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How can the Business Potential of Products with Health Claims increase?

- A Case Study of PrimaLiv

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Summary

The purpose of this master thesis is to investigate the influencing factors on the business potential of products with health claims, using PrimaLiv as an example. And to give recommendations on how a dairy producer, which is present in the Swedish market, could improve the sales rates of products with health claims. We have chosen to put a main focus on the consumer, as he or she determines the business potential. This is an unusual approach since most studies cover the producer's perspective. We thereby wish to contribute with new knowledge on the area in question. In order to understand the consumer's attitude towards products with health claims a questionnaire and a sensory analysis have been carried out as well as discussions in focus groups. 36 persons, men and women, of various ages and with different backgrounds participated in the consumer investigation. Also, we have carried out a high number of interviews with people in the academic world, experts, important authorities, producers and retailers. Through covering all of the important actors, which influence the consumer we have mapped the situation on a systemic level.

The consumer investigation shows that consumers do not spontaneously put products with health claims into the category of healthy products. Instead, natural products like meat and fish, fruits and vegetables and fibre rich bread are associated with healthy products. Consumers are not willing to negotiate about the taste of a product just because it is healthy and good taste is co-related to natural characteristics. Since natural taste associations create positive experiences, the flavour of a product with health claims should reflect something that is naturally healthy. It is also advantageous if the flavours are easy to recognize by the consumer. To make sure that the consumer's requirements concerning taste are fulfilled, a producer should invest in a sensory evaluation before launching the products in the market. The nutritional value of a product is also considered important so the keyhole symbol adds value to the product.

Further on, consumers express an insecurity concerning how, when and why they should consume products with health claims and they are sceptical about the stated health effects. Moreover, products with health claims are more expensive than ordinary products, and to make the consumer willing to pay this additional cost he or she needs to understand the health effect. There are a number of channels in which a producer could communicate its message to the consumer. Our investigation shows that the most efficient way to reach potential buyers is to promote the products on the television, followed by magazines with a health approach. Another way is to network with health care professionals since consumers listen to and follows their recommendations. Today, health care professionals' have knowledge lacks about the effects of the products with health claims, which makes this group potential.

In order to create a high potential of a product with health claims, studies show that the health effect should be experienced in connection to the time of consumption as a guarantee from the producer that the product really has a health promoting effect. If the producer succeeds in this, the possibility of a second purchase increases.

The food industry is a market with intense competition and due to this fact it is important to build strong brands and products demanded by the consumer. There is no space for products with questionable taste and high price. The producer must know what kind of product design that is appealing to the consumer, which makes the product development process into a vital step. Money spent in this phase will be paid-off if spent on increasing the producer's knowledge about the consumer.

Preface

This master thesis is the final course, which will enclose our university studies at the Technology Management programme, Lund University. The subject of the thesis is how the business potential of products with health claims could increase, a topic that we hope the reader will find interesting.

We would like to express our sincere gratitude to persons at Skånemejerier, especially Urban Fasth who has provided us with many pieces of good advice along the way and Lena Nyberg for sharing her rich knowledge. Furthermore, Stein Kleppestø and Christina Skjöldebrand have been our devoted supervisors, whom patiently have read the manuscript, discussed all kinds of problems during the working process and expressed wise insights. Thank you for all your help!

Lund 9th May 2007
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1 Introduction

1.1 Background

Healthy living has interested people for decades and many are those actors who have tried to benefit from this situation. Consumers are constantly overwhelmed with information about the latest diets or miracle treatment that are on the agenda as well as which foods that is healthy and which one that is harmful. Some people adapt to these trends and express a willingness to buy healthy foods. Others get suspicious since the information often is presented in a sensational way, which make the trustworthiness questionable[1]. A general opinion is that the scientific findings, considering foods, change continuously and that it is difficult to know who to trust in the market[2].

Skånemejerier is a dairy company with a clear health profile, which in this case means that it offers the consumer a diversity of products with health claims. Skånemejerier wants to be a trustworthy producer so the scientific documentation of its products is of major importance. Skånemejerier have invested large amounts in its health profile but the business is of various successes. The sale rate of ProViva has developed satisfactorily, but the results of the other health brand, PrimaLiv, needs improvement. How can a producer, like Skånemejerier, communicate with the consumer in order to increase its total sales rates of products with health claims? This question is the theme of this master thesis and in order to better understand the complexity of products with health claims, they are going to be thoroughly discussed.

1.2 Problem discussion

Since the consumer is targeted to buy products with health claims, one way of looking at the problem described above is to investigate what factors that influence the consumer when he or she valuates the potential of products with health claims. Even though the number of influencing factors could be many, a few areas are specifically important to consider. On one side there are the actors that try to influence the consumer in order to directly boost sales, which are the producers and the retailers. On the other side media, authorities and health care professionals tries to influence the consumer, but these groups have other objectives for doing so. Media representatives want to increase consumption of media products, while authorities and health care professionals aim to help the consumer to make the right decisions when it comes to food intake.

The first relevant question to ask, considering the consumer's impact on the business potential, is whether he or she really is interested in buying healthy products or if the consumer only says so in market research but act differently. Further on, what is the definition of a healthy product according to the consumer? For example, does he or

[1] Interview Laser Reuterswärd, A. 2007-02-28
[2] Interview Asp, N-G. 2007-02-14

she think of it as fruits and vegetables or as products with a specific health claim? In a producer's point of view, the answers of these questions would be valuable. Moreover, the discussion could be deepened when asking what the market research studies really tell us. Could the information be misleading? Well, this could be the case since the definition of a healthy product is extremely subjective. People could easily interpret the questions asked differently, according to their subjective view of healthy products. This may lead to the point where the use of a market research study should be limited to when a producer wants to grasp long-term trends. But, if it wants to understand how to develop products with health claims the studies are less useful. Instead, the producer should look for studies which aim at investigating only products with health claims. Eva Landström has conducted such studies since she has evaluated consumers' attitude towards and consumption of products with health claims. Landströms studies are quite unique since there are few studies conducted that only focuses on products with health claims. Landström's works have therefore had an important influence on this thesis.

Another way of looking at the problem is to discuss the *quality* of products with health claims. Is it good enough for the consumer? Is the price to high? Are the taste, texture and appearance not appealing enough? Or is it too hard for the consumer to understand the benefits of the products since they are complex and in a market filled with actors of varying reliability? Also in this area, there are few studies that have been carried out which has motivated us to dig into the field. When it comes to the producers' impact on the problem, the absent sale-rate boost could be explained due to an unbalanced quotient between sale rates and marketing budget. Promotion of innovative products like those with health claims is very difficult to communicate due to the complexity of the products. A company needs to invest large amounts in order to create awareness and interest.

A central issue, considering the retailers, is to map what interest they have in products with health claims and what requests that are put on such products in order to become a part of the assortment. Private label products have intensified the competition within the food industry and this might affect the business potential of products with health claims as well. Exposure in stores is another relevant matter. For example, what criteria of a product are important to the retailer when designing the shelves? Such information is going to be gathered and analysed in this study.

Since the category of products is quite unique (it does not belong to traditional foods, nor is it a medicine) it is important to consider what impact Swedish authorities have on the product category. Are the authorities an asset or a threat? Could they be used in order to raise peoples' trust for the products? Further on, the attitude of medical professionals' towards products with a specific health claim is valuable to study since recommendations on diet composition usually comes from this group. At last, media's impact on people's believes is important to look through as they play an important role to the consumer.

As described above, there are many pieces that have to be considered in order to get the whole picture of how to increase the business potential. The task of this master thesis is therefore to describe each factor and then combine the factors to see what conclusions that can be drawn on a systemic level about products with health claims. This way of looking at the problem is rather unusual since most studies cover only one factor, which increases the possibility to draw interesting conclusions.

1.3 Purpose

The purpose of this master thesis is to:

- Investigate the influencing factors of the business potential of products with health claims, using "PrimaLiv" as an example.
- Give recommendations on how a dairy producer, which is present in the Swedish market, could improve the sales rates of products with health claims.

1.4 Goals

The goal is to investigate the business potential of products with health claims in such way that it will give new insights primarily around the consumer's perspective, which is of interest to Skånemejerier, students at the Technology Management-programme and people specialised on the area. Further on, we would like to deliver recommendations to Skånemejerier on how to handle the market opportunities of "PrimaLiv".

1.5 Delimitations

In order to create an adequate scope for this thesis we have chosen to limit the category of products with health claims to cover only dairy products.

1.6 Definitions

The definition of **Business Potential** in this master thesis is the possibilities a producer have to make a profit on its products. How great these possibilities are is decided by the consumer which can be influenced by the producer as well as a number of other players. These are: retailers, media, authorities and health care professionals and their relationship is described in chapter 1.7, figure 1.

The Swedish food industry has defined **Products with Health Claims** as food products that, in addition to their basic nutritional value, contain nutrients or other substances or have a nutritional composition that may prevent or reduce the risk of a diet-related disease or enhance a certain physiological function[3]. This definition is going to be used throughout the thesis with an addition. This addition state that the product must have scientifically proven effects to be defined as a product with health claims.

[3] Laser Reuterswärd, A. (2005) p. 154

There is no officially accepted definition of **Functional Foods** in Sweden or elsewhere, but the term is rather well known. People usually value the expression differently, which complicates the use of it.[4] Due to these circumstances the term is avoided throughout the thesis.

Certain criteria must be fulfilled in order to become a **Probiotic Bacteria**. Firstly, the bacteria must be able to pass all the way to the intestinal tract alive and then colonize it. Further on it must be a microorganism with clinically proven health beneficial effects, when administrated in sufficient amounts. The last criterion is that a probiotic bacterium has to be totally harmless to humans, even if the bacteria enter the blood stream.[5] When probiotic bacteria are mentioned in this thesis it fulfils the criteria described above.

Quality could be divided into experienced quality and actual quality, where experienced quality is what matters to the consumer[6]. When it comes to food, taste and texture are good ways of measuring the quality. In this thesis, quality is therefore defined as the consumer’s experience of taste and texture.

Atkins is the most well-known method among the low-carbohydrate diets.[7] The diet recommend people who want to loose weight to eat foods rich in fibre, protein, vitamins and minerals instead of sugar and trans fats[8]. The diet is therefore a program which restrict the consumption of carbohydrates.[9]

The **Glycemic Index** (GI) diet has grown strong recently. The diet is a ranking system based on a certain food products effect on the blood glucose level. For example; some carbohydrates break down slowly during the digestion which give them a low glycemic index. In accordance to the GI-method such carbohydrates are favourable when loosing weight.[10]

[4] Laser Reuterswärd, A. (2005) p. 155
[5] Molin, G. (2005) Lecture notes in probiotics, part 3, p.4 ff.
[6] Lecture Nilsson, C-H. 2006-01-30
[7] www.wikipedia.org
[8] www.atkins.com
[9] www.wikipedia.org
[10] Ibid.

1.7 Disposition of the thesis

The disposition of this master thesis is designed to create an interesting presentation of a complex problem and to facilitate comprehension. This is visualized in figure 1.

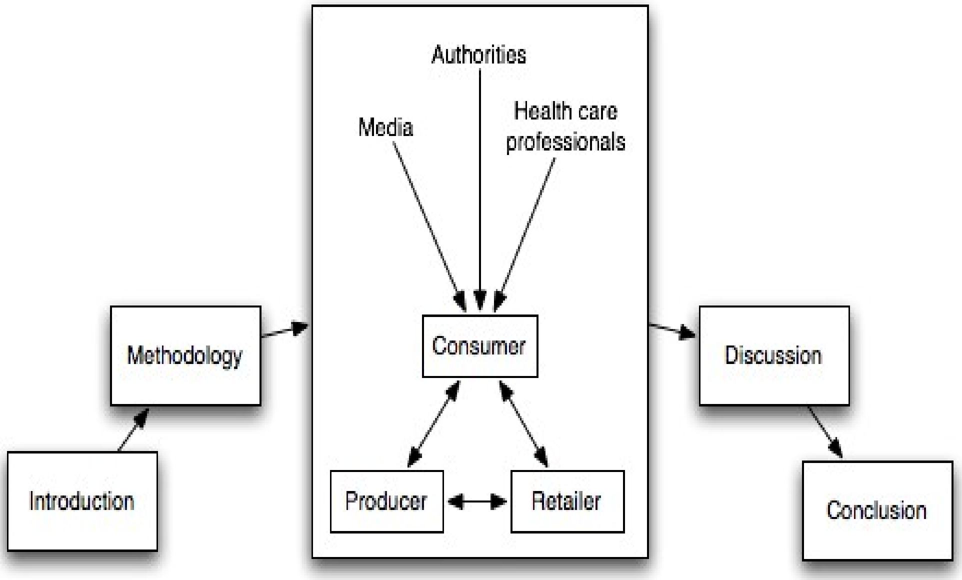

Figure 1. Disposition of the master thesis.

Chapter 1 is an introduction which gives a brief background of the chosen subject as well as describing what problem that is going to be investigated.

Chapter 2 focuses on the methodology used, explaining how the study was conducted and why it was conducted in a certain way.

In chapter 3-6; theories, collected data and analysis will be presented.

In **Chapter 3** the consumer's perspective is going to be presented since the business potential mainly lies within this group. The chapter illustrates a theoretical model named AIETA, material from general market research studies, results from Eva Landström's studies as well as the results from the questionnaire and group discussions conducted in this study.

Chapter 4 will cover a presentation about different external actors that influences the consumer's attitude towards products with health claims and how a producer can act in order to benefit from the actors.

Chapter 5 is the producer's chapter and brings up how products with health claims should be launched. This includes which price that is reasonable, how to market the product and where it should be sold as well as what level of quality that is required.

Chapter 6 consists of a discussion about the impact of retailers, which means how products with health claims becomes part of the assortment as well as what the producer should do in order to get the best exposure in the store.

Chapter 7 summarizes the most important results and see how they coincide with each other.

In **Chapter 8** the main conclusions of this thesis will be lined out.

2 Methodology

To enable an evaluation of gathered material and the results of this thesis, this chapter presents the methodology used. The working process will be described and the choices that have been made will be motivated. The theories used will be presented as well as how they coincide with the purpose. Moreover, a discussion about the collected data and how it has affected the study will be presented. Finally, issues concerning chosen methodology and critiques of it will enlighten possible problems.

2.1 Choice of subject

The subject of this thesis was chosen due to an evident lack of knowledge in the area of products with health claims. This lack consists of a gap between the information obtained by ordinary market research studies in contrast to sales rates. Market studies show a large potential for products with health claims, while the development of actual sales rates are poor. This brought up the thought that something must be wrong and that new knowledge on the area was needed. Health is frequently discussed in the media and a lot of people are interested in a healthy life style. This increases the interest for the subject since it attracts much attention.

2.1.1 Relevance

This thesis aims to cover a lack of knowledge in how health is defined and experienced by the consumers. We find the relevance of this thesis high, since we have investigated how to increase the business potential of products with health claims from many different angels. By examine many actors who affect the business potential we are able to create an overall picture of the business potential.

2.2 Methodological approach

The following chapters describe choices that have been made during the working process and what impact they have had on the results of this thesis. Also, the motives for using certain theories are presented.

2.2.1 Case study

In a case study, one object or a small number of objects are studied from many angels in order to create a deeper understanding of a phenomenon, which in this case is the business potential of products with health claims. The main reason for using a case study is that it is a study of real conditions. This increases the trustworthiness compared to, for example, an ordinary market research.[11] Moreover, case studies are useful when it comes to theory development, since they dig into very specific questions

[11] Lundahl, U., Skärvard P-H. (1999) p.187ff.

which cause factors, which are unknown to traditional theories. Based on the results from the study, hypotheses can be built and tested in other examinations.[12]

There are many favourable aspects of using a case study, but there are some drawbacks. The most common critique is lack of possibility to generalize the results to other products or industries, which is one of the objectives of this thesis.[13] In order to work around this contradiction, we have chosen to use additional methods and sources of information that are not connected to the case study. These include interviews with store managers, category managers, food industry related authorities and focus groups. Also, information from a consumer questionnaire and the studies of Eva Landström, which are based on a randomly selected population, has been used.

The case company, Skånemejerier, has an outspoken health strategy. One of its health brands, PrimaLiv, is a good example of the opposing results from market researches and sales rates mentioned above. This makes it an interesting case to investigate.

