

Master Thesis (EFO 705)



Palaseja

Breakfast Cereal Producer

Research Topic:

“Assessing the environmental uncontrollable elements of Swedish market that can influence and have impact on the presence of Lithuanian breakfast cereal producer (Palaseja) in Sweden”

MIMA- International Marketing
School of Sustainable Development of Society and Technology
Malardalen University, Vasteras, Sweden.

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Supervisor:
Daniel Tolstoy

Authors: **Group (2203)**
Shakeel Ahmed
(821127-T278)
Muhammad Imtiaz
(741212-T092)

Abstract

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Authors: Shakeel Ahmed (821127-T278), Muhammad Imtiaz (741212-T092)

Title:

Assessing the environmental uncontrollable elements of Swedish market that can influence and have impact on the presence of Lithuanian breakfast cereal producer (Palaseja) in Sweden.

Problem:

Palaseja is considering Sweden as a prospect market to enter and operate so, a study of Swedish business environment and its uncontrollable elements is required for Palaseja to serve this purpose effectively.

Method:

Thesis has followed a combination of exploratory & descriptive research and a qualitative approach has been applied. Both primary and secondary data have been gathered, primary data was gathered through interviews from retail stores' officials and Palaseja's sales manager.

Conclusion:

In this study, different environmental uncontrollable elements of Swedish market have been explored to find out how they can influence a new entrant Palaseja in Sweden. There are a few legal requirements for Palaseja to enter in food market of Sweden. Economic forces are facing a little slow down effect due to recent global economic slump but are quite encouraging for any new company entering Sweden in the long run. Breakfast cereal products that Palaseja produces have found to be a common part of cultural breakfast habits and huge consumption of breakfast cereal per capita also seems to be encouraging for new comers in this industry. Competitive forces have been found to be extremely challenging and quite discouraging in some way. The country of origin effect seems to be not so strong in Sweden although brand recognition of Palaseja is likely to cause some trouble to Palaseja's success.

Keywords:

Swedish market assessment, uncontrollable elements, market study, business environment, Swedish breakfast cereal market.

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1. Introduction

This chapter presents the introduction of this study. It starts with background to the problem followed by problem statement and research question. The ending part of this chapter presents objective and importance of the study.

1.1- Background

Since the inception of globalization concept in business, world has started becoming borderless in terms of business operations, in fact, world has become a global village/market. Some times, it seems to be very easy to become a part of this globalization in theory but in reality a marketer has to consider the whole portfolio of environmental uncontrollable elements that vary in nature, dimensions and intensity from one market to another. The importance of the subject, International Marketing, triggers the attention of companies in this situation particularly.

Ghuri & Cateora (2006) argue that the task of an international marketer is more complex and complicated as compared to national or domestic marketer. They find out that international marketer has to deal with at least two levels of uncertainty in terms of uncontrollable elements of business environments. Marketers have to deal with uncontrollable elements of not only domestic business environment but also each foreign business environment they operate or plan to operate in.

They divide the international marketing task into two levels or environment, the first one is domestic environment (uncontrollable) which includes; Political/legal forces, competitive structure, and economic climate. Second level or environment is even more complicated because of firm's alien status to that environment which includes; Political/legal forces, economic forces, cultural forces, competitive forces, level of technology, geography and infrastructure, and structure of distribution.

Ghuri & Cateora (2006) further state that every foreign market in which a marketer operates or hopes to operate constitutes a separate set of problems involving some or all of uncontrollable elements. So, marketers are subject to face greater and diversified variety of foreign environmental factors if they operate or plan to operate in more foreign markets. They also argue that on most occasions a solution to problem in country A is not applicable to a problem in country B. So, based on that, the results of this study would be applicable in Sweden only.

Based on this, companies that are looking to enter and operate in global markets need to assess the foreign business environment of each target market. This assessment is important to plan and adapt marketing programs for each market accordingly and also to avoid failure and future losses. Understanding the foreign uncontrollable elements of a market provides firms with a framework to decide on

whether a particular market is suitable and has potential for them or not. Also this understanding guides their market entry strategy in some way.

1.2- Problem Statement

Since the globalization has been in full swing, every company with required resources and abilities demonstrates the tendency to internationalize itself at some point of its life cycle. Palaseja is also looking to expand its international presence and as part of that tendency they are considering Sweden as a prospect market. Therefore a study of Swedish business environment and its uncontrollable elements is required for Palaseja to serve this purpose effectively so, in this thesis authors are going to assess the foreign environment of Swedish market for Palaseja, a breakfast producer from Lithuania. So, the research question for this thesis is;

1.3- Research Question

How environmental uncontrollable elements of Swedish market can influence the presence of Lithuanian breakfast cereal producer (Palaseja) in Sweden?

1.4 - Objective of the study

The main objective of this master thesis; is to provide “Palaseja” with all necessary and possible information about environmental uncontrollable elements of Sweden that may affect its existence and success in Sweden. Thesis presents an assessment of the most important uncontrollable elements of Swedish market like, legal forces, economic forces, cultural forces, and competitive forces as well as the impact that country of origin can have on Palaseja’s products and acceptability as a brand. Assessment would enable Palaseja to know what uncontrollable elements are more crucial to consider and how these elements may pose potential risk and opportunities for Palaseja. Swedish market study will also enable them to assess the potential of Swedish market to guide their decision to do business in Sweden. This study would guide major decisions of Palaseja regarding their decision on entry in Swedish market. Study would provide them a framework to decide whether Swedish market is attractive or not to enter and operate.

1.5- Why is this study/thesis important?

This study/thesis is important because it would be a contribution to the knowledge of Palaseja to plan their global presence with reference to Sweden as a potential market. This thesis will provide company decision makers with an insight of the Swedish market and its business environment attractiveness in the context of its legal forces, economic forces, competitive forces, cultural forces and country of

origin effect. This thesis will also be useful for any foreign company that plans to enter in Sweden and more specifically it would be useful for foreign companies from food industry. Apart from companies and decision makers the study will also be of interest to the students of international business and marketing and will be an addition to their knowledge.

In the end, this thesis will also help us (the authors) learn in a practical environment by implementing the theories in real time and it would be an invaluable addition to our learning and experience.

2. Literature Review

This chapter presents the theories that would be used as a framework to analyze the empirical data. Chapter starts with legal forces followed by economic forces, cultural forces, competitive forces and ends with country of origin effect force.

2.1- legal forces

2.1.1- Role of government

Gerald, Jesper, Edwin and Laurence (1994, p.59-61) state that government being an environmental force affects international/export marketing and intervenes in a single country and world's economy by participating, planning, controlling or stimulating.

They further categorize the interventions done by government into three groups:

- I. Government which promotes includes encouraging and facilitating international/export marketing transactions.
- II. Government which slows down such transactions.
- III. Government which competes with or replace international/export marketing transactions by private business firms

They explain that the above mentioned involvement actions exist to some degree at all levels of government but their emphases varies.

Gerald, Jesper, Edwin and Laurence (1994, p.61) also state that the government interferes in international marketing in the form of restrictions and controls. These restrictions and controls are of different types that are specifically concerned with imports and exports in some way that affect directly on volume of the both imported and exported products.

2.1.2- Standards and regulations

Cateora and Graham (2005, p.44) state that standards are sometimes used in a stringent or discriminating way to restrict trade but sheer volume of such regulations is itself a problem. Further they exemplify that the fruit content regulation extremely varies from country to country that a jam exporter needs a computer to avoid messing up with the different regulations of different countries. Standards are so important in the way that shipment is accepted and rejected based on them. If lets say, quality standard is met shipment is accepted otherwise it is rejected.

2.2 Economic forces

According to Businessdictionary, economic forces (n.d.) economic forces are various different factors such as level of employment, rate of inflation, interest rate, demographic changes, GDP growth rate, fiscal and monetary policies, which

determine the competitiveness of the country environment in which a company operates or planning to operate. These forces may affect the output of the firm's marketing activities, by determining the volume and strength of demand for its products.

According to Edgar (1997, 83-84) all countries offer marketing opportunities regardless of their level of economic development. The analysis of economic forces, however, reveals far more market opportunities than a firm's limited resources can deal with. In order to spread available resources effectively, a firm needs to have a priority system in choosing a market. Further he explains that no single ideal criterion is advisable to assess market opportunities and some important economic indicators should be used to serve the purpose.

According to Investopedia.com, economic indicators (n.d) Gross Domestic Product (GDP) is godfather of economic indicators of a country. GDP is defined as an aggregate measurement of the total economic production of a country which represents total market value of all goods and services produced by that country in a given time period. GDP includes following;

- Personal consumption
- Government purchases
- Private inventories
- Paid-in construction costs
- Foreign trade balance (exports are added and imports are subtracted)

Investopedia.com, GDP (n.d) explains that GDP can be thought of as the size of the economy and is expressed as a comparison to the previous quarter or year. Let us say, if in year by year comparison GDP is up 3% that means economy has grown by 3% over the last year. Further it states that it is complicated to calculate GDP, although at its basic, the measurement can be calculated in one of the two ways. "...either by adding up what everyone earned in a year (income approach), or by adding up what everyone spent (expenditure method). Logically, both measures should arrive at roughly the same total." Since GDP represents economic production and growth, thus, it can largely impact everyone in that economy. For example, if the economy is healthy it can lower the unemployment and increase the wages.

Investopedia.com, economic indicators (n.d) states that GDP is by far the most discussed, digested and followed indicator which is of great interest to economists, analysts, policy makers and investors. A general consensus about GDP is that if there is a 2.5%-3.5% yearly growth in real GDP that falls in best overall range which suggests a good potential of particular market. Further it states that this situation is good enough for the companies to generate profits yet moderate enough to avoid undue inflationary concerns.

Edgar (1997, p. 84) states that another general indicator to know the market size is population. With this reference, he argues that China's population makes it foremost market in the world. Further he adds that "...population size is a particularly good indicator of market opportunity for low unit-value products or necessities".

Another very useful indicator mentioned by Edgar (1997, p. 84-85) is personal income of a country. Income can very well reflect how attractive a market is because consumption is generally raised parallel as income rises. Income and consumption are positively related so income can very well indicate the extent of consumption. Further he affirms that "although the effect of income is moderated by cultural preferences, it still indicates the degree of consumption for many products". Thus, marketers need to examine per capita consumption of product under consideration, in view of the fact that it may vary greatly from market to market.

Tamer, Pervez, and Milind (2002, p. 70) think that even per capita income is a good indicator for the attractiveness of the market, however, it may not be a good idea to always eliminate countries with low per capita income. They argue on this by saying, this is because some countries may be historically specialized in a certain industry that may create a focused product demand such as India is specialized in textile machinery industry. They further argue that in some emerging markets aggregate per capita income may be low but there could be a segment with high income that makes the market attractive for the international marketers.

According to Edgar (1997, p. 85) examining per capita spending and how the money is spent also plays vital role in determining the potential of the market. In Japan the food cost accounts for 25% of disposable income (15% in USA) that means they don't have much extra income to spend on non-essential or luxury products.

According to Tamer, Pervez, and Milind (2002, p. 69) another indicator that plays important role to determine the attractiveness of a market is country risk rating. international marketers should also take a look at the history of the country risk ratings for at least the last 3 years and at projected risk ratings for the future. They think that countries with high risk rating are considered to be unattractive for the marketers so they should be eliminated in the screening process of country selection.

Tamer, Pervez, and Milind (2002, p. 70) state another indicator that they think is important to consider which gives the indication of the intensity international trade activity going on in the country in question. According to them another question that becomes extremely important to address is as followed; is economic growth and development projected to be sustainable in the target market? They think, this question is crucial because the long run future of the businesses in a market greatly depends on sustaining economic growth and development in that market.

2.3 Cultural forces

Ghuari & Cateora (2006, p. 98) define that “culture is the human-made part of the human environment- the sum total of knowledge, beliefs, art, moral, law, customs and any other capabilities and habits acquired by human as members of society”. Sak & John (1993, p.257) add that culture can be seen as a total way of life and thinking patterns that travels from generation to generation and it is not inherited genetically but it must be learned and acquired.

2.3.1- *Elements of culture*

i) Material culture

According to Ghuari & Cateora (2006, p.83) there are two parts of material culture first one is technology and other one is economy (which has been describe in economic forces part of the literature review). Technology includes all the techniques that are used to create material goods. It also includes the technical know-how possessed by the inhabitants of a society or culture. Further they exemplify by saying that as a majority of Western citizens are familiar with the simple concepts of reading gauges. But there are many countries where familiarity with such simple concepts is not a common part of their culture. According to them understanding of simple repair, preventive maintenance and general understanding of how things work all constitute a high level of technology in a culture.

ii) Social institutions

Ghuari & Cateora (2006, p.84) state that the way in which people associate with each other, organize and govern their lives and activities to have harmony depends on social and political structures of their country. People in every culture have different perceptions and interpretations about the position of men and women in a society, the family, social classes, group behavior and age groups. They emphasize that each and every social institution is important in a way that influences values, behaviors and overall life style of people. Further they exemplify that in cultures where social structure is followed by collectivism or close-knit family units, it is effective and advisable to run a promotion campaign that aims at family unit rather than individual family member.

iii) Aesthetics

According to Ghuari & Cateora (2006, p.87) aesthetics is such an element of culture which is very close to the hearts of people and includes; the arts, folklore, music, drama, and dance. They express that the aesthetic values of a culture should be correctly interpreted in order to avoid marketing issues. Further they suggest that “product styling must be aesthetically pleasing to be successful, as must advertisements and package designs”. They highlight the importance of aesthetics

by explaining that insensitivity to aesthetic values can make the whole marketing efforts ineffective by creating offend and negative impression.

iv) Belief system

According to Ghuari & Cateora (2006, p.85-86) belief system can be divided into religion and superstition. They emphasize the importance of religion in marketing practices and call this aspect one of the most sensitive elements of culture which must not be underestimated by international marketers. Further they state that religion not only has impact on people's habits and outlook on life but also the products they buy and the way they buy as well. They explore the importance of religion by mentioning that the acceptance or rejection of promotional messages is also influenced by religion practiced in a market.

Ghuari & Cateora (2006, p.87) believe that it could be a big mistake to ignore superstitions in a culture when doing business there. They think that superstition varies from culture to culture; in some cultures like in west what might be considered as mere superstition could be a critical component of belief system in other cultures.

v) Education

The literacy rate is another very crucial aspect that influences and shapes the behavior of a society. Marketers must know the level and role of education in each target market in order to be able to design a marketing strategy accordingly. The literacy rate can influence even the type of advertisement and communication to be used so these decisions highly depend on level of education in target market (Ghuari & Cateora, 2006, p.85)

vi) Language

According to Ghuari & Cateora (2006, p. 87) language of a country cannot be ignored by successful marketers. Marketers have to have a thorough understanding of all the aspects of language including, spoken, written and more specifically about the differences of idiomatic meanings expressed. Further they argue that idiomatic interpretation is some times different from what dictionary states and there is often a difference in written and spoken language. They quote an example of a national food processor; when it translated "Jolly Green Giant" into Arabic language it turned out as "Intimidating Green Ogre". They state that "carelessly translated advertising statements not only lose their intended meaning, but can suggest something very different, obscene, offensive or just plain ridiculous" (Ghuari & Cateora, 2006, p. 87-88).

2.3.2- Influence of culture on consumption and business

According to Sak & John (1993, p. 259-60) “consumption pattern, living styles, and the priority of needs are all dictated by culture”. Culture lays down how people satisfy their needs. Further they state that “food preferences are affected by geography, nutrition, and economics”. Culture not only affects what to be consumed but also what to be purchased by the people of a particular culture. In addition Edgar (1997, p. 70) extends that culture not only affects the consumption patterns of people but also the meanings they attach to the products. He also suggest that while promoting products in new cultures, at initial stage, the better approach is to appeal to existing cultural requirements and expectation rather than trying to change them in marketer’s own way.

Ghuari & Cateora (2006, p.103) have indicated that different cultures have different methods of doing business because of their diverse structures, management attitudes and behaviors. Marketers might face a cultural shock when entering new foreign markets in spit of the fact that how thoroughly prepared they are. International marketers get awareness of the different contact level, communication emphasis, tempo and formality of businesses in different cultures.

2.3.3- What cultural elements are important?

