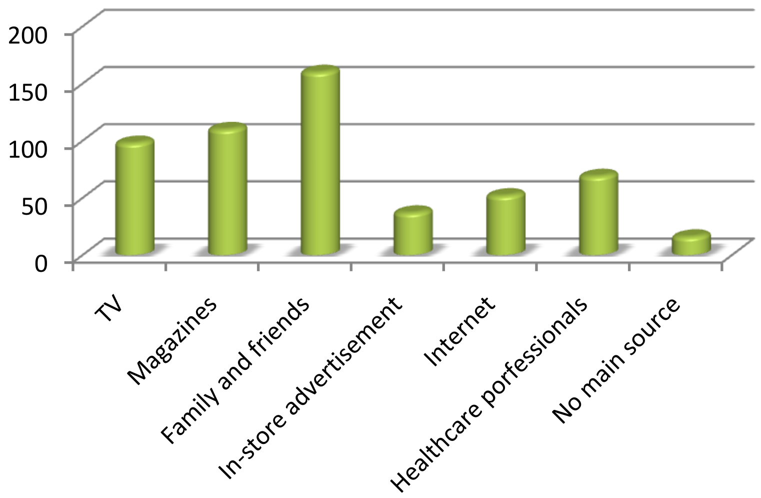

Figure 11: Main sources of information

The next figure shows a cross-tabulation on age, gender and the most popular sources of information about health supplements, TV, magazines and family and friends.

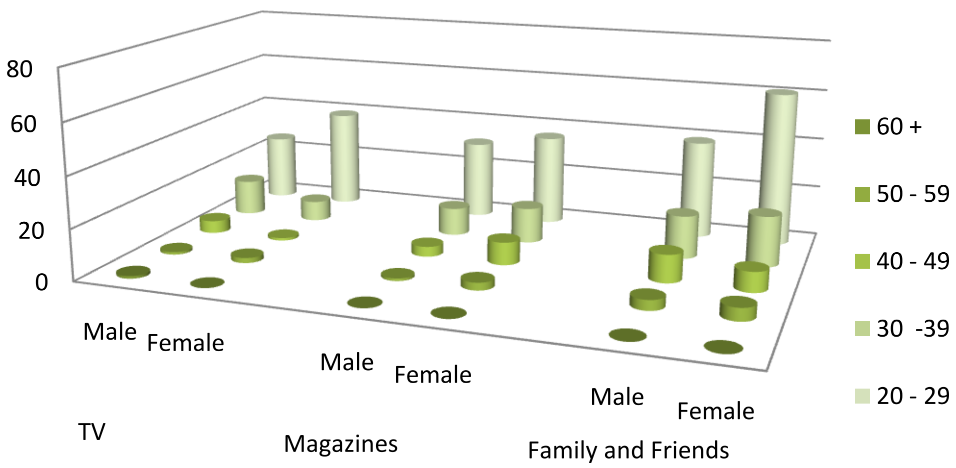

Figure 12: Main sources of information by Age and Gender

There are some differences between men and women in the different age groups regarding how much information they gain from TV. The most interesting finding is that around 40% of the people between 20-29 years gain information from TV, about 30% of the people between 30-39 years gain information from TV and only 20% of the people between 40-49 years gain information from TV. There is a slightly difference between age and gender of the people gaining information from magazines. Generally, women, especially women between 20-29 years, rely more on family and friends than men do. This can be useful information for Axellus when deciding which market channels they should use in order to target their audience.

5.1.4. Findings Regarding Purchase Criteria

The respondents were to rate how important the criteria *price, design of package, quality, country of origin, size of package* and *taste* when buying health supplements. These criteria were presented on a 7-point scale from "*very unimportant*" to "*very important*". We conducted a One Sample T-Test on all the six criteria. This was done to check on which level the mean for the different variables would be significant. We found that *price* has a significant mean of 4 and is neither unimportant nor important. *Design of package* has a significant mean of 3 and is slightly unimportant. *Quality* has a significant mean of 5 and is slightly important. *Country of origin* has a significant mean of 4 and is neither unimportant nor important. *Size of package* has a significant mean of 3 and is slightly unimportant. Lastly, *taste* has a significant mean of 4 and is neither unimportant nor important. *Quality* is therefore the most important criteria when purchasing health supplements. This could indicate an opportunity for Axellus to focus on their products' quality when marketing their health supplements in Singapore.

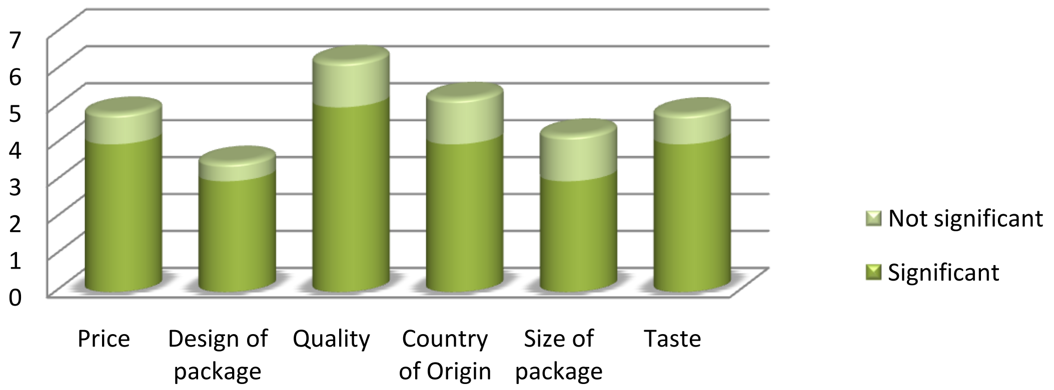

Figure 13: Purchasing criteria

5.1.5. Findings Regarding Consistency of Health Supplement

The consistency of the product is preferred to be in capsules by 75.5% of the respondents, which is illustrated by the figure below. Further on 10.4% of the respondents prefer their health supplements in liquid form, and 13.7% of the respondents have no preference.

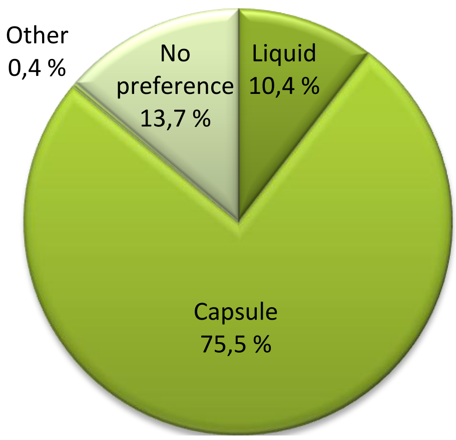

Figure 14: Consistency

5.1.6. Findings Regarding Brand Loyalty

The respondents are not very brand loyal to health supplements. When going through the answers, we noticed that most respondents do not seem to care much about which brand they use or have used. Most of the respondents did not list a brand they most often buy, only 29 for omega-3 and 23 for ginseng. Most respondents also answered that they had bought several different brands before. The most frequently listed brand for both omega-3 and ginseng was GNC. However, BRAND'S was reported to be the most frequently bought omega-3 brand before. While, GNC was the most frequently ginseng brand bought before. (Appendix 5b)

5.1.7. Findings Regarding Country of Origin

This table shows which country the respondents prefer their health supplements to come from. The respondents could tick off more than one answer in the questionnaire. Although country of origin proved to be neither unimportant nor important, 109, 90 and 83 respondents prefer their health supplements to come from USA, Japan and Australia, respectively. There is also a large group of respondents who have no preference for which country their health supplement should come from. 58 of the respondents prefer their health supplements to come from Europe and 40 respondents prefer them to come from Scandinavia.

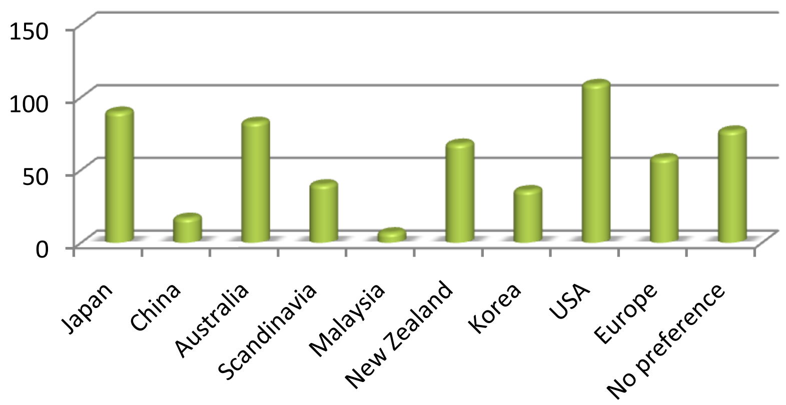

Figure 15: Country of Origin

5.1.8. Findings Regarding the Consumers

The following paragraph will indicate who the consumers of health supplements are.

First we conducted a cross-tabulation on usage, age and gender. The results are presented in the figure below.

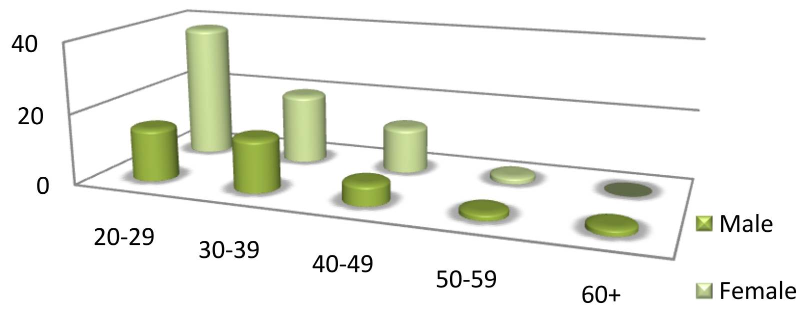

Figure 16: Use of Health Supplements by Age and Gender

The figure shows that the consumers of health supplements are mainly women between 20-49 years and men between 20-39 years. A closer look at the data shows that 54% of the women in the age group 30-39 years use health supplements and 68% of the women in the age group 40-49 years use health supplements. This can give an indication on which segment Axellus should target in their market communication. In the following figure a cross-tabulation has been done on age, gender and the use of vitamins, omega-3 and ginseng.

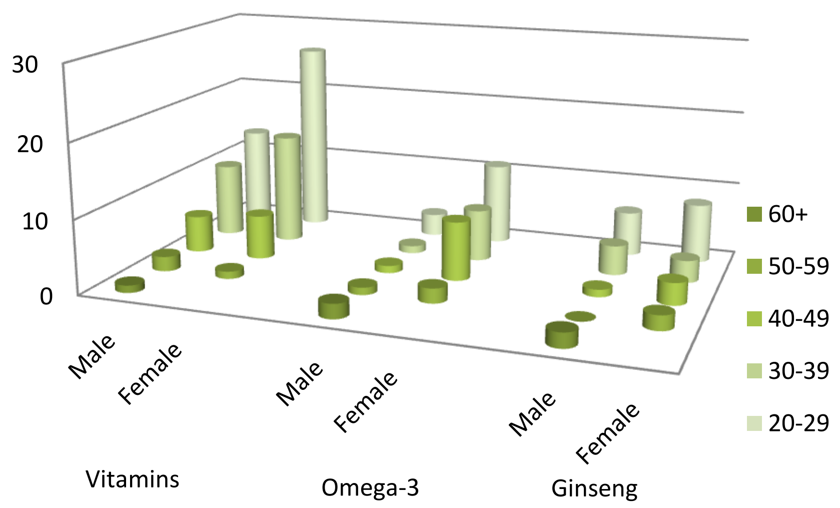

Figure 17: Type of Health Supplements by Age and Gender

The figure shows that vitamins are the most popular health supplement category, especially among women. Omega-3 is more popular among women than men. Regarding ginseng the distribution is more equal. By looking at the number of respondents within the age groups stating that they use health supplements, the main consumer of vitamins are women between 30-39 years, and men between 40-49 years. Also women between 20-29 years and 40-49 years and men between 30-39 years consume more vitamins than men between 20-29 years. The main consumers of omega-3 are women between 40-49 years, where 42.1% of the respondents asked use omega-3. All over, women generally consume more omega-3 than men. The main consumers of ginseng are women between 40-49 years, were 15% of the respondents in this age group stated that they use ginseng. Nevertheless, the distribution is as mentioned quite similar between the genders and different age groups.

