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Competitive Strategies of Ethnic Food Companies in Sweden

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Abstract

Title: Competitive Strategies of Ethnic Food Companies in Sweden

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Introduction: Sweden has a population of 9.1 million habitants and approximately 1.2 million people or 13% of the Swedish population consists of foreign nationalities or individuals born abroad. If the second generation is included in the consideration then the number increases to approximately 1.6 million which in the end corresponds to over 17% of the total population. (Market Brief Focus on Swedish Market, 2007, p.3) Under such circumstances, it is not unusual to see demand for ethnic food. During the last few years, ethnic food products have experienced a very positive market trend and the development is a reflection of both the increasing number of immigrants and native Swedes increasing interest in ethnic foods. (Ibid, p.6) “Several years ago, immigrants constituted the principal consumer group of ethnic foods, but this has changed over the years” that “Swedish consumers are now more and more regarded as the main consumer group of ethnic foods” (Ibid, p.6) Under such circumstances, the competition among the companies rise that companies try to raise their level of competitiveness. Doing so, companies adopt some strategies and develop some competences to outperform the rivals.

Problem: How to compete in Swedish ethnic food stuff industry?

Sub questions;

- What competitive strategies should be carried out?

- What competences and competitive advantages should be developed?
**Purpose:** The aim of this thesis is to identify the competitive strategies of existent ethnic food stuff companies in Sweden in order to set a success model for the new entrants as a guideline. To be able to set a clear model the distinctive competences of the companies on which strategies are constructed will be identified.

**Method:** In this dissertation we used both primary and the secondary data. The primary data that we used consists of interviews that we made with the informants from the ethnic food stuff companies and retailers. The secondary data that is used in the thesis generally consists of resources that are relevant and valid such as reports from Swedish Chambers, European Union and reports from United States Department of Agriculture (USDA) as well as some dissertations from Swedish universities.

**Analysis and Conclusions:** In Swedish ethnic food market both market structure and companies’ resources play important role in the shaping of competitive strategies. Case companies Laroc AB and Sevan AB follows the product differentiation strategy. Companies differentiate in quality, price and product variety. Also, they follow special strategies in branding and target different consumers groups. We recommend to new entrants to follow Sevan’s strategy in the short time which is providing well known brands from Middle Eastern region. However, in the long run, we recommend them to follow Laroc’s strategy which is generally based on creating its own brand name. One of the other recommendations we have for the new entrants is working with the independent stores that are not explored by the other ethnic food stuff companies. Another recommendation that we have for new entrants is the processed food and ready meal products. In the market for Middle Eastern processed food and ready meal products, there is a limited range of products. Ethnic food market is changing, as the only thing that does not change is change itself. Ethnic food is losing its ethnicity as it gets appreciated by the consumers and embeds into culture. Thus, both current competitors and new entrants should be aware of the changes and orient themselves accordingly.
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1. Introduction

1.1. Background

In the globalizing world market conditions, day by day it is getting easier to find a foreign product in your nearby supermarket shelf. Sweden is one of the countries that have a high yearly migration number of 8.8 people per 1000 inhabitants which is over the 6.2 rate of EU average (Eurostat, 2009) and contains population of 1.6 million with backgrounds from different cultures and origins. In Sweden there are many immigrants or asylum seekers coming from various places like Eritrea, Finland, Greece, Iran, Iraq, Italy, Lebanon, Syria, Turkey, Yugoslavia (Swedish Migration Board, 2009). However, the abundance of ethnic food from some cuisines in the retailer markets draws attention. Due to increased interaction with foreign food products in the course of immigration and increased export-import relationships among countries, in recent decades, Sweden became a market where it is possible to see various food products from overseas destinations. Ethnic foodstuff firms are one of the foreign importing companies in the market. These food products are both available in small size ethnic markets and in big Swedish retailer chains, which is consumed by both native Swedes and the residents of Sweden with different origins.

