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Marketing Plan for Finnish Food Oy

Analysis of the Functional Bottled Water Market in Finland and Sweden

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Abstract

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This study was commissioned by Finnish Food Oy, in order to research the functional bottled water market, for the company wishes to enter this market by launching a new brand in the Finnish and Swedish markets. Initially the company commissioned a business plan but since they lacked knowledge about the target market it was decided instead to craft a marketing plan, where special emphasis would be put on the market itself, by analyzing competitors, key players, level of competition, etc.

This thesis covered only the functional bottled water market, however elements from the following markets were used in order to better situate and understand the target market: bottled water, health and wellness beverages and fortified/functional beverages. One of the limits of this study is the lack of financial figures. This fact limited the possibility of making accurate sales and profit forecasts, thus the figures presented are just a suggestion based on the current level of prices in the market.

The study primarily focused on data gathered from secondary sources in general and Euromonitor International in particular; however a field observation in Finnish stores and supermarkets was used for establishing the price range within the market and a preliminary segmentation for the commissioning company. The main literature came from M. Wood Burk, D. Lynch, P. Kotler and M. Solomon et al.

The study was carried-out from November 2010 to May 2011. Several drawbacks concerning the organization and contents of the study were encountered and a better time management would have been suitable on behalf of the author.

The study concluded that the functional bottled water market is in full expansion and thus represents a great opportunity for Finnish Food, not only in Scandinavia but globally since consumers are turning to healthier lifestyles alternatives, nonetheless the company needs to carefully plan its segmentation and act accordingly as competition is fierce. It was noted that the functional bottled water is the category that is currently pushing the growth in the bottled water market, however, a well founded marketing and promotional strategy will be paramount in order to convince consumers that the product offered is not only a marketing gimmick but a beneficial product for both body and mind.

Keywords
Marketing plan, objectives, positioning, target market, functional bottled water

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1 Introduction

Strategy is crucial what comes to a company's success. A well-implemented and executed strategy will make the difference between a globally successful business and a failed business. Organizations present three levels of strategy, organizational or corporate strategy, business strategy and marketing strategy. (Wood 2004, 6.)
Marketing planning as part of the marketing strategy is the structured process that links the mission, organizational strategy and business strategy to marketing decisions, so that the marketing situation, markets and customers are researched and analyzed, marketing direction, objectives, strategies and programs for the targeted customer segments are developed and controlling marketing programs are implemented (Wood 2004, 11).

The purpose of this thesis is to develop a marketing plan for the company Finnish Food Oy. The company is interested in entering the functional bottled water market by launching a new product, combining spring water, Finnish berries and pharmaceutical additives called nutraceuticals. The company has chosen Finland and Sweden as test markets, in order to try the concept and if successful penetrate other markets abroad. The necessity of a marketing plan arises from the need of carefully analyzing and researching the Finnish and Swedish functional bottled water market, as several players already exist and compete with a wide array of functional and fortified waters with different additives and benefits. Functional bottled water is product made of flavored or unflavored spring water, enhanced with pharmaceutical additives such vitamins and minerals, in order to enhance the functionality and benefits of the product when consumed, however in order to belong to the category, the benefits need to be scientifically proven. This product category competes with other functional drinks such as energy drinks and elixirs, other waters such carbonated, still and flavored directly and indirectly with the rest of non-alcoholic beverages. Functional bottled water is considered a niche in the bottled water market however in the last years (since 2009) the market has been very dynamic, presenting off-trade growth sales in 2010 of 51.7% for Finland and of 69.6% for Sweden.

1.1 Research Objectives

The main objective of this research is to create a functional marketing plan for Finnish Food Oy, as mentioned before. The focus of this study will be analyzing the functional bottled water market, the competition and the conditions for accessing the market, which will include a thorough analysis of the distribution as well as the openness and willingness of the customers to try a new product, based on market data. If the research finds that there is room for one more player in the sector and that the investment is viable and profitable the company will proceed with the elaboration of a business plan and its further implementation, this venture will terminate with the launch of a brand new, 100% Finnish healthy beverage, however this study will only focus on the marketing plan, due to time constraints. The study will be handed to the commissioning company and it is them who will decide whether to continue or not with the venture.

1.2 Research question

The research question can be defined as the following: in order to access the Finnish and Swedish functional bottled water segment, how should the strategic and marketing decisions of Finnish Food Oy be planned? Up to this point Finnish Food Oy has operated in a completely different market game food, and is lacking of knowledge what comes to the functional bottled water sector. The company's objective is getting to know the most basic and crucial elements of this competitive sector, such as competition, access conditions, pricing, possible target consumers and suppliers, in order to be successful in the venture.

1.3 Structure of the research

The research will be presented using a traditional report model, where first a theoretical part presents and clearly defines the key tools utilized in marketing planning that are relevant for Finnish Food Oy. These tools include: Porter's five forces and the SWOT analysis among others. As mentioned before, marketing planning and strategy go hand-in-hand, thus in order to set the most suitable strategy for the company, the necessary tools needs to be mastered. It is worth mentioning that this thesis is a product-based thesis, where the product is the actual marketing plan for the commissioning company.

Once the tools have been defined, the empirical part of the research will follow, where, by using a mix of quantitative data and of primary and secondary research, a clear picture of the Swedish and Finnish functional bottled sector will be drawn.
The research will also include several field observations, the idea behind this is to go to the main retailers, supermarkets, gyms, nutritional stores, and check the variety of healthy products sold as well as the price range. Unfortunately this field observation presents a limitation, as it is only possible to carry it out in Helsinki due to time and budget constraints, the results will be included as an appendix.
The empirical part includes as well a presentation of the target under study, the project plan, the project implementation, the presentation of the results (the actual marketing plan) and a final evaluation.

The marketing plan as well as the theoretical part will be divided into five main chapters. The first one is a situation analysis, where a presentation concerning the health and wellness market, as the functional bottled water sector belongs to this market (Euromonitor 2011). This first chapter will look at the industry analysis, which includes market characteristics, trends and drivers, a PESTLE analysis, a SWOT analysis and a competitive analysis.

The second chapter will present the marketing strategy, which includes a market segmentation strategy, a targeting strategy as well as product positioning strategies.

The third chapter will give an insight into the mission direction and objectives of Finnish Food Oy in the launch of this new functional bottled water.

The fourth and final chapter will present the implementation plan, where the marketing mix, as well as a suggestion of sales forecast.

The thesis will end by presenting a summary of the findings as well as conclusions and recommendations for Finnish Food Oy.

The main literature for this research is Marketing Planning, principles into practice by Marian Burk Wood, Corporate Strategy by David Lynch, Marketing Management by Philip Kotler as well as several articles from well known data bases such as Euromonitor and Ebsco.

1.4 Scope and limits

This study will only focus on the functional bottled water market and Finland and in Sweden, however elements from the health and wellness, bottled water and fortified/functional water markets will be taken into account in order to give a better insight to the company of what market will they be operating in, however this study won't take into account any soda, carbonated drinks, smoothie, juice, coffee, tea, even though these products belong to the non-alcoholic beverage market, including them in the analysis would make the study too extensive.

Another limit for the study is the lack of full and complete financial figures. Due to time constraints it was not possible to include full financial figures, investment requirements and costs, in order to correctly estimate prices, cash-flows and break-even points, thus the sales forecasts as well as the financial indicators presented in this study will be just a suggestion based on current market data, such as market sizes in volume, market sizes in off-trade sales and performance of competitors (benchmarking).

2 Finnish Food Oy

In this chapter, the commissioning company will be presented. The chapter will present the basic structure, products and operations.

2.1 Products and Services

Finnish Food Oy was founded three years ago in Finland. The headquarters are located in Sipoo. The company specializes and exports unique delicacies traditional to Finland and Scandinavia. The portfolio of products includes: game food, berries, mushrooms, fish and a special catering service available for customers (Finnish Food, 2011).

Currently the company does not sell anything in Finland and thus exports all of its products to the Middle East, Germany and Spain. Currently Finnish Food Oy acts as a reseller, with no physical production facility in Finland. The objective of this study is to determine whether or not the company will build its own factory in the country. Finnish Food emphasizes the unique status and quality of the products offered, a genuine taste derived from the purity of Finnish lakes and forests (Finnish Food, 2011).

The company values are: quality and high-standards, purity, easiness and freshness.

The portfolio includes elk, reindeer, bear, wood grouse and heath bird. Several varieties of mushrooms are offered such as: boletus, chanterelle, lactarius and cantharellus as well as traditional Finnish berries such as: blueberry, redberry and cloudberry. Most of the product portfolio consists of several varieties of salmon products, this range includes: cold and warm smoked salmon, salmon fillets and refined salmon products among others. (Finnish Food 2011.)

Finnish Food offers as well a specialized catering service that includes everything from food to decoration, depending on the customers' expectations and plans. Furthermore, the company arranges special trips to Finland for its customers. The idea behind this service is to show to the company's clients the origin and the tradition behind the products offered as well as their importance in the Finnish society. (Finnish Food 2011.)

Finnish Food Oy consists of a staff of four people: Marko Hartikainen: general manager, Karri Korpi: sales and logistics, Toni Koponen and Luis Fraile: international sales and marketing. The turnover of the company for 2010 was 100 000 Euros. At the moment, the staff is focusing on building a salmon processing plant in Morocco. This venture has created 200-400 jobs in the operating country, when the factory will start operations in late 2011.

Given the fact that Finnish Food possesses a solid background of more than three years in the market and expertise in the food industry linked to a thorough knowledge of Finnish traditions, foods and their nutritional value, the company wants to expand their horizons and enter the functional bottled water sector. Despite the 2009 economic downturn, this market is expected to grow globally 93% in value terms during the period 2007-2012, and has seen a growth of 65 million liters in Sweden, between 2009 and 2010, and a growth of 51 million liters in Finland during the same time period. (Euromonitor 2011.)

The product launched would combine and offer the benefits of Finnish berries, spring water and pharmaceutical elements, in order to provide customers with a drink that will not only be refreshing but also highly beneficial for their mind and body.

3 Marketing planning

In this chapter we will briefly review the definitions of a marketing plan as well as the necessary theoretical tools that are necessary in order to write a complete plan. The importance of marketing planning within a company and its role in the conception of corporate, promotional, financial and sales strategies will be discussed as well.

3.1 Definition of a marketing plan

According to Marian Burk Woods, marketing planning could be defined as:

> The structured process that leads to a coordinated set of marketing decisions and actions, for a specific period, based on an analysis of the current internal and external situation, including markets and customers, a clear marketing direction, objectives, strategies and programs for targeted customer segments, support through customer service and internal marketing programs and management of marketing activities through implementation, evaluation and control. (Wood 2010, 2.)

However Solomon, Marshall & Stuart (2008, 586) define a marketing plan as:

> A document that describes the marketing environment, outlines the marketing objectives and strategies, and identifies who will be responsible for carrying-out each part of the marketing strategy.

The difference between the two definitions relies on the purpose that each author assigns to a marketing plan, Wood emphasizes essentially the importance of strategy and decision-making when writing a marketing plan, whereas Solomon *et al.* consider the document more as a guideline for managers as they imply the importance of delegating specific tasks to members of the company, however, both authors imply that a careful and well-crafted marketing plan is paramount for any company who wants to succeed in an increasingly competitive market.

This document will guide the actions the company needs to undertake in order to support and achieve its business and organizational goals over a specific period of time, usually a time span of a year, as well as a clear picture of the current situation in the industry (Wood 2010, 3).

The following figures show how the marketing planning process is organized according to two different authors: Wood (2008, 4) and Solomon *et al.* (2008, 60).

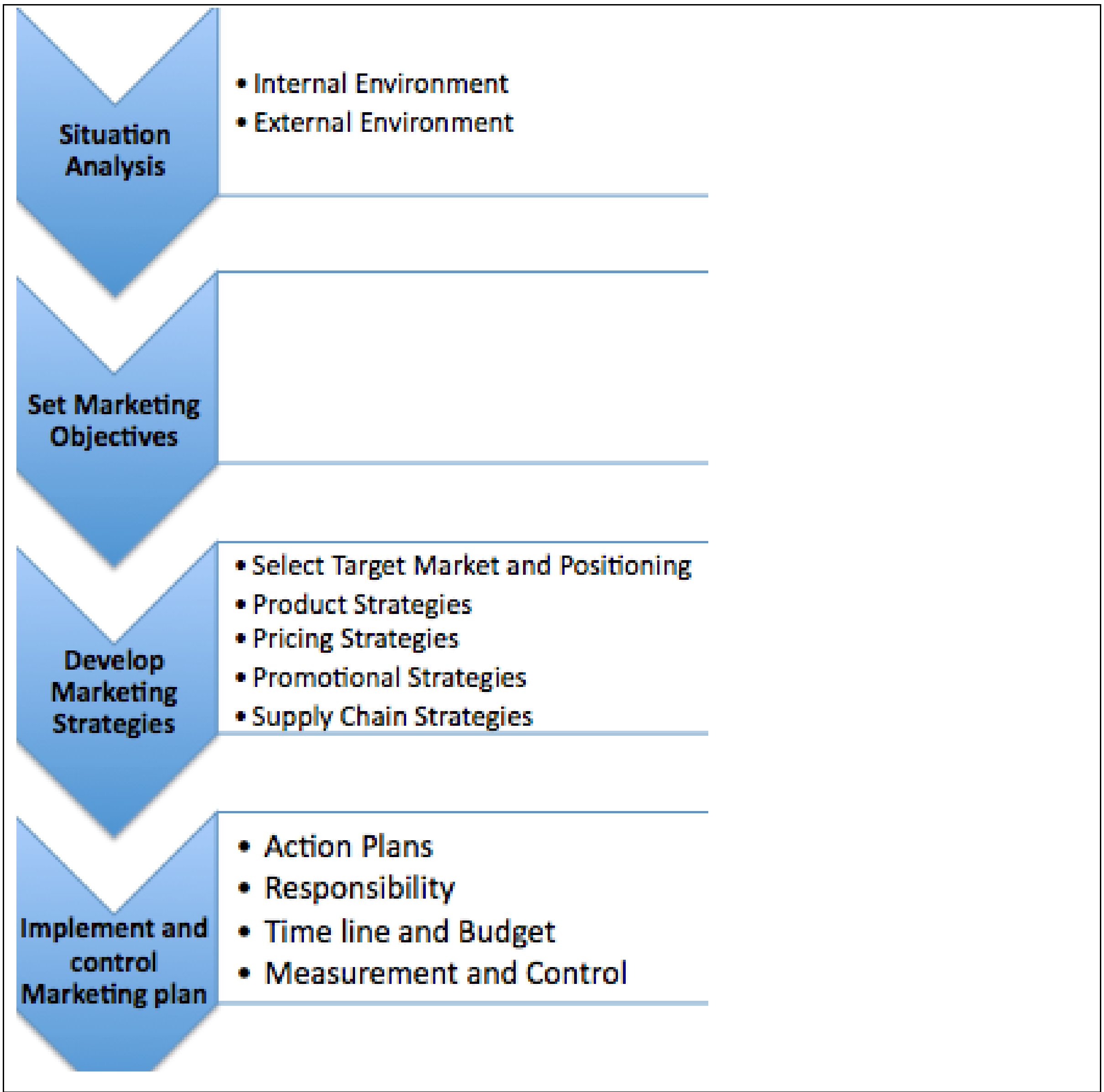

Figure 1. Marketing Planning process (Solomon *et al.* 2008, 60)

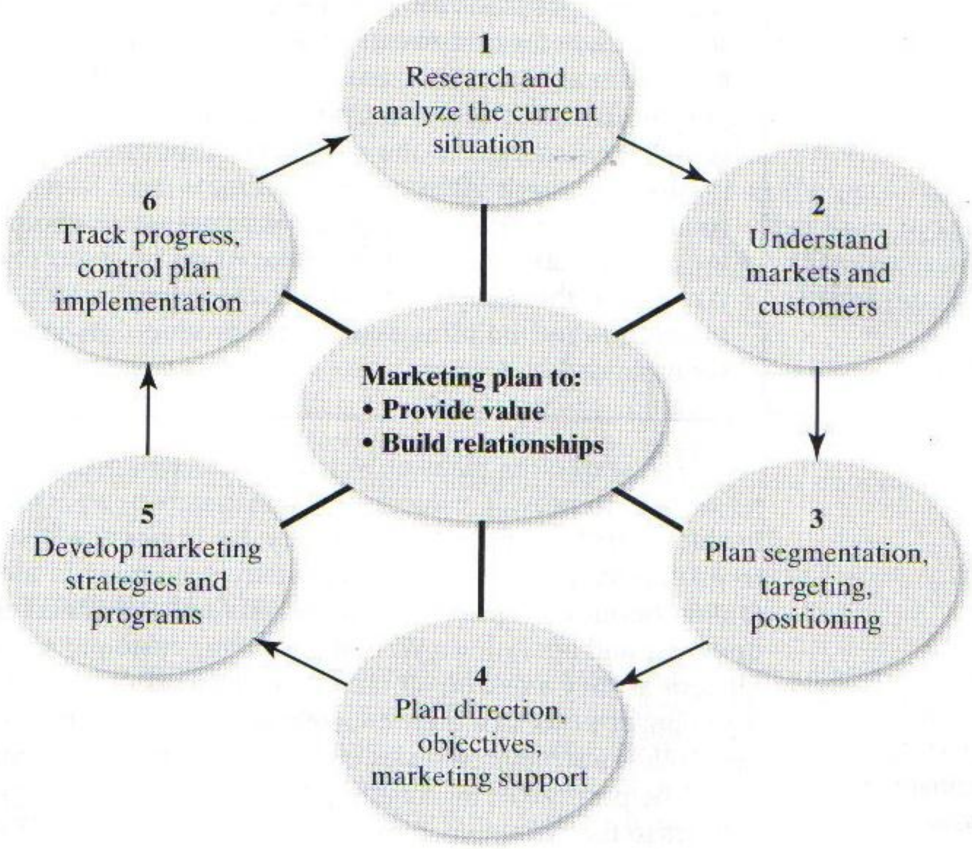

Figure 2. The marketing planning process (Wood 2008, 4)

A successful marketing plan should strive to explain the intended strategies for building relationships by creating, communicating, and delivering value to customers (Wood 2008, 3). Wood's framework will be the primary tool used in elaborating the structure of this research, as it constitutes an easy-to-follow guideline in order to elaborate a complete and functional marketing plan. Every time a new chapter begins the corresponding step in the framework will be highlighted. This framework was considered much more comprehensive than the one presented by Solomon *et al.* since it gives a better accurate picture of how marketing planning works and how each step is interconnected with the other steps. However elements from Solomon *et al.* will be included in the theoretical part, such as analyzing the internal and external environments and budgeting.