Ghuari & Cateora (2006, P. 88-89) explain that although each and every element of culture is important and must be evaluated in terms of its impact on marketing program but some elements have direct impact while others are indirectly involved in the process. Further they say that deciding which elements of study depends on the degree of marketing involvement. If a firm is simply marketing an existing product in a developed country then studying the total culture is of less importance for the firm. But, if the firm is totally involved in marketing a product from product development to promotion and final selling then they need to study the whole culture.

2.4 Competitive Forces

Porter (2008, P.21-23) describes that there are five basic forces on which the state of competition in an industry depends. The combined strength of these forces decides the final possible profit of an industry. These forces are illustrated in figure below.



Figure 1: Forces Governing Competition in an Industry

Source: Adopted from Porter (1998, P.22)

He further discusses a few characteristics of each competitive force which are important to their strength.

2.4.1- Threat of new entrants

Porter (2008, P.23-25) states that new entrants having a wish to gain market share and extensive resources bring new competence to an industry. The significance of an entry threat depends on existing barriers and reaction from existing competitors that new entrants expect. He further explains that if entry barriers are high and new entrants can expect severe reaction from well established competitors, the new entrants will not create a serious threat for them.

He affirms that following are some of the major sources of entry barrier;

i) Economies of scale

These economies discourage new entrants by forcing them either to enter on a large scale or to accept a cost disadvantage. Economies of scale in production, marketing, research and service are probably the key barriers to entry in an industry.

ii) Product differentiation

Brand recognition creates a hurdle which influences new entrant to spend a lot to conquer customer faithfulness and loyalty. He thinks that advertising, being first in the industry and product differences are some of the factors to develop brand identification.

iii) Capital requirement

The requirement to invest heavily to compete in the market creates an entry barrier especially if the capital is requisite for unrecoverable expenditures like advertisement and R&D. “Capital is necessary not only for fixed facilities but also for customer credit, inventories, absorbing start-up losses”.

iv) Access to distribution channels

A new entrant in the market must secure the distribution of its products or service. If distribution channels are limited and the existing competitors have occupied them then it would be tough for a newcomer to enter into the industry.

2.4.2- Bargaining power of buyers

Porter (2008, P.29-30) states that a buyer group is dominant if;

- I. It is concentrated or it buys huge quantity.
- II. The purchased products from an industry are regular and undifferentiated. In this situation the buyers are confident to discover new substitute suppliers.
- III. It is earning a low profit which motivates it to reduce its purchasing costs. On the other hand buyers who earn high profits are usually less price conscious.
- IV. An industry's product does not have a significant importance for the buyer's product quality.

2.4.3- Threat of substitute products

According to QuickMBA, porter's five forces (n.d.) substitute products create a threat to a product by affecting its demand through price change. Substitute products have an effect on a product's price elasticity because when customers have more availability of substitutes in the market the demand becomes more elastic. A close substitute product restricts the capability of firms in an industry to increase prices.

2.4.4- Jockeying for position

Porter (2008, P.33) describes that competition among existing firms take the well-known structure of “jockeying for position”. Competitors use different strategies like price fight, introducing a new product, and “advertising slugfests”. He further states some factors that are related to extreme rivalry and are explained below.

- (i) If the competitors are almost equivalent in their size and power.
- (ii) If the product or service is deficient in differentiation and switching expenditure that binds the buyer.
- (iii) If “Fixed costs are high or the product is perishable, creating strong temptation to cut prices”.

2.5 Country of Origin Effect (COE)

According to Ghuari & Cateora (2006, P.314) there are many factors that trigger positive or negative message about the product from consumers. Factors like past advertisement, promotion, product reputation, product evaluation and experience may affect brand image a great deal. But one factor that is of great concern to international marketers is the country-of-origin effect (COE) on the market's perception about the product. They define country-of-origin effect as any influence that the country of production has on a consumer's perception of a product whether positive or negative. When products cross the border there is a possibility that the place of production will impact on product or brand image.

Ghuari & Cateora (2006, P. 314-15) state that consumers often have stereotypes about the products and countries that are formed as part of their experience, hearsay and myth in a society. Sometimes these stereotypes are broad and somewhat vague. People typically judge English tea as best, French fashion garments and perfumes as best, Chinese silk, Italian leather and Japanese electronics as best in the world. Nature of this stereotyping is typically product specific and may not be applicable to other product categories from the same countries.

Further they define some generalizations that are made about the country of origin effect. According to them ethnocentrism can also have country-of-origin effect in a way when consumers feel national pride and buy only domestic or national products and this can influence their attitude towards foreign products. The economic status of a country also plays vital role in its associated stereotyping. Consumers also consider whether the country of product is industrialized, emerging or a less developed economy. This nature of stereotyping is less product specific and consumers are more interested in general perception of the good quality of products produced within a country. Often industrialized countries have a perception of highest quality image.

Ghuari & Cateora (2006, p. 315-16) found that in developing countries consumers also have a tendency to favor foreign-made products over domestic-made products. But not all the foreign products are perceived equally well in developing countries and consumers have stereotypes about the quality of products made in industrialized countries. They state that another generalization about the COE is known as "fads" that often surround products from particular countries or regions. Such as anything western is perceived to be the fad in china means it is in high demand in china, even on twice or thrice higher in price as compared to domestic products. Further they think that country stereotyping can be overcome with effective marketing especially advertisement and proper positioning.

3. Conceptual Framework

This chapter presents the conceptual framework that the authors are going to follow in this study. The conceptual framework has been presented in a graphical representation of the theories from the previous chapter.

According to Fisher (2007, p. 126) in a conceptual framework, concepts are put together just like a jigsaw puzzle. After putting concepts together researcher exercises on how all the concepts fit together and relate to one another. Miles and Huberman (1994) add that conceptual framework acts as an explanation of the most important elements to be studied in a thesis and this explanation can be shown in graphical as well as narrative form. Conceptual framework emerges from studied literature and is developed to help researchers collect data needed to answer the research questions. Based on above definitions following conceptual framework has been developed to follow in this thesis.

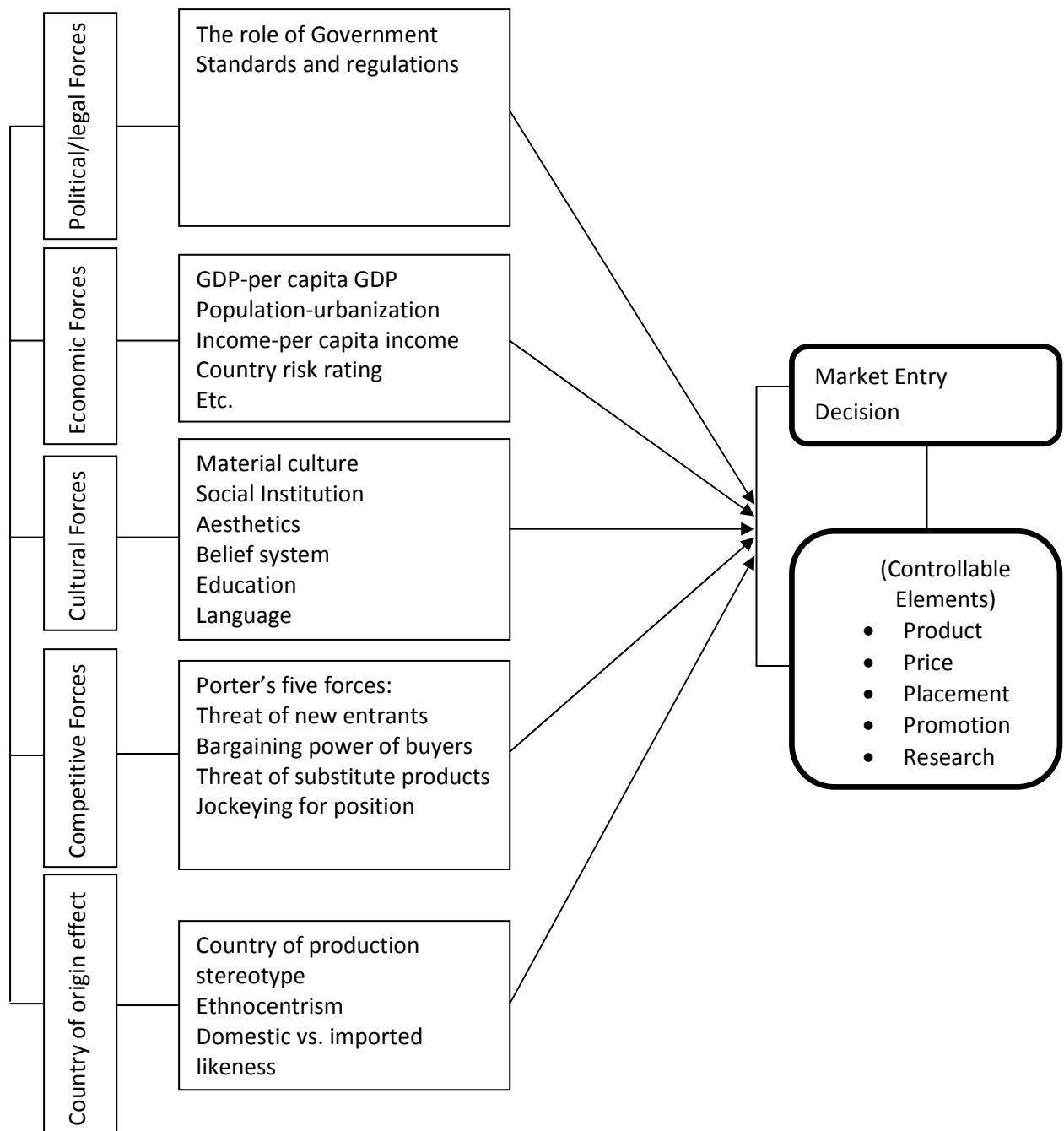


Figure 2: Conceptual Framework
Source: Authors

The conceptual framework above puts together major concepts to be used in this study. Each and every force presented in the framework has its own dimensions which have been defined by many authors in the area of international business and have been defined in literature review part.

4. Methodology

This chapter presents methodology used in this study. It starts with defining the choice of topic, followed by the research type. Then chapter presents research approach, data collection and moving on to the data analysis. Finally validity and reliability issues are discussed as a whole in this methodology chapter.

4.1- Choice of Topic

As this thesis is going to be written as part of a master degree program in International Marketing so, the choice of the topic was guided by the title of degree program. Bearing this in mind, we were encouraged to come up with such a research topic which could reflect International Marketing. Thus, we needed to come up with such a company which is looking to expand its international presence and as part of that process looking to study new markets to enter. The choice of Palaseja (Lithuanian breakfast cereal producer) as company and Sweden as potential market is justifiable for several reasons such as;

- ✓ One of the authors has been in contact with company.
- ✓ Company representatives have shown interest to enter Sweden thus they needed assessment of Swedish market.
- ✓ Company is interested in the output of the study.
- ✓ Authors are physically present in Sweden to make data collection process smooth.

Based on these reasons, authors decided to make an assessment of Swedish market in the context of its environmental uncontrollable elements in order to make this study helpful for the company and for its future strategic decisions.

4.2- Research Type

According to Hussey & Hussy (1997, p.10) there are four types of research when classifying research according to its purpose.

- 1) Exploratory Research
- 2) Descriptive Research
- 3) Analytical or Explanatory Research
- 4) Predictive Research

Hussey & Hussy (1997, p.10) explain that exploratory research is conducted when there are few or no earlier studies available on the problem to which we can refer for information. This type of study aims to look for patterns, ideas or hypothesis, rather than testing or confirming a hypothesis. Further they state that in exploratory research we focus on gaining insights and familiarities with the subject or problem

area in order to conduct more rigorous investigation at a later stage. In exploratory research the approach is very open and concentrates on gathering a wide range of data and impressions. Descriptive research is defined by Jill and Roger (1997, p10) as a research in which we describe phenomena as they exist.

Descriptive research is used to first identify and then gain information on the characteristics of a particular issue or problem area. Further they define analytical or explanatory research as a continuation of descriptive research in which researchers go beyond merely describing the characteristics of a particular issue or problem to analyzing and explaining why and how it is happening. Moreover Yin (1994) argues that explanatory research explains the casual relationships between cause and effect. Denscombe (2000) adds that the explanatory research aims to develop a theory in order to explain the generalizations developed in descriptive stage.

Finally predictive research is defined by Hussey & Hussy (1997, p.11) as a research that goes even further than explanatory research. This explains what is happening in a particular situation or problematic area, whereas the former forecasts the likelihood of a similar situation occurring elsewhere. Further they say that predictive research not only answers how, why, and where to current events but similar events in the future as well.

Bearing these criteria in mind, we can define our study as being a combination of exploratory and descriptive research. Because we are going to have a better and deeper insight of Swedish environmental uncontrollable elements and their impact on businesses that are hoping to operate in Swedish market. We are going to identify each important uncontrollable element and going to obtain information on its characteristics to analyze it as a whole so, a combination of exploratory and descriptive research is going to be followed.

4.3- Research Approach

Hussey & Hussy (1997, p. 12) argue that research can also be differentiated on the base of approach adopted by researcher.

- 1) Quantitative Approach
- 2) Qualitative Approach

They define quantitative approach as objective in nature which focuses on measuring phenomena. When this approach is adopted, a researcher collects and then analyzes numerical data by applying different statistical tests. Whereas they define qualitative approach as more subjective in nature in which researchers involve their examining and perceptions to gain an understanding of social and human

activities. Further they add that the choice of approach is influenced by the nature of your project that is the type of data available and research problem itself.

We have adopted qualitative approach for this thesis and the choice is purely based on data available as well as research problem itself. We adopted qualitative approach based on a number of reasons defined by Hussey & Hussey (1997), to start with, the primary data that is available has small sample, data available is rich and mostly subjective, reliability is not very high, generalizes from one setting to another.

4.4- Data Collection Process

This part of thesis defines how the required data would be collected and what sources would be used to serve the purpose. Following figure 3 presents the process of data collection that authors intend to follow in this study.

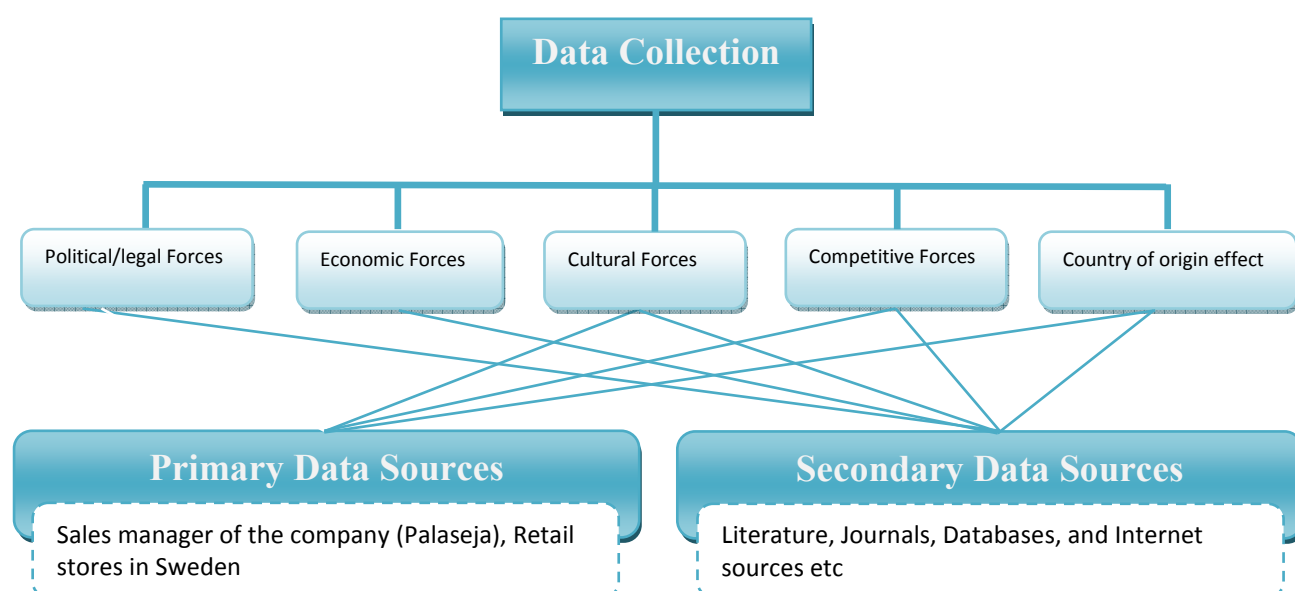


Figure 3: Data collection process

Source: Authors

4.4.1- Primary Data

Authors collected primary data through email interviews, face to face interviews and written interviews (i.e printed interview questions were given to retail stores for getting their answers in written form). Interviews designed, mainly focused on collecting data about competition, country of origin effect (i.e consumers' perception about Lithuanian breakfast cereal and other food products that already exist in Swedish market) and cultural forces. Apart from that, one of the interviews also included a general question to collect data about political or legal restrictions that retail stores face to import or sale breakfast cereal products but non of the

interviewees could answer that question substantially so we relied on secondary data sources in this regard. Sales manager of Palaseja was approached first of all who shown interest in the assessment of Swedish market and agreed to provide any required data from Palaseja to support this study. Interviews were conducted from store managers of 3 retail stores including ICA, Hamkop and Coop Extra. Some of the store managers couldn't answer all the questions required because they thought those questions were related to purchase department. So, authors also conducted interview from purchase manager of ICA MAXI, Sweden to get all of the required data. Authors also conducted a detailed interview from Sales Manager of Palaseja through email. Authors also used observatory method to collect data such as what other competitors' products are available on retail stores or the shelf life of the existing competitors' products.