In the Swedish ethnic food market, foods from Asian, Mexican, Mediterranean and Middle Eastern cuisines are provided for all consumers. Asian and Mexican foods are the most popular ones among the ethnic cuisines. Sweden captures the 8.2% of the Mexican foods retailer market and 7.0% of the Asian foods retailer market of Europe although it has a considerably lower population than other countries (Church et al, 2006). However, researchers argue the potential growth in Middle Eastern market due to increased interest of consumers in that cuisine (Fox Research AB, 2007). In retailers it is easy to find Mexican food ingredients; tacos, burritos, tortillas and Asian hot sauces and spices. Although most of the ethnic food products in Sweden are imported from overseas, there are some local manufacturers produce Mexican food items and Asian sauces. In the market, Santa Maria, Param Para, Blue Dragon, Agro-Union are the well know brands for sauces, spices and ingredients for Mexican and Asian foods. On the other hand, Uncle Bens, Friggs and Risenta are known for the ethnic cereals and dried foods. For Mediterranean cuisines Zeta and Fontana are the strong brands providing various products like olive, oils, jars and canned products etc. However, for the Middle Eastern cuisines there are a few companies providing...
products for consumers. Among those Sevan AB and Laroc AB are the largest ones. In Sweden, Mexican, Asian and Italian food markets could be evaluated as mature with respect to Middle Eastern market, in terms of market structure. Middle Eastern market is expected to growth in a few years and it provides a good potential for companies who wants to enter to Swedish ethnic food stuff market.

As the subject of this study, the competitive strategies of Swedish ethnic food stuff companies are being examined. In order to have an in-deep research, the distinctive competences and competitive advantages of ethnic food firms in Sweden are being studied. Doing so, the companies Laroc AB and Sevan AB are chosen as the case companies. It is tried to come up with some deliberate competences and strategies which creates the success of the companies.

Keywords; Strategy, Competitive Advantage, Core Competence, Ethnic Food Companies, Sweden.

1.2. \textbf{Research Question}

How to compete in Swedish ethnic food stuff industry?

In order to answer this question the following sub questions is tried to answer;

- What competitive strategies should be carried out?

- What competences and competitive advantages should be developed?

1.3. \textbf{Purpose}

In this dissertation, the competitive strategies of Swedish ethnic food firms will be examined. In order to answer the research question, the distinctive competences of the ethnic food firms as the main architectural elements of the strategies will be identified. In order to be critical, the competitive factors of the market that lead companies to build competitive strategies will be analyzed. This research aims to set a success model as a guideline for new entrants in Swedish ethic food market. Because there are not many studies for ethnic food companies in Sweden, this dissertation is expected to be a contribution to literature in the sense of starting the strategy research of ethnic food stuff firms in Swedish market by analyzing the market structure and competitive strategies of the companies. It is hard to find reliable sources on this subject since only a few studies had been done on Swedish ethnic food stuff market however there are some useful resources such as Ethnic Food 2007 market brief of Swedish Chambers
USDA retail food sector report for Sweden 2008 and a dissertation work from Goteborg University. Even though some difficulties have been faced when searching for resources in this subject, we hope that the deep knowledge we had in this issue, will be helpful to our target group which is new entrants for Swedish ethnic food stuff market.

1.4. Method and Philosophical Assumptions

The information that we get might be objective or subjective as well as it can be multiple. In the study carried, it is assumed that the data collected is exposed to subjective judgment of the participants. Indeed, the data is being collected is biased with the judgment of the participants, that is why; triangulation method is applied to provide the reliability and validity of the data. For example, the main consumption group of ethnic food stuff is being judged differently by the participants. The informants from Laroc AB, Sevan AB and ethnic food store expressed that the both indigenous Swedes and ethnic groups have approximately the same weight in the consumption of the products while the informant from hypermarket claimed that the indigenous Swedes has relatively small consumption rate for the products. Being aware of the subjectivity of the data, the biased caused by participants is tried to be avoided by triangulation method. On the other hand, the truth about the study is covered more and more by each interview carried out. As we did interviews, we partly became insiders however interviews with different companies helped us to keep our interest for objectivity. With each interview, we learned more about the situation and the modification of the data decreased. At first we were thinking that the ethnic food products are consumed mainly by ethnic groups, however, having more and more interviews we figure out the real situation is not the one we expected it to be. We, the authors of the research, are native speakers of Turkish also we are believers of Islam. One of the other values we have is the rationalist approach. In our research, we tried to be objective as much as possible however there is always possibility that one can lose objectivity without noticing. We used both Turkish and English while collecting information. If we add into consideration that languages effect the way of thinking then it is possible that we might have been effected by Turkish since it is our native language. Another effecting factor might be our religion. Even though we do not consider ourselves as religious, we might have been affected by religion since religions usually shape peoples way of thinking.
1.5. **Limitations**

The study is limited to analyzing some case studies of the target firms. The number of companies are being analyzed is kept limited “two” because of timing and financial constraints to execute the study. Related to product range of the two companies being analyzed, search will focus on Middle East and Mediterranean cuisines. In addition, because of the same reasons with company number limitations, the number of retailers being interviewed to provide triangulation of the data kept limited to “one” ethnic store and “one” big hypermarket.

