



Sveriges lantbruksuniversitet  
Swedish University of Agricultural Sciences

Department of Economics

# Lost in translation

- a case study of three Swedish food processing firms on export

*Malin Svedberg*

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Thank you,

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# Summary

In 1995 when Sweden entered the European Union (EU) conditions in the market changed. Swedish food export has increased since then but the share of total production exported is lower within the food industry compared to other production industries in Sweden (Livsmedelsföretagen, 2015). There are opportunities to explore but also challenges and research shows that food in particular is hard to transfer since it is highly integrated in a culture (Azar, 2014, Buisson, 1995 and Ghemawat, 2001). This case study has been conducted in order to understand what opportunities and challenges Swedish food processing firms encounter in foreign markets. The aim of this study is to develop an understanding of the perceived opportunities and challenges that Swedish food processing encounter when communicating values embodied in their products in export markets. These values are attributes that are hard or even impossible to evaluate before and after consumption like organic and sustainable production and referred to as credence attributes (de Chernatony *et al*, 2000 and Lindh & Olsson, 2010). Three firms have been studied and firm representatives have been interviewed. A theoretical framework built on theories of internationalization, psychic distance, added value, asymmetric information and communication for brand perception is presented and used to explain empirical findings. This study shows that firms have challenges when communicating credence attributes in the domestic and foreign markets. Depending on who the receiver is, more or less of information can be communicated, where awareness and knowledge are the two fundamental aspects that reduces the challenges. Technical production methods are more suited for verbal communication where there is time and opportunities for questions. This study further shows that contacts within a network are more influential than psychic distance when new export markets are evaluated.

# Sammanfattning

När Sverige gick med i Europeiska Unionen 1995 förändrades förhållandena på den svenska livsmedelsmarknaden. Den svenska livsmedelsexporten har sedan inträdet konstant ökat men i jämförelse med andra tillverkningsindustrier är andelen av totala produktionen lägre inom livsmedelsindustrin (Livsmedelsföretagen, 2015). Detta visar på att det finns möjligheter att utforska för företag men även utmaningar. Forskning visar att mat i synnerhet står inför utmaningar vid internationalisering då den ofta är starkt integrerad i vår kultur (Azar, 2014, Buisson, 1995 and Ghemawat, 2001). Denna fallstudie har genomförts för att förstå vilka möjligheter och utmaningar svenska livsmedelsföretag möter i kommunikationen av mervärden på marknader utanför den inhemska. Dessa mervärden innefattar värden som inte syns eller går att avgöra innan eller efter konsumtion, till exempel ekologisk eller hållbar produktion (de Chernatony *et al*, 2000 och Lindh & Olsson, 2010). Tre företag har studerats och företagsrepresentanter har intervjuats för att få en insikt i hur de tänker kring dessa frågor. Teorikapitlet är uppbyggt kring begreppen internationalisering, psykiskt avstånd, mervärden, assymetrisk information och kommunikation för varumärkesuppfattning. Detta kapitel ligger sedan till grund till analysen där de empiriska iakttagelserna förklaras. Studien visar att företag har problem vid kommunikation av mervärden på den inhemska marknaden och på internationella marknader. Beroende på mottagare kan informationsmängden variera och det är framför allt medvetenhet och kunskap som påverkar utmaningen. Tekniska produktionsmetoder är mer lämpade för verbal kommunikation där det finns utrymme för tid och frågor. Studien visar även att kontakter inom ett nätverk är mer betydelsefulla än det psykiska avståndet när nya exportmarknader utvärderas.

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# 1 Introduction

In this chapter, the reader will be introduced to the situation and background to the problem that will be studied in this paper. Aim, research questions, unit of analysis and delimitations are stated in order to give the reader an insight of this thesis and the area of research.

## 1.1 Problem background

The Swedish food industry, not including primary production, is the fourth largest production industry in Sweden (Livsmedelsföretagen, 2015) and the second largest industry in the European Union (EU) (European Commission, 2009). More than 3 000 food processing companies can be found in Sweden but only 650 of them have more than 10 employees, which indicates a market with many small actors (Livsmedelsföretagen, 2015). The firms can be found all around Sweden but the majority of the 56 000 employees can be found in the regions of Skåne, Västergötland and Stockholm, primarily due to a short distance to primary production for the first two regions (Jordbruksverket, 2012). Large organizational shifts have been seen the last 20 years in meat processing and dairy industries where automation has replaced employees. This has led to a constant decreasing rate of employment in the food industry (Jordbruksverket, 2012). This drop in employment rate is primarily found in large companies, not smaller firms where employment rather is increasing. According to a report from the Swedish Board of Agriculture (2012), the three largest companies within each sub category are responsible for 75 percent of the total turnover, which might say something about economies of scale. Smaller companies however can be important for variation, production methods, geographic spread, local attachment and niche products that can be successful in export activities (Jordbruksverket, 2012, b). One should also keep in mind that larger companies most often start small.

Another characteristic of the food industry is the high market concentration in the selling place. Larger firms like ICA, Coop, Axfood and Bergendahls dominate the retail grocery industry in Sweden, where ICA alone has half of the market share (DLF, 2014). The market concentration is high which put the market leaders in an advantageous position and the food processing companies in a less favorable position due to limited sales channels, at least for trade in the business-to-consumer (B2C) segment. In these markets, the dominating retail actors offer their own private label goods, which often are sold at a lower price than other brands, made possible by lower transaction costs arising with fewer intermediaries. The same situation can be found within sales of alcohol where one actor, Systembolaget, has monopoly of selling alcohol in stores which creates a challenging situation for new actors (Alkohollag 2010:1622).

As mentioned, conditions for the industry changed in 1995 when Sweden entered EU. The food processing companies went from a small and protected market to a much larger global market where import and export are natural effects. The entry in EU has inter alia resulted in changes in owner structure within larger food companies. Today, 55 percent of the “Swedish” food industry is foreign owned (seen to total turnover, not number of companies) (Livsmedelsföretagen, 2015). Since 1995 export of Swedish food has increased, along with a constant growth of import, but a small decrease in export was seen in 2014 (Livsmedelsföretagen, 2015). In 2014 the total turnover of food was 175 billion SEK, where 70 billion came from exporting activities (export of steel and iron amounted to 50 billion to put in comparison) (Livsmedelsföretagen, 2015). The food industry is important for Sweden and Swedish farmers since it processes 70 percent of the primary food production in Sweden.

In addition to that, one third of all transports on Swedish roads are food transports (Livsmedelsföretagen, 2015). Swedish food production has managed to produce some well-known brands and products and The Swedish Food Federation uses three words to describe this: quality, creativeness and customer awareness (Livsmedelsföretagen, 2015). Even though the industry is doing well and export has increased during the last two decades the industry faces some challenges according to The Swedish Food Federation (Livsmedelsföretagen, 2015). These are global competition, high labor costs, automation, lack of competence, low investments in research and development (R&D), taxes and fees and unnecessary bureaucracy.

Due to intensified competition, maturity or limited market opportunities within a domestic market much management tend to look to foreign markets (Cooper & Kleinschmidt, 1985) and export activities is one of the fastest growing economic activities (Spyropoulou *et al*, 2011). Literature shows that exporting companies have competitive advantages compared to non-exporting companies. Due to a higher competitiveness in the international market these companies tend to have lower production costs and higher efficiency (Jordbruksverket, 2015). Exporting companies have the possibility to take advantage of economies of scale since the production volumes are higher. This leads to a high level of cost efficiency, which often can be seen since the companies tend to be larger along with a higher value of added value per employee (Jordbruksverket, 2015). Selling costs are higher in international markets compared to domestic markets. This is a result of higher transportation and transaction costs, which is an incentive (or a must) for exporting companies to be more cost efficient (Jordbruksverket, 2015), or to be able to charge more for higher production costs.

Export ventures require access to other markets. Swedish food companies face some problems when going outside the borders of Sweden. For example, to be able to sell food in China an agreement of export and a country approval is needed (Livsmedelsföretagen, 2015; Livsmedelsverket, 2015). The same problem occurs with export to USA, but might be obtained with the Transatlantic Trade and Investment Partnership agreement in a near future (www, Regeringskansliet, 2016). The Swedish food industry is characterized by many small and medium sized enterprises (SME) that might lack resources to explore the opportunities with export, which could make export even harder.

*“Export sales are an important route to growth for the small-to-medium sized firm”*

- Cooper & Kleinschmidt 1985, p.37

Sweden is a net importer of food (Jordbruksverket, 2012; Livsmedelsföretagen, 2015) and Swedish food processing industry seems to have potential in expanding outside the domestic market as some of the companies already have done. Even though it has been 21 years since Sweden entered EU many food companies are still not taking the step to foreign markets. Ibeh *et al* (2006) highlight that what is known today regarding food processing companies' export ventures relates to macro-economic models rather than how it relates to the behavior of the firms. The Uppsala model of the firm's internationalization process (Johanson & Vahlne, 1977) describes that psychically close markets are entered first. The reason for this is because of the firm's knowledge about the foreign market regarding business and culture issues, which also tend to increase the firm's performance in the new market. Evans *et al*. (2000) nonetheless showed in an empiric study of non-food retailers that firms performed better in psychically distant markets. They explained that the reason for this could be that psychically distant markets require a more extensive market research, which improves the firm's performance (referred to as psychic distance paradox) (Evans and Mavondo, 2002). Psychic distance is not an observable phenomenon. It is rather operationalized through cultural and

business distance (Prime *et al*, 2009). In a revised version of the Uppsala model by Johanson and Vahlne (2009) they emphasize the importance of business networks for a successful internationalization.

A report from Swedish Board of Agriculture (Jordbruksverket, 2015) shows that being part of international markets encourage knowledge and technology transfer, which have an effect on the tendency to be innovative regarding both products and processes. Swedish Board of Agriculture (2015, a) concludes that the effect of export for food companies varies in terms of profitability, growth and employment rate. They further conclude that the effect most probably varies depending on the underlying market strategy.

## 1.2 Problem

Swedish food export has increased since entering the EU, but the share of the total production exported is lower within the food industry compared with other production industries in Sweden (Livsmedelsföretagen, 2015). This reveals some information that there are opportunities to explore, but also challenges for the industry. Along with a constant increase of food import (Jordbruksverket, 2012), sales in other markets are necessary and vital for a future food production within Sweden; a production that is geographically spread and employ 56 000 persons (Livsmedelsföretagen, 2016). Not only are there opportunities in other markets, the industry must also find ways to stay competitive in the domestic market. Business built on sustainable production is a way to niche or find a unique selling point in the market place. This can be done by the firm in an attempt to stay competitive in the domestic market and in foreign markets. As environmental concerns increase within society (World Business Council for Sustainable Development, 2008) a higher demand for these goods and services should be seen. However, concerns do not always translate into consumer behavior and factors that impact this are: availability, affordability, convenience, product performance and conflicting priorities (World Business Council for Sustainable Development, 2008).

The food industry differs from others since it is highly integrated with culture (Azar, 2014; Ghemawat, 2001) and some research argues that this integration makes it difficult for firms to transfer these kinds of goods (Buisson, 1995). Internationalization and export is an explored area but for food processing firms this is not yet fully studied (Azar, 2014) and not within the Swedish food market where values like quality, environmental concerns and animal welfare are natural and important elements in the production. These values are production costs, which the producing firms needs to get paid for (Hallberg *et al*, 2013). They are further locally detached and might therefore encounter problems or opportunities when transferred abroad. Consumers have concerns and preferences when discussing intrinsic or unobservable food attributes, and it is increasing due to recent food scares and scandals (Michalopoulos *et al*, 2008; Lindh and Olsson, 2010). Attributes like quality, origin, animal welfare and transparency that cannot be seen or judged on previous experience, is a challenge for the firm to signal to the consumer, especially when a brand is unknown and entering a new market. Even though these attributes are hard for the consumer to evaluate in a purchasing situation; they provide an opportunity for the firm if managing to communicate them because of their impact on consumers' preferences (Lindh & Olsson, 2010).

Researchers have frequently described the internationalization process with the phenomenon of psychic distance, also referred to as cultural distance (Azar, 2011; Azar, 2014). How food and food culture impact the internationalization process is on the contrary a less explored area (Azar, 2014), and furthermore, how food culture distance relates to a firm's communication of value adding activities in a foreign market does not appear to have been studied at all.

### 1.3 Aim and delimitations

The aim of this thesis is to develop an understanding of perceived opportunities and challenges that Swedish food processing firms encounter when communicating values embodied in their products in export markets. In order to fulfil the aim, following research questions will be answered:

- What credence attributes do firms attempt to communicate in the Swedish market?
- How do firms attempt to communicate these attributes in foreign markets?
- How does psychic distance impact the strategies of exporting Swedish food companies?

#### 1.3.1 Unit of analysis

According to Yin (2013) the unit of analysis is dependent on contextual factors and the phenomenon of interest. The unit of analysis is the major entity that can be observed, described and analyzed (Yin, 2013) and in this study the exporting firm (Findus Sweden, further on referred to as Findus, Polarbröd and Virtuous Spirits) will be the unit of analysis. These firms are part of the Swedish food processing industry and are exporting in different scopes in terms of volumes, time and geographical spread. Since they all already are exporting, knowledge and experience from their exporting activities can hopefully be identified. With a focus on firms that already are exporting, both to close and distant markets, knowledge and experiences from their ventures can be identified. The three firms are of different size and owner structure, which hopefully will give the area of research an interesting and descriptive input.

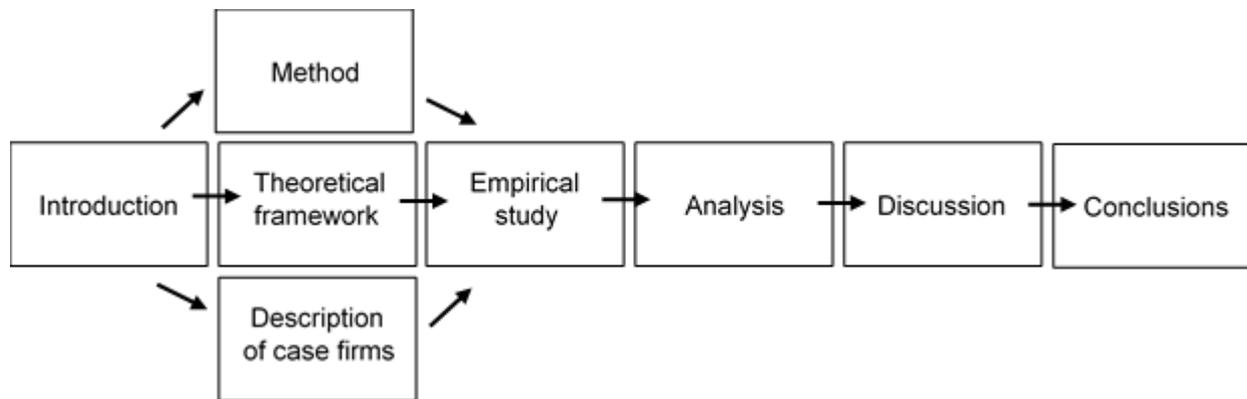
#### 1.3.2 Delimitations

This thesis will only investigate how firms attempt to communicate, not how consumers perceive the communication. This delimitation is done to get a deeper understanding of the firms' activities rather than how its stakeholders interpret the activities. A one-way perspective of the communication is thus provided in this thesis. Since the case firms have been exporting for a while, an understanding of why they communicate as they do will hopefully be obtained. This thesis is further limited to three firms within the Swedish food processing industry since the study is carried out as a case study. This has made it possible to study export ventures in detail to understand the firm from the inside rather than what is perceived from the outside.

Internationalization is a wide concept that is highly individual for each firm. Theory in this area is well established but constantly revised in a continually changing world. This thesis could have described other or additional theories that explains a firm in an international environment, but focus for this thesis is based on psychic distance. The eclectic paradigm, introduced by Dunning in 1979, would have been another interesting starting-point but it focuses on more than export which is a delimitation that has been made in this study in order to create a more comparable study.

## 1.4 Outline

The outline of the thesis is illustrated in figure 1 in order to give the reader an overview of how the thesis is disposed.



*Figure 1. Outline of thesis*

As figure 1 shows, a background to the topic and the aim of this research is presented in the first chapter. In chapter two the method used during this study is described along with choices made throughout the study. In chapter three the reader will get a short description of what previous research says about the topic and theories and terms are presented in order to give the reader an insight on what will further be analyzed and discussed. In chapter four the case firms will be described and in chapter five empirical finding from the case firms are presented. In the subsequent chapter, an analysis based on chapter three and five will guide the reader onwards to chapter seven where a discussion of the findings is presented. At last, conclusions and suggestions of future research will be presented in chapter eight.

## 2 Method

As a researcher it is impossible to be objective due to previous experience, knowledge and views (Robson, 2011). This will affect the chosen research area, theoretical framework and the way the study will be conducted (Robson, 2011). Because of this, Alvesson and Sköldberg (1994) emphasize the importance of showing transparency and reflexivity as a researcher. With that in mind, this chapter will give the reader an insight in how this thesis has been conducted, what choices that have been made and what impact these could have on the thesis.

### 2.1 Approach and design: qualitative and flexible

The aim of this paper is to develop an understanding of the opportunities and challenges Swedish food processing companies encounter when communicating added values in foreign markets. The aim is in other words to see how the chosen firms act socially in a context bound situation, which makes a qualitative research method preferred (Robson, 2011). A qualitative research approach is suitable when human activities have a crucial impact within the specific area that is studied (Gummesson, 2006). Robson (2011) mention that the key purpose of a qualitative research is to look deep into a situation where the aim is to explain rather than prove. He further describe that a qualitative approach is helpful when the aim is to understand and describe a social construction rather than hard facts (Robson, 2011), which is the case for this thesis. The latter one is more often used in quantitative research where the aim often is to generalize to a broader population (Robson, 2011). The area of this study is yet limitedly explored, and is not as dependent on well-established theories and concepts as a quantitative research (Robson, 2011).

*“A qualitative approach to research is required, allowing researchers to deal with complexity, context and persona and their multitude of factors, relationships and fuzzy phenomena; conventional statistical methods fail in all these aspects”*

- Gummesson, 2006, p.167

A qualitative approach is sometimes referred to as a flexible design, whereas a quantitative approach is described as a fixed design (Robson, 2011). A fixed design assumes that data collection is thoroughly planned in advance and that the collected material is comparable (Robson, 2011). An advantage, due to planned data collection, when using a fixed design is that the subjectivity of the researcher can be diminished and the risk of a biased result can be minimized. Despite this advantage, a fixed design does not leave room for complex behavior of individuals, which is the case for this study and therefore a flexible design for this paper is encouraged. This is in line in the findings of Yin (2013), where it is suggested that the research question should guide the researcher in choice of design, which has been the case for this study.

