# *Market experiences when exporting organic food*

## *- A case study based on three Swedish companies*

*Ragnar Zorn*

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# *Market experiences when exporting organic food*

*- A case study based on three Swedish companies*

*Marknadserfarenheter vid export av ekologiska livsmedel*

*- En fallstudie baserad på tre svenska företag*

*Author*
*Ragnar Zorn*

*Supervisor: Cecilia Mark-Herbert*

Sveriges lantbruksuniversitet
Institutionen för ekonomi
Box 7013
750 07  UPPSALA

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Uppsala, September 2006

Ragnar Zorn

# Abstract

Over the last decade the Swedish organic food production has developed fast and several companies are interested in starting to export. Reasons for doing so can be derived from a number of factors such as an unsatisfactory domestic organic market situation and unique market potentials existing abroad. As companies embark on the export market they are encountering several obstacles that need to be dealt with. This thesis deals with three export related areas covering, 1) the reasons why the companies have chosen to export abroad in terms of internal and internal triggers, 2) the competition on the export market, and 3) the adaptation of the marketing plan to the export market.

The first area treats the internal and external triggers to why the companies started their export. The second area of investigation treats the competition on the export market with regard to the five forces driving industry competition as defined by Porter (1980). Finally treated is the area of how the companies have adapted their marketing plans on the export market with regard to the classical four P's, product, price, promotion and position. Through the investigation of these three areas this thesis attempts to increase the knowledge within the field of organic product export and hopefully to facilitate for companies attempting to export abroad.

Three Swedish medium to large-sized food companies were investigated in this study, Björnekulla, Santa Maria and Wasabröd. They were investigated through a qualitative case study that focused on their export erfarenheter. Interviews with qualified respondents on each respective company were conducted as well as a thorough research of documentation sources in form of books, scientifical journals, internet and newspapers.

The outcome of the study can be summarized as follows:
1. The internal and external triggers that influenced the decision to export vary between the companies but both factors played a role when the decision was taken to export. Internal triggers were found to be playing the major motivating role when exporting, for the reasons of economies of scale, risk diversification and having a unique product. Of the external triggers "unsolicited orders" was found to influence the export decision among companies.
2. The perceptions of competition on the export market differ between the companies. In general, the level of competition is dependent on the country of activity. Competitive disadvantages exist in form of language and cultural barriers. When considering potential competitors the companies expressed different opinions, due to the companies being active with different products and thus perceiving different forms of potential competition.
3. The usage of the companies' marketing plans, when adapting them to the international market, differs much between the companies. The general conclusions are that;
- the product in itself has been very little adapted to the foreign market;
- the companies are making a satisfactory profit;
- the promotion is advanced or almost non-existent and is not particularly adapted to focus on organic marketing characteristics; and
- the export mostly goes to European countries and directly to retail chains.



Key terms: Organic export, Organic marketing, Organic market, Competition, Internationalization process.

# Sammanfattning

Den svenska ekologiska livsmedelsproduktionen har utvecklats fort det senaste decenniet och många livsmedelsföretag är intresserade av att börja exportera. Orsakerna till detta är bl.a. en otillfredsställande inhemsk ekologisk marknadssituation och unika marknadspotentialer utomlands. Då företag ger sig ut på den internationella marknaden möts de av flera hinder som de behöver hantera. Denna uppsats behandlar tre exportrelaterade områden, 1) orsakerna till varför företagen valt att exportera i form av interna och externa utlösare, 2) konkurrensen på exportmarknaden och 3) anpassning av marknadsföringsplanen till den utländska marknaden.

Det första området behandlar de interna och externa faktorerna till varför företagen började med sin export. Det andra undersökningsområdet behandlar konkurrensen på exportmarknaden med hänsyn till de fem konkurrens drivkrafterna som definierades av Porter (1980). Slutligen behandlas hur företagen har anpassat sina marknadsföringsplaner på exportmarknaden med hänsyn till de fyra klassiska P:na, produkt, pris, påverkan och plats. Genom att undersöka dessa tre områden syftar denna uppsats till att utöka kunskapen inom ekologisk produkt export och att förhoppningsvis underlätta för företag som ämnar exportera utomlands.

Tre Svenska medel till stora livsmedelsföretag undersöktes i denna studie, Björnekulla, Santa Maria och Wasabröd. Dem undersöktes genom en kvalitativ fallstudie som fokuserade på deras export erfarenheter. Intervjuer med behöriga personer på varje företag och en grundlig undersökning av skriftlig dokumentation i form av böcker, vetenskapliga journaler, internet och tidningar genomfördes.

Resultaten till de ställda frågorna kan summeras i följande slutsatser:
1. De interna och externa faktorerna som påverkade beslutet att exportera varierar mellan företagen men båda faktorerna spelade en roll när beslutet togs att exportera. De interna faktorerna spelade en stor motiverande roll vid export, av orsakerna ekonomiska stordriftsfördelar, riskdiversifiering och att dem hade en unik produkt. Av de externa faktorerna spelade en spontan order en viktig roll i export besluten hos företagen.
2. Uppfattningen av konkurrens på exportmarknaden skiljer sig åt mellan företagen. Generellt så är nivån på konkurrensen beroende av landet som aktiviteten sker i. Konkurrensnackdelarna existerade främst i form av språkliga och kulturella barriärer. När det gäller potentiella konkurrenter så uttryckte företagen olika åsikter, då företagen är aktiva med olika produkter och därigenom uppfattar olika typer av potentiella konkurrenter
3. Användandet av företagens marknadsplan med anpassning till den internationella marknaden skiljer sig mycket mellan företagen. De generella slutsatserna är dock att;
- produkten i sig självt var väldigt lite anpassad till den utländska marknaden;
- företagen har en tillfredställande vinst;
- marknadsföringen är avancerad eller nästan icke existerande och är inte speciellt anpassad till att fokusera på ekologisk marknadsföringskarakteristik; och
- exporten sker främst till Europeiska länder och direkt till detaljhandeln.

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Nyckelord: Ekologisk export, Ekologisk marknadsföring, Ekologisk marknad, Konkurrens, Internationaliseringsprocess

# Abbreviations

| | |
|---|---|
| BSE | Bovine spongiform encephalopathy, Mad Cow Disease |
| EU | European Union |
| GMO | Genetically modified organism |
| KRAV | Certification agency for organic cultivation and production in Sweden |
| NOP | National Organic Program |
| R & D | Research and Development |
| SIDA | Swedish Development Agency |
| USA | United States of America |
| USDA | United States Department of Agriculture |

All currency rates have been converted into ECU (www, Yahoo 1, 2006)

1 ECU: 9,20 Svkr
1 ECU: 1,28 US$

# Table of Contents

# 1 Introduction

*In the first chapter of this thesis, a background, problem discussion, aim, delimitation and outline is provided. First, a background will be provided, summarizing broad aspects of information related to the organic market development. In the problem discussion, more specific areas that are of interest for this study will be investigated. The aim will account for the specific purpose of this study along with three defined research questions. In the delimitation the demarcations of this study will be given. Finally, an outline will be displayed providing an overview of this thesis.*

## 1.1 Background

The organic food market is growing fast and consumers' awareness of environmentally related issues is increasing (www, SLV 1, 2006). Many of the established food store chains have also started to incorporate organic products into their conventional assortment and some even carry their own unique organic brands. Organic food is however considered as a relatively new product segment and can be said to have officially been introduced about 20 years ago (www, N24 1, Bard-Bringéus, 2006). This is reflected in the increasing market share of organic food in the world, which is estimated to have reached about 1-2% on a global level (www, Wikipedia 1, 2006).

In Sweden, the state has come to play an important role in supporting the organic development (www, Regeringen 1, 2006). It currently supports the organic production with approximately 76 million ECU annually. This enrolment has been assured through specific subsidies schemes targeted towards marketing projects, R&D and the consumer agency to actively stimulate the organic development. The overall support for the organic development is however not only restricted to Sweden but has come to incorporate distant countries such as Uganda and Tanzania (www, Grolink 1, 2006). In these countries organic farmers have been supported through development projects financed by the Swedish Development Agency "SIDA".

The agricultural sector in Sweden, as in many other countries, has since its modernization been going through dramatic changes (Flygare & Isacson, 2003). Over two thirds of the farms have been closed down and the number of employees within the agriculture has decreased from 25% to only 2%. The yields of the harvest and animal production have increased significantly and the automatization and new technology has facilitated the work significantly.

In Sweden the food industry as in many other countries plays an important role in contributing to its export progress and in 2004 it accounted for 7.6% or 7300 ECU of the export value (www, WTO 1, 2006). According to recent published export statistics, the food export from Sweden increased by 13% during 2005 while the average increase in the export was 7% (www, N24 2, Myrsten, 2006). The productivity within the Swedish food industry is also rising fast compared to other countries and had from 1990-2003 an average annual increase of 3.1% (Bengtsson et al., 2006, p.25). This indicates that the Swedish food industry is very active and competitive and as a result it should have advantages when expanding into foreign organic markets.

For organic food producers it is important to reach the international organic market, which in 2003 was estimated to have a market value of approximately 20 billion ECU (www, USDA 1, 2006). On this market the EU and the US completely dominate with a combined market share of 95%. These two dominant organic markets are almost equal in size, the EU market with a 10 billion ECU turnover versus the US market with an 8 billion ECU turnover. The capita per retail sale is slightly higher in the US with 28 ECU compared to 26,5 ECU in the EU. Even though there are big variations between the different organic food markets in the EU, several EU markets are beginning to mature while the US market is expected to continue to show high growth rates with 9-16% per year until 2010.

Organic food processing is governed by several regulations and restrictions (www, Konsumentverket 1, 2006). It is especially affected by certain production requirements as the degree of refinement level and what additives that are allowed into the food. Organic agricultural methods are also governed by strict procedure requirements so that no chemical pesticides, artificial fertilizers or GMO are allowed when cultivating organic crops.

Several studies such as El-Hage Scialabba & Hattam (2002) and Benton et al., (2003) have also concluded that organic farming plays an important role in improving the biodiversity of the agricultural landscape. Some of the beneficial aspects found when comparing organic with the conventional agriculture were that organic soils were found to have 30-40% higher levels of biomass, nitrate leaching was 40-64% less and the energy use was 30-50% more efficient (El-Hage Scialabba & Hattam, 2002, pp.20, 23 & 25). The study of Benton et al., (2003) also concluded that organic farms had higher levels of biodiversity. In a study made by the organization Soil Association from 1983-2000, found that the organic soils contained five times more biomass and that the land had 57% more species (www, Soil Association 1, 2006).

## 1.2 Problem Discussion

The market growth for certain organic food products in Sweden has been problematic and country markets as Germany, Great Britain and USA are attracting attention (Meyer von Bremen, 2005). As a result of this, several Swedish organic food producers are making attempts to export their products. According to Holmvall (1995) there are several reasons why companies should consider exporting. Some of the main reasons are that the companies wish to expand and increase their profitability. Other issues are involved with meeting potential competitors and to improve competitive advantages.

As exporters of organic food embark on the international market there are several important issues being raised. Being aware of the unique differences on country markets, consumer profiles, trends & distribution channels are some of these issues (Ferguson, 2004). There are also requisites to find out about complete price ranges, potential competitors and exporters of organic products.

According to Adolfsson el al., (1996) consumers are becoming more interested in new types of food products, especially those considered belonging to the health segment, such as organic food. The interest is however not necessarily restricted to health food in a traditional context, but also indicates that products such as fat reduced gourmet food are becoming more popular. An increased internationalization is also creating a demand for exotic food from various cultures.

In order to achieve a good position on the targeted export market, it is important that the sales agents are properly trained and supervised (Abbot, 1993). Product features also needs to have attractiveness in size and packaging material to satisfy customer needs. Many managers focus on the technological production processes when other factors such as making predictions on supply of resources and demands of the products as well as organizing the total marketing operations are neglected. As the agricultural business involves many different interests from farmers, processors, traders and transportation, coordinating them can be a major problem that needs to be resolved.

According to Aaby & Slater, (1989) problems related to success on the export market are directly linked to management factors. Some of these factors are: commitment of management to export (Cavusgil & Kirpalani, 1993), implementing an outlook that is international by the management (Czinkota & Johnston, 1983), and communication skills on the natal language with the export country (Hooley & Newcomb, 1983). The management is therefore responsible for the success of the export through its attitudes, awareness and insights (Aaby & Slater, 1989).

Sales channels for organic food can also be very different between various organic country markets (Dimitri & Oberholtzer, 2005). In the US, sales of organic food in 2003 were almost evenly split between health stores and conventional stores. The trend in the US is however that the conventional stores are increasing their market share of the organic sales significantly as a result of organic food becoming more main stream and moving into established distribution systems. In Europe with highly individualised countries the sales of organic food products can vary widely from country to country. Conventional stores dominate in Great Britain and the Scandinavian countries. In continental European countries such as Germany, the Netherlands, France and Italy the purchasing patterns are similar as those of the US with sales of organic food evenly divided between conventional stores and other types of stores like health stores. It is only in smaller organic markets such as Greece and Luxembourg that conventional stores have a low market share and where the organic food is being sold via other distribution networks as health stores.

An important factor to consider when choosing channel distributors of organic food is that many conventional stores might not be interested in promoting organic food products (Ekelund & Tjärnemo, 2004). This as they perceive it to be of marginal interest from both a consumer and store perspective Thus it may be difficult to reach large consumer groups when food retailers show a low degree of interest in promoting organic products.

This study is related to the problem that the organic market for certain organic products in Sweden is stagnating and that there is a current interest in finding out more about the experiences that Swedish organic food producers are encountering when exporting. The Swedish organic control organisation KRAV, has also supported the initiation of this study as they are interested in acquiring more export information regarding organic producers.

## 1.3 Aim

The purpose of this thesis is to highlight an area that is relatively unexplored, which is the export experiences for companies producing processed organic food products. The main overall object is to describe the market experiences for Swedish organic food companies on the organic export market. What are the lessons learned and what recommendations can be concluded? In order to provide information to organic food producers wishing to enter the international organic export market.

The specific questions that this study addresses are:

*What internal and external triggers have influenced the companies to export?*

*How do the exporting companies perceive the existing and potential competition on the export market?*

*To what extent have the companies adapted their marketing plan to fit the demands of the export market?*

## 1.4 Delimitations

This study will only cover medium to big sized companies within the Swedish organic food industry who are producing organic processed foods and are exporting from Sweden to other countries. As a thorough market investigation on the export performance of Swedish organic food producers is difficult to cover because of the lack of available data, this study has focused on the three investigated case companies and the results can only be drawn from their experiences.

Further, this study will only focus on the questions raised by the companies` export experiences and it does not look into domestic factors. The case companies were chosen from various registers containing specifications on companies producing processed organic food, specifically from the registers of KRAV. Aspects of the export investigated in this study have, as previously mentioned, been delimited to the organic export market and addresses issues such as the perceived competition on the export market, adaptations of the marketing plan with regard to the export market and what internal and external triggers that have influenced the export taking place.

## 1.5 Disposition of the thesis

The disposition of this thesis is structured in eight chapters. Each chapter works as a natural extender of each other and should be read as a continuous process to better help the reader in understanding the working process of the thesis. Chapter one provides with formulating a background, problem discussion, aim and delimitation. It has resulted in three specific research questions being formulated that this study attempts to answer. In chapter two the scientific approach for this study is accounted for. This is followed by the theoretical approach in chapter three that is related to the research questions and that will serve as a tool for the later coming gathering of empirical data and the analyze. The literature review in chapter four is aimed at providing some general background information on the organic market and that is of relevance for the analyzing and conclusions. Chapter five contains the collected empirical data from the case study interviews which will be analyzed in chapter six. In chapter seven the conclusions and implications of this study are presented. Finally in chapter eight an Epilogue will be presented with areas that are of interest for further studies.

Figure 1 (author illustration) intends to give the reader the structure of this thesis.

