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Master Thesis
January 2006

An Entrepreneurial Approach to Marketing Research: Drugstores in Sweden?

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Abstract

Title:	An Entrepreneurial Approach to Marketing Research: Drugstores in Sweden?
Seminar date:	16.01.2006
Course:	Master Thesis in Business Administration, 10 Swedish credit points (15 ECTS)
Author:	Marie-Luise Guzzoni
Advisor:	Professor Magnus Lagnevik
Key words:	Drugstores, international marketing research, SWOT, scenario analysis, entrepreneurship, DESOA
Purpose:	The purpose of this study is the understanding of the Swedish Market for Drugstores and the creation of a new approach to marketing research, based on the thesis' methodological proceeding.
Method:	This research is aimed at an understanding of a phenomenon and is thus a qualitative study, rather than quantitative. In the collection of the material an abductive approach has been used. Primary information sources are an observation, interviews, a questionnaire and document research. Secondary information sources are scientific articles on the important theories. Primary and secondary sources are being analysed continuously during the thesis and unified in the last chapters.
Theories:	The theory of international marketing research, with a central model, the SWOT-analysis, is taken as a starting point. Together with the scenario analysis and the theory of entrepreneurship they build the theoretical frame of reference.
Empirical foundation:	The empirical foundation consists of a market research of the Swedish market and a case-study of one German company.
Conclusions:	During the course of the research it has become clear that a classical market research is not enough for a perfect understanding of the market of interest. It is moreover necessary to find out about the dynamics in the market. Furthermore not every company has the same opportunities when entering the market; certain company-specific characteristics are required. The conclusion will explain that there are no drugstores today due to historic and structural reasons and propose a new approach to marketing research, based on the argumentation above. This new approach is called DESOA, Dynamic Entrepreneurial Strengths Opportunities Approach.

Sammanfattning

Titel:	An Entrepreneurial Approach to Marketing Research: Drugstores in Sweden?
Seminarie-datum:	16.01.2006
Kurs:	Magister uppsats i Företagsekonomi, 10 svenska poäng (15 ECTS)
Författare:	Marie-Luise Guzzoni
Handledare:	Professor Magnus Lagnevik
Nyckelord:	Drugstores, international marketing research, SWOT, scenario analysis, entrepreneurship, DESOA.
Syfte:	Uppsatsens syftet är en förståelse av den Svenska Marknaden för Drugstores och skapandet av ett nytt tillvägagångssätt inom marknadsundersökning, baserad på uppsatsens metod.
Metod:	Denna undersökningen syftar på att förstå ett visst fenomen och är därför en kvalitativ studie, mer än en kvantitativ. Jag använde mig av ett abduktivt tillvägagångssätt vid insamling av material. Primära informationskällor är en observation, intervjuer, t frågeformulär och dokument undersökningar. Sekundära källor är vetenskapliga artiklar om de viktiga teorierna. Både källor blir analyserade kontinuerligt i uppsatsen och förenade i de siste kapitlen.
Teori:	Teorin om internationell marknadsföring, med ett centralt modell, SWOT-analysen, står som utgångspunkt. Tillsammans med scenario analysen och teorin om entreprenörskap bildar de teori-ramen.
Empiri:	Empirin består av en marknadsundersökning av den svenska marknaden och en fallstudie av ett tyskt företag.
Slutsatser:	I löpet av undersökningen blev det klart, att det inte är tillräckligt att genomföra en klassisk marknadsundersökning för att få en perfekt förståelse av marknaden. Det är dessutom nödvändigt att ta reda på dynamiken i marknaden. Förutom detta har inte varje företag lika stora möjligheter att ta sig in på marknaden, vissa specifika karateristiska i företaget krävs. Slutsatsen kommer att förklara att det inte finns drugstores i Sverige idag p.g.a. historiska och strukturella orsaker. Ett nytt tillvägagångssätt i marknadsundersökning kommer att föreslås, baserad på ovanstående argumentation. Detta nya tillvägagångssätt kallas DESOA, Dynamic Entrepreneurial Strengths Opportunities Approach.

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Preface

One day, during my first weeks in Sweden, I wanted to go shopping downtown, in Lund. The things I wanted to buy were such that I usually find all in one place in Germany: in one of many drugstores. Though, what I found was that the whole product-range of drugstores is dispersed over several different shops, which was quite frustrating. I began to wonder why this is so and the courses I read in marketing and other fields triggered the interest to research the subject in more detail, based on existing theory on international marketing research. The master thesis at hand is the outcome of this research.

During this work I had the opportunity to receive help and bright ideas from several persons. First of all I would like two friends, Trine Bø-Pedersen and Marika Persson for their help and inspiration. Furthermore I thank Magnus Lagnevik for his support and his critics as my advisor; I also want to thank all the interviewees for giving me their time, knowledge and several materials. I appreciate their efforts and cooperativeness. Finally I want to express thanks to my family and my friends for their support and help during the course of this work.

And now I whish You a nice reading and hope you will enjoy my work!

Lund, 2006-01-16

Marie-Luise Guzzoni

Key Words, Abbreviations and Expressions

Key Words:

Drugstores
International Marketing Research
SWOT analysis
Scenario planning
Entrepreneurship
DESOA

Abbreviations:

OTC-products stand for over-the-counter products which are those medicines that can be sold without a prescription from the doctor.
SEM (single European market)
FDI (foreign direct investment)
dm (Drogeriemarkt, one of the German drugstore-chains)
EU (European Union)

Expressions:

The Swedish Market for Drugstores is the market that I chose to research. The actors, possible competitors and sources of information I chose are only a sample of the whole market. But those that I chose are referred to as The Swedish Market for Drugstores.
Pharmaceutical products = *medical products* = *medicine*, used in this paper as synonyms.

1. Introduction

In this first chapter of the thesis at hand I will give comprehensive background information of the subject of research which will lead us to the problem formulation, the research's purpose and a short outline of the thesis' coming chapters.

1.1 Background

We are living in a time of globalization and an ever faster change in all areas of life. The world has become small and "nothing seems to be impossible". You can call people everywhere, chat with people from Brazil, fly to the other end of the world, apply for jobs wherever you want and gain experiences all over the world. Markets are becoming more and more integrated and interdependent, international trade organizations arose to protect operations and set norms and regulations[1]. Such are for example GATT and the WTO[2]. If we have a look at the European market, the economic idea is that it does not really consist of different national markets anymore, but is a single European market[3]. There are two big trade blocks: the European Free Trade Association EFTA and the European Union EU[4]. The beginning of this common market for free trade and exchange was the treaty of Rome in 1957[5]. Companies expanded thereafter to neighbour countries and trade between the members of the EFTA and the EU flourished so that common wealth rose considerably and trade barriers diminished ever more[6].

Still, there are barriers of entry and many differences in culture, legislation and customer behaviour which impede total integration and amalgamation of the single European markets[7]. This can be seen, in my eyes, as a threat and an uncertain variable but also as an opportunity; it all depends on the perspective and whether to think in traditional, conventional ways or to think new, more flexible. Even if the European Union's legislation should be the same for all countries it takes time until

[1] Hill, Charles W. L., *International Business*, 2002
[2] Ibid
[3] Poich, Elka A et al., 1992, pp. 29-36
[4] Hill, Charles W. L., 2002
[5] http://www.wikipedia.org – *European Union*
[6] Ibid
[7] Usunier, Jean-Claude, 2000

the single national laws and governmental specialities can be adapted to the new common directives and norms[8]. These differences cause interesting constellations which trigger curiosity and a need to be researched in more detail.

International operations take place in all areas of business, one of them being the retail-industry. There are German retailers in France, Switzerland, and Denmark, British ones in the Netherlands, France, and Spain and so on. Altogether we get a pan-European mix, country-specific products are available almost everywhere and customers often have the possibility of free choice.

Though, this does not apply in all areas of the retail-businesses. When looking at Sweden a special situation can be observed. In Sweden there are for example no drugstores, which are a common concept especially in Germany, Britain, and the Netherlands and have already expanded through international activity to many other European countries[9]. The products and services these drugstores offer are highly demanded by the German, British and Dutch customers, competition is fierce and they even differentiate in all possible areas[10]. But still, in Sweden, none of these "super-stores" can be found, as I observed myself when I came here one year ago.

1.1.1 Drugstore-Chains

First, I would like to give the reader a short introduction to drug-store business. Originally drugstores, which have their roots in the United States around 1900, were:

> *"Retail outlets specializing in the sale of healthcare and related medicines."*[11]

The word "drugstore" comes from the Greek word *φάρμακον* which means "drug" and is related to the profession of compounding and dispensing medicine[12]. During the years American drugstores diversified their product range. The shining example from the United States was copied and the first German drugstores opened, about fifty years after the first American ones were founded[13]. They were mostly innovative, family-owned businesses who successfully established their position in

[8] Bernitz, Professor Ulf, 1992, page 62
[9] http://www.mueller.de, http://www.schlecker.de, http://www.etos.nl
[10] Press releases from http://www.mueller.de, http://www.schlecker.de, http://www.etos.nl
[11] http://www.wsmi.org/glossary_cd.htm
[12] http://www.wikipedia.org
[13] http://www.mueller.de, http://www.schlecker.de, http://www.etos.nl, http://www.rossmann.de

the market and experienced a constant growth and diversification since then[14]. These are the drugstores we have today – at almost every corner in every German town and village. Ever since, the product-range of drugstores has been much diversified. The products sold can be categorized in four bigger areas:

1. Medicine made of non-synthetic components[15]: these are for example homeopathic medicaments, tinctures from plants, special tees and essences.
2. Products for beauty and wellness: products for personal hygiene, skin care, perfumes, essential oils, cosmetics and so on.
3. Biological reform products and whole foods of natural origin.
4. Products for the household, the office and the garden.[16]

Additionally the German drugstores offer very convenient services such as online-processing, carpet cleaning and a trained, very customer friendly workforce[17]. Everybody I know who has been to such a drugstore knows this shopping experience full of atmosphere with a vast supply of high-quality, low-price products. And this is what is missing in Sweden. But why are there no such stores?

1.2 Problem Discussion

The problem that I personally experienced was that international marketing theory, especially within Europe, tells us that actually there are no more barriers to entry between the different countries in the European Union and that most products and retail concepts can be found everywhere. But in reality this seems not to be the case. There are no drugstores in Sweden and not even something similar. This gap between reality and theory motivated me to go and research the market for drugstores in Sweden in more detail. The general *perspective* of the whole research is the one of a German drugstore which is interested in the Swedish market. This does not mean that I have conducted this research for them; it simply becomes more real with this perspective.

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[14] http://www.mueller.de, http://www.schlecker.de, http://www.etos.nl, http://www.rossmann.de – history, background information

[15] There is no direct translation for the German word "Heilmittel" which means part of over-the-counter medicine but also food supplements such as vitamins, minerals and other elements

[16] http://de.wikipedia.org/wiki/Drogerie

[17] http://de.wikipedia.org/wiki/Drogerie

First the question *why are there no drugstores in Sweden today* needs to answered. What are the different historical, political, economic and cultural reasons for this situation and what special characteristics, opportunities and threats, does the Swedish Market for Drugstores have? To answer this question market research has to be conducted. International marketing theory with a central model, the SWOT-analysis, will be taken as a first part of the theoretical frame.

Second, considering the fast changing environment within the European Union, the growing globalization and the rising access of information, it appeared to me to be also very important to think about the question *how is this market going to develop*? What driving forces are there in the industry of interest and what impacts might they have on the developments and trends? The theory of scenario analysis will help to draw a more dynamic picture of the Swedish market for drugstores. This does not only offer a better understanding of the market, but prevents also the fallacies of the SWOT-analysis, which are its inflexibility and non-dynamicity[18]. Furthermore the trend analysis can also be seen as a support for a company interested in expanding to the Swedish market in its strategic decision making and planning.

Third, for a perfect understanding of the market the question is *what special characteristics a company should have*, which thinks about entering the Swedish market for drugstores. *Do all companies have the same opportunities when intending to expand to Sweden*? A third theory, the theory about entrepreneurship, will help to answer this question. This will be done by involving an example of one German drugstore-chain, Rossmann, which hypothetically wants to expand to Sweden. As mentioned before, the basic theoretical tool is the SWOT-analysis, which distinguishes between the environment, here the Swedish market, and the company, here Rossmann. So this third part of the thesis is also the internal audit of the SWOT-analysis.

How these three parts complement each other with a result of a new approach in marketing research shall be the aim of this’ thesis research. To reach this aim the market with its special characteristics and its dynamics as well as the company characteristics have to be researched, both empirically and theoretically.

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[18] Wagemann, Dr. Bernard, 2004

Successfully dealing with market barriers is the reality for many organisations today. Globalisation being a supportive argument for that. Hence, there are as many different approach models as there are successful market entries as well as research on conducted methods. I have chosen a relatively general theoretical approach in my study, a conscious decision which makes it possible for me to conclude in general terms. My focus has in addition been to highlight the conditions in the Swedish market and show (with scenarios) their effect on a possible market entering organisations (Rossmann). An evaluation of other market entry theories will therefore be beyond the scope of this paper.

1.3 Purpose

The purpose of this study is the understanding of the Swedish Market for Drugstores and the creation of a new approach to marketing research, based on the thesis' methodological proceeding.

1.4 Disposition

1. Introduction

In the first part of this thesis I introduced the reader to the background and motivation for this research study.

2. Methodology

The different methods which helped to solve the thesis' purpose are presented and discussed in a critical way in the second chapter. The chapter is concluded with a discussion of the trustworthiness of the method of information collection.

3. International Marketing Research

The theoretical background of international marketing research as well as a basic tool is being presented here in a first part. In the second part the empirical findings of the situation in the Swedish market for drugstores today are presented and analysed.

4. Scenario Analysis

What trends and developments there are in the market of research will be discussed and analysed here, on the base of the theory of scenario analysis. The theoretical background is followed by the basic future trends and two different scenarios.

5. Entrepreneurial Spirit

The theory of entrepreneurship will finally be drawn in here. With the help of one German drugstore-chain it will be shown that companies with entrepreneurial characteristics have better chances to enter the Swedish market for drugstores.

6. Conclusion and further Research

Finally, the basic question why are there no drugstores in Sweden today will be summarized and a new approach to marketing research developed. Its significance within my analysis and its applicability in other empirical settings will be discussed. Reflections and ideas for further studies will round off the whole research and maybe even stimulate additional research.

The ideas which form the basis of this research have been presented in this chapter In relation to the thesis' purpose the methodological foundations will be worked out in the next chapter.

2. What, How and Why? – Methodological Background

In this chapter the way of collecting primary and secondary information will be presented and discussed. I will be critical to the different sources and finally discuss the thesis' trustworthiness.

2.1 Research Method

This research is at first sight a qualitative study because the subject of research is one specific situation, this is according to Bryman and Hall the key indicator of qualitative studies[19]. This specific field of research is the Swedish market and within the Swedish market the possibility of establishing a drugstore-chain. The study's aim is not primarily to make a statement about the generality, which is often the topic of quantitative studies[20], but to gain insight of one single phenomenon with the help of different perspectives[21]. I am not searching for a truth – the aim is an understanding – but not in a hermeneutical way, this is not applicable in my context of research. My analysis can neither be categorised as belonging to the hard nor to the weak topics[22]. It is not one separate, qualitative problem since it might be useful for other chains wanting to expand or even for Swedish retailers and it is not either a positivistic research. An argument for a *hard topic* is that I search for an explanation for the current situation and that the answer will be – almost – a final one.

As I personally see this study as being rather qualitative than quantitative I consciously decided to adapt the terminology and the disposition. This implies that I try to avoid terminology like *data* and similar and that I do not build up this thesis in a traditional way by separating theory, empirical findings and analysis. Instead I precede step for step, as in my research: the three theoretical parts are followed by the empirical findings and the analysis. In the chapter before the conclusion all three parts will be united to one final analysis.

[19] Bryman and Hall, 2003
[20] Bryman, Alan, 1995, page 6
[21] Alvesson, Mats, 1996
[22] Rienecker, Lotta and Jörgensen, Peter Stray, 2004, page 10

The root for this study lies in an observation of the Swedish market, a critical and innovative one, though. This means that prior to earlier experiences in other countries I was missing drugstores in Sweden and will be explained further on. I began to wonder why this was so. Many German drugstore-chains have already expanded with great success to Switzerland, Austria, France, Denmark and many other countries[23]. Thus, this study started in the empirical world and would therefore be called an *inductive approach* of research in methodological terms[24]. Though, the premise behind an inductive approach is that the empirical research generates theory, new theory[25]. But in this case I first turned to theoretical sources with the aim to understand the situation better after having made the observation. Then again I turned to empirical research to see whether these theories suit together with what is going on in the market. This last step could then be called a *deductive research* since deduction is about testing a theoretical hypothesis by subjecting it to empirical scrutiny[26]. This obvious mixture of inductive and deductive research, which implies a continuous rotation between theoretical and empirical research, is called *abduction*[27].

Even though many textbooks state that qualitative research is mostly purely inductive[28], pure induction is, according to my own reflections quite impossible since we always already have some idea of the world in the back of our mind. We cannot just cancel everything we know and have read in order to see a situation in a totally objective way. This study is an *abductive study*, with an emphasis on the field research and the case study, and this proves again the statement I made before: that it can neither be categorized as purely qualitative, which would be an inductive research, nor as purely quantitative, which would be a deductive research. The implications for the evaluation of this research will be discussed in the end of this chapter. It follows a model, which I designed, of the different levels and steps of approach to this study which helps to visualize better the whole process of collection of information and its analysis.

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23 http://www.mueller.de, http://www.schlecker.de, http://www.drogeriemarkt.de
24 Bryman and Hall, 2003, page 280
25 Ibid, page 280
26 Ibid, page 9
27 Ibid
28 Bryman, Alan, 1995, page 137

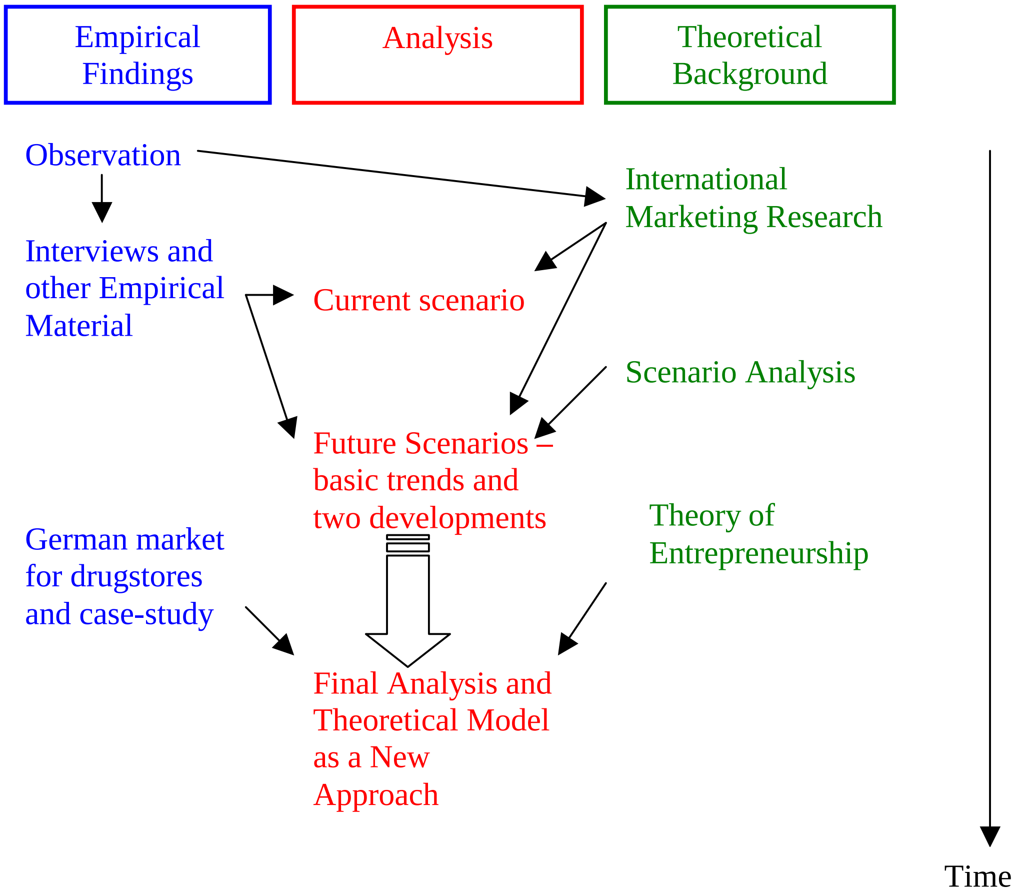

Figure 1: Mode of procedure in this thesis

The three columns of this figure stand for the different sources of information and their analysis: the empirical sources on the left and the theoretical ones on the right. The different steps in the research are written in chronological order, which makes it clear that some processes happened simultaneously. Though, the chronology is not perfectly correct, since for example the collection of information about entrepreneurship theory started quite early, short after I read several articles and press releases about Rossmann, the case-study. This figure shall help to understand not only my methodological approach but also the disposition of this thesis as I chose to build it up according to the methodological steps. In the central column the several parts of the analysis are shown with the conclusion in a final, new model, which shall help to understand the theoretical approach to the analysis of this special challenge: the expansion of a drugstore-chain to Sweden.

2.2 Primary Information Sources – the Empirical Research

The empirical research comprises observation, interviews, annual reports, former research studies and former thesis as well as internet research.

2.2.1 Observation

The whole research began with the observation of the Swedish market and the non-existence of some shop like a German drugstore. This happened first without any specific purpose. By the time the question *why* this is so and what substitutes there are in the Swedish market for drugstores arouse which led to more, empirical and theoretical, research. The term observation is often used in methodological textbooks and it is referred to as an active process of mostly social settings with the aim of getting a better understanding of some social behaviour[29]. I clearly want to distinguish my observation from these classical forms and add a new one: *critical and innovative observation*. With critical and innovative observation I intend that the observation I made did not have a purpose as is the case with the observations referred to in methodological textbooks. I came to Sweden and wanted to find a shop like a German drugstore, caught in the assumption that Sweden and Germany have just the same retail concepts and offers in general. I did not find any, searched for other options and ended running from one store to another to find my products. I did not have the intention to analyze the Swedish market for drugstores from the beginning. Only gradually I began to wonder, was curious and searched for an explanation of the phenomenon. This is my *critical and innovative observation*.