Marketing is much more than a slogan, a website or a catchy phrase. Marketing is a systematic business process that consistently drives growth within the company. (Bogan & Doss 2010, 104-111.) A successful marketing plan is simple, systematic and sustainable; accordingly a company's marketing activities should focus on maximizing the marketing reach and resources (Bogan & Doss 2010, 104-111).

3.2 The importance of Marketing Planning

According to S. Bogan and N. Doss (2010, 104-111), just a decade ago, marketing was considered only as a tool necessary for servicing clients, with no value added to the process or the activities of the company. Today marketing has become a crucial part of a business' strategy in order to grow in an ever-treacherous business environment. Marketing practices have become active and thus the creation and implementation of a marketing plan should be dynamic and constantly reviewed over time (Wood 2010, 3).

According to Frith (2010, 43-47) marketing planning is not to be evaluated in isolation as it is a tool intended to evaluate the overall business strategy thus the steps and implementation will be linked to the market where the company is intending to operate, the development and recognition of the brand name as well as the chosen penetration strategy, for instance: differentiation. Ultimately a company ought to know its customers better than itself, in order to craft a functional marketing plan. Bogan and Doss (2010, 104.11) suggest that the main factors affecting a company's growth and thereof a lack of investment in marketing and development are: failure to plan, a lack of focus, an ad-hoc approach and inadequate measurement. Buttell (2009, 6-8) goes as far as underlining the importance of marketing planning in times of crisis, when consumers are looking for solid professional advice during uncertain times. A marketing plan is thus a focused effort in order to implement the company's vision practice through targeted efforts, so that its specific customers are satisfied rather than trying to be all things to everybody and ending up failing (Buttell 2009, 6-8). It is thus strongly recommended to have an accurate and relevant marketing plan no matter the market the company is intending to enter.

4 Analyzing the current situation

In this chapter the tools necessary for analyzing the company's target market as well as the key aspects to take into account when doing the analysis will be presented. A situation analysis will be composed of the internal audit as well as the external audit. The former will identify strengths and weaknesses and the latter seeks to identify opportunities and threats (Wood 2010, 29). The main tools used for the auditing are the SWOT and PESTLE analysis. This chapter encompasses steps one and two from the marketing planning process: research and analyze the current situation and understand markets and customers.

4.1 Market Analysis

In order to perform an industry analysis, a company must have a look at the company's situation, from an internal and external point of view, in order to interpret data that may affect the organization's marketing and performance (Wood 2010, 28).

4.1.1 Market Characteristics

Wood (2008, 38) defines a market as all the potential buyers for a particular product thus customers are ultimately the primary focus of every marketing plan. In order to start creating a marketing plan the company must conduct an analysis of the marketing environment, once managers have a thorough understanding of the market they can start developing specific marketing objectives (Solomon *et al.* 2008, 51).

In an industry analysis the company will look at the market characteristics, which include the market size, growth rate, among others. This analysis will include as well the market potential, the history of the market, the industry structure, the level of competition as well as the trends in the market, which includes fashion and fads, drivers of change, changes in use of products, new categories of product users and demand cycles (Biztree 2010).

The following figure shows the market and sector where Finnish Food Oy would penetrate:

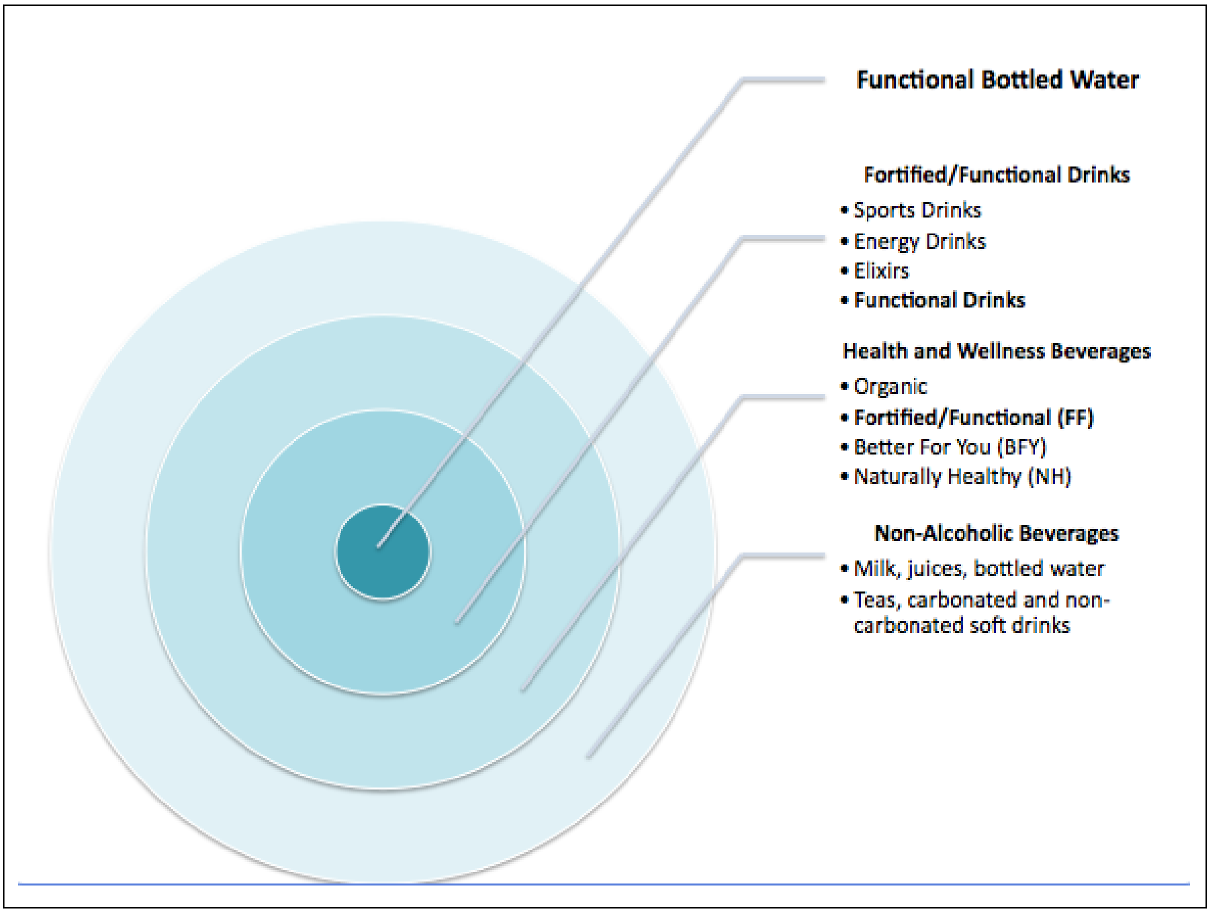

Figure 3. The Functional Bottled Water Sector (Euromonitor 2011)

The non-alcoholic beverage market encompasses the milk, juices (fruit and vegetables), bottled water, teas, coffees and carbonated and non-carbonated soft drinks (Bloomberg Businessweek 2011). Accordingly the functional bottled water (spring water with pharmaceutical additives) market is a subsector of the fortified and functional drinks market, which in turn is a subsector of the health and wellness market, which in turn, as well, is a subsector of the non-alcoholic beverage market (Euromonitor 2011). The market size of the functional bottled water in Sweden is of 4.6 million liters in 2010 and of 1.3 million liters in Finland for the same year. (Euromonitor 2011.) The place of the functional bottled water market is challenging since both the bottled water and fortified/functional beverage markets include it in its data.

Throughout this study we will analyze data mainly from the functional bottled water market, but since it is a subsector of the above mentioned markets, data from the fortified/functional beverage market, health and wellness beverage market will be presented as well in order to give a proper and suitable insight of the sector that interests Finnish Food, it is important to mention these markets as some laws and regulations established for the functional/fortified and health and wellness markets will logically affect the functional bottled water segment. Furthermore, giving a wider picture of the market in which Finnish Food will operate will also help distinguish direct as well as indirect competitors.

4.2 PESTLE analysis: analyzing the external environment

For gaining a deep understanding of the macroenvironment, the organization needs to conduct a PESTLE analysis, in order to identify key influences, forecasts and interconnections between events (Lynch 2003, 89). The analysis will look at Political, Economical, Socio-cultural, Technological, Environmental and Legal aspects (Lynch 2003, 89). The PESTLE analysis will be part of the external audit the company needs to undertake when writing a marketing plan (Wood 2010, 36).

However, the PESTLE analysis needs to be adjusted in order to suit Finnish Food Oy. It is considered a relevant analysis because, even though the company is Finnish it has never sold any product in Finland and lacks basic knowledge concerning the new regulations concerning the above mentioned relevant markets, the same case applies for Sweden.

4.3 Competitive analysis

The competitive analysis is crucial for the commissioning company, in order to get a better understanding of the micro as well as macro competitive environment (Solomon et al. 2008, 77). The competitive microenvironment refers to the product alternatives from which target customers can decide, the selection operates at 3 different levels: income, product and brand, conversely the macroenvironment refers to the structure of the industry as a whole (Salomon et al. 2008, 83).

In order to get a clear picture of the competitive analysis, an analysis presenting Porter's 5 forces will be carried out. Porter identified five basic forces that can act on the organization: The bargaining power of suppliers, the bargaining power of buyers, the threat of potential new entrants, the threat of substitutes and the extent of competitive rivalry (Lynch 2008, 103-104).
According to Meldrum & McDonald (2007, 106-107) state that a competitor analysis should start by listing the major competitors and understanding the influence and power they can exert in the market, in other words, the more independence the company has in planning its strategies, the more successful it will be. The competitors' position can be classified as a leadership competitive position, strong competitive position favorable, tenable and weak (Meldrum *et al.* 2007, 108).

4.3.1 Competitive landscape

The competitive landscape refers to the level of competition in the industry and the number of competitors, the volatility of competition, which includes the number of newcomers and failures; also the different types of competition affecting the company should be indentified, such as product/service competition, marketing strategy competition, business model, price quality features, etc (Biztree 2011).

The barriers to overcome prevailing in the industry as well as the potential sources for competitive advantage should be identified as well (Biztree 2011). According to Solomon et al. (2008, 77) when companies compete in the global arena, the challenge of offering a distinct competitive advantage is even greater because there are more players involved and usually some of the local firms have a "home-court advantage".

4.3.2 Key players

The main sources of competition should be identified, including direct and indirect competitors, substitutes, potential entrants and related products. A distinction should be made between major competitors and lesser competitors as well as the factors that give power to competitors, such as marketing strategy, superior product, established company, strong financial backing, expertise, relationship with key industry members,

etc. Once this step is undertaken, the strategies behind these successes should be studied in detail as well as the reasons behind the possible failures. (Biztree 2011.)
A marketer should focus on analyzing three sets of industry forces: how easily competitors can enter or leave, how much power buyers and suppliers have and whether substitutes are available (Wood 2004, 53).

4.3.3 Key players vs. the organization

In order to get an accurate picture of the competitive scenario, the company needs to compare its activities based on those of the main competitors, the organization should include in a marketing plan an evaluation of the performance if main competitor's marketing activities, main strategies, the threat they pose, offensive tactics, etc. The analysis should be done taking into consideration the following factors, for example: product/service, size, objectives, strengths and weaknesses, brand equity, customer loyalty, etc. (Biztree 2011.)
The idea behind this reason is to benchmark the company's activities and products.

> Benchmarking refers to the art of learning from companies that perform certain tasks better than other companies, the aim of benchmarking is to copy or improve on "best practices" either within an industry or across industries (Kotler 2003, 251).

According to Porter's model, when rivals can easily enter the market it becomes more competitive at a faster pace thus complicating the marketing planning process, when suppliers do not have enough power the company is likely to be less pressured and have more profits, the same if there are few substitutes (Wood 2004, 53).

4.3.4 Strategic Group Map

A strategic group map is a tool intended to analyze and evaluate the rival's firm position in the market and thus identify the competitor's activities and the areas where they enjoy a certain amount of benefits. The strategic group map serves for indentifying the following aspects: barriers for entry and exit, areas where benefits can be gained, best players and major rivals (MBA Tutorials 2011). This tool will be used later on in the marketing plan in order to give a better visual perception of the main players in the market as well as their importance.

In order to build a useful strategic map, a marketing plan should identify the main characteristics that make the difference between companies in the market, group the rivals that fall in the same region by encircling them, or list individual companies, however the circles should always reflect the market share of either the group or the individual company (Biztree 2011).

4.4 SWOT Analysis: analyzing the internal environment

The SWOT analysis' primary purpose is to identify the organizations: strengths, weaknesses, opportunities and threats (Wood 2010, 28). The purpose of including such analysis in a marketing plan is to be able to benefit from the strengths and strengthen the weaknesses (Wood 2010, 28).
The SWOT analysis also distinguishes, between the internal environment: all the elements that the company can control and that have an impact on how the firm operates; and the external environment which refers to the elements that are not under control of the firm and that can affect it either positively or negatively (Solomon et al. 2008, 43-44).
The objective behind the SWOT analysis is to understand the companies' resources, competences and capabilities.

5 Marketing Strategy

In this chapter, the tools necessary for analyzing the target market as well as the elaboration of a relevant market strategy will be presented. The chapter will cover more in detail the segmentation strategy, the targeting strategy, the product life cycle, the potential strategies, the positioning strategies as well as branding strategies. This chapter concerns step three of the theoretical framework: plan, segmentation, targeting and positioning.

5.1 Market Segmentation Strategy

Finnish Food has to decide how they are going to segment the market according to the following strategies: geographic segmentation, which means dividing the markets into geographical units such as nations, states, regions, etc (Kotler 2003, 287). Product-User segmentation, which refers to segmenting the market based on product usage such as amount and/or consumption patterns, or lifestyle segmentation meaning segmenting according to the customers' values, beliefs, attitudes, perceptions, etc (Biztree 2011). Kotler (2003, 299) argues as well that the company should select the target segment based on the overall attractiveness of such segment and the company's resources and goals. The benefits of market segmentation for the company are crucial since, the process will eliminate markets that are blocked or inappropriate and will create segments of customers with similar wants. (Wood 2010, 72.) In marketing planning there is actually two different segmentation steps, the first one, will help understand how the market is organized up to today, for example in this case Finnish Food will use a first segmentation analysis in order to select the most appropriate markets they want to enter to, then once they have selected a target market, in this case Finland and Sweden they will carry-out a segmentation strategy in order to fine-tune the product with the final consumer.

5.2 Targeting Strategy

In this chapter the company should identify the targeting strategy they want to follow, this will determine the market segments the company should focus on, the three main marketing strategies are: mass marketing or undifferentiated targeting strategy refers to the mass production and promotion of products (Kotler 2003, 279). Differentiated marketing or differentiated targeting strategy, refers to the developing one or more products specially tailored to clearly identified distinct market segments or target marketing or concentrated target strategy which refers to focusing on one market segment and sub-segments by offering one or more tailored products (Solomon et al. 2008, 218-219). Targeting will help determining the target market coverage and create personas for targeting so as to guide the development of appropriate marketing strategies and add a human dimension in order to properly visualize each segment's consumers (Wood 2010, 72).

The targeting strategy is carried out using several variables such as demographics, psychographics, etc.

Demographic segmentation refers to dividing the market into groups based on age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality and social class, since demographic variables are easier to measure and often elements such as preferences, usage, etc. are linked to demographic characteristics (Kotler 2003, 287).

Psychographics refers to dividing the target market according to psychological and behavioral traits such as lifestyle, attitudes and beliefs, perceptions, personality, etc. this segmentation is useful in order to better understand the demographic dimensions of segmentation (Solomon *et al.* 2008, 155).

Other variables used in order to segment the target market are linked to consumption patterns, such as purchase occasion, buying situation, low, medium or high consumption, application furthermore the brand loyalty, encompassing variables such as loyalty, level of satisfaction, experimented or dissatisfied consumers as well as unaware consumers can be used in order to segment the target market (Wood 2010, 75).

5.3 Product life cycle

In order to have a complete market strategy, the development stage of the product should be identified in order to identify the proper message to be conveyed in advertising. The product life cycle includes the following phases: introduction, growth, maturity and decline analyzing it will help the company anticipate and manage ups and downs

(Wood 2010, 117). Figure 5 illustrates the product life-cycle graph. Furthermore, analyzing the development stage of the product will facilitate advertising decisions, for instance during the pioneering stage the advertising used will educate the consumer and strive to change his or her habits, during the competitive stage it will establish the superiority of the product over competing products and finally during the retentive stage, the advertising will be used for reinforcing and reminding customers of the qualities of the product that customers already recognize (Biztree 2011).