2.2.2 Choice and use of theories

Four theories have been used in this thesis; the AIETA-model, 4P-4C, Supply Chain Management and Category Management. These theories were all considered as suitable since they were regarded as having the ability to illustrate how the business potential of products with health claims could increase. On an overall level, the theories enable the identification of the producers' weaknesses and create a good structure for the discussion. Each theory's contribution to the study is presented below.

The AIETA-model describes the different stages a consumer goes through in the process of adopting a new product. This process is the core of the investigated problem and it is therefore relevant to use a way of visualising it, which the model does. Moreover, the model shows where in the buying process weaknesses can be found and it also identifies where in the process the consumers choose not to adopt the product. By identifying these stages, we will be able to point out in which areas the producer should work harder to enable more consumers to adopt the product. The weakness of the model is that it may leave important factors out of consideration and thereby make the results less trustworthy. The theory is presented in chapter 3 Consumers, but despite its localization it has had impact to the entire thesis. Especially when designing the questionnaire and group discussions, this theory was a guideline to keep a clear structure.

The 4P is a theory-model which describes what it takes to successfully introduce a product to the market. The 4C, on the other hand, describe the same process, but from a consumer's point of view. The combination of these two theories alone will not clarify how to increase the business potential directly, but they will help with identifying important factors the producer should fulfil when introducing products to the

[12] Jacobsson, D-I. (2002) p. 95ff.
[13] Lundahl, U., Skärvard, P-H. (1999) p. 195

market. By knowing that, the possibility to reach success on the market will increase which in turn increases the business potential. The theories are presented in chapter 4 Producers and, as with the AIETA-model, they have had a greater impact on this study than just to that specific chapter since they have structured the collection of empirical data.

To understand the retailers' impact on the business potential of products with health claims, theories about Supply Chain Management (SCM) and Category Management (CM) were chosen. The SCM theory describes how to optimize the crucial link between the producer and the consumer. In this case this link is the retailer and by investigating its attitude and acting when it comes to products with health claims, possible weaknesses can be identified. SCM can then contribute through suggesting improvement strategies on how the producer can interact with the retailer in a better way. The Category Management theory enables understanding of how to improve positioning of products within stores. This is important to consider since a product's position in a store is closely related to its business potential.

2.2.3 Choice of grocery stores

Due to their potential effect on the business potential of products with health clams, it was deemed desirable to investigate the opinion of retailers considering such products. Two kinds of stores from the three largest retailers in Sweden; ICA, Coop and Axfood, were chosen to represent the Swedish retail market. The mentioned players have approximately 40, 20 and 20 % respectively of the total Swedish market[14]. The largest and the smallest type of store within each retailer were chosen to be part of the study. This resulted in the following selection: ICA Maxi and ICA Nära representing the ICA group, Coop Forum and Coop Nära representing the Coop group and finally Willys and Tempo representing the Axfood group. Stores in the Malmö region were contacted and interviews were held with the store manager at each store (Appendix I).

We decided to contact stores in the Malmö region, since it is part of Skånemejerier's home market. The bigger grocery stores, ICA Maxi, Coop Forum and Willys are in the outskirts of the city while the smaller stores are located in the city centre. This is to secure a variety among the consumers and to be able to identify possible differences in product range and differences in attitude to products with health claims. Grocery stores in other parts of Sweden have not been included in the investigation since the home market is the most important market and the time frame has limited the possibilities to carry out further interviews.

2.3 Use of collected empirical data

The collected empirical data aims at contributing with new information about the problem in question. It therefore consists of material that covers all the major actors that influence the business potential of products with health claims. This as opposed

[14] www.konkurrensverket.se

to the usual way of conducting studies on the subject. Such studies typically cover the perspective of only one involved actor, such as the producer's, the retailer's or the consumer's view. By gathering information about how the consumer is influenced by the producer, the retailer, the media, authorities and health care professionals, this data gives a helicopter view of the business potential of products with health claims.

2.4 Qualitative methodology

Qualitative methods are flexible and secure a high validity due to the fact that the interviewer has the opportunity to see and/or hear the respondent in real time[15]. This means, that it is possible to have a question explained as well as it is possible to have a dialogue with the respondent. Because of the high validity involved in using qualitative methods, interview-sessions and group discussions have been held. This has enabled us to follow up interesting tracks during the interviews and to catch unspoken meanings.

When using a qualitative method the investigator is trying to understand how a situation is experienced, rather than measuring it in absolute numbers[16]. One part of this study is to investigate what types of products that consumers associate with health. This is eased by a qualitative method, in this case a group discussion, since it gives the investigation a deeper understanding of the topic. However, it has limitations concerning generalization and reliability.[17]

2.4.1 Method of primary data collection

The work began with an interview session at the case company, Skånemejerier, in order to get an overall picture of the current situation and to get to know the company's values. The interviews were made in a semi-structured way, but with a frame of questions, which were e-mailed in advance. These sessions provided a good starting point as they presented new ideas on where to find more information and other people that could offer useful input to the study.

In the second phase, interviews with store managers and category managers were conducted in order to gather information about their attitude towards products with health claims. Also, these interviews aimed at learning how such products becomes a part of the assortment in their stores.

To facilitate for the participation of the store managers, we chose to visit them in their store. Both of us participated during the interviews and the same questions were used to all of the managers. To ease the analysis work and to enable comparison between the managers, we tried to make the interviews as standardized as possible. The questions were e-mailed in advance, but in some cases we believe they were not studied

[15] Lundahl, U., Skärvard, P-H. (1999) p. 101ff.
[16] Ibid.
[17] Holme, I-M., Solvang, B K. (1997) p. 14

before the meeting. This might have affected the respondents' possibility to answer the questions, but we assume that the selected managers were familiar with the topic and thereby able to answer the questions in a satisfying way.

After the above described interview sessions, the category managers at ICA, Coop and Axfood were contacted (Appendix II). Appointments with them were set up in Stockholm, but unfortunately the representative of ICA had to cancel the interview. However, she answered the questions via e-mail. This might have had an effect on the gathered material from these interviews, but not to a greater extent.

Simultaneously as the above described interview sessions were conducted, different specialists on the topic of investigation were contacted. All the interviews with specialists have been semi-structured, the questions were not sent out in advance. As a result of the semi-structural base, the interviews focused on different areas and the respondent was encouraged to lead the conversation. By letting the respondents speak freely a wide range of new information was supposed to be the result. Representatives of the Swedish National Institute of Public Health and the National Food Administration were contacted for interviews. The interviews were conducted over loudspeaker phone in order to increase possibilities of documenting the sessions.

2.4.2 Method of secondary data collection

Secondary data have been used in terms of literature, scientific articles, market research studies and the Internet. The theoretical framework has mostly been collected from course literature connected to basic courses in business administration. By using well-known and accepted literature, we believe the reliability increases.

Articles and different types of market research studies have had a great impact on the thesis. The information provided by these sources has offered a comprehensive view of the area in a short time. This has enabled a more efficient working process and it has increased our insights on the topic. However, there are uncertainties regarding the relevance of market research studies since they show results about people's interest for healthy products rather than their interest for products with health claims. Healthy products are not necessarily associated with products with health claims and therefore other sources of information are needed to conclude the business potential of them. Eva Landström has conducted studies which investigate consumers' attitude and consumption of products with health claims. The conclusions drawn from these studies have therefore in this thesis played a more important role than broad market research studies.

The Internet has been used when collecting data from competitive producers, retailers and products as well as where to find literature, scientific articles and market research studies. When using the Internet, it is of importance to evaluate the trustworthiness of the web-pages, which will be discussed below.

2.5 Quantitative methodology

A quantitative study has been conducted in order to widen the empirical data collection. The quantitative data is supposed to complement Eva Landström's studies and to find out improvement areas of the PrimaLiv products. However, parts of the results from the study will not be published in the official version.

Eva Landström's material is based on a questionnaire that was sent to 2000 randomly selected Swedish citizens. The questionnaire covers consumers' attitude towards and consumption of products with health claims, but it does not cover what types of products the consumer categorizes as healthy. This is an important question when analysing the business potential of products with health claims. If the consumer does not associate products with health claims to healthy products the producer has a problem. This motivates such a study as the one in this thesis.

The definition of a healthy product differs as much as there are numbers of consumers and the producers seems to think of healthy products in their own way. This makes it hard to design new products that will be successfully introduced in the market. With this in mind, the work of designing the study began. Methodology books were consulted to see which method that would suit our question. Pros and cons were evaluated and the conclusion was that a combination of methods, both qualitative and quantitative, would enable the best initial position. The combined methods in question were; a questionnaire, a sensory evaluation and a group discussion. These methods were considered to enable findings of new information since they cover many ways for a participant to communicate his or her ideas. Also, a great advantage in using many methods when gathering data is that several of a certain method's weaknesses might be another method's strengths. The questionnaire, the sensory evaluation and the group discussions were carried out at the same time with the same participants. This is the reason for not having more people answering the questionnaire.

We located the study in Skåne and Jönköping, which enabled a comparison between two different regions where one is within the home market of Skånemejerier and the other is not. According to Skånemejerier, the primary target group of products with health claims is women over 30 years. We therefore chose to create two focus groups of women for each region. One group of women between 25 and 45 years and the other group with women 45+. Further on, we chose to have two reference groups in each region; one group consisted of men of various age and one group of youths below 20 years. These groups' function was to investigate if there are any variations between the different groups' attitude toward products with health claims.

In the study there were totally 36 persons participating (table 1). Of those, 21 were women and 15 men. The educational level of the participants was quite high, 15 persons had a university degree (or corresponding education) and 20 persons had a high school diploma. The gathered information is not statistically proven due to the fact that the participants was not recruited based on a randomly selection of the Swedish population and that the number of participants was too low to create statistically proofs. The results should therefore be used carefully and treated as indications of present situation. The high educational level may influence the results in a variety of ways, but most important to mention is that the group is generally seen as more health conscious than other groups. This may lead to optimistic conclusions considering consumption of healthy products. However, it is positive to have investigated the population that the producer sees as the target group.

Table 1. Information about respondents of the study.

Number of participants	36
Number of focus groups	8
Number of men	15
Number of women	21
Participants from Skåne	18
Participants from Jönköping	18

The purpose of the questionnaire and the group discussions was to find out what kind of products consumers relate to as healthy and how appealing these products are to him or her (Appendix III). The reason for choosing such topic was that there seems to be a knowledge gap on the area. Many studies evaluate the consumer's interest for healthy products but they rarely define what a healthy product is. Therefore we thought it would be useful to ask the consumer to define what products that they associate with health and then combine these answers with results from other studies, primarily the market research studies mentioned in chapter 3.2. This information is hopefully of interest to a producer since the design of its products must be inline with what the consumer prefer. The closer the producer comes to what the consumer likes the better potential of increasing sale rates it has.

In order to secure that relevant and reliable information was collected, participants were presented both to multiple-choice questions and questions with free text answers in the questionnaire. By using two types of answering-techniques, the respondent was supposed to be less affected by how the questions were formulated. It is also easier to come closer to the true opinion of the respondent if he or she has two ways of expressing his or her thoughts.[18]

Before the data was collected a discussion was held considering different aspects of using the term "healthy products". This has to do with the fact that the term almost has as many definitions as there are consumers and that some have so rigid thoughts about how it should be interpreted that it might influence the results. A lot of effort was put on coming up with an alternative way of describing "healthy products" but no other alternative than using it was found. In order to minimize the consequences though, the problem has attracted attention throughout the working process and it has therefore been carefully implemented in the results presented below.

[18] Davidsson, B., Patel, B. (1994) p. 65. ff.

2.5.1 Sensory evaluation methodology

In this chapter methodology used in the sensory evaluation test is going to be presented. The products that were investigated are listed in table 2.

Table 2. Products included in the test.

1 A	RisiFrutti
1 B	Regular fruit yoghurt, 2.5 % fat content, red berries flavour, PrimaLiv muesli
1 C	Weight watcher's yoghurt, 0.1 % fat content, strawberry flavour, PrimaLiv muesli
1 D	Weight watcher's yoghurt, 0.1 % fat content, vanilla flavour, PrimaLiv muesli
2 A	Drink ready yoghurt, Yoggi Yalla, raspberry and blueberry flavour
2 B	Drink ready yoghurt, PrimaLiv, passion fruit, papaya and ginger flavour
2 C	Drink ready yoghurt, PrimaLiv, strawberry and aloe vera flavour
3 A	Orange juice, without flesh, Bravo
3 B	Health drink, PrimaLiv, pineapple, passion fruit
4 A	Cholesterol lowering shot, Becel Pro Active, strawberry flavour
4 B	Cholesterol lowering shot, PrimaLiv, pineapple, passion fruit flavour

Every person that participated in the study was asked to estimate how good each product tasted on a scale between 1 and 10. Then, they were asked to do the same thing with their texture experience and finally if they would buy the product based on the taste experience. In every category, the reference product was put first. This was the case since one of the objectives with the study was to investigate differences and similarities between a reference product (that is very popular on the market) and a PrimaLiv-product. The results of the sensory evaluation have not been statistically proven since the number of people that participated was too low.

The design of the sensory evaluation, which is described above, is a combination of two methods for sensory evaluation. One is called "Hedonistic estimates" and the other "Intensity estimates". We chose to combine these methods since we believe that such approach would suit the purpose of the test best. When using "Hedonistic-estimates" one tries to evaluate how much the consumer likes each and one of the studied products while "Intensity-evaluation" is a way of evaluation how strong the consumer experiences a name-given feature of a certain product.[19] We wanted the test person to valuate their experiences in numbers rather than multiple choice alternatives since we consider numbers as more objective. More over, we asked the consumer to motivate why or why not he or she would like to buy the tested products, considering

[19] Lundgren, B. (1981) p. 86ff.

its taste. This was done since we wanted to collect information on what features in the taste that was experienced as important.

When the study was carried out we were very careful with external conditions. For example we chose to perform the tests in a calm and silent environment. Moreover, all of the products were cooled so that they were presented in their best eating temperature. We tried to conduct the tests in between breakfast and lunch or between lunch and dinner so that the test persons would not be too hungry nor to full. The number of tested products was chosen due to a balance between the number of products that are reasonable to test without loosing concentration and the number of products that was needed in order to get relevant information. All of the participants were informed about the purpose of the test, how it should be done and that all of the products were present in the market.[20]

2.6 Methodological issues

In order to create realistic conclusions it is of major importance to be aware of different types of methodological issues. The choice of test persons as well as the investigated population in relation to target population is subjects that will be discussed below. The focus is mainly to clarify how different situations have been handled during the working process.

2.6.1 Choice of interview persons and participants in the sensory test

Interviewed persons have been chosen as they were believed to contribute with relevant and updated information concerning the investigated subject. This has lead to a high number of respondents representing a variety of trades and different backgrounds. However, there is a risk that some people have been left out and that participants did not meet what was expected from them. These factors are possible sources of error, which might have influenced the results of this thesis.

The participants of the sensory evaluation were selected through private contacts. This was necessary since the test took one hour to conduct, which made it impossible to use randomly selected persons. The fact that private contacts were used might have resulted in an unrepresentative selection.

2.6.2 Target population vs. investigated population

Errors occur if there are differences between the target population and the investigated population or if participating persons answer questions incorrectly or in a way he or she believes the interviewer wants to[21]. The fact that some respondents might answer the questions incorrectly is hard to control. However, we have tried to avoid it

[20] Lundgren, B. (1981) p.119ff.
[21] Eriksson, L-T., Wiedersheim-Paul, F. (2001) p. 95

by having open dialogues with the respondent and make them feel as comfortable as possible.

Considering the sensory evaluation, we wanted to investigate women between 25 and 45, but in those groups there were a few persons who exceeded the age in question or they were too young. However, they were very close to the limit. This means that the age limits are not strictly followed in all focus groups, which could have effected the results.

2.7 Critique of methodology

In the following parts the validity, the reliability and the relevance of this thesis is going to be discussed. These expressions are discussed in order to enlighten how well the thesis measures what it intended to measure, especially when it comes to feelings and opinions, and to evaluate if the respondents have really understood the questions asked[22].

2.7.1 Validity

Validity is about measuring what is supposed to be measured, and it is defined as "absence of systematic errors"[23]. To be able to give trustworthy results, the empirical data has to have a high level of validity and that is received if the result from the test of the small population agrees with the total population[24].

To minimize the risk for misunderstandings, we prepared short and simple questions for the interviews. Most of the interviews were semi-structured, but with some specified questions that were send out in advance. Both of us participated during all interviews to increase the probability to catch what the respondents were telling us and to be able to discuss it afterwards. While creating the questions, we had our purpose in top of our minds to secure that our questions were relevant to answer our stated problem.