4.4.2- Secondary Data

Secondary data sources provided a major portion of data collected for analysis. Secondary data sources encompass;

- Official web sites of the companies, retailers and other institutes in the network.
- Different online articles, journals, databases, newspapers and magazines.
- Other sources like research papers, text books, newspapers etc. were also used in this report.

4.5- Data Analysis

After the data collection, data analysis process was performed. Authors started this process with the aim to find answer to research question of the study. According to Yen (1994) data analysis is a process in which researchers examine, categorize, tabulate, or recombine the data collected. Miles and Huberman (1994) state that the analysis of qualitative data focuses on data in the form of words and needs to be processed in the form of three-stage analysis. This three-stage analysis is referred to as concurrent flow of activity which is as followed;

- 1) Data Reduction: First stage of process where collected data is focused, selected, simplified and transformed.
- 2) Data Display: Second stage where collected data is organized and compressed to enable easy conclusion drawing.
- 3) Conclusion Drawing and Verification: Third and final stage of the process where researchers make comments and clarify what things in data mean. This involves deciding the meaning of occurrences, nothing regulations, patterns, explanations, possible configurations, casual flows and propositions.

4.6- Reliability and Validity

There are two measurement instruments to show the level of credibility and trustworthiness a research has. These two instruments are reliability and validity of research findings. According to Hussey & Hussey (1997 p.57) a research is reliable if its findings can be repeated. In simple words, if researcher or anyone else repeats the research they should be able to get the same results out of it. Reliability concept is often associated with quantitative research. According to Stenbacka, (2001, p.552) “the concept of reliability is even misleading in qualitative research. If a qualitative study is discussed with reliability as a criterion, the consequence is rather that the study is no good”. Further Lincoln & Guba (1985) add that while reliability and validity terms are important criterion to judge quality of quantitative research so, in qualitative research the terms credibility, neutrality, confirm ability, consistency or dependability and applicability or transferability are to be the essential criterion for quality.

Hussey & Hussey (1997, p.57) define validity as “the extent to which the research findings accurately represent what is really happening in the situation”. According to Denscombe (2000) validity is to what extent the research data and the methods to get the data are considered to be precise, correct and accurate. Further he states that it is also important to know that how well the data reflects the truth, reality and the main questions. Authors have put efforts to keep and maintain the reliability of this study. Certain questions were asked as an effort to manage the validity of this study like;

- Are the secondary sources authentic entities for the provision of data?
- How objective the primary and secondary sources are in providing the data?
- When the data was published?
- How the data was collected?

4.7- Limitations

First of all, it is worthwhile to mention here that authors, while assessing the environmental uncontrollable elements of Swedish market, were concentrating only on most important uncontrollable elements. So, technological, geography & infrastructure, and distribution structure forces have not been studied in this thesis. Authors thought that these were not directly related with the purpose of this study and also with these elements included in the study; it would have been difficult to finish the study within time frame of this thesis. Authors would like to mention that since each and every uncontrollable element is very broad in its scope and requires to be studied in great detail but for the purpose of this thesis and considering time constraints authors studied the most important aspects of every uncontrollable element mentioned above. Only the aspects authors think are directly related for the

purpose of this thesis have been studied in this report. It further needs to be mentioned here that since Sweden is politically very stable and is a member of European Union so there is no political force to be studied and no quantitative trade barriers are there to be studied. Thus regarding legal forces authors are only studied qualitative legal forces or trade barriers that exist in Sweden in particular. Another thing that needs to be mentioned here is that in competitive forces authors did not study bargaining power of supplier because dealing with suppliers is a matter between Palaseja and its suppliers and it has nothing to do with the assessment of Swedish market. Since this does not come under uncontrollable elements of Sweden so it is not directly related with the subject matter of this study.

5. Empirical Data Findings

This chapter presents empirical data findings that will be used in the next chapter for analysis purpose. Chapter starts with the background of the company followed by legal forces, economic forces, cultural forces, competitive forces and ends with country of origin effect force. Data in this chapter has been acquired from both primary as well as secondary data sources.

5.1- Background of the Company

History

UAB “Palaseja” was established in 1995 as a private limited company in Lithuania. At first, the major business activity of the company was importing and exporting foodstuffs. Later on in 2000, company started the production of cornflakes. In 2005, company acquired a modern production line for producing cornflakes, i.e. breakfast cereal as an effort to expand the range and to improve the quality of its products (Palaseja.lt n.d.).

Mission

“The mission of the company is to produce high-quality, healthy and tasty products, thus contributing to the practice of healthy food consumption” (Palaseja.lt n.d.).

Production Technology

According to Palaseja.lt (n.d.) company uses a modern technology called “extrusion technology” i.e. raw materials are cooked under high steam pressure and without any fat. This special method of production preserves a lot of nutrients, vitamins and minerals that are beneficial for consumers. The whole production process is performed through the application of an aseptic method which ensures that products are not being handled from their feed to the production line up to their packaging. Raw material used for the production is natural and comprises of; cereal cultures, fructose syrup, natural honey, evaporated milk, cacao, sugar, oil, milk chocolate, coffee, nut cream, malt extract, and spice materials, i.e. cinnamon, vanilla. “Modern technologies, a completely automated line, high-quality raw materials, various packing and exclusive tastes represent just a few features that determine the oneness of the products” (Palaseja.lt n.d.).

Quality at Palaseja

Company keeps improving its operations to ensure safe products by implementing the systems for quality management. In 2001, company put in practice the HACCP Quality Management System. Approved test results ensure that company meets the established production standards and its products comply with the quality requirements. Right now, company has installed ISO22000 standard. “The purpose is to assure food safety in all production and supply ending with consumption” (Palaseja.lt n.d.).

Current Markets

According to Palaseja.lt (n.d) “the company has been selling its products both in Lithuania or the Baltic States and in England, Ireland, Germany, Finland, Australia, America, Russia, Kazakhstan and Mongolia”. Export amounts to 60% of the total sales of Palaseja.

5.2- Legal Forces

5.2.1- Free Trade Agreement between EU members

EEA Agreement for free trade

According to the European Free Trade Association, (n.d.) it is stated that “The Agreement on the European Economic Area (EEA) which entered into force on 1 January 1994” links the 27 European members and the three EFTA countries i.e. Iceland, Liechtenstein and Norway into a “single internal market”. This agreement permits 30 member countries to the free movement of goods, services, persons and capital between the stated countries. This agreement also includes “co-operation in other important areas such as research and development, education, social policy, the environment, consumer protection, tourism and culture, collectively known as flanking and horizontal policies”. It assures “equal rights and obligations within the internal market for citizens and economic operators in the EEA.

European Economic Area Member states

According to the list provided by hmprisonservice, (n.d.) following countries are members of EEA;

Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Republic of Ireland, Italy, Latvia, Liechtenstein, **Lithuania**, Luxembourg, Malta, The Netherlands, Norway, Portugal, Romania, Slovenia, Spain, **Sweden**, Switzerland, United Kingdom.

5.2.2- Product Content Requirements

According to Swedish Chambers (n.d.) it is stated that in the EU, law is approved in the shape of “Directives”. Every country applies these directives in their national legislation as law or parameter. The European standards comprise explicit prerequisite for many products.

According to livsmedelsverket, Foreign substances (n.d.) it is stated that if a maximum level publicized in the following Appendix goes above, the food or the lot to which the food belong shall be believed unhealthy for human being consumption

“according to § 5 of the Food Act (SFS 1971:511) and therefore it may not be offered for sale”.

Substance	Food	Maximum level, Bq/kg
Cesium-137	Meat and other edible parts of domestic bovine animals and preparations thereof Cereal products , Fruits, except nuts, Vegetables, except Mushrooms, Dairy products, Foods for infants and young children and Sea fish.	300
Other foods	-----	1 500

Figure: 4 Maximum levels for cesium-137

Source: livsmedelsverket, Foreign substances (n.d.)

livsmedelsverket (2008) states that labeling of foodstuff should be easy and precise so that customer while purchasing the food is not betrayed. The labeling should contain information about “nutritional, composition, weigh, volume, origin and production methods”.

5.2.3- Marketing Act

According to The Konsumentverket (2007) the amended marketing act stops companies to carry on with any unfair marketing and lays down general requirements to apply good marketing practice. “Unfair marketing means something more far-reaching than merely “misleading” advertising”. This provides a framework to prohibit different inadequate marketing methods including unethical. Company has to prove that its advertising is unfair or misleading in any respect that why marketing act in other words is clearly referred to as good marketing practice. Based on general clause of the marketing act, the product should contain satisfactory information and product features should be highlighted according to the consumer point of view. Violations of this clause may result “default fines”. According to reklamjuridik (n.d.) if a businessman’s advertisement breaches “good marketing practice” or it is unreasonable to consumer or businessman, it may be forbidden by the court and a “warning is issued under penalty of a fine up to ten per cent of company’s annual turnover.

5.2.4- Advertisement regulation for children

According to The Konsumentverket (2001) Sweden has implemented an explicit ban on the TV advertisements targeting children. This ban is ten years old and it desires that commercials should not catch the attention of children who are under 12 and such advertisements are also prohibited immediately before, during, or after children's programs. Children who are under a certain maturity level are not able to understand fully about advertisement or it is violating the industry's own standards because children do not have enough experience to differentiate and interpret the idea at the back of advertisements. Consumer organization, mass population of Sweden and Swedish Advertising Association all support this ban.

5.2.5- Awareness of laws to start food business in Sweden

According to livsmedelsverket (2008) in order to start food business in Sweden, it is necessary to be familiar with the requirements and obligations that are relevant. Several laws were revised in 2006 according to which the new company entering in food business in Sweden must be registered or approved by the control. Apart from registration or approval the company should have satisfactory place, equipment and "a system of self".

According to livsmedelsverket, EU trade (2009) it is stated that "from 2006, all food business operators to ensure that the plant is registered with or approved by the supervisory authority (municipality)". The entire food which is for sale should be labeled in English. According to livsmedelsverket, food import (2008) if someone wants to bring food in Sweden from other EU countries, he/she must know the requirements and obligations applicable. "All food business operators must ensure that its plant is registered with or approved by the inspectorate".

5.3 Economic Forces

According to World Fact Book, Sweden (2009) in 20th century, Sweden managed to achieve peace and neutrality which made them to achieve an enviable standard of living under high-tech system of capitalism and also extensive welfare benefits. Sweden has modern distribution and communication system as well as skilled labor force. "Timber, hydropower, and iron ore constitute the resource base of an economy heavily oriented toward foreign trade". Private firms produce 90% of the industrial output, of which 50% comes from engineering sector. Agriculture sector accounts for only 1% of the GDP and only 2% of employment.

World Fact Book, Sweden (2009) states that until, 2008 Swedish economy was sustained and improving in terms of increased demand and exports. Despite strong fundamentals, Swedish economy slid down to recession in the third quarter of 2008 and continued to grow downward as declining global conditions reduced consumption and export demand. "On 3 February 2009, the Swedish Government announced a \$6 billion rescue package for the banking sector."

Dramatic Drop in Swedish GDP

Index, monthly values and annual percentage change, respectively, calendar-adjusted values

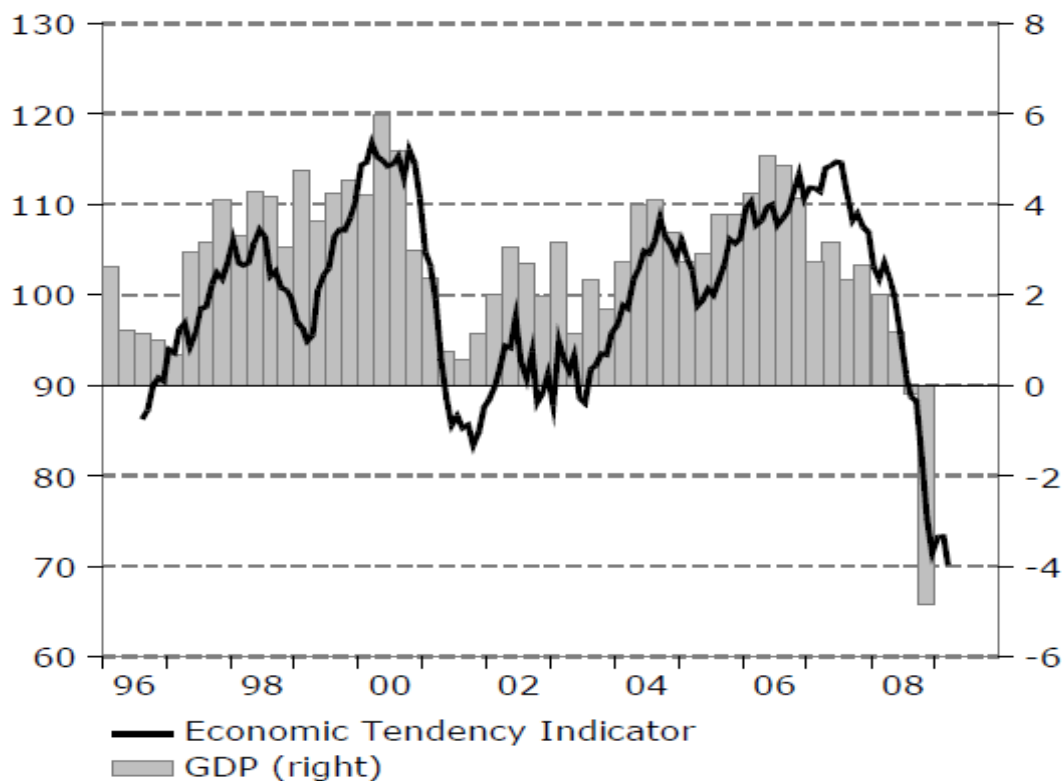


Figure 5: Drop in Swedish GDP

Source: Hallsten (2009)

According to Hallsten (2009) global economy has been experiencing the weakest growth in several decades and is deteriorating rapidly. The economy is largely interdependent on other countries so, as a result, it is also feeling the heat of rapid economic downswing. The figure 5 above shows that Sweden has undergone a sharp fall in its GDP by a full -4.8% in the forth quarter of 2008. Figure 5 also shows the behavior of economic tendency survey indicator, “which summerizes the views of firms and housholds on the state of Swedish economy, dropped to record lows.”

Hallsten (2009) states that for the full year 2008, GDP was recorded to be 0.2% down. It further says that the drop in GDP in the last quarter of 2008 was mutually affected by various factors. The foreign trade was the most dramatic development where exports dropped down as a result of rapid decrease in demand from other countries. Other factors include; declining asset prices, increasingly uncertain labour market which caused house holds to cut back on their consumption. Business sector investement decreased which made firms trim down their large inventories.