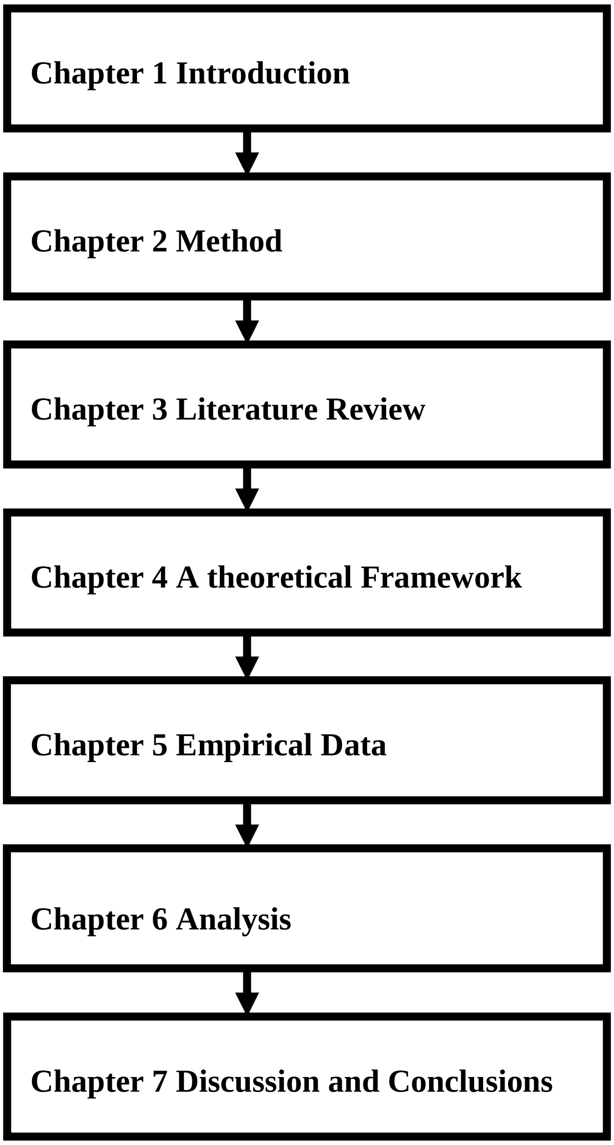


*Figure 1. Disposition of the thesis, (author illustration).*

# 2 Method

*In this chapter the scientific approach for investigating this study will be accounted for. The methodological approach for this essay has been to account for the scientifical modes that are available and then to explain why certain scientifical decisions were made in the method used for this thesis. An overview of the research purpose, approach and strategy are first given and thereafter the method of data collection, sample selection and the data analysis are provided. Finally the scientifical quality variables of validity and reliability are given to indicate the scientifical value of this study. The main chosen methodological approach for this study is a qualitative case based study.*

## 2.1 Research purpose

There are three different research purposes that are commonly used in scientific research. These research purposes are: exploratory, descriptive and explanatory (Eriksson & Wiedersheim-Paul, 1998). These three different purposes can also be used together when there is a larger problem area that needs to be investigated thoroughly.

An exploratory research purpose is often the best scientific approach when examining an area where little research has previously been made (Yin, 2003). The main purpose becomes to gather extensive information regarding the specific problem area (Davidson and Patel, 2003). The researcher thus provides the studied area with a comprehensive outlook. As a result of this, attributes as creativity and wealth of ideas becomes important to succeed with the study.

A descriptive research purpose is used when there is a subject that needs to be dealt with correctly and the problem is well structured (Saunders et al., 2000). It is often the best approach to examine a research topic where there already exists a certain amount of knowledge and when the descriptions of the investigated aspects are detailed and thorough (Davidsson & Patel, 2003). Further it is for example used in case studies to describe what happens when a new product is being introduced in the market (Gummesson, 2000).

An explanatory research purpose focuses on existing theories and knowledge to be able to answer the research question (Davidson & Patel, 2003). The research is focused on why a situation or behavior occurs and which underlying causes that has produced a certain outcome. It is therefore used on already assumed existing interactions of different variables (Eriksson & Wiedersheim-Paul, 1998). The aim thus becomes to approve or disapprove if a certain relationship exists between the interacting variables.

For this study a descriptive research purpose was chosen since information is available on this topic and it was of particular interest to find out how the case companies had launched their organic products on the export market.

## 2.2 Research approach

The two main research approaches are the Qualitative and the Quantitative study (Holme & Solvang, 1991). According to Gomm et al., (2000) a qualitative study can identify why a certain event takes place but it is not able to make generalizations. The quantitative study on the other hand is able to make generalizations on the investigated area but is limited in drawing conclusions on why it has happened.

A qualitative research is used when the aim is to gain a deeper understanding from a small number of researched objects (Holme & Solvang, 1991). This can be desirable when the problem is difficult to quantify and the importance lay in understanding the process rather than to describe a result in numbers (Merriam, 1994). A central theme for the qualitative study is also that the collected information is based on the researchers own observations and interpretations of the researched object (Holme & Solvang, 1991). When the scientific approach is to make an investigation through case studies a qualitative research method is often preferred as it provides with thorough information on the subject (Yin, 2003).

A quantitative research is preferred when the purpose is to collect formal and well structured information to test hypotheses (Holme & Solvang, 1991). The distance between the researcher and the object of research also characterizes this method. The interview questions that are to be asked have also already been decided in advance and thus the respondent can do little to influence them. According to Tull & Hawkins (1990) the quantitative approach seeks to find relationships and patterns that can be translated into numbers more than to words.

The chosen research approach for this study was a qualitative study as the object was to investigate a few subjects of interest thoroughly. Further factors influencing this decision are that this type of approach emphasizes the understanding of the process and on the researchers own ability to draw conclusions from the observed and interpreted research object.

## 2.3 Research strategy

The five main research strategies are: experiments, surveys, archival analysis, histories and case studies (Yin, 1994). The research strategy can also be described as a general plan where the researcher attempts to answer the research question (Saunders et al., 2000). According to Yin (1994) there are three different conditions that determine which strategy that is appropriate to use for the research question. These are presented below in Table 1 according to Yin (1994).

*Table 1. Relevant situations for different research strategies (Yin, 1994, p. 6)*

| **Research Strategy** | **Form of research question** | **Requires control over behavioral events** | **Focuses on contemporary events** |
|---|---|---|---|
| **Experiment** | How, why | YES | YES |
| **Survey** | Who, what, where, how, how much/many | NO | YES |
| **Archival analysis** | Who, what, where, how, how much/many | NO | YES/NO |
| **History** | How, why | NO | NO |
| **Case study** | How, why | NO | YES |

The case study focuses on a few study objects that are being thoroughly investigated (Arbnor & Bjerke, 1994). The purpose of the case study is to further analyze a specific case and try to answer the questions of “how” and “why”. According to Bryman (1989) it is advisable to use several different objects of investigation in order to make comparisons between the companies and to discover similarities as well as differences. The differences between the study objects makes it easier to draw conclusions which otherwise would have been impossible to make. When performing a case study there are several challenges that need to be dealt with as skilled interviewers, its time consuming, an understanding and an ability to make general conclusions from the chosen cases is needed (Frohlich et al., 2002). However some of the advantages are that it is relatively free from constraints, which can lead to new theory development, creative insights and a high usefulness for the practitioners.

The research questions that this thesis attempts to answer are formulated as “how” and “why” questions. It also has no control over the behavioral events and focuses on contemporary events. Thus the only relevant research strategy for this study is the case study.

## 2.4 Data collection

According to Yin (1994), there are six sources of evidences to rely on when collecting data as presented in Table 2. These are: documentation, archival records, interviews, direct observations, participant observations and physical artifacts.

*Table 2. Sources of evidence (Yin, 1994, p. 80)*

| **Source of Evidence** | **Strengths** | **Weaknesses** |
|---|---|---|
| **Documentation** | Stable - can be reviewed repeatedly.<br>Unobtrusive - not created as a result of the case study.<br>Exact - contains exact names, references, and details of an event.<br>Broad coverage - long span of time, many events and many settings. | Retrievability – can be low.<br>Biased selectivity – if collection is incomplete.<br>Reporting bias – reflects bias from author.<br>Access – may be deliberately blocked. |
| **Archival Records** | (Same as above for documentation)<br><br>Precise and quantitative. | (Same as above for documentation)<br>Accessibility due to privacy reasons. |
| **Interviews** | Targeted – focuses directly on case study topic.<br><br>Insightful – provides perceived casual inferences. | Bias due to poorly constructed questions.<br>Response biases.<br><br>Inaccuracies due to poor recall.<br><br>Reflexivity – interviewee gives what interviewer wants to hear. |
| **Direct Observations** | Reality – covers events in real time.<br><br>Contextual – covers context of event. | Time consuming.<br>Selectivity – unless broad coverage.<br>Reflexivity – even may proceed differently because it is being observed.<br>Cost – hours needed by human observers. |
| **Participant Observation** | (Same as above for direct observations)<br>Insightful into interpersonal behaviour and motives. | (Same as above for direct observations)<br>Bias due to investigators manipulation of events. |
| **Physical Artifacts** | Insightful into cultural features.<br>Insightful into technical operations. | Selectivity.<br>Availability. |

The first source of evidence that has been eliminated in this study is archival records as it is considered as mainly being intended for longitudinal qualitative studies. Further, direct observations and participant observations were excluded, as they are time consuming and often provide narrow scope of findings. Physical artifacts were also excluded, as it is mainly intended when researching cultural and technical phenomena. Documentation and interviewees were considered as containing relevant sources of evidence for this study and is explained further below.

The qualitative research interview aims to gather information on the respondents' situation to be able to interpret and understand the importance of the investigated phenomena (Kvale, 1997). Advantages in performing an interview in this manner are that it resembles an ordinary situation and conversation (Holme & Solvang, 1991). A deeper understanding of the problem that is being investigated is also acquired (Andersen, 1998). The researcher is finally also advised to follow up the parts of the respondents' answers that can shed light on the studied theme (Widerberg, 2002).

There exists three possible ways of making an interview and the choice is based on the purpose of the research (May, 2001). A structurized interview is based on a standardized questionnaire and can be resembled to an inquiry investigation. Here little space is given to divergences and opinions, which enable comparisons and generalizations. An unstructured interview is the opposite and here an open dialog takes place. Between these two interviews lays the semi-structured interview where there exists a guideline for questions but also to give room for open conversations. This type of interview is usually the easiest to arrange and is therefore the most common one used (Denscombe, 2000).

The sources that contain relevant information for this study are interviews and documentations. When performing an interview the qualitative research interview and the semi structured interview was chosen as it was considered to best meet the purpose of the study. The documentation sources used were relevant literature in form of books, scientifical journals, internet and newspapers.

## 2.5 Case study selection

As it is impossible for a researcher to gather information about everything regarding a topic it becomes crucial to choose a relevant sample that can obtain the necessary information needed for the researched topic (Miles & Huberman, 1994).

For the sample to take part in this study it had to fulfil four criterias:
1. It had to be a company with most of its production taking place in Sweden.
2. It had to produce organic food products.
3. The company had to export their organic food products.
4. It had to be a medium to large sized company.

A problem that occurred when attempting to locate a suiting sample selection is that there exists little information on what companies that exports organic food products from Sweden. As a result of this many different companies within the organic food business were contacted, particularly those that were enlisted on the website of KRAV. This in order to find out if they fulfilled the four criterias mentioned above and would be willing to participate in the study.

The first company that fulfilled the criterias was Björnekulla AB, which is a company that mostly produces processed berries and vegetables for the consumer market (www, Björnekulla 1, 2006). It started with organic production about 20 years ago but the export is a relatively new episode in the company's history and that was started in 2004 (Pers. com., Johannesson 1, 2006). Contact was first established via email and later a telephone interview was conducted.

The second company to fulfil the criterias was Santa Maria that produces spice products. It started to export organic products in 1998 (Pers. com., Mattsson, 2006). Contact was established via telephone and later answers to the interview questions were received in writing.

The third company in this study to fulfil the criterias was Wasabröd that produces crispbread. They have been active with organic export for a couple of years (Pers. com., Mattsson, 2006). Contact was first established via email and later a telephone interview was conducted.

## 2.6 Data analysis

There are two ways for analyzing the data of a case study (Miles & Huberman, 1994). These are:
1. *Cross case analysis*: The collected data of the case studies are compared and contrasted with each other.
2. *Within case analysis*: The collected data in the case study is compared to theory in order to find similarities and differences.

In this study both the cross case analysis and the within case analysis were used as it was needed for the understanding of the problem to both compare the case studies and relate them to the theories.

There are also three analytical strategies that can be used when conducting a case study (Yin, 2003).

1. Theoretical proposition: The study is based on previous studies of the subject, which is later being compared to the new collected data.
2. Case description: This strategy is used when there exists little previous theories that are relevant for the current study. The researcher thus develops a description to explain the chosen framework.
3. Rival explanations: Is the appropriate strategy to use when a case study evaluation is being performed and the researcher tries to define rival explanations on why a situation has occurred.

The theoretical proposition was chosen partly because it is considered as the preferred one and that the new insights were reflected with consideration to previous literature and theories.

According to Miles & Huberman (1994) the data analysis consists of three steps.

1. Data reduction, the data is selected, simplified, focused, abstracted and transformed. The main purpose is to organize and reduce the data.
2. Data display, the data is being organized and compressed in order to simplify the process of drawing conclusions.
3. Data analysis, is characterized as data conclusions and signifies the evaluation of what the collected data actually signifies.

To establish a satisfactory data analysis, the acquired data was first organized and reduced. Later it was simplified and compressed in order to fulfil the final step of evaluating the data. The tables of 5-8 contain some of these compressed and simplified data.

## 2.7 Quality standards

The most common concepts used when evaluating scientific works credibility are the validity (correctness) and reliability (repeatableness) of the work (Terrvik, 2001).

### 2.7.1 Validity

According to Eriksson & Wiederheim-Paul (1997) the most vital requirement of a measurement system is validity. Validity deals with how well a method or tool measures what it is supposed to measure (Saunders et al., 2000). One method for validating the study is to use "triangulation" which indicates a use of several various sources and methods in the study (Merriam, 1994). Another approach of triangulation is to base the study on several cases (Terrvik, 2001). Triangulation with sources as questionnaires, interviews and literature also helps to increase the validity of the study (Holme & Solvang, 1991).

In this study validity was assured through triangulation that was used in form of interviews, literature research and case studies. Generalizations will be difficult to make from this study as only a few companies were investigated but it will be possible to draw some conclusions in the export experiences made between the case companies.

### 2.7.2 Reliability

The purpose of the reliability in a study is that two independent researchers using the same scientifical approach when studying the same phenomenon should come to a similar conclusion (Gummesson, 2000). Further the reliability in a study helps to eliminate biases and errors (Yin, 1994). To achieve a high reliability it is also of importance to carefully describe the data collection procedure (Bell, 1993).

As a qualitative research approach indicates that the study is based on human behavior, which in itself is inconsistent, the reliability in a qualitative study can be problematic (Terrvik, 2001). Therefore a thorough description is needed on how the information has been gathered so that another researcher can replicate the study.

To increase the reliability of this study the modes of procedure has carefully been explained. Adherent in the appendix the interview questions are also presented. All of the interviews were also recorded to improve the ability of a later review as well as acquiring the correct interpretation. Another important constraint within this thesis is that it is written in English but the empirical material was gathered mostly using the Swedish language. It is also important to keep in mind that this thesis was written by a non native English speaker and thus it might contain some improper linguistical use of the English language.

# 3 Literature review

*The literature review attempts to provide the reader with valuable background information that is of interest to better be able to understand the organic market. This material has been extensively gathered through published materials covering facts related to the researched area. It is hoped that this material will serve as a guide especially for companies who wishes to learn more about the organic market. The topics covered in this chapter are: market characteristics for organic food products, important organic food markets, the Swedish organic food export, organic marketing, distributional channels and the organic consumer.*

## 3.1 Market characteristics for organic food products

On many markets for organic food products consumers are reluctant of buying organic products from other countries (Lohr, 2001). This is a result of consumers considering their own domestic products and regulations to be superior compared with foreign ones. In many cases and especially for fruits and vegetables consumers prefer locally produced varieties over organic ones. Reasons for this are that consumers tend to want to support local producers and that the products are considered as fresher. The world trade for organic food also has its critics as the appropriateness for distant transportation and its correlated environmental impacts can be questioned considering the organics inherited environmental friendly image (Ascard, 2005).

Consumer preferences are also changing fast and demand has risen for more organic processed foods as microwave food, baby food, snacks and beverages (Gil et al., 2000). Thus producers need to be aware of these changing consumption patterns (Ascard, 2005). It is also advised that organic producers provide retail chains with an increased broadening of their organic supply as in discounts, standard and premium products (Andersson, 2005). Generally the product categories that need to be further developed are processed foods, fast food and half fabricates. The tendencies on the organic market have also been that more manufacturers are starting to produce more refined, niche market organic products and thus stepping up in the value chain and creating a greater market value (Rural Solutions SA, 2003).

Even though consumers are demanding food that is healthy, of high quality and more diversified, it is does not necessarily indicate that organic food companies can adapt to this niche as they have been experiencing problems related to a lack of new products, higher prices and the distribution channels (Cowan et al., 1994). Particularly the distribution channels have been unstable and inflexible which has resulted in bottlenecks (Calverley & Wier, 2002). As an immature market it has also suffered from inefficiency and high costs. These negative circumstances are however likely to change as the organic market develops further which will result in falling distribution and production costs. Organic food producers are also advised as the organic market eventually will start to mature to pay particular attention on developing their distribution channels, marketing activities, diversification strategies and food quality (Gil et al., 2000).

For conventional manufacturers who have wished to enter the organic market their choices have been to either buy an organic company or brand or to introduce a new organic brand as versions of their already existing conventional product (Kjaernes et al., 2004). Big retail chains are also expected to take a leading role in the development of the organic market (Yussefi & Willer, 2003). Factors that influence the transition from conventional to organic products are related to increased organic consumption patterns as a result of the distrust of conventional agricultural methods along with the implications of GMO and the husbandry care.

Competition on the organic market is also expected to grow as a result of increased competition from particularly developing countries (Gil et al., 2000). On the big West European organic market, competition is considered to be growing as a result of increased interest from foremost the US and Eastern European organic companies (Yussefi & Willer, 2003). In Figure 2 the composition of the European organic food market is presented (Rural Solutions SA, 2003).