What might affect the validity negatively is that some of the respondents talked about health and healthy products in general and not about products with health claims specifically. By this, there is a slight chance that some of the answers might refer to general health statements that not can be directly applied in the discussion about products with health claims.

[22] Holme, I-M., Solvang, B K. (1997) p. 156
[23] Lundahl, U., Skärvard, P-H. (1999) p. 150
[24] Jacobsen, D-I. (2002) p. 255ff.

2.7.2 Reliability

Reliability can be defined as "absence of random error"[25] and a study has a high level of reliability if different and independent investigations of the same phenomenon give the same or close results[26] and a study with high reliability is characterised by a low influence of coincidences[27].

The reliability is affected by the answers from the interview and the so-called interviewer effect, which occurs when the respondent gets effected by the interviewer and perhaps not are given the true answer but the answer he or she believe the interview would like to hear.[28] To avoid this, we have tried to be very clear about us not having any opinion or predicted expectations on the answers and we have also tried to put the respondent in a familiar context by have all interviews in the respondent's workplace.

There are some issues associated to the reliability, and something that could have affected this in a negative way is that there might be a high level of subjectivity in the responses. The expressed opinion might not be the official opinion of the current company, but a personal opinion of the respondent. Further on, the interview persons might choose to conscious or unconscious, tell things that only are positive for the company, but we estimate this risk as little, since the subject is not a sensitive issue. To increase the reliability we have chosen to interview more than one person in some of the concerned companies.

2.8 Critique of sources

When using a source, it is important to evaluate the level of truth in that source and to put it in relation to other sources. Most of the sources that have been used in this study are of primary characteristic. Also, it is not always easy to evaluate if a person is as competent as believed or if the information given is correct. During our work we have met a large number of persons whom all have affected our work in one way or another. We do not see any reasons for our interview persons to give us incorrect information. However, to evaluate the trustworthiness of the obtained facts, we have compared opinions from different persons and put them against each other. Based on this, the evaluation has finally been our own judgement. To minimize the risk of getting misleading information in the first place, we have carefully chosen the person in question and to a large extent used recommended names. The persons we have been in contact with have all been in a professional role with a deeper understanding for the current topic.

We have mainly used articles and literature that are either well established and accepted or newly established. By doing this we aim to get more reliable facts and up to

[25] Lundahl, U., Skärvard, P-H. (1999) p. 152
[26] Holme, I-M., Solvang, B K. (1997) p. 163
[27] Lundahl, U., Skärvard, P-H. (1999) p. 152
[28] Jacobsen, D-I. (2002) p. 255ff.

date information, which we believe increases the relevance of the thesis. The Internet has been a great input, but it is sometimes hard to evaluate the quality of the information found here. To increase the reliability of our Internet sources, we have mainly used updated web pages and also, when possible, controlled the information with our primary sources.

3 Consumer

This chapter's aim is to give a good picture of what the consumer demand and describe their associations to healthy food. Knowledge about these aspects will enable a mapping of key requirements that must be fulfilled if the producer wants to increase the business potential of products with health claims. Current trends as well as possible future trends are going to be discussed in order to examine if products with health claims are in line with them. The AIETA-model will help us to clarify different features of the buyer decision process and where possible weaknesses could be found. Comprehension of the process will ease the work of pointing out areas of improvement, which is the objective of this thesis.

3.1 The buyer decision process

The buying decision process for new products is a matter of accepting new products and could be defined as "the mental process through which an individual passes from first learning about an innovation to final adoption"[29]. This process consists of five steps: Awareness, Interest, Evaluation, Trial and Adoption. **Awareness** stands for the stage where the consumer becomes aware of the new product but without any information on it. For example, people get aware of products with health claims but do not know what the concept stands for. In the next step, the consumer gets **Interested** in the product and starts to seek information about it. An example of that phase is when a consumer asks a doctor about their opinion of a product with a specific health claim. **Evaluation** is the third step which means that the consumer consider if it makes sense to try the product or not. He or she might, for example, think about the effect the product promise and how valid that information is. If the decision is to try the product in order to get a better opinion, the consumer has entered the step named **Trial**. And if the opinion improves in a positive way the consumer reach the stage of **Adoption**, where he or she decides to make it a habit using the product. For example, buying a product with specific health effect instead of, or as a complement to, the consumers' normal items.[30]

The entire chain must become fulfilled among a number of consumers if the business potential of a product should be worth discussing and through an analysis of each step one can conclude where improvements need to be done to increase the potential.

3.2 Consumer trends

In previous years, many market research studies have been conducted to map consumer trends and consumer demands. There is definitely an unambiguous trend towards healthier food, but it is still unclear what type of healthy products the consumers actually request. In September 2005, Health Focus International made a world

[29] Amstrong, G., Kotler, P. (2005) p.163
[30] Ibid.

wide market research in more than 30 countries with 16 500 interviews of men and women in the age of 18 – 70 years. In this research 500 interviews were made in Sweden, widely spread over the country.[31] This research is one of the sources for the discussion in this thesis, and it is therefore important to be aware of its limitations. The topic we are investigating is complex and it is difficult to truly examine consumers' opinions. Some conclusions in the research are contradictory, which indicates how challenging it is to persuade respondents to express their true opinion. However, there are no optimal methods to use when investigating opinions and peoples' reactions. In many cases the respondents might not be aware of their own attitude in a specific issue. We have found no study without similar limitations, so we use the findings in our own report. The study shows many similarities between different countries which allow general conclusions to be drawn. For example, the most common concerns amongst consumers are cancer and heart diseases. Fatigue, stress and overweight are common health issues and better taste, nutritional content, natural characteristics and prices are generally important factors in a purchase decision.[32]

The glycemic index (GI) trend has grown strongly in the last five years, impacting consumer trends and innovation in the foodstuffs industry. The GI-trend has rendered many new products on the market and the trend is predicted to continue for at least another five years.[33] GI and Atkins are two methods that have decidedly influenced the market. Consumers are now more aware of the problems associated with fast carbohydrates and many have changed their food habits.[34]

3.2.1 Swedish consumers

The most common health concerns (extreme or very concerned about) for Swedish consumers are cancer, heart disease and fatigue, figure 2, while the most common health problem occurrences are fatigue, stress, overweight and GI-related issues.[35] Health issues concerning heart disease and GI are also believed to be two of the strongest trends in five years time[36]. This can be compared to concerns for high cholesterol and reduced immune defence, figure 2, segments in which a number of products with health claims currently exist. We find it interesting that overweight is not the major health concern. One reason might be the methodology used in the investigation and the manner in which the questions were posed. Instead it seems to be the consequences of overweight that Swedish consumers are concerned about, such as heart diseases and cancer.

[31] Gilbert, L. (2005) p. 2
[32] Ibid. p. 7-9
[33] Sadler, J. (2005) p. 12
[34] Gilbert, L. (2005) p. 35ff.
[35] Ibid. p. 8
[36] Sadler, J. (2005) p. 12-13

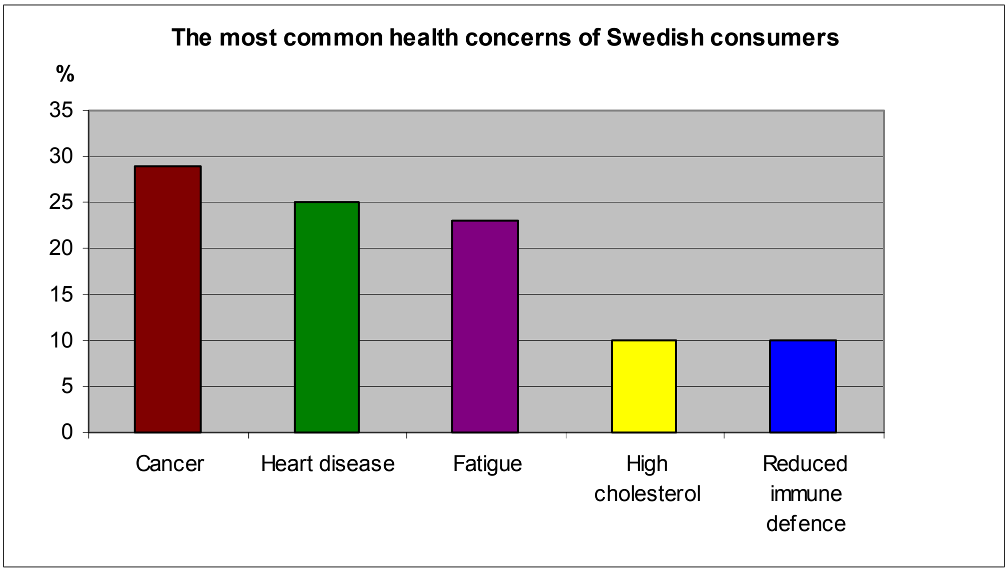

Figure 2. The most common health concerns of Swedish consumers.[37]

Approximately 60 % of Swedish consumers are interested in health and healthy food[38] and women in general are more interested than men[39]. The most frequent means for staying healthy are exercise and increased consumption of fruit and vegetables. Other popular foodstuff segments are wholegrain products such as pasta and bread; low-fat products and "low GI-snacks". 50 % of the population and 60 % of those interested in health state that they have decreased their consumption of sweets, but selling statistics indicate the opposite. All types of sweets indicate a growing market, where the two most important goods/commodities are dark chocolate and low GI-snacks. Ordinary snacks such as potato chips, cheese doodles and popcorn are all decreasing.[40].

A crucial quality for all type of food is the taste, "*taste is king and enjoyment is queen, healthy products are just as good as they taste*"[41]. When asking Swedish consumers what factors that are important when deciding which product to buy, 77 % of the respondents always or often choose products purely on the grounds of taste.[42] Due to the desire for a healthy diet, the second-most important factor at the purchase point is the price. 55 % of the consumers chose products based on the price. Only 10 % are willing to abstain from a product in benefit of a healthy diet.

[37] Gilbert, L. (2005) p. 8
[38] ACNielsen. (2006) p. 5-6
[39] Landstöm, E., *et al*. (accepted) p.21
[40] ACNielsen. (2006) p. 5-6
[41] Gilbert, L. (2005) p. 11
[42] Ibid. p. 41

3.2.2 Consumers attitude towards products with health claims

There are many contradictive conclusions in studies considering what kind of foods consumers are willing to buy.[43] This is further an indication that consumers might not be aware of their opinion in this topic, or maybe they do say one thing and than acts differently. Many studies show that people are interested in their health and as a part of that, they want to eat healthy. This has encouraged producers to invest in brands that are supposed to communicate health, but "The functional food revolution" is still absent which might suggest that consumers are not interested in such food.[44] Eva Landström is a doctoral student at the Department of Public Health and Caring Sciences at Uppsala University. She has conducted several studies about consumers' attitude and consumption of products with health claims. In her last study, which has not been published yet, a broadened view of products with health claims is reflected. The results come from answers of a questionnaire that was developed and responded by 972 randomly selected Swedish citizens.[45]

One of many interesting parts in the study was the fact that 84 % of the respondents were familiar with the expression of Functional Foods and almost as many (83 %) had consumed or purchased at least one product with health claims that was presented in the questionnaire. Between 83-100% of the respondents who had consumed a product with health claims would consider to buy or consume the product again. One fourth of the respondents had perceived an effect after consuming the product but as many as 45 % did not feel an effect at all or they did not know if it had had an effect. The rest of the respondents (30%) did not expect to perceive an effect of the product and therefore they claimed they did not feel it.[46]

When it comes to marketing of products with health claims most respondents had seen or heard information from commercials on TV (57 %), advertisements in newspapers or magazines (48 %) and food packaging (47 %). His or her dietician, general practitioner or nurse had informed barely anybody about the product category. But if these health care professionals would recommend products with health claims, the probability of buying them would increase. Almost 30 % expressed that they would want more products with health claims on the market.[47]

Landström's study shows that people with a high level of education consume more products with health claims than low-educated people. But, according to the statistical analyses conducted in the study, other factors than demographics rather explain the consumption of products with health claims in Sweden.[48] These factors were mainly a

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[43] Interview Landström, E. 2007-02-20
[44] Ibid.
[45] Landström, E., *et al.* (accepted) p. 7
[46] Ibid. p. 8
[47] Ibid. p. 9 f.
[48] Ibid. p. 12

general interest in health and that they had perceived a physiological effect of the product. More over, respondents with a diet-related problem, personally or in the family, were more likely to consume cholesterol-lowering products than those without diet-related problems.[49]

3.3 Analysis of consumer trends and demands

As shown in a series of investigations there is a general interest in health and there are good reasons to believe that this trend will persist. The question is how people define healthy food. Most examinations ask the respondents *if* they are health conscious rather than with what they *associat*e healthy products. This creates a knowledge gap concerning what kind of products the consumers demand. Many producers appear to believe that anything can be sold as long as it contains a "health message", but sales numbers indicate that this is not the case. Another interesting observation is that the sales of all types of sweets are increasing. These products tend to be snacks in accordance with identified trends, such as GI and Atkins. However, the fact remains that there is a clear increase of sweets, despite the predominance of a strong health trend, and that 50 % of the total population claim that they are decreasing their intake of such products. This reflects the complexity of measuring and investigating these types of questions. We believe that some people think that they are decreasing their intake of sweets, when in fact they are not, or that their desires to do so make them claim they do. And it might be the same situation concerning products with health claims. This makes it increasingly difficult to draw conclusions and to really understand what the consumers are will buy.

Today there are a number of products that claim health benefits, promising effects to lower cholesterol levels, strengthen the immune defence or calming an upset stomach. In view of the consumers' most common health issues, where fatigue, stress, overweight and GI-related issues dominate, it is interesting to study the effects of current products with health claims. Aside from ProViva, which is connected to stress symptoms, the others are dealing with issues that notably do not rate very high. 10 % of the consumers regard high cholesterol levels and reduced immune defence as the common health issues. This may indicate that the products have miscalculated the demand and that they therefore have limited potential in the market. In order to argument the sales of such products, the consumers' demand must be taken into consideration.

Moreover, Landström's dissertation demonstrates that 84 % of the respondents are aware of the term functional foods, which in the context of this dissertation is products with health claims, and as many as 83 % have tried some product from the category. This high number should be questioned, as it is much higher than other investigations; it is possible that the respondents in her dissertation are generally more interested in health than the average consumer. As we will see further on, the respondents in our investigation are not to the same extent familiar with the expression. However,

[49] Landström, E., *et al.* (accepted) p. 13 f.

out of those who had tried a product with health claim, 83-100 % claim they would consider doing so again. The dissertation demonstrates that many consumers are aware of the product category, and they have moved through various stages in the process of deciding to buy the product. They have shown interest in the products, evaluated them and the evaluation has resulted in a trail. This is in agreement with our investigation, which shows that if the consumer is aware of the product, he or she is also willing to try it. However, the sales boom has yet to occur; consumers have clearly not adopted the products and made it a habit to purchase them. A conclusion that may be drawn from this is that in some aspects, the consumers are not satisfied with the products after having tried them once or twice. Our investigation identifies weaknesses with the products that may offer an explanation to this, which will be discussed later.

What we can see is that there is a number of factors that make people buy products with specific health claims. Landström shows that it is not mainly demographical factors, but the interest in health or the desire for a certain effect that is stronger. People who have tried a product and notice a difference are more willing to buy the product again. This indicates that if the consumer is aware of the product and interested in health, he or she is also willing to try products from this category. According to the dissertation, 25 % of those who had tried any of the products noted a difference, but as many as 45 % did not, which of course reduces the willingness to purchase the product again. The product must live up to its promises and the consumers' demands in order to be purchased again.

To obtain an effect of the product is evidently important in order to make a second purchase, but one third of the buyers of products with health claims state that they do not expect to notice any effect. This means that they are buying the products for other reasons. What is clearly expressed in Landström's dissertation, in market researches and in our investigation is that the taste of the product is the most important factor. As such, the effects are not of importance if the product does not taste well. Taste, price and convenience are very important factors for the consumer and must therefore be taken into consideration by the producer when developing the products. Those aspects will be discussed further on, but worth mentioning is the fact that compared to those aspects, the product's healthiness is not scoring very high. Consequently, we conclude that regardless of how healthy the products are, they will not sell if they do not fulfil the above named requirements.

