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Marketing recommendations designed to build greater awareness of the Hjordnära brand in Stockholm

Market research conducted for Hjordnära-Skånemejerier

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This thesis has been written as a part of the degree project course in the Masters program “Sustainable Business Leadership” at the School of Economics and Management, Lund University.

The course was based on the methodology of action learning and self-managed learning. The students were all assigned to an in-company project as consultants. As a part of course the students were responsible for organizing several learning events addressing relevant issues related to the in-company projects. The students continuously documented their learning in learning journals and participated in tutorials on these journals.

The assessments of the students are done partly on the written thesis, partly on the consultancy process and report to the client company, partly on performance in learning events and other parts of the course and partly on the ability to document and reflect on the student’s individual learning and development.

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Table of Contents

Abstract	4
Introduction	4
Purpose	6
Methodology	6
Step 1: Analyzing marketing opportunities	7
A. Marketing Research	7
B. Competitors Review	8
C. SWOT Analysis	8
Step 2: Suggesting target markets	8
Step 3: Formulating marketing recommendations	9
Market Research Method	10
The empirical study	10
The questionnaires	11
In-person questionnaire	12
Online questionnaire	13
Focus groups	15
Description of the focus groups.....	15
Structure of the focus group.....	17
Blind taste test.....	17
Limitations of the empirical study	18
Part 1. Analyzing marketing opportunities	19
A. Analysis of important findings in market research	19
Basic demographics of organic dairy consumers	19
Stockholm similar to the rest of Sweden	20
Concern for the environment as the most important reason to buy organic foods.....	20
Increase willingness to pay as a means to decrease barrier of entry	22
“Locally produced” defined as the short distance from dairy to home	25
Importance of brand recognition	27
Strengths and weaknesses of Hjordnära’s package design	29
Summary of questionnaire findings.....	33
Hjordnära second to Arla in a blind taste test.....	34
B. Analyzing Competitors	35
Competitors Review	35
Arla.....	36
Milko	36
Valio.....	36
Skanemejerier.....	37
C. Strengths, Weaknesses, Opportunities and Threats of Hjordnära	37
Industry background	37
Dairy production in Sweden	37
Organic food & organic dairy production in Sweden.....	38
SWOT analysis for Hjordnära	39
Strengths.....	39
Weaknesses	39

Opportunities.....	40
Threats.....	40
Part 2. Suggesting Markets to Target	41
Recommendation on target market	41
Recommendations on Differentiating and Positioning	42
Brand Theory.....	42
Why is the brand important?	43
Brand Equity Chain.....	44
Co-branding	44
Perception Is Reality	45
What are Hjordnära's unique selling points?	49
Case studies of powerful brands	50
Grey Goose	50
Häagen-Dazs	51
Summary of case studies.....	52
Hjordnära's differentiation and positioning strategy	53
Part 3. Marketing Mix Recommendations	53
Product	55
Packaging.....	55
Price	56
Place	58
Promotion.....	59
Push and pull strategies.....	59
Conclusion	68
References.....	68
Appendix A: Questionnaire	77
Appendix B: Questionnaire results	79
Appendix C: Focus group guide	87
Appendix D: Blind taste test results	92

Abstract

The motivations for this study stems from Hjordnära's interest to both, build greater brand awareness in Stockholm, and increase its ability to take market share in the organic dairy segment. Hjordnära is a small organic dairy producer owned by Skånemejerier, Sweden's third largest producer of dairy products. A decision was made for Hjordnära to enter the Stockholm market in February 2011, after successful sales throughout southern and western Sweden. A market research study was conducted to gain insights on organic dairy products from consumers in Stockholm. These findings, along with information about Hjordnära, competitors and the environment were analyzed to formulate and suggest marketing recommendations in Stockholm for autumn 2011 and beyond. Our analysis suggests that Hjordnära needs to continue with their push strategy to encourage distribution channels to carry their products, and at the same time, make a more concerted effort with their pull strategy in the new market. Our marketing recommendations cover both push and pull strategies, with a particular focus on the latter. These recommendations are formulated under the marketing mix framework using the "four Ps": product, price, place and promotion. The "four Ps" allow us to explore different tactics to improve brand awareness and increase demand from consumers, both of which are critical for a company to successfully position itself in a new market.

Introduction

Hjordnära is a small organic dairy producer, owned by Skånemejerier, a larger dairy cooperative consisting of 572 dairy farmers in Skåne and areas of Småland. Hjordnära is based in the town of Hjo and its production began in September 2009. Hjordnära prides itself on producing premium products with quality integrated into all of the stages of processing and is committed to meeting consumer preferences for organic, local produce, and small-scale operations. The company's vision is based on three core values: organic (*ekologiskt*), local (*nära*) and sensitive production (*varsamt*). Staying true to its values, Hjordnära has been able to offer high quality organic dairy products with a "clear link to the origin."

Hjordnära consists of seven organic farms all within a twenty five kilometre radius of the dairy facility, with about one thousand cows in total; guaranteeing that the milk is both

traceable and fresh. Hjordnåra's organic processing techniques and short transportation route allow for more environmentally sensitive production. Small-scale operations and close proximity to the farms facilitates careful handling of the milk. Some of the farmers have been operating organic farms for over a decade; all are dedicated to producing high quality organic milk while maintaining careful production techniques and ensuring that the welfare of their animals are top priorities.

All Hjordnåra products bear the KRAV label. KRAV is an organization that regulates and develops standards for organic foods production in Sweden. Hjordnåra must meet the following organic dairy production regulations in order to bear the KRAV label (KRAV, 2011):

- a) Crop production is done without the use of artificial fertilizers and chemical pesticides.*
- b) The animal's organic diet is based on grass and silage / hay and is largely home-produced.*
- c) All animals are kept on pasture during the summer months.*
- d) Calves receive whole milk for at least twelve weeks.*
- e) No regular preventive medication and prolonged withdrawal periods for milk and meat for medical treatment.*
- f) Production may be monitored by an independent third party.*

Hjordnåra's product portfolio includes a range of milk, whipping cream, yogurt and fil; totaling sixteen different products. These products are packaged in recyclable cardboard containers specially designed to have a lower impact on the environment. The packaging is lightweight and its shape allows for efficient stacking and transport. The high quality fibre of the cardboard also means that it can be re-used multiple times.

Hjordnåra became a well-established brand throughout western Götaland and Skåne, where products are widely sold in retail stores. Partly due to successful sales throughout western and southern Sweden, a decision was made for Hjordnåra to enter the Stockholm market in February 2011. This was part of Skånemejerier's diversification strategy. Stockholm was believed to be a particularly attractive market due to its size, as Sweden's largest city, and partly because market research results revealed that people in Stockholm have greater interest in and care more about organic foods than people in Göteborg or Malmö. Hjordnåra CEO, Ove Konradsson declared, "In a big city like Stockholm, the 19 percent who are

interested in buying organic, is more than twice the proportion than in Göteborg and Malmö.” Prior to entry into the Stockholm market, interest in Hjordnära was evident by the more than 7,000 members of the Hjordnära Facebook group, half of whom live in the Stockholm area. This made it a natural choice to bring Hjordnära to the capital.

This study was performed as part of a Master’s thesis in Sustainable Business Leadership at Lund University. Our study was submitted to Hjordnära in the form of a consultancy report, and to Lund University in the form of a Master’s thesis.

Purpose

The purpose of our study is to provide Hjordnära with marketing recommendations in order to build greater brand awareness and increase its ability to take market share in the organic dairy segment in Stockholm. Both short-term (autumn 2011) and long-term (beyond autumn 2011) recommendations are included.

Methodology

To be able to formulate and provide recommendations for Hjordnära, this study was structured using an adapted marketing plan methodology first proposed by Kotler & Keller (2009):



Figure 1: Marketing plan methodology (Adapted from Kotler & Keller, 2009)

A marketing plan is used to provide direction and focus for a company, enabling it to be better prepared when launching new products and more able to compete successfully

(Armstrong & Kotler, 2009). With a clear understanding of its current market position in Stockholm, this methodology will allow us to provide Hjordnära with marketing recommendations. For the scope of this thesis, only three out of the five steps proposed in the methodology are covered (Kotler & Keller, 2009).

Step 1: Analyzing marketing opportunities

Marketing can be defined as “an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders” (Kotler & Keller, 2009). To develop successful strategies and action programs for delivering these marketing functions, marketers need to analyze up-to-date information on each market segment, the competition and the environment. Thorough understanding of this information provides a foundation for building a competitive advantage with well-informed targeting, differentiating, positioning and marketing strategy decisions (Armstrong & Kotler, 2009). In this study, we analyzed:

- a) Insights from our market research (the market segment of interest)
- b) Competitors review (the competition)
- c) SWOT analysis of Hjordnära (the environment)

A. Marketing Research

Marketing research can be defined as, “the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization” (Armstrong & Kotler, 2009). It provides marketers with insights into customer motivations, purchase behaviour, and satisfaction, and consists of four steps:

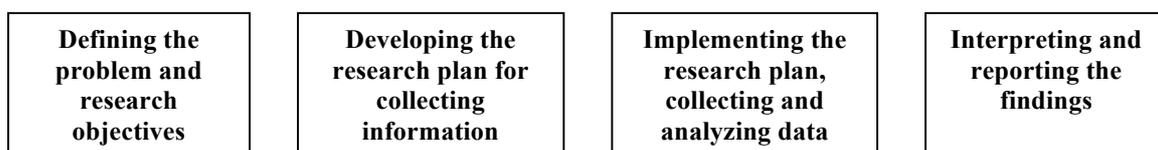


Figure 2: Market research methodology (Adapted from Armstrong & Kotler, 2009).

The research plan requires gathering primary and secondary data. The latter consists of information that was previously collected and already exists, for instance in the form of reports, statistics or databases. Primary data consists of information collected first hand for the exact purpose of research. Moreover, market research can be performed qualitatively or quantitatively (Bryman, 2004). Qualitative research is used for exploratory purposes for

which results cannot be generalized to the whole population due to the small number of respondents. Examples include focus groups and interviews. Quantitative research is normally used to draw conclusions; it uses random sampling techniques and involves a large number of respondents. Examples include surveys and questionnaires.

The market research method used in this study will be detailed in a subsequent section.

B. Competitors Review

The purpose of a competitive review is to identify key competitors, describe their market positions, and briefly discuss their strategies (Armstrong & Kotler, 2009). The marketing concept states that, “to be successful, a company must provide greater customer value and satisfaction than its competitors do.” Hence, it is not only important for Hjordnära to know about what consumers want but also what competitors are offering. To be successful, the company needs to develop a competitive advantage by better positioning their offerings than competitors.

C. SWOT Analysis

A SWOT analysis outlines Hjordnära’s Strengths, Weaknesses, Opportunities and Threats, in its current market position. Strengths and weaknesses constitute internal factors in the company, whereas opportunities and threats are external.

- Strengths: internal factors that can potentially help the company achieve its goals
- Weaknesses: internal factors that may be obstacles for the company in achieving its goals
- Opportunities: external factors that the company may use to its advantage
- Threats: current or emerging external factors that could challenge the company’s performance

Step 2: Suggesting target markets

Marketing strategy is “the marketing logic by which the company aims to create customer value” (Armstrong & Kotler, 2009). As part of this strategy, the company decides which customers it will serve and in which way. The process starts with identifying the market, then dividing it into smaller segments, selecting the most attractive segments, and focusing on satisfying customers’ needs in those segments. After having analyzed up-to-date information on Hjordnära, the market segments it wishes to serve, the competition and the

environment, we are able to suggest well-informed recommendations on segmenting, targeting and positioning strategies. As a result, the company can better position itself relative to competitors.

Market segmentation is the process of dividing the market into smaller groups of customers who have different characteristics and might require distinct products or marketing programs (Armstrong & Kotler, 2009).

Market targeting involves determining each market segment's attractiveness and selecting the segment or segments to serve (Armstrong & Kotler, 2009).

Market positioning is the way products arrange themselves to occupy a noticeable, unique, and desirable place relative to competing products in the minds of target consumers. Therefore, effective positioning starts with **differentiating** the company's market offering so that it gives consumers more value (Armstrong & Kotler, 2009).

Step 3: Formulating marketing recommendations

After deciding upon the overall marketing strategy on targeting and positioning, the company is ready to begin planning the details of the marketing mix. The marketing mix is "the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market" (Armstrong & Kotler, 2009). The objective of which is to influence the demand for its product and facilitate the process of reaching the targeted customers. The variables that make up the marketing mix can be summarized as the "four Ps": product, price, place and promotion. **Product** is the good or goods that the company offers to the target market. **Price** is the amount of money customers pay to acquire the product. **Place** includes all the activities a company does to make the product available to target consumers. **Promotion** includes marketing actions to communicate the "plus" benefits of the product and influence target customers to buy it.

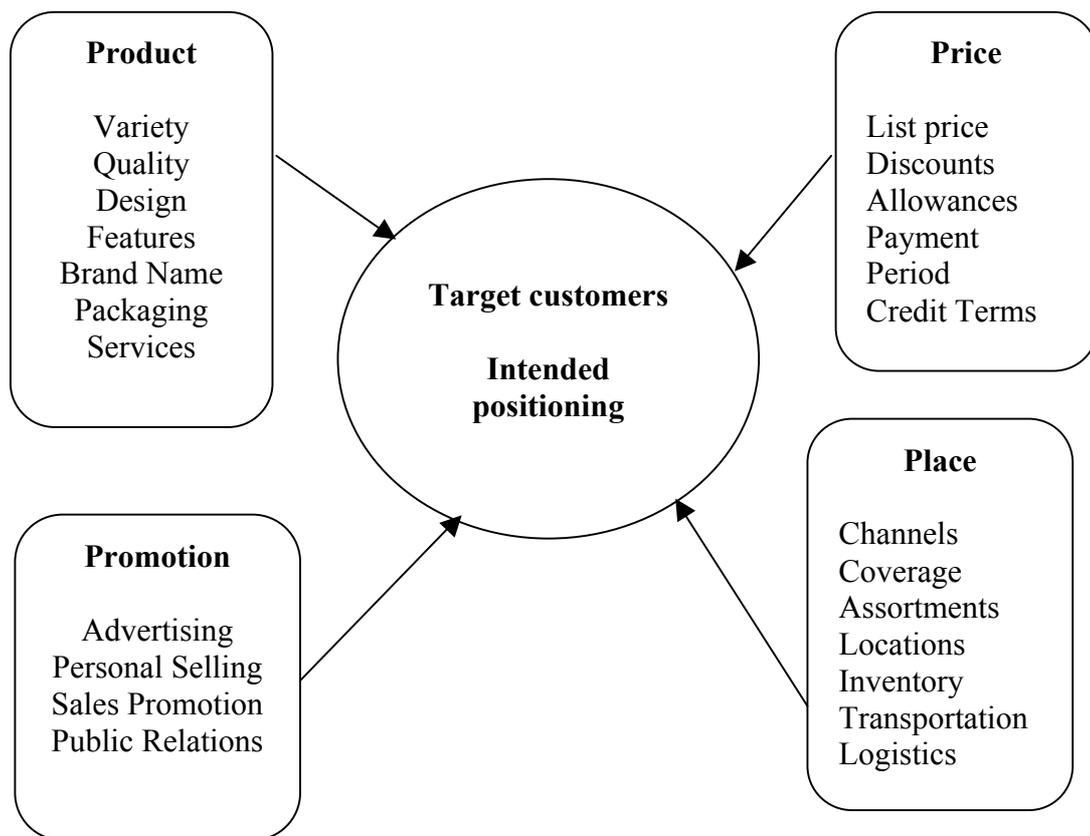


Figure 3: Marketing mix (Adapted from Armstrong & Kotler, 2009)

In this study, our recommendations for Hjordnära will be formulated under the marketing mix framework. This will allow us to explore the different ways the company can build brand awareness and increase Hjordnära’s ability to take market share in Stockholm. Market share refers to “the amount that a company sells of its products or services compared with other companies selling the same things” (Oxford Dictionary, 2011). We will provide suggestions based on the “four Ps” of the marketing mix.

Market Research Method

The empirical study

In our empirical study, we combined both quantitative and qualitative research with secondary data. Primary data was used to draw our conclusions, whereas secondary data was used to construct the theoretical framework and compliment our findings. Our primary data collection was divided into four parts: an in-person questionnaire distributed in central Stockholm, an online questionnaire open to everyone in Sweden, two focus groups and a

blind taste test comparing Hjordnära yogurt with that of a competing brand. The questionnaires represent the quantitative part of our study and the focus group and blind taste test form the qualitative part. Secondary data is composed mainly of news and journal articles as well as market reports on organic foods.

The questionnaires

In conducting our questionnaire, we followed the methodology described by Byman (2004) in performing social surveys:

1. Review literature on previous studies
2. Formulate research questions relevant to our study
3. Consider what kind of population will be appropriate for our survey
4. Pilot questions and test run
5. Revise questions according to feedback
6. Finalize questionnaire
7. Administer questionnaire
8. Code data with software tools
9. Analyze data
10. Interpret findings according to purpose of research.

The in-person questionnaire consisted of fifteen questions and was translated to Swedish for respondents to fill in. Offering the questionnaires in Swedish was important to ensure that language would not be an issue particularly for older generations who may not be as fluent in English. This would allow individuals whose mother tongue is Swedish to feel at ease when completing them. At the same time, this helped confirm that respondents were Swedish or had been living in Sweden. A bilingual Swedish / English version was also printed for our own reference.

An online version of the same questionnaire was also published to supplement the data collected in Stockholm and was open to everyone in Sweden. Similar to the in-person version, the online version was only available in Swedish. An additional question asked for the respondent's location in Sweden.

The questionnaire was formulated to address the main questions of our study:

1. Reveal basic demographics of organic dairy consumers

2. Determine the most important reason why consumers buy organic foods
3. Identify what would make organic foods more appealing for consumers to buy
4. Consumer definition of “locally produced”
5. Recognition of the Hjordnära brand
6. Consumer preferences on package design

In this study, we will define ‘organic dairy consumers’ as those who buy organic dairy products at least once a week. According to Question 8, “How often do you buy organic dairy products (milk, yoghurt, fil, cheese, etc)? / *Hur ofta köper du ekologiska mejeriprodukter (mjölk, yoghurt, fil, ost, osv)?*” 95 out of 174 respondents in Stockholm (of in-person and online questionnaire respondents) can be considered to be ‘organic dairy consumers’. Using the same definition, we have an additional 148 out of 180 from respondents who live outside of Stockholm. We understand that perhaps some respondents may be more liberal in their responses about their organic dairy buying habits than they actually are. Even though the questionnaire is completely anonymous, some respondents may still feel inclined to exaggerate the frequency of their organic dairy purchases (Guffey *et al.*, 2009). Unfortunately, there is no simple way to control for this, but as long as this is consistent across most individuals, then it effectively normalizes itself.

In-person questionnaire

A preliminary questionnaire was sent to Henrik Lundgren, category business manager for organic foods at Skånemejerier, for approval, and Questions 11 and 12 were added at his request. Additionally, he wanted to investigate whether consumers would be interested in buying milk in 0.5 litre packaging as the Hjordnära dairy was able to accommodate this size without further investments.