Swedish Gross Domestic Product (GDP):

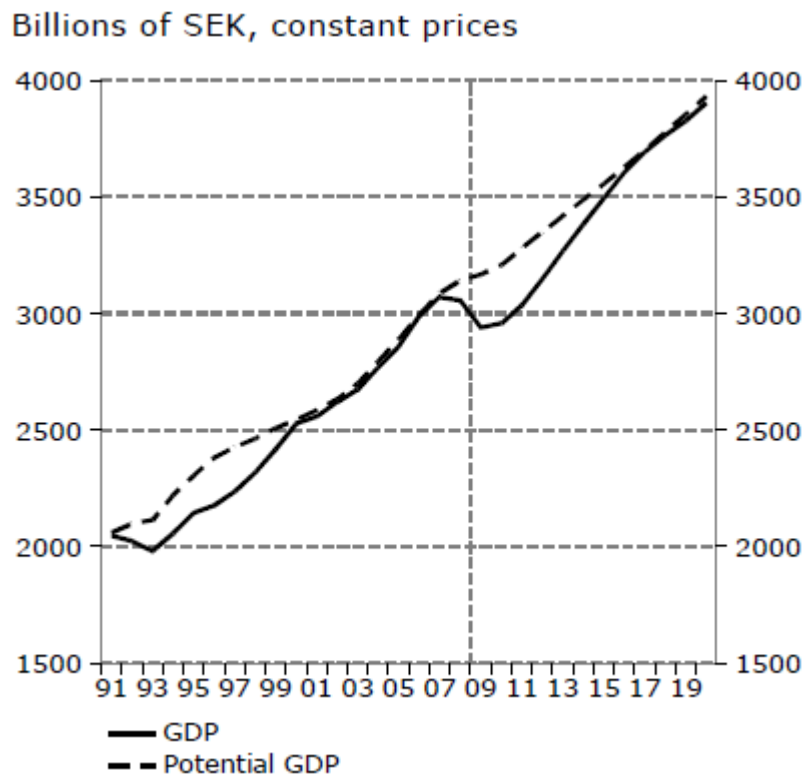


Figure 6: Swedish GDP actual and forecasted

Source: Hallsten (2009)

Figure 6 above depicts the trend of potential and actual GDP of Sweden over a period of 30 years from 1991 to 2020. Figure 6 shows both potential and actual GDP in the past as well as forecasted potential and actual GDP. The GDP forecasted by Sweden statistics and Sweden NIER (National Institute of Economic Research) in the figure above shows a tendency to almost double its amount from SEK 2000 billion to SEK4000 billion over the forecasted time period. It shows how actual GDP has progressed in the past and how it is expected to progress in the future. It also shows a sudden decline in actual GDP starting from 2008 to 2010. “Actual GDP is expected to grow by an annual average of more than 3 percent in 2011–2016, considerably faster than potential GDP but not particularly remarkable by historical standards”(Hallsten, 2009).

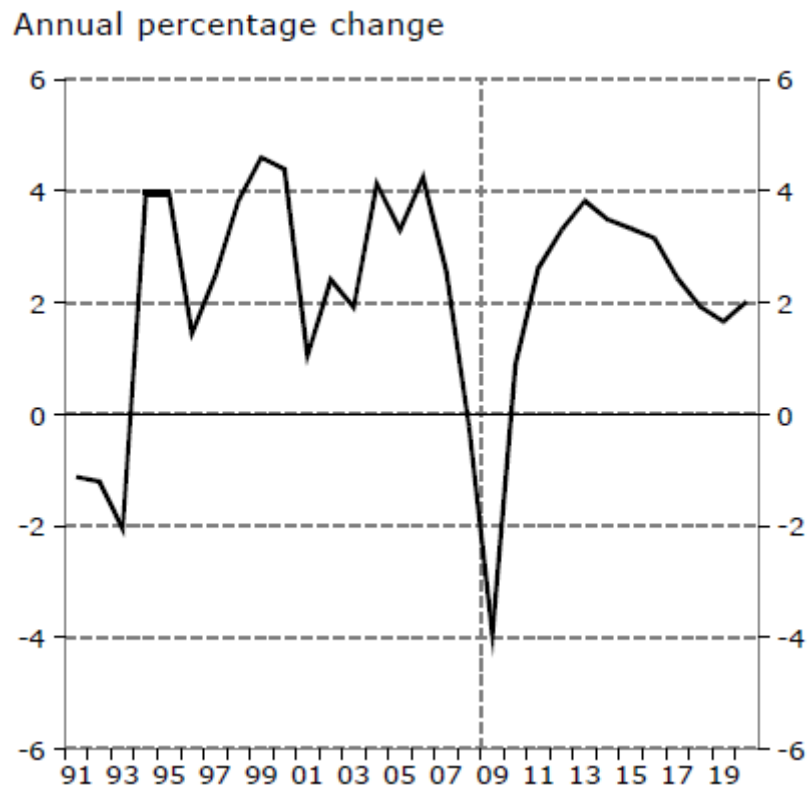


Figure 7: GDP annual percentage change

Source: Hallsten (2009)

Figure 7 above suggests GDP annual percentage change over a period of 30 years. The GDP above shows a zigzag pattern up till 2007 but after that from 2008 a sharp decline in the GDP caused by global economic recession has been shown. According to Hallsten (2009) recovery will commence in 2011 and GDP will grow by an annual average of 2% during 2011-2020.

Demand and GDP

Following figure 8 shows the trend of business sector investment, house hold consumption and GDP over a period of ten years from 2001 to 2010.

According to Hallsten (2009) business sector output has shown a tendency to decline massively which will cause the capacity utilization to drop rapidly. It states that this is the main reason that will trigger a sharp decrease in the business sector investment in 2009 and 2010. It further states that the possible impact that financing conditions can provide must not be ignored either. Based on expansionary fiscal policy, the general government investment will substantially increase in 2009 and 2010, though its impact on the overall growth of investment will be limited.

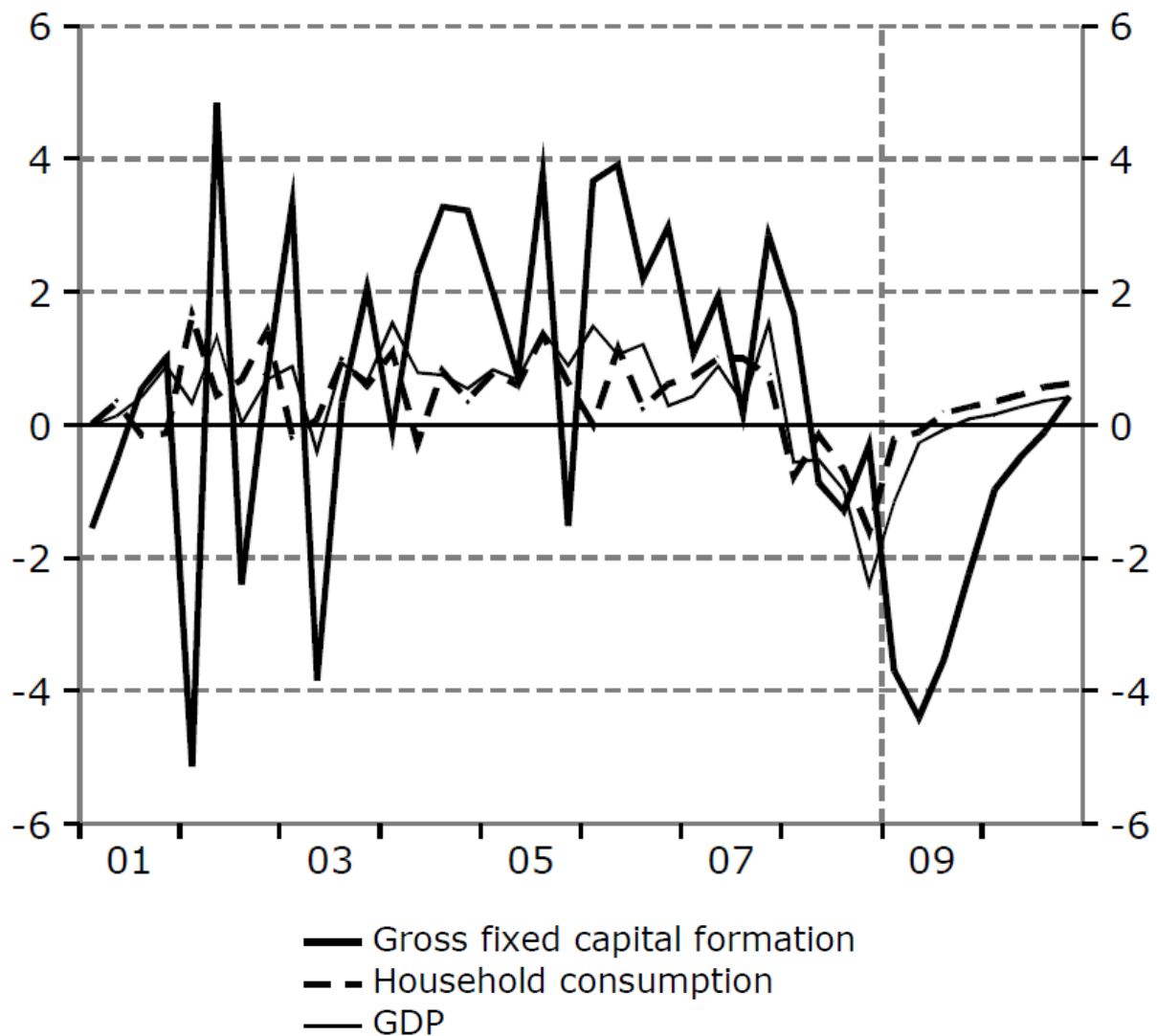


Figure: 8 Demand and GDP in Sweden

Source: Hallsten (2009)

Figure above suggests that the household consumption continues to cut back during the first half of 2009. Some factors like, deterioration of labor market, previous losses of wealth as well as murky dark outlook for the future will cause households to increase their saving considerably in the future period. The consumption, therefore, will increase but modestly in the second half of 2009 and in 2010. Swedish government has been forecasted to announce a tax reduction on households especially which will contribute to a continued increase in the disposable income of households during 2009 and 2010. Figure 8 also shows that GDP growth will remain sluggish throughout the forecasted period and according to Swedish economy report the reason for this is the softness of demand as depicted by figure 8 (Hallsten, 2009).

Swedish population

According to World Fact Book, Sweden (2009) the estimated population of Sweden is 9,059,651 (July 2009 est.) and population growth is 0.158% (2009 est.). It further states the birth rate as 10.15 births/1,000 population (2008 est.) as well as migration rate as 1.66 migrant(s)/1,000 population (2009 est.). Sweden is the largest Nordic country in terms of population (Heidenberg, 2007)

Year	Population	Rank	Percent Change	Date of Information
2003	8,878,085	84		July 2003 est.
2004	9,001,774	84	1.39 %	July 2005 est.
2005	9,001,774	85	0.00 %	July 2005 est.
2006	9,016,596	85	0.16 %	July 2006 est.
2007	9,031,088	88	0.16 %	July 2007 est.
2008	9,045,389	88	0.16 %	July 2008 est.

Figure 9: Population year by year
Source: Indexmundi, Sweden (2008)

According to Food Navigator (2004) the fertility level in Sweden is increasing. News states that Sweden experienced 3.23% growth of newly born babies (3,100 babies) more than in year 2002. According to report from European council the phenomenon is not expected across the Europe due to low fertility level in the region. The news says that this is an opportunity for producers of baby food and they can expect an improvement in their business in the coming years. Tomas ,the sales manager of Palaseja, says that most of our products are made for children, we focus on this niche because we think this could be our competitive advantage in many countries (See Appendix Interview 9.2 Q: 7).

Income in Sweden

County	Disposable income million SEK			Disposable income per capita thousand SEK		
	2004	2005	2006	2004	2005	2006
Total	1 310 026	1 342 021	1 399 686	146	149	154

Figure 10: House hold income
Source: Derived from Sweden Statistics (n.d)

Figure shown above suggests a gradual increase in disposable income over a period of 3 years from 2004 to 2006. It also depicts gradually increasing disposable income per capita in thousands of SEK.

Billions of SEK, current prices, and percentage change

	2007	2007	2008	2009	2010
Disposable income	1 467	4.8	6.2	3.1	1.9
Consumer prices ³		1.1	2.8	1.9	0.4
Real disposable income		3.6	3.3	1.1	1.4

³ Implicit price index for household consumption expenditure.

Figure 11: House hold income
Source: Derived from Hallsten (2009)

Figure 11 above also shows the same data. Both figures 10 and 11 depict increasing pattern of disposable income from 2004 to 2008. Figure 11 suggests a sharp decrease in the disposable income in 2009 and a slight increase in 2010.

Household Consumption

Household final consumption expenditure	2004	2005	2006
Household final consumption expenditure (annual growth, %)	1.3	2.4	2.8

Figure 12: Household Consumption Expenditure (2004-06)
Source: Derived from Laposte Export Solutions (n.d)

According to Laposte Export Solutions (n.d) “on average, Swedish consumers have resources and purchasing power well above that of most other European consumers”. Figure (12) also depicts the increasing household consumption (in annual percentage growth) in Sweden over a period of 3 years.

	2007	2008	2009	2010
Household consumption expenditure	3.0	-0.2	-1.8	1.5

Figure 13: Household Consumption Expenditure (2007-10)
Source: Derived from Hallsten (2009)

Hallsten (2009) presents the above figure which depicts the annual percentage change in household consumption of Sweden. Figure (13) shows a sharp decline in consumption expenditure in 2008 that gets harsh in 2009 but starts recovering in 2010.

Purchasing Power in Sweden

According to Bruchsal (2008) Sweden shows 40.4 percent more purchasing power per person as compared to European average. He has noted a little variation

between purchasing power levels of different regions within Sweden. In his study he found Stockholm having highest purchasing power of €20,319 per person followed by Gothenburg with €18,231 per person. In the central northern regions of Sweden the purchasing power of per person is around €15,000. The national average growth rate for year 2008 is 1.9 percent.

Breakfast Cereal consumption in Sweden

Breakfast cereal consumption in 1991

General Mills (1991) presented a study of the consumption of breakfast cereal in particular countries of the world. Figure (14) below shows a list of countries from that study.

Country	Pop'n (millions)	Kilos per Person
Ireland	3.6	7.4
Great Britain	58.5	5.9
Australia	16.1	5.7
Iceland	0.26	5.6
Canada	29.6	4.6
United States	261.7	4.5
New Zealand	3.6	3.5
Sweden	8.9	2.5
Denmark	5.2	2.5
Switzerland	7.0	1.8
Finland	5.2	1.2

Figure 14: Countries with the Greatest Breakfast Cereal Consumption (1991)

Source: General Mills (1991)

Breakfast cereal consumption in 2005

According to Hollensen (2007, P. 144) in early 2000s breakfast cereal producers faced stagnant sales but later on the fast paced American lifestyle moved the consumers' breakfast eating on the go. Further Hollensen states that quick serve restaurant like McDonald's, ready to eat breakfast bars, bagels and muffins offered consumers less labor-intensive alternative to cereals. But in spite of that the value of cereal products has grown in absolute figures and he thinks that the primary reason for increased revenue came from price hike instead of market growth.

Region	Per capita consumption per year (kg)
Sweden	9.0
Canada	7.0
UK	6.0
Australia	6.0
USA	5.0
South West Europe (France, Spain)	1.5
South East Asia	0.1
Russia	0.1

Figure 15: Countries with the Greatest Breakfast Cereal Consumption (2005)
Source: Hollensen (2007, P. 144)

Country risk rating of Sweden

According to Trading Safely, Sweden (2009) “the political and economic situation is very good. A quality business environment has a positive influence on corporate payment behavior. Corporate default probability is very low on average”. Trading safely, Sweden (2009) also shows rating of business climate launched by coface. The rating by coface is intended to assess the overall business environment quality of a business. It more specifically focuses on assessing whether corporate financial information is available and reliable, whether legal system provides fair and efficient creditor protection, whether a country’s institutional framework is efficient for companies etc. Following figure (16) shows the criteria kept in mind by coface while assessing country risk rating.