#### 2.1.1 Opportunities and limitations with a qualitative approach

There will be no possibility to do any statistical generalization or generalizations to a population when conducting research with a qualitative method (Robson, 2011). This study will rather give the reader an insight of how the chosen firms act, think and how they experience specific situations. An issue with qualitative research is that it is context bound and not possible to replicate, which is easier with quantitative research (Robson, 2011). The research approach in this thesis is subjective, or in other words hermeneutic, to be able to answer the aim in this thesis. Robson (2011) describes that a subjective approach is suitable when the aim is to interpret rather than depict (which is more common in quantitative

research where an objective view is preferred). Having a subjective approach means that my values and experiences as a researcher will somehow have an influence on the research (Robson, 2011). Stenbacka (2001, p.555) describes that “*a systematic and careful description of the whole process with the reality under study indicates good quality when using a qualitative method*”, which is why this chapter is of specific importance. The reader will hopefully see the transparency and understand how the research has been carried out.

## 2.2 Design: a multiple case study

The chosen design for this paper is a case study. Case studies can involve either single or multiple cases and they can be used to attain several aims; to provide description, to test theory or to generate theory (Eisenhardt, 1989). Robson (2011) describes that case studies are commonly used when organizations are studied where foci can be best practice, policy implementation, management and adaptation to name a few. He further describes that a case study “*...is a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence*” (Robson, 2011, p. 136). Three firms will be studied in this thesis to understand how they communicate added value into foreign markets. The phenomenon is transferring added value, the context is the real and specific for each firm and the conducted interviews and observations are multiple sources of evidence. The case study strategy is therefore well suited for the aim of this thesis.

*“Holistic, systemic thinking as manifested in case study research and modern network theory offers a superior mindset and techniques for merging modern physics and mathematics with qualitative approaches”*

- Gummesson, 2006, p. 167.

Yin (2013) emphasizes that the reporting phase is critical for a case study researcher since it does not follow any specific form. This means that composing is of importance, both textual and non-textual forms like graphs, tables and figures (Yin, 2013). To clarify for the reader that this is a multiple case study of three firms the empirical chapter will present the empirics from each firm separately and a comparative section where similarities and dissimilarities between the cases will be shown in the analysis. As Yin (2013) suggests, cross-case sections provides the reader a full insight in what has been explored and what conclusions the researcher has drawn. By doing this, transparency will hopefully be obtained which is suggested by Alvesson and Sköldböck (1994).

### 2.2.1 Selecting cases and delimitations

Robson (2011, p. 140) suggests that the “*cases are selected where either the theory would suggest that the same result is obtained or that predictably different results will be obtained*” in multiple case studies. Three different firms were chosen for this study; Findus, Polarbröd and Virtuous Spirits. Findus is a large and well-established firm that is exporting to 30 different markets around the globe (www, Findus Export, 2016). They primarily produce frozen vegetables and ready to eat dishes. Polarbröd is one of the three largest firms within the bread segment in Sweden (www, Polarbröd, 2016). Polarbröd is located in the Northern part of Sweden and is growing quickly, exporting to 13 countries within EU. In 2014 it had a revenue margin of 15 percent where the average in the same segment is under 5 percent (www, Livsmedelsföretagen, 2015). Virtuous Spirits is a small firm that produces organic and ‘fake free’ vodka. It was founded in 2012 and is by the end of this year already exporting to several markets (Pers.com., Löfendolk, 2016). The chosen case firms differ in terms of scope of export, size, geographical spread, age, product type and owner structure but they all have a

clear sustainability approach. The diverse firm characteristics will hopefully result in different approaches of communication. Theory and previous research claims that the outcome of export activities is dependent on underlying market strategy (Jordbruksverket, 2012; Evans & Mavondo, 2002; Johansson & Vahlne, 2009), which makes it possible to assume, to some degree, different results from the selected cases.

*‘Social life contains elements which are generalized across settings (thus providing for the possibility of the social sciences) and other elements that are particular to given settings (thus forever limiting the predictive power of the social sciences)’.*

- Bloor, 1997, p.37 through Robson, 2011, p.155

A case study is characterized by its uniqueness in terms of situation, time, place and people since social contexts are studied. It is therefore not possible to recreate the exact circumstances for a replicating study (Robson, 2011). Stenbacka (2001) mentions that it is critical that chosen cases, as well as respondents, are part of the researched phenomenon in order to understand it. If this need is not met the understanding is not valid since the empirical data might not investigate the objectives that it aims to investigate (Stenbacka, 2001). This makes the selection of cases in case studies key in order to obtain an understanding and to be able to contribute to present research.

## 2.3 Collection of data

In case studies, a close relation between the researcher and the examined case often results in a subjective collection of data (Riege, 2003). To undermine this subjectivity, multiple sources have been used for each case in this thesis. Besides conducted interviews, presented in section 2.3.1, data has been collected from reports from Swedish Board of Agriculture, studies conducted by Swedish Food Federation, the firms’ websites and from the importing firms’ websites (see table 1 for keywords). Multiple sources of empirical data gathering is commonly used within case studies and will hopefully give a broad and descriptive picture of the situation (Eisenhardt, 1989).

### 2.3.1 Interviews: semi-structured

In line with the qualitative approach and the flexible design of this study, semi-structured interviews have been chosen for the primary empirical data collection. Due to a less formal interview guide with topics rather than straight on questions a greater flexibility will be given to the respondents in their answers (Robson, 2011). Open-ended questions are, according to Robson (2011), flexible, allowing for misunderstanding to be cleared up, encouraging cooperation and can produce unexpected answers. Stenbacka (2001) emphasizes the importance of letting the respondent speak freely to obtain a valid understanding of the phenomenon. The risk of losing control when using open-ended questions is higher in comparison to closed questions (Robson, 2011). In order to undermine this risk a structured sheet of questions was used as a support to the actual interview guide during the interviews (see appendix 1).

*“Interviews are commonly put forward as the method of choice for researchers favoring qualitative approaches...”*

- Robson, 2011, p. 279.

Robson (2011) describes that there are several forms of how a semi-structured interview can be conducted. The chosen one for this study is telephone interviews since they offer a quick way of communication. There is a risk of misunderstanding when using this form compared to face-to-face interviews since non-verbal communication cannot be interpreted (Robson,

2011). Despite this, telephone interviews were chosen for this study in order to initiate the empirically driven study early on and to overcome geographical distances.

The respondents (see table 1) were contacted through emails where a short description of the study and researcher was attached. At Findus Sweden there are two persons working with export, which is why they were contacted and interviewed. At Polarbröd the Sales manager was contacted and interview first. After the interview he suggested that the Marketing manager and Product manager might be valuable for the study. They were contacted and interviewed and the Marketing manager suggested that the Market analyst also might have some insight that could be of value for the study. At Virtuous Spirits it became obvious to contact the co-founder and “export missionary” after some brief research of the company. This interview was also done by telephone but some complementary questions were asked over email. As seen in table 1, two respondents from Norway and France were contacted for some external insight of the export ventures. All interviews were transcribed, word by word, in order to reduce the risk of misunderstandings and to be able to use citations. All parts of the transcripts used in the empirical chapter were sent to respondents for validation (Robson, 2011).

*Table 1. Interview scheme*

<b>Respondent</b>	<b>Date</b>	<b>Duration</b>	<b>Form</b>
Sales Manager, Björn Hägg, Polarbröd	2016-02-16	40 min	Telephone (recorded)
Marketing Manager, Cathrine Högström Polarbröd	2016-02-19	30 min	Telephone (recorded)
Product Manager, Jenny Jeppsson, Polarbröd	2016-02-24	40 min	Telephone (recorded)
Market Analyst, Cindy Kite Polarbröd	2016-02-26	40 min	Telephone (recorded)
Export Director, Mats Jörnell, Findus	2016-02-29	60 min	Telephone (recorded)
Export Marketing Manager, Kristina Wallentin, Findus	2016-03-08	45 min	Telephone (recorded)
Co-founder, Export missionary & virtuous Octopus, Mario Löfendolk, Virtuous Spirits	2016-03-05	60 min	Telephone (Recorded)
Co-founder, Export missionary & virtuous Octopus, Mario Löfendolk Virtuous Spirits	2016-03-18		Mail correspondence
Consultant for Polarbröd at CINRJ in France, Christina Biela Enberg	2016-03-13		Mail correspondence
Key Account Manager for Poalrbröd at Findal & Krogh in Norway, Bjorn Vidar Holtung	2016-03-17		Mail correspondence

In table 2 all interviews conducted in this study are presented. Name, position and firm of the respondents are listed as well as date, time and form of interview.

## 2.4 Choice of theoretical framework

A theoretical framework is an on-going process throughout the entire study and is initiated by a literature review (Ridley, 2008). Ridley (2008) mentions that a literature review helps the researcher and the reader to connect relevant sources and perspectives, and it is an important tool to find information that can help to form a research design for the researcher (Robson, 2011). When discovering previous research and choosing theories and concepts to be explored, a view of how the research will be preceded is obtained (Robson, 2011).

This thesis is conducted as a case study, with a flexible design, which means that the researcher has the flexibility to go out for more evidence to be able to describe the unit of analysis (Robson, 2011). An empirically driven approach has been applied to this study. The theoretical framework has been re-visited and developed when new empirical findings have been encountered in order to describe the unit of analysis. In establishing a theoretical framework, peer-reviewed articles have been sought. Databases that have been used for this search have primarily been Google Scholar, Web of Science and Science Direct. Used search words, or keywords, can be divided into theoretical and empirical after how they have been used in this thesis and can be found in table 2.

*Table 2. Search words for literature review and theoretical framework*

<b>Theoretical keywords</b>	<b>Theoretical keyword combinations</b>	<b>Empirical keywords</b>	<b>Empirical keyword combinations</b>
Communicat/e/ing, Signal/ing, Value, Added value, Credence attribute/s, Culture, Food culture, Country of origin, Intrinsic/Extrinsic cue/s, Internationalization, Export/Export venture/s, Psychic/cultural distance, Market strateg/y/ies	Communicat/e/ing valu/e/s, Signal/ing value/s, Signal/ing with cue/s, Country of origin as a cue	Swedish food industry, Export of food, Sustainability report, Labels (MSC, KRAV, Svenskt Sigill), LISA (low put sustainable agriculture)	Export of Swedish food Sustainability as an added value

Table 2 lists search words used in this study. They are divided into theoretical and empirical as well as combinations of search words based on how they have been used in this study.

## 2.5 Author's considerations

Riege (2003) mentions the importance of validity and reliability when using a case study strategy. One way to increase the validity of the data is to use triangulation (Robson, 2011). Triangulation is commonly used to increase the rigor of a research (Robson, 2011). Robson (2011) describes four types of triangulation; data triangulation (use multiple methods of data collection like interview, observations and documents), observer triangulation (to use multiple observers), methodological triangulation (use a quantitative and a qualitative approach) and theory triangulation (multiple theories or perspectives). By using multiple sources and perspective throughout the research divergences can be found which can show the complexity of it (Robson, 2011). By interviewing more than one representative from both Findus and Polarbröd the validation of how they work in reality can be obtained. For Virtuous Spirits this was harder to obtain since only one person could answer the questions. The other co-founder was contacted but he referred to his colleague due to less insight in their exporting activities. By collecting data from the firms' homepages, additional validity could be reached and put in comparison to the respondents' answers.

Since case studies tend to be subjective and biased by the researcher (Yin, 2013) the interview method becomes important, both for the validation and reliability but also for the ethical aspects. To make sure that the respondents were aware of what they were part of they received an interview guide with topics in advance. This was done to give them a chance to be prepared. All of the respondents knew that they were representing their firm, not obligated to reveal their private opinion. Despite this, the interviews often ended up being to some extent personal, which might be a result of the open-ended questions and a relaxed discussion environment. Before each interview the respondents were asked if they had any wonders or concerns regarding the study or me as a researcher. This was done to ensure that they felt comfortable but also to reduce the risk of misunderstanding. They were further asked if they approved that the conversation was recorded and they all received a transcript summary to make sure that we understood each other.

It should be mentioned that a case study is limited, since it is context bound (Robson, 2011). This means that the data collected for this study is limited in time and compose of a short moment in the firms' communication. One of the most critical steps in a case study is the analysis of collected data (Robson, 2011). Robson (2011) suggests that the data should be well structured. By transcribing all interviews the data became familiar and could then be organized under themes; referred to as thematic coding (Robson, 2011). Empirical data have been organized under the terms internationalization, psychic distance, quality and added value, asymmetric information and signaling and communication, which follow the theoretical structure. First organized for each firm and then combined under each theme in order to become familiar with the empirics.

## 3 Theoretical framework

This chapter will give the reader a brief insight in what has been said and explored by previous research within the area of this thesis. Theories are presented, described and related to each other in order to establish a synthesis for forthcoming analysis.

### 3.1 Literature review

Azar (2011; 2014) studied the area of internationalization for food processing firms in his research. He is furthermore the source of the food culture distance concept which originates from the concept of psychic distance which is well visited by Johansson & Vahlne (1977; 2009). Azar (2014) explored how food culture distance impacts the marketing strategies of exporting food firms in Sweden and concluded that there is a positive correlation between psychic distance and the attractiveness of a market; a larger distance results in a higher attractiveness and vice versa. He describes that this might be a result of that it is easier for the exporting firm to differentiate their products if not being too similar to existing ones. Another reason might be that a greater perceived distance, hence higher uncertainty and risk might result in a more comprehensive research by the firm before entering and thus knowledge about the market is acquired (Azar, 2014). Research within market selection has been focusing on national culture in general (Ghemawat, 2001; Vignali & Curland, 2008) and Azar (2014) suggest that research should focus on specific aspects of culture, like food habits, that could be of great importance for certain industrial sectors.

In a study by Sousa and Lengler (2009) where 1 000 Brazilian exporting ventures were studied in order to see how psychic distance relates to firm performance. They concluded that there is a positive relation between psychic distance and firm performance (Sousa & Lengler, 2009), which also have been seen by previous research (Evans & Mavondo, 2002; O'Grady & Lane, 1996). They discuss that one reason for this outcome could be that important differences are overlooked or underestimated due to assumed similarities between the markets (Sousa & Lengler, 2009). They conclude in their study that adaptation of the marketing mix (price, product, place and promotion) is positively influenced by the manager's psychic distance towards the foreign market. This means that a manager's perceived distance will increase the marketing adaptation in order to successfully enter a market (Sousa & Lengler, 2009; Cavusgil *et al*, 1993; Jain 1989). This study was investigating industrial products and the assumption is that purchases are based on rational rather than emotional criteria, which will influence the marketing mix adaptation (Sousa & Lengler; 2009).

Spyropoulou *et al* (2011) explored branding advantages in export ventures to see how it impacts the performance of the firm. They based the study on the resourced-based view of the firm and concluded that financial and experiential resources promote the capabilities of export venture communication capabilities. They further concluded that financial resources, experiential resources and communication capabilities can help the firm achieve a branding advantage in export ventures, which in turn improve the performance of the firm in the new market (Spyropoulou *et al*, 2011). Communication capabilities refer to develop effective export promotion programs, manage brand reputation, export communication skills and processes and effectively manage export communication programs. In research of Day (1994) and Zou *et al* (2003) it is concluded that a firm's capability to communicate can help firms understand the characteristics of a foreign market but also to understand customer behavior and attitudes. The works of Day (1994) and Zou *et al* (2003) have as Spyropoulou *et al* (2011) focused on firm performance, which not is the case for this thesis.

Balmer and Greyser (2002) conducted a study where they provided a framework for how managers could receive a better understanding of the identities of the firm in order to manage them. This framework, called ACCID (actual, communicated, conceived, ideal and desired identities), aims to help the managers to understand this multiple identities but also be aware of that if they contradict each other or if they are unbalanced they can weaken the firm. Fukukowa *et al* (2007) describe the importance of the relationship between communication and actions in the firm. They point out that the “*key to the conceptualization of corporate identity is the notion that identity (what we really are) and communication (what we say we are) should be congruent*” (Fukukowa *et al*, 2007, p. 3). Fukukowa *et al*'s (2007) research further state that these ‘authentic businesses’ challenge their customers to take actions for a better world and that they are characterized by a business purpose that is more than profit.

In a study conducted by Shields *et al* in 2002 value as a concept in relation to sustainability is discussed. They mention that value is a term that is defined differently along people; meaning that sociologists, economists, politicians and psychologists (to mention a few groups) all have their own definition. Held values are discussed to be underlying values representing ideals and are considered desirable (Shields *et al*, 2002). Shields *et al* (2002) conclude that sustainability indicators can serve as a foundation for societal, economic and environmental learning but is only realistic if carefully chosen and effectively communicated. They further mention that these indicators are developed for and by scientist, not for policy makers and the general public and they suggest that scientists need to present information in a way that is suited for the audience (Shields *et al*, 2002). This means that it must be understandable and possible to relate to which also is the case for the firm.

Signitzer and Prexl published an article in 2008 where they found that firms engage in communication about sustainability for marketing, business and/or societal reasons. The aim of their study was to frame the role of communication regarding corporate sustainability processes (Signitzer & Prexl, 2008). Corporate sustainability communications (CSC) is presented and defined as “*an evolving concept that refers to corporate communications about sustainability issues*” (Signitzer & Prexl, 2008, p. 2). The concept of corporate sustainability is described as “*a relative concept that describes the planned and strategic management processes of working towards a balance of economic, social, and environmental goals and values*” (Signitzer & Prexl, 2008, p. 3). It is stated that there is little empirical research of why, how and with what effect firms engage in CSC. It is suggested that CSC is more relevant for large, international firms and that CSC have the potential to create a platform for public debate and learning of sustainability issues, where “*its practice is influenced by societal and corporate culture*” (Signitzer & Prexl, 2008, p. 15).

*“ ...relatively little is known about the key influences on successful international marketing among agri-food firms. Much of what is known either exists in the form of anecdotal evidence or relates to the macro, rather than firm, level behavior.”*

- Ibeh *et al*, 2006, p. 85.

Reilly (2009) mentions that written reports (either printed or electronic) are the most common way to communicate corporate sustainability initiatives to stakeholders. This paper will primarily focus on other forms of communication, used by marketers in export ventures and how it is influenced by food culture distance. In order to further develop this theoretical framework some underlying theories needs to be mentioned. The work of Azar (2014; 2011) and Sousa and Lengler (2009) are based on the assumption of psychic distance, which needs to be described. Before this, internationalization theories will be presented to further

understand how psychic distance relates to the internationalization of the firm. In the work of Balmer and Greyser (2002) and Fukukowa *et al* (2007) underlying theories of communication and identities of the firm are presented which will be explained in the next sections. Theories of asymmetric information and value will be described in order to understand what the firm needs and should communicate.

## 3.2 Internationalization and globalization

International refers to an attitude of the firm or actual activities abroad (Johanson & Weidersheim-Paul, 1975). Both ways, there is a close relationship between attitudes and actions since the underlying attitude influences the decision to act and take a step abroad (Johanson & Weidersheim-Paul, 1975). Ruzzier *et al* (2006, p.477) describes internationalization like “*Internationalization is a synonym for the geographical expansion of economic activities over a national country’s border.*” and they further describe how the term started to be used when the phenomenon subsequently replaced imperialism in the 1920s. After the Second World War, economic internationalization processes accelerated until the early 1970s when the phenomenon of globalization appeared (Ruzzier *et al*, 2006). Globalization differs from internationalization and refers to that a firm’s operations are managed in a global scale rather than in a few selected markets. Three forces are agreed to drive globalization of business (Ruzzier *et al*, 2006; Acs *et al*, 2001 and Gjellerup, 2000). These are explosive *growth of low-cost technology* that connect people and locations all over the world and create awareness of international business opportunities, *less trade barriers and financial deregulation* that have even out the playing field and *liberalization and economic restructuring* that have resulted in market expansions (e.g. Asia). Ruzzier *et al* (2006) do mention that globalization have not replaced internationalization, especially not for smaller actors in the market like Small and Medium-sized enterprises (SME). They describe that many SMEs have set up activities in foreign markets in a successful way and they further mention that SMEs have an important role in contributing to growth in the future (Ruzzier *et al*, 2006).