The conclusion is that in the cases where the consumers are aware of the product category, they are also often interested of acquiring more information about it. Here we see the first problem. It is difficult for the consumer to understand and to be able to evaluate the products, and many of the consumers who purchase the products are not necessarily doing so because of the health effect. As a result of this, the evaluation of the trail is not based on the health effect, and is therefore competing with "ordinary" products as well. Certainly, products with health claims are insufficient concerning some aspects compared to other products on the market since the consumers do not reach the stage of adoption.

3.4 Results from the questionnaire (part I)

The questionnaire began with questions about eating habits, focusing on breakfast and snacks. We chose to evaluate these two types of meal since we believe most dairy products with health claims that occur on the market is supposed to be eaten at either breakfast or as a snack. The most obvious result, considering breakfast, was that almost everyone had a steady breakfast consisting of either porridge or sour milk with muesli and a couple of sandwiches. Many had a glass of juice or milk and tea or coffee. This tells us that people seem to be quite categorical when deciding what to eat for breakfast. For example, nobody mentioned eggs, bacon or cooked food as their usual breakfast. This could be due to the selection of people that participated in the study but also that consumers' breakfast habits are very traditional. 83 % had their breakfast at home and the most usual way of buying it was through weekly shopping (61 %). This probably means that the size of packaging should be suited for weekly consumptions volume in contrast to the trend, within the food industry, where portion packaging seems to grow rapidly[50]. Therefore a suggestion is that if a product with a health claim is supposed to be consumed at breakfast, its packaging should reflect people's breakfast shopping habits which in this study are weekly volumes. On the other hand, if the product is supposed to be consumed as a snack, lunch or on the go, the packaging size should be of portion size.

Approximately two thirds of the participants had either a sandwich or a fruit with tea or coffee as a snack. Few (11 %) mentioned cookies as their main snack and just as many mentioned that they did not have snacks at all. Nearly 90 % had their snack at work, in school or at home and it was either bought on a weekly basis or somebody else, usually by the employer, provided it. The above described results indicates that if a producer wants to increase the business potential of products with health claims one possible option could be to start cooperating with employers in order to enforce them to buy such products.

More than 85 % of the respondents claimed to be interested in healthy food. The most common motivation for expressing such thoughts was to feel better, to keep ones weight, prevent illness and to have more energy. Other motives being expressed, but not to such extent was: to look good, to have control and to obtain balance. Four respondents were not interested in healthy foods and mentioned price and a willingness to eat tasty foods as reasons for the lack of interest. The above described motivations could be useful when creating slogans for products with health claims. If a slogan is formulated by the consumer it might attract more attention to him or her since it is in line with the criteria for eating healthy products.

[50] Sadler, J. (2005) p.12 ff.

About two thirds, usually or always, thought of buying healthy foods when shopping. This might show that the business potential of a product increases when the consumer classifies the product as healthy and that the secret is to find out what a consumer defines as healthy.

3.4.1 What do the consumers mean by "healthy products"?

One way of investigating what consumers mean by a healthy product is to ask him or her about their personal definition of the expression. This was done in the questionnaire where respondents were asked to describe their definition of a healthy product in free text. Almost two thirds mentioned low fat and 40 % low sugar content as important features of a healthy product. More over, the respondents illustrated the definition with examples of products which they associated with health. Among those, whole grain and fibre rich bread, fruits and vegetables, meat and fish were frequently pointed out. Other expressions which were connected to healthy products were nutritious and organic foods as well as products with low glycemic index. Only three persons mentioned scientifically proven health effects in connection to the definition of healthy products.

Then the participants estimated how healthy a couple of features in a product seemed according to their view. The healthiness was estimated as a number between 1 and 10, where a high number was associated with a very healthy product and a low number with a less healthy product. The result is presented in figure 3.

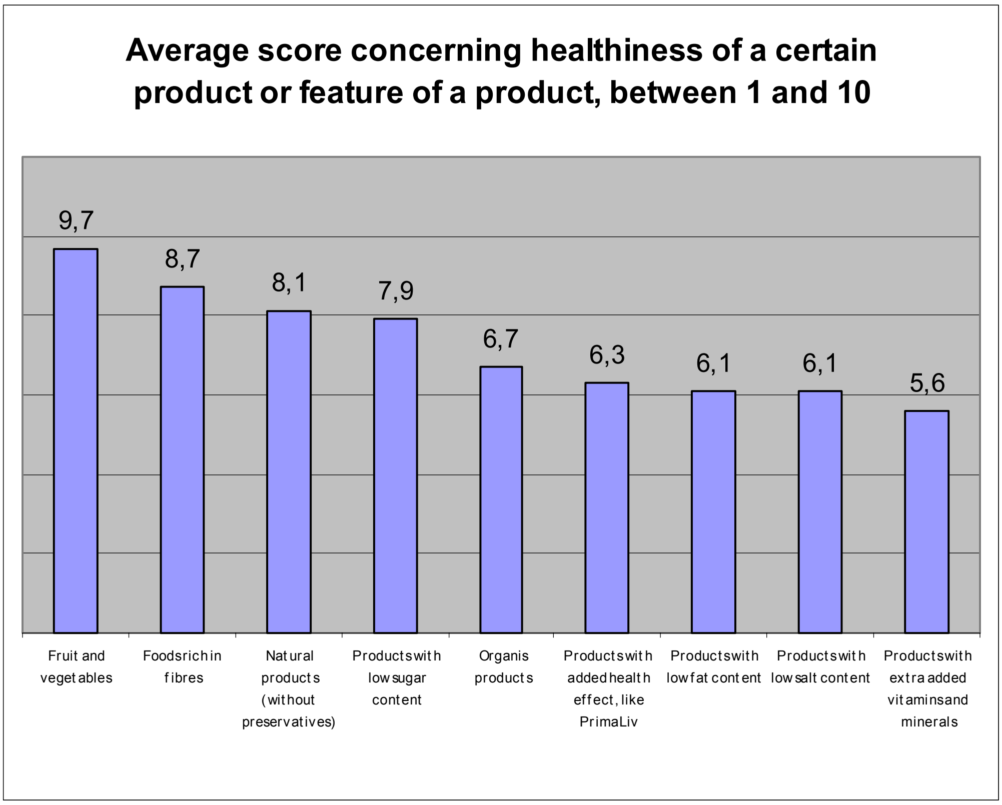

Figure 3. Average score concerning healthiness of a certain product or feature of a product.[51]

When respondents rated different features of products according to figure 3., the results were relatively different in comparison to the free text answers. This might indicate that the reliability of the study is low or that the different answers were given due to the fact that different associations came up among the respondents while the questionnaire was carried out. Apart from this, there are some observations that are interesting to bring up. There is no doubt about how healthy fruits and vegetables are considered to be, according to the respondents since they are rated with top scores. More over, low sugar content is rated with a higher number than low fat content, which indicates that the GI-trend is widespread. The opposite picture is given among the free text answers, since low fat content was mentioned far more often than low sugar content. These associations suggest that older trends still counts.

Products with an added health effect were not mentioned that much in the free text answers, however the product category is rated quite high in figure 3. No product or product feature were rated on the other half of the scale, which means that all of the stated alternatives are more or less connected to healthy products.

[51] Results from the questionnaire

3.5 Results from the group discussions (part III)

After the questionnaire and the sensory evaluation test were completed, a group discussion with the respondents took place. The objective of having such a discussion was to enable participants to express their thoughts in a less controlled way. Then more emotions and degree of enthusiasm can be observed which could be useful to consider while analysing the material gathered. The discussions had very few guidelines and the participants were free to talk about health and what it means as it suited them. We began the conversation by introducing the topic and after a while we asked questions to direct the discussion in a fruitful direction. Aside from that, we were mainly quiet and observant during the session. The results from the discussions are presented below.

All groups mention that one of the key factors for foods to be considered healthy is that it seems natural. And by natural they mean fruits and vegetables, plain meat and fish as well as fibre-rich foods. The groups consisting of men and the one with women aged 45+ in Skåne express the importance of being able to see the original raw material and to prepare it at home. There is also a demand for Swedish food, since it guarantees a high standard in comparison to other European countries. The concept of a foodstuff as being natural also includes a natural taste. The groups, especially the group consisting of men, disapproved in general of flavoured milk and yoghurts. If a product is to be flavoured, the flavours should be easily recognizable. Product consistency is also important, and the consistency of drinkable yoghurt is generally not perceived as natural. Younger persons are more positive to this kind of product, while adults seem unsure how and when to use them. All test persons expressed scepticism towards additives and they preferred to consume an orange instead of a juice with extra C-vitamin.

The importance of a varying diet was mentioned several times; it is okay to allow oneself sweets once and a while as long as the main diet is healthy. A general opinion during the discussions is that sugar is less healthy than fat and that natural sugar is better than sweeteners. Concerning the content of fat, opinions vary between groups. While the youth indicate that fat level is not important, as long as there is a balance of exercise and consumption, there is a stronger demand for light-products among women who also express an awareness concerning the risks with trans fatty acids. The groups express definite health awareness and the keyhole symbol is mentioned as a common help in choosing healthier alternatives.

The most common reason for buying healthy food is to retain the correct weight. An interesting statement made by one of the men, is that health is strongly correlated to a feeling. “If I have the correct weight, and my pants aren’t tight-fitting, then I feel healthy”. The other groups confirm this statement, even if it is not expressed in the same manner.

As mentioned above, scepticism exists towards additives. The most likely reason persons in the focus groups would consider buying a product with a specific health claim is by doctor recommendation. This trend is very clear and is supported by all groups, except from the youth group. Irrespective of doctor recommendations, the products must be taste good in order to be consumed. This is the number one criterion for a purchase, and if this requirement is not satisfied there will not be a second purchase. Another important factor in purchasing is that the buyer is aware of the effects of the product and that this effect is noticeable. You should actually experience the difference by eating the product. This shows lack of consumer understanding and the test persons are unsure about the purpose of the products. Also, the women in both age-groups say that they are willing to buy those products if they find a need for it, but they will not buy it for preventative reasons, due to the high price.

3.6 Summarising analysis

It is very clear that the consumer associate healthy products with natural products and by natural they mean products which occur in their natural state such as raw vegetables, fruit, rice, whole grain bread and plain meat. All of the focus groups started to speak of these products without any other influences. Very few mentioned diary products as healthy, but if they did, non-flavoured products such as sour-milk and milk came up. This tells us that it is very important for the consumer to experience the food as natural if it should be associated with health. This could be done through choosing flavours that are experienced as fresh and natural to the consumer, such as citrus-fruits and apple. To go on, “low-fat” and “low-sugar” slogans are good to use, but it is very important that this is done naturally if the consumer is supposed to consider the product as healthy. It could also be useful to state that the product does not contain any trans fatty acids since the awareness of its danger increases.

Since people seem to have very rigid traditions concerning their breakfast habits it is interesting that Skånemejerier promote a product with a quite unusual flavour, Aloe Vera for example, when the product is very complex as a bacteria culture is added. We think that it is too complicated for the consumer to take in so much information and that the interest for the product becomes reduced. It is much better to promote a taste which naturally occur on the breakfast table so the consumer “feels at home” and consider trying the new product.

On the whole, the results points out that the nutritional value is more associated with the definition of a healthy product rather than a special category of foods like fruits and vegetables. During the group discussions it emerged that what the respondents meant with low fat and sugar content were products with naturally low percentage of fat and sugar such as vegetables, meat and whole grain bread, and not products with reduced fat and sugar level. All of the groups gave the exact same picture so there is no doubt about the fact that natural raw products are considered to be most healthy.

During the discussions some participants expressed that they connect healthy foods with bad taste, which is very unfortunate for the image of the expression. Taste is extremely important and consumers have just as high expectations around taste in healthy products as in ordinary foods. This is one of the major findings in the study and if the producers neglect this through target too little resources on this area, it might as well consider not producing it at all.

It is quite interesting to find out that both men and women express very similar thoughts considering health and healthy products. Both sexes seemed to have a clear opinion about what kind of products that are healthy and not, as well as how interested they are in their health. However, all of the market research studies that we have gone through show a different picture which suggests two ways of analysing the result. On the one hand the results could be different due to the selected participants but on the other hand it might suggest that men are an underestimated target group. Especially in a longer perspective since younger men are generally more interested in foods than elder men.

4 External affecting factors

In this chapter a discussion on how the information that the SNIPH and the NFA provide is put together and what their attitude is towards products with health claims. Moreover, information about the plan of action, which is relevant for products with health claims, is presented in order to visualize how it could affect the business potential of this product category.

4.1 The Swedish National Institute of Public Health and the National Food Administration

There are many ways in which the Swedish National Institute of Public Health (SNIPH) and the National Food Administration (NFA) can affect consumers' purchase behaviour and among them we consider specifically two ways that has to be taken into consideration when it comes to validation of the business potential of foods with health claims.

Firstly, every producers' and retailers' goal is to make a profit on their products, otherwise they would not exist. In their exploration for these kinds of profits they want to convince the consumer that their products are the best so it will buy as many as possible. The consumer is put in a situation where he or she is overloaded with information about an enormous amount of goods. The SNIPH's and the NFA's role is therefore to create general dietary advice, which the consumer can use when deciding what product to buy.[52] The information that the SNIPH and the NFA provide could therefore affect the business potential of a certain food category, if the information is positive the potential increases and if it is negative it decreases.

The other important issue to consider is that one of the SNIPH's and the NFA's aims are to increase public health through promoting good eating habits. The widespread problem of obesity among the Swedish population has become more and more alarming which has encouraged the government to request the SNIPH and the NFA to put together a course of action plan where the problem is viewed upon in a variety of ways. This plan will have affect on the food industry in several ways and could therefore also influence the business potential of products with health claims.[53]

4.1.1 Function of the SNIPH and the NFA

The SNIPH was established in 1992 as a state agency under the Ministry of Health and Social Affairs. Since July 2001 it has had a new and more clearly defined role in Sweden's public health efforts even though most of the practical public health work in Sweden is carried out by local authorities and county councils. The SNIPH has three main objectives. Firstly, it is responsible for implementing the government's

[52] Interview Laser-Reuterswärd, A. (2007-05-28)
[53] ANP 2006:745 p.7

health policy. Further on its role is to be a national centre of knowledge in public health and finally, the SNIPH exercise the supervision of alcohol, illegal drugs and tobacco.[54]

The SNIPH's entire work is build up on the basis of scientific evidence, which makes it a slow moving organisation. It is slow because it takes time to put together information that is trustworthy in a scientific way. Studies have to be conducted in a broad and thorough way before the authority decides to make any comments. This could seem frustrating for the consumer since he or she is exposed to many health trends considering what to eat or not in the media. Consumers may think that the SNIPH is behind its time but the reason for not being faster is that most trends are not anchored to scientific evidence.[55] For example, the only scientifically proven hypothesis on how to loose weight is that the input of energy should be less than the output. This statement is in contrast to many popular diets, like Atkins and GI, where a diet low in carbohydrate is said to decrease the body's uptake of energy and therefore promotes weight loss.[56] The loss of interest from impatient consumers' could hopefully be gained back in the other end since the SNIPH goal is to stand for something stable and safe.

The NFA is facing the same problem as the SNIPH since their opinion seems to disappear, as described above, in the general media noise. The NFA's activities are based on scientific evidence and cooperate with the SNIPH when it comes to questions considering public eating habits and physical activity. The SNIPH, though, cover a broader view of public health since it is responsible for many more aspects such as peoples' psychological condition, their drinking habits and circumstances on workplaces.[57] The NFA's only focus is on foods and it describes its activities as follows:

"The National Food Administration, NFA, is the central supervisory authority for matters relating to food, including drinking-water. The NFA has the task of protecting the interests of the consumer by working for safe food of good quality, fair practices in the food trade, and healthy eating habits. Fair practices in the food trade imply that the consumer can rely on the labelling as regards, for example, the composition, weight, keeping qualities and origin of the food. The NFA is directly responsible to the government." [58]

[54] www.fhi.se
[55] Interview Laser-Reuterswärd, A. 2007-02-28
[56] Asp, N-G., Bryngelsson, S. (2005) p. 15
[57] Interview Laser-Reutersvärd, A. 2007-02-28
[58] www.slv.se

4.1.2 The SNIPH's and the NFA's attitude towards products with health claims

Food products with health claims is a difficult category to handle since their position on the market is in a grey zone between pharmaceuticals and ordinary foods. The SNIPH and the NFA have, since more than ten years, studied the category and their work has proceeded through the years. The SNIPH's and the NFA's present opinion is that products with health claims are not going to play a bigger role in benefiting public health, though the product group could help promote certain individuals health. This opinion may change in the future but as it is now there is not enough proof to show any public health profits.