A test run of the questionnaire was carried out with ten Swedish students to ensure that the questions were easily understood and that answers could be provided clearly and without ambiguity. A couple questions were modified slightly for clarity after receiving feedback from the test run respondents.

The finalized questionnaire was administered and distributed in central Stockholm, mainly in Kungsträdgården and the areas around Sergels torg during the week of April 20th to the 24th, 2011. Most respondents took about 10 minutes to answer the questionnaire. Altogether, we had a total of 120 completed questionnaires. Our original goal was to have

300, but we discovered that it was more difficult than expected to approach individuals in Stockholm. Although we explained to our prospective respondents that the questionnaire was in Swedish, we approached them in English and that may have been a factor in our lower than expected response rate. Moreover, older individuals were generally more apprehensive towards us and were less likely to answer the questionnaire than younger ones.

Online questionnaire

As a means to supplement the data collected in Stockholm, the same questionnaire was published online using an online survey software tool, SurveyGizmo, during the week of May 4th to the 10th, 2011. This version of the questionnaire was also in Swedish, aiming to target only Swedish respondents. An additional demographic question asking for the respondent's location, "*Var bor du i Sverige?*" was added. Furthermore, SurveyGizmo was able to trace the location of the respondent's computer based on their IP address. Other questions remained identical to those of the in-person questionnaire. The link to the online questionnaire was initially distributed among our personal network of Swedish contacts, and they were asked to pass it along to their friends and family members. The link was also posted on the Facebook group pages of Skånemejerier, Hjordnära, KRAV, ICA and Willy:s.

The main purpose of the online questionnaire was to use it as a means of comparison between those who live in Stockholm to those who live in the rest of Sweden. As such, the respondents of the online questionnaire were divided into those two respective groups. Altogether, there were 54 respondents from Stockholm and 187 from outside Stockholm who completed the online questionnaire.

Geographical distribution of online questionnaire respondents

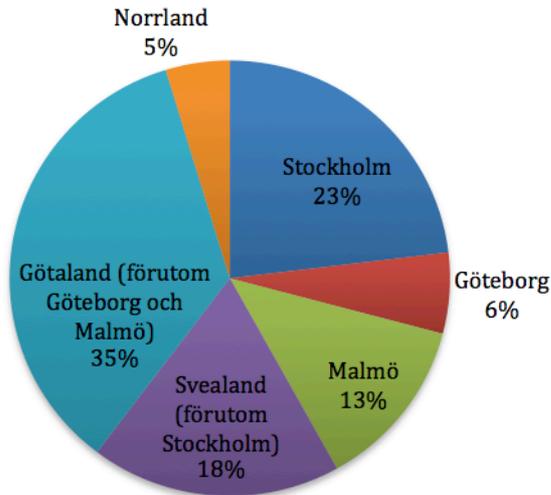


Figure 4: Geographical distribution of online questionnaire respondents

The answers provided by respondents from Stockholm, of both in-person and online questionnaires, were consistent (see Appendix B for complete results). As such, we believe it is reasonable to pool the data for Stockholm from both sources; this also facilitates a simpler comparison format. When presented in this way, we are able to emphasize the major highlights and the most important findings. Altogether, we have 120 respondents in-person and 54 online, resulting in 174 from Stockholm and 187 from outside Stockholm. The analysis of respondents from Stockholm were done separately and compared to our results collected to those who live in the rest of Sweden.

Geographical distribution of total respondents

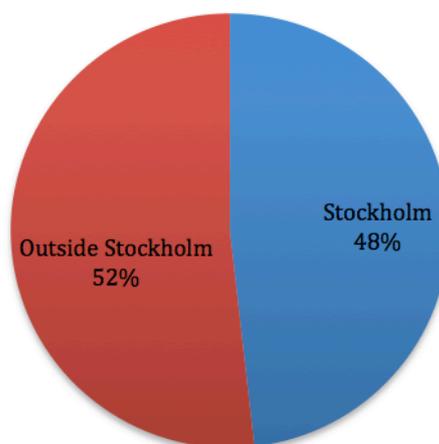


Figure 5: Geographical distribution of total respondents

Focus groups

According to Powell *et al.* (1996), a focus group is “a group of individuals selected and assembled by researchers to discuss and comment on, from personal experience, the topic that is the subject of the research”. The main purpose of our focus group is to increase the validity of our study by drawing upon participants’ thoughts related to organic dairy products. This was achieved through a social gathering in the context of a group discussion (Gibbs, 1997). Focus groups reveal multiple perspectives and emotional processes codified in the interaction between participants (Gibbs, 1997). One of the benefits of using a focus group is that the gap between what people say they do and what they actually do can be better understood (Lankshear, 1993). According to focus group methodology (Bryman, 2004), the moderator controls the tempo and track of the discussion, and encourages uniform participation across participants. There are no right or wrong responses and the goal of the focus group is to have a discussion where participants can freely voice their opinions. During the focus group, participants sat around table with nametags in a quiet environment. Each session was recorded on video strictly for the purpose of our own analysis

Description of the focus groups

Two focus groups were conducted in April 2011. The first was a pilot session to test the questions used in the discussion guide. Based on the results and feedback from the first session, some questions were modified or removed. Questions that were removed for the second focus group are not included in this report. The second focus group was the main source of qualitative data for this study, and the data from the first focus group was only used in instances where it supported ideas of the second.

There is no firm consensus on the ideal number of participants to include in a focus group. Some researchers recommend six to ten participants (MacIntosh, 1981), while others have included up to fifteen (Goss & Leinbach, 1996), or as few as four (Kitzinger, 1995). We chose to include six participants in our pilot focus group because we believed it to be a feasible number of people to manage for our first attempt. We also considered the effect that a higher number of participants would have on each participant’s level of involvement in the discussion, concluding that a greater number of participants may result in each participant being relatively less involved. Following the pilot session, we decided to

include two more people in the second focus group session in central Stockholm, for a total of eight participants.

The pilot focus group (FG1) was held in Lund on April 17th, 2011. The venue was the quiet dining area of a student residence. Six students from Lund University participated in the session: three Swedish students (two females, one male) and three international students (three females). Four students were pursuing a Master's degree, while two were pursuing a Bachelor's degree. The age of participants ranged from 21 to 33 years old. Participants were recruited through our personal network of contacts. This session lasted for 1 hour and 20 minutes.

The second focus group (FG2) was held in central Stockholm on April 23rd, 2011. The venue was a small and quiet restaurant, called Serrano, near the Stockholm Central Station. A table in a private area of Serrano was reserved for our session. Due to financial constraints, booking a hotel conference room was not possible. Given the circumstances, Serrano was an excellent alternative. Eight participants attended the session: five females and three males. Five participants held or were pursuing a Bachelor's degree and three had completed a Master's degree. The age of participants ranged from 21 to 32 years old. Participants were recruited through both our personal network of contacts as well as the announcements placed on the Facebook group pages of Hjordnära, Skånemejerier, KRAV, ICA, Coop and Axfood. At the end of the session, participants were given a gift basket as a token of our appreciation for their time and participation. Additionally, light refreshments were served during the discussion. This session lasted for two hours.

During the recruitment process, participants were informed that a study was being carried out to gather consumer opinions on organic foods. They were not told that the main focus of the discussion was organic dairy products, as to minimize biases. For the purpose of both focus groups, participants sharing similar characteristics such as age and an interest in organic foods were chosen. These similarities may allow participants feel more comfortable with each other and communicate their ideas more openly. A discussion among like-minded individuals allows participants to build upon each other's thoughts and ideas (Morgan, 1988). At the beginning of each session, participants were asked to fill out a form asking for their age, level of education, occupation, and size of household. This information was used for comparing basic demographics of the participants.

Structure of the focus group

The focus group was divided into three sections:

1. Explore participants' thoughts about organic dairy products.
2. Opportunity for participants to taste Hjordnära products.
3. Explore participants' thoughts on the Hjordnära brand, including its history, core values and the dairy making process in Hjo.

With reference to section two, described above, yogurts were chosen because, unlike milk, each dairy brand offers unique yogurt characteristics, such as flavour and texture. Moreover, Hjordnära's yogurt line represents their strongest product in terms of sales (Skånemejerier, 2011). Participants were also given the opportunity to try Arla's Yoggi strawberry yogurt for comparison; an established product in the non-organic category. The two products differed in sugar and fat content, since an exact equivalent was not available. Hjordnära blueberry and vanilla blackberry yogurts were also available for tasting.

Blind taste test

A blind taste test is a marketing tool often used by companies to compare their products with those of a competitor (Solomon *et al.*, 2006). There are two different types of blind taste tests. In a single blind taste test, as implemented in this study, the experimenters know information about the products but the participants do not know anything about the experimenters or the products they are testing (Solomon *et al.*, 2006). Information that could introduce bias or skew the results is withheld from the participants. In a double blind taste test, both the participants and the experimenters do not know anything about the products (Solomon *et al.*, 2006). Single blind taste tests, which will simply be referred to as blind taste tests, were previously conducted at Skånemejerier to test their products against those of competitors (i.e, Arla). The aim of our blind taste test is to compare the taste of Hjordnära yogurts to that of a competing brand.

Arla's Yoggi Dröm yogurt was chosen as the competing yogurt to Hjordnära based on price point. Despite the fact that Arla's Yoggi Dröm yogurt is not organic, both it and Hjordnära

yogurt are marketed as premium products. Furthermore, organic is not the only defining product attribute of Hjordnära's yogurts. The retail price for both Arla's Yoggi Dröm and Hjordnära yogurt was 27 SEK at Coop Konsum in Lund. Vanilla was chosen as the flavour for the taste test for two reasons: it was difficult to find matching flavours to Hjordnära yogurts (strawberry vs. vanilla strawberry is not quite the same), and vanilla was thought to be a more neutral flavour, especially for people who do not like certain fruit-flavoured tastes. One factor that still remained inconsistent between the two yogurts was the fat and sugar content. Arla's Yoggi Dröm had 5% fat content and 8% added sugar, whereas Hjordnära had 3% fat content and 6.5% added sugar. An exact equivalent to Hjordnära's yogurt did not exist, but Arla's Yoggi Dröm was the most similar product available.

The blind taste test was held on May 7th, 2011. Participants consisted of twenty Swedish students from Lund University. Participants were asked to try the two different types of yogurts. Only two pieces of information were given prior to the test: both yogurts were vanilla-flavoured and equally priced. The brand of each yogurt and the product packaging was not revealed until after the taste test. Each participant was given a sample of both yogurts and was asked to rate each one on a number scale based on taste alone from one to five (one being poor, and five being excellent). Ratings were recorded on paper rather than verbally to prevent participants from influencing each other's scores. Additional comments on taste and flavour were also encouraged.

Limitations of the empirical study

Due to the relatively small number of total respondents in our in-person questionnaire, we understand that it is difficult to draw any strong conclusions based solely on our data points. The process of approaching people in Stockholm was a challenge partly because we had no prior experience in distributing questionnaires and also because we were approaching them in English. Multiple trips to Stockholm to increase the number of respondents were not possible. Therefore, careful consideration is required when making any conclusions or recommendations based purely on our empirical data.

Moreover, one of the limitations of using a focus group as a form of qualitative research is that due to small sample size and non-random selection of participants, findings from this type of research cannot be used to generalize the behaviour of the greater population (Holsman, 2002). One way to overcome this is to use multiple focus groups as a means to

corroborate the results. Unfortunately, our limited finances did not allow for this.

Mainly due to time constraints, it was not possible to administer a blind taste test as part of the focus group in central Stockholm. Because of this, the blind taste test portion was conducted in Lund. Additionally, as a result of financial limitations, we were unable to return to Stockholm for the taste test. However, twenty participants were selected from different parts of Sweden, of which five were from Stockholm.

Despite these limitations, when combined with the support of literature, and previous studies and observations, our data can be further validated. In any case, we believe we have identified some findings that may be useful in assisting Hjordnära with their promotional efforts in Stockholm for autumn 2011 and beyond.

Part 1. Analyzing marketing opportunities

A. Analysis of important findings in market research

In line with the aforementioned purpose of this study, we collected data from a total of 395 people in Sweden. This section aims to outline the current study's seven major findings:

1. Basic demographics of organic dairy consumers
2. Concern for the environment as the most important reason to buy organic foods
3. Increase willingness to pay as a means to decrease price barrier
4. "Locally produced" defined as the short distance from dairy to home
5. Importance of brand recognition
6. Strengths and weaknesses of Hjordnära's package design
7. Hjordnära second to Arla in a blind taste test

Basic demographics of organic dairy consumers

Results from respondents in Stockholm and the rest of Sweden were generally quite consistent with each other. Basic demographic information such as gender (Mathisson and Schollin, 1994; Davies *et al.*, 1995; Menghi, 1997; Wandel and Bugge, 1997; Magnusson *et al.*, 2001; Hammerlund, 2003; Synovate, 2008), age (Roddy *et al.*, 1996; Schifferstein and Ophuis 1998; Magnusson *et al.*, 2001; Cicia *et al.*, 2002), level of education (Wilkins and Hillers, 1994; Magnusson *et al.*, 2001; Chinnici *et al.*, 2002; O'Donovan and McCarthy, 2002; Synovate, 2008) and size of household (Menghi, 1997; Thompson and

Kidwell, 1998) closely match that of previous studies attempting to identify demographics of organic consumers. Readers should refer to Appendix B for complete results. The basic demographic information of organic dairy consumers in Stockholm and the rest of Sweden can thus be summarized:

- Women are slightly more likely to purchase organic dairy products compared to men
- More than half of organic dairy consumers are between the ages of 26-55
- More than half of organic dairy consumers are university educated
- Most organic dairy consumers live in households greater than one

Stockholm similar to the rest of Sweden

Asking consumers within and outside of Stockholm to complete the questionnaire allowed us to investigate any differences between the two sample groups. From a total of 361 questionnaire respondents, 174 were from Stockholm and 187 from the rest of Sweden. Although we understand that our sample sizes are relatively small, as previously discussed, we nevertheless identified similarities between respondents who live within and outside of Stockholm. Taking this into account, we can potentially use data from respondents outside of Stockholm to support the data from respondents in Stockholm.

Concern for the environment as the most important reason to buy organic foods

One of the most important findings in this study was that people in Stockholm, as well as in the rest of Sweden, take the environment into consideration more so than health as their main reason for buying organic dairy products. This finding was emphasized in questionnaire responses. Question 5 asks:

What is the main reason you buy organic foods?

Results from the questionnaires show that consumers in Stockholm purchase organic food primarily because they believe it is 'better for the environment' (*bättre för miljön*) (32.8%), while 17.8% stating that it is 'healthier' (*nyttigare*). An even greater number of respondents from outside of Stockholm (52.8%), cited the environment as the main reason for purchasing organic foods.

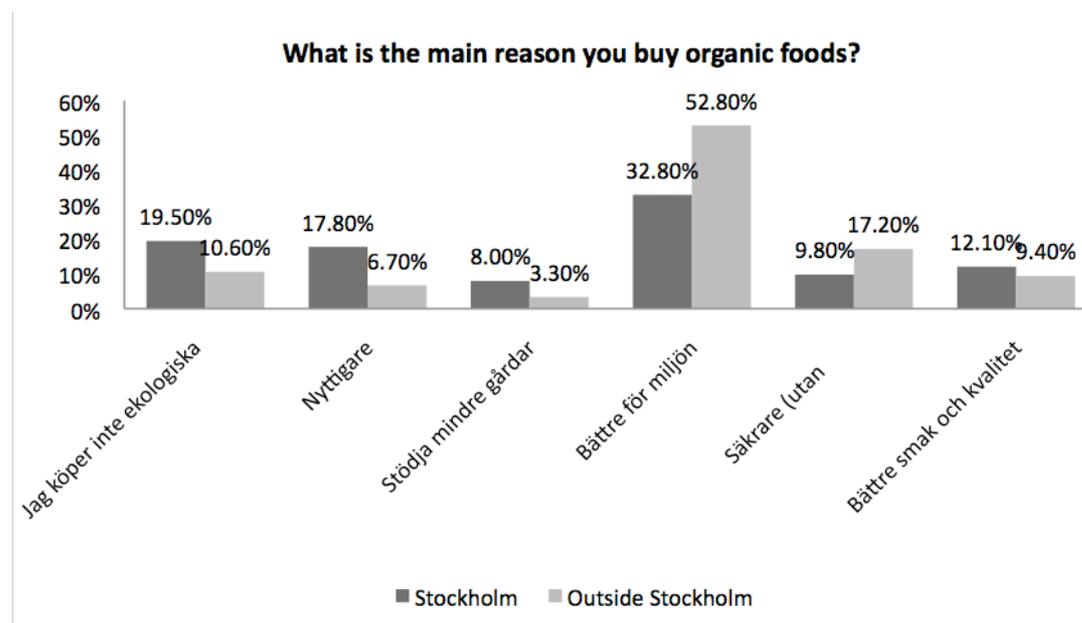


Figure 6: What is the main reason you buy organic foods?

Interestingly, an overwhelming number of studies have found that the primary reason why respondents purchased organic foods was because it was thought to be ‘healthier’ (Mathisson and Schollin, 1994; Tregear *et al.*, 1994; Huang, 1996; Hutchins and Greenhalgh, 1995; Wandel and Bugge, 1997; Schifferstein and Ophuis, 1998; Chinnici *et al.*, 2002; Zanolini and Naspetti, 2002). Moreover, previous studies have also found that consumers believe organic foods to be more ‘nutritious’ (Jolly, 1991; Hill and Lynchehaun, 2002). A Swedish study has also found that consumers rated good taste as being their number one criteria when buying organic milk, followed by health reasons (Magnusson *et al.*, 2001). The same study, from ten year earlier, notes that younger (under 25) consumers buy organic foods based on considerations for the environment, whereas older (over 25) consumers are more influenced by considerations for their health and safety. A more recent Swedish study performed by global market research company, Synovate (2008), found that among 1000 individuals, the main reason for buying organic foods is the environment, followed by health reasons and better animal welfare; while taste was ranked last (Synovate, 2008).

According to our questionnaire, there seems to be a growing trend of consumers who purchase organic foods for environmental reasons. This attitude shift from an egotistic to a more altruistic motive over the last decade in Sweden may be explained by the lack of conclusive evidence that organic foods is in fact more nutritious (Williams, 2002). It

appears that concern for the environment is the driving factor of organic foods purchases in Stockholm and in the rest of Sweden.

This claim is further supported by our focus group results, which reveal that participants associated the concept of ‘organic foods’ with the environment. Participants were asked what their first thought was upon hearing the words “organic foods”. Word association is a good way to gauge participants’ initial impression. Not surprisingly, the two major themes were the *environment* and *nutrition*. Respondents from FG1 and FG2 mentioned words related to the former: “environmentally friendly production”, “chemical-free”, “pesticide-free”, “sustainable production” and “animal welfare”. Additional responses related to nutrition included: “natural”, “healthier”, “no additives” and “no artificial components”.