### 3.2.1 Market entry strategies

There are various forms of how firms can serve foreign customers; export, by engaging in foreign direct investment or joint ventures (Helpman *et al*, 2003). Export is characterized by transportation of finished goods from one country to another where the distribution in the foreign country is done by an agent, distributor or an intermediary (Helpman *et al*, 2003). Foreign direct investment refers to an entry when a firm wants to establish a plant in the foreign country or be part of an operation through a merger or acquisition (Helpman *et al*, 2003). Joint ventures are entries when a foreign firm either produce and/or promote a service or a product in the foreign market for the other firm (Helpman *et al*, 2003). This is usually controlled through licenses or contracts (Tielmann, 2010). There is a relation between cost and control with these market entry strategies. The more expensive an entry is, the higher is the control over the distribution channel. Financial, economic, social and environmental factors are of importance when considering which strategy to choose (Tielmann, 2010). It all depends on the firm’s specific situation.

*Reactive reasons* for entering a foreign market could be that the economic situation is changing due to political decisions (Tielmann, 2010). This could for example result in higher production costs within the domestic market and the firm is ‘forced’ to go somewhere else to stay in business. Another reason could be that a firm follows a competitor that has established a business in a foreign market. *Proactive reasons* refer to act in advance and plan for a future situation (Tielmann, 2010). It could be going abroad before your competitor for a market leading position or finding lower production or labor costs (Tielmann, 2010).

### 3.3 Psychic distance

Psychic distance is a term within international business and marketing which is based on perceived differences between the home market and a foreign market also referred to as cultural distance (Sousa & Bradley, 2006). The concept is well explored and frequently used within international business and marketing (Azar, 2011). O'Grady and Lane (1996, p.330) define psychic distance as "...a firm's degree of uncertainty about a foreign market resulting from cultural differences and other business difficulties that present barriers to learning about the market and operating there". Johanson and Vahlne (2009, p. 1411) describe it similarly as "...psychic distance, defined as factors that make it difficult to understand foreign environments". The factors that are mentioned in the description can be grouped into four areas of diversities and dis-similarities between markets (Johanson & Vahlne, 2009). These are:

1. linguistic differences and translation difficulty,
2. cultural factors, which include societal norms, level of individualism or collectivism, values and customs,
3. economic situation, which refers to trading links, infrastructure, local conditions, competition and investor confidence and
4. political and legal systems, which includes government stability and risk of instability, import tariffs, legal protections and taxation levels.

Johanson and Weidersheim-Paul (1975) mention that psychic distance and geographic distance obviously are correlated but not necessarily. The U.S and Cuba are close in geographical terms but for political reasons psychic distance is and has been substantial (Johanson & Weidersheim-Paul, 1975). This example shows that psychic distance is not constant. It can be changed by several factors; for example through development of communication systems, political actions, trade and other kinds of social exchange. This is concluded by Prime *et al* (2009) where they mention that psychic distance is a perceived (subjective) phenomenon rather than geographical (objective). International experience influences the impact of psychic distance and theory suggests that firms with greater international experience will select more distant markets (in terms of psychic distance) to a larger degree than less experienced firms (Andersen & Buvik, 2002; Evans *et al*, 2008). Barney (1991) emphasizes the need of resources and capabilities for successful implementation of internationalization strategies where international experience is one of the more relevant ones.

#### 3.3.1 The Uppsala model

Johanson and Vahlne (1977) studied the internationalization area and presented the Uppsala model in 1977. They argue that a firm's international activities directly relate to psychic distance and that psychically close markets are entered prior to more distant markets (Johansson & Vahlne, 1977). Firms tend to first export to markets that are known or understood by the firm. Firms enter markets where they can identify opportunities but where the uncertainty of the market is low. Markets with successively greater psychic distance are then entered (Johanson & Vahlne, 1990).

The Uppsala model is grounded on the previous work of Penrose (1959); the resource based view of growth. Penrose (1959) discusses that the firm's ability for growth depend on its ability to use comprehensive resources. She further discusses knowledge as a crucial factor for growth and separates objective and experiential knowledge (Penrose, 1959). The first one can be taught from textbooks and then further taught between individuals. The second one,

experiential knowledge, can only be learned through social interactions with individuals in foreign countries (Penrose, 1959).

Johanson & Vahlne revisited their model in 2009 due to changes in business practices and theoretical advances. They suggest that business environment should be seen as a network of relationships rather than a neoclassical market where suppliers and customers are independent (Johanson & Vahlne, 2009). They conclude that ‘outsidership’, not being part of specific network, is a more crucial factor for uncertainty than psychic distance (Johanson & Vahlne, 2009). Since networks are borderless, the difference between entry and expansion is less important. Based on the work of Penrose (1959), where it is discussed that some knowledge is not accessible to everyone, being part of a network will make it possible for firms to discover or/and create opportunities (Johanson & Vahlne, 2009).

### **3.3.2 Cultural distance and food cultural distance**

As mentioned above, cultural difference is a component of psychic distance. Hofstede (2001) presented an index to measure distance in culture which is based on five dimensions; power distance, individualism, masculinity, uncertainty avoidance and long-term orientation. The relevance of the usage of his work has been questioned (Azar, 2011) but it is still well referred to in literature. Hofstede define culture as “*the collective programming of mind that distinguishes the members of one group or category of people from another*” (Hofstede, 2001, p. 10). Symbols, rituals and values contain and reveal the culture of a nation (Azar, 2011). Azar (2011, p.22) mentions that it is suggested to examine cultural distance “*...at a cognitive level of the decision makers rather than using macro-level indicators*”.

Azar (2011) presents food culture distance as a new concept, which refers to a subjective distance, based on perceived similarities or differences in the behavior of consumers in two separated markets. In addition to political, economic and geographic distances, food culture distance will give a food-exporting firm a unique distance in foreign markets (Azar, 2014). Ghemawat (2001) who presented the CAGE framework (cultural, administrative and political, geographical and economical) also conclude that food is more sensitive to distances compared to non-food products. His framework is often used to analyze psychic distance when looking into international expansion opportunities and his work shows that cultural distance is the most sensitive distance followed by administrative, geographical and economic distance, but the sensitiveness varies along different products (Ghemawat, 2001).

Food is a social marker that let people feel and be part of a group and it is not just consumed to meet nutrient needs but to communicate with each other (Azar, 2014). Azar (2014) mentions that human culture inspires the product, preparation and consumption of food, which put food in a special room within psychic distance. Azar’s (2014) results indicate that food culture distance positively correlates to the attractiveness of a market for exporters of food. A greater perceived food culture distance correlates to a greater attractiveness for the firm, which is in line with the findings of Evans and Mavondo (2002) regarding the psychic distance paradox (Azar, 2014). On the one hand, Ghemawat (2001) concludes that distance between countries matters and firms should pay attention to it and account for it when making decisions of global expansion. Malthora *et al* (2009) on the other hand conclude that management should not only be motivated by potential benefits of investing in countries, e.g. through export or acquisitions that are closer in distance and have similar culture. Management should rather pay attention to how large these markets are for potential sales (Malhotra *et al*, 2009).

### 3.4 Value and quality

Zeithaml (1988) studied the concept of perceived value and concluded that what value constitutes of is highly personal and idiosyncratic. She further describes that many individuals agree on what signals value, but they differ when trying to express what value is. Zeithaml (1988) divided the concept of perceived value into four groups: (1) value is low price, (2) value is whatever I want in a product, (3) value is the quality I get for the price I pay and (4) value is what I get for what I give. The first definition indicates that value is something that someone can obtain if giving up something. The second definition emphasizes what one benefits from a product or service and it could be seen as the utility often used by economists, in other words a very subjective measure. The third definition describes how value is seen as a tradeoff between what one give (price) for what one get (quality). The last definition of value is also referring to a tradeoff between get and give, not focusing on quality and price but every component that either received or lost through giving up resources by getting a product or service. This last definition is consistent with Sawyer and Dickson's (1984) definition. They conceptualize value as a ratio of attributes weighted by their evaluations, divided by price weighted by its evaluation. This could also be seen as utility per dollar (or equivalent) measure of value (Zeithaml, 1988).

Zeithaml (1988) describes that value and quality often is signaled with price but she mentions that there are other useful extrinsic cues to signal quality; like brand name or package. She further emphasizes that many companies define quality from the company's perspective, which leaves a gap between objective and perceived quality. She concludes that the companies must view quality like consumers do to close this gap (Zeithaml, 1988). Firms need to identify both intrinsic and extrinsic cues (see 3.5.1) that consumers use in order to signal quality, since this more likely will lead to more rich perceptions of quality and value (Zeithaml, 1988). A strategy based on customer value standards rather than the firm's perception will better meet customers' expectations (Zeithaml, 1988).

#### 3.4.1 Added value

By adding more value to the core product (i.e. higher quality or supporting services), firms try to improve customer satisfaction to strengthen bonds and increase customer loyalty (Ravald and Grönroos, 1996). Some firms tend to add features or support that are not customer driven which only can be seen as a short-term solution (Ravald & Grönroos, 1996). Ravald and Grönroos (1996) add situation to the definition of value and illustrate it with a car that breaks down. An expensive repair of a car (high sacrifice) in the middle of nowhere that only lasts to the destination (low quality) might still result in a high-perceived customer value. They conclude that the repair fits into the customer's value chain (in this example getting to the destination in time) (Ravald & Grönroos, 1996). An efficient value-creating process needs to address the dimensions of cost efficiency and market efficiency just addressing satisfaction of customer needs is not enough (Ravald & Grönroos, 1996). This will improve a firm's financial success, which is the foundation for a strong position in the market (Ravald & Grönroos, 1996).

Added value could be described as “...values which are more likely to be sustainable are the intangible values representing the essence of the brand and the internal processes that deliver these values” (de Chernatony *et al*, 2000, p. 53). de Chernatony *et al* (2000) mention that physical augmentations are easy for competitors to copy, whereas core values of a brand are sustainable and less easy to be copied. Added values could be so called credence attributes, which are features of a product or service that relate to the production which often are hard to discover (de Chernatony *et al*, 2000). These can be animal welfare or environmental concerns that are associated with the product (Gullstrand & Hammarlund, 2007). Gullstrand and

Hammarlund (2007) categorize added values into three groups with respect to customers' willingness to pay: values that cannot be fully charged for in the market, values that can be charged for and values that can be charged for if information about them is available for the consumer. Credence attributes can be placed in the third group of added values. These values need to be communicated to the consumer (Grunert, 2008), but the consumer also needs to be aware of these attributes and what they stand for to consider paying for them. Gullstrand and Hammarlund (2007) mention that it is easier for the producer to charge for added values if the consumer finds the product unique.

### 3.4.2 Country of origin

*'I can't say that Swedish food is bad, but I have never had an A-HA! experience with Swedish food, it has never been extraordinary good....It is completely different, for instance, in Italy and Germany that have strong food cultures compared to Sweden. Somehow I see Swedish food as dull and flat, I only remember Swedish flavored bread, flavored sausages and marzipan. They really lack something that would be very chic.'*

- Swedish food described by Finnish people in Luomala, 2007, p. 125.

Country of origin (COO) can be seen as an added value and it is the associations to the origin that is adding value not the origin itself (Hallberg *et al*, 2013). These associations include environment, health, comfort, ethics and social values which means that even if the origin does not represent these values but the associations do there is an added value detached to the product (Hallberg *et al*, 2013). According to Hallberg *et al* (2013) added values can contradict each other. They exemplify this with a customer that is about to buy an exclusive farm made cheese. This takes place in a regular supermarket where the cheese loses its exclusivity and the consumer may then decide not to purchase it. Accessibility and exclusivity can in this example be seen as antagonistic and one added value has a negative effect on another added value (Hallberg *et al*, 2013).

Previous research in the area have shown that COO has a significant impact on consumers' evaluations of products and it is commonly used as an extrinsic cue to decide on the quality of a certain product (Peterson and Jolibert, 1995; Verlegh and Steenkamp, 1999). Agrawal and Kamakura (1999) however question the fact that COO is a valid indicator of objective quality and their findings show that COO had no significant impact on price (assumption: high quality equals price premium). They thereby conclude that COO does not significantly influence the firm's pricing decision (Agrawal and Kamakura, 1999). van Ittersum *et al* (2003) mention that by using country of origin as a branding base spares the marketers time. Since the consumer already have some associations to a country some steps in the long process of creating brand associations can then be shorter. Luomala (2007) emphasizes the challenge when using COO branding. He means that consumers associate differently and are partly uncontrollable. He further concludes that more research needs to be done to help food marketers use origin of food as a competitive advantage (Luomala, 2007).

Cristea *et al* (2015) mention that COO is important in perceived brand positioning. It is an important factor that influences a consumer's evaluation and perception of a brand and therefore impacts a purchasing behavior and can offer a brand a significant competitive advantage (Cristea *et al*, 2015). Blankson (2004) states that the positioning is influenced by internal and external factors; factors that influence the desired, communicated and perceived positioning and the difference between them. Cristea *et al* (2015) describe that individual factors can explain differences in interpretation of positioning elements and that these factors

are based on personal characteristics, values, previous experiences and objectives. Instead of focusing on specific intrinsic attributes of a new product in a market, consumers often use COO as an extrinsic cue to evaluate it (Michaelis *et al*, 2008). Cristea *et al* (2015) suggest that marketers should pay attention and understand consumers associations to a specific product category but also the associations to its COO and try to integrate them in the positioning strategy of a product.

When studying the area of COO other abbreviations like BO (brand origin) and COM (country of manufacture) are commonly used. Brand origin is the '*place, region or country where a brand is perceived to belong by its target customer*' (Thakor and Kohli, 1996, p. 26 in Hamzaoui-Essoussi *et al*, 2011), which means that the perceived origin does not have to be the real origin. COM refers to the country where the product is produced according to the consumer. In this case there might also be a difference in where it is produced and where it is perceived to be produced. Hamzaoui-Essoussi *et al* (2011) describe that BO is something that exists in a consumer's memory while COM is pure information that can shift over time. Only the firm can be sure where the product origins (assuming reliable suppliers) and consumers might encounter information asymmetry in the market.

### 3.5 Asymmetric information

Consumers always run a risk when purchasing a product since they cannot judge the attributes before and sometimes not even after they consume it (e.g. credence goods). They will never be sure if it will satisfy them, if their utility will increase or if the purchase only will have a negative impact on their finances (Diamara & Skuras, 2005). Consumers need to learn about the attributes of the product to reduce risk. Diamara and Skuras (2005) mention that this can be done through personal communications with more informed consumers or through media. Firms need to be able to communicate quality in order to stay in business otherwise Akerlof's "market for lemons" will appear, which means a market where only low quality products will be sold due to information asymmetry (Akerlof, 1970). Grossman (1981) concludes that markets with quality products of different levels can exist. His signaling model assumes an efficient, costless and truthful quality signaling and verification of claims (Grossman, 1981).

Aprile *et al* (2012) discuss that social and environmental features of a product can be classified as credence attributes, and can therefore not be evaluated before or after the consumption. The information asymmetry can in this case prohibit the consumer to make an informed decision (Aprile *et al*, 2012). Aprile *et al* (2012) suggest that information cues, like labels, could overcome asymmetries. Diamara and Skuras (2005) further discuss that the efficiency of labels varies between consumers, which is based on how important the information from the label is for the consumer at the purchasing time and how comprehensive the information is.

As a result of firms having an information advantage in relation to customers there is a need of market mechanisms to credibly inform in the marketplace about the quality (Rao *et al*, 1999). Instead of using labels, which have been faced criticism by researchers (see Karstens & Beltz, 2006), branding is a way to signal to the market. A brand can be defined as "*a name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from those of other sellers*" (Bennett, 1988, p.18). Another definition that is commonly used is that a brand is "*a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.*" (Wood, 2000, p.664). This definition has met some criticism due to the fact that it has a clear product focus which emphasizes visual features as differentiating mechanisms but is still used (Wood, 2000) and often referred to

(e.g. Doyle, 1994; Kotler *et al*, 1996 and Stanton *et al*, 1991). A brand signal on the other hand is the combination of a firm's previous and present marketing mix strategies and activities associated with the brand (Erdem & Swait, 1998). Erdem and Swait (1998) further describe that "...a brand becomes a signal when it embodies (or symbolizes) a firm's past and present marketing strategies" (p. 136) and conclude that a brand can serve as a credible market signals when acting in a market with asymmetric and imperfect information.

Quality signals are only credible if it is not profitable to cheat, which means that a firm can sell to a 'high quality' price but deliver a 'low price' quality (Erdem & Swait, 1998). In the long run, the market should be able to clear itself, where high quality products and services are sold to a higher price than low quality. This clearance demands ways for the firm and/or the consumer to differentiate one firms' products or services from another (Erdem & Swait, 1998). One way for firms to avoid intentional and unintentional differences in promised and actual quality is to use quality standardization to assure output (like McDonald's) (Erdem & Swait, 1998). Erdem and Swait (1998) mention that firms should communicate that they are committed to their brands to the consumers. This could be obtained by emphasize resources spent on establishment and support of the brand's credibility and use this as an information source (Erdem & Swait, 1998).

### 3.5.1 Intrinsic and extrinsic cues

Two main attributes can be localized when evaluating food products; product and process attributes (Northern, 2000). Product attributes can be *food safety* (pathogens, residues, hormones, food additives), *nutrition* (fat content, fiber, vitamins), *sensory* (taste, texture, freshness), *functional* (convenience, storage) and *image* (snob value) (Northern, 2000). Process attributes are part of the production process and can be animal welfare, organic, traceability, biotechnology and feed (Caswell *et al*, 1998). These can in some cases have an impact on the product attributes (like organically grown apples) but in some cases not (animal friendly might not be seen by the customer but can be as important due to better conscience) (Northern, 2000).

Northern (2000) further describes that attributes can be signaled through intrinsic and extrinsic cues. Intrinsic cues are defined as "*those which cannot be changed or experimentally manipulated without also changing the physical characteristics of the product itself*" (Northern, 2000, p. 233). Extrinsic cues are interesting from a marketing perspective since they can be manipulated without changing the physical product (Oude Ophuis and van Trijp, 1995). Intrinsic cues are often visuals and can be color, smell and size while extrinsic cues are can be package material, labels and place of purchase (Northern, 2000). Credence attributes are not possible to signal by using intrinsic cues, they need to be signaled through extrinsic cues or by verbal communication at the time of purchase (Northern, 2000).