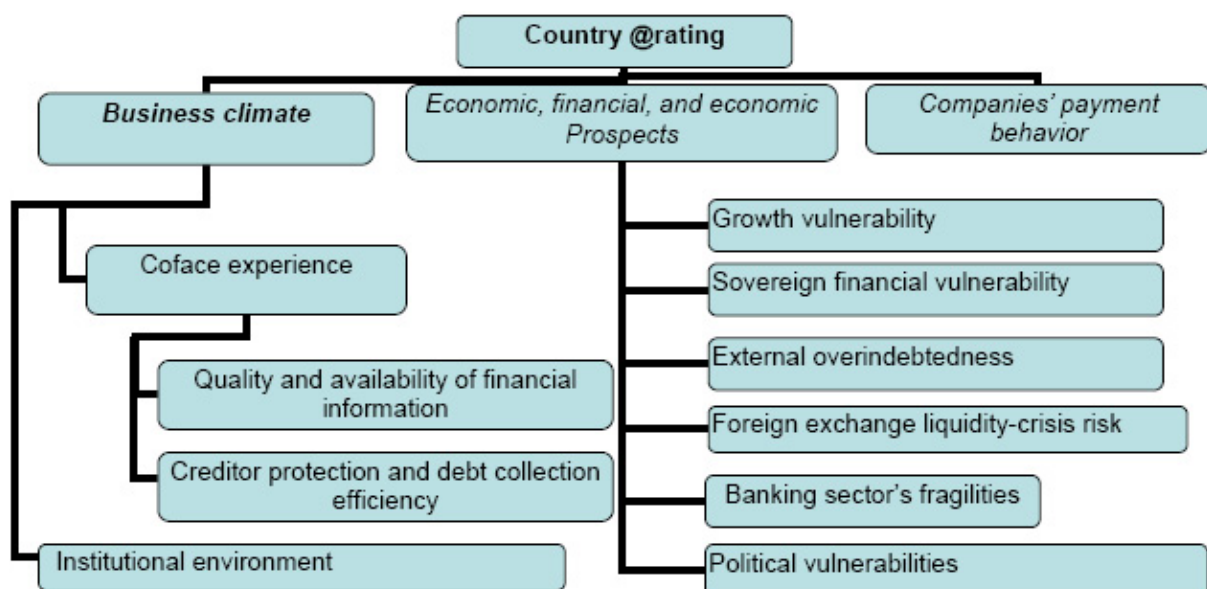


Figure 16: Country risk rating criteria
Source: Trading Safely, Sweden (2009)

Trading safely, Sweden (2009) also shows that Coface published business climate rating for 150 countries and put Sweden in the list of countries ranked as A1 'which represents least risk'. Following figure (17) presents that list

A1	BUSINESS CLIMATE	Country @rating
Germany	A1	A1
Australia	A1	A1
Austria	A1	A1
Belgium	A1	A1
Canada	A1	A1
Denmark	A1	A1
Finland	A1	A1
France	A1	A1
Ireland	A1	A1
Japan	A1	A1
Netherlands	A1	A1
New Zealand	A1	A1
Norway	A1	A1
Singapore	A1	A1
Spain	A1	A1
Sweden	A1	A1
Switzerland	A1	A1
United Kingdom	A1	A1
United States	A1	A1

Figure 17: Countries with least risk
Source: Trading Safely, Sweden (2009)

Intensity of International Trade

According to Indexmundi, Sweden (2008) exports and imports presented in the following figures (18) & (19) provide the total US dollar amount of merchandise exports and imports on an F.O.B. (free on board) basis and C.I.F. (cost, insurance, and freight) basis. These figures are calculated on an exchange rate basis and not on purchasing parity (PPP) basis. Figures below show the rising trends of exports and imports of Sweden. These two primary indicators suggest the intensity of international trade in this country over a period of last 9 years.

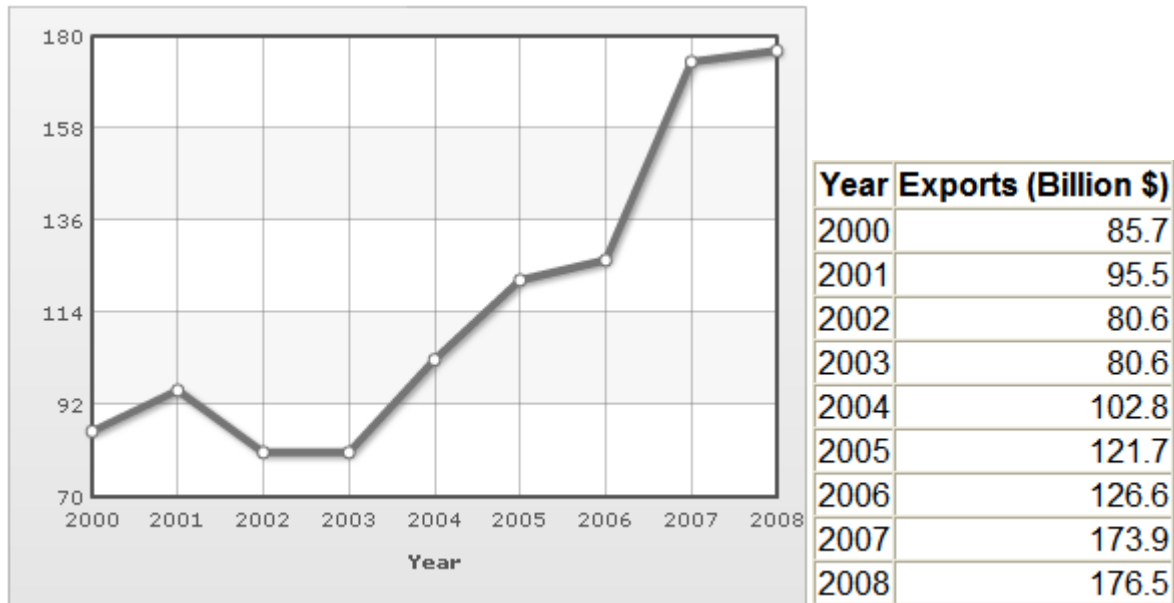


Figure 18: Exports of Sweden in \$ billions (2000-08)

Source: Indexmundi, Sweden (2008)

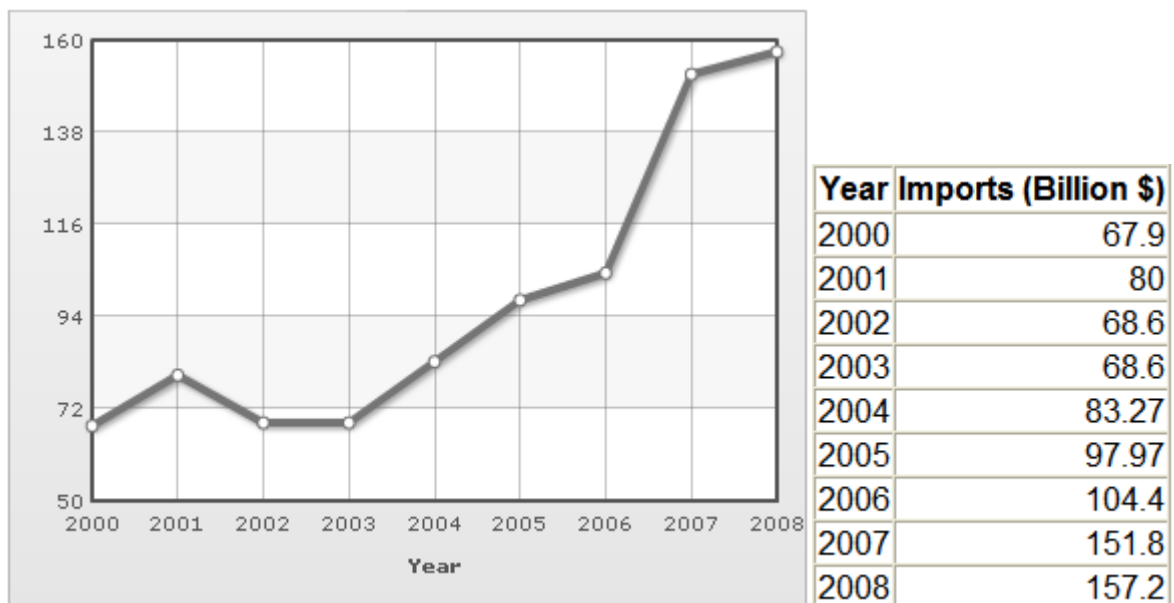


Figure 19: Imports of Sweden in \$ billions (2000-08)

Source: Indexmundi, Sweden (2008)

5.4- Cultural Forces

5.4.1- Technology Level of Sweden

According to Sweden.se (n.d.) “One of the many eloquent indications of Sweden's internationally recognized speed in adopting new technology is that in 1900, Stockholm had more telephones — in absolute numbers — than London, Paris or Berlin”. Swedish people have been so famous for accepting new technology, trends, patterns of behaviors and consumption to a growing extent. Country has been used

as a test market by many major multinational companies in the development of new products and services. Sweden.se (n.d.) states that Sweden is known as the most developed nation in the world in everything from road and highway network, the railroads and other transportation systems to Information Technology.

On a question of technology the sales manager of Palaseja, Mr. Tomas Rumelaitis, states that Extrusion technology is nowadays used by Palaseja for the production of our breakfast cereal products which is a modern and automated technology. He also states that the company has also been updating technology by investing continually in this area to meet the increasing needs of customers.

5.4.2- Individualism or collectivism in Sweden

According to cultural dimensions (n.d.) Sweden is enlisted in top ten countries that are high on individualism. The ties between individuals are loose and everyone is expected to look after himself in cultures where individualism is highly practiced. In individualist cultures, people think of “I”, management techniques and training are based on honesty and direct feedback about specific behaviors. Communication is low context, employee and employer relationship is based on mutual benefits, hiring is based on skills and rules, laws emphasize equality, individuals are managed, tasks are prevailed over relationships, privacy is important and self actualization is the goal.

5.4.3- Breakfast culture in Sweden

Schaeffer (2007) explains the breakfast culture in Sweden. Typical Swedish breakfast includes bread with margarine and cheese, smoked ham, or turkey, some take fruit or juice, tea or coffee. Some take sandwiches, others take a bowl of yogurt or filmmjolk “a cultured milk” as well as cereals such as Corn Flakes and Musli. According to Samuelson (n.d) breakfast in Sweden consists of a hard cheese, cold cut, sausage or marmalade sandwich with a variety of beverages to choose from like, coffee, hot chocolate, tea, milk or juice. Some prefer porridge while other various cereals with yogurt or filmjolk.

According to Juliann Schaeffer (2007) breakfast climate depends upon where you live and work inside Sweden. Morning atmosphere for working men and women in Sweden is very similar to American morning. In Stockholm, the capital of Sweden, people are mostly workaholic so breakfast is usually on the run or in a café or 7-Eleven. On the other hand, in small cities or towns the breakfast is usually taken with the whole family together or while reading newspapers. Further she adds that in small cities or towns people usually don't have to do long travel so they often take better breakfast with their children. Retail store officials said that breakfast cereals are commonly used by Swedes on almost daily basis as part of their breakfast habits and these are like cultural products for breakfast in Sweden.

5.4.4- Gender Roles/Assertiveness-Modesty in Sweden

According to cultural dimensions (n.d.) masculinity/assertiveness can be defined as recognition for a good job, association with high income, challenge to have personal achievements and advancement to life. According to this report, Sweden is at the top of the list of countries ranked lowest on masculinity. Countries lowest on masculinity/assertiveness, are high on feminine/modesty. Countries high on feminine/modesty are considered to be having the following characteristics;

- Caring for others, preservative
- Give value to people and relationships
- Both men and women can be gentle, and both can express weakness
- Everyone should be modest
- Managers use intuition and strive for consensus
- Conflicts are resolved by compromise and negotiation

5.4.5- Business Culture in Sweden

Management style

According to Sverigeturism (n.d) business personnel from Sweden expect the foreign counterpart businessmen to behave in the same way as they do in Sweden. Swedish management style comprises of the idea that individuals should both be willing and able to perform a good job. Swedish managers tend to act as coaches rather than commanders and based on this fact they delegate the authority to perform tasks to their staff. That is why Swedish employees on all levels make decisions individually and solve problems without asking for permission from their managers. Managers are expected to lead their subordinates not through their power or formal position but through the principals of cooperation and agreement. Being a good listener is considered a good quality and getting emotional in discussions is viewed as rather inappropriate.

Power distance

Sverigeturism (n.d) defines the power distance as “the extent to which people in a hierarchical situation feel they can and should control the behavior of others, and the extent to which those others are conditioned by reflexes of obedience”. The power distance in Swedish companies is amongst the smallest in the world and here power distance concept is largely replaced with personal responsibility. Swedish managers rarely show off their formal status and employees normally don't feel inferior to them. A business executive is considered a specialist in managing companies and thus cannot be considered socially superior to any specialist from other fields. Further it argues that Sweden is different from many countries in this regard.

Business Meetings

According to Kwantessential (n.d.) in Sweden, business professionals typically are fairly reserved. You should consider all the business dealings important and take them formal and serious until respective Swedish personnel allow the events to be more relaxed. Maintaining eye contact with a couple of firm handshake in the start and hand shakes with all attendees on both arrival and departure is considered important. In Sweden hosts are addressed with either their professional or honorific title or surname. Since personal space is very important in Sweden so it is recommended to maintain an awareness of personal space between you and attendee and avoid any unnecessary touching.

Business dress is traditional in Sweden which means men should wear good quality suits with silk tie and shirt. Women wear conservative dress and suits. Due to the fact that Sweden is a country which believes in equality so it is strongly recommended that business personnel should not wear anything flashy or ostentatious. (Kwantessential, n.d)

According to Kwantessential (n.d.) it is recommended to give at least two weeks notice in order to arrange a business meeting in Sweden. Punctuality is seen as an absolute essential and if one is late he/she is viewed as discourteous. Swedes directly move to the topic or agenda in question and rarely engage in small talk at the start of a meeting. They also don't like to go out of agenda topics. Business personnel in Sweden focus on extreme details in the meetings so all the presentations should be well prepared and backed up by relevant and accurate data. Swedes rarely make decisions during initial meetings and first meetings are likely to be general and low key. "There are no particular protocols for the exchanging of business cards in Sweden"

Communication and negotiation

Business personnel in Sweden are direct communicators that means "saying what you mean and meaning what you say" is not only practiced but also expected. It is recommended to down tone the use of emphasis or superlatives because it is very rarely seen that a Swede is over elaborating during a meeting even if he/she is selling something. During negotiations in meetings one needs to be cool and controlled as it will be perceived negatively if one demonstrates any emotion (Kwantessential, n.d).

5.4.6- Religion

CIA, World Fact Book, Sweden (2009) states that there are many religions in Sweden. 87% population practices Lutheran while 13% population constitutes people from various religions such as Roman Catholic, Orthodox, Baptist, Muslim, Jewish and Buddhist.

According to Robert L. Sharp (2009) a report by Phil Zukerman, an associate professor sociology at Pitzer College in Claremont, states that Sweden is one of the top five countries where the percentage of the non-believers is high.

Celsing, C. (2006) states people of Sweden show general confidence in liberty, positive view of frankness, tolerance, trust and respect to others. In a survey carried out by Uppsala University, Swedes demonstrated strongest support for a democratic form of government in the world. While they showed weakest support for values related to religion, family, and national identity. According to Celsing, C. (2006) more and more people are leaving the church of Sweden and there are two explanations for this. First one is the exemption from tax if church members leave church and the second explanation could be the removal of Christianity as a school subject. That's why young people in Sweden no longer are familiar with the message of Bible. It further states that Islam is now the second largest religion in the country due to immigration to Sweden. Only 1 out of 10 Swedes thinks that religion is important in daily life.

According to Mr. Tomas Rumelaitis, (See Appendix Interview 9.2) the sales manager of Palaseja, "All of our products are made from cereal, so it is not meat, milk or any other fleshy production. The main ingredients in our products are corn flour, wheat and rice. The technology of producing is extrusion- we do not use any fat while making them, i.e. raw materials are cooked under high pressure steam (without any fat!)". As every country has many religions our products are suitable for everyone from religious point of view.

5.4.7- Swedish Design Aesthetics

According to Sweden.se (2008) "diversity is the new keyword of the Swedish design scene. Emotional values are now reckoned to be as important as function in Swedish craftsmanship and design in general". In January 2007 in Dagens Nyheter, the largest morning paper, an international design jury claimed that, Industrial design is in great shape and healthy state now in Sweden which can be said among the best in the world. Sweden.se (2008) states that traditional Swedish design stood for values like simplicity, functionality and blond wood. But advanced craftspeople advocated for a more abrasive, less perfectionist, and more human attitude to design.