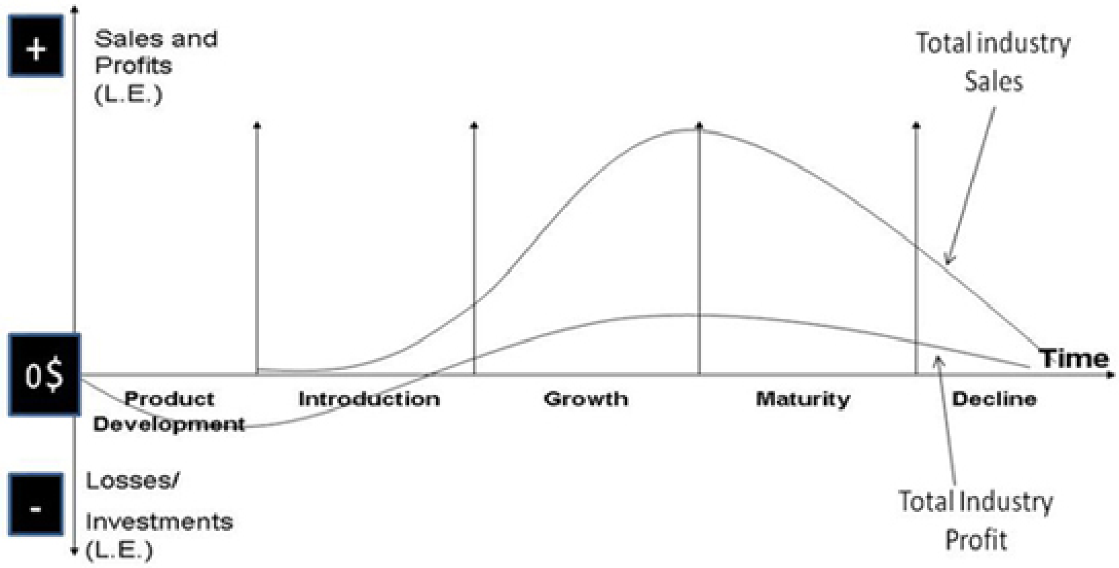

Figure 4. Product Life Cycle (Wood 2010, 117)

The product-life cycle is worth analyzing since the advertising strategy is linked to it. For example in this study the functional bottled water market is in expansion and so the advertising used should emphasize the benefits offered to the consumer and why would he/she buy the Finnish Food's product instead to that of the competitors.

5.4 Potential Strategies

In order to succeed and promoting and selling the new product in the Finnish and Swedish markets, the company needs to decide on the most suitable business strategy, once the target market and consumer have been identified. There are three generic business strategies (figure 7) that can be used at this stage of the planning: Differentiation, cost leadership and focus or niche strategy (Lynch 2003, 467).

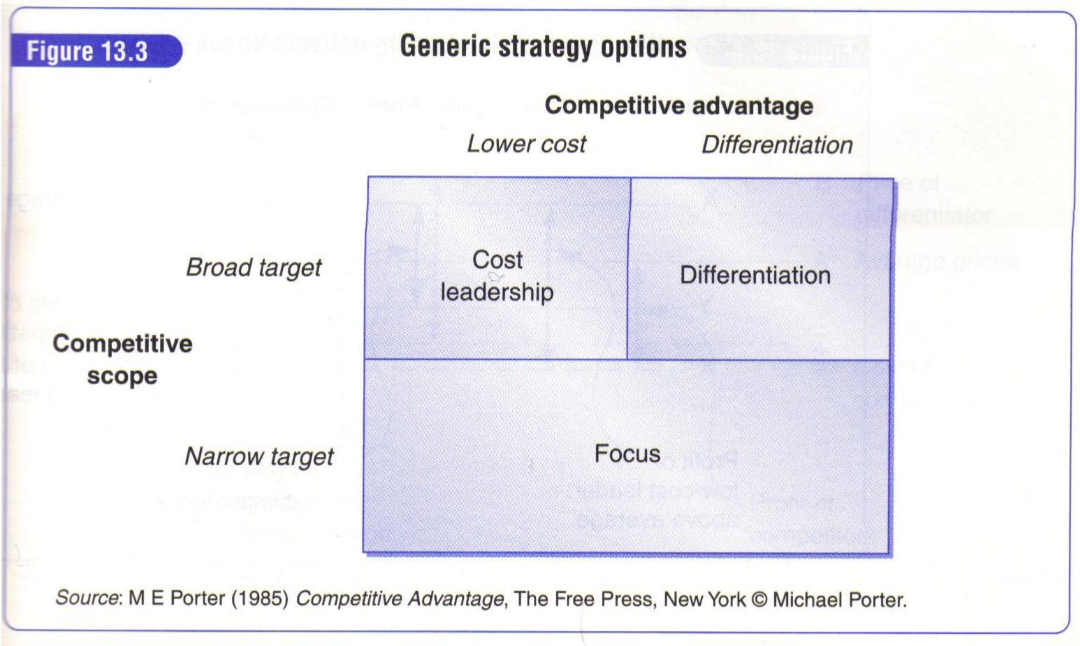

Figure 5. Generic Business Strategies (Lynch 2003, 467)

According to David Lynch (2003, 466) every company should select one of these generic business strategies in order to be competitive and strengthen its competitive advantage. Michael Porter identified two main aspects in the competitive environment: the source of the competitive advantage and the scope of target consumers (Lynch 2003, 466). Differentiation and cost leadership are sources of competitive advantage and focus or niches are sources of competitive consumer scope (Lynch 2003, 466).
In the case of Finnish Food Oy, the selected strategy will most likely be product differentiation. Once the company has a clear understanding of the generic business strategy it wants to adopt as well as the product options available for them, the firm is ready to analyze and select the core strategies they want to implement. Core strategies consist of marketing, positioning and branding strategies (Biztree 2011).

5.4.1 Positioning Strategies

Positioning refers to the benefits/features a company wants to convey to its consumers through its positioning in the market (Kotler 2003, 310). Positioning will also help create the points of difference (Wood 2010, 72).
Points of difference and points of parity are commonly known as POP's and POD's, which are useful for careful implementing an appropriate branding strategy. POD's,

unique, favorable, unique brand associations should be superior than POP's, associations that are shared with other brands, as well as communicating the positioning to the final consumers. (Ormiston Ewan, R. 20.05.2010.)

Positioning is carried-out in order highlight attributes and benefits fitted with the consumer's preferences and wants as well as reinforcing the differentiation of the product by enhancing the consistency of the company's marketing activities (Wood 2010, 72).

In this section Finnish Food Oy will provide information on the product attributes, benefits, and needs fulfilled, usage and consumer patterns, comparison to the competitors and whether or not they are planning to target new or different segments in the long-term.

5.4.2 Branding Strategy

The task of any business is to develop outstanding value to the market at a profit, the objective behind positioning is to help companies and marketers choose which is the best value to be delivered (Ormiston Ewan, R. 20.05.2010), thus a company that wants to be successful in today's markets ought to position well its brand in order to attract consumers, by selecting an appropriate branding positioning strategy, in other words finding a proper location in the minds of a group of consumers or a market segment so that they think about the product in the desired way (Ormiston Ewan, R. 20.05.2010).

In this section, Finnish Food Oy ought to outline the desired brand strategies based on positioning and detail the brand elements and names such as: logo, slogan, brand identity, personality and associations, trademarks and packaging.

6 Planning direction and objectives for the marketing plan

According to Marian Burk Wood (2008, 68) the ultimate goal of a marketing plan is to guide the firm in achieving a certain number of short-term objectives, in order to successfully achieve its long-term goals. This short chapter will shortly present the corporate and marketing objectives a firm must include in its marketing plan. This chapter concerns step four of the marketing planning process: plan direction, objectives and marketing support.

6.1 Corporate objectives

According to Marian Burk Wood, the defined objectives should be specific, time-defined and measurable, realistic but nonetheless challenging and consistent with the mission, vision and the goals, as a matter of fact David Lynch (2003, 440-441) defines corporate objectives as a mission statement transformed into more specific commitments, covering what and when is to be done.

6.2 Marketing objectives

The marketing objectives should be divided into short-term and long-term objectives (Biztree 2010), however Wood (2008, 72-73) defines the marketing objectives as including targets for managing customer relationships given the fact that those relationships are critical for the company's success.

6.2.1 Short-term objectives (one year)

A marketing plan should include established, specific and measurable goals that express the targeted level of sales, market share, return on investment within a specific timeframe and geographical market (Wood 2010, 100).
Such objectives may include: improvement of the customer loyalty, increasing brand awareness, level of sales per week, increasing market share, etc (Wood 2010, 100).

6.2.2 Long-term objectives (three to five years)

As with short-term objectives, long-term objectives should also be specific and measurable within a defined timeframe and geographical market (Biztree 2011). Wood (2008, 74-75) states that companies should also seek to include societal objectives, since nowadays the company's stakeholders are showing more interest in the levels of corporate social responsibility a company has. These objectives may include greener and cleaner operations, support in charities and NGO's, etc.

These objectives come as an addition to more common long-term objectives such as becoming the leader in a given market in a certain amount of years, making the brand synonymous with a certain number of emotional objectives, acquiring a certain percentage of the competitor's customers, etc. (Biztree 2011).

6.3 Financial objectives

Financial objectives refer to targets expressed through financial goals and results that are achieved through marketing objectives (Wood 2010, 99). Financial objectives are divided into external and internal results, with the former expressed in terms of increases in sales by geographic market, customer segment, product, etc. and the latter expressed in terms of break-even analysis, increased profitability, returns on investments, etc. (Wood 2010, 99).

6.4 Societal objectives

In today's world the company's societal responsibilities are taking an ever-increased important role and companies are becoming more and more mindful of their responsibilities to society as they help the company improve its ties with the consumers (Wood 2010, 101). According to Solomon *et al.* (2008, 73) new era firms are assuming a position where the environment and society as a whole are protected or supported by the company's activities. Societal objectives are expressed in terms of reducing the carbon footprint, doing business with green suppliers, encouraging employees, customers, suppliers and channel members to volunteer, etc. (Wood 2010, 102).

7 Marketing Plan Implementation programs

The implementation refers to the action programs derived from the marketing strategy to be used in achieving the business objectives (Kotler 2003, 116). The implementation will include product, pricing, promotion and distribution strategies, commonly referred to as the marketing mix (Solomon *et al.* 2008, 53). The marketing mix is made of the several marketing tools the company uses to achieve its marketing objectives in the target market (Kotler 2003, 15). This chapter will present a more detailed explanation of the elements of the marketing mix, the resource requirements, internal marketing campaigns and the financial budget as well as financial forecasts.

7.1 The marketing Mix

The marketing mix is composed of what it is known as the 4P's: product, place, price and promotion. The marketing mix decisions influence the trade marketing channels as well as the final consumers. (Kotler 2003, 16.)

7.1.1 Product

The product is the first element in the marketing mix, where, after analyzing the market where the company intends to operate and setting objectives and strategies, the product needs to fit with the overall strategy. In order to market and sell a fit product, the organization must look at the customer segment being targeted, the needs satisfied and the value provided, trends in pricing, age and performance over time, strengths and weaknesses and customers' perceptions among others. (Wood 2010, 112-113.)

In this section Finnish Food Oy ought to describe the product's attributes, features, qualities, benefits, etc. as well as the product name, description, functionality and compare it to that of the competition and identify when possible changes in production might happen.

Ultimately, the product as well as the marketing mix is influenced by the stage the product is on the product-life cycle curve (Kotler 2003, 338-339). Building a brand that will provide identity and competitive differentiation in order to stimulate customer response will through brand equity will provide the company with long-term loyalty and a sustained competitive advantage (Wood 2010, 126).

7.1.2 Price

The pricing determines the price asked to the consumer for a product, taking into account the willingness of the consumer to pay a certain price, demand, intermediaries, costs, etc. if the price is not in line with these elements then all the other marketing efforts and objectives are pointless (Solomon *et al.* 2008, 53) as consumers will only pay when they perceive value thus when the perceived benefits outweigh the perceived price (Wood 2010, 137). According to Kotler (2003, 476) in order to set a price, the company should look at the demand and estimate the consumers' sensitivity to the price thus determining if the price is elastic, pricing varies accordingly to changes in demand or inelastic, the price is not changed or hardly changes with demand variations. Elasticity is said to depend on the amount of competitors and substitute products, the reaction of noticing the price change in the market, slowly changing buying habits and accepting the increase in price. Kotler (2003, 480-486) also identifies several pricing methods such as markup pricing, target-return pricing, perceived-value pricing etc.
However Wood (2010, 138-139) states that customers perceive value depending on the benefits offered by a certain product and so compared with substitute and competitor products, such benefits come from categories such as: performance, features, quality, personal benefits, availability, service, initial purchase price, maintenance and repair costs, ongoing fees, installation, training, ancillary products and financing.

Some legal and ethical considerations have to be taken into account such as avoiding deceptive pricing practices like the bait-and-switch technique, loss leader pricing, which is forbidden is some states in the USA for example, as retailers or wholesaler might sell for prices below the costs, price fixing, which is regarded as not complying with anti-trust and competition laws and finally predatory pricing which is also anti-competitive (Solomon *et al.* 2008, 363-364).

In this section Finnish Food Oy ought to describe the selected pricing strategy, for example lowest price provider and compare price in relation to costs as well as determining price adjustments linked to geographical markets, regulations and reaction to competitors' pricing.
According to Wood (2010, 151) pricing a new product is more challenging as the company must choose between market-penetration pricing, low price for rapid penetration, and market-skimming pricing, setting a high price for getting maximum revenues from the market.

7.1.3 Place

Place or location is perhaps the crucial element in the marketing mix, companies can have wonderful products and excellent strategies but if they do not reach the consumer, the most likely is that the product will fail (Kotler 2003, 544). Place thus concerns distribution strategies, where companies define when, how and where the product will be available for the consumers, companies must also decide whether to sell the product directly to the final consumer or through retailers and wholesalers (Solomon *et al.* 2008, 53), thus the importance of the value chain in a marketing plan. The value chain or supply chain is:

> The succession of inter-connected, value-added functions undertaken by the company with suppliers, wholesalers, retailers and other participants, including final consumers, to source supplies and ultimately deliver a product that fulfills consumers' needs. (Wood 2010, 159.)

In this section Finnish Food Oy ought to think about the role they want distribution to play in the overall marketing strategy, should they select entering the whole market or go for selective distribution for instance, it is also worth analyzing who will be interested in purchasing the product as to determine where should the product be sold: supermarkets, discounters, specialty stores, gyms, etc. The company should also select the regions they want to cover in the beginning in Finland and Sweden, as well as the desired locations in the long-term and specify the length of the distribution channel as well as the role of the participants in the channel, for instance, the middlemen are gathering marketing research information or promoting the product or adding a price markup, etc.

7.1.4 Promotion

The fourth element of the marketing mix is promotion, a company can have the best product, price and distribution but if it does not communicate it to the consumer through a proper strategy the marketing plan will accomplish nothing (Wood 2010, 180). A promotion and communication strategy is how a company will communicate product benefits and features to the target market. The communication strategy will consist of a mix of advertising, sales promotion, public relations and publicity. (Solomon *et al.* 2008, 53.) There are several marketing communications tools utilized for conveying the right message and reaching the target audience, however in today's world social media is playing an increased importance in reaching consumers (Wood 2010, 181). Figure 9 illustrated the steps for planning a communications strategy.

By building a brand name, the company will further strengthen its communication and promotion strategy, since modern consumers do not only have needs and wants but also needs, passions and goals and will often choose brands they fit with their personalities (Ormiston, R. 20.05.2010). Personality variables are used in order to segment the market and so a product with a given brand personality will correspond to a target consumer (Kotler 2003, 292). A brand is thus much more than a given name for a given product since usually the most successful brands manage to build a strong emotional connection with the consumer as they create an emotional reaction (Solomon *et al.* 2008, 287-288). A brand can therefore be perceived as a benefit for the consumer in three different aspects: quality or a functional benefit, image a psychological benefit and price an economic benefit. This is known as the consumer benefit brand model, by building brand loyalty, the tendency of a consumer to choose one brand over another, the company can successfully deliver the perceived value to value driven consumers and thus increase its profits (Ormiston, R.20.05.2010). A primordial part of building brand loyalty and increasing brand equity is to have a good customer relationship management, a process that involves the methods, policies and procedures that are used by a company to provide a high level of customer care to existing customers, orient new customers to the products and services offered by the business, encourage general customer retention and tools for customer analysis (Ormiston, R.20.05.2010).

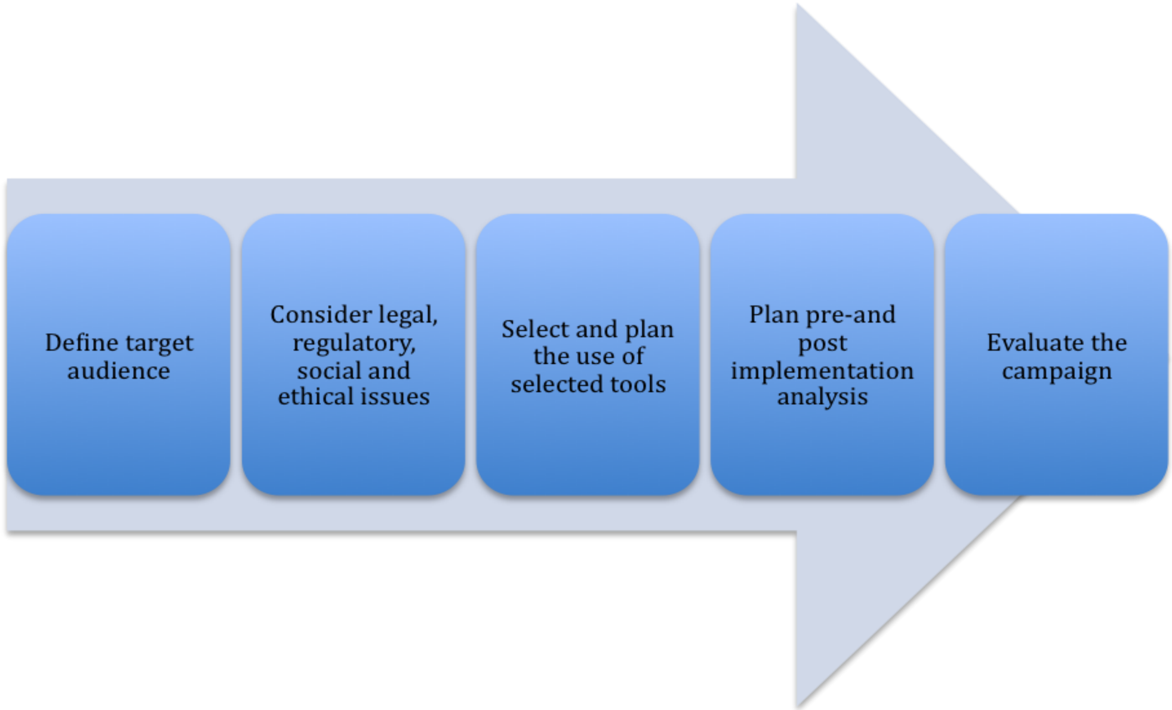

Figure 6. Steps in communication planning (Wood 2010, 200)

In this section of the marketing plan Finnish Food Oy, ought to plan and select the most useful media in order to advertise their product and reach the target consumer in Finland and Sweden, as well as plan the desired messages to be conveyed by the promotional material, for instance emotional messages dealing with emotional responses or psychological traits or comparative messages directly comparing the product with those of the competition. The company should think as well about the desired advertising goals such as reach, exposure, frequency, etc.