A firm that is not selling to the final consumer, but rather working or selling to a intermediary, needs to address both their customers' and final customers' demanded attributes. Bredahl *et al* (1998) describe that firms can do this '*...by determine the type and variance of indicators needed in their inputs which must be present in their output*' (Bredahl *et al.*, 1998 in Northern, 2000, p. 235). Intermediaries in the supply chain often do not have access to the same extrinsic cues as the final customer enjoys, but as in the case of intrinsic cues, the principle is the same and certificates or labels (audit by a third part) can be useful as extrinsic cues (Northern, 2000).

### 3.5.2 Communicating credence attributes

*“For most companies, the question is not whether to communicate but rather what to say, to whom, and how often”*

- Kotler, 2003, p.563.

Grunert (2008) emphasizes the importance of that credence attributes (of food products), like sustainability, need to be communicated since they cannot be seen or tasted. Mark-Herbert and von Schantz (2007) describe that communication should be seen as a process where information is transmitted and understood by two or more actors. They further mention that communication of the firm has become a growing important strategic issue and it needs to be properly adjusted for targeted group (Mark-Herbert & von Schantz, 2007). Nitsch (1998) means that communication is flows of information between a sender and a receiver, where several channels are used and a confirmation of the information or message is reported back and where noise can disturb the flows. An interpretation of this means that what a firm says (image, symbol and brand) does not have to be the same as what is perceived by the receiver (consumer insights, product characteristics) (Mark-Herbert & von Schantz, 2007). It is discussed that a firm’s ethical matters needs to be talked as well as walked in order to avoid managerial complexities (Lindfeldt, 2006) and limitations of trust building or a decreased “territory area” (Mark-Herbert & von Schantz, 2007). Mark-Herbert and von Schantz (2007) present a model of the perception of a brand, see figure 2, where the term territory is introduced.

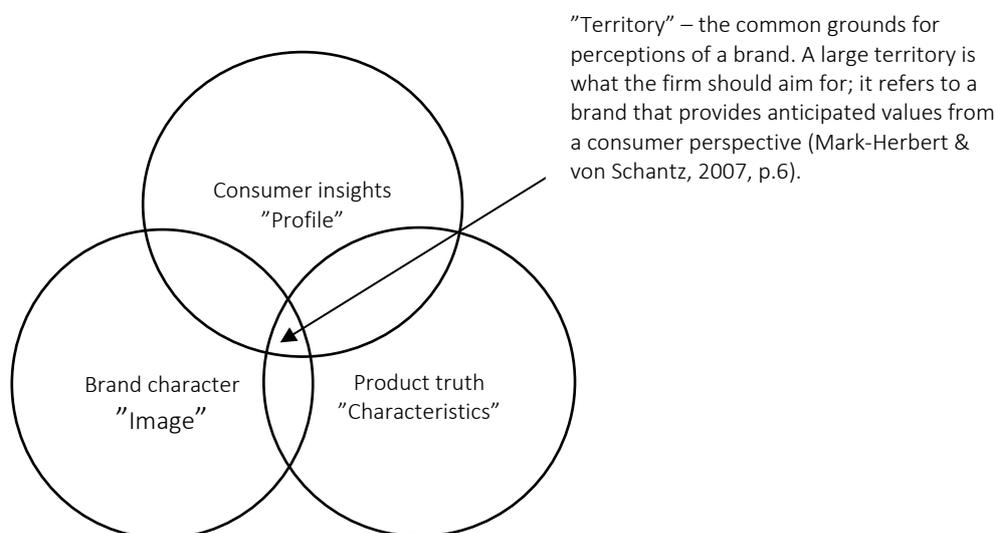


Figure 2. Mark-Herbert and von Schantz's model of brand perception.

The territory, illustrated in figure 2, refers to an area where consumer insights, brand character and product truth interfere. A larger territory area indicates a brand position where consumers perceive that the brand fulfil the promised values or experiences. Annual reports, sustainability reports and corporate home pages have become increasingly important forums and communication platforms and a condition for a large territory to support credence values and further for a strong brand creation (Mark-Hebert & von Schantz, 2007). A brand can be seen as an asset or as a long-term investment where loyalty and reputation are the customers’ view or grade of it. If meeting customers’ expectations regarding quality and usefulness of a

product, Mark-Herbert and von Schantz (2007) mean that social values can strengthen a brand. They further conclude that social values or credence attributes in the future rather will become hygiene (taken for granted and/or seen as a fundamental need factors (see Herzberg's dual factor theory for further explanation) (Mark-Herbert & von Schantz, 2007).

### 3.6 Theoretical synthesis

Internationalization and globalization are two terms that describe a firm's expansion to foreign markets. The latter one refers to a more standardized expansion and the first one to expansion in a few selected markets (Acs *et al*, 2001; Gjellerup, 2000 and Ruzzier *et al*, 2006). Internationalization is more important and more common for SMEs as a first step to foreign markets (Ruzzier *et al*, 2006). A firm can enter a foreign market by either export (transport goods from one country to another), foreign direct investments (establishment of a plant in a foreign market or be part of an operation through a merger or acquisition) or be part of a joint venture (a foreign firm produce or promote a service or good, often controlled through licenses or contracts) (Helpman *et al*, 2003). A higher cost (foreign direct investments) indicates a higher control when entering a market (Helpman *et al*, 2003). The reasons for expansion can be reactive (respond to information) or proactive (act in advance for future situation) (Tielman, 2010). Johanson and Vahlne (1977) presented the Uppsala model in 1977 where they conclude that close markets are entered prior to more distant markets. This conclusion is based on the work of Penrose (1959) where growth is dependent on the firm's resources and the assumption of psychic distance.

Psychic distance refers to the perceived distance between the home market and a foreign market, also referred to as cultural distance (Sousa & Bradley, 2006). Johanson and Vahlne (2009, p. 1411) describe it as "...*psychic distance, defined as factors that make it difficult to understand foreign environments*". These factors can be linguistic differences, societal norms, economic situation and political and legal systems (Johanson & Vahlne, 2009). Psychic distance is a perceived (subjective) phenomenon rather than geographical (objective) (Prime *et al*, 2009) even though a correlation between psychic distance and geographic distance often occurs (Johanson and Weidersheim-Paul, 1975). Food products are more often sensitive to cultural distance according to the work of Ghemawat (2001), but Malhotra *et al* (2009) mention that this should not solely be in focus of management. Management should pay attention to how large a market is for potential sales rather than focus on markets with similar culture. Food culture is the subjective distance based on perceived similarities or differences in the behavior of consumers in two separated markets (Azar, 2011). In addition to political, economic and geographic distances, food culture distance will give a food-exporting firm a unique distance in foreign markets according to Azar (2014). Azar (2014) concludes that a great food culture distance positively correlates to the attractiveness of a market for the firm. This is in line with the findings of Evans and Mavondo (2002) where they conclude that a greater perceived distance makes the firm conduct more extensive research which improves the success in a distant market.

By adding value to a product or service a firm can improve customer satisfaction or increase customer loyalty (Ravald and Grönros, 1996). Physical attributes are easy for competitors to copy whereas core values of a brand are more difficult which means that they are more sustainable (de Chernatony *et al*, 2000). Added values can be credence attributes like animal welfare, which are hard or even impossible to see or discover (Gullstrand & Hammarlund, 2007). These values need to be communicated to the consumer (Grunert, 2008) and Gullstrand and Hammarlund (2007) mention that it is easier to charge for added values if the consumer finds the product unique. Country of origin can be seen as an added value (Hallberg *et al*, 2013) and also as a credence attribute since the consumer cannot detect it. Country of

origin is commonly used in branding but is hard to control for the firm since it is consumers associations to a country (Luomala, 2007).

Firms need to be able to communicate quality and value in order to have a functional market (Akerlof, 1970; Grossman, 1981). Consumers always run a risk when purchasing a product or service since they cannot be sure if their expectations will be met (Diamara & Skuras, 2005). Communication is especially important with credence attributes that cannot be evaluated after consumption (Aprile *et al*, 2012). Communication can be done by using cues; extrinsic and intrinsic. Intrinsic cues cannot be changed or manipulated without changing the physical attributes of a product (Northern, 2000). Extrinsic cues can however be manipulated without changing the look of a product. Credence attributes needs to be verbally communicated or by using extrinsic cues like packages, labels or place of purchase (Northern, 2000). Since extrinsic cues can be manipulated it is important for the firm to do what they say they do, which means they have to walk the talk (Mark-Herbert & von Schantz, 2007). Mark-Herbert and von Schantz (2007) presented a figure that describes how consumer insights, brand character and product truth interfere. A larger area of interference indicates a brand position where consumers perceive that the brand fulfil the promised values or experiences (Mark-Herbert & von Schantz, 2007). Some of the key terms and references from this chapter are presented in table 3 as a summary.

Table 3. Theoretical synthesis

<b>Theory</b>	<b>Synthesis</b>	<b>References</b>
<b>Internationalization</b>	Reactive or proactive expansion into new markets where uncertainty is reduced by the firm's resources and experiences.	Helpman <i>et al</i> (2003), Johansson & Vahlne (1977), Ruzzier <i>et al</i> (2006), Penrose (1959), Tielman (2010)
<b>Psychic distance</b>	A perceived distance to a foreign market due to cultural differences that have an impact on how and where a firm enter a market.	Bradley (2006), Ghemawat (2001), Johansson & Vahlne (1977, 2009), Johanson and Weidersheim-Paul (1975), Sousa & Prime <i>et al</i> (2009)
<b>Added value</b>	Often credence characteristics that cannot be judge before or after consumption and needs to be communicated in order to bring value to the consumer and the firm.	Chernatony <i>et al</i> (2000), Gullstrand & Hammarlund (2007), Hallberg <i>et al</i> (2013), Ravald & Grönros (1996), de Zeithaml (1988)
<b>Asymmetric information</b>	Consumers always run a risk of not being satisfied due to little or no insight in the production.	Akerlof (1970), Aprile <i>et al</i> (2012), Diamara & Skuras (2005)
<b>Communication for a large 'territory'</b>	Branding, intrinsic and extrinsic cues, "walk the talk, chalk the talk" in order to make it possible for consumer to make an informed decision.	Erdem & Swait (1998), Mark-Herbert & von Schantz (2007), Northern (2000)

Table 3 shows a summary of the theoretical framework presented in this chapter. Internationalization, psychic distance, added value, asymmetric information and communication for a large territory are described in short along with key references to each concept.

To explain and put the mentioned theoretical terms in a context figure 3 has been developed. It is based on the work of Mark-Herbert and von Schantz (2007) but the terms ‘profile’, ‘values’ and ‘image’ have been placed in the context of psychic distance and asymmetric information to understand communication in an international environment.

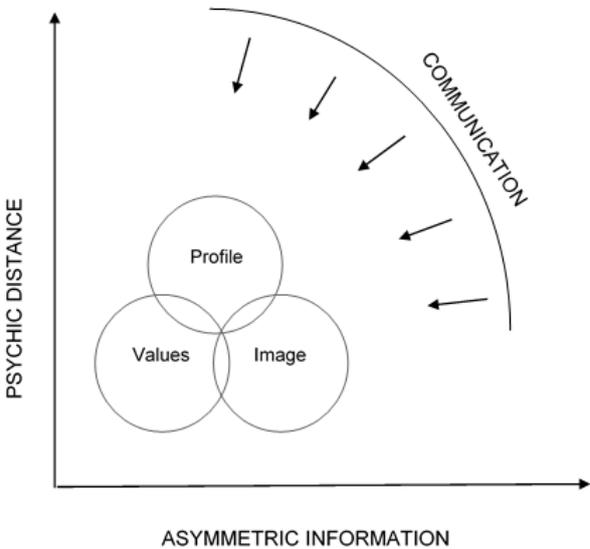


Figure 3. Theoretical synthesis

Profile, values and image from Mark-Herbert and von Schantz (2007) in relation to the concepts of psychic distance and asymmetric information where communication is suggested to increase the convergence area, which also will decrease the perceived psychic distance and asymmetric information between the firm and the consumer.

Figure 3 illustrates how profile, values and image relate to psychic distance and asymmetric information where communication could increase the area of convergence between the circles. An increased area is suggested to illustrate a situation where the perceived characteristics of the firm and its products are in line with what the firm says they do. *Profile* is what the customer perceives, *image* is what the firm says and *values* stands for the features and credence attributes the firm or its products offer. Profile is placed above the others in order to show that psychic distance has an impact on how consumers perceive the firm and the values offered. Image is placed next to values, illustrating that communication could reduce the asymmetric information and close the gap between expressed and actual values. Values are placed in the corner of psychic distance and asymmetric information to illustrate that they should not be changed in an international market or influenced by communication. The values that are offered are still offered, it is the perception of them and the communication of them that makes them visible. Increased brand awareness as a result of communication should decrease the psychic distance and expressed and perceived values should overlap. It should be mentioned that all of this takes place in a network, making interaction and internationalization possible.

## 4 Description of case firms

In this chapter an introduction to the case firms Findus, Polarbröd and Virtuous Spirits are presented to the reader in an attempt to give the reader an insight of the history of the firms, their core production and how they work with credence attributes.

### 4.1 Findus – food joyfulness since 1941

Findus originates from the southern parts of Sweden, more specific from Bjuv in Skåne. It all started in 1941 when Marabou bought “Skånska Fruktvin & Likörfabriken” and founded Findus (FruktINDUSTri) (www, Findus, 2016, a). Findus introduced frozen food in Sweden during the 1940s and has since then been leading in developing of frozen food. The first products, frozen spinach and berries, were introduced to the market in 1945. There was a linguistic struggle when introducing the new products and it composed the border between cooled/refrigerated and frostbitten food. But after a while the word frozen food was accepted and was a new and revolutionary way to store and conserve food. One should mention that it was new to Sweden but the technique had been used in the U.S for 15 years. In 1962, Nestlé bought Findus and founded Findus International S.A. In 2000 the investment firm EQT invested in Findus International and the Norwegian firm Frionor was bought. In 2006, Findus was sold to FoodVest Ltd. and year after that the name changed to Findus Group (www, Findus, 2016, a). Since November 2015, Findus Group is part of Nomad Foods Europe, which is a world-leading actor in the frozen food market. The brands that Nomad Foods offer are Findus, Birdseye and Iglo (www, Nomad Foods, 2016, a). Some of the major events in the history of Findus can be seen in figure 4 below.

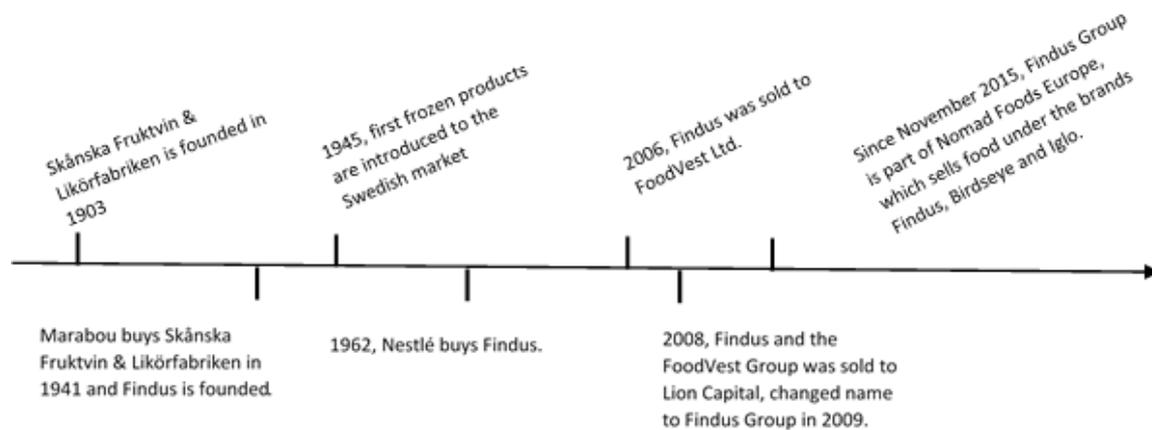


Figure 4. Timeline Findus

#### 4.1.1 Findus and credence attributes

Findus vision is “We make life better with tasty and good food”. At their homepage one can read that sustainable development is a core value for Findus and their ambition is “to assure the food they offer meets the needs of the present without compromising the ability of future generations to meet their own needs”, which is in line what was stated in the Brundtland report in 1987. Findus has five principles that aims to meet their vision: responsible sourcing of food raw material, reduced environmental footprint, social responsibility, healthy and sustainable eating habits and involvement and dialogue (Findus Sustainability Report 2012).

In order to ensure high quality in their products and to lower the environmental impact, a cultivate system called LISA has been developed for the vegetables grown in Sweden. LISA stands for Low Input Sustainable Agriculture and consists of ten steps (see Appendix 2) (www, Findus Export, 2016). Findus further works with Svenskt Sigill, Climate certification and Marine Stewardship Council (MSC) labeling. They have a zero additive policy, which means that they do not have additives, trans fat or genetically modified ingredients (GMO) in their products. In 2014 Findus started to produce organically grown peas, carrots and spinach (Findus Hållbarhetsrapport, 2014).

#### ***4.1.2 Comments to the shutdown of Bjuv***

In the end of March Findus reported that they are shutting down the production in Bjuv, Sweden. This was released at a press conference by the board and it further means that 450 people will lose their jobs (www, Di, 2016). The British owners, Nomad Foods, will move the production to Germany and the reason is an over capacity in their production facilities (www, Findus, 2016, b). The geographical distance is the primary motivation for the shutdown since the location in Bjuv results in higher transportation costs (www, Findus, 2016, b). It is further stated by the board that Nomad Foods will keep buying Swedish vegetables (www, Findus, 2016, b).

## **4.2 Polarbröd – a family owned business with Nordic traditions**

Polarbröd has its roots in the northern parts of Sweden; the office is located in Umeå whereas the bakeries are located in Älvsbyn, Omne and Bredbyn. It all started in 1879 when Johan Nilsson settled down and started a bakery. Polarbröd is still a family business and a privately owned (AB) since 1972. Today, the fifth generation since Johan Nilsson is in charge and the sisters Anna Borgeryd and Karin Bodin took over in 2005. Their grandmother had troubles serving all their customers the popular breakfast. She came up with the idea to stuff and freeze the bread immediately after the oven to preserve the freshly baked and then heat them just before serving. In that moment she invented “Renklämman” (a stuffed flat bread) and “Polarmetoden” (a method where the bread is frozen immediately after taken out from the oven); which still influences the core production in the company. Polarbröd is the third largest bread producer in Sweden (Pågen is the market leader followed by Fazer) and produced 37 000 tons of bread in 2014. 80 percent of the bread is sold in Sweden and the rest is sold on export to primarily Norway and France (www, Polarbröd, 2016) (more numbers are presented in table 4). Polarbröd is a well-known brand in Sweden and it is often associated with its northern origin and heritage and a deer in midnight sun often symbolize this on the product packages. Their vision is to “create opportunities to eat well and healthy now and in generations” (own translation) (www, Polarbröd, 2016).