The scientific research on products with health claims is often conducted by a company that wants to launch such products, which rise questions about the scientific objectivity of the results. It is usually quite difficult, in a controlled study, to confirm a specific health effect of an added substance in a food product. Moreover, the companies relatively often put up too positive hypothesis, which in the end is hard to verify. On 19 January 2007 a new European Community regulation on nutrition and health claims was introduced and both the NFA and the SNIPH which will have large impact for the business of products with health claims.[59]

4.1.3 The plan of action for good eating habits and increased physiological activity

The purpose of an action plan for good eating habits and increased physiological activity among the Swedish population is due to an increased number of overweight persons and that our life style is much less active nowadays than it was a decade ago. This development is evolving into a big public health problem and the people at most risk are youths and socially vulnerable groups. Almost 2.8 million people are considered to be overweight in Sweden today, which in the long run increase the risk of getting poor health in an earlier age. The action plan suggests a number of measurable goals and strategies to reach those as well as define what kind of efforts that are needed and who has the responsibility to ensure that the correct things happens.[60]

The action plan was presented in 2005 and the main conclusion, considering the food, was that consumers have to decrease their intake of energy dense products in favour of an increase in fruits and vegetable eating. In order to make this happen the government could use means to control the development within the food trade in a certain direction. The most probable cause of action is to set up new criteria for the table of nutritional content, put up restrictions when marketing foods and to limit the distribution of for example sweets and soft drinks at schools.[61]

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59 Interview Bruce, Å. 2007-03-19
60 www.fhi.se
61 Ibid.

4.2 Symbols in the Swedish market

To simplify the information about different products to the consumers, a number of symbols are used in the Swedish market. A common symbol concerning healthy food, are amongst others, the keyhole symbol and the HP-labelling. The symbols are created to guide the consumers to easier make a healthier choice.

The keyhole symbol, figure 4, was introduced in 1989 and is a guidance for the consumer to chose a healthier alternative, since it is a comparison between products within the same category. In 2005 the rules was updated and today products that contains less fat, sugar and salt and more fibre than other products in the product category can be labelled with the keyhole symbol[62]. The symbol is used when it might be hard for the consumer to decide what product is the better alternative, for example when choosing between two types of yoghurts. The keyhole symbol is voluntary to have on a packaging but considering the number of suppliers and products that are labelled with the symbol, it has had a great impact on the food industry.[63] The symbol is very well-known amongst Swedish consumers and is recommended by the National Food Administration. They intend to strengthen the position of the keyhole symbol and are not recommending other symbols, to avoid confusions amongst the consumers.[64]

Figure 4. The Keyhole symbol[65]

For products with a specific health claim, approved by the Swedish Food Sectors Code of Practice, the PFP-label can be used, figure 5. It takes a lot from the producer to receive the label, but despite a lot of effort to get it, it has had little impact in the consumer market.[66] The label is unknown among consumers[67] and not even the category managers at the large retailer chains recognize it.[68]

Figure 5. The HP-label[69]

[62] www.pagen.se
[63] www.slv.se
[64] Interview Laser-Reutersward, A. 2007-02-28
[65] www.slv.se
[66] Interviews Nyberg, L.
[67] Interview Laser-Reuterswärd, A 2007-02-28
[68] Interviews Haglund, J., Lidåkra, P. 2007-03-02
[69] www.hp-info.nu

4.3 Health care professionals

It is not easy to determine how much health care professionals influence or could influence the behaviour of consumers when it comes to their willingness to buy foods with health claims. To facilitate an estimate of their influence and to determine health care professionals' attitude towards the product category, results from a qualitative study conducted by Eva Landström will be incorporated with the results from the data collected in this thesis.

The aim of Eva Landström's study was to investigate what attitude some Swedish dieticians, registered nurses and physicians have towards products with health claims and their willingness to recommend such foods to patients. The study was built upon group discussions held with each profession.[70] An interesting observation was that registered nurses and physicians were more sceptical about products with health claims than dieticians. They explained that their thoughts were based on experiences of bad taste, too high price and that the products had no effect or were perceived as unnatural. Dieticians were more willing to recommend the products with health claims to patients since they perceived them as physiologically effective. The participating dieticians had better knowledge about products with health claims than the physicians and registered nurses. Their lack of knowledge might have influenced their negative attitude.[71] All of the health care professionals required more specific information in order to feel safe about products with health claims[72].

Three different infection clinics at university hospitals were contacted in order to investigate what attitude they had towards products with health claims. The only product that was considered to be effective was ProViva which was recommended to people with diarrhoea caused by antibiotics. The same product was recommended during telephone consultancies with patients for the same reasons. The responsibility of collecting new knowledge about new findings and pharmaceuticals is put on the individual. The contacted people were neither overwhelmingly positive nor sceptical towards products with health claims.

4.4 Media's impact on consumers and consumer trends

Every day we are overwhelmed by information from papers, TV, the Internet, magazines and people in our surroundings. The information flow has increased steadily and the situation today is totally different from the situation 10 or 20 years ago. Authorities, companies, organisations and media are using a number of channels to educate, inform, affect or manipulate us. To collect information has never been as easy as today, but there are negative aspects as well. The information that reaches us are loaded with opinions, values and attitudes and it is necessary to be able to filter the informa-

[70] Landstöm, E., *et al*. (2007) p. 241 f.
[71] Ibid. p. 245
[72] Ibid. p. 246

tion flow to avoid drowning in it. The huge flow makes it important to be able to evaluate the reliability of the information and understand how to use it.[73]

The impact of diets like GI and Atkins, which mainly have been promoted by media, is a proof of its impact on the consumers and the consumer behaviour. Market research studies show that sales rates of food that is promoted by the popular diets, increase dramatically.[74] Also information about products with health claims is spread by the media. Landström's dissertation shows that television, news papers and magazines are the most common ways to get information about these products.[75] The described situation is strengthened by the results from the discussions in part III of the sensory evaluation, where our respondents mention those channels as important sources of information.

Lately, a number of TV-shows about over-weight peoples' food habits have been produced. In Sweden a well-know show is "you are what you eat" with Anna Skipper. The purpose of the show is to guide the viewers to a healthier life by inspiration and motivation but also how dangerous it is to live unhealthy. The show has not got an outspoken strategy for what to recommend eating and what to avoid, but fast carbohydrates, fruit yoghurts and white bread are not included in the recommended foods.[76] According to the participants in our sensory evaluation, the guidelines of the show have impact on their behaviour.[77] The specific show is having many cooperating partners, which of one is Hemköp.[78]

4.5 Analysis of external actors impact on the consumer

According to the results of the group discussions, people seem to think that it is very difficult to find reliable information about foods. The SNIPH and the NFA are trustworthy actors but they do not have good ways of communicate to the consumers and therefore, their opinion seems to have a restricted affect on him or her. But, if these authorities would have been positive towards products with health claims, the producer could use such information in their marketing, which would help the communication between authorities and consumers as well as making the producer much more trustworthy. This is, however, not the case of today and we could therefore draw the conclusion that the authorities are rather a brake than an accelerator for the business.

In the future, there is a possibility that there will be restrictions around marketing of energy dense foods such as soft drinks and chips. This could be advantageous among

[73] www.skolutveckling.se
[74] ACNielsen. (2006) p. 38ff.
[75] Landstöm, E. *et al.* (2007) p. 9
[76] www.tv3.se
[77] Results from the focusgroup discussions
[78] www.tv3.se

producers of products with health claims since it theoretically give them more marketing space.

The health care professionals' attitude towards products with health claims could be interesting to work on for the producer since the knowledge about the product category seems restricted within the group. If they are informed, though, they change their attitude into a more positive view which could be favourable for the business as consumers do rely on their physicians, nurses and dieticians. When people, which participated in the group discussions, discussed whether they would change their opinion about products with health claims if a health care professional would recommend it, many seemed to believe so. Even though, health care professionals' recommendations are not the same as the truth, the groups expressed a strong trust for them and that a recommendation might be the only way to convince them to spend money on products with health claims. This suggests that producers put effort in promoting their relationship with the care sector.

The information flow of today decreases the possibilities for a producer to communicate with the consumer. Shows on different health themes seem to affect the consumer since many groups brought up different names of shows and how they affected their behaviour. One way to use this in an advantageous way for the producer is to contact such shows and start cooperation. Maybe the show could visit the plant where the products are made and speak with the scientists that have documented the health effects. People seem to rely on "health gurus" such as Fredrik Paulun and Anna Skipper and if a product would occur in a positive way in connection with them it could be very positive the business potential of the product category.

5 Producers

This chapter focuses on what a producer could do in order to increase the business potential of products with health claims. The chapter consists of a presentation of important producers, current legislation and the results of the sensory evaluation. Then, the presented material is going to be analysed using the classical theory of how to develop the marketing mix when introducing new products in the market.

5.1 Developing the marketing mix

When a company, in this case the producer of products with a specific health claim, wants to introduce a product on the market it has to consider the marketing mix which could be described as "*the set of controllable, tactical marketing tools that the firm blends to produce the response it wants on the target market*"[79]. How many these controllable marketing tools should be varies within the scientific world, but for this case the four classical ones are considered to give a satisfying picture. These four tools are usually called the four Ps and originate from E.J. McCarthy who initially referred to them in 1960.[80] The four Ps are; the Product, the Price, the Place and the Promotion. The Ps could be used when a company consider different strategically options, since they offer a structure that clarifies the important issues and eases the possibility of making well-grounded decisions. An explanation of each P follows below.

There are a number of factors that have had an impact on how the **Product** should be designed. When it comes to products with a specific health claim, it is very important to consider the quality of it (taste, texture and health effect), what brand it should be marketed under and how to design the packaging in order to communicate the complexity of the product.[81]

As the product evolves it needs to get a **Price**. The price is vital for which consumers that will be attracted to the product, especially within the food industry where the competition is hard. Analysing the effects of a certain price is therefore vital as well as considering if there should be any discounts offered.[82]

The next P stands for **Place**, which means the activities a producer does in order to make the product as available as possible for the target consumer. For products with a specific health effect, issues like how to make retailers include the product in their assortment and where in the store the best location is for the product, has to be analysed. Further on, the producer needs to think of how the distribution should be organized effectively.

[79] Kotler P., Armstrong G. (2005) p. 57
[80] Ibid
[81] Ibid p. 223 ff.
[82] Ibid p. 365 ff.

The last step is to consider how the product should be **Promoted**, which is tricky since the current product category is innovative and few comparable examples exist. Therefore, the producer needs to reflect over in what ways it should communicate to the target consumer in order to make he or she buys the product. An evaluation of different opportunities can then be carried out, which will result in better decision.[83]

Critical voices often points out that the four Ps give the perspective of the producer rather than the consumer. In this thesis, it is of vital importance to enhance the view of the consumer and therefore the four Ps could be described as the fours Cs; **Customer cost, Customer solution, Convenience** and **Communication**. If the four Ps are transformed into Cs a wider perspective develops; the selling of a product becomes buying value to the consumer and the price evolves to including all costs connected to the purchase such as the cost for obtaining it or disposes it. The consumer also wants the product to be conveniently obtained as well as he or she wants a two-way communication to the producer. A recommendation is to first consider what the four Cs might mean to the marketing mix and on that platform build the four Ps.[84]

5.2 Important producers

There are a small number of producers who develop, produce and sell products with health claims in Sweden. To get a better overview, the companies and their products will be presented briefly. Since Skånemejerier represents the case company of this thesis, it will be in focus. There are no interrelations between the different players and they act on a competitive market.

5.2.1 Skånemejerier

Skånemejerier is the second largest diary company in Sweden with 650 employees and a turnover of 2.7 billion SEK in 2006.[85] The R&D department is small, it only consists of a couple of persons, and its strength is instead networking and to create a close cooperation with external researchers and experts.[86] Yearly about 13 millions SEK is spent on R&D and 40 millions on advertising and promotion. Skånemejerier's main market is Skåne[87], but products from Skånemejerier can be found all over Sweden as well as in Finland and Denmark[88]. Skånemejerier's strategy is value – not volume, and there is a long-term perspective in that work.

[83] Kotler P., Armstrong G. (2005) p. 399 ff.
[84] Ibid. p. 58
[85] Skånemejerier Annual Report 2006, (2007), p. 4-5
[86] www.skanedairy.com
[87] Interviews Fasth, U.
[88] Skånemejerier Annual report 2006, (2007), p. 5

Skånemejerier's work is based on the value triangle, which is illustrated in figure 6. The objective is to continuously strive to the top.[89] The bottom of the triangle represents replaceable products, like milk powder and butter. These products are generic and hard to differentiate so they do not add any extra value to the consumer. The next level consists of products with value added, like milk and fruit yoghurts. Milk might be seen as a generic product, but the milk from Skånemejerier is unique because of the regional support, environment friendly production and efficient distribution. The next level includes advanced products, which are products with its own brand, like Öresundsfil and Kalvin. For example, the value adding quality of Öresundsfil is its local taste. In the top, products with distinguish characteristics are to be found. ProViva and PrimaLiv are two good examples of products on this level. The products on top of the triangle usually miss a corresponding product in the market since competitors cannot copy it easily, which enables Skånemejerier's to extend its profit.[90]

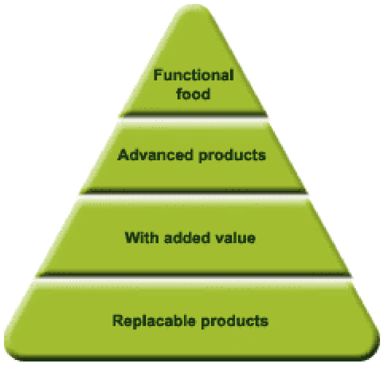

Figure 6. The Value Triangle.[91]

Skånemejerier is an innovative company with three brands; Skånemejerier, ProViva and PrimaLiv.[92] There are six products that have gotten the approval as products with a specific health claim. Two of them come from Skånemejerier, which are the ProViva fruit drink and the PrimaLiv yoghurt and muesli.[93]

Products and customer solutions

PrimaLiv is a category, which is supposed to communicate health to the consumer. It consists of four different products, all based on milk ingredients, figure 7. A small introduction to the effect of each product follows below.

Figure 7. PrimaLiv products.[94]

PrimaLiv yoghurt and muesli is a product, which is rich in betaglucans. Betaglucans are soluble fibres from oat and they slower the digestion of food. When betaglu-

[89] http://int.skanemejerier.se
[90] www.skanedairy.com
[91] www.skanemejerier.se
[92] Ibid.
[93] Ibid.
[94] www.primaliv.com

cans are in contact with water, they swell to a gel. But if the betaglucans are eaten, the gel forming starts in the intestinal tract where the food uptake happens. The gel encloses all of the nutrients in the food and creates a barrier so the digestion enzymes cannot reach the nutrients at the same rate. The entire process is slowed down so fast carbohydrates become slow, which makes the blood sugar-level rise in a balanced way. When the blood sugar-level rises in a more controlled way the body needs less insulin to function. This is favourable since the body's functions work best when it is in balance. The health effects of betaglucans have been documented in a variety of controlled studies, and in 2001, PrimaLiv yoghurt and muesli was the first product to be defined as a product with health claims in Sweden, due to the code of practise.[95]

PrimaLiv drink ready yoghurt and **PrimaLiv health drink** are products where a probiotic bacterium, *Lactobacillus reuteri*, is added. A probiotic bacterium is a lactic acid bacterium, which occurs naturally in the human intestine. Due to changing lifestyle among people in the industrialized world, lactic acid bacteria are often present in a smaller extent, which could be harmful to the individual since it improves the balance between good and bad bacteria of the intestinal tract. The probiotic bacterium is therefore help in reintroducing this balance.[96]

The health beneficial effects of probiotic bacteria are as follows; they have the ability to counteract microorganisms that could cause diseases among humans, they contribute to a stronger intestinal mucous membrane, which makes it tougher when it is pressurized and due to a number of studies the bacteria can help to recover quicker from diarrhoea.[97]

PrimaLiv-shot is a product where plant-sterols have been added in order to lower the cholesterol level in the blood. Plant-sterols are naturally found in small amounts within plants and the effects have been approved through the European Union's novel food-regulation. Plant-sterols decrease the uptake of cholesterol since both competes about the same absorption space available in the intestinal tract. Plant-sterols also block the normal cholesterol absorption canals, which makes the cholesterol unabsorbed and it descends with the faeces. Plant-sterols can only be absorbed in a small amount since they have difficulties in passing the intestinal mucous membrane.[98]

5.2.2 Key success factors of ProViva

ProViva is the brand that attempts to be "the best friend of your tummy". ProViva has been on the Swedish market since 1994[99] and today it consists of, ProViva fruit drink, ProViva active, ProViva shot and ProViva sour milk. All of the ProViva-products are fruit and yoghurt drinks. In 2003 the probiotic bacteria LP 299v got ap-

[95] www.primaliv.com
[96] www.probi.se
[97] www.primaliv.com
[98] Interviews Nyberg, L.
[99] www.proviva.com

proved according to the Code of practice and ProViva became the first probiotic fruit drink in Europe.[100] The sales has increased every year since the start and today over 16 million litres of ProViva is sold yearly in Sweden.[101] ProViva is the only success in the market of products with health claims in Sweden today[102].