Further corroborating the change in attitude towards organic foods, one participant in FG2 questioned the benefit of organic foods for human health:

“the benefit of organic foods is reduced to the fact that it is better for the environment because it is chemical and pesticide-free; there is no scientific study proving that is actually better for your health”

Participants expressed the opinion that they tend to prioritize environmental reasons above health benefits when asked what their main reason would be to purchase organic foods. This finding may reflect the growing trend of consumers who are more concerned about the environment. However, for both the environment and health there lacks a strong body of conclusive scientific studies describing the health or environmental benefits of organic foods; leaving people less certain of the positive properties that organic foods offer. For instance, some findings suggest that organic farming has fewer negative environmental impacts (Cederberg & Mattsson, 2000), whereas other research has revealed that organic farming has a larger CO₂ footprint than its non-organic counterpart (Williams et al, 2006). However, the details surrounding this issue becomes less important if consumers generally believe that buying organic foods is better for the environment.

Increase willingness to pay as a means to decrease barrier of entry

It is well established from previous studies that price is one of the main barriers preventing consumers from purchasing organic products (Byrne *et al.*, 1992; Mathisson and Schollin, 1994; Tregear *et al.*, 1994; Roddy et al., 1996; Glaser and Thomson, 2000; Magnusson *et*

al., 2001; Zanolli and Naspetti, 2002; Synovate, 2008). Of those questionnaire respondents and focus group participants who do not buy organic foods, the main reason for this is ‘price (too expensive)’, followed by ‘I don’t believe in the benefits of organic foods’. Focus group participants unanimously agreed that price is the main barrier preventing consumers from purchasing organic foods. However, depending on their income, focus group participants were open to the idea of purchasing organic dairy products in the future.

As expected, organic dairy production is more expensive and the prices at the store will reflect the additional costs (FAO, 2011). One way to combat this is to increase consumers’ willingness to pay (WTP) by making organic products more appealing for them to buy. We explored this topic in Question 14 of the questionnaire, which asks:

What would make organic dairy products more appealing for you to buy (excluding price)? (Multiple selections permitted)

Four main concerns were identified: ‘greater variety’ (*större sortiment*), ‘greater availability’ (*ökad tillgänglighet*), ‘more information about organic milk production (origin and traceability)’ (*mer information om ekologisk mjölkproduktion (ursprung och spårbarhet)*) and ‘better communication of health and environmental benefits’ (*bättre kommunikation för hälso-och miljövinster*). This finding parallels the opinions shared by focus group participants who also believed that these factors would increase their consumption of organic dairy products.

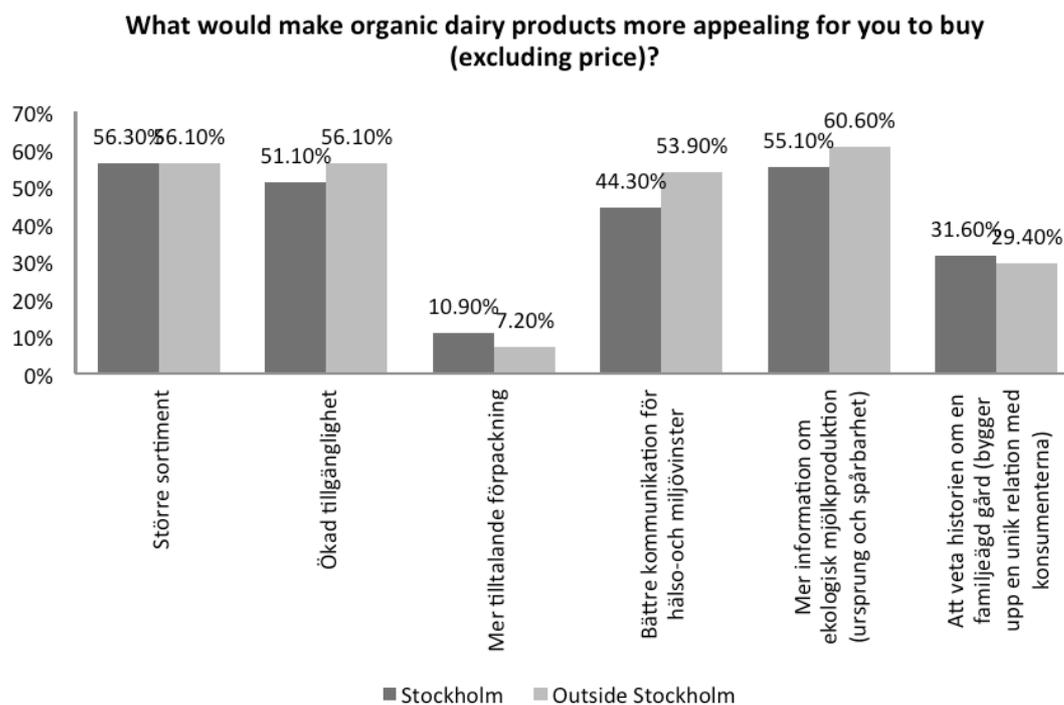


Figure 7: What would make organic dairy products more appealing for you to buy?

The first two reasons are related to lowering the obstacles and inconveniences consumers associate with purchasing organic foods, whereas the last two reasons are related to increasing their WTP. A previous study has found that WTP increases as consumers are given more information about the benefits organic products (Soler *et al.*, 2002). A similar Swedish study noted that, other than lowering prices, consumers would be more likely to buy organic foods if they better understood its impact on the environment (Synovate, 2008). By promoting their products in a more impactful way, Hjordnära can increase consumers' WTP and decrease their price barrier.

In relation to the topic of price, Question 7 asks:

How much more would you be willing to pay for 1 L of organic milk instead of conventional milk? The average price of conventional milk is 8 SEK.

Most respondents in Stockholm would be willing to pay 1-2 SEK (35.1%) or 3-4 SEK (33.9%) more for organic milk, when the average price of conventional milk is 8 SEK. Respondents outside Stockholm corroborated this as well. More than half the respondents would pay up to 4 SEK more for 1 litre of organic milk. Our results are in line with a

previous study done in the United States that also found that respondents would be willing to pay up to a 50% premium for organic milk (Hammerlund, 2003).

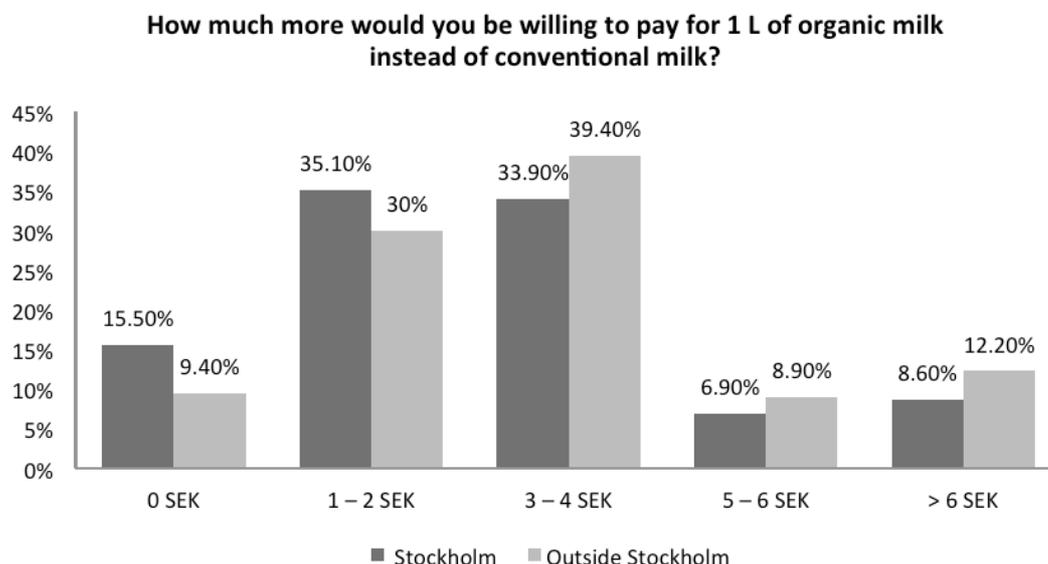


Figure 8: How much more would you be willing to pay for 1 L of organic milk instead of conventional milk?

This question clearly shows that consumers are willing to pay more for organic dairy products. The question that remains is, *will they?* More effective marketing efforts by Hjordnära are essential in increasing consumers' WTP. A more thorough discussion of marketing recommendations can be found in subsequent sections of this paper.

“Locally produced” defined as the short distance from dairy to home

Another topic of interest was consumer opinion on what constitutes a locally produced product. The local food movement entails a “collaborative effort to build more locally based, self-reliant food economies - one in which sustainable food production, processing, distribution, and consumption is integrated to enhance the economic, environmental and social health of a particular place” (Feenstra, 2002). It is a geographical concept that is part of the greater movement towards sustainability and a preference towards buying locally produced goods and services. In an effort to determine, what Swedish consumers would consider locally produced, Question 12 of the questionnaire asks:

How would you define "locally produced"?

Most individuals defined locally produced as ‘the short distance from the dairy to their home’ (*kort avstånd från mejeriet till ditt hem*). More than half of the respondents, in Stockholm and in the rest of Sweden, chose that definition. A single definition does not exist for the term “locally produced”, however, it is widely used by companies to market their products.

In the United States, the concept of food miles attempts to define this term and in 2008, Congress passed a bill that defines this as “the locality or region in which the final product is marketed, so that the total distance that the product is transported is less than 400 miles from the origin of the product; or the State in which the product is produced” (Library of Congress, 2008). It is essentially a day’s driving, or DGD (day-goods-distance). This definition is also used by the United States Department of Agriculture (USDA, 2010). However, it may be problematic to use the same definition in the context of the Swedish market. For instance, the state of Texas is already larger than the whole of Sweden by total area (695 700 km² versus 450 295 km²). In this case, the term “local” has little to do with distance or the size of the “local” area. It is even difficult to use national borders to define what is local. For instance, dairy products produced in Skåne are more local to the Danish people in Copenhagen than Swedes in Stockholm. The term “locally produced”, it seems, is ambiguous and the consumer is left with his or her own interpretation.

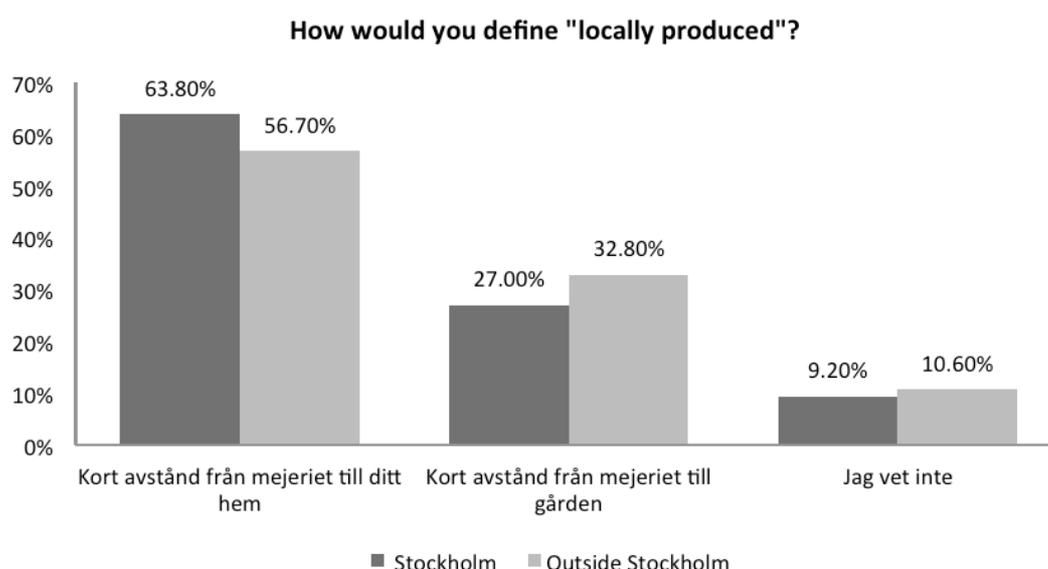


Figure 9: How would you define “locally produced”?

A similar question was posed to focus group participants. They were asked how important it was for them to buy products that were locally produced, and how they would define this concept.

Most participants in FG1 and FG2 answered that they would prefer to buy locally produced milk, but were aware that milk is difficult to trace, or determine its origin. In FG2, many understood that Arla has farms all around Sweden, and there was difficulty reaching an agreement on the concept of what is locally produced. Despite this, they would clearly prefer to purchase milk advertised as locally produced and milk produced in Sweden in general, above milk produced in other countries. When specifically asked about Hjordnära, whose dairy is located about 330 km outside of Stockholm, participants in FG2 agreed that especially since it is not possible to have farms too close to the city limits, this could be considered locally produced.

These findings have important implications to Hjordnära, whose core value includes local (*nära*). It is interesting that having co-branded with Skånemejerier have helped with marketing efforts in Skåne, as a locally produced dairy product, whereas some focus group participants from Stockholm were more skeptical. In reality, Hjo is actually closer to Stockholm than it is to some parts of Skåne, such as Malmö (330 km versus 350 km), in which case “local” is not at all about distance but rather a political boundary. Being co-branded with such a strong regional brand, such as Skånemejerier, have affected consumers’ interpretation of what is “locally produced.”

Importance of brand recognition

Needless to say, brand recognition is very important when it comes to marketing a product. In the questionnaire, we wanted to investigate whether respondents had heard of Hjordnära prior to answering the questionnaire. Question 15 asks:

Had you heard of the brand Hjordnära before today?

As expected, due to its recent entry into the Stockholm market, most respondents in Stockholm (66.7%) had never heard of the brand. There was greater brand recognition among those who live outside of Stockholm, of which a little more than half (51.7%) had heard of Hjordnära. This is probably due to Hjordnära’s established presence in the

southern and western parts of Sweden, closer to Hjo. Consumers in these areas may have had greater exposure to the Hjordnära brand than consumers in Stockholm.

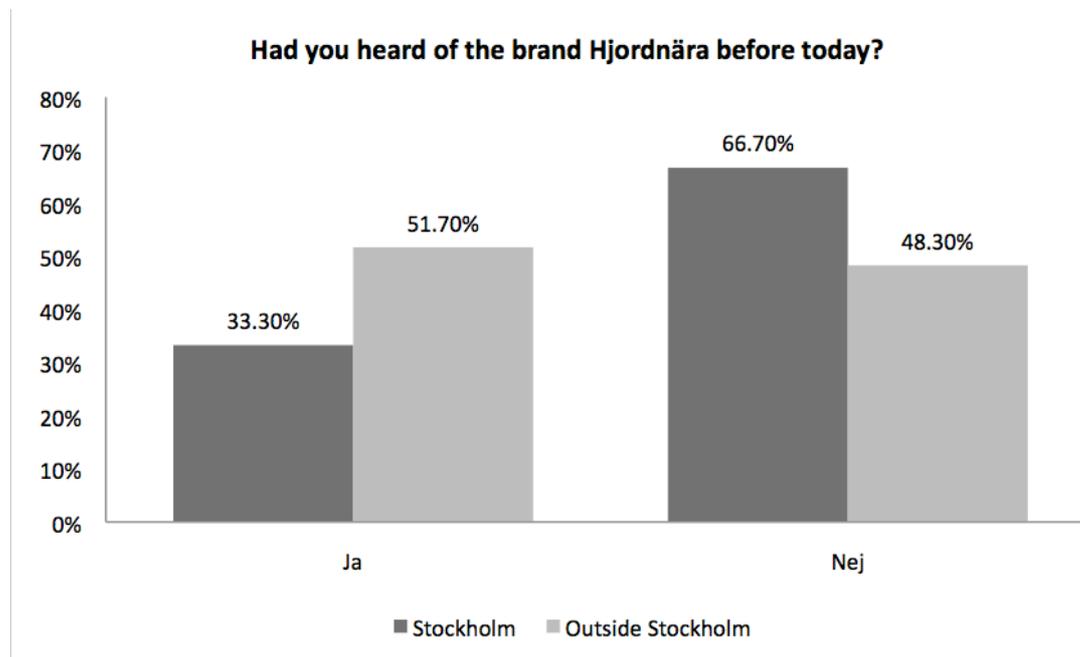


Figure 10: Had you heard of Hjordnära before today?

It should be noted that online respondents may be more knowledgeable about organic dairy products as they chose to complete the questionnaire by choice and thereby may have an interest in organic foods. This could potentially skew our results, in which a higher percentage of respondents would have heard of Hjordnära compared to the general population.

In the focus groups, the importance of brand recognition was discussed further. Opinions were divided among participants in FG1 and FG2. Some participants thought that brand is important because it is something you see in stores and are familiar with. When purchasing food, some participants agreed that decisions are made quickly and without too much thought, so they are more likely to choose products based on brands they recognize and have a connection with.

On the other hand, some participants thought that the brand was not as important as the quality of the product. Among FG2 participants, two placed greater importance on whether or not the dairy products are produced locally rather than the brand itself. They also agreed that the brand is not as important as the quality of the product at hand. In general, they feel that consumers should know more about the product behind the brand name to make

informed purchase decisions. In other words, consumers should know more about what they are buying through careful research at the store and at home. Younger participants also commented that the brand is not as important a consideration as price.

Strengths and weaknesses of Hjordnära's package design

Packaging and package design is an important aspect of marketing a product (Armstrong & Kotler, 2009). It is related to how consumers perceive a brand and the product they are buying. The package design represents the visible and tangible counterpart of the brand. Therefore, it is important to know what consumers think are key features of packaging. In the questionnaire, Question 13 asks:

Rank the following features related to packaging (1 being the most important and 4 being the least important).

'Information content (story of the farm, company history, interesting facts, etc) (*Informations innehåll (berättelsen om gården, företagets historia, intressant fakta, osv)*)' was often rated the most important factor, followed by 'how readable the information is (*hur lättläst information är*)'. 'Typography (font size and style) (*typografi (teckenstorlek och stil)*)' was often ranked as the least important factor in packaging. This was true for both respondents in and out of Stockholm.

	Stockholm		Outside Stockholm	
	Total Score	Rank	Total Score	Rank
Informations innehåll (berättelsen om gården, företagets historia, intressant fakta, osv)	690	1	687	1
Hur lättläst information är	552	2	602	2
Färg och grafik	523	3	448	4
Synligt varumärke	477	4	525	3
Typografi (teckenstorlek och stil)	358	5	412	5

Table 1: Features related to packaging.

The total score for each factor in the ranking question is a weighted calculation. Items ranked higher are successively given a higher score, and the total score represents the sum of all scores in the questionnaires. In this question, the factor ranked first is given a score of five and the factor ranked last is given a score of one. This applies to other ranking questions in the survey.

In hindsight, the design of the ranking questions in the questionnaire necessitated that we be cautious when interpreting the results of question 13. For instance, it was clear that ‘information content’ and ‘how readable the information is’ were consistently most important and ‘typography’ was least important, while ‘colour and graphics’ and ‘visible brand name’, fell somewhere in the middle. However, this is not to say that people felt particularly strongly about any of these considerations. The nature of the question requires that people rank all five considerations in order of importance regardless of whether or not they actually consider any to be important to them as a result, findings may not be as meaningful as they could be given another design. Also, while the considerations included in the question were carefully chosen based on previous literature, additional options could have been included as well. However, for the purpose of ease of filling out the questionnaire and analyzing the results, we limited the number of considerations in question to five.