1.6. **Disposition**

Our research is made of seven chapters, each chapter dealing with a specific part of the research which in the end constitutes a whole. First chapter which is the introduction chapter mainly consists of background, research problem, research purpose and limitation in order to introduce and give a general idea about the research. Second chapter is the theoretical framework; the purpose of this chapter is to provide an understanding of the theories and concepts that are used to analyze findings further in the thesis. Some of these concepts are Porters Five Forces Model and Resource Based View is explained in detail.

The Methodology constitutes the third chapter in the thesis. In methodology the aim is to provide information to reader on how the research will be done and which resources are preferred. Methodology consists of five parts which are topic selection, literature review search, development of conceptual framework, methodological stance and research methods. Fourth chapter which is findings is based on presenting the information that we were able to reach whether primary data or secondary data. The information that is given in the findings is both based on general market conditions in Sweden as well as firm based information. The fifth chapter is the analysis. In the fifth chapter we will combine the findings with the theories in order to be ready to next chapter which is conclusions. In sixth chapter which is the conclusions part, we will emphasize the conclusion that we reached through analyzing the findings. The last part is the recommendations part in which we will give some recommendations for what could be done in this field.
2. Theoretical Framework

In order to set a research about business strategy, competence and competitive advantage of ethnic food companies, strategic management literature is utilized to set the theoretical frame. Theoretical framework aims to create a picture of the guiding ideas related to notions strategy, core competence and competitive advantage however it is hard and misleading to separate these concept from the rest of the literature and theories, that is why, the most relevant parts of strategic management literature is utilized as the main literature of research.

2.1. Strategic Management Literature

Starting from 1960s business scholars contributed important piece works related to strategy formulation to literature and strategy research gathered under the “Strategic Management Literature”. The main literature being used in this study; business strategies- competitive strategies stays in the heart of strategic management literature.

Although it is hard to separate the studies of researchers under some title, the literature we used could be named under business strategy since it doesn’t cover the corporate strategy studies or global strategy formulation of companies.

Early contributors of Strategic Management Discipline

Strategic management studies starts in 1960s with the works of Alfred Chandler, Igor Ansoff and Kenneth Andrews who are known as the founder of the strategic management discipline. Although Chandler (as citted Hoskisson et al, 1999) didn’t directly write about strategic management, he enlightened the relationship between corporate structure and diversification.
strategies of large industrial enterprises in his “Strategy and Structure” book (1961) which appointed the strategy formulation of companies.

On the other hand, Ansoff was the first business scholar who carried a study wholly devoted to strategy building with his “Corporate Strategy” book published in 1965. In his book he created a business model for strategic planning and strategic decision-making. Although Ansoff’s studies stayed limited to corporate expansion and diversification he made significant contribution to literature by creating the strategic management concept, that is why, some researchers accepted him as the father of the strategic management discipline. (Hussey, 1999)

In his studies Andrews clearly argue about corporate strategy. In his strategy writings, he gives a strategy definition and states a formulation and implementation way of strategy for the firms. In addition, he argues the capabilities of companies; identifying sources of competences, strength and weaknesses of the companies and formulation of strategy as the matching the opportunity with competences of firms. (Foss, 1997)

Chandler, Ansoff and Andrews contributed the literature with very valuable work pieces. Although different viewpoints added to discussion by the time, the impact of these three business scholar stayed alive since they created the basic concepts of the literature which affected the new comers.

**Industrial Organization Economics View of Strategic Management**

In 1980s with the affect of economical influences Michael Porter (1998) introduced a new approach to area which examines the strategy and competitiveness of the companies in the light of industrial economics. Porter described the strategy building as a mechanism influenced with industrial factors and he pointed out the importance of creating a competitive advantage to outperform the competitors in the industry. This new economical and more analytical approach made a striking impact in the field. Camerer, Rumelt et. al are the other two scholars worthy to mention about their contribution to area with their strategy management theories synthesized with economical perspective.