In general, sales development for products with health claims has been limited. At the end of 1990 and the beginning of 2000, there were indications of booming sales in this product category, but the predictions have not carried through.[103] The exception that confirms this trend is ProViva, which has shown steadily increasing sales from the introduction in 1994, which have accelerated the latest five to six years. Total sales have grown from 115,4 millions in 2001 to 208,7 millions in 2006, despite a limited marketing budget. Roughly 80-90% of Swedish consumers are familiar with the ProViva brand.[104] How has this been possible? The causes are not exactly defined, but according to Anders Ahlström, product manager ProViva and Urban Fasth, product manager PrimaLiv, there are mainly three factors underlying the success. Firstly, many consumers verify for themselves the intended effect of the products, which is a clearly improved physical condition for the consumer. The effect of the products is the same for all products in the family, and is well-known by the consumers. Secondly, the products are tasty and thirdly the flavours of the drinks are associated with naturally healthy flavours, for example blueberries, traditionally known as naturally good for the stomach. The combination of all three factors is probably the key to the ProViva success story that it has become.[105]

5.2.3 Competitors

The biggest dairy producer in Sweden and in Europe is **Arla Foods**, with about 80 % of the total milk production in Sweden and Denmark. Arla Foods is present all over the world and had a turnover of 55,6 billions SEK in 2005 of which 40 % come from Sweden and Denmark.[106] Arla Foods' mission is to offer modern consumers milk-based foods that create inspiration, security and well-being. Arla Foods have a product group called Cultura, which consists of sour milk, fruit drinks and yoghurt. The products are marketed as probiotics since the probiotic bacterium *Lactobacillus* casei F19 is added[107].

Unilever is a global company with presence in over 100 countries and a turnover of Euro 40 billions globally[108] and Euro 4,2 billions SEK in Sweden in 2005.[109] Unilever

[100] www.skanedairy.com
[101] http://int.skanemejerier.se
[102] Interviews Fasth, U.
[103] Ibid.
[104] Internal sales numbers
[105] Interview Ahlström, A., Fasth, U. 2007-01-29
[106] www.arlafoods.se
[107] Ibid.
[108] www.unilever.com

has over 400 brands and in 2005 over € 1 billions was invested in research and development, and about € 5 billions was spent on advertising and promotion. Unilever's mission is to add vitality to life, and this is going to be reached by handhold products for everyday needs.[110] Unilever has a product family called Becel, which consists a margarine, a cream-product and Becel pro-active. Becel pro-active has been approved according to the demands of a product with a specific health claim. The health promoting substance is a plant-sterol which function is the same as in the PrimaLiv shot described above.[111]

Danone is another large global company with presence in over 40 countries. Danone represents nearly 20 % of the international dairy market and is through that, the leading brand of the category. Danone had a total net sale of € 13 billions in 2005, worldwide and around 8.2 billion in Western Europe. Danone's stated mission is to *bringing* health through food to a majority of people[112], which clearly shows that health is the focus area of the company. Danone has a brand named Actimel, which is sold in portion sized packaging with different flavours. Actimel contain the probiotic bacterium *Lactobacillus* Casei Defensis.[113]

5.3 Legislation concerning marketing of products with health claims

Products with health claims are difficult to market since the law of pharmaceuticals prevent food producers from stating that their product "prevent, prove, relieve or cure illness or symptoms of illness"[114] which is the definition of a medicine. If a producer state something inline with the above description, it risks either charges or that the product becomes classified as a pharmaceutical. This includes much stricter control as well as higher VAT and therefore, the trustworthy producer tries to avoid such circumstances. In 1989, the Medical Products Agency decided not to apply the law of pharmaceuticals on products, which normally occurs on a dining table any longer, if some conditions were fulfilled considering the marketing. The conditions included that no concrete dosage direction were to be mentioned as well as other information that should not be used other than for medicines. More over, they declared that it would be suitable if a voluntary agreement were established with the industry in order to be able to handle the use of products with health claims. This agreement has evolved to the Code of practise named "Health claims when labelling and marketing foods", which aim is to correct function shortcomings on the market.

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[109] www.unilever.se
[110] www.unilever.com
[111] ibid.
[112] www.danone.com
[113] www.actimel.se
[114] Laser-Reuterswärd, A. (2005), p. 155

The idea of the Code of practise is to come up with ways of describing health benefits of a product without interfering with the law of pharmaceuticals[115]. This means that the consumer easier can value products on the market and choose a healthier alternative based on scientific facts rather than marketing. For example, the correct way of using health claims is as follows: “To eat sufficient amounts of fibre is important to keep the stomach intact, product A contain lots of fibre” in comparison to state that “Product A will keep your stomach in a good vigour.”[116] The first example could thus be used when there is a scientifically documented relation between a food component, health and a product rich in that food component.

The knowledge of diet-related diseases is expanding and according to the Worlds Health Organization (WHO), there are nine statements that are scientifically proven between diet and health[117]. These statements can be used if they are marketed inline with the correct example described above. Then there are products where established statements are missing due to its novelty. Probiotic products are an example of such category and in order to enable use of health claims also for those products the Code of practise was expanded in 2001 with regulations for product specific physiological claims.[118] When this type of products are going to get approval, a scientifically review is conducted by an expert group, which is appointed by the research committee within the Swedish Nutritional Foundation (SNF). If the experts are convinced that there is a health benefit of the product, they formulate a product specific health claim, which can be used in marketing.[119] There are six products that has been approved in Sweden; PrimaLiv yoghurt with muesli, Becel pro.active, ProViva and Hjärtans Lust (not on the market at the moment), Benecol and LGG®Plus.

In the beginning of 2007, new EU-regulations replaced the Code of Practise. This means that EU as a whole has the same regulations, which hopefully will have the consequence of facilitating shopping for the consumer. The Code of Practise is mostly the same as the EU-regulations but since the regulations are going to become an authority matter there is a greater risk of more bureaucracy even though the purpose is to promote what is best for the consumer.[120]

Another way of getting around the law of pharmaceuticals is to apply for defining the product as “Novel foods”. These include “foods or food ingredients, which so far have not been used to a greater extent within the EU”[121] and goes under special regulations except for ordinary foods. The regulations only put up safety as a review crite-

115 Interview Asp, N-G. 2007-02-14
116 Laser-Reuterswärd, A. (2005), p. 174 f.
117 www.hp-info.nu
118 Laser-Reuterswärd, A. (2005), p. 175
119 Interview Laser-Reuterswärd, A. 2007-02-28
120 Interview Asp, N-G. 2007-02-14
121 Laser-Reuterswärd, A. (2005), p. 164

rion, which make it difficult for the consumer to valuate the scientific evidence of the health benefit.[122]

5.4 Analysis of the producers impact on the business potential

The fact that the producers differ concerning size, turnover and global presence mean that they have different working conditions. Marketing activities are necessary in order to reach the consumers with new products. Developing new products is costly and time consuming, which makes it more difficult for small companies due to their smaller budgets. As shown in the missions and visions of above presented companies, they all focus on health and put an effort in developing new products in this category. For a single company, this can be regarded as increasing competition, and in some ways it is. However, we believe that the producers will benefit from each other when more products with health claims are developed. Through a rising numbers of products, the possibility for the segment to become more well-known increases. However, it is important that the product development follows the requirements from the consumers in order to prevent products with no consumer demand to be produced.

In order to obtain success with a **Product** it is of vital importance that the producer is aware of what **Customer solution** the product is supposed to be. The products with health claims offer different solutions, and those solutions must be communicated by taste, texture and packaging. The complete context of the product must support the health statement, and it must be understandable for the consumer why and when the product is going to be used. This is not the case today, and as we saw in chapter 3 there is great confusion amongst the consumer when and how the products are thought to be used. To solve this problem the products should be presented as a concept. It could be together with other products in the same category, but preferably as part of a traditional breakfast or a snack.

When introducing a new product on the market, **Promotion** is a fundamental activity. When the product is of a technical character and difficult for the consumers to understand, this is even more important. The effect of a product is very clear and could be **Communicated** to the consumers in an understandable way, were it not for the restricting legislation. The fact that words and expressions like "prevent, prove, relieve or cure illness or symptoms of illness" cannot be used makes it complicated for the producers communicate their message. As a result, the consumers do not understand the products properly and this conveys that PrimaLiv, for example, competes against ordinary yoghurts and other substitutes. This is devastating for the sales and as long as the consumers do not understand the products, the business potential will be very limited. To get around the legislation issues, many actors have unlawfully written more than is permitted in advertisements and on product packages. This may be efficient in a short term perspective, but we believe that this will make the consumer increasingly confused and sceptical. To remain reliable, the producers have a respon-

[122] Laser-Reutersward, A. (2005), p. 164

sibility to follow stated rules. For example, the producer could define newly developed products as novel foods and through that, market the products with a health message legally. We suggest that it would be appropriate to consider using general statements about health since these are both easy for the consumer to understand and have a scientifically established place in the market.

The level of the marketing activities is strictly determined by the budget. Depending on the size of the company the budget is varying and while Arla Foods, Danone and Unilever spend large sums on marketing each year, Skånemejerier is an actor with comparatively small resources. Nonetheless, we believe that Skånemejerier will be able to gain the trust of the consumers through its local support. By following our recommendations concerning the consumer’s demands, we believe that Skånemejerier is able to reach a large number of potential consumers on the home market.

Due to the current legislation, it is imperative to maintain the message to the consumers simple. The brand awareness of ProViva is about 80-90 % among the consumers and a significant portion is aware that ProViva is healthy for the stomach. All the products within the product family are having the same effect which makes it uncomplicated for the consumer to understand. When it comes to PrimaLiv the situation is different. Within this product family, all the products have different effects. The fact that the brand, PrimaLiv, is not associated with a specific effect makes it difficult for the consumers to understand the products. This means that every product must be promoted individually in order for that consumer to understand the effect of each specific product. This fact further limits the business potential for PrimaLiv specifically, but not for products with health claims in general.

As expressed in chapter 3, the **Price,** or the **Customer cost,** are important factors for the consumer in a purchasing position. Products with health claims are consistently more expensive than substitutable products without health benefits and a lower price increases the willingness of the consumers to purchase the products. However, those products are in the premium segment and are not intended to compete on the subject of price. Other product qualities are intended to be the reason for a purchase. From the producers’ point of view, this product category is aimed to be diversified products with high margins and they are striving to be on the top of the value triangle. Despite this, the producers may have to reconsider the price level of the products. We believe that it is possible to remain a high margin product, even if the price is slightly reduced. According to the focus groups, people are willing to pay extra for the additional effects, but the total customer cost is seen as too high by many consumers. We think that reducing the price level slightly would have a great impact on the sales of the products, and it would increase the potential in the long term.

To reach the consumers the **Place** where the products are to be found is vital. The above presented producers act on very different markets, where some act on a global market and other on a domestic market. This will of course affect the number of potential consumers, but to act in many markets is not necessarily the most decisive factor. It is more important how the products are positioned at the selected markets. It is important that the consumers find the products **Convenient** and easy to purchase. To be able to evaluate the best place, each product will have to be analysed independently. If the producers are not able to reach the stores, the business potential for the product segment is strictly limited. Products that are meant to be consumed directly from the package must be found in convenience stores and the others in ordinary grocery stores. This is not the case today, and we find this very discouraging for the business potential.

5.5 Sensory evaluation

The sensory evaluation test was conducted in accordance to described methodology in chapter 2.5.1. The results are confidential but some general conclusions can be drawn. Firstly, during the process we have found it valuable to complement the sensory evaluation with a questionnaire and a focus group discussion since the gathered material has been easier to analyse as there is much information about each consumer. We therefore recommend producers to use such methodology in future consumer studies. Secondly, it was very difficult to choose which reference product to include in the test. In order to minimize the choice's effect on the result we therefore recommend to have a structured discussion after the test is conducted where consumers are presented to the tested products and their packages. Then it is possible to see if the consumer change attitude towards a certain product if he or she know its nutritional value and the looks of the packaging. At last, the sensory evaluation conducted confirms the above described importance of taste and that the consumer prefer natural tasting products that are not too sweet.

6 Retailers

This chapter focuses on the necessity for the producer of products with health claims to manage its relationship with its retailers. The retailers are a crucial link in the supply chain since they control access to the consumer. The report focuses on the largest retailers in the Swedish market since they are most vital to the producers. For a better understanding of the relationships between the producer and the retailer, the retailers' process for new products as well as their attitude towards products with health claims is described in supply chain and category management terms. These relationships affect the business potential of products with health claims.

6.1 Supply Chain

A supply chain can be designed in different ways and consist of a number of levels. The lowest level, with no intermediate is called Level Zero. Level One, has one intermediate, for example a retailer in the food industry. In larger markets, several intermediates are involved and on the top level those constitute a whole network.[123] The supply chain is a subsystem within the business ecosystem and is affected by social, political, technological, cultural, physical and economical influences. The supply chain that is analyzed in this study starts with the manufacture/producer and passes wholesalers and/or retailers before it reaches the consumers, figure 8.[124]

Manufacturer → Wholesalers → Retailers → Consumers

Figure 8. Supply Chain.[125]

It is important to see the chain as an open system and that all members of the channel are dependent and important to each other. A channel member is more likely to grow and develop, and with that the whole chain, if

- the member defines its role in the context of the chain
- the member monitors changes in the environment that are related to its role
- the member undertakes corrective actions to adjust deviations between role expectations and role outcome
- the members are coordinated with each other
- there is a balance between internal expectations of the member and those imposed by the super ordinate members
- a high level of market performance is achieved with a high level of member satisfaction[126]

[123] www.wikipedia.org
[124] Stern, L., El-Ansary, A. (1988) p. 16ff.
[125] Ibid

In general there are two types of supply chains. In the conventional distribution channel, the members function as separate units and each unit maximizes its own interests. The needs of each member are prioritized at the expense of the total channel and decisions are often taken by single members of the chain. The channel is coordinated by negotiations and conflicts are common between the members. This type of distribution chain can be seen as a traditional supply chain. Today it is more common with vertically integrated supply chains, where the members share the same interests and strive to reach common goals. The channel is integrated and coordinated to control the channel functions. All members cooperate to strengthen the chain as a system where all participant's resources and competences are utilized.[127]

For a producer, the supply chain may include barriers such as limited capacity of shelf space in the food industry or risk aversion by retailers towards the costs of an additional product. Therefore retailers may be reluctant to introduce new products in their assortment.[128]

6.2 Category management

Category management was developed as a response to increase competition in the mid 1990s and aims to optimize the profitability for a certain category of products, instead of just a single brand or product line. The main purpose of category management is to define categories from a consumer point of view. Therefore, products that fulfil a specific need are placed together. For example, a PrimaLiv yoghurt and muesli might be the snack alternative to banana, and should therefore be placed together. Frozen vegetables should, according to the theory, be placed together with fresh vegetables and vegetables in a can, though this is not the rule. Currently, store design and logistic aspects determine product location. Displaying dinner products in one group and breakfast products in another creates a potential for higher profits.[129]

6.3 The Swedish retail market

The Swedish retail market is mainly concentrated to a few large players, ICA, Coop and Axfood, figure 9[130]. Together they have over 80 % of the market share, making them vital for many producers.