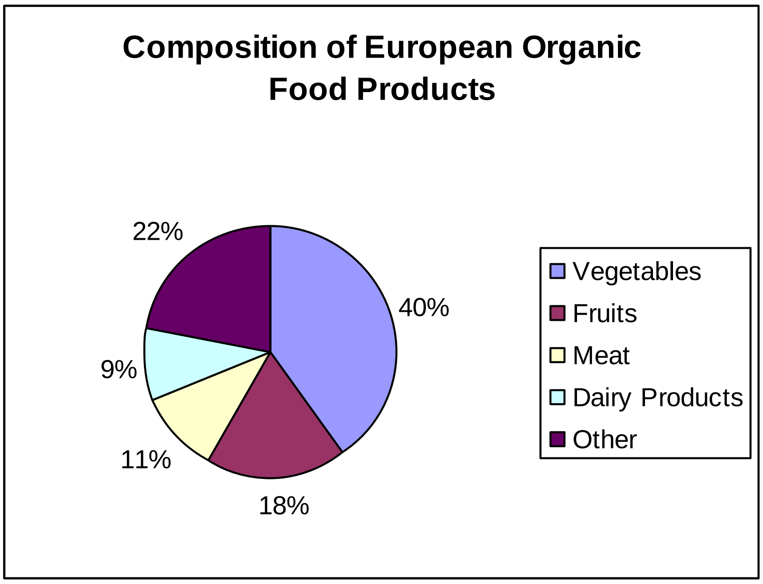


*Figure 2. Composition of the European market for Organic Food Products (Rural Solutions SA, 2003 p. F-11).*

The obstacles for organic food reaching larger markets are particularly related to its cost structure that tends to make organic products considerably more expensive than their conventional counterparts (Gil et al., 2000). These costs can partly be transferred to increased labour time and general costs related to the conversion of a conventional agricultural production system to an organic one.

Further cost issues that are the limited access of raw material, seasonal variations of raw material supply, production and retail margins, which together contributes toward creating higher prices than most consumers, are willing to pay. In order to decrease the price levels and to promote the interest for organic products, producers are encouraged to sell directly to retail stores and to cooperate with them in activities as marketing campaigns.

## 3.2 Important organic food markets

In Table 3, figures for the world's biggest organic markets are presented (adapted from Yussefi & Willer, 2003, p.24). It is, however, worth to note that the Swedish organic food market has been expanding fast and literally exploded between 2004 and 2005 with a 40%

increase to reach a turnover of 434 million ECU (www, SCB 1, 2006). The Swedish organic food market thus has a market share of 2,6% of the total food market. Some of the food products that increased most was meat with a +94% increase and Vegetables with +77%.

*Table 3. World markets for organic food (author illustration, facts from Yussefi & Willer, 2003, p.24)*

| **Markets** | **Retail sales in ECU 2003** | **% of total food sales (estimates)** | **Expected annual growth 2003-2005 in %** |
|---|---|---|---|
| **France** | **1300** | **1,0-1,5** | **5-10** |
| **Germany** | **3100** | **1,7-2,2** | **5-10** |
| **Great Britain** | **1750** | **1,5-2,0** | **10-15** |
| **USA** | **13000** | **2,0-2,5** | **15-20** |

This table of world markets for organic food is further commented below.

### 3.2.1 France

Organic food has been well established for a long time in France (Rural Solutions SA, 2005). The demand started however to escalate in 1995 and is believed to have been associated with the EU introduction of a legal framework for production, processing and marketing of organic products. Conventional stores dominate the market for organic food and have a market share of 55% (Furemar, 2004, p.36). The rest of the market is divided by specialty stores that have a market share of 30% and direct sales with 15% of the market.

France is considered to have one of Europe’s biggest organic markets with a yearly turnover of 1300 million ECU (Yussefi & Willer, 2003, p.24). The organic market share is relatively low and estimated to be about 1-1.5%. Growth patterns have been expected to increase with about 5-10% annually.

France is generally considered as a difficult country to export to and they only import about 10% of their organic products (Lohr, 2001, p.71). The problems that arise on this market are considered coming from cultural differences as a strong nationalism, language and regulation barriers (Gauthier & Piason, 1999). To succeed on this market it is decisive to connect with a local importer/distributor as a local representative and personnel will be important enabling the right connections being made.

The customer segment that buys organic food regularly is estimated to reach about 10% of the total customer base (Lohr, 2001, p.73). Price levels on organic food are estimated to be about 25-35% over their conventional counterparts. The typical French organic consumer is between 25 and 49 years old and works either in a management position or is self employed (Gauthier & Piason, 1999, p.4). There seems to be a distrust of organic food on this market and according to one inquiry, a majority of the respondents believed that organic food was a passing phase and that would not influence French food habits (Lohr, 2001).

According to a customer survey from one of Frances biggest retail chains some of the most sold organic products on this market are cookies, fruit juices, marmalades, pasta, rice and bread (Gauthier & Piason, 1999). The biggest retail chains for organic food in France are Biocoop, Carrefour, Auchan, Leclerc and Promodes.

### 3.2.2 Germany

Europe’s biggest organic market is Germany and it has a yearly turnover of 3100 million ECU (Yussefi & Willer, 2003, p.24). The market share of organic food is also relatively high, compromising of 1.7-2.2% of the total market and the growth patterns for this market have been expected to increase with about 5-10% annually.

In Germany the market channels for organic food are much more evenly distributed between conventional stores, specialty stores and direct sales. Specialty stores are leading the market and have a market share of 36% (Furemar, 2004, p.32). Conventional stores sells about 35% of the organic food and 29% are sold through direct sales.

The trend for selling organic food in specialty stores also seems to be continuing. Only in 2004, 40 new specialty stores only containing organic food were opened along with additional discount stores that specialize on organic food (Notiser, 2005, p.18).

German consumers are also considered as being the hardest to please since they are considering several determinants for organic purchases (Lohr, 2001). Some of the specific issues of concern for the consumers, are transportation and production processes.

Frequent buyers of organic food in Germany are estimated to 32% of the population (Lohr, 2001, p.73). These consumers buy organic products on a regular base. The price levels for organic products are about 20-50% above their conventional counter parts. As the food prices generally are lower in Germany compared to other countries, consumers are considered being more restrictive with paying food premiums and that can affect producers adversely (Rural Solutions SA, 2003).

### 3.2.3 Great Britain

Great Britain has one of Europe’s biggest organic markets with a yearly turnover of 1750 million ECU (Yussefi & Willer, 2003, p.24). The organic market share is estimated to 1.5-2.0%. This market has excelled over the last couple of years showing high growth rates. It is also expected to continue show considerably higher market growth compared with other European countries. The projected growth rates for the coming years were expected to reach the impressive figures of 10-15% on an annual basis.

The organic retail market in Great Britain has from 1997-2002 experienced the fastest growth in Europe (Furemar, 2004). From 2000-2001 the market increased with a third and from 2001-2002 the growth continued at a high pace but with more moderate 15% (Yussefi & Willer, 2003, p.24). This organic market is also believed to be one of the easier ones to enter mainly because there exists a sizeable domestic deficit of organic products with about 70%, and that is being covered by imports (Lohr, 2001, p.71).

Conventional stores dominate the organic marketing channels in Great Britain with a market share of 80% (Furemar, 2004, p.27). Specialty stores and direct sales play a more modest role with 11% and 9% in market share respectively. An interesting trend on this market is that specialty stores and direct sales have been showing impressive growth numbers while the conventional stores has shown dwindling growth (Notiser, 2005, p.18). Specialty stores accounted the highest growth with 46% followed by direct sales with 33%.

In Great Britain, approximately 25% of the population purchases organic food on a regular basis (Lohr, 2001, p.73). The prices are estimated to be about 30-50% above their conventional counterparts. The British organic market has profited from a strong retailer support for organic food and several of the leading supermarkets have been stimulating more organic consumption.

There also seems to be specific consumer distrust for conventional food in Great Britain as a result of several food safety issues as the BSE crises, GMO and the food and mouth outbreaks. (Rural Solutions SA, 2003).

### 3.2.4 USA

In the US, approximately 50% of the consumers buy organic food at least once per month (Rural Solutions SA, 2003, p.A-3). Regular buyers of organic food are estimated to be 10%. The major reasons why American consumers choose to buy organic food are for personal health and wellbeing concerns rather than animal welfare and environmental issues. Price levels for organic food is about 10-30% higher than their conventional counter parts (Lohr, 2001, p.73)

The organic market continues to increase at a high pace and grew by astonishing 20% in 2005 (Notiser, 2005, p.18). Conventional stores are estimated to sell about 49% of the organic food while specialty stores stands for 48% and the remaining 3% are sold via direct sales (Dimitri & Greene, 2002, p.2).

In the US, a news program “60 minutes” had a show on the organic retailer chain “whole food market” which is a company that has had a deep impact on the organic food development in the US (www, CBS 1, 2006). It currently has 184 stores and its stock market value was estimated to 7 billion ECU. Its growth has exceeded fast growing companies as eBay and Yahoo. The shopping experience being offered to customers offers a wide range of different products including 1800 wines, 600 cheeses and six in stores eateries. Further the company and the founder John MacKey has established “animal compassion standards” to ensure higher life quality for animals.

The US produces a wide variety of different processed organic foods (Kortbech-Olesen, 2002). It has, however, started to increase its import recently and there is potential for organic exporters wishing to enter this market. Some of the more important fully integrated organic stores on this market are as mentioned whole foods market & the wild oats markets.

## 3.3 The Swedish organic food export

The world market for organic food products is expanding fast (Ascard, 2005). At the same time the organic market for certain organic products in Sweden is stagnating and many producers are disappointed that the demand has not been higher (Ascard, 2005). It is therefore advisable for organic food producing companies to search for foreign markets with increasing consumption volumes.

To succeed as a successful organic company it is suggested that an organic approach is incorporated at the top of the management and that an effective mediation of marketing signals are existing through the whole corporate system (Andersson, 2005). This improves the company’s ability to establish a marketing plan and to be aware of the current market trends.

Exportation of Swedish organic food products was according to the latest figures estimated to reach about 3 million ECU, which is about 15-20% of the total domestic organic production (Meyer von Bremen, 2005, p.5). Growth patterns in the export are also strongly indicating a 10% increase in just half a year. A positive aspect is also that large parts of the organic food exports are refined products, and thus generating an added value.

For companies with limited resources it is a decisive factor that they invest their assets in the right contexts (Goldman, 2005). When exporting as a company it is essential to focus on the right product, customer, partner and market. It is also considered as easier for specialty foods as for example wine and cheese to find a successful niche in the export of organic food (Lohr, 2001). Exporters are also further suggested to do research related to the factors of potential customers, transportation costs, legal aspects, supply, packaging, prices and competitors (Meyer von Bremen, 2005).

If the exporting company is to succeed with its export product it is imperative that it is of high quality, is refined or can be attributed with some specific product feature (Meyer von Bremen, 2005). Interestingly, the export among Swedish organic producers is low as the foreign organic market is considered being to bureaucratic.

Some of the factors that are considered as hindering for the general export of food products from Sweden are that the production is more expensive as a result of strict environmental and animal protection legislation, but also because of Sweden's relatively distant geographical location (Gullstrand et al., 2004). A potential threat for established food companies is also the trend that more and more retailers are starting to produce and brand their own products. There are also tendencies that there exists a lack of venture capital and that the importing retailers are demanding large quantities and thus affecting the exportation opportunities adversely.

Exporting companies are also considered as being more productive than none exporting companies (Gullstrand et al., 2004). It is indicated that exporting companies can gain advantages with the opportunities that arises with specializations and utilization of large scale production as the market is increased. Further, if the food industry is to keep its independence and continue to progress it's important to invest in product development and promotional activities.

## 3.4 Organic marketing

A marketing strategy to promote organic food is recommended and should take into consideration a better understanding of food consumers, the complete food chain and be directed by front management figures within the industry (Greenhalgh & Hutchins, 1997).

The belief that organic products are healthier than their conventional counterparts is a concept that is popular among consumers (Lohr, 2001). European retailers have chosen to advertise food safety and health aspects as the dominating market messages in several countries. Environmental protection falls under the second most used argument (Lohr, 2001). Taste and freshness are however not promotional messages used when selling organic products. This is probably a result of that it can be hard to prove that organic products have better quality than conventional products. It can however be important to point out the positive environmental aspects of the organic production systems compared with the conventional ones.

To increase the sales of organic food in stores, factors as simple as shelf labelling can prove to have high impacts on sales figures (Dimitri & Greene, 2002). As the market for organic products is relatively small it also becomes important to inform the consumers about organic products and to focus on how it can be differentiated in the marketing place (Gil et al., 2000). Green promotion campaigns have also suffered from cynical and distrustful consumers as a result of exaggerated eco-claims (Kjaernes et al., 2004). This seems to arise from the fact that consumer distrusts manufacturers and needs to hear the message being delivered from a reliable source.

In Sweden, an organic marketing campaign was launched by the brand of Änglamark, only to be withdrawn in the court of market (www, Svenska Naturskyddsföreningen 1, 2006). This was the result of conventional farmers who were launching a campaign to stop it. Thus organic producers need to be aware on how to construct their marketing campaigns in order to not offend other interest groups that can result in court cases taking place.

Instead of spending money on ordinary advertisement the US retailer Whole foods market has established an interesting approach on promotion (www, CBS 1, 2006). It has given each of their stores 100 000 ECU to spend on promotional activities designed by the employees and gives 5 % of the company profit to charities.

Interesting to note for companies who are exporting to distant and close markets are that there are two general ways to promote their products (Lado et al., 2004). When the market is distant, promotional activities are of extreme importance. If on the other hand the market is close, market channel development is the key to success.

## 3.5 Distributional channels

The distributional channels play an important role among consumers in defining what organic is (Kjaernes et al., 2004). This is partly affected by the involvement of different groups within the various distribution channels as farmers, wholesalers, retailers, politicians and consumers. Depending on what distributional channels the organic food comes from it can transmit certain information and qualities that is not available in all types of channels. As consumers ascribe certain stores with certain values and images the organic product sold in a particular store will thus also be associated with a certain image.

Price premiums on organic food tend to be lower in countries where they are sold in supermarkets (Lohr, 2001). A combination of large scale operations and an effective distribution are two factors that are considered to have a reducing effect on the costs. A large customer base on a supermarket also increases the turnover of products and thus contributes in maintaining product appearance and quality. Consumption of organic food is also believed to increase when their products are available in stores where consumers normally buy their products (Kjaernes et al., 2004).

There seems to be two distinct trends within the organic distribution and consumption (Kjaernes et al., 2004). The first trend is the normalisation of organic food into the mainstream, with standardised products and high quantity distribution. On the other hand there is a purist line that is characterized by decentralized and small-scale production in its production and distribution.

The distributional channels can according to Kjaernes be divided into these three categories:

1. *Conventional stores* have come to play an important role in the development of the organic market (Kjaernes et al., 2004). The supply and demand of organic products have also increased as a result of this. Relationships between the retailer and supplier have also taken a more formal and contractual role. Some positive effects on this are that retailers have come to substantially influence the market with regard to safety and quality demands. They have also developed their own labels and brands to construct consumer loyalty.

2. *Specialty stores* often tend to have a connection directly to the primary producers of organic food as farmers (Kjaernes et al., 2004). They also often promote certain values concerned with consumption and the organic production processes. Healthy food and living are often the characteristics ascribed to these types of stores and where organic products naturally fill a role. Thus by selling organic products in stores as these, the companies' organic products can receive an image of health.

3. *Direct sales* tend to exclude middlemen and operate more directly from farmers to consumers via operational schemes such as farmers markets, farmers' outlets, vegetable box schemes and community supported agriculture (Kjaernes et al., 2004). A main reason for this type of operations is the economical incentives to farmers and cultivators who receive a larger share of the profits. These types of operations have especially been increasing in countries where the organic market is well established. New forms of direct sales have been established as the community supported agriculture that is a relationship between producers and consumers where consumers directly supports the producer. Consumers committed to programs as these tends to be motivated by altruistic reasons as to access local, fresh and high quality food as well as building a relationship built by trust.

## 3.6 The organic consumer

It is important to distinguish the organic consumer in order to attract it as a customer (Andersson, 2005). For many consumers, their strongest reasons for buying organic food are of health considerations and first thereafter for ethical or environmental reasons. The consumers who demand organic food is also considered as a market segment with great purchasing power (Meyer von Bremen, 2005). Their purchasing patterns reflect that they are demanding organic food as it fits their need for a more healthy and conscious lifestyle.

Even though the positive health benefits of consuming organic food are scientifically questionable consumers do state that the major reasons why they chose to buy organic food items are the perceived health benefits and food safety that organic food are considered to offer (www, Ministry of Agriculture and Forestry, New Zealand, 1, 2006). Organic consumers are also likely to be willing to pay a higher price to reduce perceived food safety risks than conventional consumers (Williams & Hammitt, 2000).

There are implications that organic food is a lifestyle choice and that it helps people in defining who they want to be (Kjaernes et al., 2004). The organic customer tends to be living in particularly major urban areas and to be well educated. People with high incomes also tend to be overrepresented within the organic category. Further, organic consumers tend to prefer packaging of environmental friendly, paper, cartoon or glass which can be important to consider when targeting organic consumers (Gauthier & Piason, 1999).