#### ***4.2.2 Polarbröd and credence attributes***

Polarbröd has a clear sustainability approach where one of their goals is to be fossil free in 2022. The bakeries are further BRC (British Retail Consortium) certified which is a standard to increase food safety and hygiene (www, Polarbröd, 2016). Approximately 60 percent of the transport is done by railway and the end transport is partly done by rapeseed oil driven trucks. One of their bakeries, Bredbyn, is KRAV-certified and all of them are ISO-14001 certified. In 2013 Polarbröd initiated a project together with Lantmännen to develop more sustainable wheat flour. A volume of 10 000 ton was produced for Polarbröd and delivered in 2014 for the first time. In 2015 it was released to the public as “friendlier wheat flour” and can now be found in stores in Sweden. This initiative was done to affect conventional production to be more sustainable (www, Polarbröd, 2016).

Polarbröd has its own wind power to provide their bakeries with energy. They previously bought “green energy” but in 2014 they built four wind power stations to be even more sustainable. During 2015, 97 percent of their need of energy was produced by the wind power stations and the remaining percent was bought hydroelectric power. In 2015 Polarbröd also installed sun cells at the bakery in Älvsbyn. Polarbröd has one package that is called “I’m green” and it is based on sugar canes and renewable to 85 percent but can be recycled to 100 percent. Polarbröd are part of a project called “Locally cultivated plastic” (“Närodlat Plast”) where the possibility to produce packaging and bags out of cellulose are examined. They have presented four criteria for sustainable agriculture: *ecosystem friendly*, *circular flow based*, *fossil free* and *feed the humanity*. They have not taken a stand in the ecological versus conventional discussion and argue that both way can be a solution if fulfilling the four criteria. Polarbröd advocates for “diversity farms” (“mångfaldsgårdar”), which is built upon three factors: fossil free, variable crop sequence and a variable landscape (www, Polarbröd, 2016).

### 4.3 Virtuous Spirits – makes the world fake free

Virtuous Spirits was registered in 2012 and launched its first vodka bottle in May 2013. It is a young company that is managed by two entrepreneurs; Claes Stenmark and Mario Löfendolk. Claes and Mario have three employees today (pers.com. Löfendolk, 2016) who help them run the business. At their web page one can read that if they would have to describe the company as a person it would be “a taste-loving, goodhearted stuntman” (www, Virtuous Spirits, 2016). It is further emphasized that they are not controlled by a multinational company but owned by 300 ordinary people, which is a result from two crowdfunding rounds. Virtuous Spirits produce vodka in Nynäshamn, south of Stockholm and the products are primarily sold to bars and restaurants (HORECA: hotel, restaurant and catering) but also at Systembolaget. They are exporting to Australia, Italy, Poland and Denmark and have plans of expanding to other markets during 2016 (Pers.com., Löfendolk, 2016).

#### 4.3.1 Virtuous Spirits and credence attributes

The seven products that they produce are organic and EU-certified and flavoured with natural flavors like raspberry, vanilla and lemon. It is stated at Virtuous Spirits’ website that they believe in three things: true flavors, sustainable business and braveness (www, Virtuous Spirits, 2016). Virtuous Spirits has chosen not to be KRAV-certified due to high fees and that it is hard to communicate in other markets (Pers.com., Löfendolk, 2016). Virtuous Spirits’ fundamental pillars are: real, responsible and sustainable and one can further read that they support African Apes, which is an organization that takes care of apes that are rescued from hunters and smugglers. Löfendolk (2016) mentions that “We live CSR” and that they drive an eco-friendly care between the production facilities in Nynäshamn and the office located in the central parts of Stockholm. Virtuous Spirits’ 300 shareholders receive compost (leftovers from the production) as a small contribution to close the circular flow (Pers.com., Löfendolk, 2016).

### 4.4 Case firms in short

A short summary of the firms in numbers can be seen below in table 4. One can see that both Findus and Polarbröd are large companies, over 250 employees (www, SCB företagsdatabas, 2016), which is rare in Sweden (96 percent of all food processing firms in Sweden are small, 0-49 employees) (Jordbruksverket, 2012, b). Virtuous Spirits on the other hand is a small or even a micro company.

Table 4. Summary of case firms

	<b>Findus Sweden</b>	<b>Polarbröd</b>	<b>Virtuous Spirits</b>
<b>Turnover, in million SEK</b>	2 600	792	1.2
<b>Export value</b>	16 %	19 %	50 %
<b>Employees</b>	736	353	5
<b>Revenue margin</b>	7 %	15 %	-
<b>Assets, in million SEK</b>	7 964	553	3
<b>Market share in Sweden</b>	For frozen food, 30 % of the market.	16 % of soft bread. Market leader in “bread cake” (59 %), soft and hard “flatbread” (65 resp. 52 %).	No information but very small according to Virtuous Spirits
<b>Owner structure</b>	Private (AB), mother company is Nomad Foods	Private (AB), mother company Palinova AB	Public (AB)
<b>Exporting markets</b>	Approx. 30	Approx. 13	4
<b>Important markets</b>	Italy /peas), EU, Canada, South Africa and Australia	Norway, Italy, France and Spain	Denmark, Poland, Italy and Australia
<b>Export growth</b>	Last 7 years, 60 %	Growing, approx. 5 %	Approx. 50 %
<b>Vision</b>	“We make life better with tasty and good food”	“To create opportunities to eat good and well now and in generations”	“Make the world fake free. Make the world virtuous”
<b>Fun facts</b>	In 2014, 39 300 ton of peas was harvested. 28 000 ton were exported.	The export to France has resulted in a new word in the French language; “pain polar”	Used crowdfunding for financial support, have 300 shareholders.

Table 4 presents the three case firms; Findus, Polarbröd and Virtuous Spirits in short. Numbers are taken from allabolag.se, case firms’ homepages and from personal communication with firm representatives.

## 5 Empirical study

In this chapter, empirical data will be presented in order to give the reader an insight on what has been found and this will further be the buildingblock for upcoming analysis. The data is categorized and presented for each firm; first more general findings and then more specific on a few countries where the firm exports.

### 5.1 Findus

Quality and taste always comes first for Findus (Pers.com., Jörnell, 2016) and it is usually that attribute that takes Findus into new markets (Pers.com., Walentin, 2016). Jörnell (Pers.com., 2016) emphasizes the importance of a supporting CEO and an enounced strategy for successful export ventures, which he feels has been the situation at Findus the last years. In 2011, Findus conducted a large survey to plot interesting markets for new export ventures. They plotted 50 countries, primarily outside of Europe (since they are already present and market leaders in several countries), where they looked at basic facts of frozen food (vegetables, fish and ready meals), actors within the market, prices and export barriers like taxes and tariffs. The next step before entering a market is to understand how retailers work in detail and what products that are present. If the products are very basic, no added values, it is often too expensive for Findus to enter markets (Pers.com., Jörnell and Walentin 2016).

#### *5.1.1 Findus and internationalization*

Findus is present at 30 markets and the export is divided in three branches; industry, foodservice and retail. The industry branch is primarily peas that are sold in large quantities where the primary market is Italy (Pers.com., Jörnell, 2016). Foodservice is the branch that delivers products for the Swedish standard assortment to restaurants and public sectors. Retail is the branch Findus export division works with the most right now and Findus has recently introduced its products at Wal-Mart in Canada (Pers.com., Jörnell, 2016). Countries besides Canada and outside of Europe are South Africa, Australia, Hong Kong and Taiwan (Pers.com., Jörnell, 2016).

In Canada where Findus sells frozen fish dishes they have done research to see if they could launch vegetables as well, but they found that they are much more competitive within fish than vegetables. The reason for this is that Europe has a very good fish production and a good reputation (Pers.com., Wallentin, 2016). One potential expansion in Canada could be there organic assortment of vegetables, but Wallentin (Pers.com., 2016) mentions that they will wait until they know more about the market. Right now they listen to their distributors and they know the fish market. Introducing vegetables would be a longer journey for Findus (Pers.com., Wallentin, 2016).

One of the most important factors that needs to be present for Findus to enter a market is a good distributor, because with a good distributor comes a great network and a drive to sell Findus (Pers.com., Jörnell, 2016). According to Jörnell (Pers.com., 2016) there are three ways to find a distributor. The most simple way for Findus is to use 'back door sourcing', which means that they contact one of their many suppliers if they have any business in their home market and then establish a co-operation. The second way, which is the best and cheapest way according to Jönell, requires some size and brand recognition (Pers.com., Jörnell 2016). Findus is a big company and the fact that they can say that they are part of Nomad Foods is a privilege which gives them opportunities to meet directly with a retailer. These retailers can then suggest a distributor that they know is good. The third and most expensive way is to use

actors like Business Sweden. Jörnell (Pers.com., 2016) says that you have a longer way up when going that way. Business Sweden needs to find a distributor who in turn needs to convince a retailer to sell Findus' products. These are all extra steps that you as a firm needs to pay for (Pers.com., Jörnell, 2016). Wallentin (Pers.com., 2016) stresses the importance of contacts when entering a market and says that if they do not have a good distributor they cannot (or will not) get in. Another feature that needs to be present is a culture of eating frozen food. Money is too expensive when exporting which means that Findus cannot drive that behavior; "*It would not be economically defensible*" as Wallentin phrase it (Pers.com., Wallentin, 2016).

### **5.1.2. Cultural differences between markets**

Findus focuses on the Asian market right now. It is a market where a large potential for future sales is seen. Due to a growing middle class and a demand for western food both Jörnell and Wallentin (Pers.com., 2016) believe that Asia is where they will expand in the next years but they also mention that they might be a little bit early right now. In Hong Kong they are doing well, but there is a more western population in Hong Kong compared to other parts of China where frozen food is unfamiliar. Wallentin (Pers.com., 2016) describes that the shopping behavior differs and that fish and vegetables often are bought in the local market. One thing that Wallentin has noticed in Asia is that the history of Findus is an attribute which raise interest among Asian retailers. They often want to see a timeline of Findus which has resulted in that they now include it in their market material (Pers.com., Wallentin, 2016).

Canada has been an easy target for Findus since they have the same food habits and behavior as in Sweden. Canadians are used to frozen food and the Nordic/European cuisine (Pers.com., Jörnell, 2016). In South Africa, which Findus entered in 2012, focus is on vegetables. South Africans tend to premier local production and they work to establish and grow their domestic agriculture rather than importing (Pers.com., Jörnell, 2016). Despite this, Findus believed they have succeeded due to a higher quality in their products. To grow peas for example is more challenging in South Africa where the climate is a bit too warm and transport of harvested peas is done in trucks with open ceilings. This reduces the quality and the reason for why Findus introduced themselves as an imported vegetable producer (Pers.com., Jörnell, 2016).

### **5.1.3 Findus' communication in Sweden and in foreign markets**

In Canada, where Findus sells ready to eat fish meals, they promote the origin from Europe and UK with 'Original recipe from UK'. Other actors also promote their fish dishes as UK style since it is popular in Canada (battered cod, fish and chip etc.), but since Findus produces the fish in UK they can emphasize original and a true origin (Pers.com., Wallentin, 2016). All their products are GMO-free, which is rare in Canada due to large imports from the U.S. and further the reason for why they communicate this with retailers. She further says that it is not a decisive attribute but more of "*oh, well that's good*" for the retailers (Pers.com., Wallentin, 2016). Wallentin (Pers.com., 2016) mentions that this is not communicated to the end consumers and she thinks the reason is that the interest is very low. If a debate of GMO will rise it might be something retailers and Findus want to stress, which is good possibility to have (Pers.com., Wallentin, 2016). When Findus sells within the foodservice branch, to hospitals and nursing homes, GMO-free is a much stronger attribute for Findus (Pers.com., Wallentin, 2016). Wallentin (Pers.com., 2016) mentions that for these groups, doctors and dieticians, GMO-free products are added value.

In Australia, Findus launched products together with Jamie Oliver (chef from UK) who they have a collaboration with. Findus develops dishes that Jamie Oliver tries and approve before

putting his name on them. The theme for Australia was to teach people to eat fish and to explain for them that it should be easy to prepare a fish dish (Pers.com., Wallentin, 2016). Last fall (2015) Findus launched two private products (not Jamie Oliver products) which have not been successful. They have been freeloading on the branding awareness that the Jamie Oliver-products have created, but have not spent money in excess of that. Wallentin (2016) explains that in-store activities are very expensive in Australia, which is why they have not done any more marketing. Due to the merger with Nomad Foods, they are taking an expectant position in the Australian market for now (Pers.com., Wallentin, 2016).

In South Africa, Findus spent a lot of resources when introducing their products and they market them as 'Delicious in Swedish'. Quality is the attribute they try to signal and they emphasize the origin from "*the cold, clean Sweden*" (Pers.com., Wallentin, 2016). Wallentin (Pers.com., 2016) describes that it is very cheap to do in-store activities in comparison to Australia which is why they chose to do a big launch. The wok products contain input from South America, which is shipped to Sweden for processing and then further shipped to South Africa. One might consider the carbon footprint of this, but Wallentin (Pers.com., 2016) says that it has not been up for debate yet but she believes it might do so in the future. Findus products are 50 percent more expensive than market competitors in South Africa, which they try to "hide" by offering smaller packages to the same price as the competitors' larger sized ones. The reasons for the large price difference is the more expensive inputs and a fluctuating currency (Pers.com., Wallentin, 2016).

The marketing director of Sea harvest, which is Findus' business partner in South Africa, mentions in an article that "*Findus has points of difference in contrast to local products in that its product quality emphasis is based primarily on taste, food safety and agricultural sustainability, all of which will appeal to the local South African market*" (www, Foodstuff, 2012). At the South African web page one can read that quality is fundamental for Findus and further on that Findus focuses on two main areas in order to be sustainable and contribute to a good health: sustainable agriculture (LISA) and good nutrition (www, Findus Foods, 2016). The peas and green beans are emphasized as being Swedish (www, Findus Foods, 2016).

The Swedish origin is nothing Findus communicates in other markets (besides South Africa) and Wallentin (Pers.com., 2016) says that every country hold their food production as the best. Wallentin (Pers.com., 2016) describes that their foodservice customers in Germany find it annoying when Findus put Swedish meat in their meatballs. It just makes it more expensive for the German customers. LISA is another thing they do not communicate, only to their industry customers where an understanding and knowledge is present. Wallentin (2016) believes LISA is too complex for actors within retail and the food service "*it's like organic but not*". She sometimes mentions it to foodservice customers that they have babyfood quality on their products which in some cases is of interest (Pers.com., Wallentin, 2016). "*For industries it works. We get the best peas by doing what we do, using LISA and our salt grading to sort them, but for consumers it is hard to realize that.*" (Pers.com., Wallentin, 2016). Wallentin (Pers.com., 2016) further says that "*people understand organic, or they think they do, but they know it's good*". In Sweden they can communicate a reduced carbon footprint with certificates like Svenskt Sigill, but when she is outside of Sweden most people say "*climate what?*". The same thing occurs with MSC labeling outside of Sweden. In Sweden it has become a hygiene factor for food processing firms, but in other markets it is not so important. This has resulted in that they do not always have MSC labeled fish in other markets, but always sustainably sourced (Pers.com., Wallentin, 2016).

In Italy the origin of the peas is not communicated to the consumers. Jörnell (Pers.com., 2016) says that most Italians believe that the peas are Italian and not Swedish. At Findus' Italian web page, one can read that the peas are so delicious since they are produced in the most suitable country (www, Findus Italia, 2016). It is further described how the peas are frozen within three hours which makes the quality, freshness and c-vitamin level high.

*Findus in summary:* Present in 30 markets where the export is divided into three branches; industry, foodservice and retail. Firm representatives emphasize the importance of a good distributor and being part of a global network. Findus cannot drive a behavior in a market, meaning that the culture of eating frozen food needs to be present before entering. Attributes like GMO-free, MSC labeled fish and sustainable production (LISA) are hard to communicate and not a decisive factor for their customer. Communicating these values is easier in the Swedish market and to industry customers. The origin of the products is mentioned in a few markets but the size and history of Findus are attributes that more often create new business opportunities.

## 5.2 Polarbröd

The origin of Polarbröd is important to the firm but quality always comes first (as in the case of Findus), which sometimes means that the raw material in the products of Polarbröd is not produced in Sweden (Pers. com., Hägg, 2016). Hägg (Pers.com., 2016) mentions that they aim to be as Swedish as possible but some seeds, packaging and plastics bags are from other parts of Europe since they cannot be found in Sweden. Flour is occasionally bought from Germany in order to ensure the quality of their products. Hägg (Pers.com., 2016) describes that Swedish farmers cannot provide them with high quality flour all year around due to climate conditions for Swedish farmers in comparison to German farmers. As mentioned in the previous chapter, Anna and Karin's grandmother Greta invented "polarmetoden" and "renklämman", and according to Hägg (Pers.com., 2016) Greta expressed at that time, 40 years ago, that "*I need to export. I will export this all the way to Stockholm!*" (Pers.com., Hägg, 2016).

### 5.2.1 Polarbröd and internationalization

Polarbröd's primary market is Sweden and the Nordic region, but they can be found in 13 European countries and at IKEA department stores all around the world (Pers.com., Hägg, 2016). Hägg (Pers.com., 2016) mentions that sales in Swedish food retail compose of 71 percent of the total sales of Polarbröd. Approximately 12 percent is sold to Norway on export and 8 percent is sold to firms like Martin & Servera and Menigo who deliver to restaurants and public sector. The remaining 9 percent is sold to other export markets where the French market composes of 4 percent (Pers. com., Hägg, 2016).

Polarbröd's export ventures began with France in 1992 when Jean-Pierre Cruezon, employee of DISAL, found Polarbröd on a SIAL (Salon International de l'Alimentation – an international food exhibition) fair in Paris (Pers. com., Enberg, 2016). DISAL was bought by CINRJ, part of the corporate group Original VD, ten years ago and thereby inherited Polarbröd. CINRJ primarily sells frozen products to sandwich makers and 90 percent of their sales volume consists of products of Polarbröd. Polarbröd is often a supplier to sandwich makers in their export markets, as they are in France (not the case in Norway) and when promoting their products at fairs they emphasize the product qualities. Hägg (Pers.com., 2016) mentions that because of the fact that they deliver frozen bread their customers can reduce waste. The sandwich makers can defrost as much bread they need and do not have

order bread every day, which means that freshness is another product quality that they try to emphasize (Pers.com., Hägg, 2016).

Hägg (Pers.com., 2016) describes that the fact that they deliver frozen bread is an advantage when selling to B2B but becomes difficult when selling to consumers in stores in other markets. In Sweden the big three; Pågen, Fazer and Polarbröd, have managed to build a unique bread section in stores. They all deliver directly to the stores and mark the product with a date label when putting it in the shelf. In Norway, this was a problem when entering in 2002 (Pers.com., Holtung, 2016), but they have worked out a system. Norway has historically been an unavailable country, which has resulted in that every store is equipped with a large frozen storage, which Polarbröd has used in their distribution. Polarbröd deliver by train to Gothenburg and by trucks to a central warehouse in Norway (Pers.com., Holtung, 2016). The trucks then deliver to the stores where the products are stored in the frozen storages. The staff in every store then marks the bread with date labels when they are defrosted and put in a shelf. Hägg (Pers.com., 2016) mentions that this is a large challenge for them in other markets because this system (date labeling and large frozen storages) does not exist in other countries.