**Resource Based View of Strategic Management**

From the mid 1980s the strategic management studies is dominated with Resource Based View (RBV) of the firm. Although RBV has a long past and it is most remarkable as an organizational theory in the Penrose’s “The Theory of The Growth of the Firm” book, the real
adoption and development of the view in strategy management field is carried by Wernefelt (1984). In addition, the most noteworthy theoretical studies covering creating competitive advantage via firm resources and capabilities are developed by Barney (1991), Grant (1991) and Prahalad and Hamel (1990). (Pettigrew et al, 2006)

**Comparison of Approaches in the Area**

Strategic Management Literature is dominated with three main perspectives. One of these perspectives formed with early contributors of the discipline by Chandler, Ansoff and Andrews. These early studies are drawing a rationalistic and more planned orientation of the strategy in the literature and generally they studied the strategy and competitive advantage by focusing on the firm rather than external environment (Hoskisson et al, 1999). As McKiernan (1997) argues, The Industrial Organization Economic (IOE) Scholars, being influenced with economic theories of the monopolistic competition and price theory, explain the strategy building as a process of interaction between firm and its environment. This view describes the firm performance as a function of industry structure, strategy groups and industrial dynamics rather than the capabilities of the firm. In other word, IOE Scholars analysis the strategy in the industry level rather than firm and this vision explains the successful competitive advantage as the successful positioning and differentiation of the firm in the industry (Hoskisson et al, 1999). On the other hand, RBV Scholars focused on the core competences and organizational capabilities of the firm as the main source of competitive advantage of companies in the competitive environment of the market (Schneider and Lieb, 2004). These scholars explain the competitive advantage as a function of the internal tangible and intangible resources of the firm and they emphasize the origin of the competitive advantage as the firm not as the industry positioning (Pettigrew et al, 2006). Although all three perspectives provide very valuable approaches, the external factor analysis of IOE scholars and internal capabilities studies of RBV scholars creates two different approaches which provide complementing ideas for competitive analysis.
2.2. Theories and Concepts

2.2.1. Core Competence & Competitive Advantage

In the center of strategic management and marketing studies starting from mid-20th century, business experts recommend companies to create some core competences and competitive advantage in order to go beyond of others in the competitive market conditions. Core competence is first introduced by Andrew, in 1971, with the simple definition of “what the company can do particularly well”. The new contributors to the area like Prahalad & Hamel, Collis & Montgomery, developed the description of the core competence as the primary competence that firms use to compete. On the other hand, although it is frequently used in business studies, a few business scholars contributed to discussion of competitive advantage in their business strategy studies; Ansoff described the competitive advantage as the “properties of individual product/markets which will give the firm a strong competitive position”. Porter in his book of Competitive Advantage argue the concept as the organizational factors which creates a superiority for company to outperform its rivals. (Mooney, 2007, p. 110-111)

2.2.2. Industrial Factors of Competition

In the competitive market conditions, firms create some competitive advantage to outperform other rivals, Michael Porter (1998) explain the factors and rules of this play in his “Five Forces” model. The competition theory of Porter emerged with his competition study on industries. The competition for market share in a market is not wholly depends on the characteristic of the rivalries but industry structure; in other words industrial forces that influence the competition in the market. Customers, suppliers, new entrants and substitute products are as powerful actors as the existent rivalries in the market. All factors have different influences on the competition based on their power and the characteristic of the industry. Whatever the collective strength of these forces one company should seek a strategy to find a favorable position in the market.
Factor 1 - New entrants

Whatever the current rivalry in a market, the existent players of a market are always under the threat of new entrants which could make a strong impact on the current market with their superior or substitute products and they can even remove the major players from their favorable positions. The level of the threat depends on the height of the barriers to entry. There are six main sources of barriers which are economies of scale, product differentiation, capital requirements, cost disadvantage independent of size, access to distribution channels, and government policies. (Porter, 1998)

Factor 2 - Powerful suppliers

Suppliers hold power to control the marginal profitability of their buyers. Indeed, the suppliers of an industry can decrease the profit margin of the companies via increasing their own profit margin or decreasing the quality of purchased goods. Yet, the power of the suppliers depends on how much they are dominated on the market relative to their customers,
if their product is unique, differentiated or it is costly for customers to switch to another product or supplier. (Porter, 1998)

**Factor 3- Powerful buyers**

Buyers create a threat on the industry as much as they purchase in large volumes which gives them a power to dominate and control the market. In addition, as long as the buyers purchase goods that are not differentiated and easy to find alternatives, they have more bargaining power with producers. Consumers are more sensitive about price where the goods they purchase are expensive according to their income and the quality is not important. In addition, retailers have some kind of bargaining power over producers when they have an influence on the consumer’ purchasing decision. (Porter, 1998)