2.2.2 Interviews in Sweden

To gain better insight in the market settings I conducted in-depth interviews with eleven persons in Sweden. The interviews were all *semi-structured* and quite *informal*. I chose the interviewees consciously after having collected information about the main actors on the Swedish market for drugstores and those who could give interesting information about the developments. The advantage with my interviews is that the facts I got reflect different aspects of the market and are reliable, since the interviewees can be seen as experts. It could be argued that the

[29] Bryman and Hall, 2003, page 179

interviews were not very similar because of the different personal and professional backgrounds of the interviewees, but this difference has the purpose to get as many aspects and characteristics as possible. This is furthermore the reason why I chose to conduct semi-structured interviews and not structured ones.

The interviewees received an *interview-guide* (which can be found in Appendix A) some days before the interview so they were prepared to the areas of interest. The intention was to prepare the interviewee to the fairly specific topics that we were going to talk about. The interview-guides differed slightly from one interview to another as I did not talk about exactly the same topics with an interviewee from a trade organisation as with one from a company in the market, for example. As all the interviewees have different professional backgrounds I prepared myself specifically for each of them before every interview. The interviewees were often quite similar to open conversations and I did not always follow the order of topics on the interview-guide and let the interviewee a lot of freedom in how to reply[30].

The advantage of *semi-structured interviews*, especially in this case, is that they can be compared to each other because of a similar base, the interview-guide, but still leave the opportunity of flexible follow-up questions where interesting, new topics appear[31]. Parts of the interviews were held personally with a tape-recorder and some at the telephone. The reason for these differences simply lies in a limitation of time and space. The interviews in Sweden were all held in Swedish, transcribed and later translated into English. The main advantages with *personal interviews* are that it is quite easy to conduct them, that even more complicated questions can be discussed and understood in a better way and that one has a controlled interview-situation[32]. The main disadvantages are that it was quite difficult to get an appointment, that the interviewee might become influenced by the interviewer, called “interview-effect” and that it might become difficult with emotional questions as there is little room for anonymity[33]. The main advantages with *telephone interviews* are that it is a little easier to get an appointment, that there is no interview-effect and that they can be conducted quite quickly[34]. Though, there are some negative sides as well: it becomes more difficult to pose complicated questions and it is still problematic with

[30] Bryman and Hall, 2003, page 343
[31] Eriksson, Lars Torsten and Wiedersheim-Paul, Finn, ,1997
[32] Ibid
[33] Anderson, Bengt-Erik, 1994
[34] Ibid

emotional questions[35]. I tried to meet these different aspects by preparing clear and short questions in the case of telephone interviews and by asking again if something was unclear. In general the interviews proceeded in a natural and informal manner and they lasted from half an hour to one hour.

An alternative to interviewing would be to send out questionnaires to all interviewees and even to other key persons in the industry. This would have the advantage of getting even more perspectives from the different actors and would not be as time consuming as to interviewee every single person. But the great disadvantage and reason why I did not choose this methodological approach is, that there is no chance of posing direct follow-up questions, the number of answers is usually very low and the questions should be more or less standardized[36]. As my aim is not to get as many answers as possible but to get as deep information as possible I chose not to use questionnaires, but interviews.

2.2.3 The Interviewees

As pointed out before the aim of the interviews was to get as many perspectives on the industry as possible and to get deep information about different interesting aspects, such as political, economic, and cultural and customer information. It has to be mentioned that these perspectives are from persons in the industry and not from outsiders. Information about *customers* comes from the interviewees or from secondary data. After the interviews were conducted, common traces as well as different ideas were filtered out in order to present today's situation and the different, most probable future scenarios. The chosen interviewees are all in some way or another related to the different products and services offered in a German drugstore-chains. They have a more or less powerful influence on and position in the Swedish market or in the research behind it. I am aware of the fact that they represent only a small sample of the important actors in the Swedish market of interest. But as explained before the aim of this study is not quantity, but an understanding of the situation. The aim is to get a deep insight to the market and not to collect as much information from as many sources as possible.

[35] Anderson, Bengt-Erik, 1994
[36] Bryman and Hall, 2003, page 180

The eleven interviewees are presented briefly in the following, the information about their companies can be found in Appendix C.

Caroline Andermatt, Etos

Caroline Andermatt is the assistant manager of Etos, a subsidiary of Ica AB.

Ulrika Eriksson, Apoteket Shop

Ulrika Eriksson is a press secretary for Apoteket AB and for Apoteket Shop.

Lennart Molvin, Wilhelm Sonesson

Lennart Molvin is responsible for the business development and for investor relations at Wilhelm Sonesson.

Anna Westesson, Wilhelm Sonesson

Anna Westesson is the head of external communication at Wilhelm Sonesson.

Per-Olof Jönsson, Friskradet

Per-Olof Jönsson is an entrepreneur, partner and chairman of supervisory board of Friskrådet in Sweden AB. Per-Olof is a lawyer with many years of experience in the health branch. He worked for Coop 1999-2002 and then started his own business.

Ingmar Tufvesson, Lund's University's Food Studies

Ingmar Tufvesson is professor at Lund's University and member of Lund's International Food Studies, LIFS.

Christer Hanner, Hälsa butiken

Christer Hanner works as a sales assistant and manager at Hälsa Butiken in Lund, before that he worked in Germany at a Reformhaus, which is a health-food store as well, for many years.

Sven-Arne Carlsson, Svensk Handel

Sven-Arne Carlsson is the regional representative for Svensk Handel in Skåne.

Ulrika Vedin, Handelsanställdas förbund

Ulrika Vedin is responsible for the department of investigation in the central Swedish labour union (utredningsavdelning).

Ulf Johansson, LIFS

Ulf Johansson is a professor at Lund's University and a member at LIFS where he researches in the field food and general retailing.

Kjell Olsson, Skånes Livsmedelsakademi

Kjell Olsson is a qualified pharmacist, worked for the pharmacy industry before the nationalization, then for Astra Zeneca, and within some other organization and today for Skånes Livsmedelsakademi. Kjell Olsson and Magnus Lagnevik are process leaders in a big project in the Southern Swedish food industry, researching and developing several projects connected to health and food.

2.2.4 Questionnaire and Interviews in Germany

The reason for choosing a case study additionally to the market research is that the situation becomes more interesting and is seen from a very probable perspective. It gives the whole research more dynamicity and creates a real-world example. The advantage of a case study is that it focuses on contemporary events and that it answers on the research-questions *how* and *why*[37]. This is exactly what is being researched in this study: how could a German drugstore-chain expand to the Swedish market and why should it? Furthermore it will show that the possibilities and opportunities for entering the Swedish market for drugstores are not the same for all companies.

A possible critique might be that I could also have chosen a Swedish company, like Etos. The research could have been what the conditions are for this company to develop to something like a drugstore chain, but this could as well be subject of further studies. Furthermore a possible disadvantage might be that generalizability is limited. ""How can you generalize from a single case?" is a frequently heard question"[38], but the answer is that one has to distinguish between analytical and statistical generalization[39]. The aim of a case study is not to make general statements based on a sample, the aim is rather to expand and generalize theories[40]. This means

[37] Yin, Robert K., 2003, page 5
[38] Ibid, page 10
[39] Ibid
[40] Ibid

that I want to be able to come to a final theoretical result which can also be applied in other empirical settings than the one of this research.

In the case of the German drugstore-chain the questions I wanted to pose were quite clear from the beginning and so we agreed on a *questionnaire* with possible following telephone-interviews in the case of obscurities. The questionnaire can be found in Appendix Y. The 28 questions I posed were open, so the answerer could write as much as he wanted. The questionnaire was answered by several persons with different competences which offer deeper insights for the researcher. The advantage of a questionnaire is clearly that there is no interview-effect at all and that it is comfortable to evaluate[41]. As the drugstore-chain I chose, Rossmann, is a German company they answered in German. They were then translated into English to gain uniformity in language for the thesis. The only disadvantages with the questionnaire are that it took quite a long time until I got the answers and that I could not immediately pose follow-up questions when something sounded strange or interesting[42]. Therefore, I agreed with Rossmann to call them up in the case of further questions. Furthermore a part of the questions could not be answered because Rossmann thought they were critical and they would not want the public to get that insight. But this was not too bad, since I found a lot of information in the annual report and press releases. The reason for choosing Rossmann among all the different German drugstore-chains was on the one hand that they offered voluntarily access and on the other that Rossmann is situated mainly in the north of Germany, closer to Sweden than others. But especially important is that Rossmann is a very innovative, pioneering company, open for new opportunities and interested in entrepreneurial thinking.

2.2.5 Annual Reports, Former Research Studies and Homepages

Additionally to the interviews and the questionnaire a lot of written sources were applied for the empirical research. These are annual reports of important actors on the market, former research studies on customers and certain issues on the market. Furthermore former thesis, homepages of companies, governmental publishing and organizations and press releases helped to draw a picture of the situation in Sweden today and tomorrow.

[41] Eriksson, Lars Torsten and Wiedersheim-Paul, Finn, 1997
[42] Ibid

2.3 Secondary Information Sources - Theoretical Frame of Reference

The role of the theory in this thesis is that it is a base for the methodological choice and a tool to research and describe the situation on the market and the implications for the company that intends to expand. Since one theory, the theory of international marketing research is not strong enough and cannot stand by itself to explain the problem, other methods have to be used. These methods are created by testing theories, in this case the theory of scenario analysis and the theory of entrepreneurship. I am using these different theories, from different schools, to evaluate the situation of the Swedish Market for Drugstores by putting forward the hypothesis that a German drugstore-chain, Rossmann, is interested in expanding its actions to Sweden. These three different perspectives are necessary to understand the complex situation for drugstores in Sweden. The theories here shall complement each other and lead to a new approach. An integration of the three theories will show, together with the empirical findings and their analysis, the most probable picture of the special situation.

The *theoretical framework* developed throughout the course of the research. There are many articles and papers to be found on the internet and in journals which touch my field of research and which are of great interest. The chosen scientific articles derive from three fields: international marketing research, scenario planning and entrepreneurship. A central tool of marketing research is taken as a basic starting point: the SWOT-analysis. The fundamental ideas of the SWOT-analysis are being applied in this study, but not the classical division of market characteristics into opportunities and threats and company characteristics into strengths and weaknesses. The main purpose lies in researching, analyzing and contributing to existing theories by developing a new approach of research. According to Alan Bryman secondary data has many advantages, one of them being this reanalysis of existing theory[43]. Additionally to reanalysing existing theory, the third theory will be drawn in to gain more interesting perspectives.

[43] Bryman and Hall, 2003, page 218

The secondary information sources consist mainly of articles, but also of books, reports, thesis and other published material. These sources were mainly found with the help of Lund's University's search engines Lovisa and ELIN, LIBRIS, a search engine for all publications in Sweden and with the help of internet search engines like Google, Yahoo, and others. For the information in the internet I mostly checked with other source in order to prevent dubious, unreliable sources.

Besides the literature for the theoretical frame of reference I studied how to prepare, to structure and to conduct an interview[44].

2.4 Criteria for the Evaluation of this Research

2.4.1 Trustworthiness

The evaluation of my research will be exposed to the criteria of *trustworthiness* and not of *validity* and *reliability* since the latter are purely quantitative tools[45] and I consider this study being rather a qualitative than quantitative one. Validity, for example, is a technique for evaluation of measurements[46]. This study, though, is not about measurement, it is about getting insight into a special market situation and how this situation can be met. If one adjusts the concept of validity and reliability to this research situation we have to talk about trustworthiness instead. Trustworthiness consists of four criteria. These are credibility, transferability, dependability and confirmability[47].

Credibility ensures that what the researcher writes is made acceptable for others[48]. I am aware of the fact that all the information I give in this thesis has gone through my own understanding, my own glasses. This can be reached through different techniques such as *respondent validation* or triangulation[49]. In the case of this study I wanted to make sure that I understood my interviewees correctly and sent a version of the research to them before I handed the final version in, in order to let them validate the quotations and interpretations I made.

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[44] Anderson, Bengt-Erik, 1994
[45] Guba and Libcoln, 1994, in Bryman and Hall, 2003, page 288
[46] Ibid, page 289
[47] Ibid
[48] Ibid
[49] Ibid

Transferability is often a problematic area of qualitative research as qualitative research uses to deal with one specific situation which is often unique and also interpreted by the researcher in a unique way which implies that it cannot be reproduced and thus not be transferred to another area of research[50]. The empirical part of this thesis cannot be transferred easily to another market as it is really unique. But still the reader can gain insights in the way of the approach chosen here and apply this in another situation. The second, theoretical issue, the combination of the three theoretical parts to form a new thinking for market research and entry, is concerned with generating a new approach how to meet the situation in Sweden, which can be transferred to other situations in other countries, as will be discussed later.

Dependability, which is a parallel to reliability demands from the researcher to keep records of all stages of his research[51]. It is some kind of auditing approach. As far as it was possible I kept all information I collected which was also advantageous for myself since I could always go back and check if something was unclear. The written documents are all kept in the computer, on CDs and also printed and the interviews are recorded on records which I kept until the end of the analysis.

Confirmability, the last criteria for the evaluation of research, is about trying to stay as objective as possible, not to get influenced by personal views or favours[52]. So, confirmability parallels objectivity in a way[53]. I tried to do this and through interviewing so many different persons in the industry and reflecting and analysing their opinions in this study, it becomes clear that I am not being subjective.

[50] Guba and Libcoln, 1994, in Bryman and Hall, 2003, page 289
[51] Ibid
[52] Ibid
[53] Guba and Libcoln, 1994, in Bryman and Hall, 2003, page 289

2.5 Summary

As a conclusion of this chapter it follows a short summary to answer the headline's question *"What, How and Why?"*

What? The aim is to make two clear contributions: to science and to practice. The practical contribution, which is also the basis for the scientific contribution, is to research the situation on the Swedish Market for Drugstores and its possible future development with the help of different scenarios. The scientific contribution will be to apply three different theoretical tools to get an understanding of the market and the company intending to enter it. These different approaches will be united in the final chapter.

How? With the help of observation, interviews, a questionnaire and profound document research the purpose of this study will be solved. In the course of the study the research alternated between empirical and practical research and is thus an abductive one.

Why? The combination of the different methods of data collection, the interviews and the document research on the one hand and the case-study in Germany on the other, are, according to me, the best way of proceeding methodologically in this case. I wanted to get as much information about the market as possible, so I made use of all possible sources. To make the whole scenario more real and to highlight that not every company can enter the market, I chose the combination of the field research with a case study. As the object of research is the Swedish market, where I observed the phenomenon of a non-existence of drugstores, the chosen theories are market research and scenario analysis. They help to understand the situation today without drugstores and its possible developments. The information for this research, the methodological approach, derives primarily from interviews, as interviews offer the most direct information about the market in this case. And as the base of the problem formulation lies in a comparison of the Swedish market to the German, I decided to apply the example of a German drugstore-chain which hypothetically intends to expand to Sweden. The choice of the drugstore-chain relies on certain characteristics of the company which enable the company's marketer to detect the opportunities in the Swedish market. For the understanding of this company it is not only important to know about the strategy, culture and history, but also about the situation of the German market for drugstores and its position there. All this is what I am going to present in this thesis and which will lead to a final theoretical approach.

After having presented and discussed the methodological approach of this study, I would now like to turn to the first part of the theoretical frame of reference and the presentation of the situation in the Swedish Market for Drugstores today.

3. International Marketing Research

In this chapter the first part of the theoretical frame of reference will be presented. If a company considers entering a foreign market, it first has to research the situation on this market. There are tools and models which help reaching this goal and which will be presented in the following.

3.1 International Marketing Research – Theoretical Background

3.1.1 Introduction

If a company intends to enter a foreign market there are several questions it has to pose itself: Which foreign market to enter? When to enter this market? What scale of entry and what strategic commitment?[54] To be able to make decisions on these questions, the market of interest, here the Swedish market, has to researched. Furthermore this research will help us to understand what the situation on the Swedish Market for Drugstores is like and why there are no drugstores today. In the following, I am going to present the strategic tools of *international marketing research* and in which way they are to be applied in this study.

International marketing research is a very broadly used term. We have to differentiate between research for international products (international research), research carried out in another country than the country of research-commissioning (foreign research), research carried out in all important countries where the company is represented (multinational research), and research conducted in and across different cultures (cross-cultural research).[55] Obviously, what I am doing here is what the author calls foreign research. I propose the hypothesis of a German drugstore-chain expanding to Sweden and thus have to have a look on the Swedish market.

Taking Ansoff's matrix as a starting point we can already see that there are two dimensions which are important: the company and the market[56].

[54] Hill, C.W.L., et al., 1990, pp. 117-128
[55] Goodyear, Mary, 1999
[56] Ansoff, Igor, 1988

	Present Products	New Products
Present Markets	Market Penetration	Product Development
New Markets	***Market Development***	Diversification

Figure 2: Ansoff's Matrix[57]

A company wanting to expand its operations to a new market is conducting the strategic option of *market development*[58]. This means that it intends to sell the same products it sells on its domestic market on another market[59]. Therefore it has to assess the external attractiveness of the market and try to match these with the internal strengths of the business[60].

In this chapter I will consider the external environment, the market research itself, which is most important in this research. There are several different approaches made by different authors as to which factors have to be considered when researching a targeted foreign market. I will present some and discuss how I am going to apply these in my research.

3.1.2 Research Variables

Dale Fodness[61] distinguishes between three key variables: the target market, the marketing mix and the marketing environment. The marketing environment in the target market is divided into economic, technological, societal, regulative and competitive characteristics. These characteristics have to match with the marketing mix of the proper firm. Though, the author criticises, that the researching of these

[57] Ansoff, Igor, 1988
[58] Ibid
[59] Ibid
[60] Aaker, David A. and Day, George S., 1990
[61] Fodness, Dale, pp. 20-34

factors as a robust planning framework is no longer sufficient, considering the fast pace of change.[62]

James R. Piper[63] differentiates between five decision variables to evaluate foreign investment chances when conducting international marketing research. These are financial, technical, marketing, economic and legal and political and social considerations. Financial considerations are for example projected cash flow-outs, return on investment and monetary-exchange considerations. Technical considerations would be raw-material availability, geography/climate, availability of labour etc. Marketing considerations are the market size, the market potential, distribution costs, competition and much more. Economic and legal considerations are legal systems, host-government attitudes toward foreign investment, import/export restrictions, inflation etc. Finally, political and social considerations are such as internal political stability, political/social traditions, labour organizations and attitudes, and skill/technical level of labour forces.[64]

W. Chan Kim and Peter Hwang[65] differ between environmental and transactions-specific variables, which are firm-specific factors. The environmental factors are country risk, local unfamiliarity, demand uncertainty and intensity of competition. If for example competition is very high, the author argues, it is better for the company to stay away from that market because such markets tend to be less profitable.[66]

Finally, Phillip R. Cateora[67] simply divides the foreign market into cultural, business/economic and political variables. These are all interconnected and sometimes overlapping. Apart from these variables he regards the international legal environment as another important variable to be considered. The several contents of the other approaches' variables are subcategories in Cateora's approach.

Thus, we see that all these approaches have in common that there are two distinctions made for being able to conduct effective marketing research. The first one distinguishes between internal or firm and external or environmental factors. The

[62] Fodness, Dale, pp. 20-34
[63] Piper, James R., pp. 11-20
[64] Ibid
[65] Kim, W.Chan and Hwang, Peter, pp. 29-53
[66] Ibid
[67] Cateora, Philip R., page 93

second one breaks down the environmental factors into several categories such as technology, politics, legal framework, culture and customers. In my study I decided to stick to the division made by Cateora, since it is the most manageable one and because the factors he names have turned out to be the most important ones in my empirical findings: the political, economic and cultural factors. The legal factors are subsumed under the *political factors* in my approach since they are closely tied to the political factors in this study. These political factors are divided up into the European political and the Swedish political factors, based on the empirical findings. This makes it easier to understand the complexity of the situation. Next, *economic factors* will be researched, and again, divided into two categories: macro- and microeconomic variables. These divisions are not particularly based on a theoretical guideline, rather on the empirical findings. The microeconomic environment, by some authors called business- or competitive environment is the central part of the research, as it explains best, together with the next variable, why there are no drugstores in Sweden. The third variable is the *culture*, together with *customers' characteristics* and is especially important because this is an international marketing research where cultural differences play a major role. To visualize this approach better, I created the following figure. It shows the three dimensions: the political, the economic and the cultural, and that they are interwoven. The target market is made up of these three, which are interconnected and related to each other. I am aware of the fact that there are even more factors and characteristics which could be considered, but here I concentrate on the most important ones.

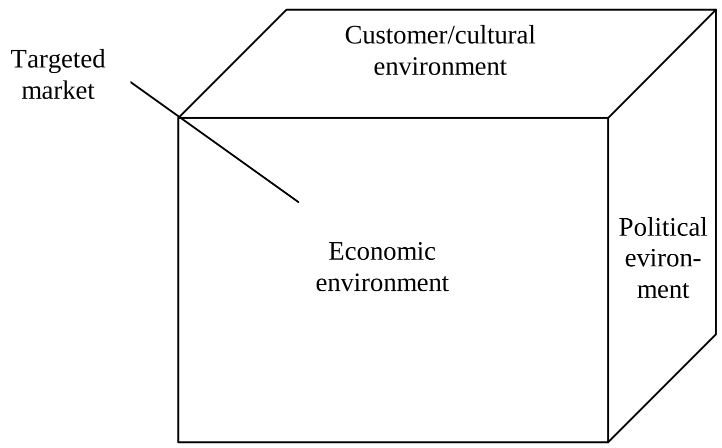

Figure 3: The Targeted Market

3.1.3 SWOT-analysis

The aim of this part of research is the understanding of the situation in the Swedish market and to analyse what opportunities there are, which will be done later on with the help of entrepreneurship theory. As explained before, the perspective of this research is the one of a foreign company intending to enter the Swedish market for drugstores. Therefore, a tool is needed which takes both – the external situation on the market and the internal situation of the company – into account. A strategic tool suitable for this is the SWOT-analysis[68]. For companies of all sizes planning is an important part of the marketing management[69]. Planning encourages systematic thinking, which is especially important in a fast changing environment[70].