In a customer survey performed on consumers to find out why the occasional buyers of organic food did not buy it more frequently, it was found that these buyers are more price conscious and that they disbelieve the organic brands and regulations more frequent than regular organic buyers (Lohr, 2001). The regular buyers, are however found to be more informed of the production methods of organic food.

Many different categorizations can be made on the organic consumer (Gauthier & Piason, 1999). In a study, French organic consumers were grouped into three categories:

1. The politically/ideologically motivated

The political/ideological consumer has for a long time been engaged in environmental, animal and personal health issues. They are considered as the core loyal consumer group, often very well educated in their middle age with medium to high incomes. Their favourite stores for buying organic products are from the health stores or directly from producers of organic food.

2. The health conscious

The health conscious customer is mostly motivated by health reasons when choosing to buy organic food and less by environmental reasons. Price levels and conveniences are important factors that influence their purchasing decisions. They are characterized by the careerist and often buy their products in conventional stores as well as in health stores.

3. The switcher

The switcher is easily affected by the media and is concerned about environmental and animal issues. Price and supply affects their choices strongly. A higher price must be motivated by taste or health benefits. They are hesitating between organic and conventional products and tend to be younger than the two previous organic profiles.

# 4 A theoretical framework

*In this chapter, a theoretical framework is presented. The first theory is based on the internal and external factors influencing export decisions was used to find out more about the companies driving forces for expanding abroad. The second theory entitled "Forces Driving Industry Competition" will provide an explanation on what factors that are affecting the companies' competitiveness on its export market. Finally the last theory, entitled "Country Notebook and Marketing Plan" is an economical analysis based on several investigations, market audits and marketing plans that explain how a company is able to meet market demands. Due to the fact that this theory is quite elaborate, a decision was made to focus on the Marketing Plan aspect.*

## 4.1 Internal and external triggers influencing export decisions

When a company pursues an export program the underlying causes can be of an external or internal character (Root, 1994). The internal factors are correlated to the management and company characteristics while the external factors are influenced by foreign market events (De Búrca et al., 2004). According to Albaum et al., (2005) these motives can further be divided into proactive and reactive behaviors. The proactive behavior is active and based on the urge to actively benefit from unique market opportunities. A reactive behavior is passive and more reacting to circumstances that influence the company. The external and internal motives for exports are classified in Table 4 according to a model by Albaum (2005).

*Table 4. A Classification of Export Motives (Albaum et al., 2005, p. 63)*

| | **Internal** | **External** |
|---|---|---|
| **Proactive** | **Managerial urge** | **Foreign market opportunities** |
| | **Marketing advantages** | **Change agents** |
| | **Economies of scale** | |
| | **Unique product/technology competence** | |
| **Reactive** | **Risk diversification** | **Unsolicited orders** |
| | **Extended sales of a seasonal product** | **Small home market** |
| | **Excess capacity of resources** | **Stagnant or declining home market** |

The internal and external motives for export are presented in detail below.

### 4.1.1 Internal triggers

When internal factors are influencing the export decisions it can mostly be derived from a very active management within the company (Czinkota & Ronkainen, 2001). Some of the triggering factors for deciding to go abroad can include personal experiences of management staff, such as in foreign travel, living abroad and language skills that have opened their eyes for an international export commitment.

*Managerial urge*: The managerial urge to pursue a foreign market can be considered as the most determinant factor influencing a company pursuing a foreign market expansion (Albaum et al., 2005). In smaller companies, these decisions can arise from a single person in a management position to several mangers in a business unit of a bigger company.

*Marketing advantages*: When a company has access to foreign markets, it can also more easily detect certain knowledge and information (Albaum et al., 2005). Thus the company is better prepared to both meet consumers demand and to deal with competitors.

*Economies of scale*: As a company expands abroad there exist certain advantages in the economies of scale (Albaum et al., 2005). These can be related to that the production, advertising and distribution can be used more efficiently as the market expands.

*Unique product/technology competence*: Unique product and technology competences have a major importance in stimulating a company’s export behavior (Albaum et al., 2005). When a company has a unique product it is more likely that this product will succeed on the international market. Exploitation costs for expanding can also be very low, as the company already has developed a highly competitive product.

*Risk diversification*: When a company expands abroad it decreases the probability of the market risk (Albaum et al., 2005). This is due to that various markets have different economical cycles. Thus by expanding into several markets the company is likely to be less affected by economical fluctuations.

*Extended sales of a seasonal product*: Markets are subjected to the change of seasonality in particularly demand conditions from customers (Albaum et al., 2005). As the demand of a product decreases in one market it can still remain stable or even increase on other markets and thus a certain stability can be achieved.

*Excess capacity of resources*: The existing markets might not always be able to absorb the products produced by a company and thus new markets can provide as a potential receiver of the surplus output (Albaum et al., 2005).

### 4.1.2 External triggers

There are several external factors influencing a companies export decisions (Czinkota & Ronkainen, 2001). One of the more obvious external influences is a foreign inquiry of the companies’ product. Other factors such as competitors’ foreign activities, attending trade fairs and outside interests as banks, export agents and governments can also help to stimulate a company’s interest to export. Below, the paper explains the external factors according to Table 4:

*Foreign market opportunities*: If a company can detect foreign market opportunities it is likely to be more willing to pursue an export strategy (Albaum et al., 2005). A natural expansion will first take place in a few limited markets that have similarities with the home market.

*Change agents*: Some of the external organizations that can promote a companies export expansion are banks, chambers of commerce and governmental agencies (Albaum et al., 2005). These can act as providers of loans, insurances and marketing data.

*Unsolicited foreign orders*: Receiving an inquiry from a potential customer regarding a product is often the most usual way that a company becomes aware of an existing marketing expansion opportunity (Albaum et al., 2005). An advertisement that has been published through a media that cover several markets can help to illustrate why some of these inquiries occur.

*Small domestic market*: Many markets can turn out to be too small for a company and they are thus encouraged to seek further market expansions (Albaum et al., 2005). Often these circumstances occur when there is an easily detected consumer group existing in several markets that might have an interest in the product.

*Stagnant or declining home market*: When a market is stagnant or declining a market expansion can prove to be the solution (Albaum et al., 2005). A saturation of the home market can be shown in declining revenues and market shares. Thus unused capacity within the company can be redirected towards other markets with perceived beneficial expansion opportunities.

## 4.2 Forces driving industry competition

According to the founder of “Forces driving industry competition”, Michael E. Porter (1980) it is essential to formulate a companies’ competitive strategy in relation to its environment. This model, as illustrated in Figure 3, helps companies to identify actual and potential competitors to be aware of (Jobber & Fahy, 2003). This model indicates that it is important to identify strengths and weaknesses to be able to determine how advantages in the competition best can be achieved. According to Porter (1980), there are five competition forces that directly influence a company’s profitability: Industry Competitors, Substitutes, Potential Entrants, Suppliers and Buyers.

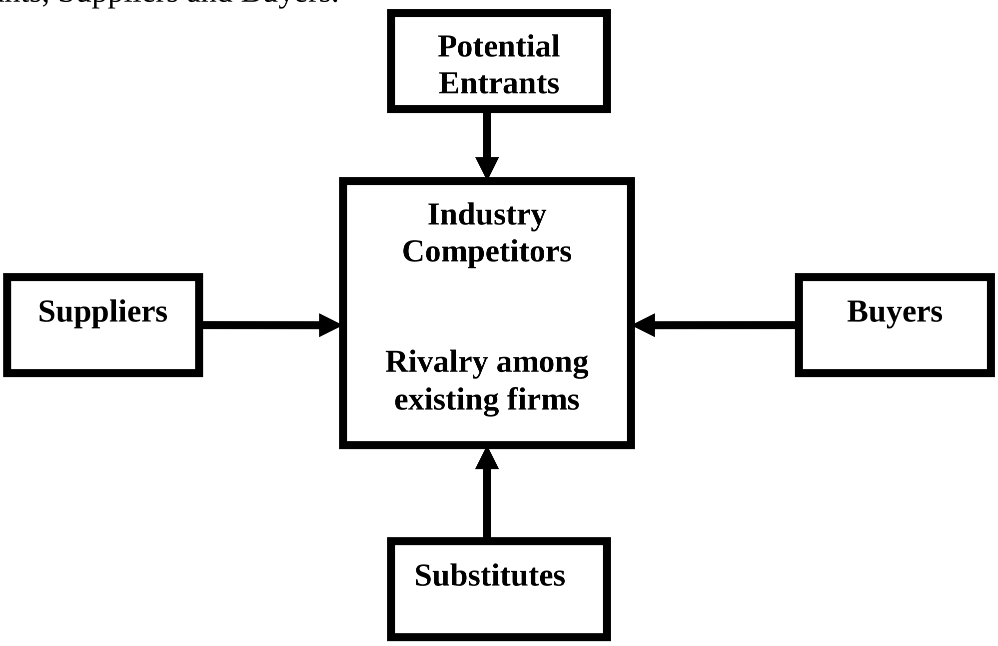


*Figure 3. Forces Driving Industry Competition (Porter, 1980, p. 4).*

If the five competitive forces are strong on the company's market the profitability has a tendency to be lower (Bengtsson & Skärvad, 2001). When the five forces are weak the profitability has a tendency to be higher. There are, however more factors that influence, the profitability of a company and these relate to a company's unique competitiveness. The unique competitiveness has two dimensions. Firstly, to chose a strategy of cost advantages and the secondly, to differentiate the product. Each of the five driving forces in the industry competition is more closely presented below.

### 4.2.1 Industry competitors

Industry competitors are the obvious active competitors active within the same field of industry and possibly competing with the exact same product (Thompson, 1997). The price is an important competitive factor especially when the competing product is similar and competes for the same market segment.

There are however more factors than the price that affects the competition as innovation and advertising which can play a major role in helping the company to find a unique market position (Grant, 2005). More factors that help to explain the markets nature of competitiveness and the intensity among the rivalry firms are the concentration of firms (number and size), product differentiation, over production capacity and exit barriers in form of example costs of closing down a plant. If the market of the product already is filled with strong competitors or if the market is stable or declining it is considered as unattractive (Kotler, 2000). Often these situations result in price wars and new product introductions that make competition expensive.

### 4.2.2 Substitutes

Substitute products compete for the same market segment but with a different product (Thompson, 1997). Plastic bottles, cans and glass are examples of substitute products competing on the same market for soft drinks. For some products, such as gasoline and cigarettes where substitutes are absent consumers are relatively insensitive to price changes (Grant, 2005). The consumers' choice for a substitute product is affected by its price and performance in comparison with the current product they are using (Bengtsson & Skärvad, 2001).

Those substitute products that deserve attention are especially those that face trends of improved price performance in the market (Lambin, 1997). Predicting and finding potential substitute threats are however not always easy as the substitute could come from an unrelated industry. Investigations can therefore become necessary of industries far away from the main industry in order to keep an eye on potential competitors. The main goal should however still be to keep an eye on products that deliver the same generic need or perform the same function.

### 4.2.3 Potential entrants

Markets where the profitability is high act as magnets for other companies to enter (Grant, 2005). On most markets, hindrances exist for the new entrants as the already engaged industry in the market have advantages owing to their established status. Some of these hindrances include resources needed to enter the new market as capital requirements, access to channels of distribution and existing product differentiation features as branding. Studies have also shown that markets with higher barriers of entry tend to have higher profitability. This especially seems to be the case when capital and advertisement are needed to enter the market. Firms that are more likely to compete for the same markets are those with low barriers of entry and clear synergy effects that could be resulted by expanding into a new market (Lambin, 1997).

### 4.2.4 Suppliers

The central issue of what importance the suppliers place in the market is to what degree the market is dependant on their supply of resources (Grant, 2005). Often suppliers of raw material and low level refined goods are abundant and therefore lack the negotiation power to achieve higher prices. It can therefore be profitable for them to seek further expansions in the production chain with more refined products and thus become a direct competitor to their former customers. The bargaining power of suppliers is proposed to lay in their ability to affect the price on delivery, product quality or ability of reducing the quantities sold to a buyer (Lambin, 1997). The labour force should also be considered as a supplier that has a high bargaining power and that affects the industry's profitability.

### 4.2.5 Buyers

It is evident that a products` buyer has a very important bargaining position and can influence a companys` profit by negotiating, for example: lower prices; more service; and better credit opportunities (Lambin, 1997). Some of the factors that drive buyers to negotiate hard are that the purchasing of goods represents a large portion of their total costs and that buyers easily can find other products, and that switching costs for changing a supplier are low. The situations when a buyer uses its circumstances to influence a producer occur equally to consumer goods as to industrial goods as well as between wholesalers to retailers and manufacturers.

The buyers' competitive force is directly affected by two factors: the buyers' price sensitivity and the relative dependency that exists between the industry and its customer (Grant, 2005). In the first factor, the products perceived uniqueness and the competition among buyers of the product affect the buyer. The second factor is governed by the dependency between the buyer and seller. Some factors affecting the dependency are the buyers' information about the producers' prices and costs, ability for buyers to take over the production and the importance the buyer has by the producer.

In the French food sector where the buyer network is considered to be very concentrated, it is possible to dictate terms to manufacturers (Lambin, 1997). Taking this into consideration it can be of importance for the producer to choose the right type of buyers to have a well-balanced customer portfolio and to avoid unnecessary dependence on any particular buyer.

## 4.3 Country notebook and marketing plan

The country notebook and marketing plan as illustrated in figure 4 is a market tool that helps to guide companies into foreign markets (Cateora et al., 1999). It consists of guidelines that if followed through, will enable the acquirement of much market information. Certain parts of this framework can be changed according to what needs to be stressed in regard to a particular product or market. As new information arises it can be integrated into the country notebook where it also serves as a quick introduction for employees who are responsible for a certain market.

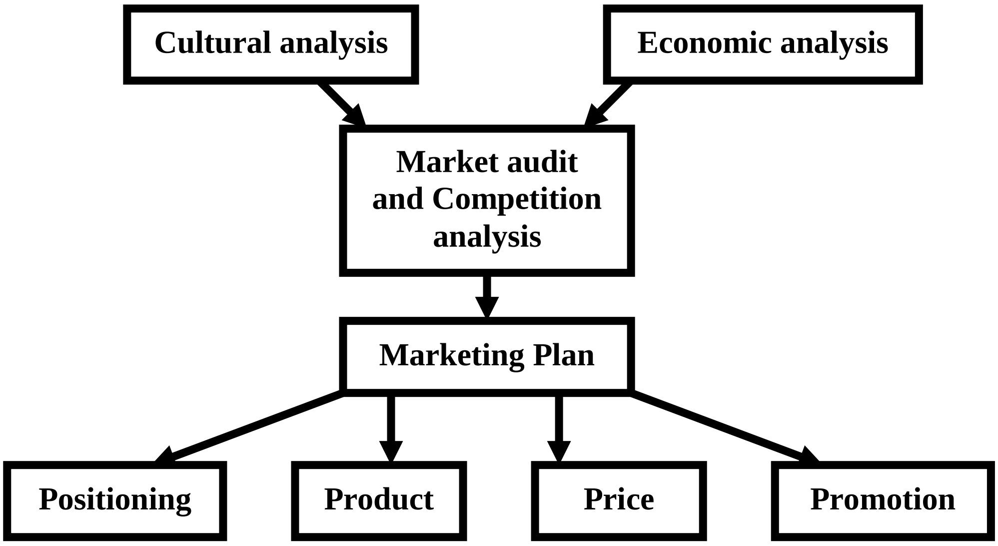


*Figure 4. Country Notebook and Marketing Plan (Cateora et al., 1999, p. 487).*

Each step in the Country Notebook and Marketing Plan will be more closely explained below.

### 4.3.1 Cultural analysis

The first part of the country notebook is to produce a cultural analysis (Cateora et al., 1999). In this part, information regarding the markets cultural circumstances is being investigated. This is done in order to increase the understanding of what effect the product will have in the market.

It is important that the investigator is able to extract and interpret the information that is of interest for the market analyzes (Cater et al., 1999). Traditions and other important cultural features can play an important role for a company that wishes to know more about its export markets. More specific information relating to the political and educational system, as well as language and living conditions can also be added.

### 4.3.2 Economic analysis

The economical analysis tends to be of a more specific character and provides information in detailed numbers (Cateora et al., 1999). These numbers can be related to economical statistics as the GNP or GDP and can be extended to the average family income and distribution of wealth. Other topics covered can be more demographic in nature, such as the median age, population density and the ethnicity of the population. Media coverage in form of available media and their costs as well as channels of distribution in form of retailers and wholesalers is also covered.

In general the economical analysis can be divided into two categories of which the first is related to general economic figures as the GNP and average family income while the other examines the channel of distribution and media availability.

### 4.3.3 Market audit and competition analysis

The market audit and competition analysis is considered as the most specific source of information regarding a products opportunity in the market (Cateora et al., 1999). This helps the company to discover and estimate a market potential. Often a thorough market investigation is needed to bring forth the information to this guideline.

Having collected this data, it is possible to determine the extent to which the company can adapt its marketing plan to enter the market successfully. The two previous components of cultural and economical analysis are also being reflected in this analysis. Examples on questions that arise from this topic are the markets expected response to a certain product and the level of expected competition.