**Factor 4- Substitute Products**

Unless the industry differentiates its products or upgrades those with better quality it can suffer from substitute products and gets affected with price ceiling of the substitutes. (Porter, 1998)

**Factor 5- Rivalry**

The competition in an industry gets intense as many companies as compete in the market. In addition, if the growth rate of the industry is slow, the exit barriers are high due to product differentiation and switching costs, excess capacity is considerable, the relative size and power of the players are similar and the existent rivals are similar in strategy-characteristic-and-origins then the competition is high in the market. (Porter, 1998)

Even thought Porter’s theories were very important, that did not kept them away from criticism. First criticism made to Porter was that in the five forces theory, basis for the principal unit of analysis is the industry rather than the individual firm “*Rumelt argues that firm-specific factors are more important to the profitability of a business than industry wide factors*”. (Stonehouse & Snowdon,p.258) Furthermore, when the business environment is increasingly dynamic, five forces model is more likely to be static. Porter’s five forces framework was regarded as being too static because it was undermined by the performance of Japanese companies who successfully combined differentiation and low cost. But that is not all, another critique is established on the fact that Porter stresses the industry but not the firm, and uses static level of analysis instead of dynamic and relies on entry barriers as the
determinant of profitability, which this might result in “suboptimal resource allocation in which a firm will work to create optimal industry structure to the benefit of free-riding industry members, rather than work to nurture unique firm resources. (Schneider & Lieb, 2004, p.172-259)

2.2.3. Firm Activities

In his Five Forces Model Porter stress the importance of external industry forces for creating competitive advantage, on the other hand, in his “Competitive Advantage” book (2004) he places firm at the center of the analysis and he explains the connection between company’s resources-capabilities and the strategic market positioning with “firm activities”. Porter explain firm activities as “what firms do” (2004, p xix). According to Porter activities are the actions; connecting firms between factor markets and market position, utilizing the resources and capabilities of firm in a way that aligns firm according to rivals.

2.2.4. Resource Based View

Resource based view is an economic tool which has the fundamental principle of that basis for a competitive advantage of a firm lies primarily in the application of the valuable resources at the firm’s disposal (Wernerfelt, 1984) In order to understand resource based theory it is important to understand the term resource. This term can be described in many ways however generally it is defined namely that “Resources are the tangible and intangible assets firms use to conceive of and implement their strategies”. (Barney & Arıkan, 2001, p.138) Resources that are typically more tangible include a firm’s financial capital and physical capital. Resources that are typically less tangible include a firm’s human capital and organizational capital. The economic and strategic value of these resources also change in the sense that resources are more valuable when they enable a firm to develop and implement strategies that have the effect of lowering a firm’s net costs or when they have the effect of increasing a firm’s net revenues. However it is important to underline that a firm that possesses valuable resources does not always gain superior performance. (Barney & Arıkan, 2001)

As it is pointed out by Barney, through the 1990s, various authors have tried to develop typologies of these tangible and intangible assets in an effort to suggest that different types of assets can have different competitive effects for firms. Prahalad and Hamel are important to mention at this moment since they developed the concept of “core competencies” which resulted with addition of the term “competence” to the resource-based theory. (Barney &
Arrkan, 2001) Prahalad and Hamel believe that a company’s competitiveness derives from the price and performance attributes of current products in short run. (Prahalad & Hamel, 1990) However, competitiveness derives from an ability to build, at lower cost and faster than competitors, the core competencies that spawn unanticipated products in the long run. Furthermore they believe that “real sources of advantage are to be found in management’s ability to consolidate corporate wide technologies and production skills into competencies that empower individual business to adapt quickly to changing opportunities”. (Prahalad & Hamel, 1990, p.82) Prahalad and Hamel (1990) continues with this example that the diversified corporation is a large tree which each part resembles a part of the company namely that the trunk and major limbs represent core products, the smaller branches represent business units meanwhile the leaves, flower, and fruit are the end products. According to this example, “root system that provides nourishment, sustenance, and stability is the core competence. You can miss the strength of competitors by looking only at their end products, in the same way you miss the strength of a tree if you look only at its leaves”. (Prahalad & Hamel, 1990, p.82) For Prahalad and Hamel (1990), the core competencies are the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies which in the end leads to that if core competence is about harmonizing streams of technology it is also about the organization of work and the delivery of value.