Sweden.se (2008) states that one predominant characteristic of Swedish design today is diversity. The boundaries between design, art, fashion and handicrafts are virtually dissolved. In recent years, Swedish politicians have also shown increasing interest in design issues. As part of this interest, Swedish government designated 2005 the year of design by funding it with resources from Ministry of Industry, Employment and Communication and Ministry of Culture as well. "The narrative drive is now seen in all spheres of design. Even in Swedish industrial design, with its long tradition of functionality and engineering, there is more and more emphasis on adding emotional and human values to products".

5.4.8- Education and Language

According to World Fact Book, Sweden (2009) literacy rate in Sweden is 99% of the total population with equal proportion of both male and female 99%. Based on 2005 statistics education expenditure constitutes 7.1% of the GDP.

According to British journal of nutrition (2007) a survey of Swedish consumers revealed that 84% of respondents shown up to be familiar with the concept of functional food (see Glossary). While 83% had consumed/purchased one of the seven food items asked in survey. According to the study, purchase or consumption of the functional food products was a result of some factors. "The characteristic Swedish functional food consumer has a high level of education, is health-conscious and interested in healthy foods and believes in the health effect of functional foods."

According to The Local (2005) Konsumentföreningen, a consumers' organization, published a report according to which most of the food marketed to children contained higher fat and sugar content than food marketed to adults. Breakfast cereal products were particularly under criticism because of 30-50 percent sugar content. Many popular brands were shown up as worst offenders like Quaker's 'Kalas Puffar', Nestlé's Kangus, ICA's Honungspuffar and Coop's Honey Bees etc. Cereals found to be low in fiber against the expectations of people because most of the products had 1-3 grams of fiber per 100 grams. Report demanded that food targeted at children should have high standards of nutrition which high level of fiber and low levels of fat, sugar and salt. Consumers' organization demanded that the Swedish government should force food manufacturers to make nutritional information very clear on packaging. "The report also demanded that the food industry stops putting toys in cereal packets and stops broadcasting Swedish children's programmes from outside Sweden, a practice devised to circumvent Swedish restrictions on adverts aimed at children".

According to The Local (2007) a couple in Tanum, a town in western Sweden, found dead bat in their breakfast cereal and they told a newspaper about this incident. Couple demonstrated sensitivity and fears that the bat could have been carrying some sort of disease and also contacted local environmental health department.

Kellogg's, a famous breakfast cereal producer, promised to take the matter seriously and sent a representative up there in that town to handle the packaging, cereal and bat. According to Irish Food Board (2008) Swedish consumers show high awareness of environmental issues, organic food production and animal welfare.

According to World Fact Book, Sweden (2009) Swedish is the official language in Sweden and there are small minorities who speak Sami and Finnish. Answering a question on language barrier in Sweden Mr. Tomas Rumelaitis, (See Appendix Interview 9.2) the Sales Manager of Palaseja responded that the products of Palaseja are adapted according to target market. For example, Palaseja changed "Nuttys" brand name into "Nutty" and "Cinamoni" into "Korishka" because they were

more understandable for the customers in Ukraine. For Japanese customers Palaseja is making special stickers on the package with the information in their local language about the product, its ingredients, nutritional value, allergens message etc. So I can say that company 'Palaseja' is able to change some parts of the products to make them adaptable to the corresponding market. Further he states that if changing or adapting packaging design, brand name, package size or even taste is a requirement to enter in Sweden everything mentioned is possible as long as it is not out of Palaseja's mission.

5.5- Competitive Forces

5.5.1- Threat of new entrants

According to Tomas Rumelaitis, the sales manager of Palaseja, (See Appendix Interview 9.2 Q: 11) company at the moment is working with 1 and 1.5 shifts, but the company is able to make 2 and 3 shifts with the same manufacturing line. If company experiences increasing sales they can think to install another manufacturing line, so capacity is not a problem for Palaseja. He also argued that with high volume of production, achieving economies of scale is a must and Palaseja is in a good position to achieve economies of scale for Swedish market.

Retail stores appeared reluctant when they were asked in the interview (See Appendix Interview 9.1 Q: 3) to accept a new breakfast cereal supplier who has not yet established a good brand recognition. Jenny Ahlandsberg and Stina Widmark from ICA purchase department replied "May be, if product contributes with something new". Richard Retfresson from Hamkop thinks that suppliers has to establish a good brand recognition through promotional campaign but later on we can help them including their advertisement in our flier.

Answering a question on current financial position of Palaseja Tomas Rumelaitis said that (See Appendix Interview 9.2 Q: 12) at this time, company is not in a position to invest in expensive market research, radio or television advertisements or other expensive promotional things. But this problem will be solved in future as our brands become popular around the world. Further he continued that entering new markets is possible for our company from financial side in a way that we are able to change package design, package size, add some special ingredients and even to get a special certificate - we have enough capital for these changes. Actually we have entered already some new markets in special countries with special market systems like in Kazakhstan, Japan, Ukraine, Russia investing clever and not a huge sum of money, so, I think everything is possible with our current financial situation.

On a question "would you accept a supplier with less or no ability to supply on credit?" the purchase department of ICA MAXI replied "No". Other stores also appeared reluctant to accept such a supplier. (See Appendix Interview Q: 4)

According to Irish Food Board (2008) Sweden has a concentrated retail sector with established and developed logistics that makes it accessible for exporters. Transport and internal distribution in Sweden are expensive and it is hard for overseas suppliers to build a base there. Laposte Export Solutions (n.d) also states that distribution of consumer goods in Sweden is very structured even though there are still a large number of specialized retailers under 3 dominant groups.

According to Skane, (n.d.) ICA, Coop and Axfood are the clusters which rule the Swedish retail market. These companies run “integrated retail and wholesale operations” and the chains of superstores owned by them “dominate packaged food distribution” which directed to inadequate “competitiveness” in the past and now a days “decision making is centralized” which creates complexity for “new and small suppliers” who want to enter in the market.

5.5.2- Bargaining power of buyers

According to Irish Food Board (2008) Swedish market is highly concentrated and there are 3 main retailers who are at the top and cover 85-90% market share. Persson (2004) reports that the food retail market of Sweden is surrounded by three main players that are ICA, Coop and Axfood and all of these actors have power over 75% of entire “market shares”. The limited figure of players in retail market signifies that **“the Swedish food retail market is highly concentrated”**.

Bergstrom, Fredrik, Daunfeldt, Olof, Rudholm and Niklas (2006) report that like other countries, Swedish retail markets are continuously regulating to “new circumstances”. In the food retail market of Sweden, three main chain stores ICA, COOP and Axfood had approximately **90%** of overall market share in 2005.

Here we will describe a brief introduction of buyers present in Sweden:

ICA

According to ICA (n,d,) Hakon Swenson established a purchasing centre in Vasteras Sweden in 1917 and currently ICA is one of the top retail companies in Nordic region having 2,230 “own and retailer owned stores in Sweden, Norway and Baltic region”. The group had 22,023 employees in 2008 excluding employees in Sweden and employees who work at franchises in Norway.

According to ICA (n.d.) ICA Sverige AB is a top food retail company of Sweden and in 2008, the company “posted revenue of SEK 56,885 million” and approximate sales of 1369 stores was SEK 86 428 million without VAT. ICA stores are divided into four categories according to “size, sales, product range and geographic location. ICA Nara, ICA Super market, ICA Kvantum and Maxi Ica Stormarknad are the main concepts of stores which offer different variety of products including food, special

food for allergy sufferers, book, clothes, household tools, sports and gardening products.

Requirements for suppliers

According to ICA (n.d.) ICA requirements are high for the products that are put up for sale in its superstores which ultimately indicates that ICA enforces high demands on suppliers of these goods. ICA conducts “surveys of customer demand” by market study and evaluates information of its sales in stores.

Axfood AB

According to Axfood (n.d.) Axfood deals in every day consumer product both in retail and wholesale in Sweden and the company has 225 stores and company operates its retail business through its own chain stores i.e. Willys, Hemkop, and Prisextra. The company works together 650 stores which are linked through agreements while in 2008 the company turn over was 31663 million SEK (Swedish Kronor) and employees on average were 6847. Axfood has 17.1% market share in Sweden’s retail market.

Requirements for new suppliers

According to Axfood, (n.d.) new suppliers are required to adopt EDI (Electronic Data Interchange) which deals with exchange of electronic messages among several computer systems. The existing suppliers who are not using this system will have to adopt the system and the suppliers who are already using this messaging system, from 2008 they will be required to adopt ESAP20 standard which is standardized business process for e-commerce.

Coop Sverige AB

According to coop, (n.d.) Coop Sverige runs FMCG chain stores like Coop Forum, Coop Konsum, Coop Nara, Coop Bygg along with the retail consumer cooperative societies. The company is entirely owned by KF and enjoys 21.4% share of Swedish FMCG division. The company has about 700 Coop shops in all parts of Sweden and Coop Sverige reports approximately “55% of all consumer cooperative FMCG turnover”.

Health and product safety requirements

According to coop, (n.d.) making efforts for customer safety is fundamental subject matter of Coop and the company aspires that consumer should have an “access to healthy and safe goods” on stores connected with it. Coop plans to place more strict requirements on chosen product lines typically on its self owned brands than regulation. The same requirements apply on suppliers who are in a relationship with coop. The products which are risky for the consumer health should be removed or

diminished the labeling of a product should clarify if the product is connected with any danger. Coop demands from its supplier to be capable to “document the work of health and product safety”.

Different retail stores think that breakfast cereal products are commonly used by Swedes as part of their breakfast habits (See Appendix Interview 9.1 Q: 15). Officials from different retail stores during interview replied that breakfast cereal products are low profit (See Appendix Interview 9.1 Q: 6). They also think that breakfast cereal products are important to have in store regarding sales. The bigger section of breakfast cereal the better the sales. (See Appendix Interview 9.1 Q: 7)

5.5.3- Threat of substitute products

According to data collected through interviews (See Appendix Interview 9.1 Q: 8, 10) bread and musli are the most common substitutes in the breakfast market of Sweden and talking about relative price they pronounced that substitutes are relatively cheaper than breakfast cereals. They also found the demand of breakfast cereal is stable, Jenny Ahlandsberg and Stina Widmark from ICA purchase department, replied that the demand of breakfast cereals is going down and musli is going up in demand in recent times.

5.5.4- Jockeying for position

Competitors in Sweden

In this section we will describe a brief introduction of major competitors in breakfast cereal market in Sweden.

Kellogg's

According to Kellogg's, (n.d), it is stated that Kellogg's is a global company dealing in breakfast cereals and snacks for more than 100 years ago in Battle Creek, Michigan. The company has almost 32000 employees, manufacturing facilities in 19 countries and sales network in more than 180 countries around the world. According to Kellogg's, (n.d.) Kellogg's arrived in Nordic countries in 1920's and introduced its first product “Corn Flakes” in Sweden in 1929 which became a key success rapidly. According to Kellogg's (n.d), it is stated that the company has launched many popular brands since it started its business in Sweden. “Rice Krispies, All-Bran Plus, Special K, Frosties cereal, Coco Pops, Special k Red Berries representing Multi Grain Loops, brittle rings of oats, wheat, barley and rye flavored with honey” are some of the brands of Kellogg's in Sweden.

Nestle

According to Nestle Sverige AB, (n.d.) it is stated that “Nestle Sweden is a quality conscious company with a long international experience”. The history of this

company started in 1867 by Henri Nestle who initiated “the first industry-produced nutritious food for children”. According to Nestle Sverige AB,(n.d.) it is stated that Nestle has brands in breakfast cereal such as Nestle-FITNESS, Cheerios and NESQUIK. All of these brands include “wholegrain”. The shell made by fiber which is good for stomach and it contains Vitamin B, Vitamin A and minerals and inside the grain, there is starch to give energy.

Weetabix

According to Weetabix Food Company (n.d.) it is stated that Weetabix has started creating tasty breakfast cereals since 1932 and the company has a 75 acre large property in Kettering, The Company was established on a small level but now the company has more than 2500 employees around the world. In Sweden the company sells and markets its products with the assistance of its partner Arvid Norquist. and the company desires to offer Swedish customers “a healthy and nutritious breakfast options”. Weetabix products are among the most important retailers all over the country.

Quaker

According to quaker, (n.d.) it is stated that the company history starts from 1854 by Ferdinand Schumacher who firstly started producing “Rolled Oats in Akron (Ohio USA)”. In 1877, Quaker Mill Company was formed which later on changed its name in 1901 as Quaker Oats Company due to company’s most famed product “Quaker Oats”. In Sweden the company used to operate by the name of “Swedish OTA” and used to market “both breakfast products and animal food”. In 1995; the company sold its animal food business and same year “Quaker Oats Scandinavia” was established. In 2001 it was changed to “PepsiCo Quaker Oats”.

Other competitors

During visits to different retail stores authors also observed that there are many other brands from small competitors with small range of breakfast cereals. We found some corn flakes brands like, Greenfield, Frebaco, Finax, Start and private brands of retail stores.

Tomas Rumelaitis, the sales manager of Palaseja, thinks that (See Appendix Interview 9.2 Q: 12) at the moment most of our products are made for children. The design of the packaging shows that as well. He thinks this niche for breakfast cereals are not full and we have strong advantages there. We always try to make the design attractive for children and we will continue with this thing in future also. All of the tastes of the products are also suitable for children. Another prominent competitive advantage he thinks is competitive price they offer. Visiting the products portfolio on the web site of Palaseja shows that the shelf life for most of Palaseja’s products is

either 9 or 12 months (<http://www.palaseja.lt/products.shtml>). During visits to different retail stores authors observed that the shelf life for the most of breakfast cereal products of Palaseja's competitors also ranges from 9 to 12 months.

5.6- Country of Origin Effect

According to a study "consumer preferences for domestic and organically labeled vegetables in Sweden" by Ekelund, Fernqvist, Tjarnemo (2007) Swedish consumers perceived "Swedish is good enough" with quality as a criterion. Further authors of that study argued that the research situation is somehow different from real shopping experience or environment. Because they think that in real shopping experience consumers come across various different attributes of products. So consumers are not only subject to consider origin of product or method of production only when it comes to shop in reality. Moreover they state that in real shopping environment supermarkets also promote their own private brands regardless of the origin of those brands. Further they add by arguing that this makes the importance of origin less emphatic for consumers in reality.

On a question (See Appendix Interview 9.1 Q: 11), do customers prefer buying Swedish brands of breakfast cereal or imported ones, Mr. Martin Magnusson, the store manager of ICA outlet, replied that most of the time consumers do not care whether the breakfast cereal is produced in Sweden or imported. They go for quality, taste and recognized brands. Richard Retfersson from Hamkop thinks that for food products mostly Swedish customers like to buy brands with high quality. While answering a question on the perception of Swedes about Lithuanian breakfast cereal products, store representatives agreed that they don't have any Lithuanian breakfast cereal products and thus they are not sure about the perception of Swedish customers. (See Appendix Interview 9.1 Q: 12, 13)

6. Data Analysis

In this chapter, the analysis of empirical data, acquired through data collection process, will be presented. We will perform analysis by comparing data collected with theories of theoretical framework in chapter 3.

6.1- Legal Forces Analysis

Empirical data findings show that Sweden and Lithuania both are members of EU so both of them need to follow EEA agreement for free trade. This agreement states that EU members and EFTA countries are just like a single internal market and the movement of goods and services is free. That's why there are no customs duties, quota or tariff barriers between Sweden and Lithuania but still there are some regulations, standards and controls in Sweden that Lithuanian companies, including Palaseja, need to follow as part of international trade.

As Gerald, Jesper, Edwin and Laurence (1994, p.59-61) state in the theory that government being an environmental force affects international marketing and gets involved in a country's economy by planning, participating, controlling or stimulating. They also state that government interferes in international marketing in the form of restrictions and controls that specifically affects import and export in some way. Empirical data findings show some requirements and regulations from government of Sweden that new entrants and exporters of food and breakfast cereal products have to meet before entering Swedish market. As data findings show Swedish government has advertisement regulations for companies that require them to prove that the content of the advertisement is not unfair and misleading in any way. Violation of this regulation may cause penalty of a fine up to 10% of company's annual turn over.