7.2 Sales forecasts

Once the company has determined the cost structure, it can successfully build a budget and a pricing structure, including wholesale price, markup and suggested retail price. Based on the consumer survey, it will be possible to draw forecasts as well. According to Marian Burk Wood (2010, 228-229) the company needs to select performance metrics at the internal and external level, such metrics include product defect, late deliveries, billing errors, net profits, return on sales, profit margin per units, customer satisfaction, market share, etc. These metrics will support the achievement of marketing and financial objectives. The most suitable method for calculating the budget would be the econometric modeling method, where the budget is calculated according to anticipated customer response, product profitability and other variables (Wood 2010, 237).

The company can also select different forecasts in order to add credibility to the marketing plan and successfully convince other shareholders that the new venture is worth the investment. There are different types of forecasts, such as market and segment sales, company and product, costs of sales, channel forecasts, cash flows etc. (Wood 2010, 235-236). According to David Lynch (2003, 297) if markets change at a fast pace, there can be inaccuracies in predicting future cash flows since the market is submitted to changes in technology, regulations, social values, etc. thus the necessity of a thorough PESTLE analysis.

In this section Finnish Food Oy ought to establish its expected sales for every year, the desired market share, etc.

8 Research Framework Summary

The following figure, elaborated by the author, summarizes the contents covered for this study based on each of the steps that should be followed in a marketing plan, presented by Marian Wood Burk.

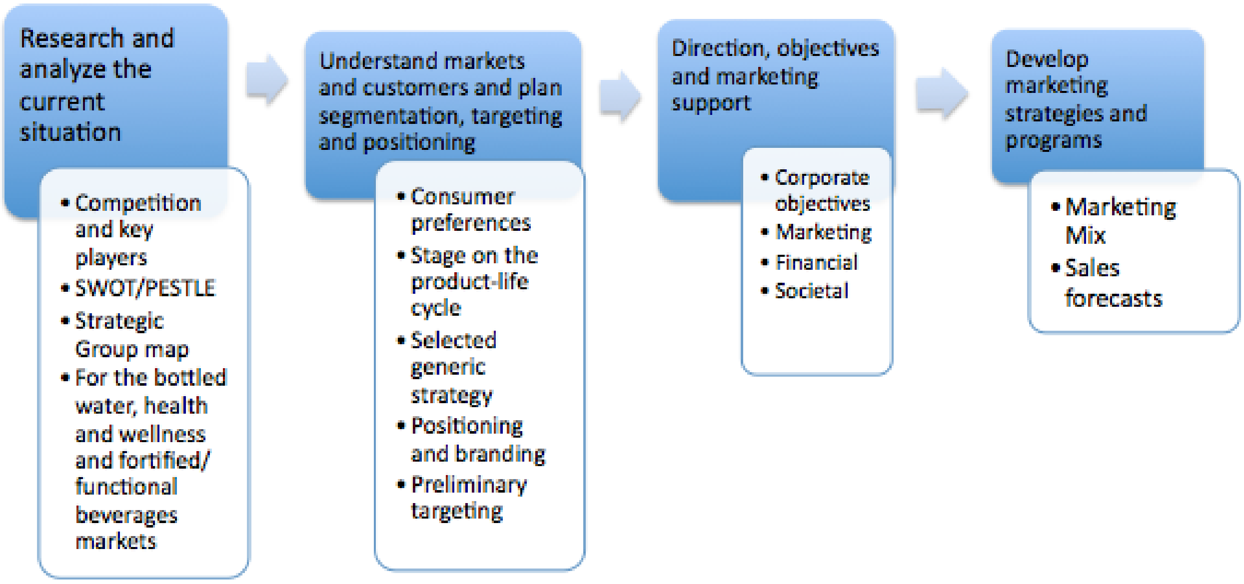

Figure 7. Marketing plan steps and components

Step 6: track, control and plan implementation was not included in this study for all the suggestions presented here need to be further evaluated and if necessary changed by the commissioning company. All of these components will be applied in the actual marketing plan, presented as an attachment as the end of this study.

9 Empirical Part

As mentioned in the introduction, this study is product-based; the final product being the actual Marketing Plan for Finnish Food Oy, thus the empirical part of the study is somewhat different from research-based studies. This part will present the target of research, which is the functional bottled water market; the research objectives, and research question and development assignment, the planning description, the process description, the actual product as well as a summary of the whole process alongside a discussion on research ethics.

10 Target of research

This study focuses on the functional bottled water market in Finland and Sweden for it is the market that Finnish Food Oy desires to enter. As previously mentioned the functional bottled water market is a segment of the fortified/functional beverage market, a segment of the health and wellness beverage market, but also of the bottled water market. The following figure illustrates the location within the industry of the study's target market.

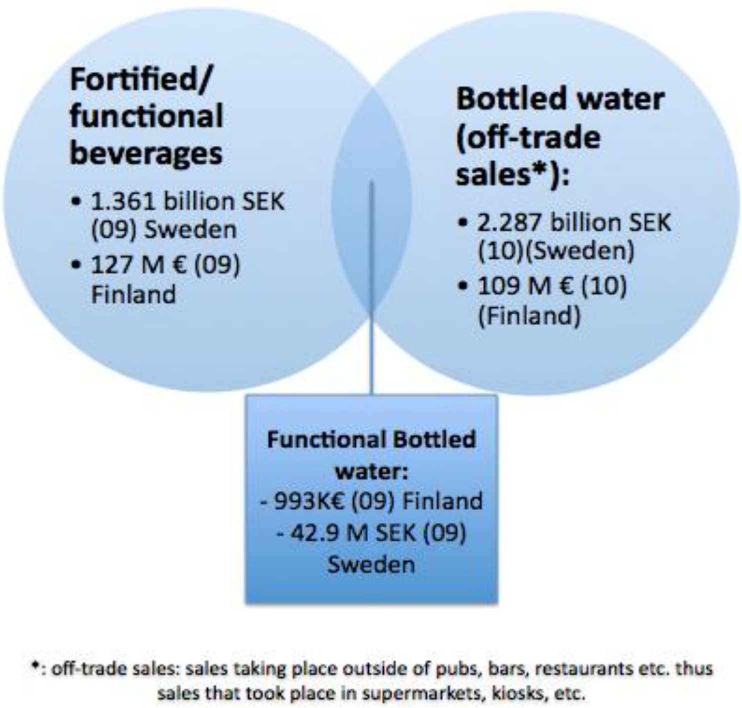

Figure 8. Functional bottled water position in the industry (Euromonitor 2011)

As we can see the functional bottled water market, which consists of pharmaceutically enhanced mineral water beverages, is a segment of both the bottled water and fortified functional beverages markets, the latter one being a sub-market of the health and wellness beverage market. However all these markets belong to the non-alcoholic beverage industry. It is useful to visually understand where does the functional bottled water market belong in order to identify direct and indirect competitors as well as the main players in the industry for this knowledge will help Finnish Food elaborate better strategies in order to enter this market and gain customers. The markets that encompass the functional bottled water market will be briefly explained for they are interconnected, and as mentioned before, regulations affecting for example the health and wellness beverage market will have an impact on the functional bottled water market as well.

10.1 Health and wellness beverage market

The health and wellness beverage market is the main market where functional bottle water belongs to, it is defined as the products that include pharmaceutical additives, called nutraceuticals, in order to enhance the consumer's health in many different aspects such as digestion, immune support, heart, weight control, oral and brain health. Usually the products contain additives such as probiotics, prebiotics, antioxidants, vitamins, omega 3, L-carnitine, lycopene, xylitol. ginseng, etc. (Euromonitor 2011.)
The health and wellness beverage market is made of the health and wellness food segment, the health and wellness beverage segment and the health and wellness nutritionals (Euromonitor 2011). For this study, only the health and wellness beverage market will be considered.

The health and wellness beverage market is gaining more and more importance on the global scale, since populations are getting older, fatter and so a concern for one's health has risen, despite the recent economic downturn this market has remained strong and is poised for steady growth in the next years (2010-2012). The health and wellness beverage market represented 160 billion US dollars (≈€112 billion) in 2008 worldwide and is forecasted to increase to more than 180 billion US dollars (≈€126 billion) in 2012. (Euromonitor 2011.)

The following figure illustrates the size of the health and wellness global market and its forecasted retail sales growth:

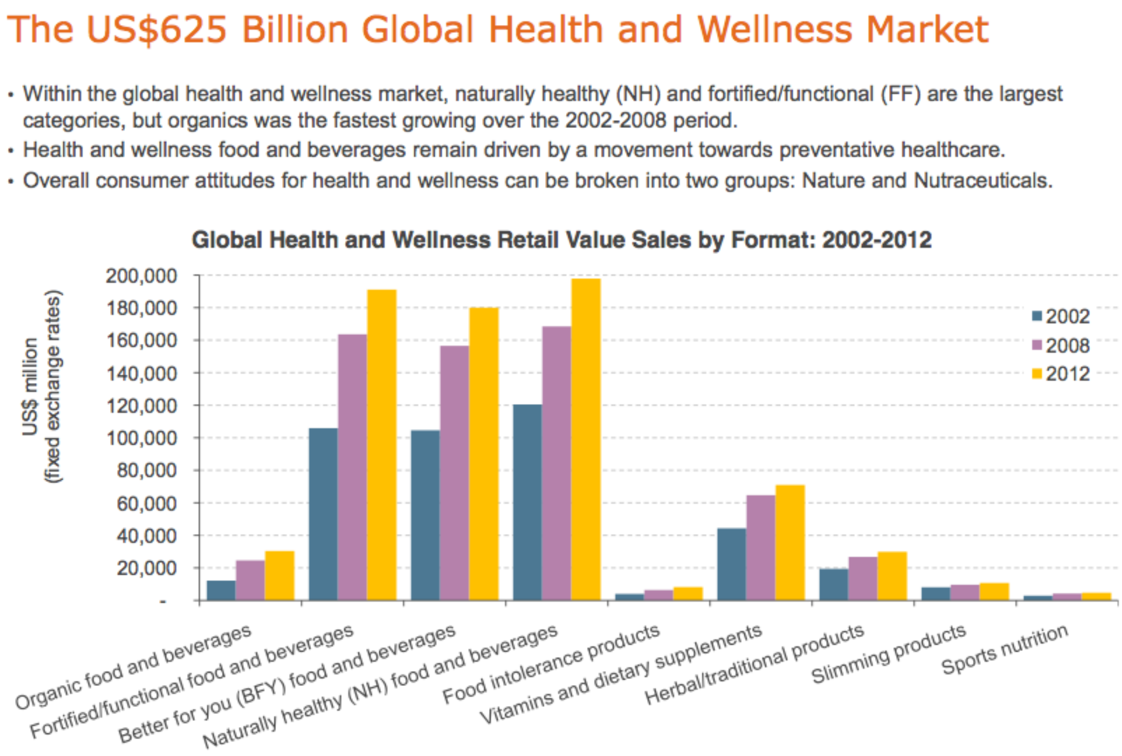

Figure 9. Global Health and wellness market (Euromonitor 2011)

The health and wellness beverage market is made up of the following product categories: organic beverages, fortified/functional beverages, better for you beverages, naturally healthy beverages, and beverages for consumers with food intolerance such as glucose intolerance. (Euromonitor 2011.)

In Sweden the health and wellness beverage market represented 6 billion SEK (≈962 US$M/669€M) in sales in 2009, with 24% of the sales were with products having a benefit on digestive health and Arla group leading the industry with a market share of 17.9% in 2009. The market is expected to grow to 6.5 billion SEK (≈730 €M) in sales in 2014. (Euromonitor 2011.)

In Finland the health and wellness beverage market represented 400 million Euros in sales in 2009, a growth of 13.2% between 2004 and 2009. Products enhancing digestive health represented 28.3% of the products sold with Valio Oy being the market leader with a market share of 31%. The health and wellness beverage market is expected to grow to 484.5 million Euros in 2014, thus a growth of 7.2%. (Euromonitor 2011.)

10.2 Functional/fortified beverages

The fortified/functional market is defined for both food and beverages as:

> Products to which ingredients with purported health benefits have been added and which have a specific physiological function and/or are enhanced to the point where the level of added ingredients would not normally be found. To merit inclusion, the product must have been actively fortified/enhanced during production. As such, inherently healthy products like 100% fruit/vegetable juices are only included if additional functional ingredients have been added. The purported health benefit must also form part of product positioning/marketing. (Euromonitor 2011.)

The fortified/functional (FF) beverages market is made up of products seeking to enhance or improve the brain health, digestion, general well-being, heart health, immune support, oral health and weight management among others and the key functional ingredients are calcium, multivitamins, vitamin C, lactobacillus and guaraná among others and includes hot drinks: FF chocolate, FF coffee, FF tea; FF soft drinks: <u>FF bottled water</u>, FF cola and FF non-cola carbonates; FF concentrates, FF elixirs, FF energy drinks, FF fruit/vegetable juice, FF ready to drink coffee and tea and FF sports drinks. (Euromonitor 2011.)

In Finland, this sector witnessed a drop of 4% in 2009, with sales falling to 127 million Euros, however despite the economic downturn, sales are forecasted to grow 3% between 2009 and 2014. Functional bottled water sales amounted for 993 thousand Euros in 2009, dropping 27.9% between 2004 and 2009, mainly due to the economic recession; there is an expected growth of 12.6% between 2009 and 2014. The market leaders are Sinebrychoff Oy Ab, Coca-Cola Finland Oy and Hartwall Oy Ab, with market shares of 16.1%, 15.9% and 14.9% respectively. (Euromonitor 2011.)

In Sweden the situation was better since the fortified/functional beverages market grew 8% in 2009 and a forecasted growth of 4% is expected between 2009 and 2014, this lower growth is explained by a change in regulations and is affected by the economic downturn as well. Functional bottled water accounted for 42.9 million SEK (≈19.5 €M) in sales in 2009 with a growth of 35% between 2008 and 2009. The market leaders are Skånemerjerier AB, Red Bull Nordic AB and Coca-Cola Drycker Sverige Ab, with market shares of 41.1%, 20.7% and 11.7% respectively. (Euromonitor 2011.)

10.3 Bottled water

It is important to take into account the bottled water market since Finnish Food will most likely face indirect competition from this market, as water producers are trying to gain customers by producing flavored waters. The market will be briefly explained. The bottled water market is made of carbonated bottled water, flavored bottled water, functional bottled water and still bottled water, all these categories include mineral and spring water. The volume of bottled water in Finland grew by 9% in 2010, and reached a total of 104 million liters, sales grew by 5% for a total of 177 million Euros. The most dynamic sector in this market is functional bottled water, which witnessed a total volume growth of 51% and sales growth of 86% in 2010. (Euromonitor 2011.)

In Sweden the total volume sales of bottled water increased by 3% in 2010 and accounted for 217 million liters, with functional bottled water being the most dynamic sector as well, with an increase in total volume terms of 65%, between 2010 and 2015. The bottled water market is expected to grow by 12% in volume sales; in 2010 the total of off-trade sales was of 2.287 billion SEK (≈ 256€M). Sweden was a pioneer in the functional bottled water sector with the launch of the brand Vitamin Well, and some other products have followed, with Coca-Cola launching Glacéau, Friggs AB with its Vitamino brand and Winnington launching KickUp. (Euromonitor 2011.)

The bottled water market takes into account the off-trade sales in volume and value for functional bottled water. This will be the data used in the marketing plan, since Finnish Food is mainly interested in distributing their products through grocery retailers.
In Finland the off-trade volume of the functional water market is 1.3 million liters and accounts for 2.5 €M. In Sweden, the off-trade volume of functional bottled water is 4.6 million liters and accounts for 174.4 million SEK (≈ 19.5 €M). (Euromonitor 2011.)

11 Research method and implementation

In this chapter an explanation concerning how the research was conducted and implemented will be presented. This study, as a product-based thesis aiming at producing a marketing plan is a quantitative research, based on secondary and primary research.

11.1 Objectives and research question

As mentioned in the in the introduction, the primary objective of this study is the creation of a marketing plan for the Finnish company Finnish Food Oy, for they are interested in entering the functional bottled water market. The company wants to launch a new product combining spring water, Finnish berries and nutraceuticals, in order to enhance several aspects of the mind and body of the final consumers. The research question was therefore structured as: in order to access the Finnish and Swedish functional bottled water segment, how should the strategic and marketing decisions of Finnish Food Oy be planned? Thus the main purpose of the marketing plan is to serve as a guideline for the company in order to gain a deeper insight of how the market works, who are the main players, main direct and indirect competitors and how should the company align its strategies and objectives in order to be successful in the market.