If we go back, it might be seen that the resource based theory points out four characteristics of resources and capabilities which are also determinants for the sustainable competitive advantage. First one is durability which implies that as the technology changes rapidly this change also shortens the life spans of most resources that in order to keep up there is need for continual improvement. Second characteristic is the transparency that a company might have its unique successful strategy however that ability to sustain competitive advantage also depends on the speed that other companies can imitate its strategy. One of another characteristic is transferability which is that if one company manages to acquire the resources or capabilities that successful competitor has than the competitor’s competitive advantage will vanish. The last character that theory points out is replicability which consists of internal investment since some resources and capabilities might be imitated through replication. (Grant, 1991, p.127)
The general criticism directed to resource based view, is that resource based view is self-verifying. Competitive advantage is described as a value-creating strategy that is based on resources that are valuable among other characteristics (Grant, 1991) which makes this reasoning is circular and therefore operationally invalid (Priem and Butler, 2001a).

### 2.2.5. Business Strategies

As Porter identifies there are three generic strategies which are cost leadership, differentiation and focus. These strategies do not guarantee profitability however they allow a company to over perform its competitors. The **cost leadership** is the most commonly adopted one and in general it aims to provide the service or product at the possible lowest price meanwhile quality and detail are not main considerations. **Differentiation** is based on developing one significant aspect of a product in order to set it apart from its competitors. This strategy is helpful to create brand loyalty however this strategy might require big investment and also company can be imitated by competitors. **Focus strategy** aims to serve specifically needs of highly defined market segment. Focus strategy like differentiation strategy tries to be different and like differentiation strategy this strategy is also helpful to create brand loyalty however it also requires investment consideration as well. Another problem with this strategy is that target group in the market may not have the same growth pattern with the industry market. Furthermore non focused products might begin to meet the demands of the focused products. (Porter, 1980)

### 2.2.6. SWOT Analysis

Being simple and structured decision making tool, SWOT analysis enable one to analyze the internal capabilities via showing strengths and weaknesses, on the other hand, external factors by pointing opportunities and threats. (Piercy and Giles, 1989)

### 2.3. Previous Research Results

The Swedish ethnic food stuff market is gaining more importance each day however very few research has been done till today. We were not able to reach to any research or study focusing on competitiveness in Swedish ethnic food stuff market. But there are a few studies available that are related to Swedish ethnic food stuff market. The most important work that has been done in this issue is the report of the Swedish Chambers which is published in December
2007. With this report, one can learn about the background of the market, market size, supply and distribution, and general information on imports. This report is very useful to give general ideas and information on the Swedish ethnic food stuff market however it is not a study that gives critical account of the market. Another study that we could reach was the thesis written by T. Limon, A. Misic and H. Wambugu which has the research question “How can a foreign small-medium sized enterprise, operating in the ethnic food industry, position itself strategically in the Swedish market?” This research has chosen case study as method focusing on a single African company. In the end, mentioned study reaches to conclusion that ethnic food market in Sweden is growing and becoming more competitive which competitiveness is based on several factors. We believe that mentioned thesis was a good study in the field however we argue that we further develop the study by not focusing only into one company but including several companies into our study.

2.4. Conceptual Framework

To be able to give a clear idea for the chosen concepts, the relationships of between the concepts are created in a model.

![Figure 2.3: Conceptual Framework](image)

Source: Author’s own

According to Barney (2001), Prahalad & Hamel (1999), companies’ competitive advantages lies primarily in its resources and capabilities. Utilizing resources and capabilities companies
may create core competences which enable them to create a competitive advantage that give them a strong competitive position against to other competitors. However, Porter (2004) criticizes this view because resources and capabilities isolated from market factors and competition cannot create competitive advantage and resources and capabilities can be valuable under some strategy and exercising some firm activities with other actors in the market and companies creates their strategy under the competitive forces of market. Examining, both views we came up with the above model as a path way to create company strategies.