5.1.9. Conclusions from the Data Analysis

The primary data, in both our qualitative and quantitative research have provided useful information. Both the pharmacist and distribution interviews, as well as the analysis results of the survey indicated more or less the same trends. The information gathered will be used to make strategic recommendations.

5.2. Limitations

We are aware that sampling errors have occurred when using convenience sampling. Even though the sample size of 250 seemed fairly big, the use of convenience sampling has lead to a loss of great variation in the answers, where 82.8% of the respondents are under the age of 39 years. Thus, respondents from the older age groups are not well represented. This means that when working with the data, only findings from the three lowest age groups will give accurate data to draw conclusions from. We decided not to translate the questionnaire into

Chinese, Malay or Tamil, which led to loss of some respondents, due to the fact that they did not want to answer an English questionnaire. This might also have affected the lack of representativeness from respondent in the older age groups and a narrower cultural diversity. Sample selection error might also have occurred, due to our choice of location for collecting the data, leading to a lack of variety of the respondents both by age and ethnicity.

Response bias might also occur, as the administrator were standing right next to the respondent. Some respondents might have answered that they use health supplements even though they do not, to be seen as a healthy person. Another disadvantage by using convenience sampling is the questionable ability to generalize the result. In addition, it should be mentioned that because of a fragmented market with many brands and products available it was difficult to select alternative brands for question 10 and 13 in our questionnaire.

All these reasons mentioned are possible limitations of the research, and may affect the validity and reliability of the result. Nevertheless, the data was evaluated to be sufficient to get an indication of the consumers' view of health supplements.

CHAPTER 6 - STRATEGY

CHAPTER 6 – STRATEGY

This chapter will cover Axellus' critical success factors, their international corporate level strategy, and what international business level strategy they should focus on. Further on, we will elaborate on which entry mode Axellus should choose when entering Singapore, followed by a segmentation-, targeting-, and positioning strategy.

6.1. SWOT Matrix

By using the rated SWOT-Matrix by Kotler,[111] we can look into the possibilities of developing competitive advantages by identifying the key muscle of Axellus' strengths and future opportunities. By identifying critical success factors, Axellus can prepare themselves to pursue potential opportunities. The SWOT- Matrix will help us evaluate and generate the base for our strategic recommendations.

In the matrix, we have looked at Axellus and the Singaporean environment and subjectively rated the strengths, weaknesses, opportunities and threats from 1 to 5, where 1 is very low and 5 is very high.

[111] Kotler (2005)

SWOT MATRIX		Degree of Strengths/ Weaknesses/ Opportunities/ Threats	Importance to Axellus
Internal Factors	**Strengths**		
	Differentiated and innovative products	5	5
	Strong market position in established markets	3	4
	Financial resources	4	5
	Good product quality	5	5
	Weaknesses		
	Price	4	3
	Weak brand name in Asia	2	3
External Factors	**Opportunities**		
	Market growth	4	4
	Increased health consciousness in Asia	4	4
	Strategic agreements	3	4
	Threats		
	High level of rivalry among competitors	5	4
	Environmental regulations/restrictive trade policies	2	3
	Increased price for raw material	4	3

6.2. Problem Definition

Based on the SWOT analysis a further strategic problem definition has been developed. This was done by looking at Axellus' strengths, weaknesses, opportunities and threats to detect the further recommended strategy.

How can Axellus, with their strong financial resources and good quality products, manage to get a foothold in the Singaporean health supplement market, where the competition is strong and they have no experience, when introducing Möllers and Gerimax, and what should be the recommended positioning and market strategy?

Findings from the analytical part will help indicate what will be the recommended positioning, as well as marketing strategy for both brands. It will also be necessary to develop critical success factors to determine Axellus' success probability.

6.3. Critical Success Factors

We have identified several success factors by analyzing the rated SWOT-Matrix. The four factors of most importance are the three strengths "Differentiated and innovative products", "Good product quality", and "Financial resources". The fourth essential factor is the threat of the "High level of rivalry among competitors". For Axellus, dealing with the high level of rivalry among the competitors is critical to succeed in the Singaporean market. One way to do this, is to use their differentiated and innovative, high quality products to make their way into the market.

6.4. Strategy Development

It is important to determine which strategy Axellus should develop, with a focus towards which entry mode to choose and the risks that can occur.

6.4.1. International Corporate Level Strategy

International corporate level strategy is required when the firm operates in multiple industries and multiple countries or regions.[112] All four business units within Orkla Brands, base their strategy and organization on a multi-local model, where responsibility for value creation and decision-making lies at the local level with the individual companies.[113] Strategic and operating decisions are decentralized to the strategic business unit in each country in order to allow that unit to tailor products to the local market.[114]

6.4.2. International Business Level Strategy

Firms choose from among five business level strategies to establish and defend their desired strategic position against competitors: cost leadership, differentiation, focused cost leadership, focused differentiation, and integrated cost leadership/differentiation. Each business level strategy helps the firm to establish and exploit a particular competitive advantage within a particular competitive scope.[115]

[112] Ireland (2007)
[113] www.orkla.com/orkla-brands
[114] Ireland (2007)
[115] Ireland (2007)

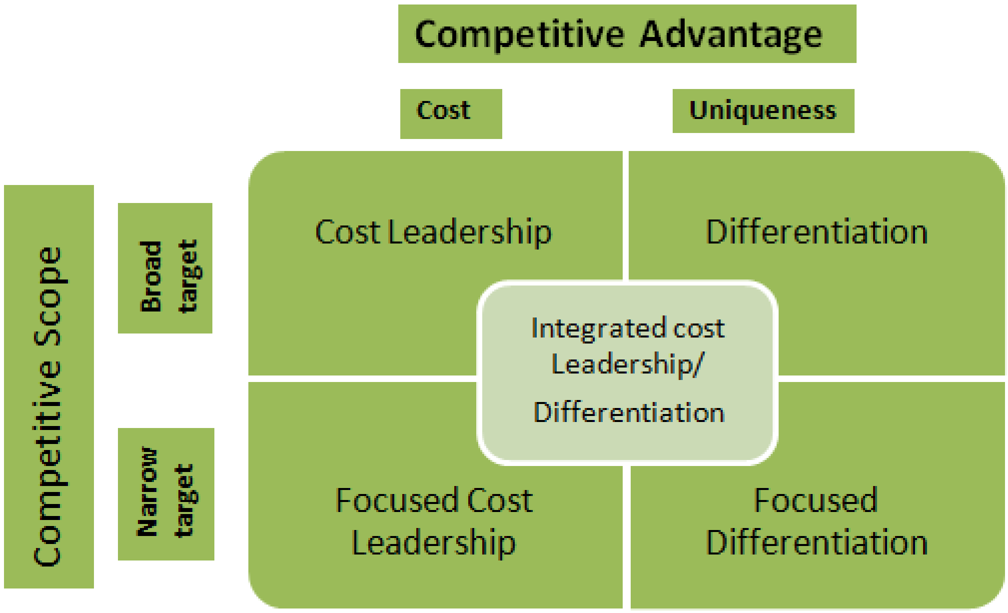

Figure 18: International Business Level Strategy Model

Due to Axellus' high quality products, competing on low price will have restrictions. Axellus' international business level strategy should therefore focus on quality as their point of differentiation. As with all the other strategies, the differentiation strategy is not risk-free. Axellus might not be able to convince their customers that their products are of higher quality than the competing products. If the customers do not see the differentiated features in Axellus' products, they are probably not willing to pay a higher price for them than the competing products, as they do not believe the products are worth the extra cost. Even tough, we believe that a differentiation strategy will be best for Axellus to enter the Singaporean market. This will be supported further on throughout the paper.

6.5. Entry Mode

Exporting is characterized by high costs and low control, based on transportation costs, tariffs on incoming goods and the distance to the home market.[116] The location of other Orkla companies in Singapore enables Axellus to be present with a sales office without high costs. Also tax on imported goods is relatively low in Singapore. Axellus should therefore utilize direct export through a local sales office as an entry mode to the Singaporean market. This will enable them to have better control. The products would have to be transported from the production sites in Norway and Denmark to Singapore which includes high costs. In Singapore, Axellus would need to establish a contract with a distributor to help distribute the products to retailers. They will still have control over the marketing mix and the strategic decisions.

International diversification carries risks that can be difficult to implement and manage.[117] Facing the global financial crisis the Norwegian kroner (NOK) has weakened to the US dollar, Euro and Singapore dollar, which has been in favor to Norwegian exporters.[118] However, the NOK has been, and still is, very unstable which can make it difficult to estimate future prognoses. If the NOK stabilizes on a relatively low level, it can be an advantage to Axellus in terms of enhancing their company competitiveness internationally.

6.6. Segmentation

To be sure to develop a marketing mix that satisfies the consumers, the consumer need to be recognized. We need to segment the market by criteria that are possible to measure, of a valuable size and available, differentiated, and possible to process, to give a meaningful value

[116] Ireland (2007)
[117] Ireland (2007)
[118] www.norges-bank.no

for Axellus. In terms of gaining brand awareness it is important to know the consumers preferences. There is a high dependency on early adopters to help sell the products to the early majority. Early adopters are curious, open minded, and value authenticity and originality, but often have short lasting interests and the chance for them abandoning the product is high. Based on the analytical part we have identified four segments for health supplements:

Women, 40-49 years

Our survey showed that the main consumer group of those using health supplements is women in the age group 40-49 years. This is also the age group that has the highest average gross income in Singapore, and has the potential to be targeted with household-related goods.[119] Singapore's overall workforce will see a change in the future, where the male participation is decreasing whereas the female participation will increase.[120] Women in this age group are predicted to account for 17.2 percent of the population by end 2010.[121]

Women, 30-39 years

Our survey also revealed that women between 30-39 years are a large consumer group of health supplements. This group is predicted to represent 15.5 percent of the population in 2010. Singaporeans tend to get married and start families of their own at a later stage in life now than before.[122] Parents (mothers in particular) purchasing health supplements to their children, has become increasingly popular for the purpose to enhance their child's wellbeing, and is included in this segment.

Young Adults

The literature review indicates that the Singaporean consumers will continue to have a hectic lifestyle, and are looking for fast and effective ways of getting a healthy diet. Busy people are

[119] Singapore income and expenditure, November 2008, www.euromonitor.com
[120] Consumer Lifestyle Singapore, June 2007, www.euromonitor.com
[121] Consumer Lifestyle Singapore, June 2007, www.euromonitor.com
[122] Consumer Lifestyle Singapore, June 2007, www.euromonitor.com

often in single person households in the age group 20-39 years. They want an easy life, and consume items that support their fast-paced lifestyle. They are also concerned with health and fitness activities. This group is predicted to represent about 15 percent of total households in 2010.[123]

Elderly

We have also identified a segment of people from 60 years and above, even though our survey does not show representative numbers of this. Health issues such as joint problems and health maintenance will become more important in Singapore, as the number of elderly people will continue to increase. This group will represent approximately 14 percent of the population in 2010.[124]

6.7 Targeting

Axellus' objective is to penetrate and get a foothold in the Singaporean health supplement market. To target the four segments identified above, a multi-segment approach is the most effective. This would require a number of products customized to different segments. However, entering the market with too many products may be difficult. Axellus should therefore make use of mass marketing in the beginning, by choosing a few products that appeal to the majority of segments. In the long-term, Axellus should extend their product range to target the segments more specifically. Examples of other target groups could be the ageing population with heart and joint problems, and the busy single people. These segments can signalize gaps in the market, which Axellus can exploit later after gaining certain awareness in the market.

[123] Consumer Lifestyle Singapore, June 2007, www.euromonitor.com
[124] Consumer Lifestyle Singapore, June 2007, www.euromonitor.com

6.8. Positioning

Axellus need to position their brands in the consumer's mind, which can be done by focusing on different attributes. Quality appeared to be the most important criterion when purchasing health supplements, based on the results from our survey. It is important for Axellus to make an effort in positioning Möllers and Gerimax to be high quality brands, since this is one of their strengths. To achieve this impression from the consumers in Singapore, it is vital for Axellus to prove their products to be of better quality and value than their competitors'. They should emphasize the Quality Policy of Axellus (Appendix 6a) as well as Möllers Purity Guarantee.[125] A thorough description of the raw materials origin is important to express quality. For Gerimax' products, it should be focused on the unique ginseng extract which has been documented through extensive clinical trials. Focus on quality will also be crucial for the customer loyalty, as customers tend to show higher loyalty to differentiated products in which the products uniqueness also reduces customer's sensitivity to price adjustments.[126]

[125] www.mollers.no
[126] Ireland (2007)

CHAPTER 7 – MARKETING MIX

CHAPTER 7 – MARKETING MIX

When a company is about to enter a new market with one of their products, an important question is whether customizing or standardizing is the best option.