SWOT-analysis is one of the marketing tools for the evaluation of strategic options in marketing research[71]. Its aim is to assess the company's strengths and weaknesses in comparison to the market's opportunities and threats[72]. The company's strengths might for example be its employee commitment, innovativeness, the shops' location and regular customers. Possible weaknesses are for example few distribution channels, little financial reserves and bad efficiency. The opportunities in the environment might be political deregulations, positive changes in customer needs and much more.[73] What concerns the threats might these in our case for example be high entry barriers – legal, political, economic ones. The conduction of a SWOT-analysis requires the accumulation of a great deal of information on the company and the targeted environment[74]. The result of a SWOT analysis can be seen as an accumulation of strategic recommendations[75]. The SWOT analysis suits well for the thesis' purpose as it makes a distinction between the research of the company, its strengths and weaknesses, and the research on the market, its opportunities and threats. And this is exactly what I want to combine in my thesis: the research of the Swedish market seen from the perspective that the opportunities are not the same for all companies. My example, the drugstore-chain Rossmann, will take the place of the SW, the strengths and weaknesses and contribute to an even better understanding of the market.

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[68] Bird, Anat, page 10
[69] Rothschild, William E., pp.11-18
[70] Ibid
[71] Bird, Anat, page 10
[72] Wagemann, Dr. Bernard, 2004
[73] Wagemann, Dr. Bernard, 2004, page 25
[74] Ghauri, Pervez and Cateora, Philip, 2005
[75] Wagemann, Dr. Bernard, 2004

A disadvantage of the SWOT analysis is that even if a SWOT-analysis provokes proactive thinking[76], it does not really give the possibility to anticipate the future. Besides this, it is only a snapshot of one moment in time. An alternative to a SWOT-analysis would have been to conduct a PEST-analysis. The PEST-analysis is an environmental analysis within marketing research. PEST stands for political, economic, social and technological factors, which have to be researched[77]. In a PEST-analysis are the characteristics of the macro-environment of interest. The economic environment is thus only researched in terms of macro-economic factors.[78] Therefore, a PEST-analysis would not be suitable in this study since the macro-economic factors are also important, but more important are the micro-economic factors, which can be part of a SWOT-analysis. Furthermore, the PEST-analysis considers only the environment and does not take into account, that the company plays also an important role in the assessment of opportunities and threats of the environment. Partially, the PEST-analysis can be considered as a part of the SWOT-analysis. Another approach might have been to apply Porter's Five Forces as a strategic tool for the evaluation of a market entry. Porter's Five Forces is tool for analysing the competitive climate of a company within its industry[79]. The forces are the bargaining power of suppliers, the threat of new entrants, the bargaining power of customers, the threat of substitute products or services and the competition among current competitors[80]. I did not apply this approach since it would have involved a very broad field of research and here I rather have the aim to do into depth. Furthermore it is not really a tool for the strategic planning of a market entry, but rather one for the evaluation of an existing environment around the company.

A SWOT analysis' disadvantages, such as only being a snapshot of one moment in time, will be overcome in this thesis by drawing in the theory of scenario analysis after having assessed the special characteristics of the market. This contributes even more to the understanding of the situation on the market, as the whole perspective becomes dynamic and foreseeing. As mentioned before, what I am going to do here is that I take the basic idea of the SWOT as a starting point. This basic idea is to analyse a market according to different characteristics, such as political, economic

[76] Chapman, Alan, 2005
[77] Anonymous, 2005, page 43
[78] Ibid
[79] Porter, 1979, page 141
[80] Ibid

and customer factors and to analyse the company, according to its strategy, culture, history and similar factors[81]. Then the external and the internal audit have to be united to see whether the company has a chance in entering the market[82]. So, what I am doing is take the SWOT-analysis' basic idea and strategic approach and apply it for my special purpose.

3.1.4 Market Entry

The next step in the international marketing research, after having found out about the market's characteristics, would be to decide which market entry strategy to choose. The traditional market entry strategies are exporting, licensing, franchising, joint ventures and wholly owned subsidiaries[83]. As these steps go beyond the strategic thinking I will only name them partially in my final analysis. These decisions would have to be taken after the evaluation of different strategic options and possible negotiation with potential Swedish partners.

For example, market testing is an important strategic consideration. By presenting the customers the full marketing strategy: products, prices, advertising, distribution and so on, it can be tested how customers would react to the new offer.[84]

Besides the strategic options named above, market entry can be classified in three categories, according to the time of entry[85]. First, market pioneers, who are the first ventures to enter new market with new concepts. Second, early followers, which are ventures that follow the market pioneers but enter a growing, already dynamic market. And third late entrants, which can be defined as companies that enter an already established market. The advantage, according to Hills and LaForge of market pioneers is that they mostly gain higher market shares and have the time to build sustainable, competitive advantage.[86] The decision on the time of entry is very important for in this case of research, as we will analyse in the entrepreneurship-chapter.

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[81] Wagemann, Dr. Bernard, 2004
[82] Ibid
[83] Kim, W.Chan and Hwang, Peter, 1992, page 31
[84] Ibid
[85] Hills, Gerald E. and LaForge, Raymond W., 1992, page 17
[86] Hills, Gerald E. and LaForge, Raymond W., 1992, page 17

3.2 Sweden: External Audit – Opportunities and Threats

In this passage the current scenario of the Swedish Market for Drugstores will be presented with the aim of understanding what the special situation in Sweden is like today.

3.2.1 Political Factors

The European Integration and the European Union

There are big changes going on in our environment. National governments, legislation and currencies are gradually being replaced by a single, European institution[87]. The European Union consists of 25 European countries; it is a supranational union, established 1992 under that name[88]. Sweden joined the European Union in 1995 and has since then experienced in some branches a great inflow of foreign companies with the result of stronger competition on price and brands[89].

> "Sweden's international integration has taken place in many business branches already, but there are still several humbles for further fluid business transactions as for example the fact that Sweden is not a member of currency union." Sven-Arne Carlsson, Svensk Handel

Sweden is not a member of the currency union. But most important, it is part of the Single European Market (SEM)[90]. The SEM is the core of the process of European economic integration, involving the removal of obstacles to the free movement of goods, services, people, and capital between member states of the EU. It covers, among other benefits, the elimination of customs barriers, the liberalization of capital movements, the opening of public procurement markets, and the mutual recognition of professional qualifications[91]. It came into effect on 1 January 1993[92]. According to me, this presents an interesting and tempting opportunity for any retailing company wanting to expand to other European countries, thereby spreading its risks and conquering new markets with its special products, services and prices. Still, there are

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[87] http://en.wikipedia.org/wiki/European_Union
[88] Ibid
[89] Bernitz, Professor Ulf, 1992
[90] http://en.wikipedia.org/wiki/European_Union
[91] Ghauri, Pervez and Cateora, Philip, 2005
[92] Ibid

problems which arise due to differences between the single countries. The Greeks, for example, call their famous cheese from goats Feta and they do not want others to abuse it. The Swedes, though, called also cheese from cows Feta.[93] Regulations and agreements have to be made through negotiations to come to terms between the competing countries.

> "We have several constellations here in Sweden, which are no longer compatible with European legislation. There exists a need to increase competition and to offer buyers the chance to choose among several products and thus to save money. Sweden has been cut off from the rest of the continent – just consider the example of Apoteket: they only buy their medicine from Swedish pharmacists and are very skeptical towards foreign producers." Sven-Arne Carlsson, Svensk Handel

This quotation highlights very clearly what the situation is like in the Swedish market, as I understand it. It is in a state of flux, has to adapt to new legal frames as a result of the entry into the European Union. The example of the stately owned monopoly, Apoteket, leads us to the next aspect of the political environment: the Swedish government and its intervention in the market.

General Conditions for a Foreign Company Entering the Swedish Market

What a company that wants to enter the Swedish market has to think of in terms of entry barriers from the legal side is summarized in the following quotations:

> "The only thing a German drugstore chain would actually have to think of is Swedish legislation, concerning taxes, labour law, there are not so many rules that restrict the entrance of foreign retailers, and maybe there are some special laws which oppose restrictions on this product range, thinking of nature medicine and food supplements. But I do not know much about this, I would have to inform myself here." Sven-Arne Carlsson, Svensk Handel

> "It is not difficult to open a shop, there are no restrictions. You have to ask the local authority. There are not even restrictions on opening hours, which you have in Germany, as far as I know – you see, hahaha." Lennart Molvin, Wilhelm Sonesson

These quotations underline that it is principally no problem for any company to enter the Swedish market and sell its products there. Income taxes, though, are very high: Sweden is well-known for its high taxes. Still, there are some other hinders – several

[93] Hill, Charles W., 2002, page 538

entry barriers like local monopolies, customer behaviour and cultural conditions will be analyzed in the following passages.

Swedish Government Intervention

During the last 30-40 years Sweden has mainly been ruled by the left-winged Social Democrats, in coalition with other parties[94]. This, of course has some influence on several industries, which are rather strongly regulated. One just has to consider the stately ownership of several monopolies such as the monopoly on selling alcohol, *SystemBolaget* and the monopoly on selling medicine, *Apoteket*[95].

> "The Swedish government wants to protect its people with the help of these monopolies, but tax yields have at least the same importance, I say…" Sven-Arne Carlsson, Svensk Handel

> "There is almost no competition and therefore the prices are high which can be traced back to the political system of the left-wing regime which allows the government to intervene too much in business affairs instead of letting the market regulate itself." Lennart Molvin, Wilhelm Sonesson

> "Since the 1970s we have had a strong left-wing wave which caused lots of regulation from above in many fields of business." Anna Westesson, Wilhelm Sonesson

In designing approaches to dampen pharmaceutical spending, governments have tended to rely more on regulations and sanctions than on policies to strengthen competition and sharpen incentives[96]. To understand the situation of the pharmacy industry, the monopoly and the State intervention better, I will give an insight in the background of the Swedish health-care system.

> "Our whole health care system is based on the idea that nobody shall pay more than somebody else." Kjell Olsson, Skånes Livsmedelakademi

To achieve this, the State has to pay and subsidize the largest part of pharmaceuticals for the Swedes. The responsibility for costs lies at the health-care authority[97]. Sweden is a large country with many rural areas where the supply for a few

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[94] http://www.encarta.msn.com/encyclopedia
encarta.msn.com/encyclopedia_761563138_12/Sweden.html - 28k -
[95] Ibid
[96] Gross, David.J., 1994
[97] Jedteg, Stefan, 2002; Anell, Anders, 2004

inhabitants is very difficult. In order to offer these individuals the same quality, price and service the State decided in 1970 to take over the control of this market.

> "Actually the amount of money an individual in Sweden invests in medicine is very small; it is the State that pays. And thus they say if we are paying, it is also we who control and decide upon the distribution and the legal frame." Kjell Olsson, Skånes Livsmedelakademi

According to the interviewee, the major problem for the Swedish market; that Swedes have no feeling for how expensive medicine actually is and what amount of cost stands behind it. I think, that if you are not responsible for what something costs, you do not bother, you just buy and eat and do not think about it any further. Moreover the distribution of medicine to hospitals is also involved in the whole system, which makes it all even more complicated.

> "There is one big part in the pharmacy world which distributes medicine to the hospitals and this is in another way enclosed in the Swedish heath care system. Here you can probably not say that now some entrepreneur can come in and start a business in this area, but this will surely happen incrementally in this decision-making process." Kjell Olsson, Skånes Livsmedelakademi

It is not as easy as it might look like at the first sight. The hospitals, provincial parliaments, the government, are all involved in the health-care and pharmacy distribution[98].

Here, I would like to conclude, that the industry we talk about is thus a *regulated industry*, and has been so since several decades. That is related to the political powers we have in Sweden which in turn has impacts on the rest of the industry, as we will see in the next passage about the economic environment.

3.2.2 Economic Factors

The economic characteristics which help to understand the situation on the Swedish Market for Drugstores can be categorized into two broad areas: the macroeconomic and the microeconomic environment. The macroeconomic environment tells us about general characteristics of the Swedish economy. The other aspect, the

[98] Jansson, Sandra and Anell, Anders, 2005

microeconomic environment, takes a closer look at the market itself, the actors and their relation.

Macroeconomic Environment

At the first glance the Swedish market appears to be a highly interesting, very promising field for foreign investment. Sweden has not so many inhabitants, about 9 million[99], but its GDP is growing continuously[100].

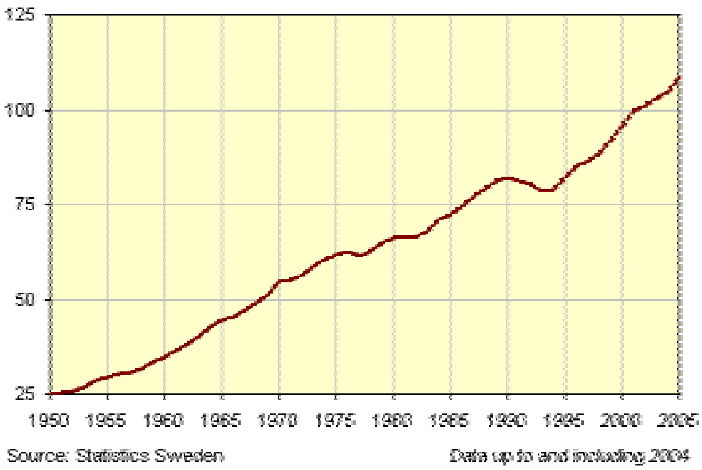

Figure 4: Sweden's GDP growth rate[101]

The graph shows the GDP development for Sweden 1950 are onwards, as per cent change from previous year, in constant prices[102]. It could be mentioned critically that the GDP alone is not expressive enough to judge whether an economy is doing well or not. Therefore some other indicators as well: The real income level is high and also growing, which leads to rising household consumption[103]. The major expenses of Swedish households in 2003/2004 can be found in the following table. The biggest expense of the households is housing, directly followed by food and drink. On average, aggregate household consumption distributes as follows, expressed in percentages of net income.

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[99] http://www.scb.se
[100] Törnqvist; Anette, 2005
[101] http://www.scb.se/templates/tableOrChart____26658.asp, Sweden's GDP growth rate
[102] Ibid
[103] Törnqvist; Anette, 2005

Private Consumption	
Housing, including power and fuel	30%
Food and drink, incl. eating out	17%
Transportation	15%
Clothing and footwear	6%
Home furnishings and equipment	5%
Alcohol and tobacco	4%
Leisure	10%
Gambling	1.5%
Other	11.5%

Table 1: Major expenses in Sweden[104]

This table draws attention to the high percentage of income a Swede, on average, spends for products for house, garden, animals, which are part of the housing post[105], and for food. As I see this, there is a great potential in this market, considering that the interest in food and housing and the spending is that high.

Sweden's inflows of foreign direct investment (FDI) are far above the EU average[106]. Customers are sophisticated, well educated and spending a great deal of their money on food and other daily necessary products[107]. Furthermore unemployment has gradually declined in the recent years[108]. "Sweden has one of the world's most fertile business climates", argues Stefan Geens in his report about doing business in Sweden. He points out that there are some disadvantages as well, such as high labour cost, but these are compensated very well by the numerous advantages such as low corporate taxes, high transparency, low regulatory burdens and sky-high productivity, as he puts it. Furthermore Sweden tops the rankings in investment in

[104] Swedish Institute, 2004
[105] Ibid
[106] Geens, Stefan, 2004; Regeringskansliet, The Ministry of Industry, Employment and Communication, The Ministry of Education, 2004
[107] Geens, Stefan, 2004
[108] Swedish Institute, 2004

knowledge, has a highly skilled labour force and it is one of the world's most internationalized countries[109].

The Microeconomic Environment

As there are no direct competitors for drugstores in the Swedish market we will have to look at different actors, which could be or become indirect or even direct competitors for the drugstores.

Actors in the market - possible competitors

There are several related branches in the Swedish industry which are connected to the product range of a drugstore. The main actors are Ica, Coop and Axfood in the food-retail industry, which are the three biggest supermarkets in Sweden. Furthermore there are several smaller retailers selling health-food and natural medicaments as for example Hälsa Butiken, Naturapoteket and some others. For beauty, wellness and similar products there are several actors such as Åhlens, Kicks, and some smaller shops, for example Etos and the Body Shop. Furthermore there is the state-owned monopoly in the pharmacy sector which plays an important role.

Let us start with the stately owned monopoly, *Apoteket*. Since 1970 the state owns and protects the distribution of pharmaceuticals. Before that time, Apoteket sold all sorts of products:

> "When I became a pharmacist, the pharmacies were offering all these products that you can find in the Hälsokostbutiker today. All the herbs and teas and stuff. I was qualified to sell these products to our customers." Kjell Olsson, Skånes Livsmedelakademi

But then, when Apoteket was nationalized all these products were taken out of the product-range and only products that had a proven effect were kept. Everything that they would sell should be scientifically researched and proved.

> "A stately company cannot sell such things; they cannot go on the market and cheat on the Swedes." Kjell Olsson, Skånes Livsmedelakademi

Today, about 70% of the products sold by Apoteket AB are prescription medicines, the rest are OTC-products and others, like skin-care products and similar[110]. OTC-

[109] Regeringskansliet, The Ministry of Industry, Employment and Communication, The Ministry of Education, 2004

products are over-the-counter products which include all non-prescription medicine. The government's argument is that drugs are not any product that has to be exposed to the forces of free market trade for fair prices, the customer's freedom of choice and access[111]. The Swedish government wants to offer their people good service with the help of highly professional personnel at the Apoteket, which can give the patient sound information for both prescription- and OTC-medicine[112].

> "Medicine is not any product, you need advice when you buy it, but still, many products bought at Apoteket are bought without any advice, you do not need advice for headache tablets, for example." Anna Westesson, Wilhelm Sonesson

Furthermore, the government wants to ensure quality standards for pharmaceuticals[113]. What this has to do with the search for an explanation of the lack of drugstores in Sweden is that, many foreign companies saw and see this stately owned monopoly as a threat. They just hear about it and become frightened without knowing details about it.

> "O fy fan Sverige, jävla monopol – closed market och så tänker de inte mer på det. De kunde jo ha varit här innan." Lennart Molvin, Wilhelm Sonesson[114]

And as the product-range of the Apoteket no longer consists of medicine only, but also of beauty care products, toothbrushes, skin care for teenagers and much more, the impression of big, stately protected entry barriers is created for observers on the outside. Since 2002 there are so-called Apoteket Shops, today 14, which offer many *to-medicine-related products* named above.

> "All these products are related to medicine in some way, the product-range is limited, we cannot sell anything one of your drugstores probably sells. The state sets the legal limits for our diversification." Ulrika Eriksson, Apoteket AB

> "The difference between Apoteket and Apoteket Shop is that Apoteket Shop is more flexible in its opening hours and thus offers more access to customers. It is more

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110 Anell, Anders, 2004
111 Öberg, Klas, 2004
112 Ibid
113 Ibid
114 I left this quotation in its original language since I could not translate it nicely enough into English. Here follows the English version: "O no, Sweden, horrible monopoly – closed market – and so they do not think about it anymore. They could have been here before."

> flexible since it is allowed to be open even if there is no pharmacist in the shop, which is not possible for a usual pharmacy." Ulrika Eriksson, Apoteket AB

A monopoly in a certain market usually implies rent-seeking which causes welfare-losses for the society. And if we compare the situation in Sweden with the one in Norway, Denmark or Finland we find out that the pharmaceutical distribution also works without governmental intervention; and at considerably lower prices for the customers.[115] I do not want to claim here that the Swedish monopoly is obsolete; I just give a broader perspective on the situation by comparing it to the situations in neighbouring countries.

But not only foreign investors feel put at a disadvantage by the monopoly, also the Swedish consumer goods industry and related industries feel restricted by the monopoly's actions.

> "The whole branch takes Apoteket's actions and product-range expansion as an exploitation of the monopoly for other purposes." Per-Olof Jönsson, Friskrådet

> "Apoteket AB and Apoteket Shop: they entice customers into the shop because the customers want to buy some medicine and then they offer them products which do not really belong to their product-range and set prices so that they get quite good marginal profits." Kjell Olsson, Skånes Livsmedelakademi

As follows, from the perspective of the rest of market the argument that all products sold at Apoteket Shop are related to medicine in some way, does not count. This exploitation, as they call it, is no longer in accordance with Apoteket's mission. That the industry feels uncomfortable with the monopoly lies at hand, no monopoly is favourable for free market trade, as one can easily understand in this situation, I think. But the way Apoteket exploits its superior position in order to occupy even more of the market until now occupied by shops like Etos, Ica, Coop and others, clearly causes great disgruntlement among these other actors. I got the impression that many actors do mainly feel paralyzed by the big stately-owned monopoly and just wait passively to see what is going to happen next. Though, not all obey, as we will see soon.

[115] Jedteg, Stefan, 2002

From the customers' perspective, the main problems associated with Apoteket are the access and limited opening hours; otherwise Swedish customers are very satisfied with the services offered by the Apoteket. Whether this is because they do not know anything else or because Apoteket really is a good institution is to be left an open question here.

> "Apoteket has a very, very good reputation. Their advantage is that they already have a very good reputation and that every Swede knows and trusts it, especially the older ones. " Caroline Andermatt, Etos

The Lawsuit

Four years ago, Krister Hanner, managing director of a *hälsokostbutik* in Stockholm sold nicotine plasters and chewing gum with the aim of causing a lawsuit[116]. The Swedish government accused him of having committed a criminal offence against national law[117]. But as the Swedish national law was subject to European law at the time when they accused Krister Hanner, he was freed[118]. According to European law, stately owned monopolies are prohibited and Sweden had not taken care of getting an extra-permit when joining the European Union in 1995[119]. On Tuesday, the 31st may 2005 the ruling was published: the monopoly could remain, but under two conditions[120]. As there are only 900 shops in Sweden Apoteket has to increase the access and it is not allowed to discriminate against foreign pharmacy producers any longer[121]. Consequently nothing has changed for the other actors on the market.

> "And they [Apoteket] even got the permit of the European court to continue like this, more or less. Although this situation impedes competition." Kjell Olsson, Skånes Livsmedelakademi

Apart from Apoteket, a group of shops which sell health products and natural medicine, called *hälsobutiker (health-product shops)*, have to be examined in more detail. In this study one of them, Hälsa Butiken, which shall represent the others on the market, has been interviewed and its position in the market will be presented in the following passage.