### 4.3.4 Identify marketing components for adaptation

This final guideline consists of the marketing plan and explores how problems and opportunities in the market can be solved (Cateora et al., 1999). By examining and implementing the marketing plan, it is possible to avoid costly mistakes inherent to wrong decisions made in areas as pricing and advertisement on a new market. A decision should also be made with regard to the extent of standardization that is possible of the marketing plan when grouping potential export countries together. The marketing plan is also specifically used to target a chosen market segment and should be selected and combined to maximize effectiveness and efficiency (Randall, 1993).

An effective marketing plan consists of four elements (Jobber & Fahy, 2003). Firstly the plan must be adapted to satisfy the customer group. Secondly, it must have at least one particular competitive advantage on some factor that is of interest for the customer. Thirdly, the company's resources must be aligned with the marketing plan. Lastly, the marketing plan should have a consistent and coherent theme outlining the role the producer wants the product to have in the market.

### 4.3.5 Product

The product indicates the actual physical product or service that is being offered to the customer and includes packaging, branding and quality of the product (Randall, 1993). The development and ability to find new products in order to acquire profitable market niches is another important issue (Wood, 2004). This is a result of fast changing consumer preferences that encourages companies to keep updated with current customer needs (Jobber & Fahy 2003).

The product is always the most central part of what a company is doing as a good product will almost sell it self (Randall, 1993). A major point of focus is to think about how the product is being used so that the total customer experience of the product can be appreciated. When a company chooses to export its product to a foreign market there are three different product strategies (Armstrong & Kotler, 2005).
These three strategies are:

1. Straight product extension, exporting the same product as is sold at the home market.
2. Product adaptation, the product contains a smaller change to satisfy the foreign export market.

3. Product invention, the development of an entirely new product for the export market.

### 4.3.6 Price

The pricing decision involves a number of different factors taken into consideration as the selling price, discount structure, and credits being offered (Randall, 1993). Further areas that the producer needs to investigate are the customers' willingness to pay for different product attributes as quality and features but also the competitors price structure (Wood, 2004). Factors affecting the price setting are considered as external and internal in their influences. Examples on external influences that affect the price levels are the customer and competition level. Internal factors affecting the price levels are general cost levels for the production and market positioning decisions.

The importance of the price on the product depends much on what market segment the product is trying to attract (Randall, 1993). On the luxury brand market, price levels for customers have a low correlation to production costs. With a low functional or brand positioning between rivalries the more important the price will be for selling the product.

When deciding on the international pricing strategy in foreign countries there are several factors that need to be taken into consideration (Armstrong & Kotler, 2005). Some of these costs are associated with transportation, wholesaler margins and tariffs. With the introduction of the single European currency, (ECU) it became easier to compare prices between different countries and therefore harder to explain unreasonable price differences. As the price is the only element where the company earns money, it is a key element in the marketing plan (Jobber & Fahy, 2003). As a result, price objectives must be very clearly stated and adapted to the products potential.

### 4.3.7 Promotion

Promotion is related to how a company communicates and sells their product to potential customers and makes them aware of its benefits (Jobber and Fahy, 2003). These decisions involve several aspects such as, personal selling, public relations and advertisement (Randall, 1993).

Three factors that are of importance are the coordinating content (is the promotion in line with the wished product offering attributes), coordinating delivery (is the message actually being delivered to the customers), supporting positioning and objectives (is the promotion working as planned) (Wood, 2004). Advertising is considered as being the most important promotional tool. As a general rule, the more complex a product is the more dependent it will be on other factors as personal selling to succeed (Randall, 1993).

### 4.3.8 Positioning

The positioning of the product in the market is associated with the distribution channels from the producer to the final customer and includes logistics, market coverage and the selection of channel members (Randall, 1993). Convenience is the important emphasis here, which enables the customer to access the product at a suitable time and place (Wood, 2004). Even though some manufacturers might assume that their job is over as soon as the product has left the factory, there is still much to consider when distributing products to the final end user (Armstrong & Kotler, 2005). The distributional network can differ much between countries and retailers.

Choices are also to be made on what intermediaries as wholesalers and retailers the company wishes to export to (Randall, 1993). Two approaches can be used for defining the distribution process. In the first approach, distribution is only the way in which the product reaches the final customer, and then factors as speed, efficiency and service levels, are of crucial importance. In the second approach, the whole distributional network is considered and considerations must be made to improve the service through the ease of ordering and promotional back up. The main objective is to make sure that the product is made available at the right places, in right quantities and at the right time (Jobber & Fahy, 2003).

# 5 Empirical Data

*In this chapter the gathered empirical data from the performed interviews will be presented. Each case company is first presented, followed by detailed collected information from interviews and written sources on how the companies have experienced the external and internal triggers influencing export decisions, the forces driving industry competition and finally the marketing plan.*

## 5.1 Case - Björnekulla

*"The most important factor to consider when exporting organic products is to meet the legal regulations"* (Pers. com., Johannesson 1, 2006)

### 5.1.1 Company Background

Björnekulla was founded as a cooperative in 1907 with the main purpose of processing its surrounding regions harvest of berries and fruits (www, Björnekulla 1, 2006). During its almost 100-year-old history it has experienced various forms of ownerships but is since 1995 a privately owned company. Some of their stronger product categorizations are jams, marmalades, gherkins and beetroots. As a part of the ongoing globalization process they are today using raw materials in the production from Sweden as well as from other countries.

Björnekulla has three specific defined customer segments. The first customer segment is the ordinary store consumer with the adherent products as jams, marmalades, gherkins, beetroots as well as lemonades, ketchups and mustards (www, Björnekulla 2, 2006). The second customer segment is the catering market with similar products as mentioned above only sold in bigger packages (www, Björnekulla 3, 2006). To meet the needs of this customer group they cooperate with "Kiviks Musteri", which is a company in a related industry through their joint company "Björnekulla-Kivik Försäljnings AB". The final customer segment consists mostly of industries who they supply half fabricates to, such as jams for ice cream and flavourings for the dairy and meat industries (www, Björnekulla 4, 2006).

Björnekulla has a strong organic niche and of 74 different products, 17 are organic (Pers. com., Johannesson 2, 2006). One of their most widely spread product in the world is in fact their organic marmalade (www, Björnekulla 1, 2006). The organic export from Björnekulla is a relatively new event in the company's history and started as recently as in 2004 when a request was made from a foreign customer (Pers. com., Johannesson 1, 2006). Of 87 employees, 65 are engaged within the production and 22 in the administration.

### 5.1.2 Internal and external triggers influencing export decisions

**Internal**
It seems as if the management is becoming increasingly interested and aware in the export of organic products as a potential for the company's development (Pers. com., Johannesson 1, 2006). More internal triggers that are stimulating the company's export interests are factors as that they have a unique product with an excellent quality and that there lays economies in scale interests with increasing the production. Risk diversification also plays a role for

pursuing the organic export market as the company wants to expand into the relatively new product segment of organic foods. Factors as extended sales of seasonal products, excess capacity of resources and marketing advantages was found to play a limited motivational role when pursuing exports.

**External**

The most important, if not the only factor that has truly influenced Björnekulla to start exporting has been through unsolicited orders in form of export inquiries made from foreign importers (Pers. com., Johannesson 1, 2006). They have also perceived that the export markets may bring opportunities to expansions on different markets, but have taken little interest in participating with change agents as trade fairs or specific export programs. They have however recently decided to participate in a marketing campaign on the German market, indicating that they are making use of change agents in their export process (Pers. com., Johannesson 2, 2006). The external triggers of a small or stagnant and declining home market were however not determinant facts for stimulating export procedures.

### 5.1.3 Forces driving industry competition

**Industry Competitors**

The competition outlook for Björnekulla on its export markets was found to a high degree be dependant on the unique differences that exists on the various country markets (Pers. com., Johannesson 1, 2006). Germany is considered as being a hard competition market with many competitors while countries such as Japan and Russia are perceived as low intense competition markets. At the same time there are many producers within their business who were considered as likely to start competing on the organic market.

**Substitutes**

Björnekulla was considered as having products that are hard to substitute and the threat of substitute products is considered as low or nonexistent (Pers. com., Johannesson 1, 2006). As their products are distinct in character they are not as easily replaceable as the case might have been otherwise.

**Potential Entrants**

They perceived a risk that potential competitors will enter their organic market segment as the market is expanding fast and more companies might want to profit on it (Pers. com., Johannesson 1, 2006). These competitors were then more likely to come from a related business that has chosen to enter the organic market, than to have completely started up a new business to compete on only the organic market.

**Suppliers**

Suppliers of raw materials for the production were considered as an irrelevant competitor (Pers. com., Johannesson 1, 2006). This was believed as the suppliers exist in various countries with little interaction and are active within different product branches. Further restricting factors among suppliers were found to be interlinked with the lack of existing knowledge and investment that might provide as hindrances for entering the specific organic market.

**Buyers**
Buyers of their organic products were considered as a high potential competitor in a longer time perspective as they might want to produce or brand their own unique products in order to gain more control over the customer and product (Pers. com., Johannesson 1, 2006).

### 5.1.4 The marketing plan

**Products**
Björnekulla has several organic products in different product assortments (Pers. com., Johannesson 1, 2006). The exportation of organic products are however restricted to jams and marmalades as they so far only have had requests on these specific product categories. When producing organic products, finding the needed raw material can be difficult and Björnekulla has thus set up importation agreements with, for example, strawberries from Poland and sugar from Denmark. So far has it also been easy to satisfy the customers with their required quantities and at the right time.

Interesting to note is that about the same organic products are being requested from each export market and little variances have been found in distinct country preferences. The only adaptation of the product that is taking place with regard to the export market is the declaration of content tag on the jar. Björnekulla has also recently introduced four new organic marmalades and jams into their assortment as the demand is higher on these particular categories (Pers. com., Johannesson 2, 2006).

**Price**
Björnekulla has the same pricing strategy for each export country (Pers. com., Johannesson 1, 2006). The pricing strategy is to reach a reasonable profit on all of the export they are undertaking; they thus export no organic product with a loss. On the domestic market in Sweden they are however more price conscious and they can take strategic considerations when setting the price on their organic products.

All buyers on the export market have so far had the same conditions when buying Björnekulla`s organic products (Pers. com., Johannesson 1, 2006). When selling organic products it is important that they cover their own costs in the long term and today the profit on the organic segment is slightly higher than on the conventional one. It is worth to note that there have been extra costs related to setting up the organic production processes. This has been particularly stressful in the start up phases, but with increasing volumes the profitability has increased. In overall the organic product assortment is gaining in importance, and its future trends, especially on the export market looks promising.

**Promotion**
Promotional activities play a small role when selling organic products from Björnekulla, which mostly sells products on its good reputation (Pers. com., Johannesson 1, 2006). So far this method has worked out to the company’s satisfaction and it is possible that they in the future will spend more time and money on promotion campaigns as the importance of the organic export market grows. They recently also decided to participate in a marketing campaign of Swedish food products in Germany arranged by the organisation, Food From Sweden (Pers. com., Johannesson 2, 2006).

**Positioning**
Their most important organic country market is Germany which also was the first market the exportation took place to (Pers. com., Johannesson 1, 2006). Some of the reasons why Germany has become this important market are related to its geographical proximity and its large organic market. Björnekulla`s organic products are however exported to 18 countries, of which most are located in Europe. Some of their more distant markets are Russia and Japan.

It is worth to note that there have been significant problems related with entering the US market where bureaucratic organic regulation procedures outlined by the National Organic Program (NOP) has complicated matters (Pers. com., Johannesson 1, 2006). Björnekulla sells most of their products directly to retail stores and thus skips intermediaries in the distribution process. The transportation of the goods from the factory to the export markets has so far been taken care of by the buyers.

## 5.2 Case two - Santa Maria

*"When the fresh produce is of excellent quality stubbornness with local suppliers disappears and country borders are erased"* (Pers. com., Mattsson, 2006)

### 5.2.1 Company Background

Santa Maria is an old company soon to celebrate its 100 year anniversary and was started in 1911 as a small tea and spice store in Gothenburg (www, Santa Maria 1, 2006). In 1946, it was bought by its current owners and transferred into a joint-stock corporation. From then on, it developed fast as investments were made into modern machineries and cooperation programs were set up with leading retailers. Today, Santa Maria is the leading company in the market for flavours in Scandinavia as well as on some market segments in Europe.

Currently Santa Maria has over 400 employees (www, Santa Maria 2, 2006). Their success as a company in the flavour business is claimed to be associated with their ability to collect ideas and inspiration from all over the world. The company's corner stones and strategy has been to focus on the four areas of product development, quality, strong brands and markets where they can reach a leading market position.

Their production of organic products started in 1998, and the same year they started to export their organic products (Pers. com., Mattsson, 2006). The decision to start produce and export organic products was mainly reached as a result of management idealism and a wish to expand their organic business.

The company has seven product concepts that fall under the following categories: (www, Santa Maria 3, 2006):

"Kryddor": consists of a wide variety of spices.
"Barbeque": supplements for barbeques such as food oils and marinades.
"Tex Mex": an assortment of Mexican food items such as tacos, tortillas and salsa.
"Spicy World": ethnical flavours for food from countries such as Italy and Japan.
"Thai": flavour assortment for Thai food.
"India": flavour assortment for Indian food.
"Färska Örter": an organic assortment of fresh herbs and salads, which also is their most important organic export product.

Santa Maria’s market activities can further be divided into two fields of which one focuses on the ordinary consumer and the other on large scale consumers as restaurants and store kitchens (www, Santa Maria 4, 2006):

### 5.2.2 Internal and external triggers influencing export decisions

**Internal**
Several internal triggers affected Santa Maria’s decision to export abroad (Pers. com., Mattsson, 2006). They saw the advantages in the access of specific marketing information, economies of scale with an increased production, a unique product advantage, risk diversification, extending the life cycle of a product and the fact that they had an over production capacity. Surprisingly the only internal trigger that did not affect them was a specific managerial urge.

**External**
Of the external triggers that influenced Santa Maria to export abroad a number of factors contributed to this decision (Pers. com., Mattsson, 2006). Foreign market opportunities, change agents and unsolicited orders all influenced them in taking their export decision. A small home market or stagnant and declining home market did not influence them to go abroad, as Santa Maria both has a large domestic and expanding market.

### 5.2.3 Forces driving industry competition

**Industry Competitors**
The competition for Santa Maria on its export markets is hard and can much be derived from linguistical and cultural barriers (Pers. com., Mattsson, 2006). They have however been successful in entering new foreign markets.

**Substitutes**
Substitute products are seen as a competition threat as consumers’ preferences and tastes changes and thus affect the demands of their products (Pers. com., Mattsson, 2006). With their seven product concepts they have tried to reach several flavour preferences among consumers, but there is a big variety of tastes and there is always a risk that the consumer will choose a similar substitute product (www, Santa Maria 3, 2006).

**Potential Entrants**
New potential competitors were not particularly seen as a competition threat (Pers. com., Mattsson, 2006). This is related with the fact that it takes time and knowledge to build up a successful company within the flavour industry (www, Santa Maria 1, 2006). Besides this Santa Maria has a very strong market position which enables them to take counter actions.

**Suppliers**
Suppliers were partly seen as a potential competitor as they relatively easy can step up in the refinement process (Pers. com., Mattsson, 2006). Santa Maria’s has, however, a strong brand and retailer knowledge which are some of its major competition advantages (www, Santa Maria 1, 2006).

**Buyers**
Buyers of their products were not at all seen as potential competitors (Pers. com., Mattsson, 2006). This is related to the fact that Santa Maria has a strong market position and that it would be very complicated for a buyer to start and setting up such an extensive flavour assortment (www, Santa Maria 1, 2006).

### 5.2.4 The marketing plan

**Product**
Santa Maria started producing organic products in 1998 and currently produces 22 organic products (Pers. com., Mattsson, 2006). Of their international organic export they have had the most success with fresh herbs in pots. The countries that are importing their products are also to a high degree buying the same type of products. As an ongoing part of their market activities they are also planning to introduce new products on their export markets. It has been hard for Santa Maria to satisfy customers with the right volumes on the right time, as the demand for their organic products have been very high.

**Price**
The pricing strategy of Santa Maria is affected by several factors as the market location, volumes purchased and transportation factors (Pers. com., Mattsson, 2006). Sales figures for the organic export market are impressive with a 25 million ECU turnover and it has been increasing. On most of their export markets the profitability has been satisfying.

**Promotion**
Santa Maria has a very well developed promotional program and some of their activities have included attending trade fairs, ads in magazines, leaflets and doing company presentations (Pers. com., Mattsson, 2006). They have also had promotional activities directly focused on some of their international markets. On an overall, customers have been reacting positively to their promotional campaigns. Santa Maria feels however that some of the promotion has been working satisfactory while other parts have not.

**Positioning**
From a market perspective Santa Maria considers all types of markets to be of interest. So far, much of the export has gone to European countries such as Germany, Great Britain, Benelux and France (Pers. com., Mattsson, 2006). Interesting to note is that also some eastern European countries such as Poland, Czechia and the Slovak have started to import their products. They are also planning on entering new markets within the near future. Santa Maria is also trying to influence what type of stores that buys their products. Product placement plays a central key in their marketing concept and they try to arrange their products to meet both consumer and store demands.

## 5.3 Case three - Wasabröd

*“Important factors to consider when entering an export market are the price levels and the consumer response for your product”* (Pers. com., Brynell, 2006).