All firms have some amount of tangible, intangible resources and capabilities; however these resources can create a limited benefit without realizing the competition and the competitive factors in the market. Companies develop their competences from their resources yet they create their core competences under the influence of the competitive factors. Having some activities with other actors in the market, companies realize the market conditions, industry structure and start to shape their competences and create some core competences which are the bases of having a competitive advantage over the other rivals. This process can be called the formulation of business strategy and this process leads firm to one of the strategy options; cost leadership, differentiation or focus. Consequently, positioning of the company in the market both nourish from companies’ internal capabilities but shaped under the competitive factors of market under a specific business strategy and enable the firm with a competitive position.
3. Methodology

Under the methodology part of the report, a brief summary of research scope and methodological background of the study is presented. First of all, the topic selection and development of literature and conceptual framework is explained. In order to justify the research methods, available and chosen methods are discussed and some more detailed information about how the research is done given. Finally, the reliability and validity issues are discussed.

3.1. Topic Selection

The emerging point of interest to search about ethnic food companies in Sweden came from, our desire to observe an international business case in practice. Learning internationalization and market entry theories in the course contents created awareness about foreign markets. However, studying much about multinational large companies and developing a curiosity to learn more about international small and medium businesses drive us to think about a thesis topic related to small and medium businesses in Sweden. Meanwhile, spending time in supermarkets for satisfying daily needs enable us to make some observation about Swedish food sector. In those observations, we concluded that Swedish food sector has considerable amount of foreign brands that is interesting to see. Having a Turkish nationality, in those observations some Turkish and Mediterranean brands took attention of us. This lead to search about ethnic food companies in Sweden. However, after doing some research we figured out that these foreign brands are imported by some Swedish companies to market. Despite the fact that companies are located and registered in Swedish Chamber because they provide all of their products from foreign locations and do business with international suppliers, we concluded that it still worth to examine their case. Meanwhile we learned more about ethnic market and realize the increasing trend in the market. This led us to think more about current situation and the main actors of the market. Discussing with our tutor Prafulla Acharya we decided to focus on market competition. Finally, as a combination of our interests to learn about international business and ethnic food we decided to search about competitive strategies and company competences and competitive advantages of ethnic food companies working in Sweden.
3.2. Literature Review Search

Selecting the research topic based on the competitive strategies drive us to search about “Strategic Management” literature. However, strategic management wasn’t a familiar discipline and we had little knowledge about the theories in the literature. Therefore, we started to search about the major gurus and the theories in the literature. In order to get an overall picture of the literature, strategic management books in the Ebray and Google Books databases utilized. In the research, phrases “strategic management”, “business strategies”, “strategic management literature” is used. After learning main theories, major gurus, schools in the literature, in the further parts of the research, the relevant theories tried to be selected. In order to separate the relevant theories “strategy”, “competitive advantage”, “core competence” are selected as the key words of the research. The “Five Forces” model of Michael Porter which analyzes the industry structure, competition and competitive advantage, is chosen as the relevant literature. Five Forces model is chosen since it highlights the environmental forces in the market which may drove ethnic food stuff companies to develop some competitive strategy. On the other hand, Resource Based View (RBV) is chosen as the other relevant literature which analyzes firm resources and capabilities as the origin of the core competences and competitive advantages on which competitive strategies are constructed. Among the RBV Scholars the views of Barney and Prahalad & Hamel are chosen as the most relevant to study since they give significant weighty to core competence and competitive advantage concepts.

In the search phase, databases of Ebray, Google Scholar, ABI/INFORM, Sage Journals Online, Emerald, Science Direct, JSTOR, Wiley Inter science are the majors ones utilized for the electronic sources. On the other hand, the Mälardalen University Library is used to extend the search for selected theories.

3.3. Development of Conceptual Framework

The strategy literature has plenty of different viewpoints to describe the main factors behind the strategy building. Among these views the most striking ones are the competitive forces study of Porter and resource based view (RBV) of Barney, Prahalad & Hamel. The most deliberate difference among these views is the focus of the analysis. The five factors model of Porter describes the competition with the importance of external factors in the market whereas
RBV scholars describe it with the internal factors of the firm. Although both parties have their own rights, it would be misleading to follow only one of these views. Learning different views in the literature we come up with a model which combines the all factors in the competition. This model enable us to examine companies and their strategies by giving equal importance to both external factors of market; new entrants, suppliers, buyers, competitors and substitutes and internal factors of tangible and intangible resources and skills. Moreover, model combines the concepts of competitive forces, competences and competitive advantages which are discussed separately in the literature without describing the relationship between these important elements of strategy.