[126] Stern, L., El-Ansary, A. (1988) p. 16ff.
[127] Armstrong, G., Kotler, P. (20050) p. 354ff.
[128] Grant, R. (2002) p. 76
[129] Lange, F., Wahlund, R. (2001) p. 11ff.
[130] www.konkurrensverket.se

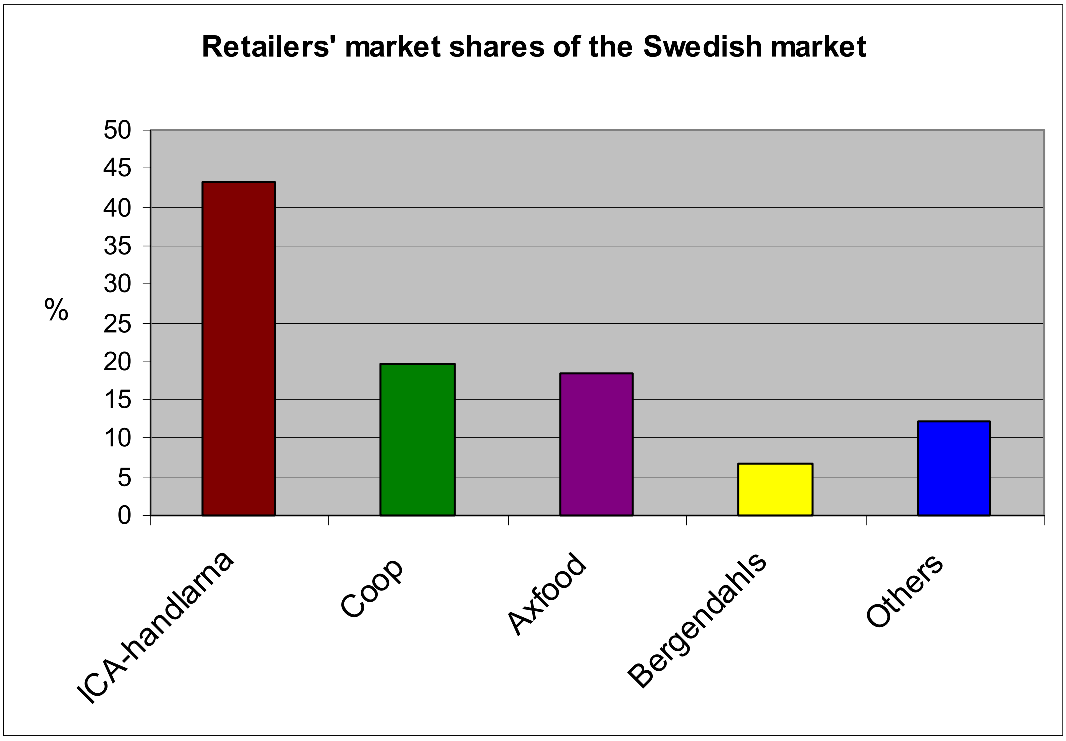

Figure 9. Consolidation in the Swedish market.[131]

High market consolidation gives the retailers a power advantage over the producers. The retailers decide the store assortment. The producers are dependent on the retailers' decisions for their products to reach the shelves and the consumers. The size of the producer varies, but in most cases they are too small to be able to put pressure on the retailers. The retailers themselves disclaim their power advantage, stating that the consumers decide the assortment. The logic is very simple: what consumers buy and demand will be on the selves.[132] The retailer's power over the assortment mainly concerns choosing to introduce new products and how to display them in the store.[133]

6.3.1 Retailers' definition of healthy products

All the larger retailers have stores with varying focus areas, sizes and price level, which naturally is reflected in the stores' product assortments. There are general similarities between the stores' concepts, and each retail group has an overall statement concerning health and definition their concept of health.

ICA has a wide health definition including everything from healthy food to physical activity. To meet the consumer demand for sound foodstuffs, ICA has launched their

[131] www.konkurrensverket.se
[132] Interviews Haglund, J., Lidåkra, P. 2007-03-02, Karlsson, E. 2007-04-04
[133] Meeting Lindén, M., Persson, C. 2007-02-28

own “health brand” Gott Liv. They have no specific statement concerning products with specific health claims, and those products are assessed the same manner as all other products.[134]

The Coop group has a strong overall health focus, even if some of their store concepts are more specialized towards health. According to Per Lidåkra, category manager for dairy products at Coop, the health trend among consumers has become stronger during recent years. Coop is increasing its profile efforts to be perceived as a healthy grocery store by the consumers. To attract health-conscious consumers Coop’s strategy is to focus on good fruit and vegetables, fresh bread and ecological products. Coop’s definition of healthy product is: lean products, functional foods (products with health claims) and natural products.[135]

At Axfood the health trend is also very clear, but with no determined definition. There is a substantial but ambiguous internal discussion about the definition of health. This discussion includes products with health claims, as well as products for allergenic customers. The third section is ecological products that consumers consider are healthy products.[136] Axfood has a general interest in healthy products and has an outspoken willingness to try new products within the category, including products with health claims.[137]

6.3.2 How to choose the assortment

All retailers have similar processes towards their producers. During a year there are currently four evenly dispersed occasions, when dairy producers may launch new product innovations or line extensions. These periods are called launching windows, and are cited by Efficient Consumer Response (ECR) for increasing consumer good and for efficiency within the market. [138] It takes approximately 15 weeks to launch a product, starting with the producer announcement of a new product in the offing. The few windows of opportunity during a year pressure the producer to match its product development to these windows while assuring retailer interest in a short and crowded time span.[139]

The overall process starts when the producer presents new products. The team then discusses if the product will be a part of the basic assortment, a decision where the category manager plays a decisive role. For ICA the most important factors are: innovation level, calculated selling, consumer demand and marketing effort from the producer.[140] Similar evaluation factors are used by Axfood. The two most important fac-

[134] Interview Karlsson, E. 2007-04-04
[135] Interview Lidåkra, P. 2007-03-02
[136] Interview Haglund, J. 2007-03-02
[137] Ibid.
[138] ECR-Tidsfönster 2007, (2006) p. 3ff.
[139] Meeting Lindén, M. 2007-02-28
[140] Interview Haglund, J., Lidåkra, P. 2007-03-02, Karlsson, E. 2007-04-04

tors for launch are: producers' promotional efforts for the product coupled with overall assortment development.[141] Completely new innovative products are rare in the food industry, and most product introductions are line extensions. If a totally new product is to be introduced on the market, Axfood evaluates the product impact and if it will address an unfilled niche. A major marketing campaign from the producer increases Axfood's interest, since this gives a higher potential for customers interest and requests. Consumer demand is the most effective way to get a product into the assortment. [142]

All three retailers have category managers who choose the assortment for a specific category. Category managers have excellent product range knowledge and cooperate with their team to decide what products will be accepted.[143] At the central level a basic assortment is assembled and recommended to the store managers. The process differs between ICA as compared to Coop/Axfood. ICA has many individual store owners, while stores in the other groups are mainly owned by the parent company. For ICA, each owner may choose their own assortment, though it is most usual to follow the recommendations from headquarters[144]. According to ICA store managers, the consumers' demands are the decisive factor for which products are taken into the assortment. The franchise owners at Axfood are totally free to take in any products in their assortment, but Axfood-owned stores are more aligned to the general assortment with leeway to adjust the assortment to local consumer preference and the geographical area.[145]

The producer's possibility to force a product in the assortment is major marketing activities, creating customer demand for the product, convincing or forcing the retailers to include it in the assortment.[146] Marketing expense usually hinders pro-active campaigns. Usually the producer has an agreement from the retailer that the product will become a part of the assortment, before starting major marketing efforts.[147]

6.3.3 Shelf design

After inclusion in the assortment, work for the best shelf position starts. Optimization of shelf design and product positioning on shelves and in the store for maximum sales is a specialist area for designated persons. The specialists work at retail headquarters and create maps for store design for the use of store managers[148]. These maps describe where different categories of foodstuffs are placed to optimize consumer flow. Currently most stores follow the same pattern, with the provisions placed in categories

[141] Interview Haglund, J. 2007-03-02
[142] Ibid.
[143] Interviews Haglund, J., Lidåkra, P. 2007-03-02
[144] Interviews Månsson, R. 2007-03-01, Nilsson, A. 2007-02-14
[145] Interview Haglund, J. 2007-03-02
[146] Interview Haglund, J., Lidåkra, P. 2007-03-02
[147] Meeting Lindén, M., Persson, C. 2007-02-28
[148] Results from interviews with store managers

such as bread, vegetables, meat, baking but not grouped by breakfast, lunch, and dinner.

How specific products within each category are place on the self is principally based on margins and volume, and most often the store manager decides shelf disposition[149]. Of course there are more and less advantageous shelf spots which affect product sales. Despite the recommendations from headquarters there are possibilities for producers to influence shelf design. A majority of the store managers mention producer influence. The store and the producer can cooperate in allowing the producer to rebuild the shelves in order to increase product exposure. The overall design guidelines mentioned above still hold for producer-built shelves.

6.3.4 Private label

Private labelling, where the retailer sells products under their own brand to a lower price, has become more and more common in recent years. The effect on producers and the total assortment is difficult to prognosticate, and each source gives its own view of the subject.

From the retailers' point of view, private label products increase their range and offer price worthy products[150]. Retailers try to increase the share of private label to 20-25 % of their sales[151]. Category managers are fairly confident that private label will capture an increasing market share since those products always are cheaper and most often with equal quality[152]. This makes the product group a dangerous competitor to market leaders. Using private label gives the retailers an easier path for including their products in the assortment[153]. Usually private label products enter the market some years after the market leaders, where product development and investment resides. Haglund deems this to be a reasonable situation, since those investments are depreciated in a defined time period.[154] Private label puts pressure on existing producers and will therefore increase the consumer value in terms of lower prices and an improved assortment[155].

However, the producers have another point of view. While the retailers claim private label will lead to an increased range of products, the producers say the opposite. They claim there is a risk that market leading products will disappear due to private label competition. As a result, there is an overwhelming risk the product range will diminish in the long run and eventually erode consumer value. This makes it even more important for the producers to build strong brands and focus on product development.

[149] Interview Karlsson, E. 2007-04-04
[150] Interview Haglund, J. 2004-03-02
[151] Interview Haglund, J., Lidåkra, P. 2007-03-02
[152] Ibid.
[153] Interview Skjöldebrand, C. 2007-04-18
[154] Interview Haglund, J. 2007-03-02
[155] Interview Karlsson, E. 2007-04-04

A retailer who does not use private label is Bergendahls, giving an opportunity for the market leaders to maintain their products on the market.[156]

6.3.5 Marketing of the products

As mentioned above, product marketing is of vital importance for the producers to reach the shelves and thereby the consumers. Specific products are marketed both by the producer and by retailers. Market spending varies for each producer, but there is a clear correlation between marketing intensity and consumer awareness.[157] The fact that consumer notices the product is a basic condition for a purchase.

Retailers strive to keep the assortment updated and are generally interested in marketing new products. However, they do not see themselves as responsible for marketing specific products, since it is producers' responsibility.[158] Retailers use different marketing sources, such as TV commercials and newspapers ads. The decision process for choosing which products that are included in a marketing effort varies, but only producers that are prepared to take the costs are included in the market plan.[159] Participation in a market plan is an efficient but costly way to reach the consumer.

Alternatively, the products can have note-sized ads on the shelf itself. All three retailer groups offer this possibility, and it is administrated both centrally and by individual stores. Advertising material is provided by the producers and set up by store personnel. Store managers are generally positive to this marketing method, as long as the shelves are not overloaded with information. This advertising channel is free, aside from the material expense.[160]

6.3.6 Trends identified by the retailers

All stakeholders are aware of the health trend in their business, but there are also other emerging trends. A strong trend is that consumers are much more interested in the content of foodstuffs and increasingly demanding natural foods. Consumers are aware of and sceptical to additives such as colouring and sweeteners. Atkins and GI have influenced consumer requirements concerning carbohydrates and fat. A higher fat level is currently acceptable, and is in many cases preferred at the expense of foodstuffs rich in carbohydrates.[161] Yoghurt with low sugar levels has been a popular product, but currently the sale of fatter yoghurt increases at the expense of products with low sugar content.

Also, people spend less time preparing food, increasing the demand for readymade food and specifically for healthy ready-mades. Between 80 and 90 % of the consum-

156 Meeting Lindén, M. 2007-02-28
157 Interview Haglund, J. 2007-03-02
158 Interview Karlsson, E. 2007-04-04
159 Interview Haglund, J., Lidåkra P. 2007-03-02, Karlsson, E. 2007-04-04
160 Results from interviews with store managers
161 Interview Karlsson, E. 2007-04-04

ers recognize the keyhole symbol, and look for it when grocery shopping. The pre-cooked segment has improved its nutrition content, but there is still a high potential for healthy products within this category.[162]

6.4 Analysis

The supply chain of retailers and producers in the food industry is in many ways a conventional distribution channel, where the channel members try to maximize their own profit rather than the total chain profit. Chain members are not closely integrated. Theoretically it would be favourable for all parties to integrate the chain and reach a higher level of efficiency, but it could be difficult. The power balance between the retailers and the producers is a root cause. The consolidation of retailers gives them a superior negotiation position with less dependence on the producers. The producers are the weaker partner in this chain section. The retailers deal with numerous producers, while the producers only deal with five or six retailers of which three or four are more important. Retailers' possibility to utilize private label also lessens the advantages of an integrated chain, making retailers and producers into competitors, thereby widening the retailers' total role in the supply chain. However, this way of visualize the supply chain we believe is a bit old school. Instead the chain should be seen from the opposite direction, starting with the consumers, since they are the core to reach higher business potential, figure 10. This would give a process based flow with the consumer in focus. This view of the situation would probably also increase the understanding amongst producers and retailers about the importance of the consumer.

Consumers → Retailers → Wholesalers → Manufactors

Figure 10. Reversed Supply Chain

At present there are no private label products with product with health claims, but this is probably just a matter of time. However, as long as the consumers do not understand the difference between approved products and non-approved products, private label products will constitute a threat. Due to these circumstances it may be hard for the producers to be an important part of the retailers' chain. The result is a non-optimized supply chain, decreasing its total business potential.

It is vital that producers assure that retailers understand their importance in the supply chain, even if retailers would not profit directly from supply chain efficiency. A clear definition of the retailers' role in the chain, as well as recognition of the importance of mutual communication and understanding would be a step in the right direction. Shared information concerning consumer demands and trends will increase business for both parties, even if the chain is not fully integrated. A first step can be to assure

[162] Interview Lidåkra, P. 2007-03-02

that the category managers at each retailer have a true understanding of the products with health claims, which is lacking today. The health definitions presented by the retailers are in many cases unspecific and it is not certain that they include products with health claims. Further on, category managers are not familiar with the HP-labelling which is the only label for products within this category. Lacking knowledge of the products' effects and in combination with an unclear strategy for assortment inclusion, makes the category managers a barrier for products with health claims to reach the shelves. Producers must pro-actively push product information and their specific profiles compared to traditional products. Continual information should be given concerning new trends and developments in the market for products with health claims, coupled with specific information such as labelling systems. If the expert, the category manager, does not understand, it will be difficult to reach the store managers and finally the consumers.

For a positive relationship to the retailers, a good shelf position is important once the product has been included in the assortment. Shelf design is based on margins and volumes, but we do believe that a good relation will be helpful in those negotiations. Products with health claims are high margin products and this should motivate the retailers to facilitate increased sales. They are also interested in having an up to date range of products and which includes this product category.

Presenting the products in a store context would increase the product group's potential. This would help the consumer understand when and how to use the products. Category management theory shows that product sales increase if the product is presented in the correct context, benefiting both the retailer and the producer. Designing shelves in cooperation between retailers and producers is an alternative where we see great potential. Impacting a total retail chain is difficult, but a smaller producer such as Skånemejerier should be able to succeed with shelf design at the individual store level Since Skånemejerier has excellent local knowledge and awareness, we believe they have a specific advantage in succeeding in their work with "category health". It is a good start to put healthy dairy products together, and next step would be to put those produce next to "traditional" products, in a concept, and make them the Natural Choice.

The trends for natural foods, low sugar level and scepticism to additives create resistance to products with heath claims. Health-claim foods do not currently meet these requirements. Therefore we believe that product descriptions should be improved and product managers as well as retailers in general must be made interested and informed concerning products with health claims. These improvements will take some time, but it is important for producers to show that they understand current and coming trends and that their products are continually adapted to ongoing consumer preferences.

7 Summarizing discussion

The objective of this chapter is to sum up the results of this thesis and to see what conclusions that can be drawn on an overall level. At first, interesting observations will be presented and then followed by recommendations. The model which has been used during the entire work will structure the discussion, figure 11.