### 5.3.1 Company Background

Wasabröd was founded in 1919 by Karl Edward Lundström (www, Wasabröd 1, 2006). Its success was initiated with the introduction of the crispbread “Husman”, which through its production process guaranteed a high quality product that quickly became popular among consumers. The making of crispbread in Sweden is however an old tradition dating back to the medieval times. Crispbread is also associated with being a healthy food item made from the nourishing grain of wholemeal rye.

Today, Wasabröd is the world's biggest producer of crispbread with three production facilities in Sweden, Germany and Norway respectively (www, Wasabröd 1, 2006). Since the 1940´s Wasabröd has been active with exporting their products and they are currently exporting to approximately 40 countries.

The most important markets for Wasabröd is the Swedish market followed by the Nordic countries, Germany, Polen, Holland, France and the US (www, Wasabröd 2, 2006). Wasabröd has currently approximately 950 co-workers in 10 countries and a total turnover of 160 million ECU. In 1999 Wasabröd was bought by the Italian food company Barilla and now forms a part of one of their divisions focusing on bakery products (www, Wasabröd 3, 2006).

Their product assortment consists of 39 products and they can be divided into eight categories whereas one is particularly aimed for large consumers as schools and hospitals (www, Wasabröd 4, 2006). Their only organic product is the "Krögarknäcke" made on organic cultivated rye. This product is today only exported to Denmark under the name of "Lantknäcke" (Pers. com., Brynell, 2006). In autumn 2006 this product will be replaced by a new organic product that will be launched on the export markets of Denmark, Norway and Germany.

### 5.3.2 Internal and external triggers influencing export decisions

**Internal**
Regarding the internal triggers of export so has Wasabröd for a long time been active on the conventional export markets as a result of the managerial urge (Pers. com., Brynell, 2006). Other factors that are affecting their decision to export have been that they strive to achieve economies of scale and risk diversification. Excess capacity of resources has also played a role in that they strive to fill their full production capacity. The gaining of extended sales of seasonal products is not anything that has affected their decision making on export. Neither did the factor of requiring specific marketing advantages affect their export decision.

**External**
There has been a low influence of external triggers that have affected Wasabröd to export their organic product (Pers. com., Brynell, 2006). They have not perceived it to be any specific foreign market opportunity existing on the organic export market. Change agents or a stagnant/declining home market have not affected this decision either. The only external factor that have affected them as an export trigger is a small home market and an unsolicited order from Denmark which was more of a single event and not triggering any major response.

### 5.3.3 Forces driving industry competition

**Industry Competitors**
The competition on the export market for organic crispbread is considered as being very competitive (Pers. com., Brynell, 2006). Especially the organic German market is in general considered as being harder to make a market entrance at, than, for example, the Danish one.

**Substitutes**
The obvious competitor for Wasabröd`s crispbreads is ordinary bread (Pers. com., Brynell, 2006). Crispbread also has a strong market position on certain markets such as the Nordic countries and is therefore less likely to be substituted there compared to countries where it recently has been introduced into (www, Wasabröd 2, 2006).

**Potential Entrants**
Potential entrants on the specific organic segment of crispbread were considered as an irrelevant competition force (Pers. com., Brynell, 2006). The concerns regarding this type of competitor was more related to companies who would compete for the conventional crispbread segment, as the organic product still plays a very limited role to be addressed by specific concerns.

**Suppliers**
Suppliers of the raw material needed to produce crispbreads were considered as a very low competition threat (Pers. com., Brynell, 2006). The production in itself of crispbread is however a relatively easy process but the suppliers of raw materials are abundant which affects their unique competition abilities adversely.

**Buyers**
These were considered as some of the obvious competition threats. On the domestic market, one of the biggest retail chains "ICA" has introduced organic crispbread (Pers. com., Brynell, 2006). Thus Wasabröd is very vulnerable when the buyers of their products choose to launch their own private label with crispbreads.

### 5.3.4 The marketing plan

**Product**
Wasabröd currently only produces one organic product, Krögarknäcke, which is a round shaped crispbread (www, Wasabröd 4, 2006). They are however considering launching new organic products and in autumn 2006 it will be replaced by a new organic square shaped crispbread (Pers. com., Brynell, 2006). Their original organic product has especially been developed for the Swedish home market. A specific reason for this taking place is the demand from public institutions as schools and hospitals that have been requesting organic products. The introduction of a new product in itself is a complex process and this can also help to explain why there have not been introductions of more organic products. Reasons for Wasabröd`s organic product to not in general being more requested by consumers are believed to lie in their conventional products already being healthy and environmentally friendly. Thus consumers are believed to prefer buying organic products that are associated with having a bigger positive impact on the health as organic vegetables. The only product adaptation made on their organic product for the foreign market is the packaging and where the organic label in question for the export country can be found.

**Price**
The export price for their products including the organic is calculated with considerations to the existing price levels on the export markets (Pers. com., Brynell, 2006). Price levels tend, for example, in general to be lower on the German than the French market. The price consideration for their organic product is similar to the conventional one or slightly higher as

account is taken for it being a niche product. The export of their only organic product "Krögarknäcke" to their only organic export market Denmark, is still much a very small scale event and it does not generate any specific profits of interest.

**Promotion**

Wasabröd does not specifically promote their organic products outside their ordinary marketing campaigns (Pers. com., Brynell, 2006). If a customer, however, would request their organic product, it can be arranged. An area in the promotion where they have experienced specific concerns is what you are allowed to promote on your product and not. It is for example allowed to market whole meal as good against cardiovascular diseases in Sweden but not in Denmark, but as their products on these two markets are sold in the same packages they can not use this as a market message on their product. Wasabröd also relies on interpreting marketing signals regarding if they should enter with a product on a market or not. Then it is important that there is a specific interest for the product concerned among potential customers.

**Positioning**

Currently Wasabröd is only exporting their organic product do the Danish market, and this decision was taken as a result of a consumer demand from this particular market (Pers. com., Brynell, 2006). They are however planning to enter the German and Norwegian markets with their new organic product. As a part of the Barilla concern they are enjoying an extended network of sales offices all over the world. This has helped and facilitated the distributional processes over which they have full control. Wasabröd is also aware of the importance of product placement and has tried to keep their products together in the stores, including their organic product. Today 75% of their total turnover is generated from exports. The markets that are of interest for the organic export are those where they already exhibit a strong market presence.

# 6 Analysis

*The analysis is divided into two parts, consisting of a within and cross case analysis. A within case analysis consists of analyzing the empirical data with regard to the theoretical perspective. In the cross case analysis the case companies are analyzed and contrasted against each other and with regard to the theoretical perspective. These analyses are performed in order to find out about conclusive findings for the investigated companies and that can be transferred into a valuable exchange of ideas and inspiration for new practices.*

## 6.1 Within case analysis - Björnekulla

### 6.1.1 Internal and external triggers influencing internationalization

**Internal**

Of the internal triggering effects, it seems as if a managerial urge has driven the company to consider further investments in the exportation process. The fast increasing exports of organic products have made them aware of the unique opportunities on the foreign market and they are likely to proceed with activities enhancing the company's ability to meet these. As Björnekulla`s products were demanded after a request being made, it is natural to draw the conclusion that they are considered to have a unique product. Also the company seems to take a strong pride in their products and their unique characters and they have so far expanded their businesses operations.

Essential for this ability to expand abroad has been the availability of organic raw materials supply and they have not experienced any difficulties in satisfying the demand of the market with products so far. It can be hard to estimate what types of economies of scale that is affected by the increasing export of organic products. There is probably however considerable economies of scale opportunities as the production facilities allow for a higher production volume.

They perceived obvious risk diversification advantages when exporting. This is a result of more customers with different tastes that all together helps to decrease the company's dependence on any particular product. At the same time Björnekulla has especially on the export market a dependence on particularly jams and marmalades that could increase their vulnerability. An extended sale of seasonal products was, however, not a factor that had affected their decision to export, and which probably is related with their products having a stable demand all during the year.

**External**

The specific event that worked, as the triggering effect of Björnekulla`s export was an inquiry made from a foreign importer. This occurred in 2004 and opened the company's eyes to the potential that exists on the export market. As their organic export market has increased substantially since then, they are sensing more reasons why to enter the export market. The first major reason to do so is simply because of the awaiting market opportunities. Just by considering the giant German organic market with about ten times as many potential consumers as the Swedish market, it is easy to comprehend the opportunities.

External change agents as trade fairs and governmental agencies have had little effect in stimulating export decisions from Björnekulla. This can be seen, as a failure from a societal perspective as these change agents should be perceived as a unique tool for expanding a market. They have however recently decided to participate in a marketing campaign of Swedish food which indicates that they are becoming increasingly affected by external change agents. In the case of Björnekulla, triggering effects as a small home market or stagnant and declining home market did not prove to have any relevance at all in their decision for expanding abroad. What might stimulate their export is however the fact of price premiums that might exist on the foreign market.

### 6.1.2 Forces driving influencing competition

**Industry Competitors**
Björnekulla as most other companies within the organic business have profited by the price premiums that exist on the organic market. Thus the forces driving industry competition can be said to be weak as this signifies a market with price premiums. It is however not likely that these price premiums will remain in the long term as more companies can be expected to enter this market and cut the price premiums.

As is suggested by Porter (1980) the key in gaining competition advantages also lays in choosing to differentiate their products or in finding cost advantages. By choosing to sell organic products Björnekulla can be said to have chosen a differentiated product strategy. They should however consider if they are willing to continue the differentiated strategy with for example products of a more luxury segment defined character or in finding cost advantages. Their future probably lays in doing a little bit of both as for example trying to develop products with an even more attractive jar and product content while cutting costs and increasing the production efficiency.

Björnekulla is actively working on finding new product types that can stimulate the demand from customers and thus giving them competition advantages. It can also be hard to keep an eye on competitors as there are many businesses that are active within Björnekulla`s market domains. Their conventional market can probably be said to consist of a maturing market with a stable share of competitors while more competitors can be assumed to be entering the expanding organic market.

**Substitutes**
If the prices on organic products continue to be substantially higher than their conventional counterparts, it is likely that the organic market will have difficulties in continuing its growth. Many organic customers might also be price sensitive regarding buying expensive organic products and might want to choose organic substitute products as peanut butter instead of organic marmalades if the price initiative was enough.

**Potential Entrants**
As the organic market as other markets are facing an increased global competition, it is important to be aware of potential competitors from countries as far away as Chile and New Zealand. This is advisable considering the fact that these countries have substantial raw material outputs and are oriented towards agricultural exports. Other factors that makes this type of product vulnerable to distant competition are that conserved products is not a particularly perishable product and easy to transport over large distances. Hindrances to enter this market are however many, as it first requires substantial investment in a production

facility as well as recruiting qualified employees. These hindrances should be considered as substantial for potential entrants.

**Suppliers**
There is always a risk that the suppliers of raw material to Björnekulla might want to form cooperatives to expand on the organic market. They would however need to overcome obstacles not just from a financial perspective, but also from the required skills and information needed to set up the business. It would probably also be hard for them to connect and steer all the independent actors towards a common goal while keeping an eye on their production of raw material as well.

**Buyers**
The retailer buyers of Björnekulla`s organic products are likely to in the future start persuasion campaigns for better deals and more actively compare and contrast different product deals. Even if it is not likely that the buyers themselves will enter this particular field they could try to start cooperation with other businesses to find better agreements. There are also possibilities that larger buyers might want to start rebranding products and have their own private label assortment.

### 6.1.3 The marketing plan

**Product**
The exportation of Björnekulla`s organic products is limited to a few jam and marmalade products. It could therefore be of interest to increase the number of products and try to stimulate the export further of other types of products. It is also essential that the raw material supply is secured for their organic products which could be arranged by certain contracts with the suppliers. Product development is the essential key and of 74 products 17 are organic which indicates that there is an opportunity in producing 57 more organic products of already existing varieties. As the international demand is restricted to a few well known organic products it can be advantageous to pay more attention to them instead of diverting time and resources on products that customer might show little interest in.

If the organic export continues to increase, it can be advisable to consider changing the products to better fit with the export markets need. These needs could be ascribed as different preferences in the products taste and consistency. It is also possible that the declaration tag could be made more attractive to better appeal with consumer preferences.

It is astonishing how well Björnekulla has succeeded with their exportation of organic products considering how little effort they have placed on it. Perhaps this partly can be explained by that the company has a well developed organic product segment and that the organic market is rather undeveloped and growing fast. With the increasing attractiveness on this market, it is suggested that Björnekulla should try to develop their connections with the buyers further and to actively engage themselves in expanding their customer portfolio.

**Price**
The pricing strategy of Björnekulla`s organic product export is calculated to contain a profit on each delivery which implies that no exportation that takes place is sold with a loss. As the organic production is more expensive compared with the conventional one, it is advisable that these costs are covered. In the long run Björnekulla needs to review their pricing strategy

constantly while keeping an eye on their competitors' performances in order to avoid unpleasant surprises.

**Promotion**
Björnekulla has succeeded well on the organic export market without even promoting their products. Through relatively uncomplicated operations they could probably easily promote their products via for example trade fairs to reach a greater customer group. It is therefore interesting to note that they recently decided to participate in a marketing campaign on the export market. To differentiate from their competitors and to strike in accordance with customers it can also be valuable to paint up a promotional message that speaks in favour of Björnekulla`s organic commitment.

**Positioning**
The fact that Björnekulla has succeeded in exporting their products to countries as far away as Japan and Russia shows that their products are very competitive. In order to increase their already existing competitiveness it is advisable that they also try to develop a strategy on how their products can best be presented in the stores as in form of shelf labelling and product placement. To be able to expand on markets as the US they also need to find out if there are any opportunities in overcoming that markets perceived excessive legislation requirements for importing organic products. It could also be advisable to seek establishment with smaller chain stores and not to only rely on a few big retail stores in order to decrease the dependence.

## 6.2 Within case analysis - Santa Maria

### 6.2.1 Internal and external triggers influencing internationalization

**Internal**
Of the internal triggers most of them were considered as having affected their decision to export organic food. It is probable that a company with a unique market situation on its main markets as Santa Maria, has confidence in their abilities to utilize their internal skills when pursuing foreign export markets. As a company it seems as if the organic market development was a unique opportunity for them to acquire specific marketing information, utilizing economies of scale advantages, having a unique product, diversifying their risks, extending the sales of seasonal products as well as utilizing an excess capacity of resources. Surprisingly there does not seem to be a managerial trigger to pursue export markets. This can be perceived as a bit contradictory considering their export success and that it must have been implemented with the approval of the management. Perhaps this only signified that some of the managerial urge is lacking in further grasping the unique organic export opportunity.

**External**
Several of the external triggers, affected Santa Maria to become an exporter of organic products. Most of them were related to a positive outlook on the export market such as the ability of seizing a unique market opportunity, stimulation from change agents and receiving unsolicited orders. All of these triggers affected and strengthened this decision, which indicates that they perceived positive feedback and grasped and utilized a unique opportunity. Of the more negative reasons for going abroad as a small or stagnant and declining home market, none affected their decision, as they were not eligible.

### 6.2.2 Forces driving industry competition

**Industry Competitors**
Santa Maria has experienced several problems when entering international markets. Some of the specific disadvantages they have had against local competitors were barriers, especially in form of language and cultural differences. Even though there are a lot of competitors on their export markets they seem to be quite aware that they have a unique market position that enables them to deal with competitors successfully.

**Substitutes**
Substitute products were seen as a strong potential competitor. This is probably related to the fact that their flavours can be replaced by similar blendings. Thus the flavour industry can be said to particularly be affected by substitute competitors. It is also evident that Santa Maria has a wide range of products and constantly is launching new types of products. This is probably the result of a wish to expand into existing and arising market segments and to prevent potential substitute products to intervene as competitors.

**Potential Entrants**
Potential entrants were not seen as a strong threat. This is probably related to the fact that it requires a lot of expertise, capital and connections to successfully be able to launch products on the flavour market. It could for example be considered as more likely that a new potential competitor simply would buy an already existing company instead of starting up one from the beginning.

**Suppliers**
Suppliers of their raw material were partly seen as being potential competitors, probably as a result of them wanting to reach the more profitable area higher up in the production chain. As an importer of raw material they could also be subjected to the increasing costs of raw materials that arise as a result from emerging markets such as China and India. It is also likely that new companies will arise within the flavour industry that has closer bonding with raw material suppliers because of their geographical proximity.

**Buyers**
Buyers of their products were not at all seen as potential competitors and that is probably related to the relative complexity of the flavour industry. For many of the buyers venturing into the flavour industry it would require a lot of investments and a unique market knowledge that they simply do not possess. Besides this they would be limited to their own retail chain stores and not be able to reach competitors stores as Santa Maria is able to do.

### 6.2.3 The marketing plan

**Product**
Santa Maria produces a wide variety of organic products of which most are fresh herbs in pots. Their organic export success lies within their ability to satisfy customer requirements with their unique organic product assortment. Interesting to note is that they are exporting almost the exact same products to each of their markets, which indicates that the markets either have the same product preferences or that they, as a company, are exporting/promoting the same type of products to customers.

The demand for their organic products have been high and as a result they have experienced problems in satisfying customers with the right quantities at the right times. This is a phenomenon ascribed to companies in an expansive market who strives to keep up with the supply of raw materials and converting the production processes to increase the output to satisfy the market demands.