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116 Nilsson, Pea, 2004
117 Butterworth, Andy, 2005
118 Lindblom, Karin, 2005
119 Domstolens Dom (stora avdelningen), 2005
120 Lindblom, Karin, 2005
121 Domstolens Dom (stora avdelningen), 2005

”The health-food branch in Sweden is not very big, it is only a few years old and everything takes time to develop.” Sven-Arne Carlsson, Svensk Handel

“There are many other small health food shops, three of them in Lund and further ones all around in Skåne. We are often doing advertising together, as for example today (Tuesday, 29th of November), in Sydsvenskan.” Christer Hellström, Hälsa Butiken

These shops sell only products with non-synthetic components; everything has to be of natural origin. Their customers vary from very young ones to older ones and there is, according to the interviewee, a constant demand for their products. Suppliers are mainly German, but also British, American and Swedish. That relatively few Swedes are interested in natural products and medicine related the interviewee to the fact that there are restrictions in the marketing possibilities of their products.

“We have marketing restrictions, you cannot claim something which has not been researched about and proved yet. It has to be researched and accepted by the pharmaceutical institution of the state, which costs for every product al least a million crowns.” Christer Hellström, Hälsa Butiken

“We here in Sweden are extremely bad in helping ourselves, egenvård, as we call it. There is a group of customers who are conscious of the impacts some products can have on your body and on health, and they usually go to the Hälsokostbutiker.” Kjell Olsson, Skånes Livsmedelakademi

There is a very old tradition of environment- and health-consciousness of the government and the German people, in contrary to the Swedish, which is sustained by the quotation above. But this will be the topic of the next paragraph.

”In Sweden, there are three big supermarkets: Ica, Coop and Axfood where you can buy everything that you probably can buy in a German drugstore.” Sven-Arne Carlsson, Svensk Handel

Ica, *Coop* and *Axfood* are the three big players in the supermarket-industry in Sweden. They sell a lot of products which are also sold at the German drugstores, but the product-ranges are not at all exactly the same[122]. Though, their product-range of

[122] http://www.ica.se, http://www.axfood.se, http://www.coop.se; Sedenius, Johan, 1997/1998

drugstore products is not very broad and prices are, compared to German prices, very high.

> "Lidl, for example, has lower prices because it is a bigger company than the Swedish ones are, therefore it can offer a lot of products, even Swedish ones, at lower prices than native competitors." Sven-Arne Carlsson, Svensk Handel

A few years ago, in 1997, *Coop*, at that time called KF, even planned to expand its product-range with OTC medicine and even prescription medicine. This concept was called the *quality line*. A request was sent to the government and disappeared in a load of Lars Enquist's secretary where it probably still waits. Lars Engquist was Sweden's Health and Social Affairs Minister at that time. After that Per-Olof Jönsson, together with Lars Geding developed three alternatives for Coop.

1. A health-kiosk with a mini-product-range of health products;
2. Coop Forum (until 2001 under the name *BOWs*; there are 55 Coop Forums today) sells products from *husapotek*, a protected brand, which offers the same products and services as the Hälsobutiker do; with competent personnel and even some further services such as massage and a juice-bar;
3. To form an alliance with Apoteket ("Usually you say if you can't join them, beat them, but here it is the other way round…" Per-Olof Jönsson, Friskrådet). The idea is the one of client circulation and a win-win situation. This concept exists, but only at one place. It has turned out to be very fruitful, for both sides, but as Coop was not doing very well financially at that time, they decided to lay these projects on ice.

After that Per-Olof Jönsson left Coop, together with three other colleagues and founded *Friskrådet*, which offers different service to the consumer-goods industry.

> "Right now we are offering programmes for employee education in the branch. We bring together professionals in pharmaceutical science and other experts with the supermarkets and their unskilled employees." Per-Olof Jönsson, Friskrådet

The company bases this business idea on trends going on in the market for health products. Supermarkets have taken an increasing proportion of the market share for health products from the Hälsokostbutiker in Sweden during the last years.

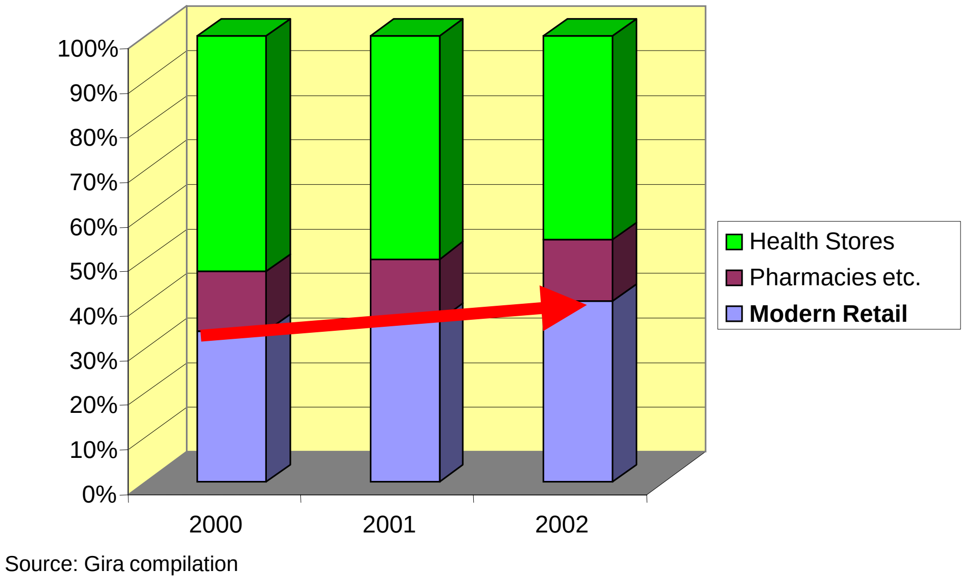

Figure 5: Share of Health Food Sales[123]

The only problem is that there is a lack of competence at the supermarkets in this field. Sometimes, according to a study of Andrew Cookson, the personnel can not even help a customer find products without sugar. Health products are a heterogeneous group of products which demand skilled personnel and a good marketing strategy in the shops.

Etos, *the Body Shop*, and *Kicks* are companies that have specialised on beauty and wellness products. The Body Shop sells only private label products, has a young, modern target group and sells its products at relatively high prices[124]. Kicks has also relatively high prices for its well known brand products and Etos' prices lie somewhere between H&M and the body shop, according to Caroline Andermatt. Etos, a subsidiary of Ica, has had a unique position in the Swedish market up to now since it sells besides its body- and beauty-products also a narrow range of health products and health food. Still, the concept for this range of products is not yet developed very well, as Caroline stated.

> "Ica has a different concept [than we, Etos], but a little similar product-range: what they sell are more volume products, not such special, high quality, wonderful products as we have and customers going to Ica want to rush through, those coming to us, stay a while, they enjoy the atmosphere and try different things." Caroline Andermatt, Etos

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[123] Cookson, Andrew, 2005, page 9
[124] http://www.thebodyshop.com

H&M and Åhlens are basically fashion stores, but they sell also cosmetics, beauty and body products.

> "H&M, Åhlens, these all have, more or less, the same products, but what they are missing is the educated personnel." Caroline Andermatt, Etos

This is not supposed to be a complete enumeration of possible competitors for a German drugstore-chain. It is an insight into the situation on the Swedish market, its most important actors and the products they offer. As we can see there are many possible competitors and some may even develop, depending on the evolution of the market, to very close competitors. It is important to keep an eye on these different actors, their strategic choices and actions.

3.2.3 Customer, Culture and Demographic Factors

Besides the political and economic conditions there are also the most important players in the market: the Swedish customers, the market demand. In this passage the ongoing health trend, its communication, the generational differences, the special scepticism of many Swedes and the need for more access will be discussed.

> "Health is a dubious term: on the one hand it is positively associated, but on the other hand not at all; the positive side is that we become more conscious about our own body, about the fact that we only live once and that we want to understand how everything works within us, this trend can only be positive; the negative side is what is often the cause of this trend: the fact that we work so much, too much and that everything today is very concentrated on looks, not on inner values." Caroline Andermatt, Etos

Some years ago, one went for every little cold to the doctor, according to Anna Westesson. But this can not be afforded anymore, neither by the Swedish State nor by the Swedes.

> "The problem is that the people do not think in advance, they only buy some mild or hard pain-killer in case of emergency." Lennart Molvin, Wilhelm Sonesson

The idea of prevention through additional supplemental food and *healthy food* has not yet come very far in Sweden, as Swedes are in general quite sceptical towards homeopathic and other natural medicine. This is possibly caused by the doctors' attitude towards these alternative approaches to healing.

> "Customers in Sweden are very sceptical by nature." Lennart Molvin, Wilhelm Sonesson

> "Another aspect of this situation is that the physicians often have a negative attitude towards natural medicine, because this is something they cannot benefit from and they do not know much about and this influences the government, the education, everything." Sven-Arne Carlsson, Svensk Handel

So, as I see this, the problem lies not only with the customers, but also within the whole system, the general attitude of the society towards health food and natural medicine. This implies that it is also difficult for those companies who want to change their target customers' attitude to communicate to their customers.

> "Customers are interested in health-products, but not enough informed. Those who consciously want this kind of food go to special shops." Caroline Andermatt, Etos

Andrew Cookson, for example, found out in a study on selling health Food and Drink in Sweden, that customers know that the *keyhole mark* means *good for health*, but that they do not know what it is based on. Thus many do not believe in it. The keyhole mark is a little green sign that can be found on some products which are supposed to be especially good for your health.

Figure 6: The keyhole mark

This way of thinking can also be traced back to a different culture in Sweden, a different development of the organization of trade, according to Per-Olof Jönsson.

> "That Sweden is not as health-oriented as Germany is a question of culture and of the way trade has organized itself." Per-Olof Jönsson, Friskrådet

What the interviewee intends with this statement, as I understand it, is that historically developments in Germany and Sweden have been different. In Germany there have ever since been small shops like bakeries, butchers, and similar besides the big supermarkets. In Sweden, instead, it has traditionally been one place where you can buy everything, which is probably also due to the thin population density in some areas in Sweden.

Another aspect, that I would like to mention here, is the importance of taste and pleasure in the choice of products. According to a study by Linda Gilbert[125] are the northern countries, and among the northern especially Sweden and Finland, the least health conscious ones. The attitude is "Taste is the king and delights the queen – healthy products are just as good as they taste"[126]. 21% of the northern Europe's consumers rarely or never choose food products following health criteria, in comparison to 12% in Southern Europe and 15% in Western Europe. The difference among the northern countries can be inferred from the following table.

Choice of health reasons	**Denmark**	**Finland**	**Norway**	**Sweden**
Always	7%	11%	10%	5%
Usually	31%	42%	56%	30%
Alw./usually	38%	53%	65%	34%
Sometimes	27%	30%	27%	40%
Rarely/Never	**35%**	**17%**	**7%**	**26%**

Table 2: Attitudes towards healthy products in the choice of food in the Northern countries[127]

As we can see, only a very small number of persons in Sweden always buy products with consideration of healthiness. This research shows the general attitude toward health products in the choice of daily food, like muesli, fibre products, juices without sugar and the like. These are, for example, all products you can get in a drugstore.

The reason for this, in comparison to other countries, little developed consciousness of the importance of healthy food can be traced back historically and culturally, but it is also important to mention that from nothing comes nothing, in my eyes. Those few

125 Gilbert, Linda, 2005; Cooksen, Andrew, 2005
126 Gilbert, Linda, 2005, page 11
127 Ibid

individuals who are interested in health food and natural-medicine inform themselves or have experience from other countries, but the others need to be taught. In order to get the customers' attention and to change an existing attitude it is necessary to inform them, tell them what is good and helpful for the own body and what can be done to cure and prevent most common Swedish diseases like tiredness (34%), overweight (31%), stress (31%) and stomach problems (23%)[128].

> "There is no concept for communication of more natural medicines and healthy products; there are restrictions on the marketing possibilities for these products in regard to the missions one is allowed to send to the target group, often no proved efficiency, only well known brands." Lennart Molvin, Wilhelm Sonesson

Thus, *communication* is a problematic area in the eyes of all the interviewed persons, as I found out. It is rather through a generational change that the health consciousness is going to be different within some years.

> "The generation-change implies that younger generation asks for more news than ever, travels a lot, experiences foreign customs, is open for new influences and perspectives. The younger ones think globally; the older ones are also used to this kind of information but they did not experience it actively through travelling and contact with many foreigners." Caroline Andermatt, Etos

The older generation is used to the so-called *snabb-köp* concept which has its origin in the 1970s:

> "Buy it where you buy other things, you only need to go to one place, where you also buy your bread and milk." Anna Westesson, Wilhelm Sonesson

You could and still can buy many products in one place, in one big supermarket. According to my understanding, the reason for this lies also in the fact that in Sweden most women work almost as much as their husbands[129] and thus do not have very much time for shopping downtown. Women do not, though, work full-time as much as men; 90% of Swedish men have full-time jobs and 60% of Swedish women[130]. On the other hand, according to customer researches, conducted by Apoteket, the customers are asking for more access and longer and more flexible

[128] Jönsson, Per-Olof et el, 2005
[129] http://www.scb.se
[130] Swedish Institute, 2004

opening hours. Interestingly they especially ask for more access to such products that are sold in the Apoteket Shops, which are shampoo, tooth brushes, skin care products and similar. Especially the younger generation wants more flexibility and freer access.

> "Clients have a high expectation when they enter our markets; they want personnel with knowledge, consider us as a specialized retail-trade, need and ask for help." Caroline Andermatt, Etos

> "They ask for a unique shopping experience in a stimulating atmosphere, want to be inspired instead of being stuffed with information and facts." Caroline Andermatt, Etos

Additionally, customers do not want to loose the convenience of the expert advice, a feeling of security and inspiration, which they survive when they go to Apoteket.

3.3 The Situation in the Swedish Market for Drugstores Today

Altogether I understand the situation in the Swedish market in the following way, seen from the perspective of a German drugstore which thinks about expanding to Sweden. On the first sight, there seem to be no big entry barriers for a retailer wanting to expand to another European market, within the Single European market. Local taxes and legal frames have to be considered, but present no big hinder.

The reason why there are no drugstores in Sweden today is mainly because at the time when today's German drugstores developed, around 1970, a decisive event took place in Sweden: the nationalization of the pharmacies in Sweden. This is related to the culture in Sweden and the development of single trades. Sweden simply has another historical background. The tradition to buy everything in one shop, bread, milk, meat, chemical products etc. resulted in three big supermarket stores: Ica, Coop and Axfood which dominate the consumer goods market in Sweden today.

For special needs and a broader product- and brand-range customers go to health-product shops, such as Hälsa Butiken in Lund, or to special beauty and wellness shops, such as Kicks or the Body Shop. What concerns health food and other health products are customers very much relying, traditionally, on the advice they get in Apoteket and are highly sceptical towards alternative, natural medicine. The problem is that the customers are simply not well enough informed about the basic effects these natural products cause in a human's body.

There is a difference between the younger and the older customers due to more global opportunities and experiences the younger ones are able to experience. The older generation has grown up with Apoteket as an incontestable institution which took over all the decisions about what is healthy and what is not. The younger generation, though, knows that this situation is an exception and that there are other countries with different, and sometimes more convenient and effective systems.

As we can see, the political, economic and cultural characteristics are strongly interrelated. Let us just take another example: the scepticism of many Swedes towards natural medicine. Such scepticism is the result of not-knowing about the effects natural medicine can have on a human's body. This not-knowing about something is due to the act of the narrowing of the pharmacies product-range to only synthetic, scientifically researched medicine. And as the pharmacies were nationalized about 35 years ago, Swedish customers had almost no more access to such products. Some small, uncoordinated shops used this as their advantage to sell natural products only, and they still exist today, but are slowly run over by Apoteket itself and the big supermarket stores who sent the profit they can make with the rising health trend. That health has become an issue of interest again is due to the problem that the government can not very much longer finance the whole health-care system in Sweden. The government takes over a great part of the costs for medicine to offer the Swedes equal prices on medical products, which again causes that the Swedes do not think much about heath, because somebody else is doing this: Apoteket, the Swedish State. This circling between the three factors – political, economic and culture could continue forever, but sooner or later the whole system will loose stability and break up at one point or another.

This is basically the result of the external audit of a classical SWOT analysis. It shows what the environmental situation is like at the moment. Additionally to this picture of the current situation a marketer would now categorize the findings into strengths and weaknesses, for the part of the company and into opportunities and threats, what concerns the environmental factors. This would help a company which thinks about a possible expansion to the Swedish market to meet the present situation in the targeted market. Instead of doing so, I will consider two other aspects which shall complement the SWOT analysis, as promised in the introduction. First, possible future scenarios will be considered for the market in question, so to say, as a complement for the external audit. And thereafter, a third theory, about entrepreneurship and entrepreneurial thinking will be drawn in when it is time for the analysis of how to meet the situations, how to match the internal audit with the external audits.

With this final analysis I concluded the chapter about international marketing research and the situation in the Swedish market for drugstores today. The next step is to bring dynamicity in the picture, which is the topic of the next chapter.

4. Scenario Analysis – How is this Market Going to Develop?

Scenarios are a helpful means for thinking in a more dynamic, anticipating way. They help understanding the external environment in broader terms than the SWOT analysis does. What their theoretical background tells us and how they can be submitted to an application in this case will be part of the subsequent chapter.

4.1 Scenario Analysis – Theoretical Background

As Dale Fodness[131] already criticised, it is not sufficient to know about the current situation in the targeted market because of rapidly changing conditions in the environment. To try and meet this weakness we need an approach to monitor environmental change[132]. What have been researched up to now are the basic elements of the environmental audit in a market research, based on the model of a SWOT-analysis. The following reflections, theoretical and empirical foundations shall complement the external part of the SWOT-analysis, the opportunities and threats, thereby prevent its fallacies and weaknesses which follow from only being a snapshot of the current situation. For a superior understanding of the market it is not enough to conduct a classical market research, here I will draw a more dynamic picture of the situation and its trends. Let us first have a look at the theoretical background of scenario analysis. I chose scenario analysis and no other forecasting technique since the developments in the Swedish market cannot be talked about with total security. An alternative could have been to use time series analysis which is part of financial analysis and contains the prediction of future sales, interest rates, foreign currency risk and the like[133]. But my aim is not to make a regression analysis and get numbers as a result; it is instead to collect information on the trends that are going on in order to enhance an understanding of the market and its dynamics.

Scenario planning, which is today mostly used in fields such as social and economic planning and research, originally derives from the world of theatre[134]. It was later

[131] Fodness, Dale, p. 32
[132] Douglas, Susan P. and Craig, Samuel C., 1982
[133] Arsham, Professor Hussein, 1994, page 56
[134] Dreborg, Karl Henrik, 2005

applied by Kahn and Wiener[135] for futurology studies in military technology and civil transport after the Second World War. They introduced the word scenario to distinguish it from traditional forecasting[136]. Traditional forecasting simply describes the most likely developments, whereas scenarios broaden the perspective for thinking about the future which gives a better base for planning and drawing conclusions[137]. Later, scenario planning was even applied in the private sector by Shell in the 1970s to prepare managers for an uncertain future[138].

> "Scenario analysis is not a forecasting technique, but a process for thinking and communicating about the future."[139]

> "What are scenarios? They generally include a definition of problem boundaries, a characterization of current conditions and processes driving change, an identification of critical uncertainties and assumptions on how they are resolved, and images on the future."[140]

Several distinctions of different scenario analysis should be underscored. R.J. Swart et al. distinguish between *quantitative* (modelling) and *qualitative* (narrative) and *descriptive* and *normative* scenarios. Furthermore they make a distinction between *what-if analysis* and *backcasting*[141]. Qualitative scenario analysis offers consistency, richness and insight, whereas quantitative scenario analysis is marked by rigor, structure and discipline[142]. Qualitative, narrative scenarios are similar to what Postma and Liebl call *contextual scenarios*[143]. Descriptive scenarios are constructed starting from what we know about the current situation and trends. Normative scenarios describe a future which is desired or has a specific value for the constructors of the scenario. Finally, what-if scenarios depict a future situation as an outcome of different expected trends, in contrast to backcasting, which examines what must happen, so that a desired future situation takes place[144]. Backcasting aims to develop future situations that are desirable[145]. Here, I am going to construct a descriptive

[135] Kahn, H. and Wiener, A.J., 1967
[136] Dreborg, Karl Henrik, 2005
[137] Ibid
[138] Swart, R.J. et al., 2004, page 137-146
[139] Grant, Robert M., 2005, page 319
[140] Swart, R.J. et al., 2004, page 139
[141] Ibid, page 140 and 141
[142] Ibid, page 141
[143] Postma, Theo J.B.M. and Liebl, Franz, 2005, page 172
[144] Ibid, page 170; Swart, R.J. et al., 2004, page 141
[145] Dreborg, Karl Henrik, 2005

scenario in the qualitative tradition which will answer the question *what if*. The what-if question will help to analyse and find out under which conditions and especially when a certain surprise will happen and how these events will occur. It will help me to explore what directions certain trends will take in the short-term future, say up to 3-5 years. Furthermore the following scenarios are narrative and descriptive. Narrative scenarios because of the information sources, which are very rich and diverse; they shall offer insight for the reader and enable him or her to form his or her own picture of the situation. The scenarios are descriptive since they are based on the current scenario of the market, here the Swedish market for drugstores. Taking this as a starting point, possible trends are developed and analysed.

The future developments are caused by several driving forces[146]. These driving forces can be divided into *constant, predetermined* and *uncertain* factors[147]. Constant factors are those most unlikely to change[148], in this case for example people's need for food and wellness-products. Predetermined factors are largely predictable[149]; an example is the demographic development of the Swedish population. Uncertain factors are those of which the outcome can only be guessed[150], but the coming about is not known, as for example the development of the monopoly Apoteket. I will consider this differentiation in the construction of my scenarios. Postma and Liebl name furthermore *unknowables* as developments with unknown outcomes, which can of course not be forecasted[151].

According to Schoemaker[152], the creation of scenarios involves several *steps*. He suggests 10 steps, of which I conduct about 6 in this thesis since the last four involve final decision making and planning within the firm.

Step 1: *Define the scope*: the scope in this case is the Swedish market for drugstores.