Methodology concerns aside, the focus groups allowed us delve deeper into the minds of consumers regarding product packaging. Similar to questionnaire respondents, participants in the focus group agreed that the information content on packaging is important for the purposes of communicating with consumers. Most participants responded with positive statements when shown the packaging for Hjordnära yogurts. The colours, images and stories on the packaging were the most appealing characteristics to participants in both FG1 and FG2. All agreed that the colours were attractive and the farm imagery created a sense of closeness to the farms. Moreover, they liked the image of the hands holding fresh fruits and agreed that, “*it gives a sense of the natural flavour in the product*”. Although many said they would not read the stories on the package while at the store, they stated they would instead read them post-purchase, such as “*when having the breakfast at home*”. Five out of six participants in FG1 and five out of eight participants in FG2 said that they would read the stories on the package at some time.

When asked to compare the usability of the package design in comparison to other yogurts which used twist caps, participants of FG1 and FG2 were pleased that Hjordnära did not use one. Most agreed that using plastic twist caps made the package more difficult to recycle (requiring them to cut it off) and was consequently not a good idea for a company that wants to be perceived as being environmentally friendly.

In general, participants in FG2 were more critical of Hjordnära's package design than those in FG1. Most thought that there was too much text on the packaging. Furthermore, the handwritten font on the front was difficult to read. One participant said that, "*to understand what is written, you have to focus more than usual*". Another participant thought that there was an "*information overload*", and if consumers wanted to know more about the product, they could find information online.

Four participants in FG1 also commented that the Skånemejerier logo was distracting. Several participants did not initially notice that Hjordnära, and not Skånemejerier, was the brand of the yogurt. Due to Skånemejerier's established presence in Sweden, it is possible that participants in Lund more easily recognized Skånemejerier's logo. It could also be that Skånemejerier's logo appears to be more eye-catching. As a result, participants recommended that Hjordnära make their logo more prominent. Prior to either focus group, no participants knew that Skånemejerier owned Hjordnära. Some participants in FG2 also noted that the words "Ekologiska Mejeri" appeared too small on the packaging. However, one participant pointed out that by making it larger, consumers may assume it is expensive and would not consider purchasing it.

Participants' criticisms on product packaging were particularly interesting because they contradicted some of Hjordnära's intentional design decisions. Before the focus groups were held, we spoke with Henrik Lundgren, category business manager of organic foods at Skånemejerier about package design. The primary design effort made by Hjordnära was to prevent the packaging from reflecting a pretentious image. One way of doing so was to emphasize the product name (milk, whipping cream, or fil) by making it the most visible word on the package, while making the Hjordnära logo less prominent. Also, the decision to use a handwritten font was made mainly for aesthetic purposes. In other words, it is part of the design of the package and was not necessarily something consumers are meant to read. Furthermore, Henrik Lundgren (2011) describes Hjordnära as "a premium dairy label, of which being organic is one aspect of their brand." As such, the words, "Ekologiska

Mejeri”, were intentionally made small. These very design decisions that Hjordnära believe will contribute to its success as a brand, were the same design decisions, participants criticized.

One limitation in this method of assessing packaging is the lack of alternative designs. Participants were shown one design (the current yogurt package found at the store), and were asked to give their opinion on what they like and did not like about it. Under ideal conditions, we would have been provided with several alternative packaged designs that Hjordnära planned to test. In this way, participants could choose which design they like most. Without any alternatives, participants are left to their own preconceived notions, (“opinion[s] formed beforehand without adequate evidence,” (Oxford Dictionary, 2011)) of package design; the science behind which is something that most consumers are not aware of. For example, certain colours are chosen to evoke certain emotions. Without this knowledge, it is difficult for focus group participants to give recommendations that are more than just superficial or speculative. Nonetheless, as long as readers keep this in mind, their opinion can still prove useful.

Related to packaging, Hjordnära aimed to investigate whether consumers were interested in buying milk in 0.5 litre packaging, perhaps as an on-the-go alternative. Hjordnära has the capacity to produce products in this size without any further investments, and sought to determine if this was something consumers were interested in. Question 9 of the questionnaire asks:

What is your preferred milk package size (litres)?

More than half of all respondents, within and outside of Stockholm, prefer buying milk in 1 litre packaging, followed by about 30% who preferred the 1.5 litre packaging. Our results show that there is a small demand for milk in 0.5 litre packaging with over 90% of all respondents choosing either 1 or 1.5 litre packaging.

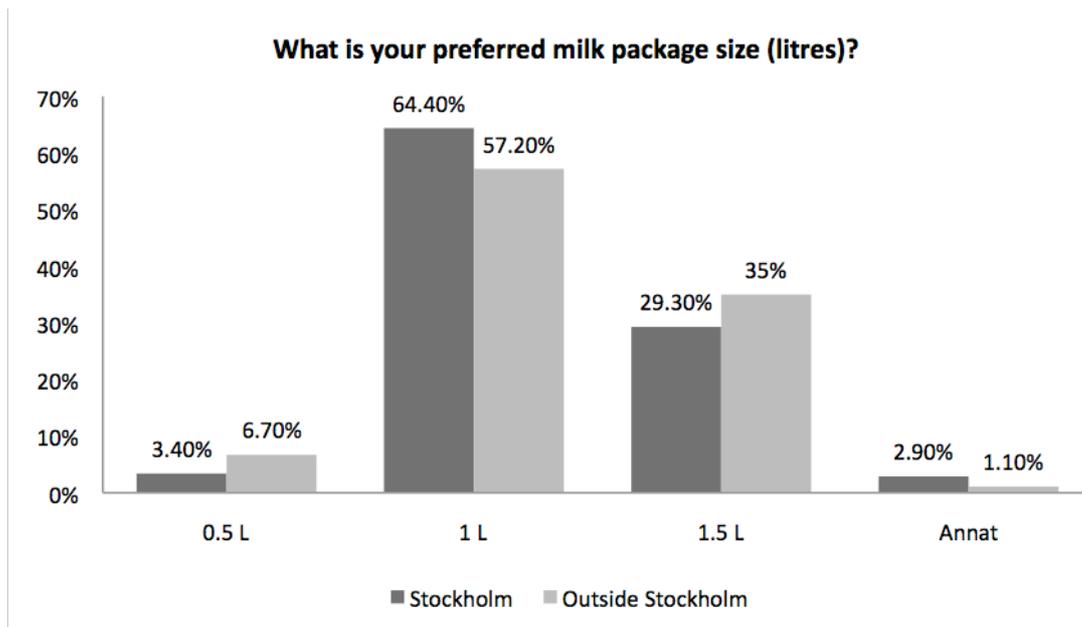


Figure 11: What if your preferred milk package size?

On-the-go products by competing brands are usually available between 0.2 litre and 0.3 litre size packages (Tetrapak, 2011). Based on our own observations, it seems that 0.5 litre is too big for consumers to take on-the-go and too small for consumers to take home.

Summary of questionnaire findings

The responses to other questions from the questionnaire were in line with previous knowledge on organic dairy consumers. As such, only relevant and interesting findings were discussed and the complete results for other questions can be found in Appendix B. The results can otherwise be summarized:

- The main reason most consumers buy organic foods is because it is ‘better for the environment’
- Of those who do not buy organic foods, the main reason is ‘price (too expensive)’
- ‘Taste and quality,’ and ‘price’ consistently ranked as the top two considerations when consumers choose to buy organic dairy products, whereas ‘package design’ consistently ranked last
- ‘Natural and clean (no pesticides)’ and ‘organic’ were two factors that consumers felt were important when buying organic dairy products
- More than half the respondents defined ‘locally produced’ as the ‘short distance between the dairy and their home’

- ‘Information content (story of the farm, company history, interesting facts, etc)’ ranked as the most important feature related to product packaging, with ‘typography (font size and style)’ consistently ranked as least important
- About half of the respondents answered that these factors would make organic dairy products more appealing for them to buy:
 - Greater variety
 - Greater availability
 - More information about organic milk production (origin and traceability)
 - Better communication of health and environmental benefits
- More than half the respondents would pay up to 4 SEK more for 1 litre of organic milk, when the average price of conventional milk is 8 SEK
- More than half of all respondents purchase organic dairy products at least once a week
- More than half the respondents prefer to buy milk in 1 litre packaging
- There is a very small demand for milk in 0.5 litre size, with over 90% of all respondents choosing either 1 or 1.5 litre packaging
- The majority of respondents in Stockholm had never heard of Hjordnära, whereas about half the respondents outside of Stockholm had heard of the brand

Hjordnära second to Arla in a blind taste test

There is only one true way to assess the taste and quality of a product, and that is through a taste test (Solomon *et al.*, 2006). It is essential that consumers like the taste of a product so that they will continue to purchase it. As part of the current study, a blind taste test was conducted to compare Hjordnära yogurt with that of a rival brand. The nature of a blind taste test entails that it controls for conditioning effects or prior prejudices. Since Skånemejerier is such a strong brand in Skåne, it was important that participants did not know which product, and thus which brand, they were tasting. Almost all the participants ranked Arla’s Yoggi Dröm one or two points higher (out of five) than Hjordnära yogurt, with a mean score of 3.95 and 2.95, respectively. Most participants agreed that the Arla yogurt was creamier and had a stronger vanilla flavour. This was probably due to its higher fat and sugar content. Participants also liked the “bits of vanilla” found in the Arla yogurt, with some describing it as containing “*real vanilla*”, while others commenting that it was “*too sweet*.” In contrast, some participants described the Hjordnära yogurt as “*lacking in flavour*.”

	Arla Yoggi Dröm Vanilla	Hjordnära Vanilla
Total Score	79	59
Mean Average	3.95	2.95

Table 2: Summary of blind taste test results

Although many consumers have the perceived notion that organic foods generally taste better, this test along with a previous study by Fillion and Arazi (2002) found that through a blind taste test this notion was not substantiated. After revealing the fat and sugar content of each yogurt, many participants said that they would not purchase the Arla yogurt in the future, despite the better taste, because they believed it to be unhealthy. Some stated that if they wanted a healthier alternative, they would buy Hjordnära yogurt. This finding in particular further emphasizes that the result of an objective blind taste test is only one component of product evaluation (Solomon *et al.*, 2006). Based on some participants' comments and our own observations, there is still great potential to market Hjordnära yogurts especially to more health conscious individuals, despite unfavourable results.

B. Analyzing Competitors

Competitors Review

As outlined in the methodology section, reviewing Hjordnära's main competitors is critical since it allows us to assess the company's position in comparison to market rivals. Organic foods is a growing and dynamic segment. The majority of organic products are "mirror-products" in that they are organic variants of a conventional product (an organic counterpart). It is expected that dairy companies will invest in launching new organic product lines to increase their product portfolio in the near future. This will undoubtedly increase competition in the organic dairy segment. Today, key competitors include Arla, Milko, Valio and Skånemejerier.



Arla

Arla Foods is one of the world's largest dairy companies, and by far the largest in Sweden. They produced 8700 million kilograms of milk in 2009, of which the cooperative's members in Denmark and Sweden supplied 71%. Their core markets include the UK, Sweden, Denmark, Finland, the Netherlands and Germany. Arla's strategy focuses on creating value for customers and owners through innovation and processing. In 2010, Arla launched many new products, as a result of a plan to invest in the brand's strength and position. The company stated in its most recent annual report, "in the coming years, we must invest more in marketing and developing new products. Our 'Closer to Nature' message will be communicated even more clearly to the outside world and it will be incorporated into everything we do within the company" (Arla, 2010).



Milko

According to the Swedish Dairy Association, Milko is Sweden's second largest dairy company. Their main business regions cover more than one-third of Sweden. The company produced 277 million kilograms of milk in 2009. Milko is based in northern Sweden and their business concept is "to develop and market natural and innovative dairy products that satisfy the needs of Swedish consumers," (Milko, 2011). Milko's primary aim is to offer consumers dairy products of high quality and to protect its suppliers, so that they can remain active in the dairy industry. Milko is a cooperative, owned by 650 farmers from various provinces, including: Dalsland, Värmland, Dalarna, parts of Västmanland, Hälsingland, Härjedalen, Jämtland, Medelpad and Ångermanland.



Valio

Valio is the market leader in all key dairy product segments in Finland. The company is present in other countries via subsidiaries, including Sweden. The total volume of milk delivered annually to dairies in Finland is around 2,000 million litres, of which Valio processes and markets 86% (1,720 million kilograms). The raw milk processed at the Valio's dairies is always of Finnish origin. Valio Sverige's goal is "to differentiate its range and market identity through value added products that emphasize health and well-being." (Valio, 2011). Their product range includes the largest selection of lactose-free products on

the market including: milk, yogurt, cream, sour cream, crème fraîche, cottage cheese and butter.



Skånemejerier

Skånemejerier is the third largest dairy producer in Sweden, after Arla and Milko. It is a cooperative owned by 572 dairy farmers in Skåne and areas of Småland. Skånemejerier produces 262 million kilograms annually, of which 8 million are produced at Hjordnära dairy (Skånemejerier, 2009). The company offers conscious consumers “dairy products that contribute to health and quality of life” (Skånemejerier, 2011). Skånemejerier prides itself as being a competitive and innovative company that leverages its flexibility and personal involvement throughout the value chain. The company’s values are: proximity, origin, taste, health and creativity (Skånemejerier, 2011). Additionally, Skånemejerier owns Hjordnära, among other small dairies (i.e., Östgöta mjölk, and Lindahls Mejeri) and is a direct competitor to Hjordnära in product categories such as organic milk.

C. Strengths, Weaknesses, Opportunities and Threats of Hjordnära

Industry background

Dairy production in Sweden

Sweden has a total of fifteen dairy companies, seven of which are cooperatives and members of the Swedish Dairy Association. These seven contribute 99% of Sweden’s milk production (World Dairy Situation, 2010). Arla Foods is the largest and is the only global player, processing approximately two-thirds of Swedish milk. The second major company is Milko, followed by Skånemejerier. Other major dairy players include Norrmejerier, Falköpings mejeri, Gefleortens mejeriförening and Gäsene mejeriförening (World Dairy Situation, 2010).

Swedish milk production has declined by 11% since 1999. Likewise, there has been a decrease in the number of dairy herds; falling by 7% from 2008 to 2009, and leaving a total of 6,137 farms remaining (World Dairy Situation, 2010). The year 2009 was also marked by several other trends including:

- a) A fall in milk prices after an increase in prices in 2008

- b) An increase in consumption of butter, cheese, and cream
- c) A decrease in consumption of fermented products and liquid milk
- d) A greater number of small-scale, local dairies

Organic foods & organic dairy production in Sweden

On the whole, sales of organic foods in Sweden are on the rise, increasing by 11% in 2010 compared to the previous year (KRAV, 2011). While globally, organic foods is a growing phenomenon, consumption patterns vary widely between countries. In Sweden and Denmark, consumption of organic products has traditionally been particularly high. While the European average for organic foods and drink expenditure was €36.5 per capita in 2010, in Sweden it was almost double that amount at €76.92 per capita (KRAV, 2011). Sales of organic foods accounted for 3.4% of total food sales in 2008, and this figure increased to 4% in 2009. This varied for major retail store chains from 2% to 7%. According to Nielsen sales data, dairy accounted for the largest product category of sales in organic foods, making up one third of the organic market. In contrast to past years when a shortage of organic milk was common, today there is generally a sufficient amount of organic milk among dairy associations. This has been made possible by more farmers switching to organic milk production. This growth will help facilitate product development and will allow dairies like Skånemejerier to focus on improving organic milk processing and production. In 2010, organic dairy as a whole increased by 4.5% in Sweden, while milk and fil decreased by 4% and 8%, respectively. The highest growth was observed in cheese, cream, and margarine products (KRAV, 2011).

According to January 2011 reports of the Swedish Dairy Association, there is a total of 5467 dairy farmers, of which 591 are organic. The following figure includes the amount of dairy products produced in 2010:

Dairy products	Tonnes
Drinking milk	914480
of which organic	109808
Fermented milk (yoghurt etc.)	263241
of which organic	27844
Cream	109693

of which organic	4831
Cheese (incl. fresh cheese)	103144
of which organic	629
Butter	18596
Milk powder	49923

Table 3: Dairy products produced in 2010 (Adapted from Swedish Dairy Association, 2010)

SWOT analysis for Hjordnära

Strengths

- Memorable and recognizable brand name; the meaning of the name Hjordnära translates to: close to the herd, the earth, and Hjo; their strong brand name has enormous potential to clearly communicate the company values to its consumers: organic (*ekologiskt*), local (*nära*) and sensitive production (*varsamt*)
- Available in over 20 stores in Stockholm; expanding to 40 stores before the end of 2011.
- They offer a selection of organic, local and ‘sensitively-produced’ yogurt, fil, whipping cream and milk.
- Advertising efforts include in-store demonstrators, “meet the farmer” campaign and online (company website and Facebook fan page); online advertising is low cost.

Weaknesses

- Lack of brand recognition; results from our empirical research study show that the majority of respondents in Stockholm had never heard of Hjordnära; only 33% of respondents had heard of Hjordnära.
- Competing products are much more widely available at stores in Stockholm (i.e., Arla and Valio); availability is important to increase brand awareness; this factor depends on successful negotiations between the company and storeowners.
- Wider assortment of flavours, fat content and package size needed to compete with other dairy companies who have greater variety (i.e., Arla and Valio)
- Promoting Hjordnära primarily as an organic premium dairy brand may not be enough to secure its continued success in the Stockholm market; a broader target segment should be considered.
- Competing milk products are about 15-20% lower in price; for example Arla’s conventional milk is 9.70 SEK, and Hjordnära’s milk is 11.30 SEK (Henrik

Lundgren, 2011); price-sensitive consumers may be dissuaded by high prices; our empirical study shows that price continues to be the main barrier, where more than half of all respondents have stated it as their main deterrent.

Opportunities

- Stockholm is the largest city in Sweden, with 25% of consumers interested in buying organic foods (Olsson, 2011); not many companies offer the organic value proposition that Hjordnära does (Skånemejerier, 2011)
- Environmentally-friendly attitude increases demand for organic and locally produced foods; our empirical study shows that the main reason most consumers purchase organic foods is due to environmental concern.
- Sales of organic foods in Sweden are on the rise, increasing by 11% in 2010 compared to the previous year (KRAV, 2011).
- According to Nielsen sales data from grocery stores, dairy accounted for the largest product category of sales in organic foods (KRAV, 2011).
- There is steady production increase in organic fermented products with fat content less than 2% (Swedish Dairy Association, 2011); this is an opportunity for Hjordnära to consider product development of more low fat fermented products.
- Most growth in organic dairy products has been observed in cheese, cream and margarine (Swedish Dairy Association, 2011); this is an opportunity for Hjordnära to consider product development in these categories.
- With decreased consumption of milk, Hjordnära can focus on developing new products and increasing assortment (flavours, fat content) of yogurts, where there is increased consumption (Swedish Dairy Association, 2011)

Threats

- Little known information about the new market imposes risks on market development; skepticism of the Skånemejerier brand outside of Skåne.
- Intense competition in organic dairy segment; new competing brands are expected to launch in the near future (KRAV, 2011).
- Arla is Hjordnära's biggest rival in Stockholm and has been the industry leader in dairy products for decades; they have announced that their 'closer to nature' slogan will be incorporated into everything they do within the company (Arla, 2010), which may attract more environmentally-conscious consumers to Arla that otherwise would find Hjordnära more appealing.