Figure 19: The Marketing Mix model

7.1. Product

Möllers has not been marketed outside of Europe, whereas Gerimax has been introduced both in Europe and Russia. Both brands have standardized products with some local adjustments. For instance Gerimax has another brand name in Poland, Bodymax, but the basic product is the same in all markets.[127]Axellus' core product is standardized health supplements. Their concrete product is quality products with "the right admixture". Axellus' extended product is giving health conscious Singaporeans an opportunity to stay healthy and to decrease the possibility of cardiovascular diseases, diabetes, cancer, obesity, autoimmune diseases, rheumatoid arthritis, asthma and depression in addition to boost their energy.

In the Singaporean market, Axellus should start with introducing three standardized Möllers products. The first product, Möllers Double is the original Möllers product in capsules with vitamin A, D and E.[128] The package design is transparent so that the content is visible to the

[127] Company Information
[128] www.mollers.no

consumers. Secondly, Möllers Total contains vitamins, minerals, antioxidants and omega-3. This product is a multivitamin product, and in conformity with Möllers Double the consumer can see the content. Lastly, they should introduce Möllers Chewable Capsules that contain omega-3 and vitamin A and D, which is more suited for children because of the added strawberry taste. (Appendix 6b)

This decision is based on the conducted survey which enlightened that the majority of the respondents preferred the product to be in capsules. The products contain vitamins and minerals, which is proved to be popular health supplements according to the survey. When the products have been in the market for some time and achieved brand loyalty, Axellus can introduce more products to the portfolio. Products that put emphasis on special suffixes, such as the "Möllers Good for" series are products we can see a need for in Singapore. These products can target a narrower segment, but also appeal to consumers that already know the other products and have established faith and trust to these products. We feel the introduction of too many products will be difficult in the beginning of the market entry and should wait until the products have gained a stable foothold in the market.

Axellus should further on introduce two Gerimax products. Gerimax Multi Energy contains vitamins, minerals, energy and green tea. The second product, Gerimax Extreme Energy is a combination of ginseng, schisandra and roseroot extracts, which gives fast and powerful energy[129] (Appendix 6b). We have chosen these products for some of the same reasons as for Möllers omega-3 products, as we feel that these products will appeal to most consumers.

Axellus' brand has at the time low awareness in Asia. Since Axellus is new in Singapore it is important to establish Möllers and Gerimax as strong brand names, which is able to deliver the right message to the consumers. We will elaborate more on this in the promotion section.

[129] www.danskdroge.dk/uk/

The labels need to be in English for both Möllers and Gerimax. To ease the pronunciation and be able to remember the brand name we would recommend Axellus to use the name Möller instead of Möllers. The name has already been changed in other markets such as Finland, and showed great success. We do not see a need for Gerimax to do any changes to the brand name.

The package design, regarding both Möllers and Gerimax, need little change from the design used in the Norwegian market. However, some local changes should be done. For instance, we will recommend that the design of Möllers Chewable Capsules should be more similar to the design in Finland where the product emphasizes knowledge and better learning, and the name can with benefit be changed to Möller Junior. (Appendix 6c)

7.2. Place

In order to get access to a retailer of health supplements, a manufacturer needs a distributor. Two well known distributors of health supplements in Singapore are DKSH and Zuellig Pharma. DKSH is Asia's leading healthcare services provider and are experts in outsourcing services for the healthcare industry in Asia.[130] Zuellig Pharma has established itself as the leading health supplement distribution solution specialist in the Asian region and serves fifteen countries and regions across Asia.

DKSH enables and supports companies in expanding their businesses in existing markets and launching into new ones. They combine sourcing, marketing, sales, distribution and after-sales services, and provide their partners with expertise and on-the-ground logistics.[131] DKSH can provide customs clearance, forwarding, food and drug admission procedures, freight

[130] www.dksh.com
[131] www.dksh.com

coordination, bonded goods and cross-border distribution as a part of export/import management in logistics. In warehousing, they can offer simple, but efficient storage facilities to state-of-the-art distribution centers. Services like co-packing, labeling, invoicing, customer service and inventory management can be value adding and influence the choice of distributor. In distribution management they transport and deliver both domestically and internationally. Lastly, they can provide system specification, implementation and integration as well as supply chain modeling and consulting. Axellus can benefit from relations with DKSH in terms of integrated control and stock management. DKSH can offer on-time delivery and best practices for freshness and customer satisfaction. In addition, a global and regional network can increase the opportunities for further development of the business.[132]

Zuellig Pharma combine extensive local market expertise with global vision and the latest technological developments to provide dedicated, cutting-edge distribution solutions to the health supplement industry. Zuellig Pharma focuses on distribution services for the health supplement product industry. The services provided are similar to those offered by DKSH. They provide warehousing, sales order processing, invoicing, collection, credit and risk management, retail sales force, repackaging and labeling, delivery and transportation, reverse logistics, cross docking, sample management, promotions, and gift and literature management.[133]

Based on the analytical part, we suggest that Axellus distribute their products in every Guardian, Watsons and Unity Health Care store throughout Singapore. Guardian has 120 retailers,[134] Watsons has 100,[135] and Unity Health Care has over 40 retailers located in

[132] www.dksh.com
[133] www.zuelligpharma.com
[134] www.guardian.com.sg
[135] www.watson.com.sg

Singapore.[136] These retailers are the major arenas for health supplements. Furthermore, the employees in the pharmacies can provide the consumer with adequate information regarding Axellus' products. We are also confident that greater expertise from the employees in the mentioned retail stores will help to trigger purchase.

7.3. Price

We will elaborate on what pricing method Axellus should use with a basis in Kotler and Kellers pricing model.[137] The six steps used are as follows; selecting the pricing objective, determining demand, estimating costs, analyzing competitors' costs, prices and offers, selecting a pricing method and selecting the final price.

Axellus' pricing objective should be product-quality leadership, where it is important that the utilitarian value reflects the price. Axellus' products are health supplements containing high quality raw materials that go through strict quality controls. It is therefore important to ensure that the price equivalents the quality. The consumers are sensitive to price adjustments, which reflect a fragmented market with a great number of players fighting for a relatively low market share. This leads to a price elastic demand. However, the health supplement prices are increasing due to the manufacturer's effort to include more ingredients in order to attract sophisticated consumers. Axellus is a new actor in the Singaporean market, and need consequently to have prices that reflect the preferred values of the consumer. We do not have enough information about Axellus' or the competitor's costs. Regarding Axellus we can assume that the costs will be high because of the distance from the production facilities as well as the high labor costs in Norway and Denmark. When Axellus is to select the final price,

[136] www.ntuchealthcare.com.sg
[137] Kotler (2005)

the price should be based on their competitor's prices. A going-rate strategy should be the chosen method, which means taking basis in the market prices to set the price.

Axellus should set premium prices for both Möllers and Gerimax. This pricing method seeks to explain the quality of the product by setting a high price. Even though the financial crisis to a certain extent has contributed to decreased purchasing power among the Singaporean consumers, we do not believe that this will have a direct impact on the price strategy. We believe that by setting a premium price, Möllers and Gerimax will get the right reputation in the market.

GNC and TCM are strong competitors, but since we recommend Axellus to place their products in pharmacies, pharmacy brands will be the main opponents. With premium pricing Axellus set their prices higher than most of these competitors to signalize high quality. It is important that the price is still low enough to avoid neglecting potential customers, but high enough to signalize that their product has a higher quality than the other competitor's. Premium pricing allows Axellus to balance their costs in addition to make offers and price discounts available.

Another important price strategy is promotional pricing. This strategy is used under certain circumstances and is already common in Singapore. Promotional pricing and promotional activities will be discussed in the next section.

7.4. Promotion

Regarding health supplements, promotional activities must be intense. Even though the consumers are searching for information more active than before, they still prefer to be exposed to information rather than search for it themselves. The consumers are somehow searching for ways to be exposed, for instance through channels like word-of-mouth, newspapers and magazines, in-store promotion activities, websites, e-word-of-mouth and TV-advertisement.

Word-of-Mouth

Our survey indicated that the most effective promotion tool is word-of-mouth (WOM). This was shown to be especially successful when delivered as recommendation from family and friends. It will be important for Axellus to monitor and respond to the audience and experiment with the different ways of achieving WOM. For instance, free product samplings and the use of opinion leaders such as celebrities to communicate the positive benefits of the products are some ways to generate positive WOM. Traditional advertising does not carry the same weight as a personal recommendation. To make sure that there is consistency in the recommendations given by consumers using the product, and the message Axellus wants to deliver; Axellus needs to develop a clear, consistent message that is easy for the consumers to communicate.

Research shows that the Singaporean consumers are more likely to interact with advertising if it contains humor and entertaining story lines. The population wants less direct advertisements as “direct ads kill the fun”. Also, the consumers are more likely to bond with brands that reflect their hope, dreams and aspirations.[138] Axellus needs to adjust the promotion to the different target groups and play on the targets feelings to get a good response. They need to understand the consumers and tell a story about their products to connect with the audience. The story should not target the mass population, as “one size does not fit all”.

Newspapers and magazines

Among the promotion activities suited, there are several newspapers that are appropriate to reach out to the target segment. The most important is to be visible and findable. Most of the

[138] www.tnsglobal.com

newspapers in Singapore are owned by Singapore Press Holding Ltd (SPH), which is South East Asia's leading media organization.[139] "Straits Times" is the newspaper with the highest reader frequency,[140] but out of the top five most read Singaporean newspapers, "New Paper", "Lianhe Zaobao" and "Business Times"[141] have the best fit towards Axellus' target group. All these newspapers contain lifestyle updates and are meant for both genders from younger adults to the middle-aged group. Magazines like "FHM Singapore", "Men's Health" and several magazines for women about lifestyle (Her World, Asia Spa, Citta Bella, ICON and SHAPE) also fit the segment groups that Axellus should be targeting. The advertisement in the newspapers and magazines must reach out to the key influencers in the target group and give them something to talk about. This, in addition to promotional offers in the newspapers and magazines could tempt the consumers to come to the selected pharmacies and buy Möllers' and Gerimax's products.

In-store Promotional Activities

When the consumers are present in the pharmacies, Axellus should focus on in-store promotional activities. As the Singaporean consumers seem to be attracted by promotional pricing, Axellus should take advantage of this and present their products as value adding products. By having promotional campaigns where the customers can buy two products in one package to a reduced price with an additional free gift, they can achieve positive feedback and WOM. An article explained a marketing promotion experience as follows; *"What begun as a "cute" marketing promotion … has exposed a raw consumerist nerve in Singapore, touching off a lively media debate about citizens' gullibility over marketing gimmickry".*[142] This article explains that Singaporeans queue for products that are temporary lowered in price, and can thereby be an effective approach.

[139] www.sph.com.sg
[140] www.straitstimes.com
[141] www.allyoucanread.com
[142] www.atimes.com

The Singapore Heart Foundation (SHF) is a non-profit charitable organization at the forefront of the battle against heart disease in Singapore.[143] Since the omega-3 in the Möllers capsules can help decrease the risk of heart attack, protect against irregular heartbeats and lower blood pressure, it might be possible to cooperate with the Singapore Heart Foundation to gain trust and credibility. This cooperation can be carried through by distributing the foundation's pins with the products. In any case the free gift promotional packages can be a pedometer, to encourage a healthy lifestyle. This activity can be the same for Möllers and Gerimax.

Further on, the in-store promotional activities should include posters and slogans that play on the buyers purchase reason and feelings among it. As our survey showed the main target to be women in the age 40-49 years, and different studies have shown that women in this age usually are the ones to make the family purchases, it will be effective to play on the segment's feelings and conscience. For instance slogans like, "Take one home, to show them you care", can catch the interest of the consumer and will also reflect the targets hopes and dreams of a happy and healthy family. This will be especially effective for the omega-3 products as the product line consists of products for every member in the family. For the ginseng products it can be effective to launch promotional campaigns directed towards the younger segments right before their examination period starts. The campaign should play on the stress and hard work that is typically connected with examination periods.