After having conducted an exploratory literature review, where the limits of the study were set, it is possible to say that the marketing plan's primary objective is to provide a detailed picture of the bottled water market thus an exploratory research will be carried-out as well since it is the most accurate way of finding-out what is happening and seek new insights as the focus is first broad and them gets narrower as the research progresses (Saunders, Lewis & Thornhill 2009, 139-140). As it was explained in chapter 8, initially the study was focused on the health and wellness beverage market and then progressively narrowed it down the functional bottled water sector.

11.2 Description and implementation process

The thesis subject was commissioned on behalf of Finnish Food Oy, after being in the game food exporting business; the company got interested in entering a new market:

functional bottled water. In the beginning the company commissioned a business plan, but since they had not done any previous research on the market, it was decided to do a marketing plan instead where the functional bottled water market would be thoroughly analyzed. The main focus of the marketing plan was assessing the market situation by presenting current market trends, regulations, and main players: market leaders, indirect and direct competition, an overlook on distribution, specially focused on supermarkets since these kinds of products are in most of the cases distributed by the main supermarket chains. Once the information on the market was gathered, the marketing plan will present strategic recommendations to Finnish Food Oy in order to implement the marketing plan and enter the market. These recommendations are based on the 4P's.

After meeting with the company for clarifying their expectations, the study was ready to be started. Initially the company wanted to study several countries, including the whole of Scandinavia, the Baltic countries and some countries in the Middle-East but due to time and academic limitations it was finally decided to focus the study in Finland and neighboring Sweden, since the two countries present quite a number of similarities within the target market. It was agreed that the study would include a field observation, possible only in Finland, where the main supermarkets would be screened in order to find-out the price range and the amount of competitor products displayed on the shelves, most of the data however came from secondary sources in general and from Euromonitor International in particular, a comprehensive data base with statistical analyses and data, market researches and consumer behavior studies, among others. Although Euromonitor was the main source of information, it offered complete and up-to-date information about the target markets and consumers and was deemed relevant since companies and universities use it as well, validity and reliability of the study will be discussed later on in the final section of the thesis though.

Secondary data refers to data and researches that have been already done and are readily available (Saunders, *et al.* 2009, 256). Euromonitor International falls into the category of multiple-source secondary data since it includes industry and statistics reports.

A field observation was also used as means of collecting data, however it did not concentrate on observing people and their behavior (Saunders et al. 2009, 288) but on an observation of the products sold in the main supermarkets Citymarket, Prisma, two small stores Alepa and S-Market, SATS gym, Lidl and Stockmann Deli in Finland, for obvious reasons this observation was not possible in Sweden since there was no budget allocated for traveling.

The field observation was carried out during the first two weekends of March and it involved 12 stores located mainly in the center of Helsinki. Chapter 12.1 will describe more in detail how the observation was carried out.

It is suggested that after this study the commissioning company will undertake a consumer survey, preferably in both markets, in order to fine-tune their segmentation strategy. Based on previous meetings with the commissioning company and on the data gathered from both markets, a preliminary consumer segmentation will be suggested in the marketing plan.

12 Product

The final product of this study is the marketing plan for Finnish Food Oy, which can be found as an appendix at the end of the paper. In this section, the results of the field observation will be presented.

12.1 Field observation results

A field observation was carried out specifically in Finland, where a total of 12 stores were visited and the products available as the prices listed. These 12 stores served as a sample for the whole of Finnish supermarkets, additionally the stores were selected following the following criteria: main grocery retailers, such as K-Group and S-Group, unconventional yet potential distribution channels such as gyms, nutritional stores and the main discounter in Finland Lidl. The objective behind this field observation was to establish a price range for functional bottled water as well as for indirect competitors, such as other functional beverages, bottled water, healthy drinks. Neither sodas nor juices or smoothies were included in this field observation, those products were deemed beyond the scope of this study. The field observation was carried-out during the two first weekends of March, then with the data gathered a table organized according to product category, size and retailer was created and can be found in the appendix section of this paper.

The field research was conducted in the following stores: Alepa, S-Market, K-Market, Citymarket, Prisma, Stockmann Deli, Stockmann Delicatessen, R-Kioski, Vida nutritional store, Life nutritional store, SATS gym, and Lidl. The products listed included bottled waters still and carbonated, functional bottled water, flavored waters, energy drinks, and other functional beverages such as sports beverages in 0.3, 0.5, 1 and 1.5 liters.

The field observation was very useful for finding out what products can be potential indirect and direct competitors that are not listed on the secondary data, for example, several names such as Flow Drinks, Firefly tonics and KickUp are products that compete directly in the functional beverage category but that do not appear on data since they are relatively new in the market and do not have significant market shares yet.

Another observation was that Finnish consumers mostly prefer Finnish products, during the time in Stockmann, at least 4 consumers selected Hyvää Päivää instead of other products such as Vitamin Well, furthermore stores belonging to the K-group, such as Citymarket and K-market are the ones distribution functional bottled water such as Vitamin Well and Glacéau Vitamin Water, this could be a very good opportunity for Finnish Food in order to select as an exclusive distributor stores belonging to the S-group. R-kioski only distributes Vitamin Water and nutritional stores and gyms distribute the most common products such as Hartwall Novelle Plus, but not other products such as Vitamin Well or Vitamin Water, which the flagship products in the market. The field observation also permitted to set a price range for the products which fluctuates between 0.57€ and 3.55€, the former being Pataya spring water 0.5L sold in Lidl and the latter Vitamin Water functional bottled water 0.5L sold in R-kioski. The following tables summarizes the stores visited and there locations (table 1) as well as the main competitors retailers and prices for functional bottled water exclusively (table 2).

Table 1: Stores visited and location

Store	Location
Alepa, visited 2 times	Malminkartano, Pursimiehenkatu
S-Market	Malminkartano
K-Market	Kamppi
Citymarket	Sello, Espoo
Prisma	Sello, Espoo
Stockmann Deli	Helsinki City Center
Stockmann Delikatessen	Helsinki City Center
R-Kioski	Helsinki Rautatientori
Vida Nutritional Store	Helsinki Rautatientori
Life, visited 2 times	Helsinki Rautatientori, Kamppi
SATS Gym	Helsinki Rautatientori
Lidl, visited 2 times	Malminkartano, Kamppi

During the field observation it was also noted that the Leader sports products and Flow Drinks were priced differently depending on the flavor, whereas in nutritional

stores they all had the same price, no matter the flavor. Also the Stockmann Deli refers to the cafeteria at the upper floor of the store, where products are purchased and can be taken-away or consumed on-site, and Stockmann Delikatessen is the supermarket located in the lower floor of the building. At Stockmann's locations, the prices differ as well; they are pricier at the Deli. For all the other stores, the price level and product variety and availability is the same at the different locations.
Finnish Food will thus face direct competition from the following products and the following locations:

Table 2: Function bottled water brands and retailers, 0.5 L bottles and prices in Euros

	Hart-wall Fenix	**Vit-amin Well**	**Novel-le Plus**	**Hyvää Päivää**	**Vita-min Water**	**Flow Drinks Feath-er**	**Flow Drinks Endur-ance**	**Flow Drinks Ur-heilu**	**Kick-Up**
Stockmann Deli	2.25€	3.20€							
Stockmann Delikates-sen	2.30€	2.55€	1.59€	2.47€	2.85€				
R-Kioski	3.50€			3.50€	3.55€				
SATS	2.40€		1.70€						
K-Market	2.39€	2.39€	1.60€	2.59€	2.59€	3.02€	2.79€	3.19€	
Citymarket		2.29€							
Alepa	2.35€			2.10€					
Prisma				1.95€					
S-Market						2.99€	2.99€		1.89€
Lidl	1.99€								

Novelle Plus is also available in 1.5 L. The prices can be found on the main table in the appendix section.

Based on the table, it is possible to see that the most expensive product is Glacéau-Vitamin Water distributed by R-Kioski and the cheapest is Novelle Plus when distributed by Stockmann Delikatessen.

13 Summary

Although Finland and Sweden saw a slight growth decrease in their bottled water markets mainly due to the economic recession, the health and wellness beverage market and with it the functional bottled water markets are in expansion and forecasted to grow substantially in the years to come. Functional bottled water is a market that currently represents a very good opportunity for a company like Finnish Food, not only in Finland and Sweden but in other countries as well, since populations are becoming more and more health conscious. The off-trade volume of functional bottled water has grown between 2009 and 2010 by 51.7% in Finland and 65% in Sweden, placing itself as the most dynamic market within the bottled water market.

The field observation showed the price ranges currently set within the market, with functional bottled water ranking the highest, although local brands like Hartwall Novelle Plus are cheaper, consumers are ready to pay the price for premium functional waters such as Vitamin Well. The field observation showed that the prices for functional bottled water range between 1.59€ and 3.55€ for a bottle of 0.5 liters. The prices depend on the brand, but most importantly on the selected retailer, for instance products at R-Kioski are pricier than in any other retailer. Currently only Hartwall produces functional bottled water in sizes of 1.5 L, with its Novelle Plus range. The fact that only Hartwall produces bigger bottles opens up the possibility for Finnish Food to offer its product in several sizes in order to attract more consumers, since market data indicates that consumers are demanding bigger bottles for families, but also smaller bottles, such as 0.33L since consumers are living at a faster pace; currently no company is offering functional bottled water in a size smaller than 0.33L.

Furthermore, Finnish Food Oy would have to select whether to go for a premium positioning or follow the pricing of the current category leader Hartwall, however premium functional bottled water brands such as Vitamin Well and Glacéau Vitamin Water are not currently being distributed by the S-Group, this fact also represents a good alternative for Finnish Food Oy, when selecting a suitable distributor.

14 Discussion

In this chapter, the results will be interpreted as well as research and validity of the study discussed. A discussion on research ethics, suggestions for development and further research as well as an assessment of the thesis process and own learning will be presented too.

14.1 Interpretation of results

The results of this research indicated that the functional bottled water is a market that is currently expanding, with year on year growth rates of over 50% between 2009 and 2010 for both Finland and Sweden; many companies are launching products in this category. Based on the data collected it is possible to price functional bottled water higher than other bottled water products since consumers perceive them as a product beneficial for their health with value-added features and are ready to pay for them. The products should not be priced higher than €3.55, which is the highest price in the market in Finland. Unfortunately price data is not available for Sweden.

Based on the secondary data collected it is possible to argue that companies deciding to launch their products in the functional bottled water market are consistently choosing to target specific consumer groups in the market such as children or women for instance. For example USAmerican brand Wat-ahh targets only children. In Finland, for example, Hartwall Novelle Plus magnesium is targeted at athletes and more affluent consumers who live busy lifestyles (Euromonitor 2011), whereas Vitamin Well targets all the consumer groups in general. It is thus highly recommended for Finnish Food Oy that they target a specific consumer group such as young health-conscious women aged between 25-35 years old with or without kids.

14.2 Research validity and reliability

According to Saunders et al. (2009, 156) reliability refers to the significant yields and findings of the data collection techniques and can be assessed based on three points: the possibility that other measures will present the same results, other observers will get to the same results and the transparency given to the raw data thus reliability can be affected by subject or participant error or observer error or bias.

Validity refers to the relationship between results and the selected sample and the fact that there might be a true causal relationship between them. There are five threats to validity: history, testing, instrumentation, mortality and maturation. (Saunders et al. 2009, 157.)

In this study for Finnish Food Oy, it can be argued that the secondary data used comes from a reliable and reputable source, since Euromonitor International produces market researches, articles and data, which are constantly updated and used by professionals and companies. The researches comes from reputable sources such as the country's ministries of Finance, national statistics agencies such as Tilastokeskus in Finland and Chambers of Commerce, hence the data concerning the target markets for this study, functional beverages is accurate, and the fact that the data base is constantly renewed makes it a very valid source of information.

The field observation carried-out for this study is also a reliable and valid source of information, since no matter who will go to the stores and observe the products and prices displayed on the shelf, will reach the same conclusions, that is if there is no significant price changes in the products in the short term. The field observation as it is gives an accurate insight to the products available in the market as well as the prices at which they are currently sold, however it was noticed than in Citymarket Sello, there were only 1.5L bottled of Hartwall Novelle Plus, even though the 0.5L are also produced and sold at other retailers. It could be suggested that a second field observation should be carried-out according to retailer, in order to check the stock. It is also highly recommended to carryout the same field observation in Sweden, since the grocery retailing there it is completely different from that of Finland.

14.3 Ethical points of view

According to Saunders et al. (2009, 183-184) research ethics refer to the appropriate behavior that should be adopted when conducting a research, thus a moral code of ethics should be adopted that will include the privacy of the participants, a voluntary nature of participation without intruding or causing harm.

This study was mainly focused on an external observation and secondary data. The access to secondary data was gained through Haaga-Helia's databases, thus the information printed and downloaded was not gained through piracy or by hacking the access codes. The information was credited as a source, using proper referencing and the material will not be distributed or resold under any circumstance, as when the database is accessed, the user has to agree on using the material only for educational purposes, and it is not to be redistributed.

The field observation didn't concern the consumers themselves but only the products sold in the stores and their prices, before recording or photographing the shelves, permission was asked from the store clerks by explaining that the material was going to be used for a thesis study.

14.4 Suggestions for development and further research

After Finnish Food Oy will assess the contents and the quality of the information gathered in this study, they should proceed to other studies such as feasibility analysis, a business plan, etc. It was found out the functional bottled water is market that is growing fast, with an off-trade market size in volume of 1.3 million liters for Finland and 4.6 million liters for Sweden and represents a good opportunity for companies who want to add value and provide their consumers with something more than still unflavored water. Globally people are leaning towards healthier lifestyles and even though Finland and Sweden are attractive markets for Finnish Food Oy, they ought to explore other markets and possibilities.

Finnish Food Oy ought to think very carefully about the segmentation they want to follow and based on global developments they should focus on either women or children for their functional products. Companies in the USA, such as Wat-aah have successfully launched functional waters targeted at specific groups. Wat-aahh targets specifically children, this is a trend that has also been steadily growing in Finland for example, furthermore Nestlé has launched a new brand called Glowelle specifically targeting women (neither in Finland nor in Sweden yet), thus it can be said that there is a clear strategy pointed towards a very well designed segmenting with adequately crafted products that respond and fulfill the consumer group's needs.

Concerning target markets, Finnish Food should explore other possibilities such as the Japanese market where the beauty from within trend is gaining more and more importance and products following this trend account for 16% of the total dietary supplements in 2008 (Euromonitor 2011).

Overall Functional bottled water is market that is yet to be fully explored and if thought carefully will be profitable for the company.

14.5 Assessment of thesis and own learning

The thesis process was very challenging in the sense that since it is a product-based thesis, the guidelines where somewhat unclear. It was very difficult to define what was required from this type of project for example on the Literature Review, the Empirical components and the kind of research that had to be conducted as the few theses available in the library that are product-based were all different, none of them followed the same standards, some presented the product, in this case a marketing plan in the empirical part, others had it attached, some didn't conduct any kind of survey or interview, some had very short theoretical parts, and some combined theory with the actual product, so overall it was a bit misleading to know where and how to start from. Finally it was decided to carry out a short and basic survey in order to give a preliminary segmentation for the marketing plan and take most of the data from secondary sources. Narrowing down the project was also challenging, since the commissioning company wanted to conduct a very large study including more than five countries, also they wanted a business plan, but they had no knowledge about the industry, so after reviewing the project with the thesis supervisor it was decided that a marketing plan would a better option.

Despite being a challenging process, I learned a great deal about the target markets and how they operate, also I reckon that I underestimated the thesis requirements and did not manage my time properly.

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Appendices

Attachment 1: Functional bottled water, according to brand and retailer. Bottled of 0.5L. FD= Flow Drinks

	Hartwall Fenix	**Vitamin Well**	**Novelle Plus**	**Hyvää Päivää**	**Vitamin Water**	**FD Feather**	**FD Endurance**	**FD Urheilu**	**Kick-Up**
Stockmann Deli	2.25€	3.20€							
Stockmann Delikatessen	2.30€	2.55€	1.59€	2.47€	2.85€				
R-Kioski	3.50€			3.50€	3.55€				
SATS	2.40€		1.70€						
K-Market	2.39€	2.39€	1.60€	2.59€	2.59€	3.02€	2.79€	3.19€	
Citymarket		2.29€							
Alepa	2.35€			2.10€					
Prisma				1.95€					
S-Market						2.99€	2.99€		1.89€
Lidl	1.99€								

Attachment 2: Mineral and spring water according to retailer and brand. 0.5L bottles, flavored, carbonated and still drinks included.

	Novelle Fruity	**Novelle Friss**	**Hartwall Jaffa**	**Bonaqua Vichy Classic**	**Kevyt Olo**	**Hartwall Vichy Original**	**Hartwall Novelle**	**Bonaqua**	**San Pel-legrino**	**Novelle Citronelle**	**Sasquia Quelle**
Stockmann Deli (Café)		2.25€	2.80€								
Stockmann Delikatessen (Supermarket)	1.59€	1.61€		1.65€	1.54€	2.60€		1.60€	2.12€ (0.75L)		
R-Kioski			2.50€					2.60€		2.50€	
SATS Gym		1.70€	1.70€				1.70€			1.70€	
K-Market								1.59€			
Citymarket											
Alepa											
Prisma								1.65€			
S-Market					1.67€						
Lidl											0.57€

Attachment 3: Energy drinks, sports drinks and other functional beverages, according to retailer and brand. 0.5L bottles.

	Stockmann Delikatessen	Vida Nutri-tional Store	Life Nutritional Store	K-Market	Citymarket	Alepa	S-market
Gatorade	2.69€			2.29-2.35€			
Powerade	2.41€			2.19€			
Red Bull	2.45€						
Vitanova	1.28€ (0.185L)						
Aloe Vera Drink	2.904						
Leader Protein 40 Päärynä		3.10€		3.15€			2.70€
Leader Protein 40 Vadelma		3.10€		2.98€			
Leader Protein Lemon		3.10€		3.16€			
Leader Recovery		3.20€		3.19€	2.69€-2.77€	2.50€	
Leader Carnitine3200		1.95€		2.75€		1.89€	1.89€
Fast Sports Profx			3.10€	2.85€			
Profx Fat Burner			3.10€	2.07€			

Attachment 4: Other sizes according to retailer and brand.