- As milk consumption decreases in Sweden, increased investments are required to explore the possibility of launching new product lines; market research and feasibility studies are needed.

Part 2. Suggesting Markets to Target

After having analyzed information on the organic dairy market, competing companies and the industry environment, this section outlines recommendations for Hjordnära in how best to segment, target and position their brand in the Stockholm market.

Recommendation on target market

According to the results of our questionnaire, our recommended target age groups are 26-35 and 36-55 year olds. Based on percentages of ‘organic dairy consumers’ (those who purchase organic dairy products at least once a week) in Stockholm, age groups 26-35 and 36-55 accounted for the largest proportion, with 27.6% and 35.2%, respectively (Figure 12). Additionally, more than half of these consumers are university educated and live in household greater than one (Appendix B). According to the latest demographic information from Statistics Sweden (2004), the average age of inhabitants in Stockholm is 39.8 years old, with 40.5% of the population between 20-44 years old; representing 309,842 individuals who live in central Stockholm. Data was not available for our specific target age groups of 26-35 and 36-55 year olds, but this can act as an approximation of the number of individuals in this segment.

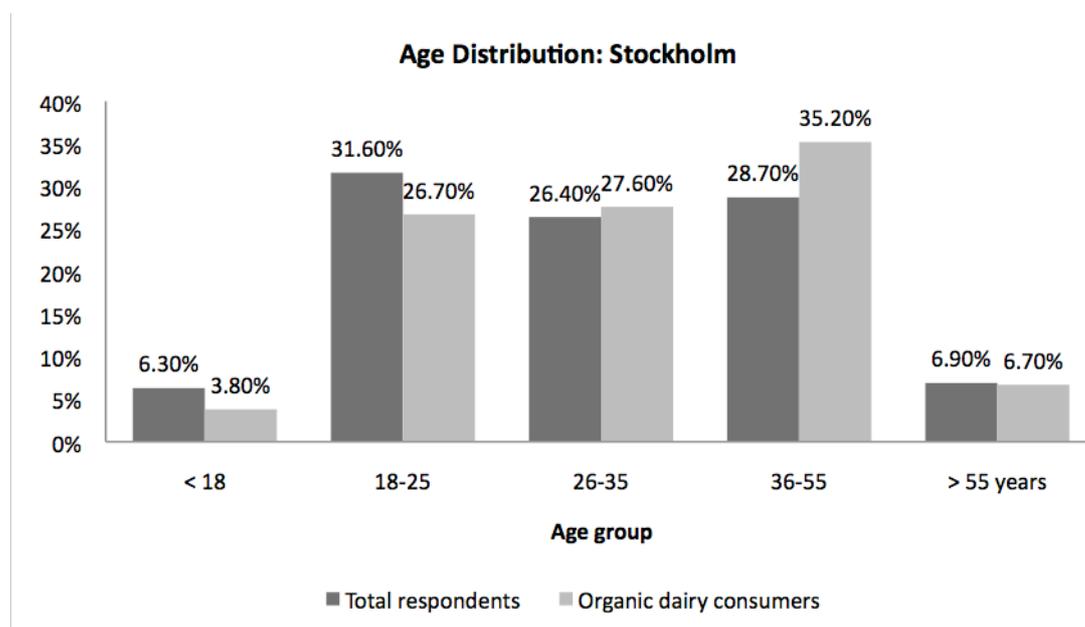


Figure 12: Age distribution of respondents in Stockholm

Our primary consumer target is the 26-35 year olds, which includes young professionals and young families. Our second consumer target is the 36-55 year olds. Studies have shown that younger respondents (18-25) had a more positive attitude towards buying organic foods but financial constraints have been a large barrier for them (Magnusson *et al.*, 2001). In contrast, older consumers (over 25) are more likely to be purchasers of organic foods, perhaps because they can more often afford to pay the large price premium for organic foods (Roddy *et al.*, 1996; Schifferstein and Ophuis 1998; Cicia *et al.*, 2002).

Recommendations on Differentiating and Positioning

After deciding which segments of the market to target, the company must decide on a value proposition – how the company will create differentiated value for the targeted customers and what position it want to occupy in those segments. In other words, a product’s position is the way the product is defined by consumers and in which place it is positioned in consumer’s minds compared to competing products. As Armstrong & Kotler (2009) write, “products are created in the factory, but brands are created in the mind.” The next section explores brand theory and why brands are important in the consumer market.

Brand Theory

At the basic level, a brand is “a name, term, sign, symbol or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors” (American Marketing Association, 2011). Branding has been around for centuries as a means to distinguish the goods of one producer from those of another (Kotler & Keller, 2009). Today, brands play an important role in enhancing the financial value of companies. Alternatively, a brand can be defined as “clusters of functional and emotional values which promise stakeholders unique and welcome experiences” (d’Chernatony, 2008). The brand goes beyond the physical and functional products and companies instead market an attitude or a way of life. The goal of brand managers is to reach this pinnacle of brand awareness (recall and recognition), where the company’s brand is no longer just a name or symbol of their products but that the consumer can connect to it on an emotional level. Such an achievement would allow companies to attain brand equity, as will be discussed in more detail in this section. Some of the world’s most recognized brands, including Coca Cola, McDonalds, Disney, Google and Nike, have reached this level of awareness and can be considered iconic (Business Week, 2010).

Moreover, there are high and low involvement brands (Solomon *et al.*, 2006). High involvement brands have products that consumers spend a considerable amount of time and effort searching. On the other hand, low involvement brands have products that consumers buy frequently and with little thought since they are not of vital concern and have little impact on the consumer's lifestyle. As a dairy company, Hjordnára can be considered a low involvement brand. Most consumers do not spend a considerable amount of time when purchasing milk, yogurt or other dairy products. This will have many implications in how the company should market their brand and products

Why is the brand important?

While products and the quality of which are fairly easy to mimic, brands remain unique. They represent the immaterial asset that creates monetary value for companies and organizations (Armstrong & Kotler, 2009). The brand creates a strategic competitive resource that may lead to long-term success. The importance of the brand is emphasized by a former McDonald's CEO when he declared, "if every asset we own, every building, and every piece of equipment were destroyed in a terrible natural disaster, we would be able to borrow all the money to replace it very quickly because the value of our brand. The brand is more valuable than the totality of all these assets" (Armstrong & Kotler, 2009).

A brand is built upon many different things, including the company's history, construction and values. Furthermore, the brand can be positioned at three different levels (Armstrong & Kotler, 2009). The first level is characterized by the product's attributes, such as ingredients, scents, flavours, textures, etc, which competitors can easily imitate. The second level is associating the name with desirable benefits such as beauty benefits, health benefits, safety benefits, quality benefits, etc. The third level is achieved when the brand is positioned on strong values and beliefs, and when consumers connect it to at a more emotional level, such as how Starbucks has managed to create an engaging story and culture behind their coffee (Starbucks, 2011).

The strongest brands go beyond attributes or benefits. In the case of commodity products like Hjordnára milk and yogurt, this is not an easy task. Marketers need to create a mission for the brand and a vision of what the brand must do and become. A brand is the company's promise to deliver a specific set of features, benefits, services and experiences for their customers (Armstrong & Kotler, 2009).

Brand Equity Chain

There are three stages to the brand equity chain, as described by Keller (1993) and Feldwick (1996). The first stage is the brand image when the company develops brand awareness and brand associations. It is how the customers think about and perceive a brand, as well the customer's ability to recall and recognize the brand. The second stage is brand strength and represents how customers behave or intend to behave towards a brand. Brands at this stage can achieve a price or volume premium, as well as customer loyalty. The third stage is brand value, or brand equity, and it is when companies can achieve cash flow, profit and growth based on their brand. It is at this stage that the brand is able to increase the financial value of the brand owner. At the moment Hjordnåra is at the first stage, where it is building awareness and defining strategies to communicate value benefits to consumers in Stockholm. The company should aim to move towards subsequent stages, and finally reach brand equity status.

Co-branding

Co-branding "occurs when two brand names of different companies are used on the same product" (Armstrong & Kotler, 2009). For example, a financial services firm can partner with other companies to create a co-branded credit card, such as when Chase and United Airlines partnered to create the Chase United Travel Card. The two companies work together to form an alliance, combining the strengths of both brands, to create market synergy. As a result, companies can increase the premium consumers are willing to pay, make the product less prone to imitation and combine the perceived characteristics associated with each brand in a single product. There are three levels of co-branding: market share, brand extension, and global branding (Chang, 2008). The first level is when a company joins forces with another to penetrate a market. The second level is when a company is working to extend its brand based on another company's market share. Lastly, the third level is when both companies achieve a global strategy by combining their brands

Co-branding offers many advantages. When combined together, the brands create broader consumer appeal and greater brand equity (Armstrong & Kotler, 2009). Additionally, it allows companies to enter a new category that it otherwise would have difficulty entering alone. It brings new value to each company's customers.

However, it is not without its limitations. Co-branding involves complex legal contracts and licenses and companies must coordinate their advertising and marketing efforts (Armstrong & Kotler, 2009). Most importantly, companies have to trust that the other will take good care of their brand. Damage or bad press by one company will inevitably affect the other.

In the case of Hjordnära, a specialized form of co-branding, termed “same-company co-branding” is used to describe its relationship with Skånemejerier. A company, such as Skånemejerier, which owns multiple brands, can promote both brands together. This automatically adds credibility and appeal to Hjordnära products for customers of Skånemejerier, and vice versa. It is a powerful way to introduce Hjordnära’s products to loyal customers of Skånemejerier. However, in entering the Stockholm market, co-branding with such a strong regional brand can have adverse effects.

Perception Is Reality

Brand perception is reality for marketers:

In the realm of marketing and personal branding, there is universal debate surrounding the topic of perception versus reality. Perception is defined as “the process by which we select, organize, and interpret information inputs to create a meaningful picture of the world,” (Kotler & Keller, 2009). It depends on the physical stimuli as well as the stimuli’s connection to the surrounding field and on conditions within us all (Kotler & Keller, 2009). Whereas, reality is characterized as “the state of things as they actually exist, as opposed to an idealistic or notional idea of them,” (Oxford Dictionaries, 2011). One marketing perspective states that perceptions are more important than the reality because it is perceptions that affect consumers’ actual behaviour (Kotler & Keller, 2009). When said another way but also from a marketing perspective, the consumers’ view of the company is itself the “reality.”

Events that occur are facts, not truths. It is what consumers think about the events that is a truth (Daye & VanAuken, 2008). In this sense, facts are reality while truth is perception. To illustrate this, the statement that smaller cars are safer than sports utility vehicles (SUVs) is a fact and reality, while the perception that a bigger vehicle is safer is the truth (Daye & VanAuken, 2008). Truths reflect the way peoples’ minds views things, and encompass opinions, feelings, thoughts, and conclusions (Kotler & Keller, 2009). However, all consumers believe their truths are the facts. In light of this, companies must consider how

to deal with this reality and shape consumer perceptions and behavior (Kotler & Keller, 2009).

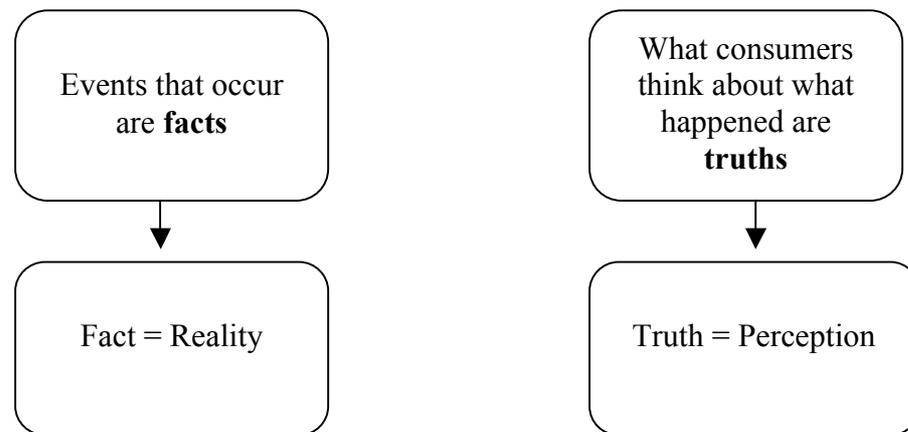


Figure 13: Truths, facts, reality and perception

Many companies work tirelessly to persuade consumers with all of their data, facts, and studies; however what may be truly valuable is developing a deep understanding of consumers' truths and designing the business so that it appeals to these truths (Daye & VanAuken, 2008). Whatever a consumer perceives to be true is true to them. This is important because as previously mentioned perception drives consumers' actions and feelings (Kotler & Keller, 2009). If a company fails to learn about consumers' truths, this failure becomes the company's problem as it may jeopardize their ability to meet consumers' needs. Consumers will support their emotional decisions (for which the main driving force is current mood and feelings more so than logic and there is less search for pre-purchase information) with a product's facts, which is reason for why they should be available (Daye & VanAuken, 2008). However, leading a company based on facts alone is not an efficient use of time or money (Barnes & Thagard, 1996). An example of how an organization is engaging with its target's truth is the strategic decision made by food and chemical manufacturer, Clorox to co- brand its new natural cleaning product, Green Works, with the Sierra Club (The Clorox Company, 2008). The Sierra Club is the largest and most influential grassroots environmental organization in the United States (The Sierra Club, 2011). To many environmentally conscious consumers, the Sierra Club brand is synonymous with 'green.' A further example of a more dramatic attempt to skew consumers' perceptions is De Beers diamond jeweler's ability to market diamonds as both precious and rare. In reality, they are quite abundant but their supply is carefully managed to keep prices high (Atlantic Magazine, 1982). De Beers also coined the slogan 'A diamond

is forever,' partly in an effort to persuade consumers not to sell their diamonds, resulting in low resale value. They also perpetuate the idea of a diamond engagement ring as an age-old tradition and ultimate symbol of love, even though the advertising campaign was made just sixty-four years ago.

Most marketing communication exists for the purpose of establishing equilibrium between the realms of perception and reality among consumers (Daye & VanAuken, 2008). If the consumers' view of the company is indeed the "reality," it is extremely important for a company to be aware of how its consumers perceive the business; and in response to this, the company should make necessary changes in the way it is promoted (Kotler & Keller, 2009). If consumers hold a positive conception of the company, the company should accordingly promote the positive sides of the product. If however consumers do not like the product, it is vital to know what particular changes need to be made in the marketing tactic (Kotler & Keller, 2009). One of the primary concerns of a marketer is for consumers to see the brand in the same way that the company does. This ensures that the perceptions of the company match with those of the consumers. Minimizing any gap or disconnect between the company's perceptions and those of the consumers is critical for building a strong brand (Daye & VanAuken, 2008). For instance, if Hjordnåra views itself a company dedicated to producing wholly organic, additive-free dairy products through a 'green' form of food production that shows concern for animals, consumers, and the environment, (small-scale production, organic farming methods, and short transportation distances) it must promote itself in a way that consumers see this too. In accordance with this, if some of Hjordnåra's consumers and prospective consumers (i.e., in-person and online questionnaire respondents who were defined as organic dairy consumers) buy organic foods primarily because they believe that doing so is better for the environment, followed by their belief that it is better for their health, these perceptions of what organic foods means to them and the associations they attach to organic foods are of paramount importance for Hjordnåra to take into account in their promotion. Hjordnåra then can make a decision as to whether or not to change their marketing tactic if they determine that the 'environment' and 'health' or some other concern is primary to their target segment.

Today, more than ever before consumer's time is their most scarce and valuable resource. As well, consumers are constantly bombarded with a huge number of brands and advertisements on a daily basis. It is estimated that the average American for instance may be exposed to over 1500 advertisements or brand communications a day (Kotler & Keller, 2009). People cannot attend to all of these so they screen most stimuli out through the

mental process of selective attention. The term selective attention reflects the need for marketers to explain which stimuli will attract customers' notice (Kotler & Keller, 2009). In response to seeing these advertisements, people must make meaning out of whatever they can quickly extract and perceive with minimal investment of time and effort. Due to these conditions, brands must capture consumers' attention, strategically stimulate their interest and help influence their perceptions (Kotler & Keller, 2009). Taking the time to learn facts about things is not something that can be realistically expected of the average consumer whose attention is limited and focus is always demanded and re-directed to different sources. Furthermore "selective distortion is the tendency to interpret information in a way that fits our preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs and expectations," (Kotler & Keller, 2009). To illustrate this power of consumer beliefs, if we would have conducted a blind taste test whereby one group of consumers sampled a product not knowing what brand it is, while the other group was informed about the brand, it is expected that the groups would share differing opinions despite tasting the same product (Kotler & Keller, 2009). When consumers have different opinions of branded and unbranded versions of the same product their product perceptions change due to these brand and product beliefs. Selective distortion may in some cases benefit a strong brand if consumers distort neutral or ambiguous brand information viewing it more positively (Kotler & Keller, 2009). If prospective Hjordnära consumers perceive organic foods in a positive way and expect that it is better for the environment and their health, the facts behind the actual health and environmental benefits (i.e., findings in scientific studies) become of almost secondary importance to the consumers' truths. Selective retention is achieved when consumers remember positive attributes about a product and forget the rival products' good points. Consumers retain information that supports their attitudes and beliefs, while forgetting much of the rest. Selective retention can also be advantageous to strong brands, and emphasizes the importance of repetition to ensure that a message is not screened out.

The key point to succeed in marketing is not to focus on what the company would like to say or on overused concepts, such as claims a company makes that it provides the best service, but rather to focus on two things: 1) what makes the company unique and 2) what the customers care about (Adam, 2011). Building a powerful brand is essential to the success of Hjordnära's entry into the Stockholm market but this will require finding a point of differentiation. More specifically, this involves determining and highlighting what it is about the company's products that in concrete and tangible terms are valued by the

customers and separate it from the competitors' (Armstrong & Kotler, 2009). Saying that Hjordnära offers a high quality product and cares about its consumers is both expected and required. Almost all companies would claim to have excellent products, but this claim alone is necessary but not sufficient to succeed in marketing since it is not differentiating. There can be no universal agreement over what a great product looks like. An excellent product is defined by the consumer, not the company (Adam, 2011). It is frequently the case that two people may purchase the same product but one will be impressed while the other is underwhelmed (Adam, 2011).

What are Hjordnära's unique selling points?

The uniqueness of Hjordnära is that they are "currently Sweden's only wholly organic dairy producing milk for the retail market," (AF consult, 2009). As such, there are no additives, pesticides, or antibiotics used. Other mass-market dairy producers have been unable thus far to copy this attribute.