Step 2: *Identify the major stakeholders*: the stakeholders are those people who are affected by the outcomes. Here the stakeholders are the customers, the actors in the Swedish market related to drugstores, the interviewees and their background

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[146] Postma, Theo J.B.M. and Liebl, Franz, 2005, page 163
[147] Ibid
[148] Ibid
[149] Ibid
[150] Ibid
[151] Ibid, page 166
[152] Schoemaker, Paul J.H., 1995, page 25-40

industry. In which way they will be affected is another question, but basically these are the stakeholders.

Step 3: *Identify basic trends*: these existing basic trends which contrast to the key uncertainties in the next step build a base for the scenarios. These basic trends will be presented and discussed in the first empirical part of this chapter.

Step 4: *Identify key uncertainties*: the key uncertainties, categorized into the three areas political, economic and customer developments, as for the current scenario, will be constructed in the two scenarios after the basic trends.

Step5: *Construct initial scenario themes*: step 5 will be constructed together with step four.

Step 6: *Check for inconsistency and plausibility*: finally I will discuss possible inconsistencies and plausibility of the scenarios.[153]

The traditional function of scenarios is the evaluation and selection of strategies, baring in mind the possible future developments[154]. But the manager and everyone dealing with scenarios also have to bear in mind that there are several inherent limitations which have to be considered. Because of cognitive limitations not all possible future developments can be considered[155]. A large number of scenarios can lead to large redundancy, which is not favourable[156]. In this research two scenarios will be constructed, thus redundancy is no major problem. Another problematic area is that there may be trends and countertrends, sometimes even simultaneously[157]. This can be solved by constructing subcategories within a scenario.

The reason for choosing scenario analysis in this study is the following. We are talking about strategic options – to enter the Swedish market or not and if yes, when to enter it – which are strongly dependent on factors outside the organization's control, which could develop in different directions. Here, especially the question *when* to enter the market is of interest. Furthermore the look at several developments

[153] Schoemaker, Paul J.H., 1995, page 25-40
[154] Postma, Theo J.B.M. and Liebl, Franz, 2005, page 165
[155] Ibid
[156] Tietje, Olaf, 2005, page 419
[157] Postma, Theo J.B.M. and Liebl, Franz, 2005, page 165

enhances an even better understanding of the market's special characteristics. To be able to make decisions and evaluate different strategies we have to construct scenarios to widen our perspective of the future. Furthermore the argument that lots of changes occur in today's environment is sustained by the development in the European Union, which has a great influence on the single countries and on international business activities as we will see in the following.

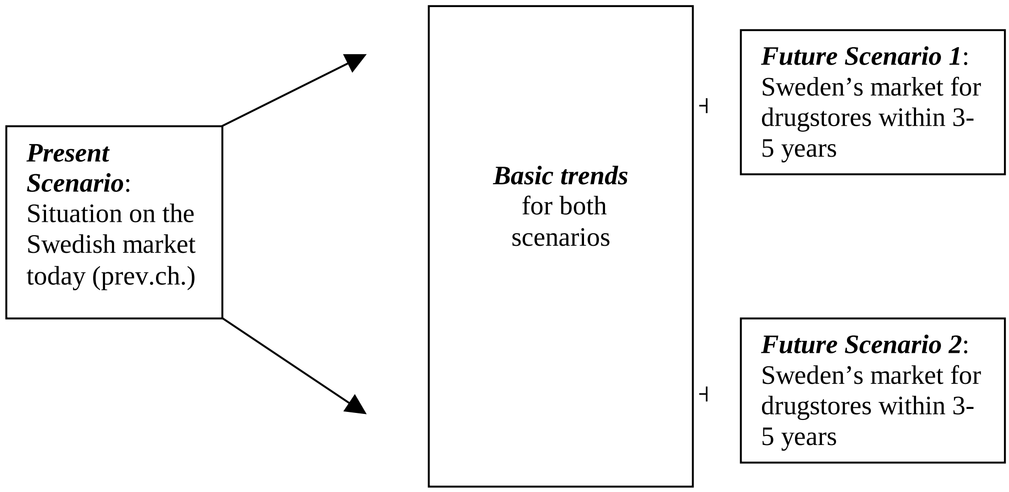

Figure 7: Future scenarios

The figure above helps to understand how the rest of this chapter is build up. First, the basic trends, the predetermined factors, will be presented and discussed, and then the two most probable scenarios will be introduced.

4.2 Basic Trends

4.2.1 Political Factors

The European integration and the European Union

European integration will move on in the future in a faster pace, causing further melting down of national borders and lowering entry barriers within the European Union for many different businesses.

> "EU legislation? There will be more and more adaptation of national laws. In comparison to Germany, Sweden is much less conservative. In Germany, especially in

> Bavaria, there are more unique concepts in the consumer goods industry; they are more traditional ...” Ingmar Tufvesson, LIFS

This will lead, according to me, to the accessibility of all products everywhere, as mentioned in the introduction. I think this will also cause lower entry barriers in the different countries. In the long run, this will probably lead to more or less standardized tastes and offers in the different countries.

> “… homogenization more and more across the whole of Europe. The special shops will disappear more and more. My intuition is that this is a question of time. These special shops can also be part of the big supermarket.“ Ingmar Tufvesson, LIFS

> “Now, all the supermarkets have to have the same names – everything develops towards even greater standardization.” Ingmar Tufvesson, LIFS

The interviewee talks about the rising standardization in the name-giving norms for all the Swedish supermarkets, he intends that these developments are tied to greater adaptation in advance to international standards. In combination with this growing internationalization common norms and legal frameworks will gain more and more weight. This means, according to several interviewees, that those national specialties like the Swedish monopolies might be tolerated for a period of time, but not in the long-run.

Thus, in the short or long run the monopoly Apoteket will fall, even if they themselves do not admit this development, you can see from their actions that they are preparing for rising competition in the future. This is not only how I personally interpret their actions (the expansion of Apoteket Shop, for example), but also what the interviewees think and the press is postponing.

> “I would guess that the monopoly will fall. You can already see that they are preparing for the fall; of course they would never admit that.” Sven-Arne Carlsson, Svensk Handel

> “On the other side they have also already entered the segment of the supermarkets, they sell toothbrushes, skin-care products and similar stuff which shows that they are preparing for harder competition on the market, they widen their product-range, spread the risk.” Sven-Arne Carlsson, Svensk Handel

> "Today we have 14 Apoteket Shops; the aim is to establish at least 60 during the next two years." Ulrika Eriksson, Apoteket AB

How the *political climate in Sweden* will develop is not as obvious as the European political development. This will be analyzed in more detail in the two scenarios.

4.2.2 Economic Factors

Macroeconomic development

According to all the interviewees the general conditions in Sweden will stay as favourable as they are and they will even improve. Incomes are rising, the Swedish Crown is strong and the population is also growing.

> "I believe that these developments we now can see in Sweden will go on. There will be less unemployment and we will do everything to keep the pace in order to stay competitive internationally." Sven-Arne Carlsson, Svensk Handel

Experts guess that the GDP will grow by 2,5% in 2005 and 3,1% in 2006 and unemployment is expected to stay at 5.9 per cent this year and is expected to fall to 4,8% next year[158]. Furthermore the government has several plans for enhancing and stimulating innovation in Sweden by financing research and development project and different education programs for an even better skilled labour force[159].

Microeconomic environment

In February 2006 Apoteket will probably bring *Nicorette* on the market, which means it will almost certainly let others than itself sell it to the Swedish customers.

> "Right now they are discussing whether to let others sell Nicorette, and there are talks going on about other OTC-products. I think in the next years around 40 products will be released to the free market." Per-Olof Jönsson, Friskrådet

How the further development of the monopoly and the pharmacy might look like for the next years will be analyzed in the following two scenarios. That the situation will not just remain the same is a common opinion of all interviewees.

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[158] Government Offices of Sweden, 2005
[159] Government Offices of Sweden, 2004

> "Apoteket already has a new structure. They founded Apoteket Shop and have a very aggressive strategy and marketing for those activities that they already have and are preparing to meet the rising competition on the market." Kjell Olsson, Skånes Livsmedelakademi

> "The situation will change! I am sure about that. In many aspects, I guess, we'll see." Christer Hellström, Hälsa Butiken

> "In the long run Apoteket will be liberalized; I believe that, they will be exposed for competition, yes." Kjell Olsson, Skånes Livsmedelakademi

How Ica, Coop and Axfood will develop the next years depends mainly on how fast and how many products the monopoly will release. Here, nothing can be said with certainty. Details will be given in the following two scenarios. The same applies for Etos and Naturapoteket.

The Body Shop, Kicks and Åhlens are in one industry and they do not intend to diversify, according to Sven-Arne Carlsson from Svensk Handel. This implies that they want to stay in the beauty- and wellness-business only and have no plans for expanding their product-range to other areas. Wilhelm Sonesson[160] thinks of itself only as acting in the pharmaceutical industry, health food is central. They just want to work within this industry. If the monopoly should fall, though, they could even imagine expanding their product-range sold at Naturapoteket to OTC medicine.

The same counts for Hälsa Butiken and the other health-product shops, they do not intend to diversify or grow. At least the interviewee at Hälsa Butiken sees no difference for his shop if the monopoly should fall since he only accepts non-synthetic products and most of those OTC products sold at Apoteket are synthetic, according to him. According to these findings the make-up stores and the Hälsokostbutiker pose no greater threat to a drugstore as they, at least today, do not intend to change their strategy and diversify.

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[160] For company information please see Appendix C

4.2.3 Customer, Culture and Demographic Factors

A study on trends in the Swedish health food industry[161] shows that about half of the Swedish customers want to go on in their buying habits as before, but a great part of the Swedes, around 40%, intend to dedicate more interest to what they are eating. But only 15% mean that they have already converted their plans into practice. This implies that there is still a huge part of Swedes who need to be lead, taken by their hand and shown where they have to go, mentally, and how to get there. But even if this ambition exists, there are other priorities which weight more than the argument that a product is healthy. Ease, taste and price are more important to most of the Swedes than health. The consumption of fruits and vegetables though is rising.

> "We have found out in our research that the health consciousness in Sweden is growing continuously. The trend right now is that one shall eat the right food. Not as a complement, but as a change in daily behavioural patterns. There is a smaller focus on health food area. Food shall help to feel better. Organic knowledge, eat rose hip instead of rose hip tea. The Swedes do want everything in an organic, not synthetic form, as Americans like it." Kjell Olsson, Skånes Livsmedelakademi

There is a gap between what the media communicates about health and what the supermarkets communicate and offer to their customers[162]. What these supermarkets, as I understand it, need are skilled personnel and a good marketing. And that is what the company Friskrådet[163], for example, offers. So, it is possible that the supermarkets' personnel will in the future be able to create a substitute for the advice given at Apoteket.

Beskow and Funkquist have come to similar results in their master thesis[164]. The health of the individual is one of the fastest growing areas of interest in the Swedish society. One of the reasons for this trend is that the unhealthy lifestyle of many individuals has become very costly. The problem here lays in the long incubation-time before unhealthy live causes complications for the individual. Furthermore the authors mention, what has already been stated before, that many people simply do not know and are not conscious enough about the link between living healthy and being healthy. They argue that it is important that the supermarkets offer products for

[161] Gilbert, Linda, 2005, page 35
[162] Jönsson, Per-Olof et al., 2005
[163] For company information please see Appendix C
[164] Beskow, Fredrik and Funkquist, Ola, 2003, pp. 53-101

the customers which are healthy, can be eaten between the meals and which are especially good tasting. The products which the authors are talking about are mainly functional foods, like fruit bars, supplemental food, like vitamins and minerals, and natural medicine. These are all products a drugstore usually already sells with great success in Germany.

To awaken the customers' consciousness and interest the producers and sellers of the healthy products will and have to inform the customers about their products and the way in which they influence the human body and soul. But, as a conclusion, the authors found out, that it will take quite a long time until the market and the customers are ready. Marketing, price, communication, further trends such as the need for more convenience all are important aspects which will have to be on the to-do-check list of every consumer-good industrialist.[165] For a drugstore this implies, as I see, that the trend goes to the directions of those products that they do already sell.

Further future trends are the *generational change* and the new segment *man* in the beauty and body business.

> "Men also start thinking about their beauty care; Hugo Boss has started with a series of skin-care products for men; there is a men's magazine "Kings", which is very popular, which also has a section about wellness and beauty." Caroline Andermatt, Etos

This development has only started yet and will develop more and more, opening possibilities and a huge new customer segment. The idea that not only the women, but also the man should take care of his beauty, his skin, hair and body is closely related to the rising equality between men and women, which can especially be observed in Sweden. Within some years, men will be another target group, just as women are today. This development has already begun in the 1990s and is getting more attention today than ever; there are more new lines of perfumes for men on the market than ever[166].

Not only genus, but also generations are important:

> "The older generation is not yet used to it, this is a generation question: They know Apoteket, are used to it, and see it as an institution. Apoteket really has very good

[165] Beskow, Fredrik and Funkquist, Ola, 2003, pp. 53-101
[166] Unknown author, 1991 page 53-55

offers, educated personnel, they have everything. You feel secure as a customer, convenient." Caroline Andermatt, Etos

The generational change implies that the younger generation has and will have great opportunities in travelling the whole world, studying and working abroad. This widens a persons horizon, makes him more open for new ideas and perspectives on how things work in other countries, as I see this. Consequently they ask for more.

> "We see a great potential in this market, more focus on the individual, each individual has to take the decision, it is all a question of time." Anna Westesson, Wilhelm Sonesson

> "They are getting more and more demanding; they want even longer and more flexible opening hours. We are doing these customer researches continuously and this is mainly what they show." Ulrika Eriksson, Apoteket AB

In my eyes, older customers will still have the possibility to go to Apoteket, just as they did before. But the difference will be that Apoteket will not be the only possibility of choice. The offers will increase and those who are able and willing to choose will find the best solution for themselves.

The number of the older people in the population is rising, which becomes an ever greater burden for the health-care system[167]. Furthermore the use of medicine has risen considerably during the last years[168], which is a consequence of the State taking over all responsibility for medicaments, as I understand this. According to a research on pharmaceutical spending in different countries, the Swedish government is aiming at reducing a perceived over-utilization of pharmaceutical products[169].

4.2.4 Summary

Altogether the basic trends can be summarized and analyzed to the following basic scenario: in the macro-political environment, the European environment, further integration and assimilation of national laws, trade customs and regulations will lower foreign market entry barriers, on a long-term perspective, though. Therefore national governments will be forced to adapt their traditional customs in order not to

[167] Anell, Anders, 2004
[168] Gross, David.J., 1994
[169] Ibid

be excluded from the general development. In my eyes the Swedish government is very eager to be internationally oriented, which of course means that national companies shall be able to compete globally, but also to let foreign companies into the home-market. This is, according to me, positive from the customers' perspective as they will have a broader choice and even lower prices through competition, but it is less positive for the established Swedish companies who might be forced into the knees by foreign invaders who do not fear them. The micropolitical climate will be part of the two scenarios since this development is not as predetermined as the European one, at least according to the research conducted in this study. As all these factors named up to now are, according to the interviewees and the other sources, quite certainly going to happen within the next years, they can be called predetermined factors.

The macroeconomic environment will at least stay as positive as it is at the moment. What concerns the microeconomic environment are all the interviewees, except to the interviewee at Apoteket, sure about that the monopoly will fall in the long or short run. This factor varies between a predetermined and an unknown, as we can be sure about that the monopoly will fall one day, but the coming about is very unclear, which is the significant characteristic for unknowns. The different implications on the rest of the business environment will be analysed in more detail in the scenarios themselves. What can be said with certainty is, that the health-trend recognized today, will stay on, even if it might take different forms. This is important for a drugstore since health is one of its core-messages to customers. Furthermore it is clear that there are differences between the generations. As I see it, this implies that companies in the drugstore-business will have to distinguish between their target customers and, if necessary, work out different marketing-plans. These are also all predetermined, if not even constant factors. For example the fact that there are certain demographic developments can be seen as a constant, taken for granted-, factor. The health-trend is a predetermined factor, but it also could become an unknown as influences from oversee, like the fast-food-chains, might become more powerful than national trends and destroy an initial consciousness for health and natural medicine, for example.

According to me, this has often very little to do with the well-being of individuals, it is rather about profit-making of a small, powerful groups of companies. What all this has to do with a drugstore which thinks about entering the Swedish market and offering its low-price high-quality products there is that it is important for the strategy-making of the drugstore to know what the trends in the targeted market might be and where they might lead. And also to decide when to enter the market.

4.3 Future Scenario One

This scenario describes the possibility that the monopoly will stay and only diminish step for step during the years. That it will diminish step for step means that it will release one OTC-product after the other to the market. It will start with Nicorette, the Nicotine plaster now in February 2006 and go on with other products over the following years. This is the main difference from the following scenario. Its implications and the other differences in the political, economic and demographic/cultural/customer characteristics will be presented and analyzed in the following passages.

> "Apoteket and normal grocery stores are on the consumers visiting list, why visit another place?" Ulf Johansson, LIFS

4.3.1 Political Factors

If the next election should bring positive results for the regime in power now, the social democrats and their coalition partners, it may take even more time until the monopoly will fall. That the monopoly will fall sooner or later seems to be a fact for all the interviewees, it is only a question of time.

> "Apoteket will remain as it exists today – especially because of political reasons and simply because Apoteket is a useful institution, we have educated personnel, control the distribution of medicine, we are simply very good." Ulrika Vedin, Handelsanställdas förbund

One of the interviewees is even sceptical about the possibility that the monopoly could fall sooner if powers should change in the political arena.

> "I do not think that the liberalization of the monopoly will happen very quickly after the next election, if the right-wing parties should win. The whole system is too complicated to switch it around just like this. Everything takes a bit more time in this country." Kjell Olsson, Skånes Livsmedelakademi

He is of the opinion that the liberalization will only be realized step for step; he underlines his argumentation that the right-wing coalition would bring about changes with the argument that they have had power earlier and did not change anything in the monopolistic system.

4.3.2 Economic Factors

Starting with Apoteket again, the idea of this scenario is that the monopoly will stay in power. It will only let other retailers sell some of its OTC-products step for step, and this can take quite a long time.

> “Everything takes time to change, but it will change and there will surely be drugstores in Sweden in the future.” Lennart Molvin, Wilhelm Sonesson

> “During the next legislation period Apoteket will fall, according to me.” Per-Olof Jönsson, Friskrådet

As I figured out, implications for the other actors on the market are that they can, in accordance with Apoteket releasing one product after the other, widen their product range with OTC-products. Especially Ica, Etos and Naturapoteket will benefit from this process. Ica and Etos will have enough time to come to terms with their strategies in order not to cannibalize each other. Naturapoteket’s product-range will grow, and Wilhelm Sonesson will have the chance to offer its products to more than just Apoteket, but, on the other hand it will also be exposed to greater competition as it is not the only wholesaler. These processes will, though, occur very slowly, as emphasized before: step for step.

But, as pressure from foreign competitors and from the customers will grow, Apoteket has to prepare to stay competitive. What they do is to go back to where they began and take up some of the products which were thrown out in the nationalization in 1970 and sell them in Apoteket Shop. Furthermore Apoteket recruits ever more managers from the consumer-goods industry to get some economic thinkers in their rows.

> "If Apoteket wants to stay in the current trend it will probably take these natural medicine products back into their product range. Maybe not in the Apoteket itself, but in the Apoteket Shop. For example." Kjell Olsson, Skånes Livsmedelakademi

> "There are significantly more people in Apoteket working with the new situation who are purely market-oriented, and not necessarily specialists in pharmacy." Kjell Olsson, Skånes Livsmedelakademi

This implies that Apoteket is becoming more and more like any other company on the market and therefore needs to recruit skilled personnel. Furthermore the backward-trend to natural medicine products is also an indication of the winding up of the stately influence, according to me. As Apoteket is becoming more and more liberalized, the State does not bear the responsibility of what is being sold under its patronage any longer. And thus it can act like any other company on the market and answer to clients' needs and changing trends. Besides the political aspect there is another motive why the liberalization will take considerably long time - because of the complicated *health-care system*.

> "Apoteket's management and Apoteket's financing is so closely tied to the health insurance system – that is the argument why it is not going to happen so quick with the fall of the monopoly." Kjell Olsson, Skånes Livsmedelakademi

But, if the monopoly should fall one day the market will already be prepared to the new situation. It is very probable that some of the consumer-goods shops will already have developed drugstore-similar concepts to combine their offers in the supermarkets with OTC-products. Not only Ica with Etos, but also Coop has plans in the back of their mind, according to Per-Olof Jönsson. Coop's concept is called "En sund butik".

4.3.3 Customer, Culture and Demographics Factors

The same that counts for the economic development of this scenario counts also for the customers and their attitudes. As Apoteket stays the one central institution, people will only slowly change their attitude towards more health orientation, so-called *egenvård*. Following my analysis, the main actors on the market are only slowly getting access to OTC-products, so they are not interested and not informed enough to build a good, convincing marketing strategy for the new products. This results in a circle of effects which causes that Swedes will probably stay as sceptical as they are, based on lack of information and communication. According to me this logically implies that the gap in attitude and needs between the older and the younger generation will not become much bigger quickly. Even older customers might get used to the new situation in a more smooth way as they can buy one product after the other in supermarkets as well as in Apoteket. The process resembles more a slow evolution, whereas the next one resembles rather a revolution.

4.3.4 Summary

This first scenario, which is based on the basic trends, considers the possibility that the pharmacies will stay in the State's hands for the next years. Evaluating the interviewees' answers and the other empirical material, this is the most certain future development. It implies, as I understand it, that changes in the whole market and even among customer will only happen very slowly. This is due to the fact that Apoteket will maybe release a few products of its OTC-products, starting with Nicorette now in February, but no overwhelming transformation of the market settings will take place. Due to a lack of strategic plans of those companies in the Swedish market which could fill the gap of drugstores, even the communication to customers will not make great success toward a more health-oriented strategy, trying to bring the customers closer to alternative medicine, supplemental food and functional food. These trends can all be seen as uncertain trends, as the outcomes can only be guessed, as was done by the interviewees and by me, evaluating their answers and the other reports.