	Novelle Fruity	**Hartwall Novelle**	**Hartwall Vichy Original**
Stockmann Deli	1.45 € (0.33L)	0.95€ (0.33L)	
K-Market			0.95€ (0.33L)

	Stockmann Delikatessen	**S-Market**	**Citymarket**	**Lidl**
Novelle Plus	2.50€ (1.5L)			
Kevyt Olo	2.18€ (1.5L)	1.67€ (1.5L)		
Hartwall Novelle	2.37€ (1.5L)			
Evian	3.31€ (1L)			
Novelle Friss		2.49€ (1.5L)		
Hartwall Vichy Original			2.09€ (1.5L)	
Saskia Quelle				1.39€ (2L)
Pataya				0.99€ (1.5L)

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Attachment 5:
Marketing Plan for Finnish Food Oy

Elena Maria Vimpari

Bachelor's thesis

Degree Program in International Business

2011

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1 Current Situation

This marketing plan will present the analysis of the current situation of the functional bottled water market. Functional bottled water is sector of the functional/fortified beverages market, which is in turn a sub-sector of the health and wellness beverage market. All of these markets belong to the non-alcoholic beverage market. It is important to understand where the functional bottled water market is located within to non-alcoholic beverage industry, in order to better understand who are the main indirect and direct competitors as well as the main players. This chapter will present a market analysis, followed by a PESTLE analysis, a competitive analysis and will end by a SWOT analysis.

1.1 Market Analysis

This section of the marketing plan will present an overall description of the market characteristics as well as current trends and drivers. This chapter will also briefly present the target markets in macroeconomic terms.

Finland is located in Northern Europe and neighbors Norway in the north, Sweden in the West, Russia in the East and Estonia in the south across the Gulf of Finland. Finland is a EU member since 1995, as well as a member of the Nordic Council. Finland

Area: 338.424 km2

Density: 16 inhabitants/km2

Population: 5.259.250 (July 2011 est.)

Main cities: Great Helsinki, Tampere and Turku (25% of the total population all together)

Currency: Euro, €1=1.4251 $US

Labor Force: 2.68 millions

Unemployment rate: 8.4% (2010)

GDP PPP (2010): $186 billion

GDP Nominal (2010): $239 billion, GDP/capita (nominal 2010): $44.488, GDP/capita (PPP 2010): $ 34.585. (CIA World Factbook 2011.)

Sweden is also located in Northern Europe and neighbors Finland in the East, Norway in the West and Denmark in the South. Sweden is the largest Nordic country and produces 47% of the Nordic GDP. Sweden is a member of the EU since 1995 but does not belong to the Euro zone.

Area: 450.000 km2

Density: 22 inhabitants/km2

Population: 9.088.728 (July 2011 est.)

Main Cities: Stockholm Capital city

Currency: Swedish Krona SEK, 1 SEK=0.1592 $US

1 SEK= €0.1117

Labor Force: 4.93 million (2010 est.)

Unemployment rate:

GDP PPP (2010): $ 345 billion

GDP Nominal (2010): $ 444.6 billion

GDP/capital PPP (2010): $39.000

(CIA World Factbook 2011.)

1.1.1 Market Characteristics

The health and wellness beverage market is made of organic beverages, fortified/functional beverages, better for you beverages, and naturally healthy beverages. It is beyond the scope of this study to explain each of these markets into detail, since Finish Food Oy is only interested in the functional/fortified category, it is however important to briefly describe these markets in order to understand the trends and characteristics that will certainly have an impact on the functional bottled beverage market. This chapter will thus briefly each mentioned market, along with its main players, trends, regulations, market shares, etc. The bottled water market will be included in this chapter as well.

1.1.2 Bottled water

The bottle water market is made of carbonated bottled water, flavored bottled water, functional bottled water and still bottled water (Euromonitor 2011). The Swedish bottled water market will be presented in the first place, followed by the Finnish bottled water market.

In Sweden, the bottled water market increased by 3% in 2010 in total volume terms and reached 217 million liters. One of the most dynamic sectors was functional bottled water with an increase in total volume terms of 65% in 2010 and a compound annual growth rate (CAGR) of 178.6% between 2005 and 2010. In 2010 this market accounted for 174.4 million SEK in off-trade sales (sales that took place in food retailers and exclude hotels, bars and restaurants). Alongside functional bottled water, carbonated and flavored bottled water saw an increase in sales in 2010 as well. (Euromonitor 2011.)

The main trends in this market indicated that functional bottled water's sales really took off with the introduction of local brand Vitamin Well in 2008, which pulled the launch of other brands such as Glacéau-Vitamin Water, Vitamino and KickUp, the increased presence of new functional bottled waters have encouraged the growth of the sector as well. The unit prices of bottled water increased by 3% in 2010 due to the introduction of functional bottled water as these products are priced higher. (Euromonitor 2011.)

Flavored bottled water accounted for 60% of total volumes sales in 2010, the category was dominated by Spendrups Bryggeri with its Loka brand and Carlsberg Sverige with its Ramlösa brand. Flavored water represents a healthier alternative to carbonated beverages and is preferred by middle-aged consumers in general and women in particular. (Euromonitor 2011.)

Overall sales of bottled water, in all categories, are forecasted to see a compound annual growth rate of 2% between 2010 and 2015. Growth is being pulled by flavored and functional bottled water furthermore the bottled water market in Sweden is dominated by spring and mineral water products. (Euromonitor 2011.)

In Finland, the bottled water market total volume sales grew by 9% in 2010 and reached 104 million liters, furthermore the total sales grew by 5% totaling €177 million. It can be observed that the Finnish market is significantly smaller than the Swedish one in terms of volume, however like Sweden, functional bottled water was the most dynamic sector as it presented an increase in total volume terms of 51% and 84% in total sales terms. Overall the Finnish bottled water market is expected to shrink to 102 million liters and constant value sales are expected to increase to €178 million by 2015. (Euromonitor 2011.)

Unlike the Swedish market, the unit prices in Finland decreased by 4% mainly due to the VAT reduction in October 2009, however consumption was affected by the effects the economic crisis and consumption was slow during the first 6 months of 2010, except during that year's extremely warm summer. (Euromonitor 2011.)

Hartwall dominates the Finnish market with a market share of 33% due to the in-depth knowledge of the company about consumer preferences and the fact that their portfolio covers all the categories in the market. Hartwall is followed by the Coca-Cola Company and its Bonaqua range, the thirds main player in the market is Olvi, with its Vichy, Kevyt Olo and Aku Ankka, furthermore the Finnish bottled water market is approaching maturity and so exotic flavors are starting to lose their appeal due to the wide variety of options available. (Euromonitor 2011.)

A trend that is starting to develop gradually are the healthy beverages that target specific groups such as women or children such as Hartwall Fruity Junior or Aku Ankka Mansikka thus due to the approaching maturity of the market, companies are switching to offering more value in its products in order to increase profit margins and improve their competitive positioning. (Euromonitor 2011.)

1.1.3 Health and Wellness Beverages

In Finland, the health and wellness beverage market was less affected by the economic downturn and performed well in 2009 and functional/fortified beverages are expected to grow in the upcoming years. However companies that are able to produce and sell the most innovative products within this market are the ones that will most likely succeed. In Finland the functional/fortified beverage market accounted for €451 million Euros in 2009. (Euromonitor 2011.)

In Sweden, this market is also forecasted to grow and people are more and more concerned about their health, however, Swedish as well as Finnish consumers tend to prefer products that are produced locally. In Sweden the functional/fortified beverage market accounted for SEK 6 billion in 2009, roughly €672 million Euros. The market is considerably bigger than in Finland. (Euromonitor 2011.)

1.1.4 Functional/fortified beverages

The Finnish functional/fortified beverage market was also affected by the economic downturn in 2009 and had a decrease of 4%, accounting for a total sales value falling to €127 million Euros, however a number of innovative products has been introduced and the market is expected to have a CAGR of 35% in the years to comes. Most FF beverages are wellbeing products and very few brands targeting specific health conditions, thus presenting an opportunity for upcoming products and companies willing to enter the market. (Euromonitor 2011.)

In Sweden, the FF beverage market grew by 8% in 2009, however the market is expected to have a CAGR of 4% in the upcoming years, partially explained by the recession and new regulations. (Euromonitor 2011.) The size of the functional/fortified beverage market in Sweden accounted for 1.3 billion SEK in 2009, roughly 152 €M.

It is worth mentioning that the functional/fortified beverage market has a size comparable to that of bottled water in both countries, since it does not only include functional bottled water but also other fortified/functional drinks such as fortified/functional soft drinks, energy drinks, juices, flavored drinks, etc.

The off-trade market size of functional bottled water in volume accounted for 1.3 million liters in Finland and 4.6 million liters in Sweden; and in off-trade value for 2.5€ million in Finland, and 174.4 million SEK in Sweden (≈19.5 €M). (Euromonitor 2011.)

1.2 PESTLE analysis

Finnish Food Oy will start operating in a market that is shaped by political, legal, economical, social, technological and environmental concerns. These factors will be briefly explained here:

Political: In the spring water market, the company needs to be knowledgeable what comes to the countries where they will export the product or plan to take the water from. They should monitor the situation domestically and in Europe when planning to expand beyond Scandinavia. The EU plays a crucial role in these two markets, as any laws passed within the EU have to be applied in both countries.

Economical: Functional bottled water was hit by the economic recession in both countries, however with signs of recovery ahead, the market is poised to grow in the upcoming years as consumer expenditure tends to increase when the economy recovers. However is the recovery is slower than expected, the market could see it sales hampered. In Sweden discounting will remain popular and will limit the increase in unit prices. Even though Functional bottled water is a very dynamic sector, it will continue to be a niche sector and its weight in the total bottled water sales will remain small.

Socio-cultural: In Finland due to the high quality of tap water, consumers tend to regard functional bottled water as a luxury more than a necessity. Finnish consumers also tend to regard functional products as more innovative than other products in the health and wellness beverage market and so tend to choose the former than the latter. Also a trend towards being ecological is being developed among Finnish and Swedish consumers alike. Swedish consumers are also starting to develop a habit of buying home soda machines in order to make them themselves; this could negatively affect the sales within the functional bottled water market. Both Swedish and Finnish consumers tend to prefer locally produced products.

Technological: In Sweden besides the rise in sales of home soda machines, more and more household appliances are including soda machine equipment. In Sweden, Coca-Cola launched a new packaging called PET bottles, which has a 15% of plant material with Bonaqua being the first brand using it.

Legal: The EU recently passed a new regulation concerning products that claim any health benefit; in order to put on the label that the product has an effect on health indeed the claims must be substantiated by scientific studies; this applied to both Finland and Sweden.
In Finland the VAT was decreased resulting in a decrease in unit prices, however the Finnish government will start applying a new "sugar tax" which will push prices up again.

Environmental: Both Finnish and Swedish consumers are more and more ecologically conscious, in Sweden bottled water consumption was severely affected when consumers thought that bottled water production had a severe impact on the environment. Some studies have claimed that the impact is not as bad as previously thought and so the sales are starting to recover, pulled by functional bottled water in particular as these products are well regarded due to their added value features.

1.3 Competitive analysis

Hartwall dominates the bottled water market along with Coca-Cola Finland, with 33.3% and 17.2% of market shares respectively. The following figure shows the market shares in the Finnish market:

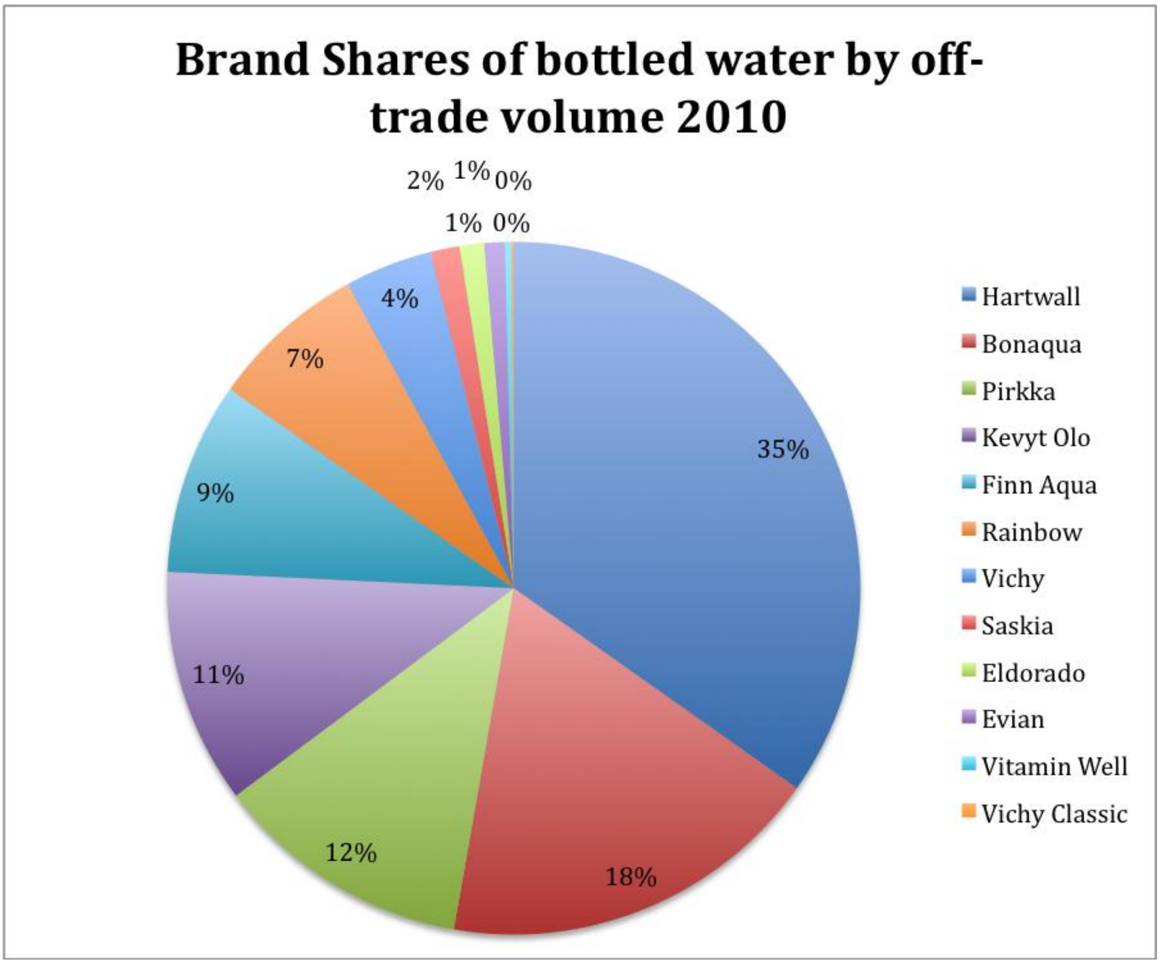

Figure 2. Brand shares of bottled water by off-trade volumes 2010 Finland (Euromonitor 2011)

The leading products are Hartwall range, Bonaqua, Pirkka, Kevyt Olo, Finn Aqua, Rainbow, Vichy, Saskia, Eldorado, Evian, Vitamin Well and Vichy Classic. These products represent direct and indirect competitors for Finnish Food Oy, however on the direct competition side, there are a few products that have been recently introduced and do not figurate yet in the data. Those products are: KickUp and Flow Drinks, the latter being a Finnish company and brand.

In Sweden, Spendrups Bryggeri AB dominates the bottled water market along with Carslberg Sverige AB, with market shares of 32.2% and 31.9% respectively. The following figure shows the market shares of the main players:

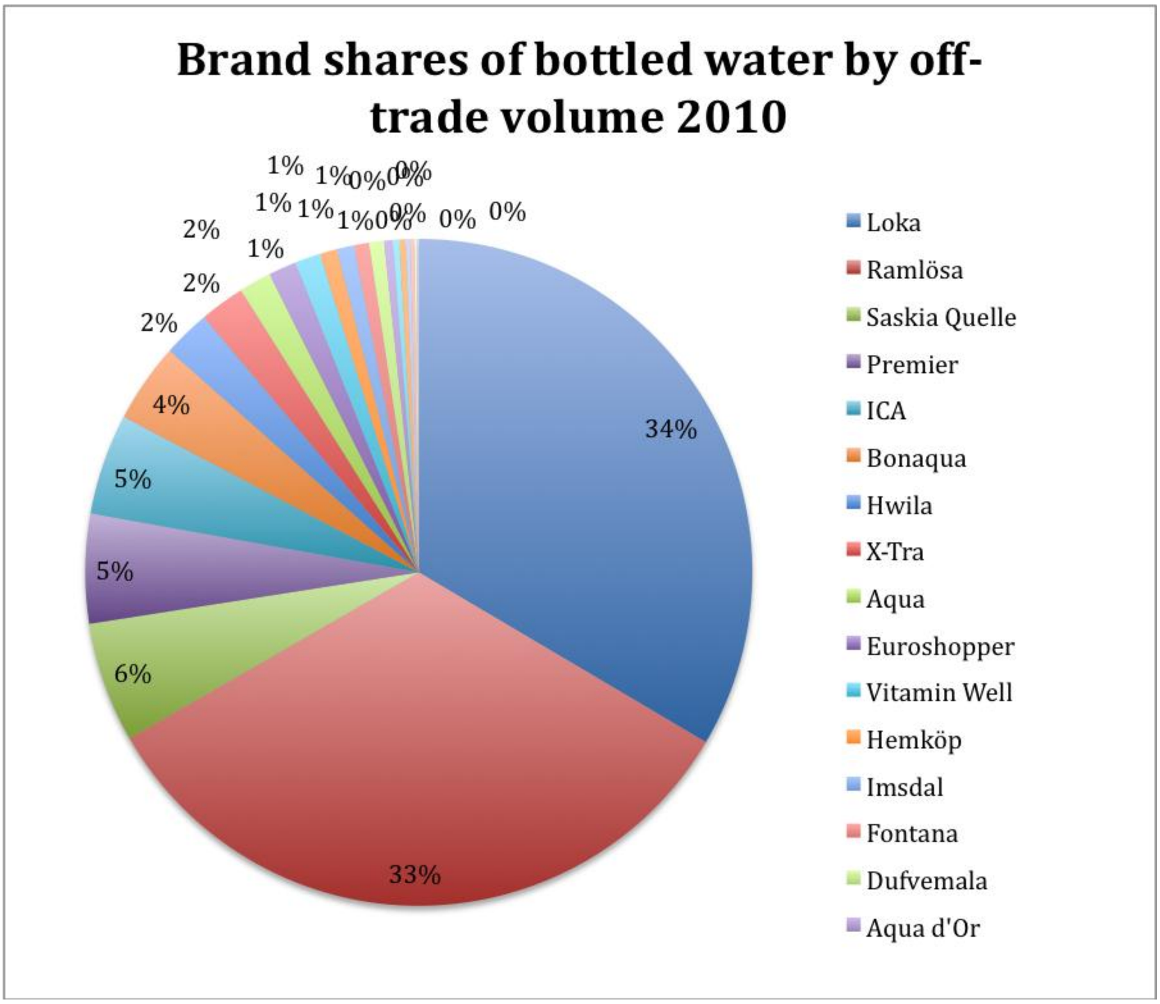

Figure 3. Brand shares of bottled water by off-trade volume 2010 Sweden (Euromonitor 2011)

Loka and Ramlösa dominate 67% of the market, however the Swedish market has a wider availability of products than the Finnish market, making it much more competitive. It can also be seen that the two markets have a very similar offering, with Sweden being a first-adopter and Finland following later on. Direct competitors in the Swedish market are almost the same than in Finland, Vitamin Well, Glacéau and KickUp drinks.