To be effective, the message needs to deliver value to the consumers and offer something that has entertainment value, utility, provides immediate gratification or is very unique. As stated above, the message/slogan needs to be something the consumers want and is easy for them to share with others. For instance, Möllers omega-3 could deliver a message about the importance of omega-3 to stimulate the brain activity. An example of a slogan could be: "Did you know that Möller Junior contains the important omega-3 acids that helps stimulate the

[143] www.myheart.org.sg

child's brain activity?" The campaigns should include product sampling. Gerimax' products should be promoted as a source to increased energy and concentration. The rest of the year Gerimax should spotlight the products point of difference, and concentrate on the older segment and active youth in the promotion campaigns.

Website

As Axellus' website is under construction, their new and improved website should in addition to provide useful information about Axellus' brands in English, be a facilitator. This way the consumers can be engaged in the products and feel a greater connection, which has proved to increase brand loyalty and generate positive WOM. An alternative to getting hits on the website can be to have contextually rich content such as flash games, contest and amusements connected to health in order to attract the younger segments and get positive reputation among this segment as well. The website should also have a two-way conversation forum, where people can ask questions about the products and give feedback.

e-Word-of-Mouth Marketing

e- Word-of-Mouth marketing (e-WOM) is generally very cost-effective, and is shown to be a hitting trend among marketers. The message content can be changed quickly and often, and it is easy for Axellus to control the content. While traditional product promotions are achieving to reach one of several goals as in the AIDA approach,[144] a successful e-WOM effort can reach out to multiple promotional objectives. This type of marketing can in addition to increase brand awareness towards Axellus' brands, motivate to direct purchase. For instance can a consumer who get an invite to a promotional event and are planning to go there, tell his friends about his plan for the evening, which will result in more people knowing about the event and generate interest.

[144] http://www.marketingscoop.com/AIDA-approach.htm

TV-advertisement

TV-advertisement reaches out to a huge group of consumers at the same way and is an effective way to advertise. As a new player in the Singaporean market Axellus will need a lot of publicity. TV-advertisement might not be the right center of attention in the beginning, but can be considered in the long run when Axellus' brand name is better established in the market and have a clearer vision of their place in the market. TV-advertisement is especially effective to target the younger segments, as our survey showed the youngest participants to gain most information from this channel axellus

healthy living made easier

CHAPTER 8 - RECOMMENDATIONS

CHAPTER 8 – RECOMMENDATIONS

When introducing Möllers and Gerimax to the Singaporean market, we recommend Axellus to make use of Orkla's presence in Singapore and adopt an export strategy with a local sales office. They should take use of a differentiation strategy and position themselves as a high quality brand in the consumers mind. Mass marketing should be used to target a number of segments and as many consumers as possible. In particular they should focus on women in the age group 40-49 years. This was the group that weighted strongest in our consumer survey and in addition represents the highest average gross income in Singapore. This segment also has the potential to be targeted with household goods. In the long run we recommend Axellus to introduce products that can satisfy specific needs of other segments, such as the elderly and the young adults. As a start, Axellus should introduce the following Möllers products; Möllers Double, Möllers Total and Möllers Chewable Capsules. For their Gerimax brand, they should introduce Gerimax Multi Energy and Gerimax Extreme Energy.

The products should be distributed through a distribution company located in Singapore to help Axellus into the large pharmacy chains. Furthermore, they should be priced according to a going-rate pricing strategy, with premium prices. Promotional pricing should be used to attract more customers during special events and occasions. Promotion should mainly be done through large newspapers and magazines. In-store promotional activities and WOM/e-WOM are effective ways to reach out to the desired target audience, while TV-advertising will reach a huge group of consumers and may be considered in the long-term. Axellus should additionally focus on building Möllers and Gerimax as strong brand names in Singapore, through long term word-of-mouth marketing rather than as a quick-win tactic.

8.1. Limitations to the Project

Some limitations might have affected the content of this project. Firstly, it is questionable whether the consumer survey can be generalized, due to the fact that convenience sampling was used and other factors mentioned in the limitations of the data analysis. Secondly, it was difficult to get the pharmacist to elaborate upon the answers during the interviews. It was therefore hard to get a clear and whole picture of the market. Furthermore, it was challenging to get in contact with companies willing to answer question regarding the distribution channels. In the end we managed to come in contact with DKSH through e-mail, but the information received about the distribution channel might not represent the whole business. Lastly, the lack of information about Axellus, especially financial information, might have affected the validity of the analysis and recommendations.

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APPENDIX

CHAPTER 1

- Appendix 1a: Axellus' Goals
- Appendix 1b: Deaths from cardiovascular disease

CHAPTER 2

- Appendix 2a: List of quality and safety requirements from HSA
- Appendix 2b: List of diseases not allowed for health supplements form HSA Table 5 & 6
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CHAPTER 3

- Appendix 3a: Top 10 brands

CHAPTER 4

- Appendix 4a: E-mail interviews of distributors, questions and answers
- Appendix 4b: Interviews of pharmacists, questions and answers
- Appendix 4c: Questionnaire

CHAPTER 5

- Appendix 5a: SPSS output
- Appendix 5b: Brand loyalty

CHAPTER 6

- Appendix 6a: Quality Policy
- Appendix 6b: Products
- Appendix 6c: Möllers Chewable Capsules

Appendix 1a: Axellus' Goals

Appendix 1b: Deaths from Cardiovascular Disease

	2005	2006	2007*
Total No. of Deaths	16,215	16,393	17,140
Percent of Total Deaths			
Ischaemic Heart Disease	18.2%	18.5%	19.8%
Cerebrovascular Disease (including stroke)	10.0%	8.9%	8.7%
Other Heart Diseases	4.1%	4.3%	4.3%
Total %	32.3%	31.7%	32.8%
Total	5,237	5,197	5,622

*Preliminary

Source: Ministry of Health

Appendix 2a: List of Quality and Safety Requirements from HAS

Health supplements (HS) shall:

not contain any other substances except those stated on the label;

not contain any human part or substance derived from any part of the human body;

not contain substances listed in the Schedule of the Poisons Act;

not exceed the limits for microbial contamination and toxic heavy metals as specified in Tables 1 and 2;

not contain any substance above the limit specified in the List of Restricted Substances, such as for Vitamins and Minerals shown in Table 3;

not contain any substance specified in the list of Prohibited Substances shown in Table 4;

not contain any active substance which is a chemically-defined isolated constituent of plants, animals or minerals, or combination of any one more of these;

not contain any substance that may adversely affect the health of the person taking the product;

not make any claim to directly or indirectly refer to the lists of conditions, diseases and disorders shown in Tables 5 and 6;

be of acceptable standards of quality in terms of product stability under local climatic conditions, have adequate shelf-life period, proper packaging and labeling; and are manufactured and/or assembled under proper conditions; and

require the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) import permit if they contain substances (e.g. Hoodia, etc) listed under the Endangered Species (Import & Export) Act. Dealers should contact the Wildlife Regulatory Branch, Agri-Food & Veterinary Authority (AVA) at Maxwell Road #02-03 Tower Block, MND Complex, Singapore 069110, Tel: +65 62270670, Fax +65 63257646 to obtain the necessary permit or to obtain further information.

Appendix 2b: List of Diseases not allowed for Health Supplements form HSA

Table 5 & 6

Table 5

Examples of Diseases/Conditions/Disorders Not Allowed for Health Supplements	
1. Cardiovascular diseases & disorders incl. Hypertension, stroke, cholesterol disorder, reduces cholesterol, etc. 2. Dental & Periodontal diseases and disorders 3. Diseases & disorders of the eye, ear or nose likely to lead to severe impairment, blindness or deafness, cataract, etc. 4. Diseases of the liver, biliary system or pancreas incl. Hepatitis, fatty liver, liver cirrhosis, hepatitis, etc. 5. Endocrine diseases & disorders, incl. diabetes, thyroid disorders, thymus disorders, prostatic disease, etc. 6. Gastrointestinal diseases & disorders incl. ulcers, gastritis, diarrhoea, constipation, etc. 7. Haematological diseases e.g. increases or reduces platelets, etc 8. Immune disorders & diseases incl. AIDS, allergies, etc. 9. Immunisation e.g. vaccines, protects body against diseases (all types), etc 10. Infectious diseases, incl. sexually transmitted diseases, bacterial or viral infection, leprosy, etc 11. Mental diseases, disorder & conditions incl. Substance abuse, addiction, depression, eating disorder, etc. 12. Metabolic disorders incl. obesity, etc. 13. Musculoskeletal diseases & diseases of joint, bone, collagen incl. rheumatic diseases, osteoporosis, anti-inflammatory, etc. 14. Neoplastic disease incl. all types of cancers 15. Nervous system and neurological disorders incl. epilepsy, fits, paralysis, Alzheimer's disease, dementia, etc. 16. Physiological processes, enhance or depress, e.g. immunity, enzyme deficiency, anti-aging, hormonal imbalances, hormone release stimulants, etc.	17. Renal diseases, diseases of the genito-urinary tracts incl. urinary tract infection, symptoms of nephritis, etc. 18. Respiratory diseases incl. asthma, tuberculosis, etc. 19. Skin diseases & disorders incl. eczema, fungal infection, ulcers, warts, mole, pigmentation disorder, etc. 20. Reproductive disease, disorders & conditions incl. sexual dysfunction, conception and pregnancy, infertility, menstrual disorders, impotency, frigidity, etc. **Examples of Misleading Claims:** 1. Anti-aging, longevity 2. Sexual powers 3. Arousal, libido 4. Enhancement of sexual organs 5. Breast enhancement, enlargement, growth 6. Height growth 7. Enhance intelligence 8. Enhance immunity 9. Anti-stress 10. Hormone Releaser

Table 6: List of Prohibited 19 Diseases and Conditions

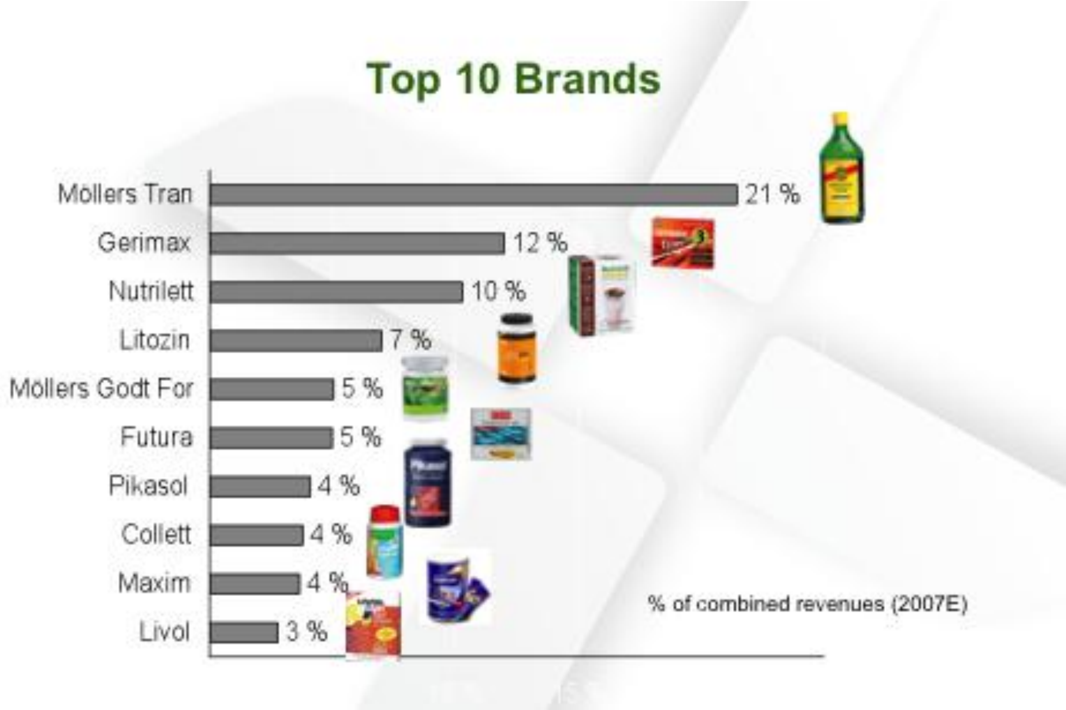
1. Blindness	**10. Tuberculosis**
2. Cataract	**11. Cancer**
3. Dangerous drug addiction	**12. Conception and pregnancy**
4. Diabetes	**13. Deafness**
5. Frigidity	**14. Epilepsy or Fits**
6. Infertility	**15. Hypertension**
7. Impotency	**16. Insanity**
8. Leprosy	**17. Kidney diseases**
9. Paralysis	**18. Menstrual disorder**
	19. Sexual function

Appendix 2c: Label Information Table 7 HSA

Table 7
Examples of Information Useful to Enable Consumers to make Informed Decisions

Basic Supplemental Facts 1) Name of the health supplement product 2) Names and quantities of all the active ingredients 3) Names of inactive ingredients including sweeteners, preservatives, colorants and other addictives, if present 4) Recommended daily allowance (RDA) based on approved local standards or authoritative international standards (to specify the standard used) 5) Recommended daily dosage 6) Instructions on proper usage 7) Pack Size
Other information on label / packaging: 8) Expiry date (or “Use by”, “Use before” or words with similar meaning) 9) Batch Number 10) Name and address of the manufacturer & packer (or local Assembler) 11) Name and address of dealers (or Importer, Wholesale dealer where appropriate) 12) Mandatory Precautionary Label / Statement, where necessary

Appendix 3a: Top 10 Brands



Appendix 4a: E-mail Interviews with Distributors, Questions and Answers

Questions

1. What services can you offer a manufacturer of health supplements?

2. What characterizes the distribution system of health supplements? (Distribution channel design and trends).

3. What is the most common type of outlets for health supplements in Singapore? Is there or has there been any changing in this trend?