Data findings also show advertisement regulation for children that puts an explicit ban on TV advertisement targeted at children. Because children under 12 don't have enough experience and maturity level to differentiate the idea at the back of advertisement so such advertisements are prohibited. The analysis of these sort of regulations suggest that these are not very strong barriers to enter for new comer organizations but by putting these regulations Swedish government has shown its participation (as theory says) to affect international marketing in a way that seems to maximize consumers' welfare.

According to Cateora and Graham (2005, p.44) standards are sometimes used in a stringent way to restrict trade but large no. of regulations is itself a problem. Further they think that product content regulations are very important. Standards are so important in a way that shipment is accepted and rejected based on them. Data findings also show Swedish product content regulation regarding breakfast cereal products. According to that regulation the maximum level of cesium should not exceed 300 bq/kg in cereal products. If this substance goes above than specified

level the food or the lot to which food belongs would be believed unhealthy for Swedish consumers and therefore may not be offered for sale in Swedish market. So, Palaseja should meet that standard before entering in Swedish market to avoid the rejection of shipment or some other difficulty like that as theory suggests. These data findings also correspond to the theory which states that government intervention can also be in a way to slow down international/export transactions. This sort of regulation can also be seen by new comers as a way to slow down international/export transactions.

Empirical data also shows that new company entering in food business in Sweden needs to be registered or approved by the control and apart from that company should have satisfactory place, equipment and a system of self. Further it shows that companies dealing with food business need to get their plant registered or approved by inspectorate in Sweden. These requirements are only applicable for Palaseja if they plan to open a subsidiary office or install a manufacturing plant in Sweden. But these regulations conform to the theory which says that government intervenes in a country's economy by planning, participating, controlling or stimulating and Swedish government also seems to play the same role here for the welfare of Swedish economy.

6.2- Economic Forces Analysis

Edgar (1997, 83-84) states that no single criterion is advisable to assess market opportunities thus some important economic indicators should be used for this purpose. Data collected shows the status of various important indicators to start with; GDP of Sweden has been shown. According to data collected GDP of Sweden grew from almost 2100 billion of SEK in 1990 to above 3000 billion of SEK in 2008 which indicates an extraordinary growth. In the forth quarter of 2008 global economic recession hit Swedish GDP which caused a rapid decrease in the GDP that according to data collected is expected to continue decreasing till 2010. Data collected also presents a forecast of Swedish GDP for year 2020 according to which GDP will reach just below 4000 billions of SEK till 2020. Collectively it suggests that over a period of 30 years GDP of the Sweden will almost double itself in figure that indicates an enormous growth.

Data states that actual GDP is expected to grow by an annual average of more than 3% in 2011–2016. But economic recession will start recovering in 2011 and GDP will grow by an annual average of 2% during 2011-2020. According to the theory a general consensus about GDP is that if there is a yearly growth of 2.5%-3.5% in real GDP it falls in best overall range which suggests a good potential of a particular market. Based on this, Swedish market seems to offer very good potential between years 2011-2016 and above average potential for the next whole decade in 2011-2020 for foreign companies looking to enter in Swedish market.

According to Investopedia.com (n.d) GDP can be seen as the size of the economy and represents economic production and growth, thus, it can largely impact everyone in the economy. Empirical data verifies the theory by showing that household consumption continues to cut back during the first half of 2009 because of economic recession Swedes are increasing their savings considerably for the future period. Swedish government is expected to announce a tax reduction on households which will contribute to increase their disposable income during 2009 and 2010. This in turn will cause consumption to increase but modestly in the second half of 2009 and in 2010.

According to Edgar (1997, p.84) population is a general indicator to know the market size and is particularly useful in assessing market opportunity if product in question is low unit-value or a necessity. Empirical data shows that Sweden with a population of 9,059,651 (July, 2009 est) is the largest of Nordic countries. In addition, in recent years, Sweden has also experienced a relatively high growth rate in population as compared to past and rest of the region that according to data collected is an opportunity for producers of baby food and they can expect an improvement in their business in coming years. As breakfast cereal is a food product so it is a low unit-value product or a necessity that means Sweden being biggest Nordic country in terms of population validates theory and makes Sweden the biggest market for Palaseja to introduce its breakfast cereal products in Nordic region. Data findings also show that Sweden experienced 3.23% growth of newly born babies (31, 00 babies) in 2004 and most of Palaseja's products are made for children. If the fertility level continues with this growth rate in the future it could be beneficial for Palaseja because they focus on this niche in most of the countries they sell

According to Edgar (1997, p. 84-85) income is such an indicator that very well indicates how attractive a market is because income is positively related to consumption i.e. consumption is generally raised as income rises. Data findings show a gradual increase in disposable income of Sweden as a whole and per capita as well. Data shows an increasing pattern of disposable income in the past from 2004 to 2007 but a declining pattern from 2008 to 2010 as part of global economic recession. Apart from economic recession disposable income has generally shown a gradual increase in disposable income of the country as a whole as well as per capita. Empirical data also verifies the theory by showing an increase in the household consumption expenditure parallel to disposable income over a period of 4 years from 2004 to 2007. Data findings show that household consumption increased as a result of an increase in disposable income in Sweden during 2004-07.

Empirical data also presents that from 2008 household disposable income started declining which also caused household consumption expenditure to decline as well; it validates the theory which says that income and consumption both are positively related.

According to Edgar (1997, p. 84-85) the effect of income can be moderated by cultural preferences but it still indicates the consumption of many products. So, it is good idea to examine the consumption of product in question as it may vary greatly from country to country. Empirical data examines the consumption of breakfast cereal in Sweden. Data findings show that in 1991 the consumption of breakfast cereal in Sweden was 2.5 KG per person per year. Where as, in 2005, consumption jumped at 9.0 KG per person per year that makes Sweden the country with greatest consumption per capita per year. This is also the biggest change in consumption of breakfast cereal as compared to other countries in the study.

Hollensen (2007, P. 144) thinks that the reason behind this big change in consumption is fast paced American style adopted by Swedish consumers which made their breakfast eating on the go. The store manager of ICA outlet says that breakfast cereal has been a cultural product of Swedes and they eat it almost daily. So based on theory, we can say that apart from the effect of income the huge increase in the consumption of breakfast cereal is also a result of cultural preferences of Swedes.

According to Tamer, Pervez, and Milind (2002, p. 69) another important indicator to determine the attractiveness of a market is country rating risk. They think that international marketers should eliminate countries with high risk rating because they pose unattractiveness regarding future profits. Data findings of our study show that Sweden falls in A1 category (which represents the least risk) in both business climate and country risk rating. Based on this it can be said that Sweden poses least risk in country rating which makes it potentially an attractive market for new entrants like Palaseja.

According to Tamer, Pervez, and Milind (2002, p. 70) the intensity of international trade activity going on in a country is also an important economic indicator to be considered by companies. Data findings demonstrate that the international trade activity in terms of imports and exports in Sweden has grown enormously over a period of last 9 years that can be seen a big sign of encouragement by new entrance and Palaseja in particular.

Tamer, Pervez, and Milind (2002, p. 70) think that there is another question which could determine the long run future of the businesses in a target market is as followed; is economic growth and development projected to be sustainable in the target market? Thorough study of data findings in economic forces shows that economic growth and development projected for future is not only sustainable but seems to grow as well in the future. That can be taken as an opportunity by new entrants.

6.3- Cultural Forces Analysis

Ghauri & Cateora (2006, p.83) say that technology includes all the techniques and technical know-how possessed by the inhabitants of a culture. According to them familiarity with simple technology concepts is not a common part of the culture in many countries but western citizens are well known of these simple concepts. Empirical data states that Sweden is not only a highly technological country but also is famous for its characteristic of accepting new technology, trends and patterns. Sweden has been used as a test market by many multinational companies and is known as one of the most advanced countries of the world in everything from road and highway networks to information technology.

According to Ghauri & Cateora (2006, p.84) social structure of a country leads the activities and way in which people associate with each other, organize and govern their lives. Data findings in our study show that Sweden is ranked high on feminine/modesty that shows people are preservative and caring for others, give value to relationships, both men and women can be gentle and can express weakness. Swedish business personnel expect foreign counterpart to behave in the same way as they do. Due to different cultural characteristics, understanding the Swedish business culture is very crucial for companies desiring to enter in Swedish market.

Swedish management style is based on the individualism and authority delegation that is, managers act as coaches rather than commanders. That means they assign the individuals with responsibilities that's why Swedish employees on all level make decisions individually and without seeking permission from their managers. The power distance in Swedish companies is amongst the smallest in the world and here power distance concept is largely replaced with personal responsibility. That means Swedish managers rarely display their formal status that's why employees don't get inferiority complex. Data findings also state that in this regard Sweden is different from many countries. Being different in management style and behavior from many countries and expecting others to behave in the same way corresponds to the theory which states that people in every culture have different perceptions and interpretations about the position of men and women in a society, the family, group behavior and age groups etc. So understanding the cultures of the target market can avoid failure and risk of failure.

Ghauri & Cateora (2006, p.103) state that international marketers might face cultural shock when entering into new foreign markets in spite of the fact that how thoroughly prepared they are. Based on this, cultural awareness becomes more emphatic and data findings about cultural forces present an understanding of business culture in Sweden. Data findings about business culture describe the management style followed by Swedes, Power distance followed by Swedish companies, which

according to empirical data, is amongst the smallest in the world and power distance in Sweden is replaced with personal responsibility. Data findings also show the way business meetings are conducted, the level of formality and professionalism practiced by Swedes and their pattern and behavior of communication and negotiation. Understanding of business culture in Sweden would help Palaseja to minimize the cultural shock while entering in Sweden.

Data findings also present typical breakfast products used by Swedes in breakfast. Swedish breakfast culture shows that breakfast cereals are vital part of their breakfast eating habits in addition to other products. Yogurt or filmjolk is commonly used with breakfast cereals. Breakfast climate in Sweden depends on where you live and work, data findings reveal that in big cities of Sweden people are mostly workaholic and their morning atmosphere is very similar to American style that means their breakfast is on the run or in a café or 7-Eleven.

While in small cities and towns breakfast atmosphere is quite different where breakfast is usually taken with whole family together. People in small cities or town don't usually need to travel long way so they often take better breakfast and with their children. Data findings also show that breakfast cereal products are commonly used by Swedes as part of their daily breakfast food and can be seen as cultural product of Sweden. Data findings substantiate theory by Sak & John (1993, p. 259-60) which states that culture not only dictates priority of needs but also the living style and consumption patterns. Food preferences are affected by geography and economy. Culture not only leads what to be consumed but also affects what to be purchased by the people of a particular culture.

According to Ghauri & Cateora (2006, p.85-86) religion not only affect the habits and outlook of life but also the products they buy and the acceptance and rejection of promotional messages is also influenced by religion. Empirical data shows that the percentage of non-believers is high and Swedes show general confidence in liberty, positive view of frankness, tolerance, trust and respect to others. Data findings also show that only 1 out of 10 Swedes give importance to religion and thinks it is important in daily life. Young people in Sweden no longer are familiar with the message of Bible due to the elimination of Christianity as a school subject. Based on data findings, people in Sweden are insensitive to religion and show liberty towards the outlook of life. Further data findings show that breakfast cereals from Palaseja are equally good for all religions because they don't include any ingredient inappropriate for the followers of any religion. So, we can say that Palaseja seems not to find any issues regarding religion in terms product acceptance. Also Palaseja seems not to find any issue regarding religion in terms of acceptance and rejection of promotional messages because Palaseja shows great flexibility towards cultural adaptation according to data findings.

Ghauri & Cateora (2006, p.87) affirm that aesthetic values should be correctly understood in order to avoid marketing issues. They assert that product styling, advertisements and package designs must be aesthetically pleasing to be successful. Data findings show that Sweden has a very rich past and future of design aesthetics. In Swedish industrial design, in addition to functionality there has been more and more emphasis on adding emotional and human values to products. Sales manager of Palaseja thinks that it is possible for Palaseja to change some parts of the offering specially package design, size and brand name to enter in new markets. Palaseja is open to any idea that could help them to enter in Sweden. Based on the openness and willingness of Palaseja towards change and adaptability, it seems that product styling and packaging designs required to appeal Swedish market should not be an issue for Palaseja. But correct and thorough interpretation of Swedish design aesthetic is a prerequisite to avoid any risk in this regard.

According to Ghauri & Cateora (2006, p.85) literacy rate is yet another aspect that shapes the behavior of a society. International marketers must understand the level and role of education in the target market to be able to design the marketing strategy. Empirical data findings show that literacy rate of Sweden is extremely high with 99% of the population literate. Due to high literacy rate consumers and consumers' organizations have certain expectations about product contents and standards. Swedish consumers show high awareness of environmental issues, organic food production and animal welfare. Consumers' organization is demanding that the Swedish government should force food manufacturers to make nutritional information very clear on packaging. They also have awareness and demand to stop broadcasting Swedish children's programs from outside Sweden because they think that this is a way of getting around the Swedish restrictions on adverts targeted at children. Empirical data findings affirm the theory which states that the literacy rate can influence even the type of advertisement and communication to be used in target market.

Ghauri & Cateora (2006, p. 87) the importance of language can never be ignored by successful marketers. Marketers have to understand the difference in idiomatic meanings because idiomatic interpretation is sometimes different from dictionary. Written and spoken language is often different so carelessly translated statements not only lose their intended meanings but can also suggest something different, obscene, offensive or ridiculous. Data findings show that Palaseja is very sensitive to language differences and is used to responding such language differences and idiomatic interpretations in different countries with openness. Based on this we can say that although language barrier is of extreme importance but Palaseja's openness, sensitivity and willingness to handle this aspect should help them minimize language barrier.

6.4- Competitive Forces Analysis

Porter (2008, P.23-25) states that the importance of an entry threat depends on existing barriers and reaction from existing rivals in a market. Empirical data findings show that there are some possible entry threats or barriers Palaseja can come across in Swedish market that determine their importance. Data findings show that Palaseja is very confident that high production volume is not a problem for them; they have ability to increase their productivity in terms of volume and economies of scale. And if they experience increasing sales and demand they can install another manufacturing line. People at Palaseja also think that they are in a good position to achieve economies of scale benefit in Swedish market. This corresponds to theory which states that economies of scale discourage the new entrants by forcing them either to enter on a large scale or to accept a cost disadvantage. Analysis of the situation indicates that Palaseja seems not to face cost disadvantage in Sweden because they are capable to enter on large scale by achieving economies of scale. On the other hand we can also assume the economies of scale that big existing competitors are capable of achieving in comparison to Palaseja and this can be seen as a possible threat to enter for Palaseja.

Theory also suggests that economies of scale not only in production but also in marketing, research and service are probably the key barriers to entry in an industry. Data findings show that Palaseja at the moment is not in a position to make heavy expenditure on market research, radio or television advertisements or other expensive promotional things but they are very optimistic in future not to have this situation. So, here Palaseja appears to have barrier regarding research and marketing economies of scale.

Porter (2008, P.23-25) states that brand recognition creates a hurdle which influences new entrant to spend a lot to conquer customer faithfulness and loyalty. Our data findings show that retail stores (buyers) in Sweden appeared reluctant to accept a supplier who has not established good brand recognition through advertisement and other promotional campaigns. Data findings also show that Palaseja has not established good brand recognition but they are very optimistic to have good brand recognition in the future. This indicates that brand recognition could act as a big hurdle for Palaseja to enter in Swedish market (as suggested by theory). Theory also suggests that Advertisement and product differences are some of the factors to develop brand identification. On the other hand, Palaseja's inability at the moment to spend on expensive TV advertisement, research and promotional campaigns indicate that Palaseja may find it difficult to develop brand identification in Sweden at the moment.

Theory states that capital is yet another barrier to enter in the market. It requires companies to invest heavily to compete in the market especially if capital is requisite

for unrecoverable expenditure like advertisement and R&D. We have already mentioned above that Palaseja is not in a position to invest heavily on TV advertisement or research but they are certain that this problem will be solved in future as their brands become popular around the world. This indicates that Palaseja, with their current financial position, appears to face capital barrier to enter in Swedish market (as suggested by theory).

Theory further states that capital is not only required for fixed assets or facilities but also for customer credit, inventories, absorbing start up losses as well. Data findings shows that retail stores/buyers in Sweden are not willing or reluctant to accept a supplier with no or low ability to supply on credit which indicates that Palaseja needs to have enough capital to supply on credit to its buyers in Sweden. But Palaseja would only come across expenditure like fixed assets, inventories or absorbing start up losses if they install manufacturing plant in Sweden or open some sales point like warehouse or something.