It can be argued that due to the fact that bottled water is a mature market competition has shifted from price based competition to product, features and brand competition. For example the launch of Vitamin Well in Sweden was a major success and the company has captured 1% of the market share in only a little bit more than a year, it is very likely that market leaders will counterattack and enter this category soon, this is already the case in Finland where giant Hartwall has successfully launch its functional bottled water range with its Novelle Plus Magnesium, calcium and zinc range. The market synergies will be explained using Porter's 5 forces analysis.

Threat of new entrants: Functional bottled water is a relatively new market and thus more and more players are launching new products in this category, however since the market has very established leaders that have established brands and sizeable advertising budgets, it is likely that new entrants will either fail or capture a small market share. Furthermore it is more difficult to enter the market if the new entrant is willing to building its own water production facility it might be considerably more difficult to enter the market. It thus advised to Finnish Food Oy to enter the market first by finding a water supplier and then if the product is successful think about building a factory nearby a water source.

Substitute products: substitute products are available in all the markets connected to functional bottled water, that is health and wellness beverages, functional/fortified beverages, bottle water, and other non-alcoholic beverages and soft drinks, however functional bottled water is in itself a substitute for unflavored mineral and spring water, since consumers are willing to get more features and benefits from bottled waters, it is never the less a very competitive market.

Bargaining power of buyers: the competition within functional bottled water is increased by the fact that there is just a few main buyers in both Finland and Sweden and a myriad of products willing to have some shelf space in the main retailers, accordingly it can be assumed that the main competitors are the ones getting most of the shelf space, making it difficult for new comers to get access or be distributed in the main retailers. In order for Finnish Food to have some power when negotiating shelf space in the Finnish and Swedish main retailers, it is strongly advised to first make use of unconventional distribution channels such as nutritional stores and gyms, in order to first appeal to consumers and build the brand, for then, once the product will have credibility and acceptance, have some power negotiating distribution through the main grocery retailers.

Bargaining power of suppliers: There are just a handful of water sources and thus it is difficult to maneuver in such an industry, also in order to limit costs and the ecological impact of producing, Finnish Food will have to select a supplier or a water source close to the bottling plant, this will increase even more their dependence on suppliers and might affect their competition in the market.

Degree of market competition: the competition Finnish Food will face is fierce, the company will directly compete with giants such as Hartwall and Coca-Cola in both countries, since consumers do not face any penalty by switching products in this market, they actually will have to pay less depending on the product they are looking for. For example Hartwall's functional bottled water Novelle Plus is significantly cheaper than premium brands such as Vitamin Well and Glacéau, thus the company will have to price the product in such a way that they can compete both with the premium brands but also with Hartwall, by offering similar benefits and if possible better ones.

Currently Finnish Food Oy will face competition from the leader Hartwall, a strong competitor Coca-Cola and a favorable competitor Vitamin Well.

1.4 Key Players

In this chapter we will briefly present the key players in functional bottled water category only, these key players are Hartwall with its Novelle Plus and Hartwall Fenix range, Coca-Cola who recently acquired French Glacéau-Vitamin Water and its Bonaqua Emotion range (Sweden only), Vitamin Well, Winnington with its KickUp brand, Synebrychoff with its Hyvää Päivää brand and Olvi with its Kevyt Olo Vadelma Calcium+Magnesium and Kevyt Olo Omena Raparperi+B Viitamini.

Hartwall Oy was founded in 1833 and is a wholly owned subsidiary of giant Heineken. Hartwall has a wide range portfolio including alcoholic drinks, bottled waters, soft drinks and specialty drinks. The company had net sales of €299 million Euros in 2009 and a net profit of €13 million Euros in the same year. Hartwall employs 1019 people. (Euromonitor 2011.)

The company entered the functional/fortified beverage market in 2009 by introducing its Hartwall Fenix range and witnessed a massive success with an increase in value share of 15% and in 2010 launched its functional bottled water range: Novelle Plus, in order to counteract a decrease in sales in its Novelle range.
Novelle Plus is available in most supermarkets in Finland and comes two sizes 500 ml and 1,5 L, with prices ranging between €1.5 and €2.5 Euros, depending on the size. Novelle Plus comes in three versions: magnesium, calcium and zinc. Hartwall Fenix is only available in 0.5L bottles and is also available throughout Finland. The brand is successful and trusted among Finnish consumers. Fenix is available in two versions. Hartwall will be competitor for Finnish Food only in Finland.

The Coca-Cola Company acquired Glacéau-Vitamin Water in 2007 for $4.1 billion, the largest acquisition of Coca-Cola up to date. The company has enjoyed a massive success in the U.S and has been launched in more than 15 countries, even though functional bottled water still remains a niche, Coca-Cola aspires to turn Glacéau into a megabrand. Glacéau is available in six versions in Finland. The company is also present in Sweden and in both countries its popularity is increasing. Glacéau is available only in 0.5L bottles. Coca-Cola also launched another functional bottled water in the Swedish market: Bonaqua emotion in two different versions Bonaqua Peach and Bonaqua Apple, after a successful and massive marketing campaign Bonaqua Emotion captured 37% of the market share in 2009 in Sweden.

Vitamin Well AB is a Swedish company that started operating in 2006 and launched its products in 2008. First atypical channels such as pharmacies and golf clubs distributed the products, after the brand was positioned as premium functional water, then countrywide distribution in supermarkets was started. Vitamin Well had net sales of 29.4 SEK million in 2009 (≈€3.28 million) and net profits of 1.2 SEK million in 2009 (≈€134.000). Vitamin Well comes in six versions, and is fortified with green tea, vitamins such as E, B2, B3, B12, C, D, etc. Vitamin Well has captured a market share of less than 1% in the bottled water market but is a leader in its category functional bottled water market with a market share of 45% in Sweden. All of the products are produced in Sweden and the company started exporting to Finland, The Netherlands, Italy, Denmark and Norway.

KickUp is also a Swedish company, relatively new as well. They produce three types of products, functional drink, water and PODS. Unfortunately there is no available data for the company. In Finland it is being distributed by S-Market Konala at a price tag of €1.89 for 0.33L bottle.

Sinebrychoff is the oldest brewery in Scandinavia and was founded in 1819. The company has smaller portfolio compared to giants like Hartwall and Coca-Cola but is nonetheless a favorable competitor within the market. The company had net sales of €372 million and a net profit of €6 million in 2009. Sinebrychoff launches its Hyvää Päivää brand in 1999, pioneering the functional carbonates. The product is available in three versions and is fortified with fiber and vitamins such as A, C and E. Although Hyvää Päivää does not compete directly in the functional bottled water, it is nonetheless a substitute in the functional beverage category and very will accepted among Finns.

Olvi was founded in 1878 in Finland and is the only Finnish brewery that is 100% domestically owned unlike its rivals, however Olvi has always been well received by Finnish consumers and has a market share of 15.7% in bottled water. The company had net sales of €105 million and net profits of €6 million in 2009. The company entered the functional bottled water category by launching its brand extension of the popular Kevyt Olo fortified with calcium, magnesium and vitamin B.

Flow Drinks is a Finnish company founded in 2006, they produced functional drinks targeted at sports practitioners, and are manyfactured with 100% natural ingredients, and they are also a substitute in functional bottled water market.

The main source of competition of most of these companies are well established brand names within the industry, a strong marketing strategy, expertise and a strong financial backing, this is the case for Hartwall, Coca-Cola, Sinebrychoff and Olvi. KickUp, Flow

Drinks and Vitamin Well benefit from superior products and at the moment benefit from a tenable competitive position.

1.5 Key players vs. Finnish Food Oy

After reviewing the key players, it can be argued that Finnish Food Oy will face a strong level of competition from these companies. They are much bigger and have well established positioning and brand images. They offer wide portfolios and have their own location facilities. Also these key players have years of expertise in producing and exporting their products and have a loyal consumer base, with the exception of the newer players. Finnish Food Oy will most likely compete with the likes of Vitamin Well, KickUp and Flow Drinks as they are relatively new and have captured small market shares, but in comparison to giants like Coca-Cola, Hartwall, Olvi and Synebrichoff, the company will most likely stay far behind for the short-term at least. These companies also benefit from strong distribution channels, management and financial resources.

In order to be successful in the marker Finnish Food Oy will have to differentiate its products from those of the competitors and establish reliable partnerships within the distribution channels, actually the company should start by replicating what Vitamin Well did in Sweden and start from atypical distribution channels in order to build a reputation and a brand image.

1.6 Strategic group map

The strategic group map illustrates the segments as well as the quality offered by Finnish Food's main competitors, only those companies that pose a direct threat to Finnish Food's products were included, in other words the key players. The circles are not proportional amongst themselves but do reflect the companies' market shares in the bottled water market. It was not possible to do it based on functional bottled water data as it is not available for the specifically for the sector, but it is included in the bottled water market data.

1=Vitamin Well, 2=KickUp and 3=Flow Drinks. It can be clearly seen that Finnish Food's main rivals will be Coca-Cola, Hartwall, Olvi, and Sinebrichoff. The leaders in Sweden were not included, only Coca-Cola, VitaminWell and KickUp will be competitors in both markets.

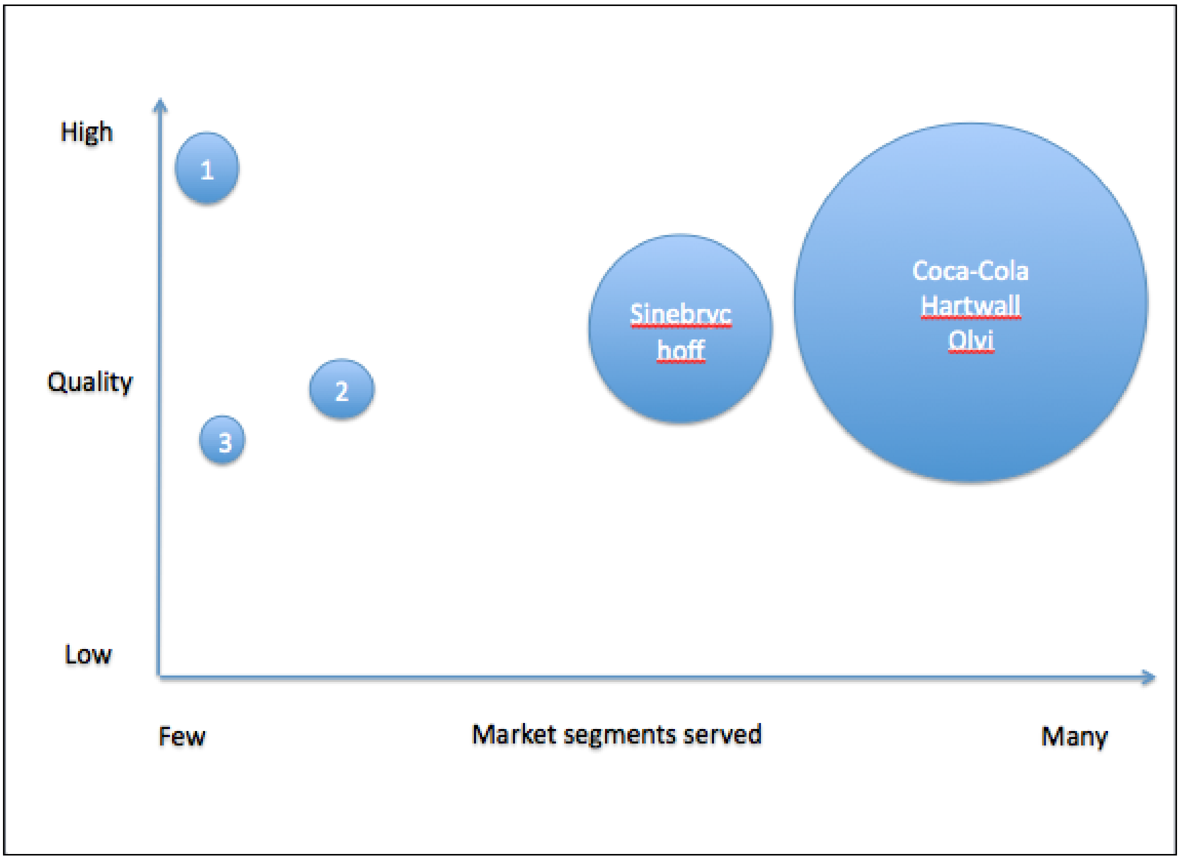

Figure 4. Strategic Group map bottled water (Figured conceived by the author)

1.7 SWOT Analysis

Finnish Food Oy benefits from set of skills and strenghts that will allow the company to take advantage of new opportunities in the target market, however as a new entrant the company will also have to work on certain weaknesses and face some threats. Te following table summarizes the SWOT analysis for Finnish Food Oy.

Table 1: SWOT for Finnish Food Oy

Strengths	**Weaknesses**
- Expertise in exporting - Knowledge of Finnish ingredients and consumers (Finland) - Finnish company producing for Finnish people (Finland) - Good history and heritage	- Lack of brand awareness, image - Limited resources - Lack of channel relationships - Possible dependence on suppliers if a plant nearby a water source is not built
Opportunities	**Threats**
- Consumers are turning to healthier lifestyles - Functional bottled water in higher demand because of consumers' hectic lifestyles - Sector in full growth and expansion - Finnish consumers tend to favor local products - Most Functional water brands do not offer family sized bottles >1L	- Sector is still a niche market, some consumers still perceive it as a luxury - Intense competition - Market fragmentation, there are lots of substitutes available - Swedish consumers tend to favor local products

This table works for both target markets, however when one of the items works only for one country. All the items will be briefly explained.

- Expertise in exporting: Finnish Food Oy is an exporter and has been selling traditional Finnish food abroad for three years already. The knowledge will allow the company to successfully export functional bottled water abroad.
- Knowledge of Finnish ingredients and consumers: Finnish Food Oy specializes in Finnish products and ingredients only, this provides the company with a unique knowledge what comes to the nutritional characteristics of berries, which will be the main ingredient used in their products.

- As Finnish company producing for Finnish consumers, they will have an advantage over other competitors since Finns tend to favor their local products, also by producing in Finland for Finland, the environmental damage will be limited, an aspect that will also be well regarded by Finnish consumers.
- Good history and heritage: this item is related to the fact that the company has an deep knowledge and expertise in Finnish products, by telling the consumers the origin of the berries used for producing and explaining that they are pure, and coming from virgin forests and pure lake, they will ne enticed to try the product and this heritage will also enhance the brand awareness and recognition.

However the company will also to deal and improve a certain amount of weaknesses in order to achieve their objectives.

- Lack of brand awareness: as a new entrant in the market, the consumers do not have any brand awareness and do not know the product, therefore Finnish Food Oy will have to work on building and positioning the brand in order to create a premium image and communicate product benefits in order to establish positive perceptions and attract customers.
- Limited resources: during the first year of establishing the company, the budget will be limited hence limiting the paid marketing campaigns as well. The company will make extensive use of social media marketing as well as public relations, samplings, online marketing, etc. in order to generate brand awareness and attract customers.
- Lack of channel relationships: Most of Finnish Food's competitors have long established relationships with the main distributors that serve a majority of consumers. Finnish Food will start distributing its products through atypical channels such as pharmacies, nutritional stores and gyms, where currently there is no direct competition, once the company and the product have gained some recognition it will be possible to negotiate display space with the main retailers.
- Possible dependence on suppliers: at this moment there is no certainty whether Finnish Food Oy will have an independent production facility nearby a water

source or if they will purchase water from a supplier. In the latter case the company will create a dependence on suppliers, which could affect the product availability.