As a result of their successful export business they are also planning on launching new organic products on the international market. With the width of their product assortment there are many available opportunities in creating organic products on already existing conventional products. Further, they should consider setting up programs to ensure a secure and stable supply of organic raw material.

**Price**

The pricing strategy of Santa Maria is as already mentioned affected with concerns to the geographical location, volume ordered and transportation costs. They have thus set up an exportation program, which enables them to make a calculated profit on each export made. The turnover for their organic export is also quite impressive and is likely to increase as the exportation trend is positive and with a satisfying profitability on several markets. Having exported products of organic origin since 1998, a solid basis of experience and skills ensures a continued engagement.

**Promotion**

Santa Maria has an impressive range of different promotional tools as ads, leaflets and attending trade fairs and doing company presentations. This indicates that they have a well-developed promotional program at their disposal. They have also chosen to do a lot of promotion directed towards consumers through retailers, which indicates that a certain type of promotional activities as pamphlets might be widely used. A contradiction in their promotion is that they find that customers are responding positively towards it but that the promotion at the same time is working both good and bad. This is probably inherent to the fact that some promotional activities are more effective than others and that it can be hard to reach the highest anticipated success among certain targeted market segments.

**Positioning**

Santa Maria is interested in all potential markets for their products, which indicate that they have an enterprising attitude towards continuous growth. They are also planning on entering new markets soon. A market expansion has already occurred in larger countries such as Germany, Great Britain, and France as well as in smaller countries such as Denmark, Switzerland and Czechia. So far all of their markets lie in the EU and it is likely to conclude that the trade system provided by this trade union has enhanced their expansion taking place to these countries.

Santa Maria is also trying to influence what type of stores that gets to buy their products and how their products are placed in the store, so that their products are ascribed to attributes that are consistent with their company profile.

## 6.3 Within case analysis – Wasabröd

### 6.3.1 Internal and external triggers influencing internationalization

**Internal**
The Internal triggers have much more affected Wasabröd`s decision to go abroad than the external ones. It seems as if the major reasons for going abroad was to be able to fill the production capacity and then the triggers of excess capacity of resources and economies of scale proved to be important. Acquiring risk diversification and having a unique product also influenced their decision for going abroad which partly indicates that they have a belief in themselves and that they need to export in order to survive. The extended sales of a seasonal product and acquiring marketing advantages proved to be irrelevant triggers, and this more because they had not considered these as eligible reasons for exporting abroad.

**External**
Wasabröd has hardly been affected at all by external triggers when pursuing their export. This counts for all of their products and not just their organic one. One of the main reasons however for pursuing an international market is because they have a small home market and that 75% of their turnover is generated from activities abroad. Perhaps they are not so affected by external influences as they have such a long history of export and more relies on their own ability and on internal triggers for reaching export markets.

### 6.3.2 Forces driving industry competition

**Industry Competitors**
The crispbread market shows indications of being a hard competition market with lots of different actors. This is probably related to the fact that crispbread is a relatively easy product to produce. Wasabröd has however competition advantages being a part of the Barilla concern especially through their world network of sales offices. Another favourable aspect that Wasabröd has is their export experiences of more than 50 years and which also should be expected to have resulted in a high brand recognition and loyalty on some of its markets. The competition might also be less on markets where there does not exist a tradition of eating crispbreads and as a result less crispbread producers are likely to be active there.

**Substitutes**
Wasabröd as other crispbread manufacturers are highly affected by the competition from the substitute product of ordinary bread. On the Nordic markets where there exists a tradition of consuming crispbread and with an expected well defined consumer segment they might be less affected by substitute products. Other markets where consumers not are so committed to crispbreads, they could be more vulnerable to substitute products. Their argument of being especially competitive as they are a wholemeal product, could also fall short on some markets with lots of ordinary wholemeal breads as competitors for health conscious consumers.

**Potential Entrants**
Reasons for potential entrants on the crispbread market to be considered as irrelevant competitors is likely to be related with the fact of Wasabröd having a strong market presence. If a new company on the crispbread market however would have substantial resources behind them, they would be seen in a different context and as a much harder competitor. It should

also be noted that there already exists a lot of different crispbread producers on the Swedish home market and that the company is used to this type of competition.

**Suppliers**
The suppliers of raw material to Wasabröd are abundant and therefore lack significance in their negotiation powers. They are thus not seen as likely to become a competitor as a result of their role in being a raw material supplier. It is also not likely that they have the economic resources and knowledge to successfully be able to compete on a hard competitive market with already existing and well known producers.

**Buyers**
Wasabröd`s organic crispbread product has already been affected by one of their buyers own organic private label of a crispbread product on the home market. They are thus very vulnerable if their buyers would choose to further expand their own crispbread production. It is therefore suggested that Wasabröd expands with their organic crispbread on different markets as a way to diminish the risk of becoming to dependant on any particular buyer.

### 6.3.3 The marketing plan

**Product**
As Wasabröd is only producing one organic product, consumers might not even be aware of this. Perhaps this signifies why the company is considering launching new organic products. It is however interesting to note that they did choose to introduce at least one organic product, partly as a result of the demand from public institutions as hospitals and schools. With a wide variety of different conventional products, there also exists an opportunity in creating organic varieties of these. Introducing new products is however a resource demanding process and the organic market is still mostly a niche market and it can be hard to motivate the allocation of resources needed. Redoing the packaging of this product should also be considered to make sure that customers realize that Wasabröd`s organic product in fact is organic. At the same time, it is necessary for them to be sure if the organic market niche for their product is big enough or if they should invest their money on other types of products instead of the organic ones.

**Price**
The price levels for Wasabröd`s organic product is the same or slightly higher in comparison to their conventional products. It is thus surprising that not more export markets have requested their organic product. If buyers are willing they can however always request Wasabröd`s products and thus acquire them. The negotiation of price levels are also important and a thorough analyze of the market situation is needed. It is also interesting that Wasabröd is considering entering the highly competitive German market with their organic product as there already exists these type of products there. At the same time, they might be able to acquire market shares relatively easy on an existing organic crispbread market than having to start from the beginning and to build up an organic market in another country. A problem for their organic product is also that consumers rather seems to be willing to spend money on particular organic products and not on products such as Wasabröd`s that already are associated with being healthy, organic or not.

**Promotion**
Perhaps Wasabröd`s organic product has had problems in acquiring market shares on foreign markets as they have not specifically targeted their organic product in any of their marketing

campaigns. At the same time customers have not particularly been requesting their organic product either, probably because they are not interested or simply unaware of that it exists. Listening to consumer signals in form of public institutions did however result in them taking forth an organic product, but this seems to have been an isolated event and which did not result in any specific increase of the demand. It could also be advisable that Wasabröd tries to reach organic consumers through specific promotional campaigns.

**Positioning**

Wasabröd`s organic export is still more of a phenomenon than a successful export. It is interesting to note that they have not noticed any particular market demand on their organic product except from Denmark which is a country with a strong organic consumer segment. They are however considering entering the Norwegian and German markets with their new organic product. At the same time Wasabröd is able to access a unique network of sales offices around the world through their Barilla association and is thus able to reach markets where there might be an interest of organic crispbreads. They are also mostly selling their products in ordinary retail stores, which can be a bit negative for their organic product as a lot of the organic sales, are made through other channels as health stores. It can also be difficult for organic consumers to find their organic product in the stores as the product is more likely to be placed with other Wasabröd products and not with organic products.

## 6.4 Cross case analysis

### 6.4.1 Internal and external triggers influencing export decisions

The first part of the cross case analysis compares and contrasts how the companies have dealt with the internal and external triggers influencing their export decisions. Thus a more coherent and summarized description is achieved on how the companies have experienced these triggers. In Table 5 (author illustration) an overview of the internal and external triggers influencing the export decisions is provided.

*Table 5, An overview of the gathered data for "Internal and external triggers influencing export decisions" (author illustration, 2006)*

**Internal and external triggers influencing export decisions**

| Internal | Björnekulla | Santa Maria | Wasabröd |
|---|---|---|---|
| Managerial urge | Yes | No | Yes |
| Marketing advantages | No | Yes | No |
| Economies of scale | Yes | Yes | Yes |
| Unique product/technology competence | Yes | Yes | Yes |
| Risk diversification | Yes | Yes | Yes |
| Extended sales of a seasonal product | No | Yes | No |
| Excess capacity of resources | No | Yes | Yes |
| **External** | | | |
| Foreign market opportunities | No | Yes | No |
| Change agents | No | Yes | No |
| Unsolicited orders | Yes | Yes | No |
| Stagnant or declining home market | No | No | No |
| Small home market | No | No | Yes |

These facts are commented below:

**Internal**

The internal triggers for exporting abroad were found to have affected the exporting companies to a much larger degree than the external factors. This can be related with that the companies have a larger understanding of their internal capabilities than to relate on external factors. Particularly the internal factors related to the production as economies of scale and having a unique product/technology were found to be having a positive influence on their export triggers. Achieving a risk diversification was also found to be a major implication for going abroad as an exposure of their organic products to only the Swedish market would expose them to unnecessary risks. The internal trigger of extended sales of a seasonal product did not receive any specific attention except for one company with products more likely to be subjected to seasonality.  Acquiring marketing advantages did not either seem to have been a reason for going abroad as most of the companies probably perceived that they could take in market signals from other sources than through a direct market presence. A surprising factor was also that the managerial urge many times seemed to be lacking at the companies to specifically promote and export organic products. This is likely to steam from a belief of organic products still being a niche market that have not acquired specific interest from the management.

**External**
The only external trigger that the surveyed companies had a similar finding on was that a stagnant or declining home market was not a reason for pursuing exports abroad. It more seemed as if the companies had been receiving requests in form of unsolicited orders from abroad and which had started their export program. The most successful organic exporters also claimed that a small home market had not been a reason for exporting abroad, which suggests that they perceived the export market to be of more interest than to acquire a larger market share on the domestic market. It is interesting though that a majority of the companies had not experienced a unique foreign market opportunity as a reason for exporting abroad. This probably just indicates that there were other triggers that have affected the company to export abroad. Change agents had also not had any specific effect on the companies, even tough some of them had made use of them in actives such as trade fairs and promotional campaigns.

### 6.4.2 Forces driving industry competition

In the second part of the cross case analysis an analysis is made on the companies various experiences with regard to the forces driving industry competition. The competition forces of industry competitors, substitutes, potential entrants, suppliers and buyers are examined further with regard to compare and contrast the experiences of the examined companies. In Table 6 (author illustration) a simplified overview of the gathered data for the forces driving industry competition is presented.

*Table 6, An overview of the gathered data for "Forces driving industry competition" (author illustration, 2006)*

| | **Björnekulla** | **Santa Maria** | **Wasabröd** |
|---|---|---|---|
| **Industry Competitors** | **Yes** | **Yes** | **Yes** |
| **Substitutes** | **No** | **Yes** | **Yes** |
| **Potential Entrants** | **Yes** | **No** | **No** |
| **Suppliers** | **No** | **Yes** | **No** |
| **Buyers** | **Yes** | **No** | **Yes** |

This table is commented further below.

**Industry Competitors**
All of the examined companies are exposed to competition on their markets. Some of the competitive advantages that their products contain are that they have well developed products with a high quality. Almost all of the companies have a nearly 100 year old history indicating that they have unique experiences within their field of operation. They have thus acquired

some of the competitive advantages on the home market, needed to successfully meet competitors on the export market.

Conspicuously is that there exists a unique market development on the organic market with continuous growth. This should be contrasted in comparison to some of their markets for conventional products with an increasing competition and expected soaring profitability. The companies have also experienced different intensity in the competition depending on what country markets they have entered, for example so seems the German market to be very attractive but also very competitive. It could therefore be of interest to look up markets as Great Britain, which imports a large share of their organic products.

**Substitutes**
As all of the companies in the study are within different fields of operation it is impossible to address any specific substitute product that is a common competitor for all of them. Instead it was found that some of the companies experienced much more substitute competitors than others. It must also be taken into consideration that conventional products often acts as substitute products for their organic counterparts, and then the consumers price sensitivity is of outmost importance to take into consideration.

**Potential Entrants**
Regarding potential entrants to the examined companies, they expressed different opinions on whether there was a possibility that they would enter their market or not. Some of the major hindering grounds for entrants onto their market are that they need capital, distribution and incorporation of their brand. The major threat to their organic products therefore lies in that a rivalry on their conventional market will choose to enter their organic market segment and not that companies will be started from zero to enter their specific organic field.

**Suppliers**
The suppliers of raw materials to the companies were seen as the most unlikely to start up a competitive operation. This was also found as is suggested in theory that the suppliers are abundant. Many of the companies also imported their supplies from different markets both to cut costs but also to spread their risks. The suppliers can also consist of weak cooperations of independent farmers who might not have the negotiation power to receive higher prices or the ability of moving up in the production chain.

**Buyers**
These were considered as a substantial competitor for some of the surveyed companies. There also seems to be an increasing trend that especially retailer chains are introducing their own private labels to partly replace or compete for customers in their stores. This is of course a worst case scenario especially if they choose to set up a whole range of products that directly competes with your already existing product as one of the investigated companies expressed it. It was however also found that one company did not see this as a threat as they can offer their buyers a whole range of different products which would be hard for retailers to replicate into their own private labelling because of their unique brand and product concept.

### 6.4.3 The marketing plan

In the final part of the cross case analysis the findings of the three surveyed companies are compared and contrasted with regard to the marketing plan. This has been done with regard to the four P´s of, product, price, promotion and positioning. In Table 7 (author illustration) the examined companies` response to the export with regard to the four P´s is presented.

*Table 7, An overview of the gathered data for "The marketing plan" (author illustration, 2006)*

| | **Björnekulla** | **Santa Maria** | **Wasabröd** |
|---|---|---|---|
| **Product** | **Produces 17 organic products. Exports mostly jams & marmalades.** | **Produces 22 organic products. Exports mostly herbs in pots.** | **Produces 1 organic product. Considering launching new organic products.** |
| **Price** | **Export must be made with a profit.** | **Export prices are determined by location, volumes and transportation.** | **Export prices are calculated with consideration to the export markets price levels.** |
| **Promotion** | **Little promotion. Participates in a marketing campaign in Germany.** | **Well developed promotion including attending trade fairs, ads, leaflets and company presentations.** | **A developed promotional campaign, but nothing specific for organic products.** |
| **Positioning** | **Exports to 18 countries. Sells directly to retail stores.** | **Export mostly to countries within the EU. Product placement important.** | **Exports only to Denmark. Unique sales office access via Barilla owner.** |

These facts are further commented below:

**Product**

There were a number of different organic products being offered to consumers by the companies. Often these organic products were found to be varieties of their conventional products. Some of the companies had a wide variety of different products that the customer could choose from while Wasabröd only had one organic product. Those who could offer this variety of organic products had had more success with their organic products and particularly on the export market. This can also be attributed to consumers being more likely to choose certain categories of organic products as they particularly disapprove of the conventional production processes of that product. All of the companies were however introducing new organic products to increase their market opportunities. Björnekulla had for example introduced four new products during the last couple of months.

It also seemed as if there was a specific demand on particular organic products from the companies' organic product segment as Björnekulla who experienced a specific demand on their organic strawberry and orange marmalades. This indicates that these products probably were more unique and hard to find on the local market. All of the companies spoke very consciously about their products as being of very high quality and that seemed to be their number one competitive advantage over competing products. When it came to adapting their product to the local market, all of them had only changed the declaration of contents and organic label to suite the requirements of the export country.

**Price**

The pricing strategy among the surveyed companies differed but all of them wanted to have a profit on their export of products. Santa Maria had chosen a number of factors affecting their price level as location, transportation and volumes ordered while Wasabröd made specific calculations according to each market situation. It also seems as if the exporters have realized that the organic market can be a lucrative niche in the market and that they currently have advantages on it compared to their competitors. Further it is likely that this market is growing so fast that retailers have been forced to look further away for acquiring organic goods. This is thus a unique opportunity for Swedish manufacturers of organic food products to reach consumer awareness of their products on markets far away that might be transferable to their conventional products and thus resulting in even higher sales volumes.

Concerning the external costs the companies are very affected by external price pressures in form of competitors and retailers bargaining power. They can however more efficiently affect their internal costs and many of them had efficient production processes that increased their competition and kept costs down. At the same time, being located in a high salary country as Sweden can affect them negatively but seems to be counter evidenced by highly efficient employees and access to resources with being located in a highly developed country as infrastructure and stability.

**Promotion**

The promotional campaigns differed much between the examined cases. Some had very advanced promotional campaigns while others showed a lack of it. Much of the organic marketing seemed to have been integrated with the marketing of the conventional products and it was difficult to find any distinct difference between the two of them. This can be an error as organic consumers are likely to fall for other types of promotion compared to conventional consumers. At the same time, it can be hard to justify specific organic promotional campaigns, as this segment often plays a small role within the company.

Björnekulla had also recently decided to participate in a promotional campaign handled by an organisation that promotes export of food from Sweden. This is an evidence of companies who might not be able to fully promote themselves can make use of external resources to reach their targets concerning the promotion. Perhaps it is also easier to sell products without promotion to countries close to the home market than those further away. At least many of the surveyed companies showed evidence of exporting to countries close to the home market.