Empirical data shows the distribution of consumer goods is very structured in Sweden. There is a large no. of specialized retailers under three dominant groups. ICA, Coop and Axfood rule the Swedish retail market and they run integrated retail and whole sale operations. They have centralized decision making which makes it difficult for small suppliers to enter in this market. This situation corresponds to theory which says that if distribution channels are limited and the existing competitors have occupied them then it would be tough for a newcomer to enter into the industry. Our data findings show that Sweden has limited no. of distribution channels for Palaseja. And available distribution channels have integrated retail and whole sale operations with centralized decision making which might create some difficulty for Palaseja to enter in Swedish market as a new comer.

Empirical data findings demonstrate that Swedish market is highly concentrated with 3 main retailers (ICA, Coop, Axfood) who are at the top and cover 85-90% market share. The limited number of players in retail market signifies that the Swedish food retail market is highly concentrated. Data findings verify the theory which affirms that buyer group is dominant if it is concentrated or it buys huge quantity. Since buyer group in Sweden is concentrated so it seems to be very influential and dominant over supplier as theory suggests. Data findings also show that all three major players in Swedish retail market put some extra requirements on suppliers which can be seen as a way to demonstrate power or influence on suppliers.

Theory states that buyer group is dominant if the products purchased from an industry are regular or undifferentiated and in this situation buyers are confident to discover new substitute suppliers. Data findings show that breakfast cereal products are commonly used and regular products which according to theory indicate that buyers from Sweden are dominant because they would feel confident to look for new and better substitutes since Palaseja's products are regular and undifferentiated for

them. Breakfast cereal products appear to be low profit according to data findings which confirm the theory that says “a buyer group is dominant if it is earning low profit and this might motivate them to reduce their purchasing cost”. In this situation when retail stores/buyers in Sweden are earning low profits from breakfast cereal products they might reduce their purchasing cost as well which indicates their influence or dominance in the market. Here Palaseja need to exploit their competitive price offering that they think can be a competitive advantage for them in Swedish market.

Theory also asserts that a buyer group is influential or dominant if an industry's product does not have a significant importance for the buyer's product quality. Data findings show that retail stores/buyers in Swedish retail market think that breakfast cereal is an important product section to have in stores regarding sales, the bigger the section the better the sales. This indicates that breakfast cereal products are important for buyers thus here buyer group seems not to have influence on Palaseja.

QuickMBA, porter's five forces (n.d.) states that substitute products create a threat to a product by affecting its demand through price change. Substitute products impact on a product's price elasticity. Data findings show that the most common substitutes in the breakfast market of Sweden are musli and bread. And substitutes are also found to be relatively cheaper than breakfast cereal products according to data findings. This indicates that Palaseja has relatively cheaper substitutes for its products in Sweden and substitutes can be a big threat for Palaseja because they can affect its demand by reducing their own prices. Palaseja needs to consider price elasticity because theory states that a close substitute product restricts the capability of firms in an industry to increase prices.

Porter (2008, P.33) states that rivalry is considered to be high in a market if the competitors are almost equivalent in their size and power. Data findings present a little detail of each major competitor in Swedish market which indicates that major competitors like, Kellogg's, Nestle, Wheetabix and Quaker are almost of same size in terms of their breakfast cereal range in Sweden. We can assume that all of them also have certain level of power over retail stores/buyers because of the fact that breakfast cereal products constitute an important section of their store sales (already mentioned above). So, this indicates that current rivalry in Sweden is high which might create a problem for Palaseja to enter.

Theory states that extreme rivalry also comes into play if the product or service is deficient in differentiation. Data findings demonstrate that most of Palaseja's products are made for children; they focus on this niche and think that this can give them strong advantage over competitors. Another competitive advantage they think they can offer to their customers is competitive price as part of their differentiation from competitors. It indicates that Palaseja tries to differentiate itself from competitors and it is likely that they might not face high rivalry from this perspective.

Theory also states that if fixed costs are high or the product is perishable, creating strong temptation to cut prices, rivalry is likely to be high in this situation. Data findings present that the shelf life of Palaseja's products is either 9 or 12 months which makes them perishable products. According to theory it is likely that buyer group asks Palaseja for price cut in this situation. But data findings also show that the shelf life of competitors' products is also same making them perishable as well which indicates that Palaseja is not the only one facing this problem in the market. So, in this aspect rivalry would not be that high for Palaseja.

6.5- Country of Origin Effect Analysis

According to Ghauri & Cateora (2006, p. 314-15) ethnocentrism is important to have country-of-origin effect in a way when consumers feel national pride and buy only domestic or national products and this can influence their attitude towards foreign products. Empirical data findings show that although Swedish consumers perceive Swedish products good enough with reference to quality. But real shopping experience is somehow different in which consumers have to consider many other attributes of product rather than considering only the country of origin attribute. Data findings show that in Sweden, super stores promote their own private brands regardless of the origin of those brands which really makes the country of origin effect less important in real shopping experience for Swedish consumers. Data findings also show that mostly while purchasing breakfast cereals Swedish consumers don't normally care about the origin of the product instead they care for quality brand and taste. So, Palaseja seems not to face any problem in this regard if they ensure quality and taste.

Ghauri & Cateora (2006, p. 314-15) consumers often have stereotypes about the products and countries that are formed as part of their experience, hearsay and myth in a society. But they also assert that these stereotypes are sometimes broad and somewhat vague. Empirical data findings from the officials of retail stores show that their stores don't carry any food products particularly breakfast cereal products from Lithuania that means Swedes don't have any past experience nor they have any myth about the food products manufactured in Lithuania.

Data findings also show that export amounts to 60% of the total sales and export markets comprise of many developed countries including Baltic States, England, Ireland, Germany, Finland, Australia, America, Russia, Kazakhstan and Mongolia. After looking at the volume of export and export markets we can assume that Palaseja produces good quality breakfast cereals because so many developing countries are importing from Palaseja and selling in their countries particularly England, Ireland, Germany, Australia and America. So, in real shopping experience, if Swedes go for quality instead of country of origin then Palaseja seems not to have country of origin effect a great deal in Swedish market but they are subject to face

brand recognition problem as they have not establish a good brand recognition and Swedes prefer to buy quality food brands.

7. Conclusion

This chapter presents the conclusion of the data analysis from previous chapter. In this chapter the answer to the research question of this study will be presented. At the end, based on analysis and conclusion the recommendations will be presented.

After analyzing the data in chapter 6 we figured out the influence that the environmental uncontrollable elements can have on the existence of Palaseja in Swedish market. Study found that there are no tariffs, quota or custom duty barriers between Sweden and Lithuania due to the reason that they both are members of European Union. But there are still some regulations, standards and controls from Swedish government that need to be met by Lithuania in order to have international trade with them. Report found that there is advertisement regulation which makes sure that companies don't use unfair or misleading advertisement in any way. Ban on TV advertisement targeted at children under 12 is another regulation companies, including Palaseja, need to follow in Sweden.

Report also found that Sweden puts 'product content regulation' which determines maximum level of cesium to be included in cereal products in Sweden. If maximum level of cesium exceeds product cannot be offered to sale in the market. Apart from that study also reveals that Sweden has some other legal requirements for companies entering in food business and those regulations are; plant registration or approval by inspectorate and site/place or equipment requirements. What regulations out of these Palaseja need to follow depends on how they enter in Sweden.

In this study we also came to know that the economy of Sweden has been in enormous growing state in the past. Global economic recession has hit Swedish GDP badly in 2008 but forecasting shows a tendency towards quick recovery, thanks to the courtesy of Swedish government's efforts. A growing trend has been suggested to resume growth in the future. Sweden is the biggest market of Nordic region in terms of population as well as breakfast cereal consumption per capita per year. Country is known as having much more purchasing power as compared to average European purchasing power but recently, household consumption has cut back due to global economic recession. Our study suggests that, purchasing power as well as economy as a whole will start recovering soon and as a result, Sweden will resume the past economic growth. Regarding country risk rating Sweden has been found to be having least risk in business climate as well as country risk rating.

Different Cultural forces have been studied that Palaseja needs to consider while entering in Sweden. Sweden has been found to be a test market by many multinational companies due to its characteristic of accepting new technology, trends and patterns that is a sign of encouragement for new entrants. Thesis study shows the business culture in Sweden which is different from many countries. Swedish business personnel expect their foreign business counterparts to behave in the same way as they do that shows their tendency towards requiring cultural adaptation for

successful business deals. Management style in Sweden is based on authority delegation, that means individuals are assigned responsibilities and are free to do the assigned tasks in their way and managers who act as coaches rather than commanders require only results from them no matter how do they achieve the assigned task as long as they are result oriented. Study further presents Swedish business culture from different perspectives. It shows that the level of formality and professionalism practiced by Swedish business and the power distance followed by Swedish companies is amongst the smallest in the world.

Swedish breakfast culture shows that breakfast cereal is a vital part of their breakfast habits and with largest breakfast cereal consumption of 9.0 kg per capita per year; Sweden is an attractive market for breakfast cereal manufacturers. The impact of religion on the lives of Swedes and their tendency towards accepting or rejecting products and promotional messages has also been explored which demonstrates no issues or sensitivity from Swedes in this regard. Report also studies many other aspects of Swedish culture and their possible impact on Palaseja. Swedish design aesthetics have been found to be very rich particularly Swedish industrial design has put emphasis on adding emotional and human value to products which needs to be taken very seriously by Palaseja. Literacy rate and level of awareness of Swedish consumers about products is also of great interest to Palaseja in particular. Report also shows that Palaseja is very sensitive to language differences in different markets and responds to such difference in idiomatic interpretations with openness and adaptability that really helps them avoid language barrier.

Report presents some entry threats that Palaseja might face while entering in Swedish market. Although Palaseja thinks that they are capable enough to achieve economies of scale in Sweden but considering gigantic competitors they have in Swedish market and in addition to their ability to achieve economies of scale also gives some signals of risk which might be seen as an important entry threat. The low ability of Palaseja to achieve economies of scale in research and advertisement is yet another possible entry barrier for them. As Palaseja has not managed to establish a good brand recognition for its products and with their current financial position and willingness to spend they seem to find it difficult to establish brand identification in Sweden because it would require them to spend a lot which is another entry barrier for them. Huge capital requirements and their current financial position is yet another entry barrier for them. Highly concentrated retail structure of Sweden makes it a market with limited no. of distribution channels in addition to that their integrated retail and whole sale structure with centralized decision making makes it difficult for Palaseja to enter in this market easily.

Studies find that buyers/retail stores in Sweden are very dominant and powerful because of their concentrated nature and market share. So, they are in better position to demonstrate power on suppliers like Palaseja in particular due to its relative size. Buyers are found to be dominant because breakfast cereal products

are regular/undifferentiated and low profit section for them so they can exercise power on Palaseja by putting some extra requirements. Since breakfast cereals are important product section for retail stores regarding their sales that might balance they power of buyers over Palaseja. Study also found two common substitute products for breakfast cereal that are musli and bread with relatively low price. These substitutes are likely to affect the demand of breakfast cereal products and also might cause Palaseja to cut down the price of its products by reducing their own prices which is a threat for Palaseja indeed. Current rivalry in Swedish breakfast cereal market has also found to be high which can influence the entry of new comers and Palaseja in particular.

Report also studies the country of origin effect in Sweden and its possible impact on Palaseja. After analysis authors found that although Swedes are known to perceive Swedish food products good enough regarding quality but real shopping experience is somewhat different where consumers are suppose to consider many other attributes of products apart from country of origin attribute alone. In Sweden, retail stores promote their own private brands regardless of origin of those brands which really fades out the country of origin effect. In addition to that, the export volume and export markets of Palaseja suggest something else regarding country of origin effect and its impact in Sweden. Report finds that considering all those factors Palaseja doesn't seem to find country of origin effect a great deal in Sweden but they seem to find brand recognition problem because Swedes prefer to buy quality food products with good brands. Conclusion as a whole describes the possible influences of mentioned uncontrollable elements of Sweden on the presence and potential success of Palaseja in Swedish market.

7.1- Recommendations

- It is necessary for Palaseja to have comprehensive knowledge of requirements and obligations which are applicable to start food business in Sweden especially food controls and standards, product content regulations, plant registration with competent authority and advertisement laws.
- Based on the study results this is not advisable time for Palaseja to enter in Sweden since economic recession is going on and household consumption has cut back and continues to cut back. Palaseja should enter in Swedish market in the second half of 2010 because by then Sweden is expected to start recovering from economic downturn.
- Since low price is not a big attractive product attribute for most of Swedish consumers so, Palaseja needs to concentrate on increasing quality instead of decreasing price while entering in Sweden.
- Palaseja should increase its advertisement and promotional budget to establish its brand recognition in order to be able to exploit the full potential of Swedish market.
- If Palaseja finds it difficult to invest heavily to establish good brand recognition then they should not enter in Sweden with Palaseja's own brands. Instead Palaseja should contact buyers like ICA and Hamkop to supply them products with their private brands like ICA and Hamkop break fast cereal brands after making required and appropriate adaptations.

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9. Appendix

9.1- Interview from retail stores in Sweden

Questionnaire (Breakfast Cereals)

1. What is the reaction of existing big brands of breakfast cereal when a new brand enters the market? Do they push you around in some way like, to display their brand with more shelf place and so on?
2. Would you accept a breakfast cereal supplier who doesn't have ability to supply big volumes but offers good quality & very competitive price?
3. Would you accept a new breakfast cereal supplier who has not yet managed to develop a good brand recognition but offers good taste and quality along with competitive price?
4. What are your normal observations of payments? Would you consider a supplier with inability to supply on credit?
5. Do you have any legal or political requirements from Sweden like, licensing, or trade quota when looking for suppliers of breakfast cereals?
6. How would you classify breakfast cereal; high profit products or low profit products?
7. Do you think having no or limited variety of breakfast cereals in you stores can affect you sales a great deal?
8. What are the substitute products you think that affect the sales of breakfast cereals in your stores? Are the substitutes relatively low priced or high priced?
9. Which brand of breakfast cereals is most popular in customers?
10. Do you feel the demand of breakfast cereals going up or down in recent times?
11. Do customers prefer buying Swedish brands of breakfast cereal or imported?
12. What is the perception of Lithuanian food products in the minds of customers; do they consider them good or bad?
13. Do you have any Lithuanian breakfast cereal brand in your store? If yes, how do consumers perceive it in terms of quality or price?
14. Are the customers price sensitive while buying breakfast cereals?

15. Do you think breakfast cereal products are cultural products of Sweden means Swedish people commonly and often use cereals as part of their breakfast habits?
16. Do immigrants or international students from other religions also use same amount of breakfast cereals as Swedish customers do or do they prefer other products for their breakfast?

9.2- Interview from Sales Manager of Palaseja

Interview Questions (Palaseja Breakfast Cereals)

1. Do you think your products are suitable for consumers of all religions like, Hindu, Muslims, and Buddhists etc? Is there any ingredient which might cause consumers of any particular religion not to use your products? For example non-halal ingredients (not suitable for Muslim consumers)
2. How latest is the technology you use for the production of your cereal products?
3. Do you think Swedish language is a considerable barrier (for example in product packaging, promotional material and so on) in order to enter and operate in Sweden? How can you overcome this barrier?
4. What do you think is the general perception of Lithuanian food products (regarding country of origin, quality, taste, and price) around the world or in countries where you are already exporting?
5. What do you think about the perception of Lithuanian food products in Sweden?
6. How do you think that your Cereal products are of good enough quality to meet high quality needs of Swedes?
7. What are the strengths of Palaseja's cereal products that you think can act as competitive advantage for Palaseja in a new market like Sweden?
8. What market entry strategy is commonly used by Palaseja to enter into a new market? Is it indirect export, direct export, opening a sales subsidiary or establishing a manufacturing plant when entering into new markets?
9. Do you also produce organic breakfast cereals?
10. Do you think your breakfast cereal products come under the category of functional food?
11. Do you think Palaseja has the capacity to produce on large scale to achieve economies of scale for big markets?

12. Do you think you have enough capital to enter in new markets?
13. What are the substitute products that you think can affect the demand of your breakfast cereals?