Hjordnära's second unique attribute would be the way they treat their cows. This would appeal to a subgroup of healthy eaters who are also sensitive to animal welfare. Again this is a clear differentiator that standard producers cannot easily copy (i.e., Arla Foods). To focus on this Hjordnära could market itself as "*The happy cow brand*" which focuses on the well being of the animals in a funny way. This might be particularly appealing to children but it would also simplify their message to appeal to adults as well. It may sound somewhat silly but it is easy to create a message that happy cows that are well treated and have no exposure to pesticides, artificial fertilizers, or chemicals produce better and healthier milk. As additional support to promoting Hjordnära's concern for the well-being of their cows, Ingram Kroon of Axfoods described that there has been a growing trend in the organic foods industry concerning animal welfare and went on to state that, "at first, it was thought that health was the main reason for buying organic foods, but following the release of Al Gore's movie an 'Inconvenient Truth' there was a global trend that led people to think that organic foods was better for the environment. Now we are experiencing the trend where consumers are starting to care more about animal welfare," (Kroon, 2011). Another theme could be: "*We give you less*" which would focus on the lack of antibiotics, pesticides, and additives in the products Hjordnära produces. This would gain consumers' attention because most advertising focuses on giving the customers more.

In all advertising, a company can only have one or at most two main selling points (Kotler & Keller, 2009). The following paragraphs provide examples of two powerful brands

which have succeeded largely due to their capability to differentiate their products from those of competitors and clearly present these differentiating attributes as one or two strong selling points. These companies have also increased their market share in their respective industries and countries where their products are sold (Grey Goose, 2011 & Häagen-Dazs 2011). We believe that these case studies are relevant to Hjordnara, since they are of companies created around a common product (food and drinks), and through a compelling story and unique experience, have built brand equity and a loyal customer base.

Case studies of powerful brands

Grey Goose

Grey Goose is a premier brand of vodka originally created in 1997 by entrepreneur Sidney Frank, who had a vision of providing high quality vodka for Americans (Grey Goose, 2011). The success of Grey Goose was closely tied to its strong product story (Forbes, 2004). The Grey Goose story was designed to be “enticing, memorable, easily repeatable, and about what [Grey Goose] wants [its] brand to be about,” (Grey Goose, 2011). The brand was based on ‘unrivalled quality’ and the key feature that it comes from France; the country perceived to be where all of the most luxurious products originate (New York Magazine, 2005). Frank felt that “people [were] always looking for something new,” a belief that gives support to the power of product differentiation (Grey Goose, 2011). In light of this, Frank identified a new market opportunity for a superior premium product which would stand above the \$15 to \$17 range vodkas competing to be the premium brand, with Absolut as most successful (New York Magazine, 2005). Rather than introducing another brand of vodka within this price range, Frank avoided competitor head-on conflict altogether and set the price of his vodka at a remarkable \$30 a bottle; with the mark-up amount as ‘pure profit’ (Forbes, 2004). In pricing Grey Goose 60% higher than Absolut, Frank created a new category of ‘ultra-premium vodka’ and ‘stole’ from Absolut’s market share (New York Magazine, 2005). Such a strategy of setting a higher or lower price is one way to develop better brands (Kotler & Armstrong, 2009). Albeit, it is often a necessary branding strategy to initially launch a brand. Price aside, the distinctive and thoughtfully designed bottle with its silhouette of flying geese and smoked glass exudes an image of exclusivity (Grey Goose, 2011). Its appeal is further reinforced by the wood crates it is shipped in, which sets it apart from other vodka bottles typically held in cardboard containers. This also signals the high quality to bartenders and club owners who have been vital to the company’s event marketing success; “getting Grey Goose into the hottest clubs on the hottest nights, in the hands of the hottest people,” (Grey Goose, 2011). Frank sought

to “influence the influencers,” or people who share a great story when they have one to tell (New York Magazine, 2005). Grey Goose advertisements were placed in the Wall Street Journal, an attempt to reach the right people. The Grey Goose slogan of ‘world’s best tasting vodka,’ makes a bold statement and illustrates the company’s overarching goal of being the best (Grey Goose, 2011). The high price and statement that Grey Goose is about quality also leads consumers to believe it must be the best.

Grey Goose may also be a product of its age (New York Magazine, 2005). Much of today’s Western society lives in an era of luxury; with the word luxury alluding to a profitable sales concept and not standards of living. To consumers, luxury relates to spending much more than is necessary, perhaps for the reason that they seek the ultimate highest quality because they can honestly tell the difference (New York Magazine, 2005). However small quality differences are often not the reason why most consumers purchase luxury products. For this group, buying-into luxury is required to keep up with others who have more (i.e., buying a bigger boat to keep up with the neighbour’s yacht) (New York Magazine, 2005). With reference to the success of Grey Goose and other beverage companies alike, Michael Branca, beverage-industry analyst declared there is a “worldwide trend toward health and wellness, as well as a growing consumer demand for ‘everyday luxuries’,” such as Starbucks Frappuccinos (New York Magazine, 2005). Hjordnära yogurt could, by this statement, be included in the category of ‘everyday luxuries’. What separates them from ‘real luxuries’ such as a Rolex watch is the fact that everyday luxuries have a larger market (New York Magazine, 2005).

Häagen-Dazs

Häagen-Dazs is marketed as a ‘super-premium’ brand of ice cream committed to superior quality and innovation and was established by Reuben Mattus in New York in 1961 (Häagen-Dazs, 2011). The name of the brand consisted of two made-up words and was created to evoke a Scandinavian image to American eyes; although it does not derive from any North Germanic language (Häagen-Dazs, 2011). This technique used is an advertising and marketing term called foreign branding; which describes the “implied cachet or superiority of products and services with foreign or foreign-sounding names,” (Bolin & Nilsson, 2003). Specifically one of the co-founders, Mattus believed that Denmark was renowned for its dairy products and had a positive image to Americans. On early labels, he included an outline of the map of Denmark and the name of the capital city Copenhagen was used to further emphasize its high perceived quality. According to the company

website, Mattus called his new brand Häagen-Dazs, “to convey an aura of the old-world traditions and craftsmanship to which he remained dedicated,” (Häagen-Dazs, 2011). The brand uses the slogan “made like no other” to reflect its superior quality. Häagen-Dazs has a simple philosophy based on: find[ing] the purest and finest ingredients in the world and craft[ing] them into the best ice cream, sorbet, and frozen yogurt available. It is a way of doing business that is as demanding as it is uncommon and it is the reason why the brand has epitomized fine ice cream for half a century,” (Häagen-Dazs, 2011). The philosophy describes Häagen-Dazs’ basis for differentiation as its use of the purest and finest ingredients to produce the finest ice cream available. The company was the first to create ice cream bars for sophisticated adult palates and continues to develop exceptional new flavours each year. Today, Häagen-Dazs is synonymous among ice cream lovers worldwide as the ultimate ‘super-premium’ ice cream and is available in 50 countries (Häagen-Dazs, 2011). Häagen-Dazs, like Hjordnära shares the same careful attention to quality built into all of the products, an intriguing and unique brand names or logos, as well as a highly innovative focus.

Summary of case studies

Altogether, Hjordnära, Grey Goose, and Häagen-Dazs share a “more-for-more” positioning strategy which involves “providing the most upscale product or service and charging a higher price to cover the higher costs,” (Armstrong & Kotler, 2009). All three claim superior quality, craftsmanship, taste, and charge a price to match. Furthermore, as is evident from the success of Grey Goose and Häagen-Dazs, a credible story behind a high-end brand goes a long way to allow companies to maintain high margins and have consumers follow (New York Magazine, 2005). This trend called “trading up” entails improving a product’s benefits, quality, or service to justify a higher price. Furthermore, both Häagen-Dazs and Grey Goose have become intertwined with countries which are not the country of origin; and few consumers are aware that these brands originated in the United States (Kotler & Keller, 2009). In the case of Hjordnära, its origin is just important as that of Grey Goose and Häagen-Dazs, and through effective marketing of the core value of ‘local’ production, it may also succeed in persuading consumers that their products are indeed locally produced. The debate surrounding the degree to which the products are locally produced (in terms of distance from Hjo), is not of vital importance, as long consumers perceive this value to be a ‘truth’.

In sum, branding is everything. It allows for extra value to be created in a product producing a unique experience for consumers (Kotler & Keller, 2009). Branding requires that companies deliver on brand promises they make. Perception is the reality in branding (Kotler & Keller, 2009). The brand reality has to touch on what is a benefit to consumers in their minds, not a theoretical benefit to society as a whole. The brands discussed above targeted a particular market segment and marketed a specific benefit, which was not necessarily obvious but was of value to their consumer base.

Hjordnära's differentiation and positioning strategy

To build a strong relationship with consumers Hjordnära must understand consumer's needs better than competitors do and deliver customer value (Armstrong & Kotler, 2009). To the extent that a company can differentiate and position itself as providing superior customer value, it gains competitive advantages. A company can differentiate itself along the lines of product, service, channels, people, or image. As previously mentioned, Hjordnära differentiates itself on the basis of how it is a wholly organic dairy company that offers additive-, pesticide- and chemical-free products, as well as how they treat their cows. These brand differences are meaningful and worthwhile, and create customer benefits which can be used to choose the right competitive advantage and build a positioning strategy. Altogether, in order to select an overall positioning strategy and develop a value proposition Hjordnära should highlight these differentiators and also emphasize a sustainability message, which contributes to the full mix of benefits. As described by AF Consult (2009), Hjordnära's core values, 'green' operations, and its concern for animals, consumers and the environment, already reflect sustainability but they can further leverage this image to promote themselves as a sustainable brand. While concepts like sustainability may not always resonate with consumers as well as tangible benefits that they can clearly identify with, derived from the products themselves, when combined with customer benefits the sustainability message is powerful. This is a challenge that Hjordnära must overcome by making consumers aware of the fact that sustainability is not only about environmental concern, they must also tell them the story behind their products and connect value with quality.

Part 3. Marketing Mix Recommendations

As previously described in the methodology section, our marketing recommendations for Hjordnära will be formulated under the marketing mix framework using the "four Ps":

product, price, place and promotion. This section explores different ways Hjordnära can improve brand awareness and increase demand from consumers, both of which are critical for a company to successfully position itself in a new market (Armstrong & Kotler, 2009). During the consumer's decision-making process (i.e., buying yogurt at the store), brand awareness plays an essential role. The consumer gathers relevant information and learns about competing products and their characteristics. The total set represent all the products from all brands available on the market. The consumer will come to know only a subset of these products, the awareness set, but an even smaller subset of these products, which fulfills the consumer's initial buying criteria will compose of the consideration set. As the consumer gathers more information, only a few products will remain strong contenders. These products make up the choice set and the consumer makes their final choice from this group (Kotler & Keller, 2009). Hjordnära should aim to be in the choice set for consumers looking for organic and locally produced dairy products in Stockholm.

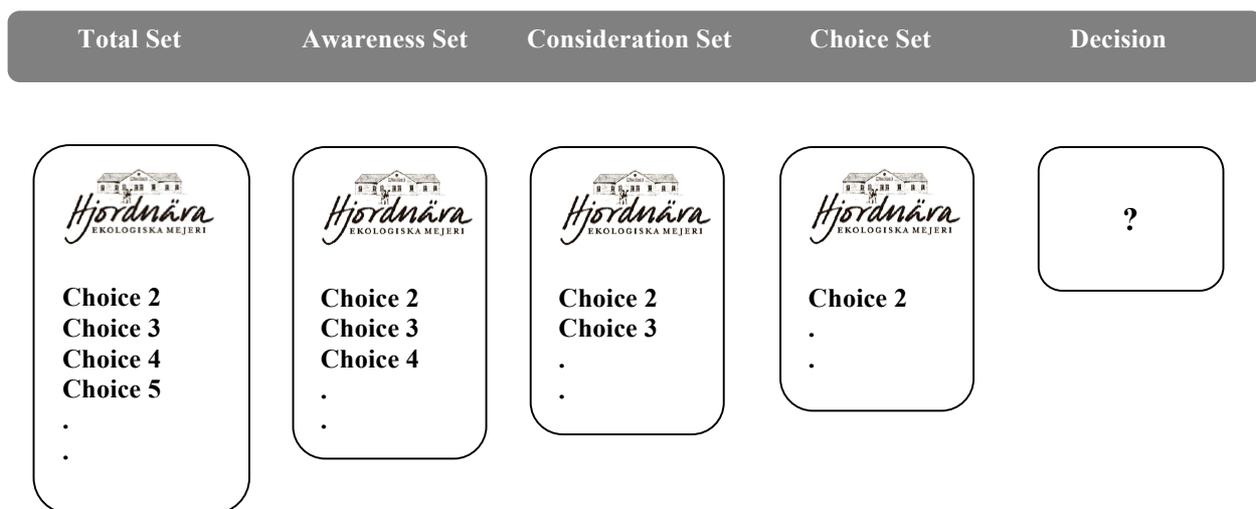


Figure 14: Consumer decision-making process (Adapted from Kotler & Keller, 2009)

These recommendations have a special focus on increasing success in the Stockholm market, but many can be applied in other geographical markets in Sweden. We understand that Hjordnära, as well as its mother company, Skånemejerier, are both innovative in their field and some of these suggestions reflect this value with creative and perhaps more risky marketing recommendations. In addition to using the results of our empirical study, examples from other companies and relevant literature are combined with our personal observations to form the basis for these recommendations.

Product

Packaging

1) Do not invest in 0.5 litre milk packages.

Rationale: Less than 4% of questionnaire respondents from Stockholm preferred this size of package above 1 and 1.5 litre packages of milk.

2) Invest in single serving size portions of yogurt.

Rationale: Currently, Hjordnära's market potential is limited by selling only 1 litre packages of yogurt. There is a large demographic of young professionals living in Stockholm who could benefit from single serving size portions of yogurt which are practical and convenient to bring to lunch at work. This size may also be more attractive to consumers who live in single or small households. Eventually, Hjordnära could produce a drinkable on-the-go yogurt which could serve as an effective way to introduce more yogurt into consumers' diet plans as it would fit in with people's busy lives.

Challenges: To develop fully recyclable packages at this size in order to maintain Hjordnära's credibility as being a sustainable brand and to keep consistency with Hjordnära's core value of sensitive production.

Benefits: a) Hjordnära can be perceived by consumers to be more of a premium label. b) Reach a target demographic of young professionals.

Target: All consumers, and especially young professionals

Timeframe: Beyond autumn 2011 (long-term)

3) Develop seasonal flavoured products

Rationale: Questionnaire respondents and focus group participants suggested that offering a greater assortment of organic dairy products would make such products more appealing for them to buy. For example, Hjordnära can offer pepparkakor and lingonberry flavoured yogurt and fil. Additionally, they can also experiment with other fruit flavours for a limited time. For instance, Marabou, a Swedish chocolate brand and market leader for 90 years, has been successful in constant product development of imaginative and limited edition flavours.

Challenges: To source sufficient quantities of organic ingredients, such as jam, needed for new flavours.

Benefits: A way for Hjordnära to temporarily test fresh new flavours and expand their product portfolio if flavours are popular. Offering such flavours for a limited time encourages purchases of products within a specified time period.

Target: All consumers

Timeframe: Beyond autumn 2011 (long-term)

Price

Price is an important and strategic part of the marketing mix. Pricing not only affects product positioning but will also impact product features, channel decisions and promotion (Kotler & Keller, 2009). There is no set guide for determining the price of a product; it depends on many variables and objectives the company intends to achieve with their product. For instance, there is often a trade-off between product quality and price. Since there is an inherent relationship with price and demand, it is useful to know the demand of a certain product with increasing price (Kotler & Keller, 2009). As would be expected, there is often a negative correlation with price and demand (i.e., the higher the price, the lower the demand). Furthermore, it is important to determine whether a product's demand is elastic or inelastic. Price elasticity is a measure of how much the quantity demanded changes when the price changes (Kotler & Keller, 2009). Elastic demand refers to products in which an increase in price results in a decrease in revenue. The opposite is true for inelastic demand. Whether a product is elastic or inelastic depend on many variables, including: availability of substitute goods, percentage of income, necessity, duration and brand loyalty (Kotler & Keller, 2009). In Hjordnära's case, substitute goods, organic and non-organic dairy products, are widely available. Since there is a strong substitution effect, Hjordnära products can be described as highly elastic. As such, increasing their price significantly higher than competing products is not wise.

Furthermore, a basic understanding of costs related to the product is important when determining pricing; otherwise, profitability might be at risk (Kotler & Keller, 2009). The minimum price of a product is its unit cost, to maintain profitability, and higher prices reflect higher profit margins. There are also environmental factors that need to be taken into consideration. The company must consider the implication of its pricing strategy with competing brands. Setting the price too low will result in a price war, which is not in any company's best interest, and setting the price too high may attract even more competitors to the segment.

As described briefly, a company's objectives play a big role in pricing. Strategies exist for companies who would like to: maximize profit, maximize quantity, become a quality leader, or become a status quo (Kotler & Keller, 2009). As Hjordnära seeks to become a quality leader, it should use price as a signal for high quality and position its products accordingly. Depending on their objectives, Hjordnära may set their prices based on production costs plus a fix profit (cost-plus pricing), a certain target for return on investment (target return pricing) or effective value to the customer relative to rival products (value pricing), among other techniques (Kotler & Keller, 2009). Setting the specific price level is complicated and is beyond the scope of this project. Instead, this project focuses on giving Hjordnära marketing recommendations for promoting their products with the use of creative discounting strategies.

1) Offer a 'brand family' discount on Hjordnära products.

Rationale: When consumers buy a Hjordnära product, they can be offered a small discount on another Hjordnära or Skånemejerier product. This can be extended to a slightly larger discount with the purchase of three or more products. Based on our opinion, this could help lower perceived price barriers for consumers interested in buying organic dairy products and adds an incentive for consumers to try a new product.

Challenges: To provide a 'brand family' discount without undermining the value perceptions of the offerings.

Benefits: A 'brand family' discount could combine the strength of both brands and increase consumers willingness to pay. Moreover instead of the consumer receiving a single discount which could lead to profit losses, a 'brand family' discount compensates for the 'loss' with the sale of another product. Depending on the price reduction, the total revenue could be sufficient to cover the total costs.

Target: All consumers

Timeframe: Autumn 2011

2) Offer a loyalty discount to Twitter followers, Facebook fans, and website visitors.

Rationale: To offer a reward to the existing consumer base in order to build customer loyalty and retention. Consumers can print out the discount and bring it to participating retail stores in Stockholm.

Challenges: To ensure that discounts are not abused. With in-store discounts the number of coupons is predetermined and thereby the total cost to Hjordnära is fixed. However, with online discounts there may be uncertainty surrounding the total cost (even with a limited timeframe).

Benefits: This type of reward system may help increase the number of repeat customers and Hjordnära can use the number of coupons applied as an indicator of interest in their consumer base.

Target: All current Hjordnära consumers in Stockholm

Timeframe: Autumn 2011

Place

1) Offer Hjordnära products close to areas predominantly inhabited by young families and young professionals.

Rationale: Based on our questionnaire, there is large interest for organic dairy products among 26-35 year olds. We believe that many of these people will have just started a career and/or may soon be planning or already have started a family. A previous study has indicated that families with children are more likely to buy organic foods, mainly due to the perceived health benefits (Thompson and Kidwell, 1998). Often, families introduce organic foods into their lives with the arrival of a baby (Hill and Lynchehaun, 2002). It is during this time that parents take a greater interest in the food they buy for their family and choosing Hjordnära would provide a healthy start in life.