4. How is the access to the distribution channel(s)?

5. How do manufactures precede to get retailers to stock their products?

6. Is relationship building important in order to get health supplements distributed in Singapore?

7. What are the rules and regulations governing ingredients, packaging, sale and marketing/promotion of health supplements in Singapore?

Answers from Distributers

Answers by Jason TB Tan, Assistant General Manager, Healthcare, DKSH Singapore

1. We are able to offer a plethora of services to companies who aspire to grow their business here. These include sales, marketing, distribution, warehousing and regulatory affairs related services. We work closely with manufacturers to support their growth plans.

2. There is breadth in the distribution of health supplements as consumers could purchase them in a wide variety of channel including some high end supermarkets. Merchandising is a critical driver to drive success as certain products are purchased on impulse and through in-store marketing activities.

3. Pharmacies (Guardian, Unity), personal care stores (Watsons) and specialty stores (GNC) are the main types of outlets. The buying pattern has been consistent.

4. Access by manufacturers depends on several factors including brand equity, product offering, and market position and marketing funds.

5. Manufacturers have to understand consumers buying preferences, assess the fit of their products brand position with channel required.

6. This is important. Various manufacturers employed customer relationship management programs to build loyalty with consumers.

7. Depending on product types, there are regulations from the Singapore Agri-Veterinarian Authority (AVA) and Health Promotion Board (HPB) that govern the sale and marketing of health supplements here.

Answers from Helen Ling, Head of Department, Healthcare, DKSH Singapore

1. Warehousing, distribution, sales and marketing as well as regulatory support.

2. The channels that you intend to penetrate.

   Chain stores including pharmacies and hypermarket, Independent stores

3. No, as above.

4. Listing of products with the chain stores-fees attached to the number of sku listed with the stores.

5. Unless thru sales and marketing provider-not possible to do so directly.

6. Not so, depend on products potential and marketing activities.

7. Not fully regulated at this point. There is a limit and allowed list in the current guidance. Promotion of pure vitamins and minerals will require permit from authority. No medical claims allowed and all claims need to be substantiate with scientific evidence.

Appendix 4b: Interviews with Pharmacists, Questions and Answers

Questions to Pharmacists

1) How would you explain the health trends in Singapore today with particular reference to over-the-counter supplements?

2a) Based on the demand of omega-3 the last year, have there been any significant changes, and what is your prediction for the next five years?

2b) Based on the demand of ginseng the last year, have there been any significant changes, and what is your prediction for the next five years?

3a) Who is the consumer of omega-3 products?

3b) Who is the consumer of ginseng products?

4a) What is the most common reason for the consumer to buy omega-3?

4b) What is the most common reason for the consumer to buy ginseng?

5a) How many omega-3 brands are represented in this store? Which are the most selling?

5b) How many ginseng products are represented in this store? Which are the most selling?

6a) How is your omega-3 brand range put together? Do you have brands from different regions of the world?

6b) How is your ginseng brand range put together? Do you have brands from different regions of the world?

7a) When a consumer has decided to buy an omega-3 product, what is the most important factor when choosing a brand?

7b) When a consumer has decided to buy an ginseng product, what is the most important factor when choosing a brand?

8) Sex: F___ M ___

Are you certified pharmacists? Yes ___ No ___

If yes, how many years have you been working as a pharmacist? _____

Age: 30 - 39 ___

40 - 49 ___

50 - 59 ___

60 - 69 ___

Answers from Pharmacist

Watsons, Marina Square Shopping Centre

1) The consumers are getting more and more health conscious. They also do more reading and research themselves about healthcare supplements before they come to the store and ask for it.

2a) More and more people are using mega-3, and in the future I think the demand will increase.

2b) The demand for ginseng is not as great as for omega-3, but I do think there will be a slightly increase, due to the ageing population.

3a) Both genders consume omega-3, mainly 35 + and elderly people. They purchase the products both for own use and for their parents/children.

3b) Mostly elderly men, consume ginseng and mostly for own use.

4a) Most common reasons are to prevent high cholesterol and joint problems.

4b) Most people buy ginseng as a brain booster.

5a) Over ten omega-3 brands, and the most selling are Ocean Health and Natures Way.

5b) Almost ten ginseng brands, some of the brands have pure ginseng products, whereas other has it in a combination with other vitamins. The most selling brand is Kordel's.

6a) We have brands from different regions of the world.

6b) We have brands especially from USA, Australia and Singapore.

7a) Quality is important for the consumer. But if they have a budget issue, they look at the price as well.

7b) It is the same for ginseng products as for omega-3 products.

8) Sex: Female

Certified pharmacist: Yes

Working as a pharmacist in: 5 years

Age: 30 – 39

Watsons, Lucky Plaza

1) The health trends are getting better. People are buying more health supplements, and I do see the changing trend.

2a) The demand is always there, but it is increasing as more people get to know the benefits of using omega-3 trough advertising. Also more brands are entering the market.

2b) Ginseng is not so popular; it depends on your own body.

3a) Everyone consumes omega-3. Especially middle aged and older people, and they buy it for own use.

3b) Most men consumes ginseng and mainly for personal use.

4a) To maintain good health and blood circulation. As people read more and more about it in papers and magazines, they come her to ask questions.

4b) To maintain good health. Ginseng is regarded as a "health tonic", and people also use it to get better stamina.

5a) A lot, more than ten. Most selling will be Natures way, Ocean Health and Natures Essence. Is also depends a lot of promotion and value packages.

5b) Do not know the exact number, but there are many. The most selling is Pharmaton.

6a) We have brands mostly from USA and Australia.

6b) We have brands especially from USA, Australia and Asia.

7a) Most important is the price and quality, and in some cases also the brand itself.

7b) Brand is more important than the price.

8) Sex: Male

Certified pharmacist: Yes

Working as a pharmacist in: 4-5 years

Age: 30 - 39

Guardian, City Link Mall

1) Generally the public are much more aware of OTC healthcare supplements. As they are more readily available, and the consumer are able to read and gain more information from Internet and the media. With this in place, people are buying more healthcare supplements.

2a) The demand for omega-3 is growing in a fast rate. It will continue to grow for the next years if no adverse effects are found with its consumption.

2b) People have been using ginseng, and deemed it as an expensive Chinese tonic. With more products surfacing, and new technologies in manufacturing, the usage will grow in the future.

3a) Pregnant women, the older generation, children. They purchase omega-3 both for personal and family use.

3b) Almost anyone consume ginseng, and they purchase it both for personal and family use.

4a) The most common reason is DHA (for brain development), cardio protective and lower triglyceride.

4b) The most common reason is for strengthening of health and vitality.

5a) Between ten to twenty, and the most selling is Shaklee.

5b) Below ten, approximately five. Most selling is Pharmaton.

6a) Our range are differentiated by brands, especially from USA and Australia.

6b) This is also differentiated by brands from different regions of the world.

7a) The most important is country of origin, price and package size.

7b) The most important is definitely the price.

8) Sex: Female

Certified pharmacist: Yes

Working as a pharmacist in: 3,5 years

Age: < 30

Guardian, IMM Shopping Centre

1) The trends are getting better.

2a) No, there has not been any changes and I don't think it will be.

2b) I don't know.

3a) The consumers are 30 +, and they buy both for personal use, and for their family.

3b) There are not a lot of people using ginseng and those who do, buy it mostly for themselves.

4a) The most common reason to buy omega-3 is to protect heart, and to avoid high cholesterol.

4b) The most common reason to buy ginseng is to increase energy level and efficiency.

5a) More than ten brands. Which sells the most depends on offers.

5b) We have approximately four to five brands. Pharmaton is the most popular, and this brand has been in the market for many years.

6a) We have omega-3 brands from all over the world.

6b) We also have ginseng brands from all over the world, but mostly from USA.

7a) Price is most important. But the consumer does look at the brands strengths, and what they have learned through promotion.

7b) Price is most important. Not a lot of people consume ginseng, but for those who do, will the brand also be important in some cases.

8) Sex: Female

Certified pharmacist: Yes

Working as a pharmacist in: 9 years

Age: 30 - 39

Guardian, City Plaza

1) I feel that a lot of people are becoming more conscious about their health and they do come here and ask questions.

2a) The demand should be higher in the future, because of increasing awareness among the consumers.

2b) When a consumer buys ginseng it often come with other motives. E.g. multivitamins with ginseng added. There are brands for specific items, involving ginseng.

3a) The consumer of omega-3 are most elderly, 40 +, and it is really not gender based. They buy it for their own use.

3b) The consumers of ginseng are a little bit younger, 30 +, and they also buy the product for own use.

4a) The most common reason for buying omega-3 is because of health problems and high cholesterol. People also know that it is good for their blood circulation.

4b) Not many people ask for ginseng, but those who do, want to increase their energy level.

5a) We have more than ten but no one sell more than others.

5b) We have three to four products and Pharmaton is the most selling.

6a) Yes, we have omega-3 brands from different companies from different parts of the world.

6b) The same goes for ginseng.

7a) It depends on location. Some places, the consumers tend to be really cost conscious. Many people do also ask where the product are manufactured, and tries to avoid Chinese products.

7b) The same goes for ginseng.

8) Sex: Female

Certified pharmacist: Yes

Working as a pharmacist in: 8 years

Age: 30 – 39

<u>Guardian, Vivo City</u>

1) People do buy omega-3, and all in all health is important for people. More advertising has also played a role, in making people more aware of health supplements, and the benefits.

2a) Yes, more and more people come and ask for omega-3. They ask about it both for themselves and for their children. As people know more about having a healthy lifestyle, the demand increases.

2b) Many people cannot use ginseng, because of other medicaments.

3a) The consumer of omega-3 are mainly middle-aged women, but also older people. They buy it mostly for themselves. People in the twenties and thirties buy if for their parents.

3b) The consumer of ginseng are older men, around fifty to sixty.

4a) Doctor tells them it is important to protect their heart.

4b) Friends and relatives tell them it is important to use.

5a) We have over eight omega-3 brands. Most selling is Shaklee and Green Life. The reason why Green Life sells so well is because the package is so clear, and you can see the capsules.

5b) We have five ginseng brands. And the most selling is Pharmaton.

6a) We have omega-3 brands especially from USA, Australia, and also New Zealand and Japan.

6b) We also have ginseng products from different regions of the world.

7a) Quality and country of origin is important for the customer. Also proven records, and as there is no warning against this products today, we will continue to recommend them to our customers.