Polarbröd's partner in Norway is Findal & Krogh (F&K), which is a family owned company that was founded in 1994 when they introduced a new concept in Norway; bake off bread (Pers.com., Holtung, 2016). F&K import, sell and distribute Polarbröd to three retailers in Norway. Holtung (Pers.com., 2016) describes that back in 2002 when F&K started to import Polarbröd it was seen as a niche product. Primarily because of the history and strong traditions towards freshly baked bread in Norway (baked every day and distributed to each store), compared to Polarbröds soft and quite sweet bread that could last for many days. Holtung (Pers.com., 2016) describes that the values or qualities that he sees in Polarbröd's products are the diversity (different bread for different occasions or segment), the environmental approach (including wind mill and sustainable sources ingredients), that the products are easy to like, free from eggs and milk and made from only natural ingredients.

This year, 2016, Polarbröd will implement a new export strategy in an attempt to undermine the challenge they face in retail outside of Sweden and Norway. They will focus on their crispy flatbread, which is more suitable for retailers, and hopefully build brand recognition and create a demand for their other products. This will hopefully give the retailers incentives to work with in-store labeling for future sales of their softer assortment (Pers.com., Hägg, 2016). Hägg (Pers.com., 2016) points out three things that needs to be present in a retail market for Polarbröd to enter it; logistics, merchandise (in store activities like campaigns) and a partner with a professional network. Hägg (Pers.com., 2016) mentions that *"If one of these are missing, we have never succeeded. When they all have been there, we have succeeded"*. Selling to B2B is less complex which is why the focus has been on those customers.

### **5.2.2 Cultural differences between markets**

During the interviews Finland was mentioned as a more difficult market to enter compared to Norway (Pers.com., Hägg, 2016; Kite, 2016; Jeppsson, 2016). Kite (Pers.com., 2016) mentions that the bread culture in Finland is different from the Swedish; it is more common with sourdough and really dark bread. Kite (Pers.com., 2016) believes that Polarbröd needs to understand what Polarbröd can be in that culture without replacing the existing bread. She mentions that being unique (as Polarbröd is in Finland) has its opportunities but also its challenges. The retail structure in Finland differs from Sweden and Norway. In-store activities do not exist which make it hard for Polarbröd who often work with taste samplings when entering a market in order to get the consumer to try their products. Hägg (Pers.com., 2016)

also mentions that these campaigns drive volume and is necessary for Polarbröd in order to create brand recognition.

In Norway, bread is often sold as one-piece units in open paper bags and Polarbröd have been working to become an everyday bread especially convenient for children due to the softness of the products (Pers.com., Högström, 2016). Norwegians often find Polarbröd's products sweet and therefore see them as unhealthy, which is why Polarbröd has worked a lot with "grovhetskalan", which is a labeling system based on the percentage of whole grain in the products. Norway is understood to be a few years after Sweden when it comes to trends in food (Pers.com., Kite, 2016). This is something Jeppsson (Pers.com., 2016) has experienced in other markets. If they see a trend in Sweden, say sourdough, they do not see it so apparent in Germany, France or UK. This is also the case when it comes to sustainability and environmental concerns (Pers.com., Jeppsson, 2016).

Jeppsson (Pers.com., 2016) mentions that we are used to freeze our food in Sweden as a way to preserve it, which is not as common in other part of Europe. This is primarily a barrier when selling to retail, for processors it is rather an added value (waste reduction). Polarbröd has been forced to communicate why they freeze the bread and why they do not deliver it "fresh" in many markets (Pers.com., Jeppsson, 2016). Polarbröd conducted a consumer survey in Switzerland a couple of years ago and for the Swizz it was a strong disadvantage that Polarbröd was frozen. For them, fresh bread should be warm and they could not see the advantages with "polarmetoden" (Pers.com., Jeppsson, 2016).

### ***5.2.3 Polarbröd's communication in Sweden and in foreign markets***

Hägg (Pers.com., 2016) mentions that they try to communicate how they invest in a more sustainable production to consumers but emphasizes the difficulty of it. When they meet with actors like ICA or politicians they can tell their story and how they work with wind power and sustainably sourced resources and the reaction is always "*This is amazing, no one else does this!*" and "*But why don't you communicate this?*" (Pers. com. Hägg, 2016). Hägg (Pers.com., 2016) mentions that "*it is unbelievably difficult to communicate these messages*" and he further mentions that they have communicated what they can communicate and that they work hard to find new ways of telling the story. Ways that makes the message easy to understand and communicated in a wider media (Pers. com., Hägg, 2016).

When exporting, Polarbröd always tries to include their sustainable production of their products. In 2009, when Hägg started at Polarbröd, he could describe how Polarbröd invested millions of SEK in wind power, a more sustainable agriculture or transportation for potential customers but all they replied was "*yes, but how much does it cost?*" (Pers.com., Hägg, 2016). Today, Polarbröd's sustainability investments are of interest for some buyers and during the last years the interest in Europe has increased (Pers.com., Hägg, 2016). He mentions that firms are more interested of Polarbröd as a company when they can talk about these 'soft values' and he believes that it has become more important for firms in Europe to cooperate with firms that have an expressed sustainability approach than before (pers.com., Hägg, 2016). The awareness of these questions have increased and Hägg (Pers.com., 2016) describes that larger retailers try to claim themselves when taking action for these questions.

Kite (Pers.com., 2016) says that they cannot wait to act until consumers are prepared to pay a higher price for investments for a more sustainable production. She further says that firms that are committed to sustainability need to figure out other ways of savings in the value chain (Pers.com., Kite, 2016). It is difficult for Polarbröd to communicate what they do to

consumers but there is also a price competition in the market, within and outside of Sweden which makes it hard to charge a higher price (Pers.com., Kite, 2016). “*If you cannot communicate it, you cannot charge for it*” (Pers.com., Kite, 2016). She further mentions what she thinks a firm can charge for when it comes to food; it is organic, small-scale, artisanal and unusual enjoyment. Polarbröd has a few KRAV labeled products but they primarily work for an environmental improvement for conventional products (Pers.com., Högström, 2016). Högström (Pers.com., 2016) says that organic and KRAV are top of mind when working with more sustainable products, but that is just “*the top of the iceberg*”. The awareness and knowledge of this need to increase before Polarbröd can charge for it. Until then, they describe what they have done on their webpage so the consumer can read about it if they want to (Pers.com., Kite, 2016).

Enberg (Pers.com., 2016) mentions that personal relations are used by CINRJ to communicate with their customers in France. Labels and symbols are not used since the bread is processed before end consumption. According to Enberg (Pers.com., 2016) CINRJ communicate quality and exotic origin when selling the products of Polarbröd. The sustainability work is something CINRJ listens to but it is not a decision factor and not of importance for their customers (not what they are aware of) (Pers.com., Enberg, 2016). CINRJ experiences a price competitive in the market according to Enberg (Pers.com., 2016). She further mentions that the Swedish origin signals quality and exoticism to the French customer and they are able to charge for this in markets where the price is not dominant (Pers.com., Enberg, 2016) .

Holtung (Pers.com., 2016) mentions that they use face-to-face, social media, TV, trade newspaper and in store activities to communicate with the target consumer. The reindeer mascot is used as a brand recognition and the product packages signal the bread scale “*grovhetskalan*” to communicate healthy aspects. When Holtung communicates with Findal & Krogh’s customers he mentions the high quality standard of the production facilities and that Polarbröd is a firm that takes action for a more sustainable way of producing (Pers.com., Holtung, 2016). This communication is so far done during presentations with customers but they examine ways to include the consumer (Pers.com., Holtung, 2016). Holtung (Pers.com., 2016) mentions that he does not think the origin of being Swedish is important to the Norwegian consumer and the reindeer and Norwegian text on the packages do not reveal the Swedish origin.

*Polarbröd in summary:* Present in 13 markets, where focus is on the Nordic region. The representatives have noticed an increased interest for a sustainable production in Europe which is in favor for Polarbröd. When they have time to tell the story of how much they do for a more sustainable production customers are highly interested, but the story is hard to communicate within retail where time, space and awareness are limited factors. Polarbröd is facing challenges when selling to retail in foreign markets due to infrastructural and cultural differences.

### 5.3 Virtuous Spirits

The co-founder and export manager of Virtuous Spirits describes that he and his colleague are real environmental geeks and always try to do things in the most environmentally friendly way (Pers.com., Löfendolk, 2016). They produce one pure vodka called Blond and six flavored ones: Bitter Lemon, Ginger, Sea Buckthorn, Vanilla, Chili and Raspberry (Pers.com., Löfendolk, 2016). As mention, the products are sold to Systembolaget (10 to 20 percent of total sales) and the rest is sold to HORECA (80 to 90 percent of total sales)(Pers.com., Löfendolk, 2016).

### 5.3.1 *Virtuous Spirits and internationalization*

Virtuous Spirits is exporting to four markets outside of Sweden; Australia, Italy, Denmark and Poland (Pers.com., Löfendolk, 2016). Löfendolk (Per.com., 2016) describes that all of the markets are very different from the Swedish market. Selling alcohol in Sweden means that you are selling in a market where one actor, Systembolaget, has the monopoly of selling alcohol to end consumers (this means in store sales, not in bars or restaurants). Virtuous Spirits entered Australia as a first export market. It all begun with a meeting at a HORECA fair in Berlin where they met their distributor The Liquor Baroness (Pers.com., Löfendolk, 2016). The distributor really liked Virtuous Spirits and its concept of being fake free and all natural and asked if she could take Virtuous Spirits to Australia (Pers.com., Löfendolk, 2016). Löfendolk (Pers.com., 2016) describes that they did not have any financial or human resources to provide a proper marketing support but looked into the market and the two co-founders said to themselves “*Why not?*”. After Australia they entered Italy and then Poland in 2015. Virtuous Spirits started to export to Denmark during this spring (2016) and they are planning to export to a few new markets in Europe and eventually the U.S. by the end of this year (Pers.com., Löfendolk, 2016). The European markets are chosen due to short geographic distance which gives them better control and it makes it easier to handle marketing support, transports are shorter and similar regulations regarding sales and export makes the administration less resource-demanding. The U.S. market is a result where a distributor from the U.S. contacted Virtuous Spirits. If they would not have been contacted Virtuous Spirits would probably not have entered U.S as one of the next markets (Pers.com., Löfendolk, 2016).

### 5.3.2 *Cultural differences between markets*

In Australia people drink both at home and out at bars and restaurants, which is why Virtuous Spirits is present in both of these markets in Australia (Pers.com., Löfendolk, 2016). Organic features are very “*hip*” in Australia which is helping them in their communication, it makes it easier to talk about it (Pers.com., Löfendolk, 2016). Löfendolk (Pers.com., 2016) says that organic as a feature is “*modern*” and “*good*” in Australia and customers see an added value in it. Despite this, not very many know what organic actually means which has resulted in that Virtuous Spirits has sent a lot of material about organic to inform their customers. It should be mentioned that organic in Australia is something ‘healthy’ which Virtuous Spirits has avoided to take part of since they market a non-healthy product and it would therefore interfere with their fundamental pillars for its Vision and Concept (Pers.com., Löfendolk, 2016).

In Italy, where drinking culture primarily is taken place in bars and restaurants Virtuous Spirits is found in those places (Pers.com., Löfendolk, 2016). They have decided not to enter retail due to this cultural habit. In contrast to Australia (where Australia contacted Virtuous), Virtuous Spirits contacted a distributor in Italy (Fine Spirits) since they found the market interesting. Löfendolk (Pers.com., 2016) says that Italy was interesting based on a few criteria: geographically close market, potential for the Virtuous concept (fake free), size of market, closely related product categories and an increased trend for organic/natural products. Italy is a market where customers are used to local and organic production, mostly wine but also other forms of flavored spirits. What is separating Virtuous Spirits from the local assortment is that they produce vodka, which is very rare, but also that they are certified (Pers.com., Löfendolk, 2016). Even though most products are organic in Italy, most producers cannot afford a certification to label the bottle, which is why these producers cannot take part of the value (of being organic) in the market communication (Pers.com., Löfendolk, 2016). Being able to sell using ‘organic’ and ‘fake free’ is important for Virtuous Spirits in Italy but ultimately, the good flavor gets Virtuous Spirits into the bars (Pers.com., Löfendolk, 2016).

In Poland, Virtuous Spirits' third export market, drinking in bars is not as common as drinking at home. Löfendolk (Pers.com., 2016) describes that they have, in consultation with their distributor in Poland, decided to only sell to retail for now. As in Italy, Poland was an interesting market for Virtuous Spirits due to a close distance, potential for the concept, size of market and closely related product categories. The drinking culture in bars (cocktails) has started to grow in Poland and Löfendolk (Pers.com., 2016) mentions that this is good for Virtuous Spirits in order to market their products. In contrast to Italy, the trend for organic is not as clear in Poland. Löfendolk (Pers.com., 2016) describes that they needed to educate their distributor and retailers that sell the products about organic and what it stands for. Löfendolk (Pers.com., 2016) further says that *"we feel kind of lonely in the market with our product"* and he mentions that they have not seen any other organic brand. The distributor in Poland organizes 'mini fairs' in stores in order to let the customers taste the products. This also gives him time *"to tell the story"* and describe the characteristic features of the products (Pers.com., Löfendolk, 2016).

Denmark is the most recent market for Virtuous Spirits and the export started this spring. This market was entered after the interviews were conducted and will not be part of further analysis in this thesis.

### ***5.3.3 Virtuous Spirits' communication in Sweden and in foreign markets***

Virtuous Spirits, as any company selling beverages containing alcohol, faces a challenge when marketing or communicating with potential customers in Sweden. Due to the regulation Alkohollag (2010:1622) Systembolaget holds a monopoly to sell alcohol in retail form. It further means that they decide what to sell on the shelves but needs to procure a consumer's request of products that are not in store (Alkohollagen 5 kap. §4). Marketing of alcoholic beverages is controlled by the same law and primarily states that marketing cannot invite for consumption of alcohol. This means that Virtuous Spirits only chance to be seen is by using bars and restaurants as a marketing channel to reach end consumers (Pers.com., Löfendolk, 2016). Löfendolk (Pers.com., 2016) says that they focus on bars and restaurants that share their interest of fake free and organically sourced products. The reason for this is that these persons (bartenders) can tell the story to their guests and describe the production in detail which is in favor for Virtuous Spirits (Pers.com., Löfendolk, 2016).

Not too much about the production is described or where the products can be found at their webpage (www, Virtuous Spirits, 2016). The products are presented with moving pictures along with serving suggestions, the copy is short and creative and one should contact them for further information (www, Virtuous Spirits, 2016). Löfendolk (Pers.com., 2016) mentions that Facebook is an important channel for them in order to communicate what they stand for (real, sustainability, organic) but also to interact with bartenders.

In comparison to Sweden, it is easier to communicate with end consumers in their exporting markets (Pers.com. Löfendolk, 2016). Without monopoly, more ways of targeting and communicating with potential end consumers emerged. In store activities can be arranged as well as discounting and other types of campaigns are ways to make new end consumers try products. Communicating credence attributes like organic is challenging since the difference is hard to evaluate. Despite this, taste is often the primary attribute Virtuous Spirits sells their products on (Pers.com., Löfendolk, 2016). If the taste is a result of the organic and natural production is up to the consumer but it definitely makes it easier to create and communicate a more Virtuous world (Pers.com., Löfendolk, 2016).

Löfendolk (Pers.com., 2016) mentions that their distributors must take part of Virtuous Spirits' fundamental pillars for its Vision and Concept (real, responsible and sustainable) in order to make sure that they know what Virtuous Spirits stands for. This is a way for the founders to inform and ensure that the distributors are representatives of their company which they find very important (Pers.com., Löfendolk, 2016). The Liquor Baroness, the Australian distributor, have a clear organic and natural approach (www, The Liquor Baroness, 2016). Virtuous Vodka is presented as "*Pure unfiltered organic vodka made in Sweden and flavored with fresh organic fruit*" (www, The Liquor Baroness, 2016).

Fine Spirits, which is the distributor of Virtuous Spirits in Italy, describe the product as biological but does not mention the Swedish origin at the webpage (www, Fine Spirits, 2016). At Spirit Academy, an Italian web page for guidance and to order beverages from the products of Virtuous Spirits can be found. In the descriptions of the products one can read that it is organic (bio marcate and agricoltura biologica). The other vodka products that can be found on the webpage are not communicated to be organic, but the origin of the products is emphasized (www, Spirit Academy, 2016).

*Virtuous Spirits in summary:* Present in four markets outside of Sweden and plan to enter a few more within this year. The European markets are chosen due to short geographic distance which gives them better control and it makes it easier to handle marketing support, transports are shorter and similar regulations regarding sales and export makes the administration less resource-demanding. Australia and the U.S (within this year) are results where Virtuous Spirits were contacted by distributors. Virtuous Spirits has experienced that it is easier to communicate with consumers in foreign markets due to legal differences. Organic is an attribute that is important and to have a certification facilitates the communication.

## 6 Analysis

This chapter will provide the reader with an analysis of the empirical findings in an attempt to see how the representatives' perceived experiences could be explained by existing theory presented in chapter 3. An analytical synthesis is presented in the end of this chapter and the research questions are presented below in order to remind the reader of the aim of the study:

- What credence attributes do firms attempt to communicate in the Swedish market?
- How do firms attempt to communicate these attributes in foreign markets?
- How does psychic distance impact the strategies of exporting Swedish food companies?

### 6.1 Reasons for internationalization

The aim of this thesis is to develop an understanding of perceived opportunities and challenges that Swedish food processing firms encounter when communicating values embodied in their products in export markets. Before a firm can communicate it needs to be in the market and literature makes a distinction between internationalization (few selected markets) and globalization (firm's operations are managed in a global scale) (Ruzzier *et al*, 2006). Findus who is operating in 30 countries all around the globe and part of the large frozen food actor should be seen as part of globalization venture. Polarbröd and Virtuous Spirits who both are focusing on fewer markets are rather leaning towards internationalization. For smaller and medium sized companies, internationalization plays an important role in contributing to growth within the firm, which Ruzzier *et al* (2006) point out which also seems to be the situation for Virtuous Spirits. Polarbröd is a large company (over 250 employees) when following the general categorization of firms (www, SCB företagsbas, 2016) but when talking to the representatives of Polarbröd the feeling is that it is a relatively small firm where owner structure and leadership plays an important role for where they are heading in international ventures (Pers.com., Hägg, 2016).