Challenges: To negotiate with storeowners in these neighbourhoods.

Benefits: To reach out to target demographic and develop brand loyalty early on. Examples of two such areas in Stockholm are Södermalm as well as the new district of Vasastaden (St. Eriksgatan, Sveavägen, and Odengatan) which are inhabited by many young professionals (Frommers, 2011). Hammarbyhöjden, Stuvsta, Huddinge and Segeltorp are also neighbourhoods lived in by many young professionals.

Target: Young families and young professionals

Timeframe: Beyond autumn 2011 (long-term)

2) Develop relationships with cafés and restaurants.

Rationale: Restaurants and cafés are often searching for suppliers of organic, locally produced and premium ingredients. For instance, Mariposa Farms, a family operated earth-friendly agricultural business in Canada specializes in supplying many high end Ottawa area restaurants with chemical-free produce and receives exposure as a result (Mariposa Farm, 2011).

Challenges: To negotiate with restaurant and café owners.

Benefits: To increase exposure of the Hjordnära brand.

Target: Restaurant and café patrons.

Timeframe: Beyond autumn 2011 (long-term)

Promotion

Push and pull strategies

A company's total promotional mix or marketing communication mix is the set of specific programs for advertising, public relations, personal selling, sales promotion, and direct-marketing tools used to communicate customer value and build relationships with customers (Armstrong & Kotler, 2009). Figure 15 shows how marketing communications activities contribute to build brand equity and drive sales in different ways: by creating brand's awareness, linking the right association to the brand image in consumer's memory, inducing positive brand judgments and facilitating a stronger consumer-brand connection (Kotler & Keller, 2009).

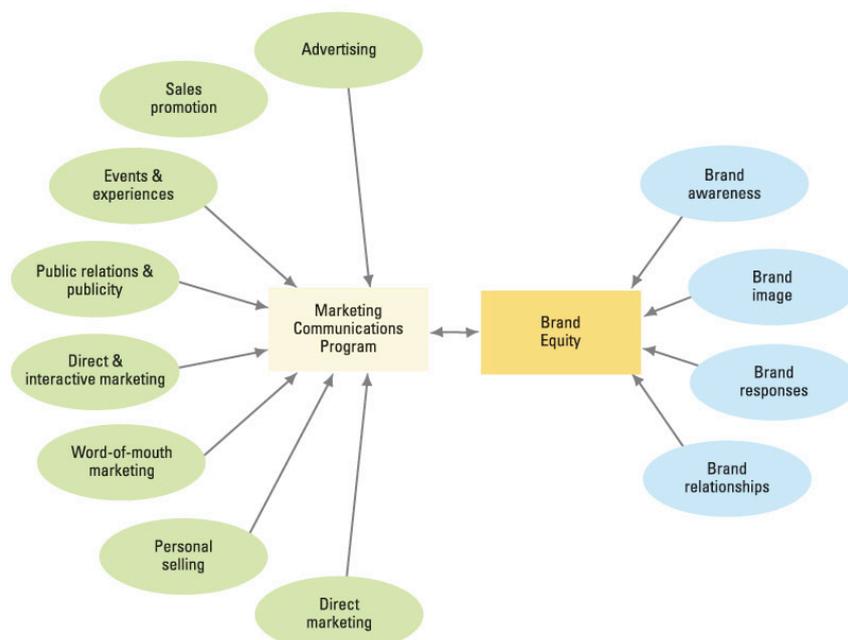


Figure 15: Integrating marketing communications to build brand equity (Adapted from Kotler & Keller, 2009)

There are two basic promotional mix strategies: push and pull. A push strategy involves “pushing” the product through marketing channels to the final consumers. In this type of strategy, the company focuses its marketing activities on the distribution channel members in order to persuade them to carry the product and to promote it to the end-consumers. In contrast, in the pull strategy, the company focuses its marketing activities on the end-consumers to persuade them to buy the product, encouraging retailers to carry it.

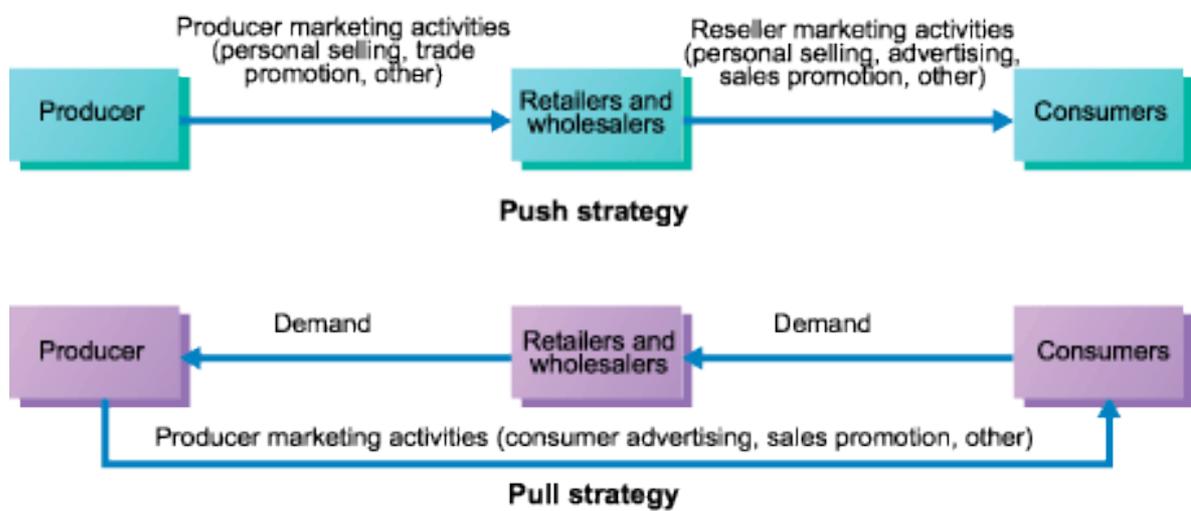


Figure 16: Push versus pull promotion strategy (Armstrong & Kotler, 2009)

In order for Hjordnära to effectively penetrate the organic dairy industry and increase brand awareness, they need to continue with their push strategy to encourage distribution channels to carry their products, and at the same time, make a more concerted effort with their pull strategy. Since negotiations with storeowners take time, investing in promotional advertisement in the meantime is particularly important for an up-and-coming brand to garner interest from consumers. If pull strategies are effective, consumers will demand the products from channel members, such as grocery stores, who in turn, will demand products from Hjordnära. Our marketing recommendations cover both push and pull strategies, with a particular focus on the latter.

1) Develop strategic partnerships.

Rationale: Based on our research of other companies, developing a strategic partnership or alliance with a charitable organization or cause is an effective way of communicating sustainability to consumers. For instance, Marabou Chocolate has a partnership with Rainforest Alliance, an organization dedicated to protecting the rainforest, people and animals living where cocoa is grown. The alliance strives to work for improvement in the environmental, social, and economic areas by planting new trees, creating safe havens for endangered animals and birds, enabling growers to become small independent business owners, ensuring safe work conditions, better housing and decent wages for those who work there, as well as making it possible for children to attend school and families to gain access to proper health care. The certification necessitates that the rain forest is protected, which helps ensure that the quality of the cocoa grown there is higher. Rainforest Alliance works for improvement in the environmental, social, and economic realms. Another example of a strategic partnership includes American ice cream company, Ben and Jerry's alliance with Fair Trade. Ben and Jerry's is the first ice cream company to use Fair Trade ingredients starting with their coffee flavoured ice cream beginning in 2005 (Ben and Jerry's, 2011). They will continue to source Fair Trade-certified ingredients "when they are available by 2013." Ben and Jerry's Co-founder Jerry Greenfield declared that "The whole concept of fair trade goes to the heart of our values and the sense of right and wrong. Nobody wants to buy something that was made by exploiting somebody else." This transition involves everyone, including the people supplying the ingredients to the 'Flavour Gurus' and the Ben and Jerry's website includes a link to the Fair Trade homepage for people who want to learn more about the Fair Trade movement and Fair Trade products. Aside from these two examples, many other companies today also rely heavily on partnerships with other firms and organizations to create customer value and build strong market relationships (Armstrong & Kotler, 2009). Hjordnära could for instance partner with a charitable organization with an environmental mission or concern for animal welfare. This could be achieved by co-sponsoring events, giving a portion of their proceeds (with a clear statement on their packaging and website) and promote the charitable organization online and on the packaging.

Challenges: Finding the right partner that reflects Hjordnära's core values, and that will contribute positively to the image of the Hjordnära's brand.

Benefits: For small investments Hjordnära could probably build such affiliations and increase brand exposure. Testimonials from partner organizations can be

included on the Hjordnära website to increase the credibility of the brand as a sustainability label. Links to the partner associations can also be added to the Hjordnära website. Testimonials could share the story that Hjordnära wants to tell and provide clear examples of the things that Hjordnära does that are meaningful to consumers (i.e., how they care for the cows and how they ensure their sensitive production).

Target: All consumers

Timeframe: Beyond autumn 2011 (long-term).

2) Define customer benefits (i.e., additive-free).

Rationale: Focus group participants associate organic foods with being additive-, pesticide- and chemical-free. It is important that marketing material highlight these benefits. Hjordnära can start using the slogan, “*We give you less*” to focus on the lack of antibiotics, pesticides and additives in their products. When advertised as such, consumers may perceive the products as being higher quality than those of a rival brand and may question whether the competitor’s products contain additives. Alternatively, could market itself as “*The happy cow brand*” focusing on the wellbeing of the cows, as previously mentioned. Additionally, Hjordnära should illustrate scenarios when their products can be used and incorporate them into consumers’ everyday life (i.e., drink Hjordnära milk to rehydrate after exercising, Hjordnära cream is excellent with kladdkaka). Clear communication of the added value of Hjordnära products may increase consumers’ willingness to pay. For instance, Danone, the world’s leader in fresh dairy products, made a decision to focus on economic accessibility and communicate the added value of brand’s products. They called this ‘affordvaluity’ and pursued this tactic to adapt to changing customer behaviour and in response to the effects of the financial crisis (Danone, 2010). In doing so, Danone was able to access consumer categories with lower purchasing power while maintaining their guaranteed “flavourful products of nutritional quality,” (Danone, 2010). Additionally, Danone also strengthened its differentiation strategy, based on single positioning of the products with attention dedicated to health benefits and nutritional value. This strategic focus on health “has been a powerful lever for growth over recent years,” (Danone, 2010).

Challenges: To design new packaging to reflect customer benefits (i.e., additive-free), and also communicate this in other promotional material.

Benefits: By emphasizing the added value of their products, Hjordnära can increase consumers' willingness to pay. Additionally, focusing their advertising on what is not in their products i.e., antibiotics and artificial fertilizers, will further highlight Hjordnära's unique market position and is something that competitors cannot at this point match.

Target: All consumers

Timeframe: Autumn 2011

3) Product placement in cooking shows

Rationale: Based on our opinion, celebrity chefs and influential food critics can elevate Hjordnära's profile in the food and drink community.

Challenges: To negotiate with show producers for exposure.

Benefits: Appearances on cooking shows such as, Sveriges mästarkock, Vad blir det för mat or Pluras kök, could increase brand awareness and give instant credibility to the Hjordnära brand because consumers tend to trust the judgement of professional chefs. People may then search for those products after they have watched the show.

Target: Cooking show enthusiasts

Timeframe: Beyond autumn 2011 (long-term)

4) Create recipes that incorporate Hjordnära products.

Rationale: Competing dairy company Arla has gained popularity through the inclusion of their products in in-store recipe pamphlets (Arla Foods, 2011). In-store recipe pamphlets could introduce Hjordnära products to consumers prior to purchasing them. In addition to providing product samples in retail stores, these demonstrators could also pass out pamphlets to store patrons. In addition, once Hjordnära has expanded its product portfolio and gathered a sufficient amount of recipes they can create an organic gourmet cookbook (i.e., provide a wide selection of healthy recipes). Alternatively, Hjordnära could also design a calendar that incorporates those recipes (i.e., with seasonal recipes). They can include their photos of farm animals and the countryside in the calendar. These photos were enjoyed by focus group participants. The calendar could also promote Hjordnära's strategic partnerships with charitable organizations or causes. Consumers could receive the calendar free of charge with the purchase of a Hjordnära product. The

calendar could also benefit the retail store since consumers would have a greater incentive to buy Hjordnära products; contributing to greater sales.

Challenges: To create and test recipes and negotiate for product placement in pamphlets.

Benefits: This could be another opportunity for Hjordnära to increase brand exposure and would introduce Hjordnära into consumers' homes.

Target: Store patrons and cooking enthusiasts

Timeframe: Beyond autumn 2011 (long-term)

5) Offer a quality guarantee.

Rationale: Based on research of other companies, a quality guarantee offering a 14-day money back to dissatisfied customers would show that Hjordnära is willing to stand behind their products, and instils confidence among consumers. In North America, this is a commonly used strategy by snack food companies, such as Frito-Lay (Frito-Lay, 2011).

Challenges: It is difficult to anticipate how many customers would make use of this guarantee. However, limitations such as timeframe and the requirement for consumers to mail in the UPC code to Hjordnära would deter people from abusing it.

Benefits: It is unlikely that customers would go to the effort to use the guarantee, even if they are dissatisfied with their purchase. It is a low cost way to signal the quality of the product and dedication to their customers. Additionally, such a guarantee might give consumers the incentive to try Hjordnära products.

Target: All consumers

Timeframe: Autumn 2011

Online Promotions

6) Develop and publish a sustainability plan on the Hjordnära website.

Rationale: Based on our research, companies such as Starbucks communicate sustainability related to their brand on their company website (<http://www.starbucks.com/responsibility>). They include project they are involved in, as well company updates related to sustainability. There is even an interactive section where consumers can measure their personal environmental impact. The sustainability plan should be measurable, transparent, and easily accessed by consumers. As part of the plan, Hjordnära could develop a sustainability code for

their employees to follow at work (i.e., strive to improve efficiency in the areas of electricity used in the office and farms, employee travel between home and work, paper use in the office). Hjordnära employees can help promote change in others by exemplifying sustainability in their personal and professional lives and leading by example.

Challenges: Developing a sustainability plan encompassing realistic yet ambitious goals, encouraging engagement of all employees.

Benefits: It is a low-cost and effective way to communicate their sustainability message and increase credibility as a sustainable brand. A sustainability plan and code allows the company to demonstrate that they are sustainable inside and out.

Target: All consumers

Timeframe: Autumn 2011

7) Create an online portal to inform visitors about sustainability.

Rationale: Based on our opinion, this could be another way for Hjordnära to drive traffic to their website. Schools can also use the website as a portal for sustainability education. Creating this page would also give people another reason to view the website beyond reading about company and product information.

Challenges: To develop interactive and engaging material (ie, current news, relevant research, videos, lesson plans for schools) to be posted on the website to attract visitors of varying ages.

Benefits: It is a free form of advertisement and opens the brand to people outside the existing consumer base. The sustainability portal is an opportunity for Hjordnära to take on a leadership role in sustainability education (i.e., as the go-to site for schools in Sweden).

Target: Everyone interested in sustainability

Timeframe: Autumn 2011

8) Use additional social media tools such as Twitter and LinkedIn.

Rationale: Due to the popularity of the Hjordnära Facebook page, increased presence in the social media community would allow Hjordnära to reach more consumers and develop a closer relationship with their consumer base. A recent study has shown that 64% of questionnaire respondents from a Twitter Q&A search service would be more likely to buy from businesses that answer their question on Twitter (inboxQ, 2011).

Challenges: To manage these websites and maintain close contact with consumers on a full-time basis.

Benefits: Expanding Hjordnära's presence online will help increase brand exposure. LinkedIn in particular, will allow the company to reach more young professionals. Using online tools such as Hootsuite, Facebook Insights, and Twitter Analytics, Hjordnära can collect precise measures of visitor traffic and where it comes from.

Target: Young professionals (LinkedIn) and other web savvy consumers

Timeframe: Autumn 2011

9) Invest in 'pay per click' advertisement campaigns.

Rationale: This would allow Hjordnära to target specific customers by allowing the company to "buy" specific key phrases such as "organic dairy products" or "healthy milk" (i.e., on Google AdWords) so that when consumers search these phrases they are driven to the Hjordnära website. The other positive attribute about this type of marketing is that Hjordnära would only pay for people who actually click through to the company website. For instance, 'pay per click' advertisements could be on recipe websites.

Challenges: To gauge the effectiveness of this type of marketing based on a 'pay per click' campaign.

Benefits: Expanding Hjordnära's presence online will help increase brand exposure. Also you get very precise metrics to measure the success of your campaigns.

Target: All consumers

Timeframe: Autumn 2011

10) Create a Youtube channel to 'Meet the Farmer' online

Rationale: Based on the opinions of our focus group participants, few were inclined to visit an actual farm but still showed interest in learning more about organic dairy production. A Youtube channel could provide a convenient way for consumers to 'Meet the Farmer' without leaving their home. Hjordnära believes in the importance of developing a close relationship with their consumers and a YouTube channel or video blog could facilitate this personal connection. In reference to our research, web-blogs are the newest and fastest growing form of online community. The advantage is that these sites allow people to upload comments without going through the process of updating the website (Solomon et al., 2006). Hjordnära could build a following and have access to a source of thoughts and reflections about the

brand. A video blog would further ‘humanize’ the Hjordnära website and set it apart from Danone and Arla websites which are less intimate and much more corporate. For instance, Danone includes images of labs on their website which could be unappealing to consumers who are turned off by the thought of their food coming from a lab. Hjordnära could play up their small-scale production by showing videos of their farms and the dairy plant and include testimonials by farmers and employees who can describe what Hjordnära means to them and how much they love their cows.

Challenges: To regularly update the video blog with interesting content; and strike a balance between presenting informative and entertaining posts (i.e., answer consumer questions, live cooking demonstrations and videos of the farm animals among other things).

Benefits: This will drive traffic to the website and increase brand exposure and contribute to Hjordnära’s organic image. Hjordnära can connect with consumers on a more personal level and convey their lifestyle message. (Videos of the cows are appealing to children)

Target: All consumers

Timeframe: Autumn 2011

11) Use viral advertisements.

Rationale: By employing the growing popularity of social networking websites, Hjordnära can use viral marketing techniques, such as posting a video on YouTube, to gain increased brand awareness. For instance, Starbucks held an event for a charity where famous artists performed their songs and posted the video on YouTube (<http://www.youtube.com/watch?v=M2oZQW4-ISI>). Hjordnära could do something similar with Swedish artists, or something equally unique and entertaining for viewers to watch. To maintain authenticity Hjordnära should not be at the forefront of the video but rather secondary to the message. As the video is shared by word-of-mouth, through a consumer’s social network, Hjordnära benefits from this exposure and at the same time communicate the values of their brand.

Challenges: It needs to be entertaining and interesting enough for individuals with high social networking potential to want to share it with their network of contacts, and it must remain authentic. Creating such content is difficult.