Finnish Food Oy is planning to exploit the following opportunities:

- Consumers turning to healthier lifestyles: health-conscious adults are switching from carbonates to healthier alternatives such as functional water. Also with people living at a faster pace, sometimes having a proper an nutritional meal is not possible, so people are looking for easy-to-access products, that can be taken away that pack all the vitamins and mineral necessary on a daily basis.
- Sector in full growth and expansion: despite functional bottled water still being a niche, the sector has been the most dynamic in recent years within the bottled water market. This sector is poised to keep on growing the upcoming years since consumers are valuing more and more the added features and benefits packed in functional water. This trend is not only seen in Finland and Sweden but globally, an opportunity that will allow Finnish Food Oy to enter markets beyond Scandinavia.
- Most functional water brands do not offer family sized bottles: None of the leading brand in functional water offer bottles bigger than 500ml, since families with kids are concerned about what they feed to the children, Finnish Food will produce family sized bottled in order to appeal to these potential consumers and in order to differentiate the product from the competition.

Finnish Food has also recognized and will be counter-act the following threats:

- Sector is still a niche market: Most of consumers still perceive functional bottled water as an unnecessary luxury and thus think that fortifying water with vitamins and minerals is nothing but a marketing gimmick. Finnish Food will have to educate consumers through its marketing campaigns and advertising that their product is not a marketing gimmick but that it provides proven health benefits to the consumer. The company will also capitalize on the fact that

Finnish berries are not available all year around and that through Finnish Food's product consumers won't need to go very far for getting and benefiting from the purity and health benefits of Finnish berries all year around.

- The bottled water market is a very competitive sector; there is a wide array of substitute products with all the price ranges available. The market leaders have the financial and marketing resources for introducing new products at a fast pace and can withdraw them from the market if they fail, without necessarily suffering too much damage. These companies also benefit from sizeable market shares and loyal consumers; this will threaten Finnish Food's capability for building a solid and loyal consumer base.
- Swedish consumers tend to favor local products; this will again threaten Finnish Food's Oy capability for building a loyal consumer base in the market and establishing the company as a strong competitor.

2 Marketing Strategy

In this chapter consumer lifestyles in Finland and Sweden will be presented as well as a preliminary segmentation strategy proposal, based on the survey results.

The 2008 economic recession affected consumer confidence in Sweden, consumer expenditure deceased due the increase in interest rates and unemployment, however the consumer confidence has showed a slight recovery due to the economy showing signs of recovery. (Euromonitor 2011.) The following table shows the age structure of Swedish population:

Table 2: Swedish population age structure 2011. (CIA World Factbook 2011)

	0-14 years **15.4%**	**15-64 years** **64.8%**	**<65 years** **19.7%**
Male	722.558	2.982.268	800.169
Female	680.933	2.910.135	992.665

Demand for bottled water increased in Sweden, as more people are worrying for their nutrition and their kid's nutrition and are switching from carbonated to bottled water with natural ingredients. In Sweden the retail value of functional/fortified beverages in 2010 was: 1.537 SEK million (≈€168 million).

In Finland, after the economic recession, Finnish consumer confidence showed signs of recovery after the second half of 2009. The recovery is stable but not as positive as before the recession. The following table illustrates the age structure of the Finnish population for 2011:

Table 3: Finnish Population age structure 2011. (CIA World Factbook 2011)

	0-14 years **16%**	**15-64 years** **66.1%**	**<65 years** **17.8%**
Male	424.450	1.759.059	385.671
Female	414.570	1.719.173	551.327

A number of factors have influenced the increase in demand for healthier products: the ageing population and the increase in obesity, hence products that are packed with vitamins and mineral are attracting more consumers. Furthermore, young adults (25-35 years old) are well educated and earn well, and practically all of them are Internet users. Internet has become a strategic marketing tool in Finland, with consumers expressing themselves via forums, social networks, and reviews; they hold the power for making or breaking a brand.
As a matter of fact, the most successful companies will be those that engage in dialogue and listen to their consumers. Viral marketing is an important way for reaching and attracting consumers. The economic recession affected Finnish consumers as well and thus they are turning to retailers with a more value-oriented image, such as hypermarkets, Lidl and variety stores. (Euromonitor 2011.)

In 2010, the retail value of the functional/fortified beverages in Finland was of €90.1 million.
Seasonality also affects the sales of functional bottled water, with the summer representing a peak in sales.

2.1 Consumer market and segmentation strategy

Finnish Food will target young women aged between 25-35 years, who are health conscious. This segmentation is valid for both target markets, Finland and Sweden for in Sweden, market leaders: Vitamin Well and Glacéau have a more general approach. In Finland, Hartwall Novelle Plus has already targeted middle-aged women and athletes. Additionally, data indicates that companies who are entering the functional bottled water market are selecting specific consumer groups, such examples are not only seen within Finland and Scandinavia but also globally with USAmerican brand Wat-aah recently launching functional bottled water targeted exclusively at women and Nestlé launching its brand Glowelle. Neither of these brands is available yet in Finland nor Sweden, though this fact suggests that Finnish Food Oy should opt for targeting a specific consumer group as well in the beginning, in order to build a positive brand image, association and perceptions. Table 4 describes the selected target consumer segment.

Table 4: Targeted customers for Finnish Food Oy

Targeted Segment	Characteristics and needs	Feature/benefits
Health conscious young women	Take care of themselves Live at a fast pace Prefer easy to access and take away products Would like to prevent obesity and health risks in the future Prefer natural products Single or married, with or without kids Internet users in general, social-networks, blogs in particular.	Customers will enjoy the benefits of 100% natural Finnish berries Products will tackle specific health issues such as: inner beauty, nails and hair, vitality and energy, brain and concentration, etc.

The company will stay in touch with the consumers by carrying-out marketing research in order to follow consumers' needs, wants, trends, satisfaction etc. The company will undertake surveys; participate in promotional events, sampling and track customers' satisfaction through these media.

2.2 Product life cycle

Functional bottled water is the growth phase within the product life cycle curve. As such the emphasis Finnish Food Oy will strive to educate consumers in general and women in particular about the benefits of the product and establish the superiority of the product over those of the competitors. In order to keep the consumers interested and motivated Finnish Food will offer new versions of the products. In the short term the objective of advertising will be communicating the product qualities so that in the long-term consumers will recognize them and remain loyal to our products.

2.3 Potential Strategies

Finnish Food Oy will follow a differentiation strategy within the functional bottled water market. The product will be differentiated through the ingredients used and through the targeted segment: young health conscious women.

2.3.1 Positioning strategies

Finnish Food Oy, will produce a drink made of Finnish berries. Finland is known for the more than thirty edible species of berry of which twenty are picked for consumption. Delicacies such as Lingonberry, Cloudberry and Rowanberry will be included in the drink (Finnish Food 2011.)

Finnish Food will put special emphasis on the seasonality of the products, by actively participating in promotional events and sampling during the summer and launching seasonal and limited editions during the winter in order to keep consumers interested.

The company is initially targeting young women thus the company will emphasize social-media marketing, Internet marketing and viral marketing campaigns. In the long-term the company will also target children, and middle-aged adults, since all these categories are more and more concerned by their health.

Furthermore, the company will initially exploit atypical distribution channels such gyms, nutritional stores and pharmacies, in order to build credibility and a positive image, in order to then negotiate with the main retailers in general and with the S-group and Lidl in particular.

The following table will show the points of parity and difference of Finnish Food's drink.

Table 5: POP's and POD's for Finnish Food

POP's (Points of parity with other brands)	POD's (points of difference with other brands)
Functional drink Fortified with minerals and vitamins 500ml bottles Enhancing certain aspects of consumers' health Available in the main retailers	Only drink including only 100% natural berries Targeted at young health conscious women Differentiated marketing: wide use of social-media, Internet marketing, viral campaigns Seasonal versions, specially during winter Limited editions 1L and 1.5 L bottles Ecological packaging

2.3.2 Branding strategy

Finnish Food Oy would like to communicate the following brand attributes to their consumers:

- Emphasize the purity and origin of the products, virgin Finnish lakes and forests
- Emphasize the health benefits of the drinks and motivate consumers to drink them
- The brand should be associated with purity, nature, wellbeing, and a Zen attitude, where consumers care about their inner and external beauty, about their health and nutrition and want to capitalize for their elder years.
- The packaging will be eco-friendly, recyclable and it will be available in 0.33L, 0.5L, 1L and 1.5L bottles. Initially the company will only produce 0.5L in order to build the brand and once it is positioned and established, it will expand sizes in order to attract other consumers.

The company has not yet decided on a name, logo or slogan.

3 Mission, direction and objectives

The mission of Finnish Food Oy is to bring the company's expertise in Finnish berries and tradition of exporting the best of Finnish delicacies to health-conscious young-adult women, in the form of a healthy beverage, affordable and easy to take away, so that they can benefit from the nutrients offered by Finnish forests.
The company is committed to selecting only natural berries, free of chemicals, and to reduce its ecological footprint by selecting a water source or supplier located next to the main cities in Finland and in Sweden. The preferred location would be central or southern Finland. The company will also use eco-friendly packaging, recyclable or re-usable.

During the first year of operations, the company will seek to establish the brand and develop the initial selection of products targeted specifically to young-women.
During the second year the company will seek growth through market and product development and expansion, by producing more varieties of drinks, available in different sizes and by starting exporting in Scandinavia.
The company has formulated the following objectives for the marketing plan:

<u>Marketing objectives</u>: generate brand awareness and recognition of 30% within the target segment. Place the products initially on pharmacies, gyms and nutritional stores throughout the capital regions in Finland and Sweden for then expanding distribution to the main retailers, S-group, K-group, Lidl in Finland and in Sweden ICA and Coop Sverige.
In the short-term Finnish Food will seek to capture at least 0.1% of the market share in the off-trade bottled water market, and establish itself as a recognized functional bottled water brand by capturing at least 1% of market share in the off-trade functional bottled water market, roughly a market share of 13.000 liters for Finland and 46.000 liters for Sweden.

In the long term the company will seek to capture at least 2% of the market share of the <u>off-trade bottled water market</u>, roughly 2 million liters for Finland and 4.34 million liters for Sweden. The company will seek to capture at least 10% of the off-trade functional bottled water category thus 130.000 liters for Finland and 460.000 liters for Sweden. The company will also expand to Scandinavia: Denmark, Norway and the Baltic countries.

Financial objectives: Finnish Food will seek to achieve a first-year off-trade turnover of €32.500 for Finland €115.000 for Sweden and generate €1.475.000 combined off-trade turnover after three years of entering the market. Finnish Food Oy will also seek to reach break-even point for Swedish and Finnish markets within 16 months of starting operations.

Societal Objectives: Finnish Food's societal objectives are to support eco-friendly operations by locating production facilities nearby the main cities and using eco-friendly packaging.

4 Marketing plan implementation and programs

This chapter will address the main components of the marketing mix, as well as the sales forecasts for the company.

4.1 Product

Finnish Food will produce functional bottled water for the Finnish and Swedish markets. The beverages will be made exclusively of 100% natural Finnish berries, free of chemicals. The company will produce the following sizes: 0-33l, 0.5L, 1L and 1.5L, since research demonstrated that consumers with hectic lifestyles would like to have smaller sizes, but consumers who have families will prefer bigger bottles too. The following table illustrates the nutritional value of some berries that will be used for manufacturing the drinks. The company

Table 6: Nutritional value of blueberries and Lingonberries (Finnish Food 2011)

Blueberry (100 grams) **Raw harvested**	**Lingonberry (100 grams)** **Raw Harvested**
-- Protein 0,67 g	-- Protein 0,70 g
-- A-vitamin (RE) 7,9 µg	-- A-vitamin (RE) 1,5 µg
-- B1-vitamin 0,03 mg	-- B1-vitamin 0,05 mg
-- B2-vitamin 0,03 mg	-- B2-vitamin 0,04 mg
-- B3-vitamin 0,6 mg	-- B3-vitamin 0,6 mg
-- B5-vitamin 0,16 mg	-- B5-vitamin 0,12 mg
-- B6-vitamin 0,06 mg	-- B6-vitamin 0,01 mg
-- C-vitamin 44 mg	-- C-vitamin 11 mg
-- E-vitamin (Alfa-TE) 1,88 mg	-- E-vitamin (Alfa-TE) 1,57 mg
-- H-vitamin (biotin) 1,1 µg	-- H-vitamin (biotin) 2,4 µg
-- Phosphor 20 mg	-- Phosphor 17 mg
-- Potassium 100 mg	-- Potassium 86 mg

-- Calcium 20 mg -- Cobalt <0,5 µg -- Chrome 2 µg -- Copper 78 µg -- Magnesium 9,1 mg -- Silicon 0,5 mg -- Iron 0,56 mg -- Sulfur 13 mg -- Zinc 0,15 mg	-- Calcium 21 mg -- Cobalt <0,5 µg -- Chrome 2 µg -- Copper 72 µg -- Magnesium 8,8 mg -- Silicon 1,0 mg -- Iron 0,39 mg -- Sulfur 12 mg -- Zinc 0,18 mg

The drinks will also include Cloudberries, Odon, Cranberries, and Arctic bramble, Sea-buckthorn, Raspberries and Crowberries. Each drink will be fortified with the minerals that the berries naturally lack or have in lesser quantities, in order to make it a suitable healthy drink and a good substitute for multivitamins capsules for instance.

The following table summarizes the product marketing decisions for Finnish Food Oy:

Table 7: Product marketing decisions for Finnish Food Oy

Product-Mix	Offer the best berries Finnish nature has to offer Offer limited and seasonal editions
Product-life cycle	Retain the best-selling varieties and replace the slowest ones with new flavors and variations, perhaps including plums and cherries for instance
New product development	Track consumer's preferences, channel feedback, suppliers ideas and market trends in order to launch new and more attractive versions in the market
Quality and performance	Only use natural, fresh, chemical-free fruits growing in Finland

	Use eco-friendly packaging
Features and benefits	Offer a range of products addressing specific health issues, such as brittle hair and nails, concentration, brain development, vitality, etc. In order to satisfy consumer's preferences, needs and wants.
Brand	Emphasize the origin of the ingredients used. Build associations with: healthy, beneficial, fresh, pure and natural
Packaging	Eco-friendly and 100% recyclable, with features reminiscent of virgin Finnish lakes and forests

4.2 Price

Initially the company will consider a market penetration pricing technique, in order to attract consumers. The company will position the product as an upper-middle segment product, emphasizing its quality and benefits but still more affordable than premium Vitamin Well and Glacéau. The suggested retail price is of 2.5€ for a 0.5L bottle.
For price comparisons, please refer to the field observation results in the appendix section.

4.3 Place

In Sweden grocery retailing is compact and a small group of players account for most of the sales. ICA Sverige AB dominates the channel with a market share of 34.9%, followed by Coop Severige AB with a market share of 16.1% and Axfood AB with a market share of 11.6%
In Finland two giants dominate the grocery retailer channel, the K-Group (Kesko Oyj) and the S-group with market shares of 32.5% and 67.5% respectively. Paradoxically the S-group does not distribute premium functional bottled water brands Vitamin Well and Glacéau, a fact that could be beneficial for Finnish Food.

During the first year of operations Finnish Food will exploit atypical distribution channels such as pharmacies, nutritional stores and gyms, as research indicated that consumers would like to see the products sold in those places. This will help building the image of a healthy and beneficial drink for the consumers. Once this image and the associations have been established, Finnish Food will seek to distribute the products through giant S-market. However since research indicated that consumers are willing to shop at value-oriented retailers, Finnish Food will also distribute through discounters, particularly Lidl, as only Hartwall Novelle Plus and Fenix are found there.

4.4 Promotion

Finnish Food Oy will make extensive use of social media marketing in order to build positive relationships with customers (consumers and retailers alike) and spread a positive word of mouth. Furthermore Finnish Food will participate in events, especially during the summer and organize samplings both outdoors in retailers.
Finnish Food Oy will also have direct marketing through its website, and will create a space dedicated to consumers, where they will be able to share experiences and exchange dietary tips for instance. This will help strengthening the image of the company and will make consumers feel that they belong and that the company cares about them, further fostering their loyalty to the company and its products. The company will closely monitor the impact of the promotional campaigns and act accordingly.

4.5 Sales forecasts

The company will seek to generate sales of 130.000 liters in volume in Finland and 460.000 liters in Sweden within three years of starting operations, thus a turnover of €325.000 for Finland and 1.15€M in Sweden (≈10 million SEK), at an estimated price of 2.5€ (22 SEK) per 0.5L bottle. If it is estimated that the price mark-up within the value chain is of 1.5€, it can be forecasted that the company will generate net profits of €130.000 in Finland and €460.000 (≈4 million SEK) in Sweden after one year of starting operations. The forecast is based on the fact that the company will only sell 0.5L bottles during its first year.

5 Summary

This marketing plan was elaborated for the commissioning company Finnish Food Oy for they wish to enter the functional bottled water market in both Finland and Sweden. After researching the markets, it could be seen that the functional bottled water market is a very dynamic sector and has been pulling the growth within the bottled water market. In 2010, the functional bottled water market accounted for an off-trade volume of 1.3 million liters in Finland and 4.6 million liters in Sweden.

In order to better understand the level of competition Finnish Food would be confronted to; the health and wellness, functional/fortified beverages and bottled water markets were analyzed. It was found that in both markets, the main players are domestic companies, which control more than half of the market, leaving small room for new comers and making the market fiercely competitive, however the Swedish company Vitamin Well AB, successfully launched its Vitamin Well functional water range and has been successful and established itself as a market leader within the functional bottled water category, despite being a fairly young (created in 2006) and small company with 21 employees in 2009.

The success of Vitamin Well proves that a well thought and implemented strategy can turn a new comer into a leader, and so Finnish Food ought to carefully plan and implement its corporate and marketing strategy in order to turn their product into a flagship product within the functional bottled water market.

It was thus suggested that the company should focus on a specific consumer group: health conscious young women, aged 25-35 years and that the use of social media marketing, Internet marketing and viral campaigns will be exploited, furthermore the company will choose to differentiate its product by using exclusively fresh and natural Finnish berries, unique in the world and by supplementing the drink, in order to provide its consumers with proven health benefits for mind and body. The company will also launch several bottle sizes, unlike its competitors, and position itself as an upper-middle product at a suggested price of 2.5€ for a 0.5L bottle.