7b) People tend to buy the more "well known" brands

8) Sex: Male

Certified pharmacist: Yes

Working as a pharmacist in: 4 years

Age: 30 - 39

Appendix 4c: Questionnaire

Consumer Healthcare Survey

The purpose of this consumer survey is to study the healthcare market in Singapore, with particular reference to Omega-3 and Ginseng. This survey will be used as a consumer reference in our study about healthcare in Singapore. Your answers to this survey will be kept confidential and anonymous. No individual will be identified. Only aggregate data will be reported.

Thank you for your time!

Health supplements in general

The first section will focus on health supplements in general. **Please tick off your answer**.

1. Do you use health supplements on a regular basis? **(If No, go to Question 5)**
   - Yes ___
   - No ___

2. What kind of supplements? **(You can choose more than one of the following)**
   - Vitamins/minerals ___
   - Omega 3/DHA ___
   - Ginseng ___
   - Detox ___
   - Herbal medicine ___
   - Others (Please specify) ___

3. How many times during the week do you use these products?
   - 0 ___
   - 1-2 ___
   - 3-4 ___
   - 5-6 ___
   - 7 or more ___

4. Where do you prefer to buy health supplements? **(You can choose more than one of the following)**
   - Pharmacies ___
   - Health food stores ___
   - Online ___
   - Supermarkets ___
   - No preference ___

5. What is your main source for information about health supplements? **(You can choose more than one of the following)**
   - TV ___
   - Magazine ___
   - Family and friends ___
   - In-store ___
   - Internet ___
   - Healthcare professionals (e.g. Dr.'s, pharmacists, nutritionists) ___
   - Billboards and outdoor advertising ___
   - No main source ___

6. If you were to buy health supplements, how important on a scale from 1 to 7 are the following criteria? **(Circle your answer) 1 = Very unimportant, 7 = Very important**

a) Price

1	2	3	4	5	6	7

b) Design of Package

1	2	3	4	5	6	7

c) Quality

1	2	3	4	5	6	7

d) Country of Origin

1	2	3	4	5	6	7

e) Size of Package

1	2	3	4	5	6	7

f) Taste

1	2	3	4	5	6	7

7. I prefer my health supplements
   - In liquid form ___
   - In a capsule ___
   - Other (Please specify) _________________
   - No preference ___

Ginseng

The next section will focus on Ginseng. **(Please tick off your answer)**

8. How many times during the week would you use Ginseng?
   - 0 ___
   - 1-2 ___
   - 3-4 ___
   - 5-6 ___
   - 7 or more ___

9. Which brand do you most often buy?
   - ______________________________
   - I do not consume Ginseng ___

10. What other brands have you also bought before?
    - Pharmaton ___
    - Kordel's ___
    - Avalon ___
    - Green Life ___
    - Beta-Ginseng ___
    - GNC ___
    - Other (Please specify) ________________
    - I buy the same brand every time ___
    - I do not consume Ginseng ___

Omega-3

The following section will focus on Omega-3. **(Please tick off your answer)**

11. How many times during the week would you use Omega-3?
    - 0 ___
    - 1-2 ___
    - 3-4 ___
    - 5-6 ___
    - 7 or more ___

12. Which brand do you most often buy?
    - _______________________________
    - I do not consume Omega-3 ___

13. What other brands have you also bought before?
    - Shaklee ___
    - Ocean Health's ___
    - Green Life ___
    - Natures Way ___
    - Natures Essence ___
    - BRAND's ___
    - Nutrilite ___
    - GNC ___
    - Other (Please specify) ____________
    - I buy the same brand every time ___
    - I do not consume Omega-3 ___

<u>Country of origin</u>

This section will focus on country of origin. **(Please tick off your answer)**

14. From which country of origin would you prefer your health supplements to be? **(You can choose more than one of the following)**
    - Japan ___
    - China ___
    - Australia ___
    - Scandinavia (Norway, Sweden and Denmark) ___
    - Singapore ___
    - Malaysia ___
    - New Zealand ___
    - Korea ___
    - USA ___
    - Europe ___
    - No preference ___

<u>Who are you?</u>

Finally we need some information about you.

15. Are you
    - A Singaporean resident ___
    - Non-Singaporean resident ___

16. Gender
    - Male ___
    - Female __

17. Age
    - 20-29 ___
    - 30-39 ___
    - 40-49 ___
    - 50-59 ___
    - 60+ ___

18. Education (highest completed)
    - Primary School ___
    - Secondary School ___
    - Junior College ___
    - Vocational Education ___
    - University (graduate) ___
    - University (post-graduate) ___

19. Occupation
    - Management/Business/ Finance ___
    - Professional/Engineering ___
    - Legislative ___
    - Clerical ___
    - Design/Entertainment/Sport ___
    - Healthcare ___
    - Sales ___
    - Service ___
    - Student ___
    - Other __________________

Thank you for your participation!

Appendix 5a: SPSS Output

1. Do you use health supplements on a regular basis?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	118	42.3	42.3	42.3
	No	161	57.7	57.7	100.0
	Total	279	100.0	100.0	

2a. Do you use vitamins and minerals?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	198	71.0	71.0	71.0
	Yes	81	29.0	29.0	100.0
	Total	279	100.0	100.0	

2b. Do you use omega-3?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	243	87.1	87.1	87.1
	Yes	36	12.9	12.9	100.0
	Total	279	100.0	100.0	

2c. Do you use ginseng?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	249	89.2	89.2	89.2
	Yes	30	10.8	10.8	100.0
	Total	279	100.0	100.0	

2d. Do you use detox?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	273	97.8	97.8	97.8
	Yes	6	2.2	2.2	100.0
	Total	279	100.0	100.0	

2e. Do you use herbal medicine?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	251	90.0	90.0	90.0
	Yes	28	10.0	10.0	100.0
	Total	279	100.0	100.0	

2f. Do you use other health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	271	97.1	97.1	97.1
	Yes	8	2.9	2.9	100.0
	Total	279	100.0	100.0	

3. How often do you use health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	161	57.7	57.7	57.7
	1-2	38	13.6	13.6	71.3
	3-4	22	7.9	7.9	79.2
	5-6	23	8.2	8.2	87.5
	7 or more	35	12.5	12.5	100.0
	Total	279	100.0	100.0	

4a. Do you prefer to buy health supplements in pharmacies?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	43	15.4	36.4	36.4
	Yes	75	26.9	63.6	100.0
	Total	118	42.3	100.0	
Missing	System	161	57.7		
Total		279	100.0		

4b. Do you prefer to buy health supplements in health food stores?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	81	29.0	68.6	68.6
	Yes	37	13.3	31.4	100.0
	Total	118	42.3	100.0	
Missing	System	161	57.7		
Total		279	100.0		

4c. Do you prefer to buy health supplements online?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	112	40.1	94.9	94.9
	Yes	6	2.2	5.1	100.0
	Total	118	42.3	100.0	
Missing	System	161	57.7		
Total		279	100.0		

4d. Do you prefer to buy health supplements in supermarkets?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	108	38.7	91.5	91.5
	Yes	10	3.6	8.5	100.0
	Total	118	42.3	100.0	
Missing	System	161	57.7		
Total		279	100.0		

4e. Do you have a preferred place to buy health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	98	35.1	83.1	83.1
	No	20	7.2	16.9	100.0
	Total	118	42.3	100.0	
Missing	System	161	57.7		
Total		279	100.0		

5a. Is TV your main source of information about health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	178	63.8	64.5	64.5
	Yes	98	35.1	35.5	100.0
	Total	276	98.9	100.0	
Missing	System	3	1.1		
Total		279	100.0		

5b. Is magazines your main source of information about health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	166	59.5	60.1	60.1
	Yes	110	39.4	39.9	100.0
	Total	276	98.9	100.0	
Missing	System	3	1.1		
Total		279	100.0		

5c. Is family and friends your main source of information about health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	116	41.6	42.0	42.0
	Yes	160	57.3	58.0	100.0
	Total	276	98.9	100.0	
Missing	System	3	1.1		
Total		279	100.0		

5d. Is in store advertisement your main source of information about health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	239	85.7	86.6	86.6
	Yes	37	13.3	13.4	100.0
	Total	276	98.9	100.0	
Missing	System	3	1.1		
Total		279	100.0		

5e. Is the internet your main source of information about health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	224	80.3	81.2	81.2
	Yes	52	18.6	18.8	100.0
	Total	276	98.9	100.0	
Missing	System	3	1.1		
Total		279	100.0		

5f. Is healthcare professionals your main source of information about health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	207	74.2	75.0	75.0
	Yes	69	24.7	25.0	100.0
	Total	276	98.9	100.0	
Missing	System	3	1.1		
Total		279	100.0		

5g. Is billboards and outdoor advertisement your main source of information about health supplements?

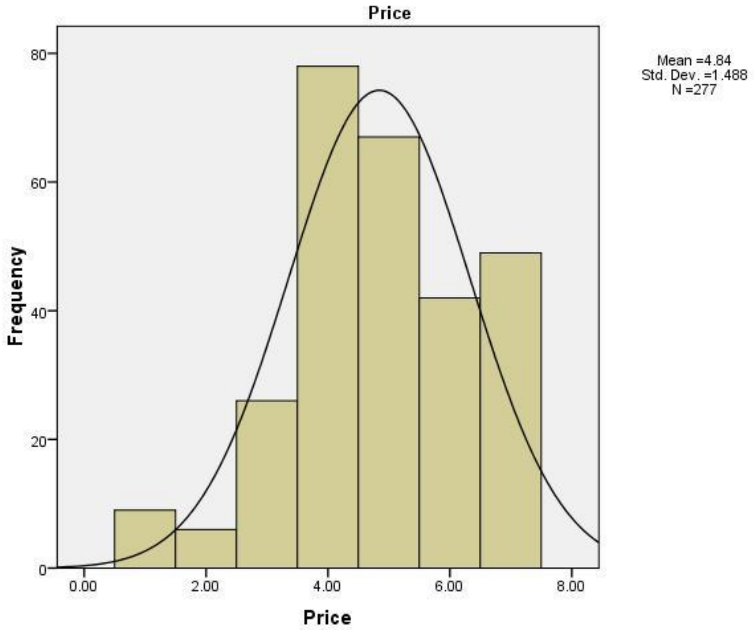
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	258	92.5	93.5	93.5
	Yes	18	6.5	6.5	100.0
	Total	276	98.9	100.0	
Missing	System	3	1.1		
Total		279	100.0		

5h. Do you have a main source of information about health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	260	93.2	94.2	94.2
	No	16	5.7	5.8	100.0
	Total	276	98.9	100.0	
Missing	System	3	1.1		
Total		279	100.0		

6a. How important is price when buying health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	9	3.2	3.2	3.2
	Unimportant	6	2.2	2.2	5.4
	Slightly unimportant	26	9.3	9.4	14.8
	Neither unimportant nor important	78	28.0	28.2	43.0
	Slightly important	67	24.0	24.2	67.1
	Important	42	15.1	15.2	82.3
	Very important	49	17.6	17.7	100.0
	Total	277	99.3	100.0	
Missing	System	2	.7		
Total		279	100.0		



One-Sample Statistics

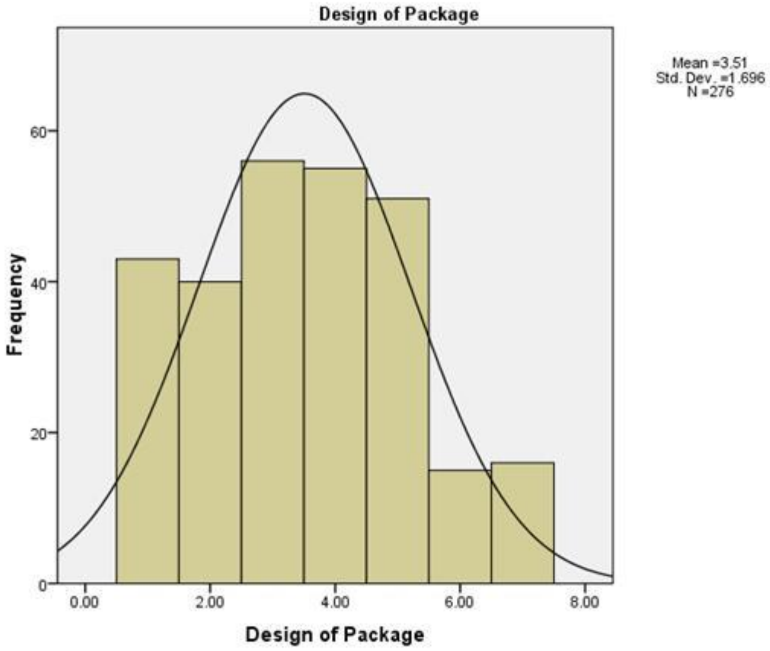
	N	Mean	Std. Deviation	Std. Error Mean
Price	277	4.8412	1.48789	.08940