Benefits: This could be another opportunity for Hjordnära to increase brand awareness. Aside from the initial cost associated with creating the viral message

(can be relatively inexpensive), it is of no cost to the company to spread the advertisement. The growth of this type of word-of-mouth advertisement is exponential and has potential to reach a wide range of consumers.

Target: Younger web savvy consumers

Timeframe: Autumn 2011

Conclusion

Based on the findings of our market research study and relevant literature, we believe that these marketing recommendations will be effective in building greater brand awareness and increasing Hjordnära's ability to take market share in the organic dairy segment in Stockholm for autumn 2011 and beyond. Despite some limitations in our empirical study, specifically the low number of data points collected in Stockholm; overall we are pleased with the outcome.

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Appendix A: Questionnaire

The following questionnaire was distributed in central Stockholm. An online version was also made available with an additional question asking for the respondent's location in Sweden.

Ekologisk mjölkprodukt frågeformulär

Denna studie genomförs av Lunds universitet studenter som del av ett examensarbete för att profilera ekologisk mjölk konsumenter i Stockholm. Det kommer att vara helt anonymt.

1. Kön: Man Kvinna

2. Ålder: < 18 18-25 26-35 36-55 > 55

3. Utbildning:

- Gymnasium eller lägre
- Kandidatexamen
- Magisterexamen eller Yrkesexamen

4. Antal personer i hushållet: 1 2 3 4 >4

5. Vad är främsta anledningen till att du köper ekologiska livsmedel?

- Jag köper inte ekologiska livsmedel
- Nyttigare
- Stödja mindre gårdar
- Bättre för miljön
- Säkrare (utan bekämpningsmedel)
- Bättre smak och kvalitet

6. Om du inte köper ekologiska livsmedel vilket är det främsta skälet?

- Pris (för dyrt)
- Tillgänglighet (Jag vet inte var man kan köpa det / krångligt)
- Aldrig provat
- Jag tror inte på fördelarna med ekologiska livsmedel

7. Hur mycket mer skulle du vara villig att betala för 1 L ekologisk mjölk istället för vanlig mjölk? Det genomsnittliga priset på vanlig mjölk är 8 SEK.

0 SEK 1 – 2 SEK 3 – 4 SEK 5 – 6 SEK > 6 SEK

8. Hur ofta köper du ekologiska mejeriprodukter (mjölk, yoghurt, fil, ost, osv)?

- Jag köper inte ekologiska mejeriprodukter
- Mer än en gång i veckan
- En gång i veckan
- En gång i månaden
- Flera gånger i månaden

Flera gånger om året

9. Vilken mjölkförpacknings storlek föredrar du (liter)?

0.5 L 1 L 1.5 L Annat

10. Rangordna följande faktorer när man väljer att köpa en ekologisk mejeriprodukt (1 är den viktigaste och 6 är den minst viktiga).

___ Förpackningsstorlek (liter eller gram)
___ Förpackningsdesign
___ Varumärke
___ Pris
___ Smak och kvalitet
___ Fetthalt

11. Rangordna följande faktorer när man köper mejeriprodukter? (1 är den viktigaste och 4 är den minst viktiga)

___ Ekologisk
___ Naturlig eller ren (utan tillsatser)
___ Lokalproducerad
___ Småskalig produktion

12. Hur skulle du definiera "lokalproducerad"?

Kort avstånd från mejeriet till ditt hem
 Kort avstånd från mejeriet till gården
 Jag vet inte

13. Rangordna följande faktorer i samband med förpackningar (1 är den viktigaste och 4 är den minst viktiga).

___ Färg och grafik
___ Typografi (teckenstorlek och stil)
___ Informations innehåll (berättelsen om gården, företagets historia, intressant fakta, osv)
___ Synligt varumärke
___ Hur lättläst information är

14. Vad skulle göra ekologiska mejeriprodukter mer tilltalande för dig att köpa (utom priset)? (Flera val är tillåtet)

Större sortiment
 Ökad tillgänglighet
 Mer tilltalande förpackning
 Bättre kommunikation för hälso-och miljövinster
 Mer information om ekologisk mjölkproduktion (ursprung och spårbarhet)
 Att veta historien om en familjeägd gård (bygger upp en unik relation med konsumenterna)

15. Hade du hört talas om varumärket Hjordnära innan idag?

Ja Nej

Appendix B: Questionnaire results

There were a total of 120 in-person respondents and 241 online respondents (54 from Stockholm and 187 from outside of Stockholm). Organic dairy consumers are those who buy organic dairy products at least once a week, as assessed by Question 8, “How often do you buy organic dairy products (milk, yogurt, fil, cheese, etc)? / *Hur ofta köper du ekologiska mejeriprodukter (mjölk, yoghurt, fil, ost, osv)?*” Using this definition, 95 out of 174 respondents in Stockholm can be considered regular organic dairy and an additional 148 out of 180 from respondents who live outside of Stockholm. We understand that perhaps some respondents may be more liberal about their organic dairy buying habits than they actually are. Even though the questionnaire is completely anonymous, some respondents may still feel the need to boast about the frequency of organic dairy purchases. Unfortunately, there is not a way to control for this, but as long as this is consistent for most individuals, then it effectively normalizes itself.

The percentage difference between these two groups is calculated to determine how comparable these groups actually are. This method attempts to normalize for discrepancies with disproportionately represented samples. The results of the questionnaire can be found in the tables below.

Question 1: Gender

Gender	Total respondents	Organic dairy consumers	Difference
Man	45%	46.9%	+1.9%
Kvinna	55%	53.1%	-1.9%

In-person questionnaire in central Stockholm

Gender	Total respondents	Organic dairy consumers	Difference
Man	46.3%	39%	-7.3%
Kvinna	53.7%	61%	+7.3%

Online questionnaire – Stockholm

Gender	Total respondents	Organic dairy consumers	Difference
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Man	35%	32.4%	-2.7%
Kvinna	65%	67.6%	+2.6%

Online questionnaire – excluding Stockholm

Question 2: Age

Age	Total respondents	Organic dairy consumers	Difference
< 18	9.2%	6.3%	-2.9%
18-25	31.7%	26.6%	-5.1%
26-35	23.3%	23.4%	+0.1%
36-55	25.8%	32.8%	+7%
> 55	10%	10.9%	+0.9%

In-person questionnaire in central Stockholm

Age	Total respondents	Organic dairy consumers	Difference
< 18	-	-	-
18-25	31.5%	26.8%	-4.7%
26-35	33.3%	34.1%	+0.8%
36-55	35.2%	39%	+3.8%
> 55	-	-	-

Online questionnaire – Stockholm

Age	Total respondents	Organic dairy consumers	Difference
< 18	2.2%	2.7%	+0.5%
18-25	35%	29.1%	-5.9%
26-35	26.1%	27.7%	+1.6%
36-55	26.1%	29.1%	+3%
> 55	10.6%	11.5%	+0.9%

Online questionnaire – excluding Stockholm

Question 3: Education

Education	Total respondents	Organic dairy consumers	Difference
Gymnasium eller lägre	35.8%	34.4%	-1.4%

Kandidatexamen	35%	31.3%	-3.7%
Magisterexamen eller Yrkesexamen	29.2%	34.4%	+5.2%

In-person questionnaire in central Stockholm

Education	Total respondents	Organic dairy consumers	Difference
Gymnasium eller lägre	31.5%	34.1%	+2.6%
Kandidatexamen	27.8%	26.8%	-1%
Magisterexamen eller Yrkesexamen	40.7%	39%	-1.7%

Online questionnaire – Stockholm

Education	Total respondents	Organic dairy consumers	Difference
Gymnasium eller lägre	30%	29.7%	-0.3%
Kandidatexamen	32.2%	29.7%	-2.5%
Magisterexamen eller Yrkesexamen	37.8%	40.5%	+2.7%

Online questionnaire – excluding Stockholm

Question 4: Size of household

Household	Total respondents	Organic dairy consumers	Difference
1	20%	12.5%	-7.5%
2	30%	40.6%	+10.6%
3	15.8%	14.1%	-1.7%
4	24.2%	21.9%	-2.3%
>4	10%	11%	+1%

In-person questionnaire in central Stockholm

Household	Total respondents	Organic dairy consumers	Difference
1	35.2%	31.7%	-3.5%
2	31.5%	26.8%	-4.7%
3	11.1%	12.2%	+1.1%
4	22.2%	29.3%	+7.1%

>4	-	-	-
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Online questionnaire – Stockholm

Household	Total respondents	Organic dairy consumers	Difference
1	27.8%	23.6%	-4.2%
2	37.8%	38.5%	+0.7%
3	15.6%	16.2%	+0.6%
4	12.8%	14.2%	+1.4%
>4	6.1%	7.4%	+1.3%

Online questionnaire – excluding Stockholm

Question 5: What is the main reason you buy organic foods?

	In-person: Stockholm	Online: Stockholm	Online: Excluding Stockholm
Jag köper inte ekologiska livsmedel	20.8%	16.7%	10.6%
Nyttigare	20.8%	11.1%	6.7%
Stödja mindre gårdar	11.7%	-	3.3%
Bättre för miljön	27.5%	44.4%	52.8%
Säkrare (utan bekämpningsmedel)	5.8%	18.5%	17.2%
Bättre smak och kvalitet	13.3%	9.3%	9.4%

Question 6: If you do not buy organic foods, what is the main reason why?

	In-person: Stockholm	Online: Stockholm	Online: Excluding Stockholm
Pris (för dyrt)	59.4%	78.9%	68.9%
Tillgänglighet (Jag vet inte var man kan köpa det / krångligt)	12.5%	10.5%	24.4%
Aldrig provat	6.3%	5.3%	-
Jag tror inte på fördelarna med ekologiska livsmedel	21.9%	5.3%	6.7%

Question 7: How much more would you be willing to pay for 1 L of organic milk instead of conventional milk? The average price of conventional milk is 8 SEK.

	In-person: Stockholm	Online: Stockholm	Online: Excluding Stockholm
0 SEK	14.2%	18.5%	9.4%
1 – 2 SEK	37.5%	29.6%	30%
3 – 4 SEK	35%	31.5%	39.4%
5 – 6 SEK	6.7%	7.4%	8.9%
> 6 SEK	6.7%	13%	12.2%

Question 8: How often do you buy organic dairy products (milk, yogurt, fil, cheese, etc)?

	In-person: Stockholm	Online: Stockholm	Online: Excluding Stockholm
Jag köper inte ekologiska mejeriprodukter	18.3%	20.4%	8.9%
Mer än en gång i veckan	25.8%	53.7%	60.6%
En gång i veckan	27.5%	22.2%	21.7%
En gång i månaden	20.8%	1.9%	3.9%
Flera gånger i månaden	5.8%	1.9%	2.2%
Flera gånger om året	1.7%	-	2.8%

Question 9: What is your preferred milk package size (litres)?

	In-person: Stockholm	Online: Stockholm	Online: Excluding Stockholm
0.5 L	2.5%	5.6%	6.7%
1 L	65%	63%	57.2%
1.5 L	29.2%	29.6%	35%
Annat	3.3%	1.9%	1.1%

Question 10: Rank the following considerations when choosing to buy an organic dairy product (1 being the most important and 6 being the least important).

	In-person: Stockholm		Online: Stockholm		Online: Excluding Stockholm	
	Total Score	Rank	Total Score	Rank	Total Score	Rank
Smak och kvalitet	629	1	298	1	937	1
Pris	531	2	235	2	704	2
Förpackningsstorlek (liter eller gram)	405	3	159	4	570	4
Varumärke	371	4	155	5	567	5
Fetthalt	362	5	181	3	643	3
Förpackningsdesign	222	6	85	6	325	6

Question 11: Rank the following factors when buying dairy products? (1 being the most important and 4 being the least important)

	In-person: Stockholm		Online: Stockholm		Online: Excluding Stockholm	
	Total Score	Rank	Total Score	Rank	Total Score	Rank
Naturlig eller ren (utan tillsatser)	360	1	148	2	505	2
Ekologisk	339	2	180	1	594	1
Lokalproducerad	326	3	136	3	457	3
Småskalig production	175	4	76	4	234	4

Question 12: How would you define "locally produced"?

	In-person: Stockholm	Online: Stockholm	Online: Excluding Stockholm
Kort avstånd från mejeriet till ditt hem	59.2%	74.1%	56.7%
Kort avstånd från mejeriet till gården	30.8%	18.5%	32.8%
Jag vet inte	10%	7.4%	10.6%

Question 13: Rank the following features related to packaging (1 being the most important and 4 being the least important).

	In-person: Stockholm		Online: Stockholm		Online: Excluding Stockholm	
	Total Score	Rank	Total Score	Rank	Total Score	Rank
Informations innehåll (berättelsen om gården, företagets historia, intressant fakta, osv)	474	1	216	1	687	1
Färg och grafik	375	2	148	4	448	4
Hur lättläst information är	368	3	184	2	602	2
Synligt varumärke	326	4	151	3	525	3
Typografi (teckenstorlek och stil)	257	5	101	5	412	5

Question 14: What would make organic dairy products more appealing for you to buy (excluding price)? (Multiple selections permitted)

	In-person: Stockholm	Online: Stockholm	Online: Excluding Stockholm
Större sortiment	50%	70.4%	56.1%
Ökad tillgänglighet	50%	53.7%	56.1%
Mer tilltalande förpackning	10.8%	11.1%	7.2%
Bättre kommunikation för hälso-och miljövinster	45%	42.6%	53.9%
Mer information om ekologisk mjölkproduktion (ursprung och spårbarhet)	49.2%	55.6%	60.6%
Att veta historien om en familjeägd gård (bygger upp en unik relation med konsumenterna)	31.7%	31.5%	29.4%

Question 15: Had you heard of the brand Hjordnära before today?

	In-person: Stockholm	Online: Stockholm	Online: Excluding Stockholm
Ja	30%	40.7%	51.7%

Nej	70%	59.3%	48.3%
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Appendix C: Focus group guide

Date/Time: Saturday, 23 April 2011 - 12:15 pm

Location: Serrano, Kungsbron 4, Stockholm.

1. What is the first thing that comes to mind when you think about organic food?

Why do you think about that?

What makes you think about that?

Who else agrees on that?

2. Why do you think organic or ecological food is better than conventional food?

Do you believe in that?

Healthier? Safer? Support smaller farms? Better taste and quality?

Is it important to consume organic food?

3. How many of you understand the rules of organic food production? Thumbs up, middle, down.

What do you know about it? Standards? KRAV?

4. What is the first product that comes to mind when you think about organic food?

Why is that?

Ads? Store? Your own experience with the product? Family tradition?

5. Let's talk about dairy products (milk, yoghurt, fil, cheese, cream, butter, etc)

Do you all consume these products? Which ones?

How often? Why you consume milk for example? Or yogurt?

For breakfast? Lunch? Dinner?

Has it always been part of your nutrition plan? Can you tell me more about this?

So do you think it will continue to be part of your nutrition plan in the future? When you have a family perhaps?

6. If you could freely choose between an organic dairy product and a conventional one, how many would you choose organic?

7. Now in real life, how many of you consume organic dairy products on a regular basis?

If yes, how do you feel when you take an organic product from the shelf instead a conventional one?

Which considerations do you take into account when choosing the product? Why they are relevant?

Price? Quality? Brand? Price? Taste?

If not, is it a possibility for you to buy organic products in the future? What does it depend on?

8. Why do you think most people do not consume organic dairy products?

Price? Availability? (I don't know where to buy) I don't care?

Is it easy for you to find organic products in the store?

Is fat content important for you when buying dairy products?

9. What is the first brand and that comes to mind when you think about organic dairy products? Why? Where do you see it?

Own experience? Ads? Stores?

10. Is the brand name important for you when you shop for food? Why?

11. How many of you feel like it's easy to switch to different a brand?

Why is hard to switch to a different a brand?

When does this happen?

Any experience switching to a different brand?

12. What does the brand have to reflect in order for you to buy it, in the context of organic dairy products?

13. What do you think is the best strategy for a company to convince you to buy their products?

Ads? Trials? Gifts?

[4 different flavours of yogurt from Hjordnåra are given to participants]

14. What is the first thing that comes to mind when you see this product? Why?

Which part of the packaging you relate to that?

15. At first glance, can you recognize that it's an organic or ecological product? Is it easy to recognize?

16. What do you like about the packaging?

Logo? Colours? Pictures? If you can improve something, what would that be?

17. What don't you like about the packaging?

Would it be a problem if this packaging doesn't have twist caps?

18. Does the packaging reflect the value of: Organic? Local? Sensitive production?

19. If the average price for yogurt is 18 SEK, how much more would you be willing to pay for this ecological product?

[Opportunity to taste Hjordnära yogurt – strawberry encouraged for comparison]

Available flavours:

- Hallon rabarber
- Blåbar
- Vanilj jordgubb
- Vanilj björnbär

20. What do you think about the taste?

[Opportunity to taste Arla yogurt – strawberry flavour]

21. What do you think?

22. How many of you tried Arla and Hjordnära strawberry flavour? Rate the taste from 1 to 5, based on taste (1 is worst, 5 is best)

Now rate packaging from 1 to 5.

[Read story behind Hjordnära]

[Show TV ad]

Any comments?

23. Now, would you be willing to pay more after trying the product and knowing more about the company?

How many are willing to pay more now?

24. Final impressions?

What do you think about the advertisement?

Are they effective in reflecting the values of the company?

Would you be interested in visiting a farm to see where the products are from?

Appendix D: Blind taste test results

There were a total of twenty participants in the blind taste test comparing Hjordnära yogurt to Arla. The table below lists the scores given by each participant.

Arla Yoggi Dröm Vanilla	Hjordnära Vanilla	Comments
4	3	Arla: creamy, rich vanilla taste, too sweet; Hjordnära: watery, fake vanilla taste
4	2	
4	2	
4	3	
4	3	
4	2	Arla: tastes more strongly of vanilla, very creamy, but it's a bit too sweet; Hjordnära: has almost no taste compared to Arla, lacking in flavour, less sweet which is good
4	3	More vanilla in Arla
4	3	
4	2	Hjordnära can be eaten with cereal, but Arla can be eaten alone. The vanilla bits in the Arla yogurt gives you the impression that the flavour is natural
5	3	
4	3	Arla: lots of vanilla flavour, thicker consistency; Hjordnära: the vanilla flavour is not as strong, less thick, lighter.
3	4	Arla is too sweet
4	5	Prefers flavour of Hjordnära
4	2	Arla tasted more like real vanilla and the black specks showed that it was made from real vanilla. It looked and tasted more luxurious. The Hjordnära yogurt was a bit sour after a while and did not taste as fresh as the Arla yogurt.
3	4	The Arla yogurt was too sweet but creamy. The

		Hjordnära yogurt tasted lighter and less sweet.
4	3	
2	2	The Arla yogurt has a nice taste but the consistency is achieved using artificial thickeners and low-density fat milk. The Hjordnära yogurt does not taste as good but the consistency is better (less artificial). He would not buy either product. He believed there are better yogurt products on the market/available.
5	3	The Arla yogurt had a very good flavour. It was rich. The Hjordnära flavour was not as good but it might be better in larger quantities/with cereal.