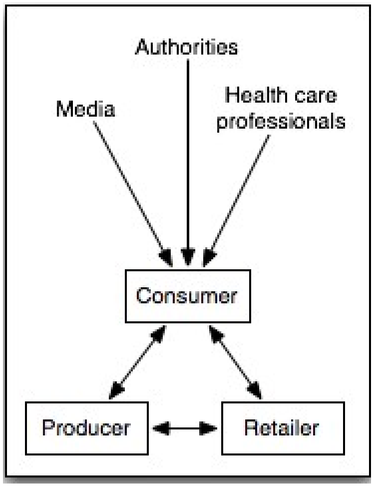

Figure 11. How different factors influence the consumer, which decides the business potential of products with health claims.

7.1 Consumer

We have observed that consumers are interested in their health and in buying healthy products since market research studies, the results from Eva Landström's article and interviews with focus groups conducted in this study all point in this direction. However, our investigation shows that consumers do not include products with health claims in the category of healthy products. When consumers express what factors that are important in a buying decision of a healthy product they mention taste, nutritional value, natural characteristics and price as important. The main reason for buying healthy products is to keep or loose weight. The Keyhole symbol is widely known among consumers, while the HP-symbol, which has been used for products with health claims, is known by a very limited numbers of persons.

Since products with health claims are not spontaneously connected to the category of healthy products, producers should use the results of market research studies with care. The consequences for the producers of above described situation are that they should focus on developing products that will be able to achieve the keyhole symbol rather than symbols specific for products with health claims. It will be difficult for products with health claims to become a part of consumers' association to healthy food. However, it is important for the producers to be aware of the fact that their *products are not spontaneously defined as healthy products by the consumers. Therefore it is of major importance for the producer to evaluate if the consumers understand what needs each specific product is supposed to fulfil.*

The distrust and insecurity of the consumer is quite high, which make it important that the product fulfil the promised effects. This means, for example, that products with an immune-strengthening effect, will meet a tougher market than ProViva, since such effect is much harder to identify. The effect of ProViva could be perceived in a near future. *Therefore, producers must focus on products with effects that the consumer is able to experience.*

7.2 External affecting factors

Interviews with persons at the SNIPH and the NFA show that these authorities do not actively support products with health claims. The authorities believe that the product category is no solution to any public health issues even though the products could help certain individuals. Therefore the producers have taken on a greater responsibility in marketing products with health claims which might be the reason for consumers being sceptical. The SNIPH and the NFA are invisible to most consumers since they do not try to overwhelm the consumer with information.

The authorities' passivity is not necessarily a threat to products with health claims, but if the opposite situation would come the producer would definitely gain an advantage. The producer should therefore work with the authorities in question and present new scientific evidence. This might change the attitude of the authorities in the end.

The results from the focus groups discussions and one of Landström's articles shows that the trust in products with health claims increase if they are recommended by health care professionals. However, Landström's study indicates that health care professionals have major lacks in their knowledge about products with health claims. This makes them less inclined to recommend the products. But, if the health care professional is informed about the effects of a certain product's health benefits, he or she becomes more positive. Landströms results are not statistically proven, but are interesting observations that should be more thoroughly investigated in future studies.

To use health care professionals as an information channel and ambassadors for products with health claims is one suggestion on how to increase the business potential of products with health claims. We suggest that a clear strategy on how to strengthen this work will be done and that it is a prioritized marketing area. The target objective is to increase consumers trust in products with health claims and since the authorities are difficult to influence it is easier to network with health care professionals. However, it is important to bare in mind that health care professionals are not allowed to recommend a certain product, which might complicate the work.

Media is influencing consumers to a large extent and many of the participants in the focus groups discussions mentioned that the information from shows with a health theme, such as "*You are what you eat*", do have influence on their behaviour. Moreover, popular diets like Atkins and the GI-method have changed people's perspective about what's healthy to eat.

One way to create an advantage from the above described situation is to contact health shows in order to start cooperation. Maybe the show could visit the plant where the products are made and speak with the scientists that have documented the health effects. Since people seem to rely on "health gurus" a product which would occur in connection to them, could create positive publicity of the product category and thereby maybe increase the business potential.

7.3 Producers

The level of a producer's marketing activities is strictly determined by the budget. Depending on the size of the company the budget varies. While Arla Foods, Danone and Unilever spend large sums on marketing each year, Skånemejerier is an actor with comparatively small resources. Skånemejerier must therefore compete on other levels than the marketing budget.

Products with health claims are sold to a higher price due to the health effect. The consumer must therefore understand the added value in order to become interested. As it is today, few consumers have knowledge of the physiological effect and only 25 % of the consumer who had consumed products with health claims perceived an effect.

We suggest that promotion about products with health claims is based on creating an understanding for the health effect since this is the only way of communicating the products extra added value. The marketing should preferably be presented in TV and in health related magazines. Moreover, the business potential most certainly increases if the health effect of a product is experienced in connection to the time of consumption. This functions as a guarantee from the producer that the product really has a health promoting effect. Skånemejerier have a strong local support which it should make use of in the competition with big actors.

Results from the discussions in the focus groups as well as results from market research studies indicate that consumers find products with health claims too expensive for everyday use. The consumers are only willing to pay the premium price in situations where they, personally or someone else in the family, have a certain need for it, temporarily or over time.

To increase the competitiveness for products with health claims we believe that the producers should consider try lowering the price of a certain product during a limited time .The price should still be in the premium segment but not as high as today. This *might be an opportunity to see if it is only the price that hinders consumers to buy products with health claims and to introduce new consumer groups to the category.*

7.4 Retailers

Considering the interviews with the category managers at the three largest retailer chains in the Swedish market the impact of private label has increased lately and it will most likely continue to do so. This means an increasing competition for shelf space and strengthens the power of retailers. Products with health claims, with the exception of ProViva, are already dealing with issues to reach the shelves, and increasing competition might therefore be devastating.

The increased competition for shelf space is limiting the business potential for products with health claims. There are no private label substitutes for this product category today, but this is only a matter of time. Therefore, we believe it is crucial for the producers to strengthen their brands and make them unique to the consumers so that they pick the producer's products rather than the private label products. The complexity of products with health claims is one of the reasons for the consumer's insecurity. If the producer is able to establish its brand as exceptionally reliable, the consumer will be more likely to buy their products compared to similar products with private label. The producer must therefore put effort into marketing and brand awareness among the consumers.

Results from the discussions conducted in focus groups shows that consumers do not seem to know how and when products with health claims are supposed to be consumed. Because of this lack in market positioning, products with health claims are today competing against ordinary juices and yoghurts and the number of substitutes are therefore high.

The retailers are already working with different categories in some stores, and sometimes the producer is a part of that work. We believe that by extending the category work and put products with health claims, not just among other healthy products, but in a concept of breakfasts or snacks the consumers' understanding for when to use the products would increase.

8 Conclusions

Concluding observations

- Consumers are not willing to negotiate about the taste of a product just because it is healthy. Therefore, a sensory evaluation adds important value to products with health claims.

- Good taste and texture are co-related to natural characteristics.

- The keyhole is a symbol which adds value to the product.

- Consumers would pay a higher price if they understood the effect of the product, but since this is not the case today, they find them too expensive.

- The most efficient marketing channel for products with health claims is television, followed by papers and magazine, preferably with a health approach.

- The effect of a product with health claim should be experienced in connection to the time of consumption as a guarantee from the producer that the product really has a health promoting effect.

- Consumers listen to and follow recommendations from health care professionals. However, there are indications, which are not statistically proven, that health care professionals' attitude towards products with health claims is not positive, but if they are enlightened about the products' effect they change their point of view.

- The SNIPH and the NFA do not consider products with health claims as a help to improve public health, but they see the products' possibilities to help certain individuals. Media influence the consumer to a large extent and the numbers of shows about health are many. "Health gurus" like Anna Skipper and Fredrik Paulun are familiar personalities and they have impersonated the health trend that is very obvious in the society today.

- Private labelling is a great threat to every food producer as the phenomenon intensifies the competition in the market. This puts the producer under pressure and empowers the retailer. If a producer wants to exist in the future it must create a great demand for its products in order to get shelf space in a store. The consumer demands products with good taste, reasonable price and good nutritional value.

Recommendations

- A producer of products with health claims should invest in sensory evaluations of its products before introducing them to the market.

- Since natural taste and texture associations create positive experiences among consumers, the flavour of a product with health claims should reflect something that is naturally healthy. The level of natural experience is therefore a good measurement of what the consumer demands.

- A producer should work in the direction where its products with health claims live up to the key-hole requirements as an addition to the new EU-regulations on products with health claims.

- Since many employers offer their employees snacks, it is of interest to investigate how cooperation between a producer of products with health claims and an employer would work out in order to boost sales rates of products with health claims.

- Products with health claims are more expensive because of the health effect. It is therefore important to make sure the consumer understands the effect, which should be reflected in the marketing of the product. The marketing should preferably be presented in TV or in health related magazines.

- Producers should strengthen their relation to health care professionals in order to make them realize the effect of products with health claims. It would also be interesting to conduct a larger study on health care professionals attitude towards products with health claims to see in which way they prefer to be informed.

- It is important to maintain a good relationship with the SNIPH and the NFA through present more scientific proof of the products with health claims. It is inappropriate to develop products where the scientific proofs are evidently unconvincingly.

- The increased competition from private label products implies that there is no use in having products with questionable taste and high price. The producer must invest larger amounts in a brand, than is the case of PrimaLiv, if it is going to be able to remain in the market.

- The category management work, considering health products, which is carried out by Skånemejerier in cooperation with retailers is positive and should go on as it is today.

9 Further research

It has been very interesting to write this master thesis and along the way we have identified a couple of areas that would be interesting to do further research on.

9.1 Plan of action

This study has resulted in a number of concluding observations and recommendations, which are presented in chapter 8. However, these are not internally ranked and there are no time plan showing in what order to carry them out. This has not been done due to lack of time, but we do believe it would be of great interest and help for Skånemejerier if this was done. Further research concerning cause and effect relations of the recommendations would therefore be desirable.

9.2 Target group

The target group for products with health claims is determined to be mainly women 30+. The study conducted in this thesis indicates that this might not be the only interesting group to focus on, and we therefore believe this area would be of good value for the producers to investigate further. A study with a more open minded attitude towards the target group might result in a re-evaluation of it. Further on, to be able to investigate the total business potential, research concerning how to reach men would be interesting. They do not constitute the target group today, but if there was a good way of reaching this group of persons it would also give a better picture of the total business potential.

9.3 Comparison between ProViva and PrimaLiv

Skånemejerier is dealing with non-satisfying selling numbers for PrimaLiv, but at the same time the other product family of products with health claims, ProViva, is showing great numbers. An investigation of the success factors of ProViva and a deeper analysis of similarities and differences between the two product families, is therefore believed to be of interest. For a consumer the effects of ProViva and some of the PrimaLiv products are very similar and it would therefore be of interest to map out what factors that has made ProViva the success it is today and if it is possible to transfer this knowledge to PrimaLiv.

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Appendix I

Technology Management
Lund University
March 2007

This interview session is conducted by two students from the Technology Management programme at Lund University as a part of their master thesis. The master thesis' subject is "healthy foods" and the objective with the interviews is to find out store managers view of the health trend, products with health claims and what requirements that are put on a product in order to become part of the assortment.

Interview questions to Store Managers

1. Could you tell us about your background? For how long have you been working in this company? For how long have you been the store manager?
2. How many employees do you have? What is the turnover of the store? Do you have any statistics concerning how much the turnover is for healthy dairy products?
3. Who decides which products are going to be presented on the shelves in a store? Locally/centrally/a combination?
4. On what grounds does a product become part of the assortment?
5. Is the product range adjusted to the local consumers?
6. For how long can a certain product be in the assortment without generating a profit?
7. What are the demands on a product concerning turnover volume and profit margin?
8. Who decides how the products will be arranged in the store? How much additional information can be put in connection to the product?
9. What is your attitude (as a store manager) towards "healthy" products?
10. What types of products do you consider as healthy?
11. Are you going to develop the health assortment in the store in the future? If yes, in what ways?
12. What consumer trends do you see concerning healthy products?

Appendix II

Technology Management
Lund University
March 2007

This interview session is conducted by two students from the Technology Management programme at Lund University as a part of their master thesis. The master thesis' subject is "healthy foods" and the objective with the interviews is to find out retailers view of the health trend, products with health claims and what requirements that are put on a product in order to become part of the assortment.

Interview questions to Category Managers

1. How do you define health and what is your view of ”healthy products”?
2. In what way do you work with the general health trend of today?
3. In what way is your assortment influenced by consumer demand? How do you gather information about the consumer?
4. Do you see any specific consumer trends?
5. How is a new product introduced in your assortment?
6. What are the requirements of a new product considering sales rates?
7. Who decide if a product should become part of the assortment or not?
    a. On what ground are the decision based?
8. What is the freedom level of an individual grocery store considering choice of assortment?
    a. Is the product assortment adjusted to the location of the store?
9. How are the shelves designed?
10. What responsibility do you have/take when it comes to marketing of new products?
11. Could you tell us about the decision process of which products that is picked to be presented in advertisement-papers etc.?
12. In what ways does private label influence the trade in a long term perspective?

Appendix III

Part 1

Technology Management
Lund University
March 2007

This opinion poll is conducted by two students from the Technology Management programme at Lund University as a part of their master thesis. The master thesis' subject is "healthy foods" and the objective with the opinion poll is to find out which products that are experienced as healthy according to the consumer. All of the answers are going to be treated strictly confidential, which means that the answer will not be connected to persons participating in the study. Please, answer the questions as thoroughly as possible!

Opinion poll about healthy foods

1. Are you a:
   □ Woman □ Man

2. Which age group do you belong to?
   □ 15-25 years □ 25-45 years □ 45- years

3. What level of education do you have?
   □ Elementary school □ High school diploma □ University diploma
   □ Other

4. What do you usually have for breakfast?
   ____
   ____
   ____
   ____
   ____

5. Where do you usually have your breakfast?
   □ Do not eat breakfast
   □ At home
   □ At work/in school
   □ On my way to the work/school
   □ Other: ________________________________

6. How do you usually shop your breakfast?
   - □ Weekly from grocery store
   - □ Daily from grocery store
   - □ On the way to/from school or work to have there
   - □ Usually at restaurants
   - □ Somebody else in the household buys my breakfast
   - □ Other: ____

7. What do you usually have, if you eat a snack?

   ____
   ____
   ____
   ____

8. Where do you usually have your snack?
   - □ Do not eat snacks
   - □ At home
   - □ At work/in school
   - □ On my way to the work/school
   - □ Other: ____

9. How do you usually shop your snacks?
   - □ Weekly from grocery store
   - □ Daily from grocery store
   - □ On the way to/from school or work to have there
   - □ Usually at restaurants
   - □ Somebody else in the household buys my snacks
   - □ Other: ____

10. Are you interested in healthy foods?

□ Yes

Motivation:____
____

□ No

Motivation:____
____

11. When you enter a grocery store, how often do you thing of buying what you define as healthy?

    □ Always
    □ Usually
    □ Sometimes
    □ Rarely
    □ Never
    □ Do not know

12. Describe what a healthy product is based on your opinion:

    ____
    ____
    ____
    ____

13. How do you prefer intake of vitamins and minerals?

    □ Through eating a balanced diet
    □ Through eating vitamin and mineral pills (dietary supplements)
    □ Through eating or drinking foods enriched with vitamins and minerals
    □ Other, namely: ________________________________

14. On a scale between 1 and 10, how healthy do think the below described product descriptions are? (The higher number the healthier, put the number beside the description in the empty space)

    ___ Low-fat products
    ___ Products with low sugar content
    ___ Products with low salt content
    ___ Products with added vitamins or minerals
    ___ Fruits and vegetables
    ___ Products with an added health effect
    ___ Fiber rich products
    ___ Natural products (with no artificial substances)
    ___ Organic foods
    ___ Other, namely: ____________________________________

15. Are you familiar with the expression Functional Foods?

    □ Yes □ No

If yes in question 15, please continue with question 16. If no, the questionnaire is finished, please continue to part II!

16. Name a few Functional Foods products:

____

____

____

17. What is your attitude towards Functional Foods products?

□ I am positive
□ I am neither positive nor negative
□ I am negative

Please motivate your answer:

____

____

____

18. What would make you/ have made you purchase a Functional Foods product?

____

____

____

____

The questionnaire is finished!