One-Sample Test

	Test Value = 4					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Price	9.409	276	.000	.84116	.6652	1.0171

6b. How important is design of package when buying health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	43	15.4	15.6	15.6
	Unimportant	40	14.3	14.5	30.1
	Slightly unimportant	56	20.1	20.3	50.4
	Neither unimportant nor important	55	19.7	19.9	70.3
	Slightly important	51	18.3	18.5	88.8
	Important	15	5.4	5.4	94.2
	Very important	16	5.7	5.8	100.0
	Total	276	98.9	100.0	
Missing	System	3	1.1		
Total		279	100.0		



One-Sample Statistics

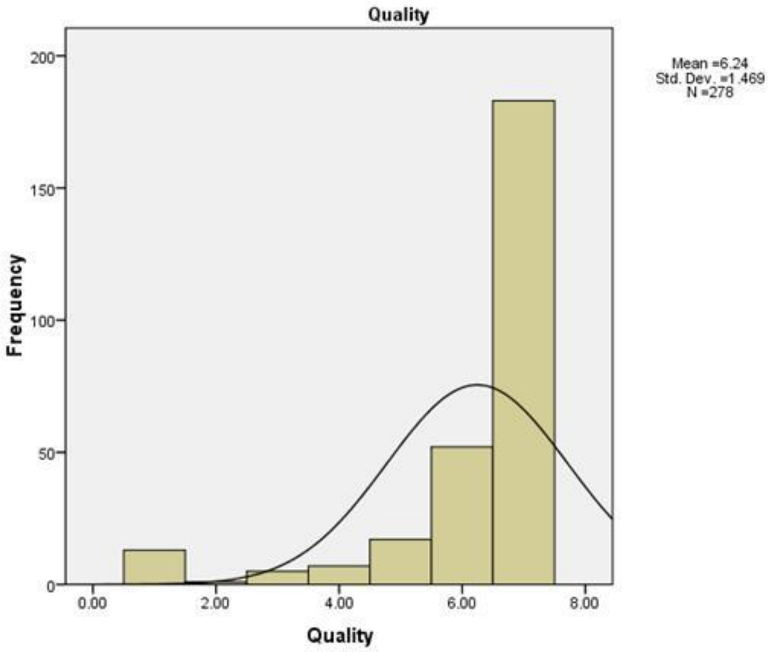
	N	Mean	Std. Deviation	Std. Error Mean
Design of Package	276	3.5072	1.69597	.10209

One-Sample Test

	Test Value = 3					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Design of Package	4.969	275	.000	.50725	.3063	.7082

6c. How important is quality when buying health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	13	4.7	4.7	4.7
	Unimportant	1	.4	.4	5.0
	Slightly unimportant	5	1.8	1.8	6.8
	Neither unimportant nor important	7	2.5	2.5	9.4
	Slightly important	17	6.1	6.1	15.5
	Important	52	18.6	18.7	34.2
	Very important	183	65.6	65.8	100.0
	Total	278	99.6	100.0	
Missing	System	1	.4		
Total		279	100.0		



One-Sample Statistics

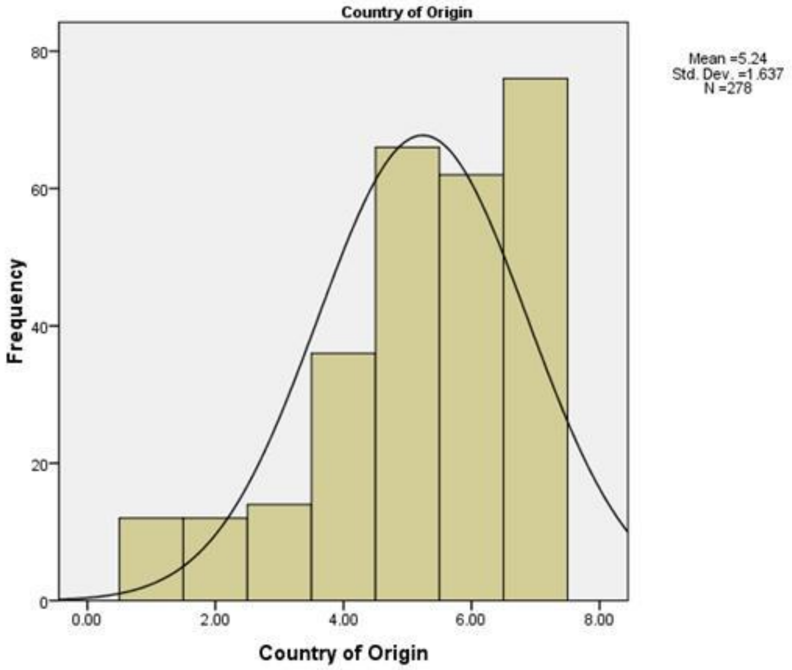
	N	Mean	Std. Deviation	Std. Error Mean
Quality	278	6.2446	1.46852	.08808

One-Sample Test

	Test Value = 5					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Quality	14.131	277	.000	1.24460	1.0712	1.4180

6d. How important is country of origin when buying health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	12	4.3	4.3	4.3
	Unimportant	12	4.3	4.3	8.6
	Slightly unimportant	14	5.0	5.0	13.7
	Neither unimportant nor important	36	12.9	12.9	26.6
	Slightly important	66	23.7	23.7	50.4
	Important	62	22.2	22.3	72.7
	Very important	76	27.2	27.3	100.0
	Total	278	99.6	100.0	
Missing	System	1	.4		
Total		279	100.0		



One-Sample Statistics

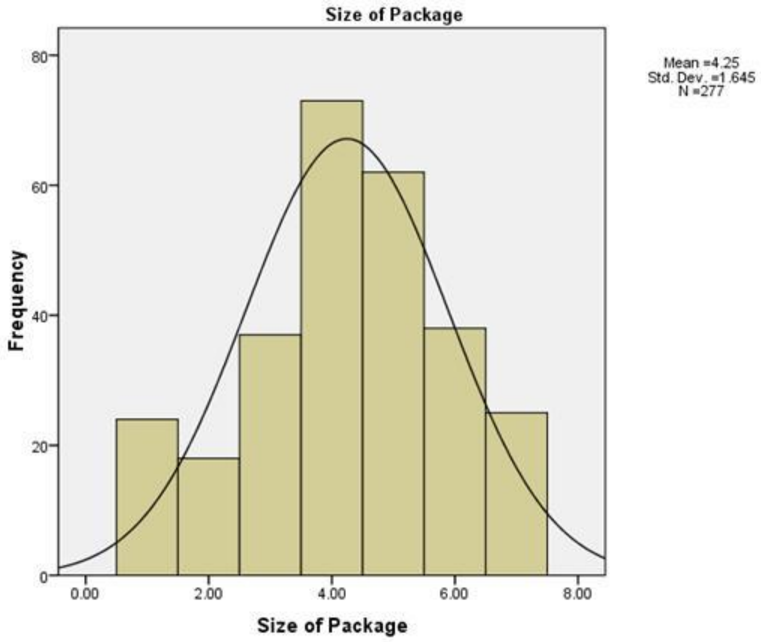
	N	Mean	Std. Deviation	Std. Error Mean
Country of Origin	278	5.2374	1.63704	.09818

One-Sample Test

	Test Value = 4					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Country of Origin	12.603	277	.000	1.23741	1.0441	1.4307

6e. How important is size of package when buying health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	24	8.6	8.7	8.7
	Unimportant	18	6.5	6.5	15.2
	Slightly unimportant	37	13.3	13.4	28.5
	Neither unimportant nor important	73	26.2	26.4	54.9
	Slightly important	62	22.2	22.4	77.3
	Important	38	13.6	13.7	91.0
	Very important	25	9.0	9.0	100.0
	Total	277	99.3	100.0	
Missing	System	2	.7		
Total		279	100.0		



One-Sample Statistics

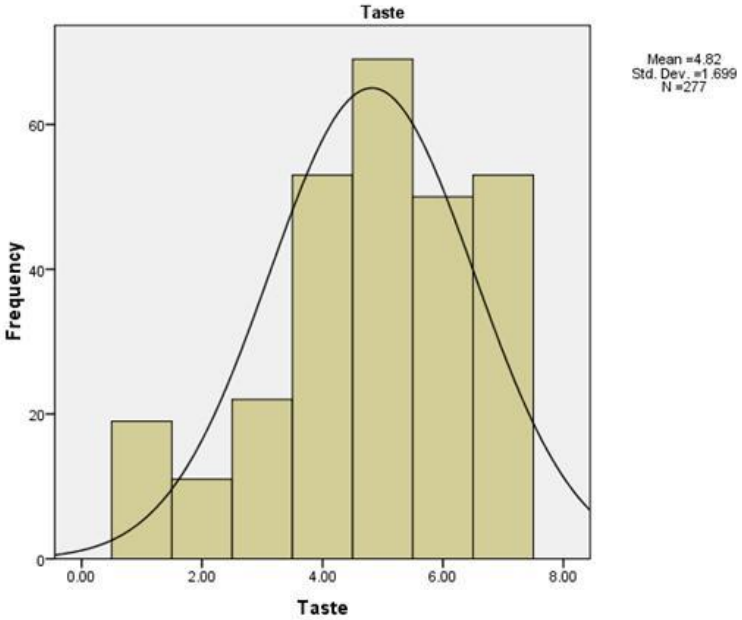
	N	Mean	Std. Deviation	Std. Error Mean
Size of package	277	4.2455	1.64549	.09887

One-Sample Test

	Test Value = 3					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Size of Package	12.597	276	.000	1.24549	1.0509	1.4401

6f. How important is taste when buying health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unimportant	19	6.8	6.9	6.9
	Unimportant	11	3.9	4.0	10.8
	Slightly unimportant	22	7.9	7.9	18.8
	Neither unimportant nor important	53	19.0	19.1	37.9
	Slightly important	69	24.7	24.9	62.8
	Important	50	17.9	18.1	80.9
	Very important	53	19.0	19.1	100.0
	Total	277	99.3	100.0	
Missing	System	2	.7		
Total		279	100.0		



One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Taste	277	4.8195	1.69929	.10210

One-Sample Test

	Test Value = 4					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Taste	8.026	276	.000	.81949	.6185	1.0205

7. How would you prefer your health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Liquid	29	10.4	10.4	10.4
	Capsule	210	75.3	75.5	86.0
	Other	1	.4	.4	86.3
	No preference	38	13.6	13.7	100.0
	Total	278	99.6	100.0	
Missing	System	1	.4		
Total		279	100.0		

8. How often do you use ginseng?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	233	83.5	83.5	83.5
	1-2	31	11.1	11.1	94.6
	3-4	10	3.6	3.6	98.2
	5-6	2	.7	.7	98.9
	7 or more	3	1.1	1.1	100.0
	Total	279	100.0	100.0	

11. How often do you use omega-3?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	232	83.2	83.2	83.2
	1-2	22	7.9	7.9	91.0
	3-4	14	5.0	5.0	96.1
	5-6	3	1.1	1.1	97.1
	7 or more	8	2.9	2.9	100.0
	Total	279	100.0	100.0	

14a. Would you prefer your health supplements to come from Japan?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	189	67.7	67.7	67.7
	Yes	90	32.3	32.3	100.0
	Total	279	100.0	100.0	

14b. Would you prefer your health supplements to come from China?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	262	93.9	93.9	93.9
	Yes	17	6.1	6.1	100.0
	Total	279	100.0	100.0	

14c. Would you prefer your health supplements to come from Australia?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	196	70.3	70.3	70.3
	Yes	83	29.7	29.7	100.0
	Total	279	100.0	100.0	

14d. Would you prefer your health supplements to come from Scandinavia?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	239	85.7	85.7	85.7
	Yes	40	14.3	14.3	100.0
	Total	279	100.0	100.0	