Altogether this implies, as I would say, that the biggest entry barrier for a drugstore will remain: the Swedish State and its protectionist policies with all its effects on the market and the customers. Whether this is to be seen as a threat will be part of the analysis with the help of the last theory, the theory of entrepreneurship and organizations with entrepreneurial mindsets. But before that, let us have a look at the other option of development.

4.4 Future Scenario Two

4.4.1 Political Factors

The other possible development is that the rising European integration, mentioned in the basic trends, will cause increasing pressure on the Swedish government and its monopolistic policies. Either the monopoly will fall through a change in political power in September 2006:

> "We have almost no competition and therefore very high prices [in this market]; this can be traced back to the political system of the left-wing regime who intervene too much in business affairs instead of letting the market regulate itself, which will hopefully change next year in September." The speaker wants to stay anonymous

> "If the Borgerliga, the right-wing parties in Sweden, should win the elections next year, I could imagine that they start picking in this system in order to expose it to competition and more market-oriented features. Because in the long-run we will not be able to finance this system!" Kjell Olsson, Skånes Livsmedelakademi

Or the monopoly will have to face further lawsuits because of companies on the market which want to sell OTC medicine and will have pressure from the customers' side who ask for more access and longer opening hours.

> "Customers ask for more access, so that these products [sold in the Apoteket today] will be sold at different places. The Swedish customers are a huge buying power; they want more freedom in choice and access." Lennart Molvin, Wilhelm Sonesson

This could, according to some interviewees, already happen within the next one or two years. The motivation for this argumentation is the following. It is of course not possible to abolish the monopoly from one day to another and let some entrepreneurs take over since the whole system behind the monopoly is far too entangled. There is an alternative to the system how it exists today with the State who pays the biggest part of the costs for pharmaceuticals, as explained by Kjell Olsson. The alternative is to lift the financing of medicine out of today's health-care system. Like this, the transformation from a monopoly to a more liberal system would go much faster. The result will be that every individual becomes aware again of what medicine costs, as it suddenly has to pay what the State paid before. One of many other results will be that actors which want to come in to the market can trigger a pressure on price, who implies that the market could open up for competition in general much faster.

> "You then would have to pay more as an individual, so if one start liberalizing this system it will maybe take half a year and decide that you will have to pay 75% of the costs of medicine instead of paying nothing up to some limit around 2000 Swedish crowns. So, like this, you have a totally different scope for activities and changes." Kjell Olsson, Skånes Livsmedelakademi

4.4.2 Economic Factors

As a result of the fallen monopoly, Apoteket will become a competitor as any other for the companies wanting to sell OTC medicine, besides prescription medicine. The presumption for both scenarios is, that the prescription medicine will further on be sold by pharmacies, whether national or private ones. Apart from the fact that it will always enjoy a high reputation and trust among the Swedes, the pharmacies will have to struggle just as any other company on the market, being exposed to competition, both national and international.

> "I think especially the older generation; say from 60, 65 upwards will stay loyal Apoteket customers. It will take more time for them to get used to a new store, even if the monopoly does not exist any longer." Anna Westesson, Wilhelm Sonesson

The implications of a fallen monopoly are different for the different players on the market, according to my understanding. The fallen monopoly will have least influence on the health-food stores since they strictly reject all synthetic products. The other companies though, the supermarkets, Naturapoteket and Etos are very much looking forward to a deregulation and have already plans for the new situation.

> "One which is really prepared for the fall of the monopoly is Ica, they already have a ready concept: Etos: a subsidiary where you will have the possibility to buy medicine, OTC, and other products." Ingmar Tufvesson, LIFS

> "What is going to happen is what you were saying, that Ica will throw itself in the market with Etos as quickly as possible, but they are also insecure about what for money is in this, that is why have not developed their concept any further until now." Kjell Olsson, Skånes Livsmedelakademi

One problem which will arise when Etos is going to expand its product-range, grow and become very much sought-after is that it might collide with its parent company, Ica, which one of the interviewees calls for cannibalization:

> "… cannibalization between Ica and Etos: if you take too much of the Ica products to the Etos store, they start cannibalizing each other. This will become a problem for them. That is why they do not have a real strategy yet, they probably struggle with plans for the future. You eat from your own cake. That is why Etos have to be different than Ica, if Etos is the same as Ica, they have to separate." Ingmar Tufvesson, LIFS

That, I assume, is why Etos was a bit hesitant in its statements about its mission and its trend of development. They have to distinguish themselves from their parent, if not they will only damage themselves or their parent.

A prerequisite for the whole system to work is that the government draws itself out of the business and no longer pays for the medicine because otherwise the other companies have no chance in competition. The shops would have to offer the products at the real costs plus a profit margin and still keep the prices lower than the next competitor.

> "If they want to be successful in conquering the market, they will have to press the prices, but what for marginal profits will they get then?" Kjell Olsson, Skånes Livsmedelakademi

I want to emphasize once more that, when I talk about medicine I intend the OTC-part of Apoteket's product-range and not of prescription medicine. The chance that prescription-medicine will be liberalized is so improbable and so far in the future that it does not tangle us in the current situation and research where an eye lies rather on the short-term developments in Sweden.

Furthermore, there will be a need for more education of the personnel if the monopoly should fall. When the monopoly falls the difference will be that the shops selling OTC-products have to have some personnel educated in pharmaceutical science.

> "We need to educate our personnel more, so they are able to give advice to customers for all the health products and food we will maybe offer soon." Caroline Andermatt, Etos

> "We have not yet started looking at competence-development questions; we will do this the next time." Ulrika Vedin, Handelsanställdas förbund

So, as I understand, if the monopoly should fall the situation will not change from one day to another. Several different things have to be thought of, such as the educated personnel, the amount of OTC-products sold in for example Ica, Etos or Naturapoteket. There are already complete concepts for the fall of the monopoly. For example the business idea of Friskrådet, to rent out competent personnel to the consumer-goods industry and to offer training programs in pharmaceutical and health science.

Further implications concern the development of the health-trend.

> "The health food branch is growing and will be even more if there's no more monopoly which decides what is good and what is not." Sven-Arne Carlsson, Svensk Handel

This health trend is connected to the customers, their behaviour, needs and changes in attitudes, which is subject of the following passage.

4.4.3 Customer, Culture and Demographic Factors

Connected to the near fall of the Swedish monopoly in the pharmacy business the ongoing health trend will reach more acceptance and access to the customers' ears since they now have to think themselves about what they want to buy, where and when.

> "We will have much more health conscious customers. " Anna Westesson, Wilhelm Sonesson

> "I would say that there is an ongoing change in attitude in Sweden towards natural medicine, healthier, biological food and food supplements." Lennart Molvin, Wilhelm Sonesson

The interest for healthier food will rise not only due to better *communication*, but also due to the fact that there is no more money for going to the doctor because of every little sickness. People will have to be able to help themselves and understand that not only synthetic products can have a positive effect on ones body's well being.

Better communication will be reached through offering food supplements, functional food, natural medicine and similar products in markets where people usually buy their daily products and thus their attention will be awakened for these new products. The gap between the generations will be huge, which means that younger ones easily adapt to the new offers and new constellations whereas older Swedes will probably stay loyal to the pharmacies, even if they are not any longer stately owned. These are the elements I see which would develop as a result of the described developments.

4.4.4 Summary

I found out that, if the monopoly should fall that soon, a lot of changes and movements will occur on the market. Competition will rise immediately, even between subsidiary and holding, like in the case of Ica and Etos. The question is whether the companies are prepared enough for this sudden change. Everything will relatively quick be liberated, letting customers and suppliers much more freedom and possibility of influence.

Again, I would like to emphasize, that these presented developments are in no way predictions about how the future *will* look like. They could only be pillars for the strategic thinking, for the decision makers and marketers. Thinking about how the future might look like awakens some kind of three dimensional picture of the situation, in my opinion. It sustains flexible, dynamic thinking and widen the perspective of the spectator or/and the actor.

The second scenario highlights a future situation, in not too far distance, without the monopoly. As this trend is, following the interviewees, more uncertain than the first one, it must be handled with care. The implications for the market though, are far more interesting, than in the first scenario. As the whole health-care system is that complex, a deregulation would bring changes not only for the companies on the market, but also for every individual Swede. The liberalization of the monopoly might cause great confusion on the market as many companies are faced with possibilities they have not thought about in enough detail. Some already have plans, such as Etos. But even here we have problems: How shall Ica and Etos live side-by-side without sharing from each others' cakes?

I consider this situation being very interesting for foreign companies intending to enter this market. This second scenario highlights also the implications a deregulation would have for customers. If a customer would no longer have to pay a small percentage of his medicine, but, let’s say, 70%, he would think at least twice before buying some medicine here and there. He would literally be forced to open his eyes and watch out for alternatives as for examples supplemental food to prevent from the next December-cold and alternative, natural medicine. This is of course a highly uncertain factor, I admit, but still, it should be kept an eye on it. Another, rather predetermined factor in this scenario is the gap that will divide younger and older customers, as the younger ones are going to become familiar with the new situation rather quickly and will be the first great potential customer group, according to me. Even the older Swedes may become familiar with the changed market settings, but it will take more time and more marketing efforts.

These trends will not only help the company intending to enter the Swedish market in its decision making, but they have hopefully also made it easier for the reader to understand the situation on the Swedish Market for Drugstores and its dynamics better. Next, we will turn to the question what special characteristics can help a company, which intends to enter this market.

5. Entrepreneurial Spirit

In this chapter the third theory will be introduced. It will help to complement the preceding findings and to analyse the drugstore Rossmann. Furthermore the opportunities on the Swedish market for drugstores, seen from an entrepreneurial perspective will be highlighted.

What exactly is entrepreneurship? It seems to be a very popular trend considering the waves of articles and discussions about the need of more entrepreneurs, entrepreneurial action and entrepreneurial theories. There are different definitions and ideas about the concepts which will be presented in this chapter. From these different aspects I will conclude how the theory of entrepreneurship can be applied for a new, more dynamic thinking about how to meet the situation in Sweden.

5.1 Entrepreneurship – Theoretical Background

5.1.1 Introduction

Now that we know what the situation on the Swedish Market for Drugstores is like, how it might probably develop, we can try and match these two parts together – the external audit and the internal audit. To verify this I would like to introduce a third theory, the theory about *entrepreneurship*. Why exactly this theory shall explain how the German drugstore-chain can enter the very special situation in Sweden will become clear after the presentation of the theoretical background and the presentation of how the situation for the drugstore-chain Rossmann in Germany looks like, both on the German market and within the company.

There is a classic economists' joke that goes like this: two economists are walking down a sidewalk. First economist: "Is that a 20 dollar bill on the sidewalk?" Second economist: "Couldn't be. Otherwise someone would have picked it up by now." They walk on. Business people and also other individuals often wonder why there is no market for X. The very simple reason might be that there has not been anyone yet to recognize that this gap can be filled. Today, it is being argued ever more often, that entrepreneurs are needed to get markets going. [170] Not only the market, also a company needs entrepreneurial spirits to gain a sustainable competitive advantage in these days of turbulence and rising global competition[171]. There is so much enthusiasm about entrepreneurship, entrepreneurship programs popping up in colleges and business schools, people who think about starting a company and getting rich, but the question is what is so different about the situation today in comparison to the situation hundred years ago[172]. I personally see this discussion as overheated, as there have always been changes in our world and these changes are, relatively to the situation before the change, always turbulent and need flexible, adaptive environments. The reason for changes, in my eyes, is always due to innovative persons, communities or simply coincidences in our environment, otherwise we would not be where we are today. The only difference today, I would say, is that we give the origin of this change-causing-phenomenon a name: *the entrepreneurial spirit*[173]. I will present here several different understandings of the notion of entrepreneurship in literature. An understanding of these will make my conclusions for this study clearer. We have to distinguish between the entrepreneur as an individual starting his own business and entrepreneurship within an existing company.

5.1.2 The Entrepreneur as a Person with Special Characteristics

The word entrepreneur derives from the French words *entre* (ie: enter) and *prendre* (ie: take)[174]. An entrepreneur is, in its most general and original sense, a person who creates or starts a new project, opportunity, or venture and is thus often connected to small businesses[175]. Entrepreneurs are persons with special character-traits: they are opportunistic, innovative, self-confident, proactive and decisive with high energy, self-motivated, have vision and flair and a willingness to take greater risk and live with greater uncertainty[176]. Furthermore they feel a strong need for independence and achievement, do not let them lock into some organizational frames and have an internal locus of control[177]. This internal locus of control means that you believe that

[170] Higgins, Michael, 2005
[171] Dess, Gregory G. and Lumpkin, G.T., 2005, page147
[172] Higgins, Michael, 2005
[173] Gwynther, Matthew, 2005, pp. 63
[174] http://www.wikipedia.com
[175] De Vries, Kets, M.F.R., 1997
[176] Caird, S., 2005
[177] Stanworth, J. et al.,

you yourself exercise control over your environment, you take the initiative and do not let things happen around you, you take control[178]. It is a way of thinking, an inner attitude, and this attitude can also be part of the culture of an organization which leads us to the next stage of entrepreneurship.

> “Entrepreneurship is the practice of starting new organizations, particularly new businesses. Entrepreneurship is often a difficult undertaking, as a majority of new businesses fail. Entrepreneurial activities are substantially different depending on the type of organization that is being started. Entrepreneurship may involve creating many job opportunities.“[179]

5.1.3 Entrepreneurship within Companies

In the current literature on entrepreneurs and entrepreneurship there is a distinction made between the entrepreneur as an individual which starts his own business, based on some innovative idea on the one hand and on the other hand entrepreneurship within a company. For me, these two concepts are two sides of the same coin. The most entrepreneurial companies usually have their origin in some entrepreneur who had an ingenious idea. Examples are Microsoft, Sony, Amazon and many others.[180]

Entrepreneurship within a company is also referred to as *corporate entrepreneurship*[181]. Dess and Lumpkin[182] write about the importance to build intrapreneurship, which is entrepreneurship within a firm, which shall help to sustain creating value over a long time. The entrepreneurial orientation within a firm is characterized by five dimensions: proactiveness, which is an active search for opportunities, innovativeness, competitive aggressiveness, autonomy and risk-taking.

Autonomy:	Autonomous action by an employee or a team with the intention to bring forth a strategic plan or vision and carrying it through to completion.
Innovativeness:	A general attitude and interest to new thinking and ideas through experimentation and creative processes with the aim

[178] Gwynther, Matthew, 2005, pp. 64
[179] http://www.wikipedia.org/wiki/Entrepreneurship
[180] Dess, Gregory G. and Lumpkin, G.T., 2005, page 148
[181] Dess, Gregory G. and Lumpkin, G.T., 2005, page 147; Kuratko, Donald F. et al., 2001, pp.60-71
[182] Dess, Gregory G. and Lumpkin, G.T., 2005, page 147

	of developing new products and services, as well as new processes.
Proactiveness:	A forward-looking perspective characteristic of a leader in the marketplace who can foresee opportunities in anticipation of future demand and even create future demand for his innovations.
Competitive aggressiveness:	A strong effort to outperform competitors. The characteristic is that the company starts combative actions or responses aggressively. The aim is to improve the proper position or overcome a threat in a highly competitive landscape.
Risk-taking:	Making decisions and taking action without certain knowledge of probable outcomes; some undertakings may also involve making substantial resource commitments in the process of venturing forward.

Table 3: Five dimensions of corporate entrepreneurship[183]

According to the authors, the performance of these entrepreneurial-orientation dimensions vary from company to company and an entrepreneurial orientation does not necessarily need to fulfil all five dimensions. This entrepreneurial orientation, as I will show, has to fit the environment, the structure and the strategy.

Donald Kuratko et al.[184] are talking about entrepreneurial actions within a firm as part of a competitive corporate strategy and base for a good culture. They define entrepreneurship as "… acts of creation, renewal, or innovations that occur within or outside an organization."[185] To use entrepreneurial action means bringing something new into being, innovate, and through innovating sustaining a company's competitive advantage. One of many possibilities is to find new markets for the firm's current products. As said by the authors the establishing of a vision by the top-management is the most important aspect in maintaining and creating an entrepreneurial organization, use reward and compensation systems to maintain the entrepreneurial spirit in the organization, encourage risk-taking and much more.[186]

[183] Dess, Gregory G. and Lumpkin, G.T., 2005, page 148
[184] Kuratko, Donald F. et al., 2001, pp. 60-71
[185] Ibid, page 60
[186] Ibid, pp. 60-71

> "Supportive words are one thing. Seeing their leaders behave entrepreneurially creates employee commitment to do the same and has more significant effect than words."[187]

Research conducted by the consulting company *accenture*[188] views entrepreneurship in the light of the interplay between the firm's environment and its entrepreneurial spirit. Their argumentation goes that even if there are environmental barriers to entrepreneurship in Europe, such as unnecessary legislation, lots of regulation and high taxation the main hamper for entrepreneurship lies within the firm. Their definition of entrepreneurship is the following:[189]

> "Entrepreneurship is the creation of value by people and organizations working together, through the application of creativity, drive and a willingness to take what might commonly be seen as risks."[190]

The author refrains clearly from the myth that an entrepreneur is a single, heroic individual. Instead, entrepreneurship is made up of five core elements which are shared across the whole organization: creativity, the ability to apply this creativity, drive, a focus on creating value and risk-taking. These core-elements are similar to the five dimensions of Kuratko et al.. Creativity is the centre of every entrepreneurship, it enables new ways of thinking and opens new perspectives on the environment and the own firm. The ability to apply this creativity depends on whether the firm can coordinate its resources in such a way that it enables entrepreneurial actions and on whether it encourages diversity of thinking or not. Furthermore it is important to make the employees believe that entrepreneurship is valued and that failure is nothing negative. Drive may be similar to the internal locus of control, mentioned before from Stanworth; it is about the will to change things, an inner force and passion to achieve success. The focus on creating value refers to the will to do things better, faster, and cheaper. Finally, risk-taking, as mentioned by all the other approaches as well, it is about breaking the rules, not accepting the status quo.[191]

So, if a company is not successful in establishing an entrepreneurial spirit within its organization may this be due to a strong aversion towards risk and failure, a problem

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[187] Kuratko, Donald F. et al., 2001, page 68
[188] http://www.accenture.com
[189] Cullum, Philip 2, 3, 2003
[190] Cullum, Philip 4, 2003
[191] Cullum, Philip 1, 2003

which resides inside the organization's culture, but it may also be due to environmental factors. As mentioned before, these can be too many legal hinders, regulation and taxation.[192] This depends largely on the market model for entrepreneurship in the respective country, according to accenture-research. A distinction is made between the Free Market Model, the Guided Individualism Model and the Social Democratic Model. The Free Market Model, with the US as a shining example, implies minimal government intervention in the economy, deregulation and many incentives for entrepreneurship. The Guided Individualism Model encourages individual entrepreneurial behaviour within a society, examples are Taiwan and Singapore. Finally, there is the Social Democratic Model which is being applied in our part of the world, among others in Sweden and Germany. With the government as a key player, this model seeks to balance entrepreneurial incentives with social protection. But even if a company does not have the most entrepreneur-friendly environment it can use differences and barriers as incentives, turn national differences to its advantage.[193]

5.2 The Drugstore-Market in Germany

In this chapter the reader will be given comprehensive background information about the situation of drugstore-competition in Germany. After that the case-study, the history and specialties of the German drugstore-chain Rossmann, will be presented.

This paragraph about the drugstore competition in Germany and the role of the company Rossmann, which I chose as an example for this research, has the aim of showing what special characteristics a company needs in order to enter the market in Sweden and in order to see the several opportunities which exist there. The theoretical background to this part of the thesis will be given and together with this empirical foundation it is meant to be a complement to the marketing research and the scenario analysis. The presentation of the German market for drugstores introduces that the chosen company, Rossmann, is not any company. It is chosen consciously since it created with its actions a competitive climate in the German market for drugstores and because it has certain remarkable, entrepreneurial qualities

[192] Cullum, Philip 3, 2003
[193] Ibid

as we will now see. After the empirical part that will follow now I will analyse the situation and its implications for the expanding company.

5.2.1 Drugstores in Germany

Drugstores in Germany produce a turnover of over 12 billion Euros a year[194]. Daily one new drugstore is opening, sometimes no 100 meters apart from the next one[195]. They are the winners in the trade landscape. In Germany there are about 20.000 drugstores, between Flensburg and Passau there exist more drugstores than bakeries (around 18.000)[196]. It is now about 32 years ago when the first drugstore-discounter, Rossmann opened his first store[197]. The discount store tempts customers with low prices and a high quality; the concept comes from the US and has caused a rising number of discount stores since the Second World War[198]. The nine leading drugstore-chains in Germany today are Schlecker, dm, Rossmann, Müller, Ihr Platz, Kloppenburg, Budnikowsky, Idea, Tengelmann (KD)[199]. Their total turnover has risen continuously the last years: from 11.280 in 2002 to 12.738 in 2004[200].

5.2.2 The Three Biggest

The three biggest drugstore discounters are Schlecker, with a market share of 41%, dm, with a market share of 19% and Rossmann, with a market share of 14,5%. Schlecker, founded in the middle of the 70s owns today about 14.000 drugstores, has a turnover of 6,55 billion Euro and its lead by a little beloved owner, who is known for his greediness and exploitation of his employees. Its strategy in pricing is to offer a few, very cheep products within the whole product-range. dm, also founded in the 1970 by the 29-year old Götz W. Werner owns today 1.642 shops in Germany, Austria and seven other European countries. The turnover for 2004 was 3,3 billion Euros and its strategy in pricing is to keep prices permanently down, with a guarantee of four months on many products. Rossmann, with today 1.125 shops in Germany and 350 in Eastern Europe, opens on average daily one new drugstore and

194 Pracht, Stefanie, 2005
195 Thomas, Nadja, 2005
196 Gronwald, Silke, 2005
197 Ibid
198 Richert, G.Henry et al., 1962
199 Pracht, Stefanie, 2005
200 Ibid

produces a turnover of 1.402 million Euros in 2004. Their pricing-strategy is to lower and raise prices randomly.[201]

5.2.3 The War

For thirty years these three had peacefully divided the market among them, until recently, when Rossmann decided to enter dm's market in Southern Germany by buying 70 of the unsuccessful KD-markets[202]. This indirect declaration of war has caused trouble and a further heating up of competition on the market in Germany[203]. The situation, especially for Schlecker, is brought to a heat by the announcement of the low-price supermarket Lidl to enter the market for drugstore-products like shampoo, toothbrushes and similar[204]. dm and Rossmann do not have to fear as much as Schlecker since they offer high-quality, better productivity and have many regular customers[205]. These health- and wellness-care products are very interesting for the supermarkets since their prices are still rising, despite of high competition, with two or more percent per year[206].