**Positioning**

Much of the export was found to go to a wide variety of different countries, most of them within the EU. Concerning the transportation of products many of the companies relies on their buyers taking care of this while Wasabröd specifically took care of this by themselves. It seemed as if the bigger the company was the more control it exercised on the transportation. Most of the export was also performed directly to retailers and not via wholesalers. It is however advised that measures should be taken in assuring an environmental friendly transportation process as far as possible, this in order to diminish the possible critique that might regard long way transportation of food as questionable, especially regarding organic food products.

Especially Santa Maria had problems with satisfying their customers with the required products while the others so far had not experienced this. Interesting to note is that organic products in some countries such as Russia was perceived as being exclusive and thus was sold to high income consumers and through different sales channels. This indicates that sellers of organic products can reach different customer segments depending in the market structure within the country they are entering. A factor for increasing the sales of the organic products as is suggested in the literature review is to consider shelf labelling so that consumers more easily can find the product. The interviewed companies preferred though having their products kept together in the stores, which could be more beneficial for the total sales of the companies' products, but not specifically for their organic products.

# 7 Discussion and Conclusions

*In this final chapter of the thesis a discussion and conclusion based on this study will be presented. First a discussion and a comparison with other studies will be provided. This will be followed by the conclusions to the three specific research questions stated in the problem discussion: What internal and external factors have influenced the companies to export? How do the exporting companies perceive the existing and potential competition on the export market? How have the companies adapted their marketing plans to fit the demands of the export market? Finally, at the end of this chapter a suggestion for future research will be presented.*

## 7.1 Discussion

For two of the three companies within this study the organic export has been increasing rapidly. This thesis speculates that success in the export market is related to the examined companies having successfully entered a market segment which is to some degree characterized by a supply shortage of certain products. Having unique and competitive products has also enabled and opened up doors for export activities on foreign markets. There are, however, always companies who have faced obstacles when trying to enter the export market, but this study has not dwelled upon these factors. In order to succeed on the organic export market there are thus several factors that the exporter needs to be aware of to limit possible setbacks.

The overall organic export is growing fast and some companies, like the investigated ones, have been able to grasp unique existing market opportunities. It is therefore interesting to speculate about why some companies are more successful than others with their export. Success factors suggested by this study are: a good quality product, some type of product uniqueness, entrance into a market which is suffering from a supply shortage. It is further suggested that these companies have gained a good understanding of the organic market through their activities on their domestic organic market, which has given them an advantage when pursuing exports. The investigated companies have also chosen a prudent expansion strategy, as they have made sure that their exporting costs are covered and that most of the export is made with a surplus from the start. Below in Table 8 (author illustration) some of the findings of this study are compared and related with the findings of other studies.

*Table 8, A comparison with scientifical findings (author illustration, 2006)*

| **Results from other studies** | **This study agrees (Yes) / dismisses (No)** |
|---|---|
| *Davis & Jensen (1998) claim:* | |
| Export prices affected by competition: | **Yes** |
| Experiences on the export market results in diversified products and marketing activities. | **Yes** |
| *Lages (2000) claims:* | |
| Export performance improved by export experience. | **Yes** |
| Skills of top managers increase export performance. | **No** |
| Complexity of product manufacturing increases export performance. | **No** |
| Profits on the export market are positively affected by a scarcity of competing products. | **Yes** |
| Product adaptation to the export market increases the profitability. | **No** |
| Export satisfaction is higher for firms which have prioritized promotion. | **No** |
| Selection of different distribution channels compared to the home market is correlated with higher profits. | **No** |
| Profitability increases with export. | **Yes** |
| *Ross & Whalen (1999) claim:* | |
| Basic knowledge of strategic management or export marketing is sufficient for succeeding on the export market. | **Yes** |
| Export companies which have focused on the actual production and supply processes tend to succeed in the export market. | **Yes** |

As this study only has surveyed three companies it is hard to draw any major conclusions from the results of this study. Therefore some comparisons have been made with the findings from other studies. A research article by Davis & Jensen (1998) on the export market strategies of high value agricultural products from the US makes some similar conclusions as this study. These findings indicate that the exporters offer competitive prices for their products in response to the competition level on the export market. Furthermore, as a result of added export experiences, the export companies tend to diversify their exports through wider product offerings and establishing more marketing activities.

In an extensive research paper by Lages (2000), the effect of the internal and external triggers of export as well as the marketing strategy among export companies were examined. This research paper presents and contrasts several results that previous researchers on these topics have made. Some of these results have in turn been compared to the findings of this particular study.

Of the internal triggers found by Lages (2000), a seemingly obvious conclusion is that export performance is improved by export experience. This is also a result that this study indicates. Skills among top managers were found to be a key factor according to Lages (2000) in terms of export performance. This study could not show any evidence of this, as the export many times had occurred randomly or was affected by other factors than a specific managerial competence. Lages (2000) further states that successful exporters have widely diversified product lines, which is a result that this study also confirms.

Concerning the findings of the external export characteristics in Lages (2000), one conclusion was that the product-manufacturing complexity was a determinant of the export performance. This conclusion is in contradiction to the organic food business as companies on this market can show high profits as they have responded to a unique market situation rather than to be involved in a particularly complex manufacturing process. Lages (2000) further states that an important factor for export success is the absence of competing products. This was found to be one of the major reasons behind the export success within this study too, as there simply exist few competing products on the organic export market that could act as competitors.

Lages' (2000) findings regarding export marketing strategies indicate that the export product should be adapted to the export market to increase the profitability. The companies within this study have made certain product adaptations and it seems recommendable that they keep doing this. It is, however, questionable whether they should spend any major resources on this as their products are of a relative simple character and the need for any specific adaptation to the export market is questionable. Lages (2000) also found that the profitability of exporting companies was increased compared to non-exporting companies. This was a result of their products generating a higher price on the export than on the domestic market. The examined food companies within this study also seemed to have entered the export market as they wished to enter more profitable markets, or at least markets which could increase their overall profit as a result of increased market shares and economies-of-scale effects.

Satisfaction with export was according to Lages (2000) also higher for firms which have prioritized promotion, a result for which this study could not find any support. It was obvious, however, that food companies were prepared to step up their promotional efforts as their organic businesses kept on expanding. Finally, according to Lages (2000), the selection of different distribution channels compared to the home market suggested higher profits. Nonetheless, this study indicates that the choice of distribution channel is more determined by who actually demands the company`s products than by the companies' choices of distribution channels.

The results of this study were also found to be in accordance with Ross & Whalen (1999) and some of their major conclusions of Canadian Agribusiness export. In this report they concluded that basic knowledge of strategic management or export marketing techniques were considered to be sufficient by the exporters. They furthermore found that export companies which had focused on the actual production and supply processes were likely to succeed. These conclusions were supported by the present study and they indicate in combination that agribusiness tends to focus on the production and supply processes and to put less emphasis on management and marketing issues.

A general recommendation was also proposed in a research paper by Akridge et al., (2002) who urges agribusiness companies to first secure a place in the market followed by differentiating oneself from other market competitors. This had also been carried through by some of the companies in the present study through their continuous introduction of new products, through product development and to some degree profiling themselves as high-quality organic food products.

## 7.2 Conclusions

In this conclusive part of the paper the questions initially posed in section 1.3 shall be answered; these questions were:

1. *What internal and external triggers have influenced the companies to export?*
2. *How do the exporting companies perceive the existing and potential competition on the export market?*
3. *To what extent have the companies adapted their marketing plan to fit the demands of the export market?*

*What internal and external triggers have influenced the companies to export?*

The present paper shows that internal triggers rather than external triggers influenced the studied companies in pursuing their export. The domination of internal trigger factors as reasons for expanding abroad seems to indicate that the companies have a belief in and knowledge of their own internal abilities rather than they had to be convinced by external trigger factors. Particularly the triggers of economies of scale, a unique product/technical competence and a wish for risk diversification affected the companies' decisions to export abroad. With regard to other internal triggers, such as a specific managerial urge or a marketing advantage, the companies have had conflicting experiences.

Several of the external triggers were also found to influence the companies' reasons for exporting abroad. Particularly the external trigger of an unsolicited order in form of an inquiry seems to have had a major impact on the companies' decisions to start exports. However, the only external triggers not found at all to be affecting the companies' reasons for exporting was a small or stagnant/declining home market. These triggers can be perceived to be more of a negative driving force and all of the participating companies experienced a positive market situation on the home market. Some of the companies also seemed better equipped to take advantage of the external triggers from change agents such as trade fairs or export agencies. Nor had all of the companies perceived existing unique export market opportunities but were more often persuaded by other trigger factors to begin exports.

*How do the exporting companies perceive the existing and potential competition on the export market?*

All of the investigated companies have encountered competition on their export markets. The competition level has varied substantially between the entered markets. In particular in countries with a well developed organic market, such as Germany, the competition is considered to be harder. For most of the investigated companies their export has, once it had started, developed and continued to additional geographical markets. Producers of organic food products can also relatively easy expand their market shares without too intense competition, as this fast-growing market is demanding an ever-increasing range of products and larger volumes. Competition is, however, likely to increase and the findings of this paper suggest that they maintain their product development and efficiency, as precautionary steps a market which is likely to become characterized by an increasing level of competition.

Concerning the choice of competition advantages, the examined companies have chosen both a differentiated as well as a cost-advantage strategy. It is, however, believed that the investigated companies' major competitive strength lies in cost advantages associated with an effective production output. The factor of a differentiated competitive strategy also plays an important role. The exported products exhibit advantageous features associated with high quality. These are in turn associated with being value adding and particularly desirable in the export market. The fact that the investigated companies already are active within the organic business suggests that they have chosen an appropriate differentiated strategy aimed at reaching lucrative organic markets. However, as the companies are active in the highly competitive food market where price premiums can be hard to obtain, the companies have chosen to be very price conscious as well as to produce high quality products. Thus what characterizes the investigated companies is that they all have well-developed products with attributes that attract interest on the foreign markets. These companies are also well known on the domestic market where they have excelled and learnt how to deal with competitors and thus gained the competition advantages necessary for exporting abroad.

The investigated companies expressed different opinions regarding potential competitors. It is thus not possible to determine any common area from where potential competitors could arise. The companies expressed instead specific concerns related to the unique market situation of their products. No universality regarding perceived sources of potential competition was found in the gathered data. Yet there seemed to be specific concerns and experiences among producers of relatively uncomplicated products which was related to threats of competition from buyers who had introduced their own private labels as alternatives.

*To what extent have the companies adapted their marketing plan to fit the demands of the export market?*

Adaptation of the products to the export market was marginal and consisted of adapting the table of contents and the organic labelling to fit the requirements of the importing country. There was a significant difference between the numbers of products that the companies exported. Santa Maria exported 22 products and Wasabröd only one product, this is of course also related to the companies' existing organic-product assortment. The export market has, however, often a distinct interest in a few of the companies' organic products which tends to dominate the companies' exports. Yet several of the interviewed companies have plans to introduce new organic products for the export market.

When it comes to adapting the price to the export market, the companies have chosen different pricing strategies. One company had the same pricing strategy for all markets while another made individual calculations for each market. All of the examined companies expressed satisfactory revenues on their organic exports. Thus the organic-product segment has become an important share of any increases in the companies' revenues.

The promotional activities differed vastly between the examined companies. Promotion seems to be more advanced in the bigger companies as they are used to, and can afford, investments into promotional activities. It can, however, be difficult to reach the targeted goals for a promotional campaign on the export market. This was suggested as an area that needed to be further developed in order to be able to meet specific demands within the different countries and their unique market characteristics.

All of the participating companies have a predominance of their export going to countries within the European Union. This is likely to be due to Sweden being a part of the European Union and the fact that this is the world's largest organic market. Countries further away, such as Russia and Japan have also proven to be interesting organic markets.

What distinguishes the examined export companies is that they all have direct business connections with retailers in the import countries. They have thus skipped unnecessary intermediaries which always tend to increase the costs for the end consumer.

## 7.3 Epilogue

Certain areas have been revealed in the present investigation that would be of specific interest for further studies. These are:

*1. How does conventional export differ from the organic?*
In this study companies were examined which produce both organic and conventional products. It would be of interest to investigate if and how these types of export differ from each other.

*2. How can a successful organic marketing campaign be developed?*
Several of the companies expressed concerns about their promotional campaigns and how to reach the targeted organic-customer segment. It would therefore be of interest to investigate what characteristics a successful organic promotional campaign should exhibit.

*3. What are the characteristics of a successful organic export company?*
Although this study has presented a few characteristics that are representative for a successful organic company, it would be interesting to highlight and contrast a few areas which separate the successful from the unsuccessful organic-exporting companies, in order to find distinct attributes which organic companies need to focus on in order to succeed on the export market.

*4. What organic food products do consumers demand?*
It would be interesting to investigate what type of organic food products consumers are demanding. Such an investigation should take into consideration whether there is a demand for any specific food items that consumers are missing. This information would enable organic food producers to more easily determine which products they should launch, instead of trying to sell products in which consumers have no interest.

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## Appendix 1: “Export questionnaire for organic food producers”
*(author construction)*

# General Background Questions

Working position?
When was the company established?
Which year did you start with the organic production?
Which year did you start to export the organic product?
Why was the decision made to export organic products?
How does your export forecast look for the coming years?
What have been the most important factors that you need to consider when exporting?
What risks do you perceive as the biggest when exporting, ex currency rates, transportation?
What do you consider as the most hindering factors when exporting, ex raw material supply, bureaucracy?
What internal resources do you need to improve your export capabilities, ex employees and capital?
What external resources do you need to improve your export capabilities, ex raw material?
What type of organic brand/certificate do you use when exporting?
Are there any major lessons/conclusions that you have made through exporting?

# Internal & External triggers influencing export decisions

## Internal influences

Have any of these internal factors influenced your export decision?
Managerial urge, *management interest to pursue export*
Marketing advantages, *interest to access specific market information*
Economies of scale, *economical advantages with increasing the production*
Unique product/technology competence, *an existing unique product competence*
Risk diversification, *wanting to diminish risks by market expansion*
Extend sales of a seasonal product, *extending the life cycle of a product*
Excess capacity of resources, *an over production*

## External influences

Have any of these external factors influenced your export decisions?
Foreign market opportunities, *realisation of foreign market opportunities*
Change agents, *as governmental agencies and trade fairs*
Unsolicited orders, *an inquiry*
Small home market, *a limited home market*
Stagnant or declining home market, *a diminishing home market*

# Forces driving industry competition

How is the competition on the export market for your products?
Is there any particular competition from potential substitute products?
Do you see any risk for new potential competitors entering your market segment?

Do you think there is a potential that your suppliers will become a competitor to your products?
Do you think there is a potential that your buyers can become competitors to your products?

# Marketing Plan

## Products

How many different organic products are you producing?
What organic products are you exporting?
What product did you start to export and why?
Are you exporting the same products to each and every country?
Are you planning on introducing new products on the international market?
What is the most important factor according to you when introducing a new product in the market?
Have you chosen to adapt your products to fit the needs of any particular market/consumer segment?

## Price

What is your pricing strategy when exporting?
Is it the same for all countries/markets/intermediaries?
Is your pricing strategy the same for all products or individually adapted to each product?
Do you try to affect the price levels of your products on the different markets? If so, how?
Do you include cover costs analyses?
What is your yearly turnover for the organic products that you export? Or importance?
Is the profitability satisfying and what are the trends?

## Promotion

How have you been promoting your products on the international market? ex trade fairs
Are you trying to promote your products directly to the end customers?
Have you had any specific advertisement, PR or selling campaign in order to attract international interest for your products?
Is your promotion in line with your product offering attributes?
How are the customers responding to your promotion?
Is the promotion working satisfactory?

## Place

What international markets do you consider being of most interest for your organic products?
What countries did you start exporting to and which are you still exporting to?
Are you planning to enter new international markets?
Do you try to influence what type of stores that gets to buy your products?
Is your company responsible for the distribution of your products or are intermediaries responsible for doing this?
Has it been easy to supply the markets with the right volumes and on the right time?
Have you chosen to focus on any particular market segment within the organic market?
What export channel/intermediaries did you choose and why?
Are you trying to influence the store buyers of your products on how to place your products in the stores to attract customers?

## Appendix 2: “Seminar with focus on the export of organic food products” 18th of May 2006 in Helsingborg

*(To obtain at:*
http://www.ekologisktmarknadscentrum.org/?document=StratMarknKontakt%20/Exportsem-18maj06-Referat.pdf.)

## Important conclusions drawn when exporting organic food products

- To succeed with the organic export it has to become a strategic goal within the company.

- In the start up phase the focus should be set on one particular market.

- Adapt the product (package, price) and tell a story (romancing).

- Find out about the existing organic brands and their strengths.

- Acquire knowledge about export through colleagues, media, visiting stores and trade fairs.

- Take assistance by trade chambers and certification agencies.

- Utilize the unique Swedish brand in for example PR campaigns.

- There is no time to lose.

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*Distribution:*

Sveriges lantbruksuniversitet
Institutionen för ekonomi
Box 7013
750 07 Uppsala

Tel 018-67 21 65

Swedish University of Agricultural Sciences
Department of Economics
Box 7013
SE-750 07 Uppsala, Sweden

Fax + 46 18 673502