14e. Would you prefer your health supplements to come from Singapore?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	209	74.9	74.9	74.9
	Yes	70	25.1	25.1	100.0
	Total	279	100.0	100.0	

14f. Would you prefer your health supplements to come from Malaysia?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	272	97.5	97.5	97.5
	Yes	7	2.5	2.5	100.0
	Total	279	100.0	100.0	

14g. Would you prefer your health supplements to come from New Zealand?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	211	75.6	75.6	75.6
	Yes	68	24.4	24.4	100.0
	Total	279	100.0	100.0	

14h. Would you prefer your health supplements to come from Korea?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	243	87.1	87.1	87.1
	Yes	36	12.9	12.9	100.0
	Total	279	100.0	100.0	

14i. Would you prefer your health supplements to be from USA?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	170	60.9	60.9	60.9
	Yes	109	39.1	39.1	100.0
	Total	279	100.0	100.0	

14j. Would your prefer your health supplements to be from Europe?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	221	79.2	79.2	79.2
	Yes	58	20.8	20.8	100.0
	Total	279	100.0	100.0	

14k. Do you have a preference of country of origin for your health supplements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	202	72.4	72.4	72.4
	No	77	27.6	27.6	100.0
	Total	279	100.0	100.0	

15. You are:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Singaporean resident	209	74.9	74.9	74.9
	Non-Singaporean resident	70	25.1	25.1	100.0
	Total	279	100.0	100.0	

16. Gender:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	125	44.8	45.0	45.0
	Female	153	54.8	55.0	100.0
	Total	278	99.6	100.0	
Missing	System	1	.4		
Total		279	100.0		

17. Age:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29	159	57.0	57.2	57.2
	30-39	72	25.8	25.9	83.1
	40-49	32	11.5	11.5	94.6
	50-59	13	4.7	4.7	99.3
	60+	2	.7	.7	100.0
	Total	278	99.6	100.0	
Missing	System	1	.4		
Total		279	100.0		

18. Education:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary School	3	1.1	1.1	1.1
	Secondary School	70	25.1	25.1	26.2
	Junior College	52	18.6	18.6	44.8
	Vocational Education	28	10.0	10.0	54.8
	University (graduate)	98	35.1	35.1	90.0
	University (post-graduate)	28	10.0	10.0	100.0
	Total	279	100.0	100.0	

19. Occupation:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Management/Business/Finance	45	16.1	16.2	16.2
	Professional/Engineering	30	10.8	10.8	27.1
	Legislative	1	.4	.4	27.4
	Clerical	6	2.2	2.2	29.6
	Design/Entertainment/Sport	2	.7	.7	30.3
	Healthcare	10	3.6	3.6	33.9
	Sales	42	15.1	15.2	49.1
	Service	23	8.2	8.3	57.4
	Student	69	24.7	24.9	82.3
	Other	49	17.6	17.7	100.0
	Total	277	99.3	100.0	
Missing	System	2	.7		
Total		279	100.0		

Use health supplements * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Use health supplements	Yes	15	15	6	2	2	40
		No	56	20	7	2	0	85
	Total		71	35	13	4	2	125
Female	Use health supplements	Yes	38	20	13	5		76
		No	49	17	6	4		76
	Total		87	37	19	9		152

Vitamins * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Vitamins	No	58	25	8	2	1	94
		Yes	13	10	5	2	1	31
	Total		71	35	13	4	2	125
Female	Vitamins	No	61	22	13	8		104
		Yes	26	15	6	1		48
	Total		87	37	19	9		152

Omega-3 * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Omega-3	No	68	34	12	3	0	117
		Yes	3	1	1	1	2	8
	Total		71	35	13	4	2	125
Female	Omega-3	No	76	30	11	7		124
		Yes	11	7	8	2		28
	Total		87	37	19	9		152

Ginseng * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Ginseng	No	65	31	12	4	0	112
		Yes	6	4	1	0	2	13
	Total		71	35	13	4	2	125
Female	Ginseng	No	79	34	16	7		136
		Yes	8	3	3	2		16
	Total		87	37	19	9		152

Usage * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Usage	0	57	20	7	2	0	86
		1-2	4	5	2	0	1	12
		3-4	3	4	1	0	0	8
		5-6	5	3	1	1	0	10
		7 or more	2	3	2	1	1	9
	Total		71	35	13	4	2	125
Female	Usage	0	49	17	6	4		76
		1-2	13	4	7	1		25
		3-4	7	3	3	1		14
		5-6	9	2	0	1		12
		7 or more	9	11	3	2		25
	Total		87	37	19	9		152

Usage of Ginseng * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Usage of Ginseng	0	59	30	11	3	0	103
		1-2	9	2	2	0	0	13
		3-4	2	2	0	1	2	7
		5-6	1	0	0	0	0	1
		7 or more	0	1	0	0	0	1
	Total		71	35	13	4	2	125
Female	Usage of Ginseng	0	76	31	16	6		129
		1-2	7	4	3	3		17
		3-4	3	0	0	0		3
		5-6	0	1	0	0		1
		7 or more	1	1	0	0		2
	Total		87	37	19	9		152

Usage of Omega-3 * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Usage of Omega-3	0	66	32	12	2	0	112
		1-2	2	1	1	1	1	6
		3-4	1	2	0	0	0	3
		5-6	1	0	0	0	0	1
		7 or more	1	0	0	1	1	3
	Total		71	35	13	4	2	125
Female	Usage of Omega-3	0	72	28	11	7		118
		1-2	7	6	3	0		16
		3-4	5	2	4	0		11
		5-6	2	0	0	0		2
		7 or more	1	1	1	2		5
	Total		87	37	19	9		152

TV * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	TV	No	43	21	7	3	1	75
		Yes	26	14	5	1	1	47
	Total		69	35	12	4	2	122
Female	TV	No	48	29	18	7		102
		Yes	39	8	1	2		50
	Total		87	37	19	9		152

Magazines * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Magazines	No	38	24	8	3	2	75
		Yes	31	11	4	1	0	47
	Total		69	35	12	4	2	122
Female	Magazines	No	51	23	10	6		90
		Yes	36	14	9	3		62
	Total		87	37	19	9		152

Family and Friends * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Family and Friends	No	30	18	3	4	2	57
		Yes	39	17	9	0	0	65
	Total		69	35	12	4	2	122
Female	Family and Friends	No	26	17	11	4		58
		Yes	61	20	8	5		94
	Total		87	37	19	9		152

In stores * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	In stores	No	60	31	12	4	2	109
		Yes	9	4	0	0	0	13
	Total		69	35	12	4	2	122
Female	In stores	No	73	32	15	8		128
		Yes	14	5	4	1		24
	Total		87	37	19	9		152

Internet * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Internet	No	49	27	12	4	2	94
		Yes	20	8	0	0	0	28
	Total		69	35	12	4	2	122
Female	Internet	No	72	33	15	9		129
		Yes	15	4	4	0		23
	Total		87	37	19	9		152

Healtcare professionals * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Healtcare professionals	No	54	31	9	2	2	98
		Yes	15	4	3	2	0	24
	Total		69	35	12	4	2	122
Female	Healtcare professionals	No	60	26	15	7		108
		Yes	27	11	4	2		44
	Total		87	37	19	9		152

Scandinavia * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Scandinavia	No	58	32	12	2	2	106
		Yes	13	3	1	2	0	19
	Total		71	35	13	4	2	125
Female	Scandinavia	No	70	34	18	9		131
		Yes	17	3	1	0		21
	Total		87	37	19	9		152

Europe * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Europe	No	57	29	10	3	2	101
		Yes	14	6	3	1	0	24
	Total		71	35	13	4	2	125
Female	Europe	No	57	34	19	8		118
		Yes	30	3	0	1		34
	Total		87	37	19	9		152

Usa * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Usa	No	47	22	9	3	1	82
		Yes	24	13	4	1	1	43
	Total		71	35	13	4	2	125
Female	Usa	No	51	24	8	5		88
		Yes	36	13	11	4		64
	Total		87	37	19	9		152

Japan * Age * Gender Crosstabulation

Count

Gender			Age 20-29	30-39	40-49	50-59	60+	Total
Male	Japan	No	47	21	9	4	2	83
		Yes	24	14	4	0	0	42
	Total		71	35	13	4	2	125
Female	Japan	No	54	27	14	9		104
		Yes	33	10	5	0		48
	Total		87	37	19	9		152

Appendix 5b: Brand Loyalty

GINSENG

9. Which brand do you most often buy?	Number of respondents
Ginseng	1
TCM	3
Hock Hua	1
GNC	6
Herbal	1
Korean Ginseng	2
Ginseng CNI	1
Medical Hall	2
Others	3

10. What other brands have you also bought before?	Number of respondents
Pharmaton	5
Kordel's	11
Avalon	5
Green Life	7
Beta-Ginseng	1
GNC	36
OTHER	
Vita Health	1
TCM	1
Korean Ginseng	2
Ginseng CNI	1
Medical Hall	1
Hock Hua	2
Stress Tab	1
Herbs	3
Other	3

OMEGA-3

12. Which brand do you most often buy?	Number of respondents
Vita Health	1
Kordel's	2
Seven Seas	2
Ocean Health	1
GNC	8
Nutrilite	3
Alaska	1
Green Life	1
Amway	2
BRANS'S	2
Pharmanex	2
Other	3

13. What other brands have you also bought before?	Number of respondents
Shaklee	11
Ocean Health	14
Green Life	9
Natures Way	14
Nature's Essence	14
BRAND'S	35
Nutrilite	12
GNC	32
OTHER	
Vita Health	1
Seven Seas	1
Amway	2
Pharmanex	2
Usana	1
Watsons	1
Forever Living	1
Other	4

Appendix 6a: Quality Policy

Quality is respecting and understanding customer and consumer needs and requirements – and meeting them.

Quality is product safety and legal compliance without compromise.

Quality is trust.

Quality is team work and the responsibility of every Axellus employee

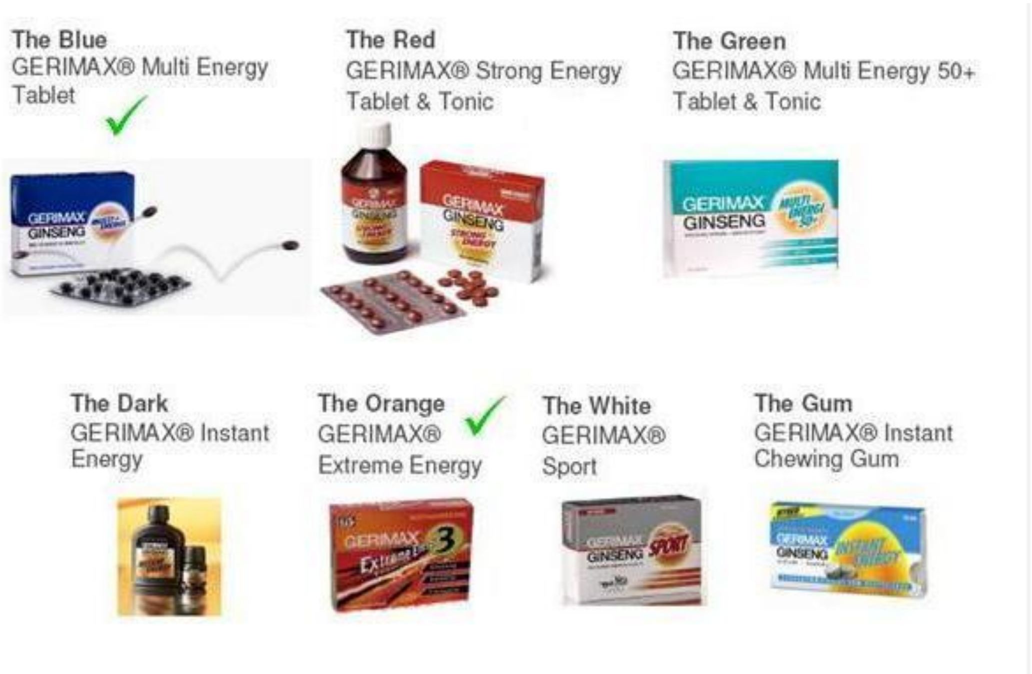
Quality is taking action when things do not live up to our standards.

Quality is continuous improvement and innovation.

Appendix 6b: Products

Möllers Omega-3

Gerimax Ginseng



Appendix 6c: Möllers Chewable Capsules