5.2.4 What is so special About Them?

Special characteristics of the drugstore-market in Germany are the rising number of private label products the drugstores offer their customers, which have scientifically proved the same quality as brand products[207], but have until 30% lower prices than regular brand products[208]. That the drugstores are no longer dependent on the brand product suppliers, as it was before, is mainly due to changing power relations: globalization and the boom in Asia make it possible for them to integrate vertically and offer their own house brands (private-label products)[209]. Another characteristic feature of these companies, at least of dm and Rossmann, is that they pay especially much attention to their employees. They are seen as the central factor of success for the company, are left a lot of freedom and are given lots of incentives[210]. On average

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[201] Gronwald, Silke, 2005
[202] Ibid
[203] Fink, Sonja, 2001
[204] Seidel, Hagen, 2005
[205] Ibid
[206] Ibid
[207] http://www.stiftung-warentest.de
[208] Gronwald, Silke, 2005
[209] Ibid; Thomas, Nadja, 2005
[210] Thomas, Nadja, 2005

a German visits a drugstore once a week, and is, according to researches very satisfied with the offers and prices[211], but still, competition on price is almost trashed out, impulses for growth are few and the margins are sinking[212]. Whether these chains will survive and what they have to do in order not to drown in the wave of competitors from all angles will turn out by the time.

5.2.5 Indirect Competitors

Indirect competitors for drugstores in Germany are the *Reformhaus*, a few make-up stores and an online drugstore. The Reformhaus is a chain selling high quality natural cosmetics, health food from controlled origin, natural medicine and several OTC-products[213]. There are about 2.100 Reformhäuser in Germany and about 1.000 in Austria[214]. The turnover in 2004 amounts to 659 million Euros, 0,2% more than in 2003[215]. Apart from the Reformhäuser there are several *make-up stores*, such as Douglas[216] and The Body Shop[217]. And only recently the first online drugstore can be visited on the web: http://www.drogerie.de.

There are about 21.500 *pharmacies* in Germany. They are all members in the Deutscher Apotheken Verband. The German pharmacies have the sole right to sell prescription medicine. OTC-products are partly being sold by the pharmacies, partly by supermarkets and drugstores. But since the Gesundheitsreform, the renewal of the health-care system, in the beginning of 2004, changes are whirling up the situation in Germany as well.[218] The Gesundheitsreform allowed, among other changes, the mail-order business for prescription medicine, but the pharmacies will in the future still have the monopoly for the individual consumption of medicine[219]. In Germany, anybody who has the necessary education may open a pharmacy. The pharmacies are subjected to a legal price maintenance, which means that they cannot sell prescription-medicine cheaper or more expensive than other pharmacies[220]. This is in broad lines the only restriction imposed from the government on the pharmacies.

211 Seidel, Hagen, 2005
212 Fink, Sonja, 2001
213 http://www.reformhaus.de/sortiment
214 http://www.reformhaus.de/branche
215 Reformhaus INFORMATION, 2005
216 http://www.douglas.de
217 http://www.the-body-shop.de
218 Wieselhuber, Dr. & Partner, 2002
219 http://www.wdr.de, 2004
220 http://www.abda.de

This law applies no longer for the OTC-products since the first of January 2004[221]. Since this Gesundheitsreform there are battles going on between the pharmacies and the drugstores for OTC-products which only pharmacies were allowed to sell until January 2004[222].

5.3 Rossmann, an Example: Internal Audit – Strengths and Weaknesses

With the intention of being able to know what strategy to take, a company must identify its critical success factors. These derive from the company's strengths and weaknesses.[223] In this chapter the German drugstore-chain *Rossmann* will be presented. The base of this presentation is a questionnaire with follow-up questions in an interview and a lot of information from the company's webpage and from press releases.

5.3.1 Rossmann: Germany's Pioneering Drugstore Discounter N°1

History

Rossmann's history is one of an entrepreneur making his way to the top through taking risks and going ways no one went before. Dirk Rossmann, the founder, opened his first drugstore in 1972 in the heart of Hannover:

Figure 8: The first Rossmann-drugstore 1972[224]

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[221] Eberenz, Mathias, 2005
[222] http://www.wdr.de, 2004
[223] Kotler, Philip et al., 1999, page 94
[224] http://www.rossmann.de

He was the first one to apply the *discount-principle* in the drugstore market, and he was pretty successful. This discount-principle is about the concentration on the essential and the aim is to offer good quality for low prices. The company rides since then on a wave of continuous growth – in its product range, in regional expansion, in outlets, profit and number of employees. Through several mergers and acquisitions it makes its way from northern Germany over the newly formed German states to southern Germany. Today, Rossmann is the third biggest drugstore chain in Germany with about 13.000 employees, about 1.l25 sales outlets, a huge centre for logistics, and a total turnover of 1,402 billion Euros in 2004. The turnover of the newly, in spring 2005, acquired kd-markets in southern Germany are not included in this number.[225] Since a few years Dirk Rossmann is causing a heat price-war on the drugstore market[226].

Figure 9: Rossmann today: a Modern and Popular Discounter[227]

Strategy

One of Rossmann's most important imperatives is to keep, in spite of having the biggest growth rate of all German drugstore chains, the flexibility and pioneering spirit of its origins. They see their success as lying in their unconventional thinking; and especially their emphasis on winning and supporting young, devoted employees. Dirk Rossmann's main aim is to be always the first one to invent new approaches to customers, special offers, strategies and use them in such a way, that they can not be replicated by his competitors. Furthermore Rossmann-employees regularly visit their competitors' drugstores in order not to miss any change going on, which is probably no official strategy. An important strategic aim is to expand the natural-food product-range, which is already very vast. The company invests a lot in this research and

[225] http://www.rossmann.de
[226] Gronwald, Silke, 2005
[227] http://www.rossmann.de

believes in the success of this direction. Families with children are getting ever more aware of the components of food like and especially baby-food. In general the aim is to grow more and faster, both national and international.

To enhance employee commitment and innovativeness different techniques and a general attitude towards flexibility, risk-taking and no punishment for failure were named. Furthermore Rossmann has a unique compensation system for special employee commitment and innovativeness. The most important aspect seems to be the example of Dirk Rossmann who is a real entrepreneur; this gives the whole organization an atmosphere of dynamicity and flexibility. Some techniques to enhance innovativeness were named, but because of the company's policy not to let others discover their secret to success not very much was said in this respect. An example of such a technique is brainstorming. About seven till ten employees from all different departments in the organization sit together half a day and brainstorm about certain topics and problems. By choosing people from all possible divisions, often very interesting perspectives result and employees even say they learn from each other and understand the organization as a whole, not only their little department or shop they work in. This is, according to me, a crucial prerequisite for every organization that wants to be victorious, that employees are not locked into their places of work, but feel committed to the whole company.

The Expansion

Expansion of the Product-Range

Rossmann began with a rather small product-range of classical drugstore products in 1972. These were healthcare and beauty products, some food and products for the household and garden. Today the product-range is much more diversified. An emphasis lies on healthcare, ecological products such as baby food, a vast range of products for the household, garden, animals, the office and customer friendly services such as friendly staff, online-photo service and carpet cleaning. Rossmann gets its high-quality products from about 300 well-known suppliers such as Beiersdorf, Gilette, Henkell, Johnson & Johnson, L'Oréal and Procter & Gamble. But also an increasing number of private label products are being sold increasingly successful.

National and International Expansion

Rossmann is expanding continuously since 1972. First, it expanded as a pioneer drugstore to the newly formed German states, where it was welcomed with joy and success. Since 1991 it has turned its attention to the eastern countries Czech Republic, Poland and Hungary through a joined venture with the Watson Group. This year, through the acquisition of the kd-market, it expanded its activities to the south of Germany. And the intention is to look for further opportunities wherever they may appear.

Altogether it becomes clear what the main strengths of this company are. Its competitive advantage is first of all the highly unconventional and innovative culture. Additionally its risk-averseness when expanding to the East and southern Germany show its competitive strength. Further analysis follows.

5.4 Opportunities – Now or Never

The original idea of entrepreneurship is the one of creating something new, something that nobody has thought of or gone ahead with before[228]. This is actually what the beginning of this thesis is about: the question whether there is a market for drugstores in Sweden or why are there no drugstores in Sweden? Is it because nobody picked up the 20 dollar note, thinking that somebody else would have done it before, or is it because the 20 dollar note is a fake? The non-existence of drugstores in Sweden was observed and the situation on the market was researched in great detail as well as its possible developments. It has become clear that there are several great barriers of entry, of historic and structural origin. These kept other retailers up to now away from entering the market. What is needed in order to see that the 20 dollar note really is real will be analysed and discussed in the following pages.

Entrepreneurship is, as I see it, no new phenomena but has always been a key to success since it is, or should be, the heart of the company's culture, strategic thinking and personnel policy.

[228] Stanworth, J. et al., 1989

In this part of the thesis I would like to unite the three theoretic and empiric findings to a single, new approach. Let us have a look back. We started with a classical marketing research of the Swedish market, based on the model of the SWOT-analysis. Because the situation in the Swedish Market for Drugstores is such a special one, with several changes and uncertainties, it was not sufficient to consider the situation today, but it was also necessary to analyse possible trends of these special characteristics with the aim of getting a more holistic, three-dimensional perspective. Finally the German drugstore-market with one outstanding example, Rossmann, and the theory of entrepreneurship were drawn in. The point that I would like to make, is that in a market with especially complex barriers of entry, here the regulated Swedish market, a company intending to enter this market has more chances if it has certain entrepreneurial characteristics which give it certain finesse in its strategic thinking.

A pure, classical SWOT analysis would differentiate between the strengths and weaknesses of the company and between the opportunities and threats of the Swedish market and then decide whether the company should enter the market or not, depending on the number of threats and opportunities. I instead am going to create a new approach to thinking strategically about the market entry in this special case and later discuss its applicability in other empirical settings. The external audit of the market becomes dynamic by considering both the situation today and possible future trends. And the internal audit is evaluated from an entrepreneurial perspective. This entrepreneurial mindset of the organization helps to connect the external and the internal audit by a new perspective on the target market and its inherent opportunities.

> "The best companies plan, but plan in a way that does not suppress entrepreneurship"[229]

5.4.1 Is Rossmann an Entrepreneurial Company?

Let us start with Dirk Rossmann in the 1970s, he was, what I was describing in theoretical terms before: a person with special entrepreneurial characteristics. Following the definition of an entrepreneur, we can apply it for Dirk Rossmann. He is a person who started something new: he was the first one to apply the discount-principle in the drugstore business and had great success with it. According to him,

[229] Veronica Wong and John Saunders, 1993, pp. 20-40

he is highly innovative, says even that he feels that the most innovative years are still lying ahead, which shows that he is self-confident, has a vision, which is to stay the most innovative and pioneering drugstore in the market. According to his employees he never feels threatened by changes in the business-environment and rather meets them with catching enthusiasm, sees opportunities everywhere. By the time, the company grew and the small business developed to the third hugest drugstore-discounter in Germany with an annual turnover of 1,402 billion Euros (in 2004). Today, we can talk of corporate entrepreneurship within the company, according to my understanding. But what is it that makes Rossmann an entrepreneurial company? They actually never called themselves *entrepreneurial*. The words being used are pioneering, innovative and flexible.

The different techniques, such as brainstorming enhance the employees' *autonomy*, which should be, according to Kuratko et al. the first entrepreneurial dimension in a company. It is an independent action, the individual participants feel that they are being taken serious and are even being rewarded in the case of a successful application of some new concept, which was created in a brainstorming-session. Secondly, *innovativeness* is very high at Rossmann as we can see throughout their whole history, from the beginning to new concepts in pricing and expansion to the east today. *Proactiveness*, as Dirk Rossmann claims, is one of his keys to success and shall always stay so. It implies seeing trends before the competitors, sometimes even being trend-setters, as is the case with the private-label health-food products. The fourth dimension is very strongly represented at Rossmann: it is *competitive aggressiveness*. This has only just come about a few years ago when Rossmann entered the market in southern Germany by buying some of the KD-markets and thereby entering dm's territory. The aim for the future is to buy the rest of the KD-markets as well which presents a real threat to the other drugstores in southern Germany, considering the popularity Rossmann already has in southern Germany.

Finally, *risk-taking* is also an important dimension of corporate entrepreneurship. In my eyes, all the actions Rossmann undertakes are risky since the outcomes are unclear. Whether the southern German customers change their buying behaviour and switch from going to Müller, Schlecker or dm to another drugstore, coming from the far northern part of Germany, was not clear at all and as far as I know, no considerable researches were carried out before. Furthermore the acquisition of several markets in eastern European countries was also a rather risky business, considering the different, often unstable, political, economic and cultural conditions in these countries. These dimensions are all about actions and undertakings, but actually another important aspect is that entrepreneurship resides in the company's culture, the pioneering-instinct, as Dirk Rossmann would call it. This culture is guided by a vision of the top-management, a reward and compensation-system enhancing innovation and risk-taking, and also by a commitment of each employee whether it is in the product development department or in a shop in Hamburg.

Altogether, I think, it can with confidence be said that Rossmann is an entrepreneurial organization, which implies, in my eyes, that it is especially agile, flexible, and open for all possible opportunities.

5.4.2 Opportunities and Threats, seen From Two Perspectives

Having analyzed in which way Rossmann can be considered as an entrepreneurial company I would now like to show why this is so important when considering the situation in Sweden for a German drugstore, which thinks about expanding to this country. One question is how a drugstore should meet the situation, I intend with this in which way it thinks about the special situation in Sweden, and another important question is when it should enter the market, if it turns out to be interesting. I will first analyze whether or not it might be tempting for a drugstore to enter the Swedish market. In the next paragraph on the strategic implications I will discuss the point in time-issue.

My argumentation is that besides the many positive characteristics which there are in the Swedish market, a company thinking entrepreneurially about expanding to Sweden would or should not be threatened by the big barriers of entry which still exist and which kept other competitors out of the Swedish market until now. Through thinking with an internal locus of control, the big threats can be turned into opportunities, not without risk-taking, of course, but this is, as discussed before, part of an entrepreneurial mindset.

The Opportunities

The crucial, obvious opportunities in the Swedish market are the following: a favourable European development towards more integration and more assimilation of national trade regulations and legal frames. The general conditions in Sweden, like legislation, taxation and labour law are not too different from the ones in Germany and they are sometimes even better than in Germany. There are, for example, no restrictions on opening hours, which is especially interesting for a flexible, entrepreneurial company. The population of nine million with huge buying power and huge demand, with good education and low unemployment can also be seen as great opportunity. The level of income, spending and also of education is rising, which makes the market even more interesting. One of the biggest opportunities is, in my eyes, the non-existence of direct competitors. Furthermore, Swedish customers show a rising interest in health and natural products which are already the core of Rossmann's product-range. Thus, a drugstore-chain in Sweden would offer Swedish customers exactly what they are missing: more access to wellness-, beauty- and health-products.

The Threats

From a classical point of view, the biggest threats which kept so many companies out of the market up to today are the following. In the political environment, the Swedish government with its monopolistic, protectionist policy and very complicated health-care-system creates the biggest entry barrier and deterrence for possible market entrants. This system is already so old, that it has become part of the Swedish culture and attitude of the Swedes.

As discussed before, the whole system caused a, in my eyes, vicious circle. The State owns the pharmacies, controls the whole distribution of medicine, pays a huge part of the costs for social reasons and sells only medicine with scientifically proved security and efficiency. Thus, the Swedish government has taken over all responsibility from its people what concerns health and medicine. This results in a disinterest and bad knowledge about the proper health and possible prevention because one can go to the doctor for every little disease and get medicine, such as antibiotics and similar, which simply kills all the infections. Therefore it is very difficult for the supermarkets, such as Ica, Coop and Axfood to get access and create attention for a new, coming product-range in natural medicine and supplemental food.

These three biggest supermarket-chains in Sweden pose another threat to potential entrants as they are also interwoven with Swedish culture and tradition, the so-called *snabb-köp-koncept*, which implies that Swedish customers like to buy everything in one place. A characteristic of the Swedish market for drugstores are the several small health-food shops, the Hälsobutiker, which fall out of the Swedish snabb-köp-koncept since they offer special natural, non-synthetic products to a very limited number of Swedes who are familiar with the idea of alternative medicine and biological food. Companies which tried to introduce drugstore-similar concepts, such as Coop eight years ago, failed – maybe it was too early. Furthermore, another great threat is that Swedes are very sceptical toward natural medicine, food supplements such as vitamins, minerals or other pills.

Looking at the development of these dreadful characteristics the sky does not get much clearer. Given the possibility that the monopoly will stay in power, no big changes, seen from the perspective of a German drugstore will occur, at least not within near future. The release of some of the OTC-products may cause, that possible closer competitors, such as Etos and Naturapoteket for example, will become more successful and will strengthen their strategic aims, marketing, and so on. In the case of the liberalization of the monopoly as a consequence of a possible shift in political power next year, the situation will look pretty different. This scenario implies for a foreign drugstore-chain that many closer competitors will grow out of the market, customers will become more aware of what they buy and to which prices they buy their products and many other changes will happen. Furthermore a need for educated personnel will arise if other shops than Apoteket sell medicine.

The Entrepreneurial Opportunities

How a foreign company shall ever be able to get into this market, one could wonder. So, the question is: should a company really try to enter this terribly uncertain market? My answer, as I have analysed both the special characteristics of the Swedish market, its trends and the concept of the German drugstore-chain Rossmann is, that it should absolutely try to get a foot into this market. *There has never been a better point in time for a drugstore-chain to enter the market*; or for a Swedish company to establish such a retail-concept, based on the German, for example. Now everything is in change and will change even more. This opportunity can be exploited with flexibility and creativity. My argumentation is, that a company can make it with exactly those special characteristics Rossmann has: autonomy, innovativeness, proactiveness, competitive aggressiveness, risk-taking, an entrepreneurial culture, a vision of the top-management and employee commitment.

The culture and the strategy of this company is marked by an internal locus of control, which means that threats and their trends are not accepted as unalterable fates. Instead, they are seen from a more opportunistic perspective:

> "The glass is not half empty, but it is half full."

As long as the product-range of the drugstore does not include some of the crucial OTC-products, Apoteket symbolises no direct threat to the drugstore. The aggressive marketing campaigns for Apoteket Shop can also be seen as help to teach and inform customers about new channels of distribution for certain products that drugstores would be going to offer too, besides many other products. It also widens the customers' perspective on the fact that there is not only Apoteket, as a single institution. That customers ask for more access to such products as shampoo, other wellness and body-care products is only a very positive sign since it shows that the customers are not satisfied with the offer of the supermarkets and make-up stores which exist today.

Actually, the snabb-köp-koncept needs not to be seen as a threat either, as the classical German drugstore offers such a vast product-range, that it even suits into the Swedish tradition to buy everything at one place. Everything for the body and soul, the household and garden, the children, friends and animals can be bought there. The indirect competitors can be beaten in the much higher prices at which they offer part of the products the drugstore offers its customers. The lower prices of the drugstore are due to its discount-principle. Furthermore the atmosphere in a drugstore is completely different to the one in supermarkets, people go there and get inspired, search for some things they need and some reward for a hard day, as for example a good smelling bath-oil.

The Swedish health-food shops will always only appeal to a small segment of customers who feel familiar with the Öko-touch in their shops, according to me. In a drugstore a much broader range of customers is attracted and will this way become familiar with the health-food and natural medicine product range in a modern environment. The concept of the drugstore suits also into the general ongoing trend towards a greater interest in health, even if it is not yet as developed in Sweden as it is in Germany. But, without risk, no success. The reality is that there is chaos and uncertainty, not only for invaders, but especially for the actors in the market. Many of the interviewees were not sure about the development and preferred to wait and see what will happen, which is called *external locus of control*. Somebody who already has a ready concept and strategy will have a great advantage within the general confusion of the situation.

5.4.3 Strategic Implications

Now, that we know how threats can be turned into opportunities by putting on the glasses of an opportunistic, entrepreneurial company, the question is what the strategic implications, which result here, may be.

The first question is when to enter the market, after the top-management has decided that it is an interesting attempt to try and expand to the Swedish market because of the varied opportunities, which can only be seen by a company with an entrepreneurial mindset. In my eyes, there are two options: the first one is to enter the market right now as a market pioneer. The second one is to wait and observe where the trends are going, in direction of scenario one or two with the risk of only being an early entrant and no pioneer.

I would say that the very best moment in time to enter the market is as soon as possible. The company would profit from first-mover-advantages; appear on the market with a ready-made strategy, which suits perfectly to the pioneering instinct of the entrepreneurial organization. To wait and see what happens simply does not appeal to an entrepreneurial character. It might have the advantage to let others pave the path, but then there may not be any more demand on the market. Or it might happen that those companies that already exist on the market will strengthen their strategy and develop drugstore-similar concepts.

So the best decision would be to expand as soon as possible, prepare strategically for possible developments on the market and develop the future scenarios continuously by observing the directions the trends take, maybe even influence the trends. Trend analysis is not only important to prepare the trends but also to be able and lead them. For example the trend toward the new target segment man can be seen as an opportunity to be proactive and lead an aggressive marketing campaign, before others do it. The same counts for the generations – different concepts have to be developed to target younger and older customers, for example. This leads us to the next question: *how* to enter the market?

There are different strategic options for the company wanting to expand. I will present some of them in the following lines. I will not go into great detail since this is part of internal decision making of the firm. I will only highlight that flexible thinking, again, is needed and the consideration of conditions at the face. It could be interesting to start some brainstorming-sessions in the company after having informed the employees about the situation in Sweden and ask them how they would approach this market, for example.

A very simple possibility is to choose a test-market and open a first shop there. Of course, it would be necessary and recommended to conduct further deeper market research before that. Another possibility, which is less risky is to try and form a joint venture with some Swedish company which might take away some of the sceptics of the Swedish customers. Another possibility could be to come to terms with Ica and buy Etos from them so that they are freed from their cannibalization-problems and develop a drugstore out of Etos, such as it already is in the Netherlands.