There is a close relationship between attitudes and actions when discussing the term international (Johanson & Weidersheim-Paul, 1975), which seems to be the case for the firms in this study as well. Findus is part of a global actor and international expansion is a natural part of that which is also what Jörnell and Wallentin describe (Pers.com., 2016). Polarbröd, as mentioned, is less driven by export ventures and focus on the domestic and Nordic market (Pers.com., Jörnell, 2016). Virtuous Spirits is a small, almost micro sized company that already has started their export ventures. The empirics show that the two entrepreneurs and co-founders of Virtuous Spirits are acting on opportunities when they emerge which is the primary reason for why they ended up in the Australian market (Pers.com., Löfendolk, 2016). Even though they are not operating in a global scale some interesting parts from the globalization literature can be seen in the ventures of Virtuous Spirits. The literature suggests that globalization is driven by three forces, one of them being less trade barriers and financial deregulations (Ruzzier *et al*, 2006, Acs *et al*, 2001 and Gjellerup, 2000). The situation when selling alcohol in Sweden is more regulated than in other markets which is partly the reason of why Virtuous Spirits already (three years after the first products were sold) have entered four markets and plan to enter a few more during this year (Pers.com., Löfendolk, 2016). The activities of Virtuous Spirits could be seen as reactive reasons for the strictly controlled market where one actor has monopoly. Literature suggests that a reactive reason often are grounded on a change in the market (Tielmann, 2010), which is why Virtuous Spirits' ventures also can be categorized as proactive reasons.

Findus and Polarbröd could also be categorized as taking a proactive role in international ventures. None of them have faced changes due to political decisions as Tielmann (2010) discuss, they have rather taken opportunities when facing them. Findus, who introduced frozen food in Sweden, brought the concept from the U.S. Already in 1962, when Nestlé bought Findus and founded Findus International AS the idea of international ventures begun. Hägg's (Pers.com., 2016) description of how Greta (Karin and Anna's grandmother) wanted to export her "renklämmor" all the way to Stockholm tells us something of the culture within Polarbröd. Even though Hägg (Pers.com., 2016) mentions that they are not focusing on expanding their export they are still present at 13 markets in Europe and sell to the global actor IKEA.

*Summarized reflection:* The case firms are proactive in export ventures, where Findus has the most well-established internationalization strategy. Virtuous Spirits is both reactive and proactive due to domestic market situation. Polarbröd and Virtuous Spirits have rather started off with random meetings within their networks and from that established strategies, whereas Findus has targeted markets and then found a distributor within its network.

## 6.2 Credence attributes at home and in foreign markets

When discussing quality, value and added value with the representatives from the case firms it is clear that there is no universal consensus to describe the terms, which also is stated in literature (Zeithaml, 1988). Value and quality are personal and idiosyncratic terms (Zeithaml, 1988). Zeithaml (1988) describes that firms need to understand the gap between objective and perceived quality, meaning that the firm's view of quality does not have to be the same as a customer's perceived quality. The empirical study shows that knowledge of credence attributes like reduced carbon footprint, organic and sustainable sourced fish are more common in the home market compared to foreign markets (Pers.com., Wallentin, 2016; Pers.com., Hägg, 2016 and Pers.com., Löfendolk, 2016). Mark-Herbert and von Schantz (2007) describe in their work that social values and credence attributes will become hygiene factors and this study can conclude that they were right (e.g. MSC labeled fish in Sweden). It should however be mentioned that the initiator probably not is the firm in this case; it is rather the high market concentration within the retail grocery market that has put pressure on actors. This reveal information of how many stakeholders the firm needs to understand in order to meet demands and expectations.

All case firm representatives mention that quality is the most important factor when selling to new customers (Pers.com., Jörnell, 2016; Pers.com., Wallentin, 2016; Pers.com., Hägg, 2016 and Pers.com., Löfendolk, 2016). What quality stands for is however not too clear and homogeneous and it differs among stakeholders, customers and case firms. Being part of a large actor is often a great advantage for Findus and for that reason a quality indicator and credence attribute in an international environment (Pers.com., Wallentin, 2016). Being a global actor and part of a large network has its privileges. Jörnell at Findus (Pers.com., 2016) describes that it often gives them a chance to meet directly with retailers and distributors in targeted markets. Zeithaml (1988) concludes that value and quality often is signaled with price but a brand or package can also be useful which seems to be the situation for Findus. Hägg from Polarbröd (pers.com., 2016) describes that he has seen a shift in how international customers view quality; from focus on low price to focus on more than low price. From Zeithaml's findings of 'value is low price' to Sawyer and Dickson's definition of perceived value (a ratio of attributes (more than low price) weighted by their evaluations divided by price divided by its evaluation), could be the shift Polarbröd have seen in the market.

Added values are credence attributes that are hard for competitors to copy since they often are core values of a brand (de Chernatony *et al*, 2000). Polarbröd focuses on taste, texture and other attributes that make Polarbröd suitable for sandwich makers (Pers. com., Hägg, 2016). One of these attributes is that Polarbröd deliver frozen bread, which means that its customers can defrost exactly as much as they need and therefore reduce waste (costs). This method is easy to copy, and might therefore not be valued as a credence attribute, but it is not a standard outside of Sweden which both Jeppsson and Kite (Pers.com., 2016) mention is an added value and advantage for them when selling to new customers. In theory, Ravald and Grönroos (1996) adds situation to the term value to describe it (remember the car that breaks down). It is the same for the customer of Polarbröd. There is no need for bread if it is not fresh when it is needed which is why “polarmetoden” could be seen as a way to close the gap between perceived and objective quality as presented in Zeithaml (1988) and thus a way to create value and a competitive advantage. Even though this method is value adding, infrastructural and cultural barriers prohibit Polarbröd to fully explore this potential market.

The concept of Virtuous Spirits, meaning fake free and organic, has opened up doors to new markets for them. Löfendolk (Pers.com., 2016) mentions that taste, as a consequence of being organic and fake free, is the most important attribute when selling to new customers. The trend for organic has increased in Australia during the last years, which Virtuous Spirits has experienced and exploited. Worth to mention is that the organic attribute is seen as modern and good, but very few actually know what it means (Pers.com., Löfendolk, 2016). In Italy on the contrary the knowledge about organic is spread and Italians are used to the concepts even though not very many domestic products are certified (Pers.com., Löfendolk, 2016). Virtuous Spirits has a unique position in Italy, producing vodka and being organic, which is creating value. In Poland, the awareness of organic is limited which is a challenge but also a great opportunity for Virtuous Spirits. Being able to say that they are of Swedish origin is good according to Löfendolk (Pers.com., 2016) since vodka traditionally originates from that region. This could argue for the importance of country of origin as an added value for consumers, which is what Hallenberg *et al* (2013) describes as well. The products of Virtuous Spirits are unique when it comes to the organic feature in stores in Poland (Pers.com., Löfendolk, 2016) but the selling place is somehow difficult. Since the awareness of organic is low the uniqueness could be harmed due to the fact that it is just put in a shelf in a regular liquor store. The scene does not fit the product if it is not communicated which is in line with the findings of Hallberg *et al* (2013).

The origin of Findus products varies along branch of operation and product. The pees for example are always Swedish but the fish dishes sold in Canada are produced in the U.K (Pers.com., Wallentin, 2016). Jörnell (Pers.com., 2016) mentions that the Swedish origin when selling is not too important and Wallentin mentions the same. Every country believes their country have the best products (Pers.com., Wallentin, 2016). The two markets where Findus emphasizes the origin or rather country of manufacture is in Canada where the U.K origin is printed on the packages and in South Africa where “Delicious in Swedish” is printed. In these markets Findus has experienced the competitive advantages country of origin can offer (Cristea *et al*, 2015). Some of the product articles in South Africa, like the wok, is not entirely Swedish but the manufacture is in Sweden and Wallentin (Pers.com., 2016) describes that most customers in South Africa do not reflect over the fact that some of the ingredients in the wok cannot be Swedish as a result of climate and production difficulties. Agrawal and Kamakura (1999) concluded that country of origin does not significantly influence a firm’s pricing decision, which is not entirely in line what this study show. Findus pricing is namely

much higher than competitors' in the South African market considering the country of origin, which in this case is an indication of high quality and premium (Pers.com., Wallentin, 2016).

In contrast to Findus, Polarbröd always tries to include the Nordic/Swedish origin, which means that country of origin could be argued to be an added value for the firm. For it to actually be an added value demands customer awareness of the origin and that it is regarded as an added value (Hallberg *et al*, 2013). As pointed out in the literature, the origin itself is not a value, it is the associations to the origin that is of value (Hallberg *et al*, 2013). Kite (Pers.com., 2016) describes that Sweden often is seen as a country that is clean, healthy and safe which she believes is an advantage for Polarbröd in foreign markets. Enberg who have worked for Polarbröd in France for several years describes these associations as well, but with an emphasize on exotic origin and quality (Pers.com., Enberg, 2016). Literature show that physical augmentation are easy to copy by competitors while core values are more sustainable and less easy to be copied (de Chernatony *et al*, 2000). Polarbröd, who lately have met copies of their product in France but according to Jeppsson (Pers.com., 2016) they are not very similar to the products of Polarbröd except the visuals. Polarbröd are also able to charge higher prices than competitors with similar products which means that they have created a value that competitors have not successfully copied (Pers.com., Jeppsson, 2016).

*Summarized reflection:* Firms need to understand demands from different stakeholders and consumers. A shift in value have been noticed by the case firms, less focus on low price and more focus on other attributes which is in line with the findings of Mark-Herbert and von Schantz (2007). Infrastructural and cultural barriers can obstruct expansion and added values can fatigue each other. Country of origin can be useful for the firm but it is a difficult credence characteristic that cannot be controlled by the firm since it is based on associations rather than actual origin which is also what theory present (Argawal and Kamakura, 1999; Crietea *et al*, 2015 and Luomala, 2007).

### 6.3 Communication at home and in foreign markets

Firms need to be able to communicate quality in the market in order to reduce the risk of a “market of lemons” (Akerlof, 1970). Firms have an information advantage in the market and a market mechanism for credible information is needed (Rao *et al*, 1999). Aprile *et al* (2012) conclude in their work that labels are one way to overcome information asymmetry in a way for firms to signal quality. Findus are using labels (Svenskt Sigill, KRAV and climate certification) in order to communicate credence characteristics to their consumers in Sweden (Pers.com., Wallentin, 2016) which is also described as a common strategy in literature (Aprile *et al*, 2012). Depending on how important the information is for the consumer and how comprehensive it is, the efficiency varies among consumers and labels (Dimara & Skuras, 2005). Wallentin (Pers.com., 2016) describes that many of their customers in Europe and Canada see the labels as an appreciated attribute but not as a decisive one. In Sweden, as mentioned above, all fish dishes from Findus are MSC-labeled, but outside of Sweden it is only “sustainably sourced”. Wallentin (Pers.com., 2016) mentions that the awareness is higher in Sweden and it has become a hygiene factor rather than an added value while it is not as important to foreign customers.

Value is something that is perceived and personal (Zeithaml, 1998). It is further different between markets and one could argue that culture and primarily food culture is influencing what is perceived to be value or added value in food products. Food is a social marker that let people be part of a group and communicate with each other (Azar, 2014). This study shows that firms have different approaches in order to be part of the value creation that some

attributes can bring the market (for the consumer as value and for the firm as increased sales). Findus export is divided into three branches and quality differs between what branch and what customer they are talking to (Pers.com., Jörnell, 2016) which is what is stated in literature as well (Zeithaml, 1988). Findus' value creation is embedded in the production along with the size and history of the company. The brand is strong and has led to new opportunities but it also stands for recognition in established markets, which means that the consumer knows what they will get. Jörnell (Pers.com., 2016) mentions that value is taste and quality for Findus and that is also what gives them opportunities in new markets. Jörnell and Wallentin (Pers.com., 2016) both mean that their well-developed LISA-system is the reason for the high quality and taste (for Swedish vegetables).

Erdem and Swait (1998) mention that standardization processes are ways to avoid intentional and unintentional differences in promised and actual quality. The LISA system, developed to assure and increase product quality, could be seen as a standardization process to assure output as Erdem and Swait (1998) describe it. Jörnell (Pers.com., 2016) mentions that LISA is only used in communicating activities with industry customers, not when selling to retail and food services since the system is very technical and not too easy to understand. This standardization can also be found at Polarbröd since its bakeries are ISO-certified which can be seen as a step in order to assure quality. Virtuous Spirits is yet small that the founders are still highly involved in the vodka processing and make taste samples themselves in order to assure standardized output (Pers.com., Löfendolk, 2016).

When talking to industry customers where people have a higher knowledge and expertise, productions technique like the LISA system and that they have baby food quality are quality factors that provides Findus with an added value (Pers.com., Jörnell, 2016). When talking to foodservice customers, like doctors and dieticians, the knowledge is also higher and a zero additive approach and no GMO in the products is important and create added value (Pers.com., Wallentin, 2016) which is what is stated in theory as well. Grunert (2008) mentions that not only do credence attributes need to be communicated, the consumer also needs to be aware of the attributes and what they stand for in order to consider to pay for them. Gullstrand and Hammarlund (2007) group values based on the willingness to pay for them; those that can be charged for, those that cannot be fully charged for and those that can be charged for if information about them is available for the customer. The LISA-system seems to have reached the first group for industry customers since knowledge, understanding and information are present. Findus can communicate with oral presentations and plant visits for those customers which is not possible to the same extent with foodservice and retail customers, which is a familiar situation to Polarbröd as well (Pers.com., Hägg, 2016). In these cases, Findus and Polarbröd are forced to find new ways to get paid for their production investments or as in the case of Polarbröd; they carry the cost for now (Pers.com., Kite, 2016).

Theory emphasizes that credence characteristics need to be communicated or signaled with extrinsic cues (Grunert, 2008; Northern, 2000). What is interesting about extrinsic cues are that they can be manipulated without changing the visuals, taste or form of the product (Oude Ophuis & van Trijp, 1995). This is why credible ways of signaling and communication are of importance (Rao *et al*, 1999). All case firms use labels as extrinsic cues to signal attributes that cannot be seen in the product itself (KRAV, Svenskt Sigill, MSC, and Organic). Literature describes that labels are useful cues especially when the customer is not the final consumer (Northern, 2000), which often is the situation for the case firms. Löfendolk (Pers.com., 2016) mentions that it is important for Virtuous Spirits to be able to say they are

organically certified in the Italian market. It means that they can be part of the values that organic adds to the product and furthermore able to sell more. Other actors in Italy that produce organic products but are not certified miss out of these opportunities according to Löfendolk (Pers.com., 2016) which indicates that labels and certifications work as a credible extrinsic cue. In the case of Polarbröd, who primarily sell to B2B where its products are used as input, these cues need to be appealing to both their customer and the final consumer (Northern, 2000). Both Jeppsson and Hägg (Pers.com., 2016) mention that their customers can ask for product changes in order to better suit their needs or their customers' needs, all depending on how large quantities that are ordered.

Another way to communicate and signal quality in a market with asymmetric or imperfect information is by using branding (Erdem & Swait, 1998; Rao *et al*, 1999; Karstens & Beltz, 2006). Mark-Herbert and von Schantz (2007) emphasize that what a firm says (image, symbol, brand) does not have to be what is perceived by the consumer, which is something firms actively needs to consider in order to 'walk the talk and chalk the walk' or in other words; act the way they say they do and say it. Annual reports, sustainability reports and corporate home pages have become increasingly important forums and communication platforms and a condition for a large 'territory' to support credence characteristics (Mark-Herbert & von Schantz, 2007). Findus and Polarbröd both use sustainability reports in order to inform of the actions taken place within the firm (www, Findus, 2016; www, Polarbröd, 2016). Virtuous Spirits is not but has fundamental pillars for its Vision and Concept that their distributors needs to take part of (Pers.com., Löfendolk, 2016). Kite from Polarbröd (Pers.com., 2016) describes that if anyone have any concerns about Polarbröd, this can be found at their home page. She further mentions that they cannot communicate everything they do in order to be more sustainable, they do not know how to do this. But when consumers want to know, they can find it at Polarbröd's home page (Pers.com., Kite, 2016). Fukukowa *et al* (2007) concluded in their study that in order to conceptualize a corporate identity, what firms are, should also be what they say they are which is in line with the findings of Mark-Herbert and von Schantz (2007). Nomad Foods' decision of shutting down the plants in Bjuv could be an action that is not congruent in what Findus says they do which might hurt the brand.

*Summarized reflection:* All case firms use labels to signal credence characteristics to the market. Some segments are more receptive to credence attributes, which often are based on higher knowledge and technical insight in the production within the segment. Standardization processes and certifications are used by Findus and Polarbröd in order to assure and signal quality in output. Polarbröd is the most transparent case firm and are very descriptive at its homepage in order to signal sustainable awareness and responsibility when consumers are interested.

#### 6.4 Impact of psychic distance in an international environment

The Uppsala Model, presented by Johanson and Vahlne (1977) describes that a firm's international activities are directly related to psychic distance, meaning that psychically close markets are entered before others. When Johanson and Vahlne revisited their model in 2009 they described psychic distance as "*psychic distance, defines as factors that make it difficult to understand foreign environments.*" (p. 1411). They further explained that firms enter markets where opportunities can be identified but where the uncertainty of the market is low (Johanson & Vahlne, 1990). Findus started their internationalization in the Nordic region and further on to other markets in Europe. The most recent markets are Hong Kong and Taiwan (Pers.com., Wallentin, 2016) and before that Australia, South Africa and Canada were

entered. Wallentin (Pers.com., 2016) describes that the Asian market differs from other markets since there is no behavior of eating frozen food. Fish and vegetables are sold fresh in local markets. South Africa, Australia and Canada are all markets where this behavior exists and did before they entered. Wallentin (Pers.com., 2016) describes that Findus could never drive a behavior in a market and explains that it is too expensive and she further discuss that she believes they are a little bit too early in the Asian market. Even though they have been successful in Hong Kong (Pers.com., Jörnell, 2016) Wallentin (Pers.com., 2016) believes that the population in Hong Kong is more Western than other parts of China and Asia.

Findus is the firm that has a more expressed export strategy compared to the two other case firms, which might be a result of a long history of international presence. They plot potential markets, evaluate them and then decide whether or not to enter. It was emphasized by both Jörnell and Wallentin (Pers.com., 2016) that Findus cannot drive a behavior to make people buy and eat frozen food, it needs to be there at least to some extent in order to invest in going forward with the export ventures. When this is conducted, they search within their existing network in order to find a good distributor. Following the argumentation presented by Johanson & Vahlne (1977; 2009) one could argue that Findus have followed the psychic distance pattern, meaning that they have entered markets where they have localized a behavior and a similar culture before entering. In this way they have reduced risk and minimized costs, which interferes with the findings of Johanson & Vahlne (1990). It should also be mentioned that the contacts are still highly important for Findus, and new distributors are often a result from an existing network, which is in line with the theory of networks and lack of 'outsidership' (Johanson & Vahlne, 2009).