Finally, a very interesting idea would be to offer shop-in-shop drugstores. As the Swedes feel more comfortable to buy everything in one place, a drugstore could offer its product in a separate shop within the same building as a supermarket. The supermarket and the drugstore would have to come to terms concerning overlapping product-ranges, but a very fruitful win-win situation may result and customers' need for more access to drugstore-products will be satisfied. The advantages and disadvantages of these different options would have to be discussed in much detail, but the main emphasis lies on the fact that sometimes too much planning and strategic thinking might not lead to anything.

The advantage of an entrepreneurial organization is that it risks heading towards the unknown. This pioneering does not need to happen in great big steps, but can only be a test. Even if there have never been German drugstores in Sweden before one can easily see that there is a need for the drugstore's offers and that the low prices, a lovely, modern atmosphere and special offers can only appeal to the customers as they do in other countries as well.

Another important step of the company expanding to the Swedish market should be to contact those companies which try to help the consumer-goods industry to prepare for the new OTC-products soon coming on the market with education programs, before they contact them – proactiveness. The company I intend is Friskrådet, which offers education programs and sometimes even personnel to the companies in need of more skills. Here again, it is important to be a first-mover. Maybe it is even possible to buy in some skilled employee who worked for Apoteket before and who can educate the others in the medicine-area. Another organization that might offer useful help and advice is Svensk Handel, who knows a lot about the market, the laws and the important contact-persons.

In this chapter the whole situation has been analysed from an entrepreneurial perspective, based on different aspects of the theory of entrepreneurship. It has become clear in which way an entrepreneurial company is in advantage when intending to enter to a rather regulated market. In the next chapter I would like to summarize the findings in a theoretical model, which can also be applied in other settings than in the one of this research.

6. Conclusions and Further Research

An end of this thesis will be a suggested new theoretical approach. It shall help to understand the methodological approach to further findings in this paper in a clearer theoretical matter.

6.1 Introduction

In this last chapter I am going to give a final, summarized answer to the question *why are there no drugstores in Sweden*. Furthermore, I would like to introduce a *theoretical approach*, which explains the precise procedure of research to understand the special proceeding of this research. The question of applicability of this model in other areas will be taken up in the end.

6.2 Why are there no Drugstores in Sweden?

Before I introduce my theoretical findings I would like to summarize the answer to the first question of this research. An important reason, which can be concluded from the discussion above, to why there are no drugstores in Sweden today, is that there has not yet been any company that was entrepreneurial enough to go and try the drugstore-concept in Sweden, according to me. Several barriers of entry were perceived as too difficult to handle. These are mainly of historic and traditional origin. One striking, evident reason for the non-existence of drugstores in Sweden is of historic reason: when the first discount-drugstores developed in Germany in the 1970s, Sweden went through a very different development: the nationalization of the pharmacies with an establishment of a stately monopoly. This development together with the snabb-köp-koncept caused that customers today are used to either going to one of the three biggest supermarkets or to Apoteket if they need something. Furthermore a general disinterest in natural medicine, supplemental food and ecologic food is another cause of the development described above; though, this is about to change as well as the monopolistic position of the monopoly. The breaking-up of this regulated market is as well an indication of many changes going on as a great opportunity for both, companies thinking about expansion and Swedish companies. This leads us to the next part of my conclusion.

6.3 A New Approach

In this paragraph the new approach to international marketing research will be presented and discussed. It is an outcome of my own reflections over the thesis theoretical contribution, based on the theoretical tool SWOT-analysis and on an article of several experts' discussion around marketing and entrepreneurship.

6.3.1 The interconnection between marketing, entrepreneurship and scenario analysis

My approach is, apart from the existing literature on international marketing research based on the idea of relation between marketing and entrepreneurship. I would like to point to the close interconnection of the applied theories which shows in the outcome of my study and has already been discussed by experts[230].

As I understand, marketing and entrepreneurship both have an external perspective. They scan the market and the consumer needs around the company or the entrepreneur with the aim of a better understanding and getting a base for strategic decisions. As marketing is also oriented at new business and opportunity seeking, it is obvious that marketing is an important topic in the entrepreneurship field and also entrepreneurship important for marketing purposes[231]. Furthermore, the combination of marketing with entrepreneurship offers more perspectives as marketing is more concerned about the market, the buyer and his perspective and entrepreneurship is more concerned about the seller, the company, its strengths and its perspective. To be successful in marketing research, it is in some cases very important to have an entrepreneurial perspective on the market, as is the case for my research. [232] It is also necessary to have an understanding of the markets' developments, which was taken into consideration by analysing the trends here. The outcomes were three scenarios:

[230] Hills, Gerald E. and LaForge, Raymond W., 1992, pp. 33-60
[231] Ibid, page 34
[232] Hills, Gerald E. and LaForge, Raymond W., 1992, page 36

the current one and two future ones. Scenario analysis is a part of marketing research and contributes with a dynamic perspective of the whole situation.

6.3.2 DESOA

DESOA stands for *D*ynamic *E*ntrepreneurial *S*trengths-*O*pportunities *A*pproach. It is the conclusion of all my empirical findings, their analysis on the base of international marketing research theory, scenario-analysis and entrepreneurship-theory. DESOA is the product of my profound interpretation of the findings of this paper. It therefore has inspiration taken from the SWOT model and from an article linking between marketing and entrepreneurship, which I was discussed in the previous passage.

This approach shall help to get a profound insight into the market of interest, serve as a basis for decision-making and enhance a new perspective on prerequisites of the expanding company. Further discussion on its applicability can be found in 6.3.3.

The empirical setting is basically the SEM, the European Union. The starting point is a *company* which thinks about expanding its activities to another *foreign market*, which has special characteristics and barriers of entry and where there are no direct competitors. These special characteristics of the targeted market are historically and traditionally rigid structures in the market and in the customers' attitudes, which might be due to a previously regulated market, as in this case, for example. To find out more about these apparent barriers of entry market research has to be conducted, information collected and analyzed. The important aspects which have to be considered in order to be able to see possible hidden opportunities are described in more detail in the following.

The approach is *dynamic*, as it takes future trends of the current situation into account. As many changes with uncertain outcomes occur in the market of research, it is important to keep an eye on the developments of the different crucial characteristics. If one would only consider the current situation the perspective would become static and inflexible. With the inclusion of scenarios the perspective and understanding of the target market is widened and marketers and managers will be able to base their decisions on more stable ground. Such changes may occur in different fields of the targeted market. There are political, economic and customer factors that have to be considered. As the broad empirical setting is the European

Union it is obvious that European legislation, its implications and trends, are of great importance. Furthermore country-specific characteristics should be researched. As mentioned above it is very important to stay attentive to all important characteristics. Depending on the branch of the company also technological factors may be important. The research of future developments can be taken as a base for decisions such as when to enter the market and how to prepare for future developments, and maybe even how to influence uncertain and unknown factors. An example for preparing for predetermined factors is to plan different marketing strategies for different customer groups.

In order to handle the collected information about the current situation and the future trends it is of huge importance that the company, which wants to expand, possesses certain special characteristics. These characteristics are those of an *entrepreneurial* organization: autonomy, innovativeness, proactiveness, competitive aggressiveness, risk-taking, an entrepreneurial culture, a vision (top-management) and employee commitment. Not all of them have to be fulfilled, but most should be. These characteristics are the company's crucial *strengths*, which can be analysed through an internal audit of the firm. Without these strengths, the company would not be able to enter such a regulated market. I intentionally only name the strengths in my approach, and not the weaknesses, which are also part of the classical SWOT-analysis.

The outcome of this study is that only these specific strengths are of special importance when talking about market entry options since they connect the internal with the external audit. These strengths enable the company to view characteristics of the target-market as *opportunities*, which would usually be viewed as threats. Barriers of entry can be gone around if the company's strategy is flexible and if all possible risks are taken to make a try and not be afraid of the unknown. Of course I do not want to say that decisions should be taken without reflection and discussion, what the entrepreneurial mindset refers to is an untraditional way of thinking, behaving and viewing certain strategic options.

6.4 What Means the Result Within my Analysis?

A new approach to international marketing research has been created, on the base of my empirical results and their analysis, as promised in the introduction and the purpose. Now, the question arises *what means this result within my analysis*? In which way does it contribute to existing theory and can it be applied to other cases than the one of this research? If yes, when and why? Before I discuss these questions I would like to say that my purpose was not to conclude the paper in a general model, rather to exploit the phenomenon of Swedish Market for Drugstores. Taken into consideration the point I present below the approach can due to its' base of general theory be applied on other cases, to some degree.

Generally, *those who can profit* may be anyone being interested in international marketing, retail business, scenario planning, entrepreneurship, European integration and pharmacy-, healthcare-industry may draw some interesting aspects on these topics out of this thesis.

The question is now whether this model is also applicable for other situations than the market for drugstores in Sweden? Can it be applied for other market entry options in different European countries with similar characteristics as in Sweden? As I see it many European markets still have very traditional and regulated structures. The barriers must not be of exactly the same character as in Sweden, where the government plays an important role, but for example customers' behaviour and the competitive structure in the market can become the main hinders. One only needs to abstract the regulated market and see it as a huge barrier to entry for foreign and even national companies. This picture can then be applied for other situations.

For example in Italy, a company like Starbucks, which sells coffee, cappuccino and similar products on a discount principle, has no big chances on the first sight. Italians are very proud of their Italian coffee and the big numbers of small bars where they drink their espresso and cappuccino several times a day are deeply part of their culture, their tradition. With traditional market research and market entry strategies every marketer would advise against entering this market, I assume. With the help of the approach DESOA though, the situation might look different. If the company is flexible, innovative and not risk-averse it could try to launch some coffee-shops in

Italy, maybe adapted to Italian style, as Italians usually do not feel very familiar with American style. Nothing is impossible, considering the trends more and more young people are cosmopolitans, they may find it chic to go to Starbucks instead of going to the small bar round the corner. Whether this is positive or negative is another issue. I personally do wish that countries keep such unique characteristics.

What I want to say with this is that the approach is, to some degree, applicable in other situations with similar characteristics. The prerequisites for its applicability in other empirical settings are basically the following:

1. The market of research should be a member of the European Union;
2. If the targeted market is no member of the European Union, which is also possible, the barriers of entry will be even bigger as legal and political hinders become more complicated;
3. It is necessary to collect as much information about the market as possible and not only about the current situation, but also about trends and developments as it might come a better moment to enter the market than right now;
4. The market where the company comes from should also be scanned in order to understand the company's environmental background which tells a lot about the company itself and its strategic actions;
5. The company should have the strengths of an entrepreneurial spirit in its culture and strategy, otherwise it will not recognize the opportunities behind the threats of the target-market;
6. If the company is not blessed with entrepreneurial spirit it might try to change its internal features to more entrepreneurial ones in order not to stay behind;

As we can see, even if the model was developed from a specific situation it can be taken off that field of research and applied in another one, almost like a template. The reason for this argumentation is that Sweden is not the only market with barriers to entry and that Rossmann is not the only entrepreneurial company. Furthermore there are still many open gaps in the different markets. You cannot find all concepts everywhere, for example 7Eleven, an American convenience retailer-chain where you can buy warm and cold food and drinks to go from seven in the morning until eleven in the night[233], does not exist in Germany. Therefore, in my eyes, DESOA can also be applied in other settings. The approach's outcome is the evaluation of strategic options and the ability to see apparent threats as opportunities for market entry strategies.

This approach to international marketing is not thought to be a substitute for the common idea that especially size and experience matters in international affairs. Instead, it shall contribute to existing theory and highlight how a company might be even more successful and why. Furthermore it deals not with any market, if there are no big barriers to entry it is not that necessary to be especially innovative and risk-taking, but it is maybe better to have traditional ideas about market entry strategies and organizational culture and strategies. Though, as our world becomes virtually ever smaller and markets open for foreign competition more and more it becomes ever more important to stay attentive, flexible and innovative – not only as a company but also as an individual, according to me.

6.5 Reflections, Stimulated Thoughts and Suggestions for Further Studies

During the course of my research I had many ideas about what else would be interesting to research in more detail, related to my topic of investigation. The first thing which came to my mind is the other stately owned monopoly: System Bolaget, the monopoly on selling alcohol. Here a similar situation exists on the market. There are many retailers who would be interested to sell alcohol in Sweden – whether it is a supermarket that would like to widen its product-range and offer good wines such as any other normal drink or whether it is a single spirits-retailer from Italy, Spain, France or Germany – they are all kept out of the market because of the protectionist policies of the Swedish government. In my eyes, similarities in customer behaviour can be observed here as well: alcohol is often not seen as any normal product, the customer does not learn to be economical with alcohol on his or her own responsibility. And as it becomes such a special thing through the stately protection it

[233] http://www.7eleven.com

is quite often consumed in too high quantities, just as medicine is[234]. This is another example for the generalizability of my research.

Another very important aspect is the ethical issue – if the Swedish government should deregulate the health-care-system and cease paying the biggest amount of medical products. It should be researched what different new systems might keep the equal standards for all Swedes and substitute the existing health-care system. I intend that it would not be fair to let somebody who earns much less than another person pay the same as him for medicine. This would have to be researched in deep detail.

Finally, I would like to emphasise, that the purpose of this study purely seen from an economic point of view. It is a totally different issue whether it is favourable to have access to *all* products *everywhere* and standardization on the whole front. It might be interesting to research in which way the keeping up of every country's uniqueness should be considered in international marketing, seen from an ethical point of view. This is, in my eyes a very important question too, since a country looses its charms if it offers what you can get anywhere else. The boundary between what is really necessary and what is only profit-making is very difficult to assess.

I hope You as a reader of this thesis enjoyed to follow my research and analysis. Thank you and do remember that it mostly really is a twenty dollar note lying there, so pick it up!

[234] Degerlund, Tobias and Jansson, Mattias, 1999

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Appendix A:

Interview-guide

The following interview-guide shall give you an idea of the topics I would like to talk about with you. The subject of my thesis is a market research of the Swedish market with respect to the question “Why are there no drugstores in Sweden”. The aim is to understand the current situation and find out about possible developments, future scenarios. With your help I hope to gain better insights and a better understanding.

1. The company

Historical background
Position in the market
Product range
Mission
Trends

2. The market today

Apoteket
Other important actors
Specialities of the Swedish market
Government influences
Customers (needs, benefits, specialties, interest for healthcare products, natural medicine and “egenvård”?)

3. Future trends

How might the situation for you look like within, for example 5 years?

What alternatives are there, according to you, regarding the development of the Swedish market for drugstore products?

Possible areas of development: Health care, trend towards more healthy population, Apoteket, EU legislation? Others? And in which direction?

Best case and worst case scenario – from your perspective?

What are you actively doing to influence the development for your own favour?

Final questions

Why do you think are there no drugstores in Sweden?

If they should enter the Swedish market, what hinders would they have to face and what impact would this have for you?

Appendix B:

Questionnaire: Sweden, Lund, 16.11.2005

Introduction:

When I came to Sweden one year ago I noticed: There are no drugstores in Sweden. I began to wonder why this is so, considering that the concept of drugstores is such a practical, comfortable and enjoyable one. People here often don't understand why they should benefit from having drugstores as well. Others, with "foreign drugstore-experience" know what I mean and feel that they also miss something, but they never wondered why there are no drugstores in Sweden. Therefore I decided to research this in more detail and make something out of it for my master-thesis. The possibility that a German drugstore chain would intend to expand its activities to Sweden lies closest and gives the whole situation of analysis a bit more vivacity. It is only a hypothetical situation, it does not mean that the company really intends to do so; it might only be thinking about the possibility and need some more information about the Swedish market, considering its own strengths and weaknesses. This *thinking* is what I am going to do in my thesis. For doing this I also need some information about the company in order to make a SWOT analysis which will be combined with another theory, to meet the university demands for scientific work. For you and your company ***Rossmann***, it might be an interesting perspective on the own company and also on the Swedish market, you never know…

Thanks so far, I'll be waiting with curiosity for your answer!

The Business-Environment:

1. How would you define in what business you are in? (competitor, perspective, …)

2. What would you say makes you different from your closest competitors (Budnikowsky, Müller, Schlecker etc.)/other drugstore chains?

3. What are, concerning to you, the biggest threats, besides the competitors, on the market?

4. How big is your market share in Germany, with respect to the other drugstores?

The company:

a) Organization/Structure:

5. How does the company's organization/structure look like? Is it very centralized, for example in decision-making?

6. Maybe you have some organigramme for me?

b) Strategy

7. What is Rossmann's overall strategic intent?

8. What about innovation & research? Do you have separate departments "for new ideas"?

9. Are there certain trends for your future strategy?

10. In which way do the strategies differ in Germany and in the east?

11. Which percentage of the sold products are healthcare products? Do you also sell over-the-counter medizine like nicotine plaster or headache tablets?

c) Mission/Idea/Culture: On your homepage you write "Unseren Erfolg verdanken wir nicht nur unserem unkonventionellen Denken, sondern im Bersonderen auch unserem Weg, junge und engagierte Menschen für unser Unternehmen zu gewinnen und zu fördern".

12. You even call yourself a pioneer in the drugstore-market, based on Dirk Rossmann, who applied as a pioneer the discount-principle in this market.
    a) How exactly does this discount-principle in the drugstore-market look like?
    b) Would you say that this pioneering continued throughout the company's development and growth?
    c) In which way?

13. Would you say that the company is marked by an "entrepreneurial spirit"? Because there are many young employees or why?

14. Rossmann is very big, this becomes easily a hinder for the entrepreneurial spirit – size and complexity – what has been done against the threat of size and complexity burying innovative thinking and flexibility?

15. Ideation (generation of ideas) – who is responsible? Do all members have to chance to contribute with innovative ideas?

16. What gives the firm for incentives for "new thinking"?

17. Are there punishment for mistakes?

The Expansion:

18. How was the reaction of East Germans to your expansion after the fall of the wall?

19. Has there already been a market for drugstores in the Eastern countries before?

20. Are the Eastern drugstores independent in their organization, their strategy?

21. Do they sell the same product-range as in Germany?

22. Do you also sell biological products in the Eastern countries?

23. Did you experience many hinders with the expansion (acquisition) to the Eastern countries?

24. Considering the idea of the "Single European Market" and your experience with the expansion, would you say it is still a long way until we have reached this ideal or is it already reached?

25. Are there any ideas or interests of further expansion?

26. Why do you think are there no drugstores in Sweden?

27. How do you think will the market for drugstores develop, in general and in particular in Sweden?

28. Any further comments which came to your mind are very welcome to me!

Thanks a lot for your help, I will come back if there are unclear issues and send you my final analysis – latest in the middle of January.

Appendix C:

The Companies:

Etos (Ica)

Etos is of Dutch origin. 2002 it was bought by Ica and can now be found in three towns in Sweden. Altogether there are eight Etos markets today, 23 employees, with a unique offer of products ranging from body care, beauty to a, little developed, range of health products. The markets sell private label products in combination with known brands and, with sole right, some products from the British drugstore chain Boots. This concept of offering health and beauty-products together originally comes from the Netherlands where there are 430 Etos markets. Their business concept is that their shop shall be the clients' natural choice. The turnover was 31 million Swedish crowns in 2004, which is about 3, 44 million Euros.[235]

Apoteket AB /Apoteket Shop

Apoteket Shop is a smaller pharmacy, owned by Apoteket AB, the stately owned pharmacy in Sweden. It is situated in central positions, selling partly over-the-counter medicine and other merchandise. According to client satisfaction surveys it is highly estimated by the customers. That is the main reason why Apoteket AB plans to expand from 14 Apoteket Shops today to 60 within the next two years. The access to self-care products shall be increased and the rising competition on the market has to be met.[236]

Wilhelm Sonesson

Wilhelm Sonesson is one of the biggest actors on the Nordic market for self-care. *Self-care* refers to all the products which improve an individual's health and well-being and which he can use and get without the consultation of a doctor. The products the company produces, distributes, markets and sells range from over-the-counter medicine, natural medicine, supplemental food (including vitamins and minerals) and other self-care products. Wilhelm Sonesson's vision is it to become the

[235] http://www.etos.se and information package from the company about its field of action

[236] http://www.apoteket.se/apoteket/road/Classic/static/financialReports/2004/arsredovisning/ar2004/sv/vdord/vd_ord.html; Wahlberg, Maria, 2004

leading self-care company in the Nordic markets. Turnover: about 1, 7 billion Swedish crowns, which is about 181 million Euro[237]; employees: 467 in 2005.

Friskrådet

Friskrådet is a consulting company with the specialization in juridical consulting, education, communication, recruiting and products within the growing health market. Several specialists, such as dietists, health pedagogues, and other health personnel for health consulting and health test in shops and other companies can be hired from Friskrådet.[238]

Hälsa Butiken

Hälsa Butiken is one of many small health-product retailers existing in Sweden. The shop was founded fifty years ago and its products are based on natural ingredients. The product range contains natural medicine, supplemental food, functional food, healthy shoes and some natural cosmetics. The mission that all products have to have a positive influence on health and that they have to be of natural origin. Suppliers are mainly German, but also British, American and Swedish.

Lund's International Food Studies

LIFS research studies is aiming to understand possible future developments of Swedish food chains in international competition. The programme unites different researchers from all over Europe. At the centre of research stand the consumers with their changing demand patterns. Research areas are, for example, branding, innovation and new product development, internationalization in the food and retail industry, and many more.[239]

Svensk Handel

Svensk Handel is a national organisation with 14.000 member companies, where 250.000 people are employed in different branches in wholesale trade and retail trade. Svensk Handel's aim is it to build up trade among companies and create better

[237] 1 Swedish Krona = 0.10637 Euro, online currency converter
[238] http://www.friskradet.se
[239] http://www.lifs.se

predispositions for trade. They work together with politicians and public authorities.[240]

Handelsanställdas förbund

Handelsanställdas förbund is an about 100 years old labour union with around 170.000 members today. It is the third biggest labour union in Sweden with a very powerful position in the market.[241]

Skånes Livsmedelsakademi

Skånes Livsmedelsakademi, a company, registered as an ideal organization with economic activities. It is actually a network, which Kjell Olsson ties together. It has a network of 35 members and many contacts within the food industry.[242]

[240] http://www.svenskhandel.se
[241] http://www.handels.se
[242] http://www.livsmedelsakademin.se