Polarbröd entered France before any other market outside of Sweden (Pers.com., Hägg; Enberg, 2016). France is a country where bread consumption and culture differs from Sweden and the products of Polarbröd (Pers.com., Kite, 2016). 'Pain Polar' has been an accepted term in France and the products are primarily used as a sandwich component (Pers.com., Hägg, 2016). There are large food cultural differences between markets as Kite (Pers.com., 2016) points out. The concept of food culture distance, which was introduced by Azar (2011), describes what Kite points out. Azar (2011) describes food culture distance as a subjective distance based on perceived similarities or differences in the behavior of two consumers in two separated markets. Even though there is a distance in food culture between Sweden and France, Polarbröd found a way to introduce a completely new product. In contrast to the ideas of Azar (2014), that a comprehensive research might overcome a perceived distance; the introduction of Polarbröd was a result from a meeting that ended with a long lasting business relationship (Pers.com., Enberg, 2016). Polarbröd has faced problems in distribution within retail outside of Sweden. These cultural differences in how bread is preserved, distributed and consumed have made it impossible for Polarbröd to enter the retail market in France and the reason for why they will focus on the crispy flatbread in the future (Pers.com., Jeppsson, 2016). In Norway, they have successfully created their own logistic system since some facilities like frozen warehouses already were established (Pers.com., Hägg, 2016). Kite (Pers.com., 2016) describes that even though some markets are very interesting for Polarbröd's unique products, the same uniqueness makes it challenging to enter and establish a business. This is in line with the finding of Evans and Mavondo (2002) that psychically distant markets are more attractive than psychically close ones but the reality makes realization costly and challenging.

As in the case when Polarbröd entered France, Virtuous Spirits first export venture was a result of a meeting with an enthusiastic distributor from Australia (Pers.com., Löfendolk,

2016). Their vision is to make the world more virtuous and fake free and as Löfendolk (Pers.com., 2016) talks about it one can understand that export and internationalization were in the mind from the very start. Australia is a market where alcohol is consumed both at home and in bars which is similar to the Swedish culture (Pers.com., Löfendolk, 2016). The geographical distance is something Virtuous Spirits considers but since the distributor seemed like a good ambassador for their products they agreed to take the opportunity. Löfendolk (Pers.com., 2016) describes that the other markets was a more proactive choice for them. Both Poland and Italy were geographically closer and had potential taking size of market, increase trend for organic/natural and closely related products (Pers.com., Löfendolk, 2016). The next markets will also be geographically close (except for the U.S) since Löfendolk (Pers.com., 2016) believes the control will be better for them (easier to meet distributors/customer), the new export ventures will be less administrative due to similar regulations within EU and that the transport of products will be shorter (part of increased control). This is in line with what the literature present about psychic distance and how it influences the choices made by the firm (Johanson & Vahlne, 1977; O'Grady and Lane, 1996; Sousa & Bradley, 2006; Johanson & Vahlne, 2009). Vodka, which is a product with strong cultural roots in the Northern region and where countries like Sweden, Russia and Poland are well known producers. Australia is a country that is less famous for vodka, which might describe what Azar (2014) found in his research. Greater food distance correlates to a greater attractiveness. For Virtuous Spirits, which was contacted it might be different. The attractiveness could rather be the exotic origin the Australian distributor saw in the product. This is in line with what was said by Enberg about Polarbröd in France (Pers.com., 2016). The French distributor saw the exotic origin and potential in the products of Polarbröd rather than that Polarbröd saw the attractiveness of the French market.

*Summarized reflection:* Psychic distance seems to have an impact on the case firms, especially for Findus who never enter a market where similar products cannot be found. Random meeting within networks have started the internationalizations for Polarbröd and Virtuous Spirits. Polarbröd has experienced that cultural differences and lacking logistic systems have challenged its possibility for further expansion. Money in the international market is too expensive to drive a behavior or build a new logistic system.

## 6.5 Analytical synthesis

In order to understand and explain how theory and empirical findings of this study relate an analytical synthesis has been created (table 5). Empirical findings are described by existing theory and summarized in table 5.

Table 5. Analytical synthesis

Theoretical concept	Synthesis	References	Empirical findings
<b>Internationalization</b>	Reactive or proactive expansion into new markets where uncertainty is reduced by the firm's resources and experiences.	Helpman <i>et al</i> (2003), Johansson & Vahlne (1977), Ruzzier <i>et al</i> (2006), Penrose (1959), Tielman (2010)	All case firms are proactive. Virtuous Spirits could be seen as reactive due to regulations in the domestic market.
<b>Psychic distance</b>	A perceived distance to a foreign market due to cultural, legal, economic and linguistic differences.	Bradley (2006), Ghemawat (2001), Johansson & Vahlne (1977, 2009), Johanson and Weidersheim-Paul (1975), Sousa & Prime <i>et al</i> (2009)	All case firms seem to be influenced by psychic distance, but in different scopes. Findus is entering less distant markets before others. For Polarbröd and Virtuous Spirits random meetings have been more influential, but geographic and cultural distance have an impact on their market entry strategies.
<b>Credence attributes</b>	Added values that cannot be judge before or after consumption and needs to be communicated and understood in order to bring value to the consumer and the firm.	Chernatony <i>et al</i> (2000), Gullstrand & Hammarlund (2007), Hallberg <i>et al</i> (2013), Ravald & Grönros (1996), de Zeithaml (1988)	Depends on customer what is perceived or understood to be an added value. Country of origin can be helpful in marketing for all case firms. Organic has been helpful and signal "something good" which indicates a knowledge gap in the market.
<b>Asymmetric information and signaling</b>	Consumers always run a risk of not being satisfied due to little or no insight in the production.  Different forms of transparency (labels, certifications and standardization)	Akerlof (1970), Aprile <i>et al</i> (2012), Diamara & Skuras (2005)	Labels and certifications are used by all case firms, but less efficient in foreign markets. Findus and Polarbröd use standardizations, LISA and ISO, in order to close the gap. Less asymmetric information in Sweden due to higher brand and sustainability awareness.
<b>Communication for a large territory</b>	Branding and "walk the talk, chalk the talk" in order to make it possible for consumer to make an informed decision.	Erdem & Swait (1998), Mark-Herbert & von Schantz (2007), Northern (2000)	Limited space, time and interest make communication hard. Easier within B2B where knowledge is higher. Findus 'chalk the walk', Virtuous Spirits 'walk the talk', and Polarbröd 'walk the talk and chalk the talk' to the extent they can.

In table 5 a summary of what has been said in the analysis is presented. Empirical findings are described from key references and theoretical terms from chapter 3.

## 7 Discussion

In this chapter, the findings of the research will be discussed and compared with results from previous studies within the field primarily presented in the literature review (3.1).

In Azar's (2014) research of food culture distance he concludes that there is a positive correlation between perceived distance and attractiveness of the market. One explanation provided is that product differentiation is easier when there are no similar products present in the market. In this study it is clear that Findus do not enter a market if there is no behavior of eating frozen food, that is to say similar products, which differs from the findings of Azar (2014). Findus is an actor with great international experience and literature suggests that those actors are more likely to enter more distant markets and the fact that Findus are present in Australia, South Africa and Asia might support this (Andersen & Buvik; Evans *et al*, 2008). Polarbröd, as Findus, has a long experience from export but in a smaller scope (seen to number of markets) and with a less geographical spread. Even though psychic distance is perceived rather than objective and geographical, one could see the parallels in the case of Polarbröd where the export focus is on the Nordic region and Europe. Virtuous Spirits are not as internationally experienced as the other two case firms but have a geographical spread in their export markets. When Virtuous Spirits plan for new markets, Europe is for now the primary market since the legal system is uniform and control can be preserved (shorter distance for travels and visits for potential and existing customers and distributors). More distant markets (in terms of geographical distance and legal systems) like Australia and U.S (within this year) have not been chosen by Virtuous Spirits themselves but are results of being part of networks. The reason for this might be that Virtuous Spirits is a small actor where the co-founders still are highly involved in the business and aim to preserve control within the firm, even though they have taken opportunities when arisen. All firms mention that a good distributor is a decisive factor that needs to be there for engaging in export ventures. A distributor, that often is a result of an existing network or found in the periphery of a network, seems to be a way to overcome psychic distance for the firms. This is what Johanson and Vahlne (2009) also concluded in their research of 'outsidership'.

In the study by Sousa and Lengler (2009) it is suggested that firms' (managers') perceived distance to a market will increase the marketing adaption in order to successfully enter a market. This means that the marketing mix (price, product, place and promotion) will be adjusted to suit the targeted market. The same phenomena can be found in the case of Findus. When Findus entered South Africa they collected a lot of information about the market to understand where they could find a place in the market (Pers.com., Jörnell, 2016). It all resulted in a specialized market campaign and new packages were introduced to create a 'Swedish' image in order to differentiate them from the domestic frozen vegetables that Findus found were of less good quality (Pers.com., Wallentin, 2016). In Canada, where the food culture is closer to the Swedish food culture (Pers.com., Wallentin, 2016), less resources were spent on marketing which is in line with the findings by Sousa and Lengler (2009). Intuitively, it makes sense that a perceived distance needs to be compensated by something; there is a risk that needs to be reduced. Wallentin (Pers.com., 2016) from Findus mentions that money is very expensive in foreign markets due to risk and uncertainties which makes specialized marketing campaign too expensive in many markets. So when is marketing adaptation profitable? The indication from the case study is that it is more a gut feeling when it is necessary to change the marketing mix. Being part of an international market means being part of a changing market, which implies emerging decisions that need to be addressed fast and often. The representatives from Findus mention that a supporting CEO is essential for

them to have the courage to engage in new export ventures and make tough decisions. At Polarbröd, a ‘family culture’ is present even though it is a relatively large firm. This might create the same support and safety the representatives of Findus experience from their CEO that it is alright to fail and make wrong decisions sometimes. So where is this support in a micro firm with limited resources? It might be embedded in the entrepreneurs themselves. Having the gut to start a firm in the first place indicates a personality not too risk averse.

When the case firms have time to tell their story people understand what they stand for and why their production is the way it is. In the research of Shields *et al* (2002) it is concluded that sustainability indicators are developed for and by scientists which means that they can be hard to communicate and understand for commonality, which is what this case study have shown as well. Polarbröd is still looking for ways to reach the broader audience but mentions that it is hard since consumers’ time and interest are limited. Polarbröd has taken a proactive role and has chosen to have a transparent and informative webpage for those who already have the interest in sustainable production and for those who might have questions in the future. Labels have been the foremost common way to signal responsibility for firms and all case firms are using them. Virtuous Spirits seems to have the best experiences of being able to say they are organic certified in the international market place, since organic is “something good” as both Löfendolk from Virtuous Spirits, Jeppsson from Polarbröd and Jörnell from Findus puts it (Pers.com., Löfendolk, 2016; Pers.com., Jeppsson, 2016). Other labels that are used seems to have some effect in the Swedish market but are not as important in foreign markets due to less interest and knowledge of what they stand for. Quality, taste and to some extent origin seems to be more important in an international environment, even if other values sometimes can raise interest for the firms in foreign markets. Both Findus and Polarbröd, the case firms that have been exporting for several years, have noticed an increased trend for sustainable food production and larger corporations want to collaborate with sustainable firms to a larger extent today. Signitzer and Prexl (2008) suggest in their research that corporate sustainable communication is more relevant for larger corporations and that it have the potential to create a platform for public debate and learning. Larger corporations have for natural reasons a larger impact on society. More people know they exist, they employ more people and due to this they should also have a societal responsibility. Virtuous Spirits is a small actor that might not have the same responsibility for these questions and rather have chosen sustainability as a way to niche their business.

This study shows that having a strong brand or being part of a larger firm like Findus have its advantages in the international marketplace. Jörnell (Pers.com., 2016) mention that they often get a meeting face to face with potential distributors in a new market since Findus’ and Nomad Foods’ establishment within the segment of frozen food. In the revisited version of Uppsala model, Johanson and Vahlne (2009) conclude that the market has changed and the importance of being part of relevant networks has increased over the years. With the argumentation that there are no borders if the market is seen as a network (Johanson & Vahlne, 2009) rather than a specific place, internationalization theory might not be as relevant today and focus should shift to the role of networks. For two of the case firms, Polarbröd and Virtuous Spirits, export ventures have begun with random meeting in the periphery of networks. This study has shown that most new export ventures more often have begun with random meetings, rather than with well-framed strategies. This further means that the culture within an organization might be more important for taking a step to a foreign market than having the resources for expansion, but one could however argue that culture is a resource. A resource that supports more risky decisions, but where contacts within a network can reduce perceived risk.

## 8 Conclusions

The aim of this thesis is to develop an understanding of perceived opportunities and challenges that Swedish food processing firms encounter when communicating values embodied in their products in export markets. In order to fulfil the aim, following research questions will be answered:

- What credence attributes do firms attempt to communicate in the Swedish market?
- How do firms attempt to communicate these attributes in foreign markets?
- How does psychic distance impact the strategies of exporting Swedish food companies?

Credence attributes can be used by the firm in the market to differentiate themselves from other actors. Credence attributes that are communicated by the firm differ between targeted markets. B2B customers have more knowledge of production processes, which means that the firm can and needs to communicate more technical characteristics to signal and guarantee quality. These attributes demand time and knowledge from both the sender and the receiver in order to make sure that the message is perceived properly. Responsible production like organic, fake free, low carbon footprint and sustainable sourced fish are some credence characteristics that the case firms in this study try to communicate in the market. These are primarily signaled with labels that are audited by a third part, but also with verbal communication at presentations and fairs. Verbal communication is the most effective way for firms to describe and communicate more complex credence attributes. Questions can then be answered and the firm reduces the risk of misunderstanding, but this demands time and interest from the receiver (potential customer).

Psychic distance is a well-explored and discussed phenomenon within internationalization and marketing. This study shows that firms are influenced by psychic distance. Differences in food behavior, distribution systems and geographical distance are factors that create a distance for firms. All firms stated that a good distributor is key for entering a new market, which often is someone in an existing network. Some export ventures have arisen from random meetings with actors within the firm's network, which supports the findings of Johanson and Vahlne (2009) where 'outsidership' is stated to often have a larger impact on the internationalization process than psychic distance.

*Future research:* A topic for future research would be to include a firm exporting animal products. Swedish animal welfare is a credence attribute that is unique in an international market, which probably would give the exporter further opportunities and challenges in that market. It would further be interesting to see how a firm's performance in a foreign market correlates to its market research and market adaptation since this study show that money is more expensive in a foreign market than in the domestic market.

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# Appendix 1: Interview guide

## 1. PERSONAL INFORMATION

- 1.1 Can you give a short presentation of yourself?
- 1.2 For how long have you worked in the company? Have you worked within other areas in the company?

## 2. FIRM INFORMATION

- 2.1 How many employees does the company have?
- 2.2 How is the corporate structure?
- 2.3 How is the owner structure?
- 2.4 How is the Leadership structure?
- 2.5 Is the leadership separated from the owner structure? If, How?
- 2.6 What products does the company produce and sell? The same as exported?
- 2.7 Do you import? What do you import?

## 3. MARKET

- 3.1 Which is your primary market? How do you communicate with this market?
- 3.2 Which is your customer in foreign countries? (B2B, B2C)
- 3.3 Is there a difference between countries?
- 3.4 How is the Nordic customer compared to the Swedish customer?
- 3.5 Why do you think there is a difference?
- 3.6 How is the European customer compared to the Swedish customer?
- 3.7 Why do you think there is a difference?
- 3.8 How does this affect your communications strategies?
- 3.9 How are language, culture, and market affecting your communication?

## 4. ADDED VALUES

- 4.1 What is added value for you?
- 4.2 What is the added value in your products?
- 4.3 Any special qualities/values that you communicate to customers?
- 4.4 How do you communicate these?
- 4.5 How does “made in Sweden” affect the customer in foreign markets? Does it not?
- 4.6 How is the pricing in foreign markets? Premium/not premium? Does it differ from the Swedish market? Between countries?
- 4.7 Can you charge for added values/special qualities in foreign markets? What is it that you can charge for? Is it the same between markets?
- 4.8 Can you see differences in willingness to pay between different customers?

## 5. MARKETING STRATEGIES

- 5.1 Before entering a market, what do you do, how do you think? Research? Research of what?
- 5.2 How do you work with labels/illustrations? Does it differ between countries?

## 6. EXPORT

- 6.1 When did you start exporting?
- 6.2 Why did you start exporting?
- 6.3 What markets do you export to? What costumers to you target?
- 6.4 Can you describe the exporting activity? Does it differ between markets?

- 6.5 Do you see any challenges when exporting?
- 6.6 Can you explain how export has affected your company?
- 6.6 How has the size of the company affected the exporting process?
- 6.7 Have you met any domestic competitors in foreign markets?
- 6.8 What is your comparative advantage?

## 7. EXPORT STRATEGIES

- 7.1 How was the first export venture planned? Was it a big step? Was the second market easier?
- 7.2 Any market research? To what extent?
- 7.3 How does your location affect the export venture?
- 7.4 How are the export strategies conducted? In short term? In long-term? Are you the initiator?
- 7.5 Are you flexible in the markets? Can you easily respond to change in preferences/demand? Have you experienced changes?

## 8. ADDED VALUE

- 8.1 How do you communicate/promote your products in foreign markets?
- 8.2 Does it differ from the Swedish market? Between countries?
- 8.3 Do preferences differ from the Swedish market? Between countries?
- 8.4 What is added value for you?
- 8.5 What is the added value in your products? Any special qualities that you communicate?
- 8.6 How do you communicate these?
- 8.7 Does “made in Sweden” have an impact in foreign markets? If, why do you think that?
- 8.8 How is the pricing in foreign markets? Premium/not premium? Does it differ from the Swedish market? Between countries?
- 8.9 Can you charge for added values/special qualities in foreign markets? What is it that you can charge for? Is it the same between markets?
- 8.10 Can you see differences in willingness to pay between different consumers?

## 9. CONCLUDING QUESTIONS

- 9.1 Why do you think you have succeeded in foreign markets?
- 9.2 What is the best way, according to you, to enter new market?
- 9.3 How do you see on new ventures? What are the reasons? Financial, strategic, personal... Where are you heading next?

## Appendix 2: LISA – low input sustainable agriculture

1. Contract growing – 600 local farmers in the south part of Sweden, by the 56<sup>th</sup> latitude, grow the vegetables for Findus. This collaboration is controlled by contracts which tells the farmer exactly when and how to produce the crops. The contracted farmer are mandatory to have a third-party certification of the plantations.
2. Soil samples – approximately 30 000 fields during a 50 year period have been tested. Soil samples are taken and crops are test growing in greenhouses to assure that the soils that are cultivated are suitable.
3. Seeds –the peas origins from Findus own breeding and are constantly tested to meet the quality requirements like color, taste, resistance and yield.
4. Plant nutrients – when taking the soil samples, the levels of potassium and phosphorus are measured along with the pH-level. These measurements constitute the base of the plant nutrition recommendations the contracted farmer gets form Findus.
5. Sowing – a well-planned scheme of the sowing is done by the growing advisors of Findus to obtain the correct degree of ripeness but also to ensure an even flow when it is time to harvest.
6. Protectants – are used with caution and specified for every field. The residues in the vegetables are below the EU limits for baby food.
7. Irrigation – the access to water is key to obtain high quality and maximize utilization of soil nutrients. Water access for the crops is a way to reduce leakage of nutrients.
8. Harvest – time of harvest is crucial, and peas mature and peak during one day and should be harvested that specific day. Findus has their own harvesters and own machines to meet the needs.
9. Freezing within 3 hours – To preserve taste and vitamins, the peas are frozen within three hours. The peas are cooled down with ice during warm days of harvest to avoid off-taste.
10. Continuous improvements – LISA is constantly developed to reduce environmental impact, decrease yields without adventure the quality

All above is taken from [www, findusexport](http://www.findusexport.com), 2016