3.4. **Methodological stance**

The debate between qualitative and quantitative research approaches has a long history that could not end with the dominance of one of the parties. However, debate contributes to understand the benefits and characteristics of both researches. Qualitative research enable researchers to understand, explore the areas that are not accessible with quantitative research. For instance, research about personal experiences, organizational functioning, cultural phenomena, and social behaviors carries some information could not be reached via statistical methods and other quantitative methods (Pope and Mays, 1995). On the other hand, qualitative research provides deep understanding of complex phenomena whereas quantitative researches even provide detailed information they stay limited to some content which prevent to cover broader topics (Ibid). In this dissertation, the answer of “How to compete in Swedish ethnic food stuff industry?” question is discussed. The exploratory nature of question and the complexity of the topic hold drive us to carry a qualitative research.

Qualitative research use an inductive logic while exploring and discovering issues. Inductive analysis bases on observations from which general patterns emerge. Qualitative research, being inductive, discovers the important dimensions of case being studied from the observations and let researchers to understand the relationships between these dimensions without making prior assumptions or questioning some specific hypothesis. For example, the difference between close-ended questionnaires and open interviews shows the difference clearly. A close ended multiple choice questionnaire carries a deductive approach and grounds on a priory constructed hypothesis. On the other hand, an open-ended interview enables the
respondent to describe the issue without being structured with any category or hypothesis which let the theory emerges from the observations of respondent inductively. (Patton, 2002)

Carrying a qualitative approach, we let the patterns and relationships about market, companies and their strategies emerge from the experiences of people we contact and information we collect from other sources. This methodological stance enable us to induce the knowledge from the observations and experiences without any limits and understand the deep and complex relationships between different competitive forces, major actors in the market and their actions. By the help of each person we talk or each document we read we aim the describing the relationships between new entrants, suppliers, buyers, competitors and substitutes and the direction and strength of the relationships between them. This research shows us the dimensions of the relationships and the importance of external and internal environment of the firms for building their strategy. With the Swedish ethnic food stuff market focus we identify the competitive strategies of companies and their moves to develop competences to reach these strategies by inductively from the qualitative data we collect.

3.5. **Research Method**

3.5.1. **Methods**

When doing academic researches, there are many methods of doing a research such as surveys, ethnographies, experiments, quasi-experiments, economic and statistical modeling, histories, research syntheses, development models and case-study. (Yin, 2004) These different methods mean different ways of collecting data. A researcher should choose the one which fits the best for the research. In order to do so, looking at the research questions might be a good start. Research question which is based on “how” or “why” are more likely to be explained by case-studies, histories or experiments. If research question is based on “what” then surveys or statistical modeling are more likely to be used. (Ibid) We consider case study as more appropriate for this project due to several reasons. First reason is that our research questions is a “how” question which makes it explanatory, with such question case-study gives us a deeper ability to explain. As it is mentioned in the article of Yin, case-study helps us to make direct observations and collect date in natural settings rather than derived data. (Yin, 2004, p.2) In our research we will be using primary information which makes case-study more suitable for our research. As we started to do research, we realized that there are not only one but several successful firms in Swedish ethnic food market, starting from the
point of view that taking two companies into research might be more enlightening rather than only one company, we decided to interview with two companies. As a result our case-study turned into multiple case-study, in the end which will make our research valuable beyond the circumstances of the single case. Another benefit of using multiple case-study is that it is better for triangulation.

To be able to collect data related to companies and market, we interviewed with two companies and two buyers in the market. As the individual members of multiple case study we chose Laroc AB and Sevan AB as the two cases in the center of our study. Muhittin Taylı who is the CEO of Laroc AB replied our questions regarding to his company and market. On the other hand, we had an interview with Mathias Ram who is the sales manager of Sevan AB for obtaining the information related to competitive strategies of Sevan AB and their views regarding to ethnic food market. Moreover, as a research strategy we interviewed with an ethnic food store and a hypermarket belongs to a retailer chain. Yıldız Altay, senior seller, from Sahand Delikatesser ethnic food shop in Västerås replied our questions for ethnic food stores. Furthermore, we had an interview with Måns Hemmingsson who is the store manager of ICA Maxi in Västerås regarding to ethnic food sales in retailers and the future of ethnic food sales in retailer chains.

<table>
<thead>
<tr>
<th>Position in the Study</th>
<th>Company</th>
<th>Position</th>
<th>Interviewee</th>
<th>Date of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Company</td>
<td>Laroc AB</td>
<td>CEO</td>
<td>Muhittin Taylı</td>
<td>13-April-09</td>
</tr>
<tr>
<td>Case Company</td>
<td>Sevan AB</td>
<td>Sales Manager</td>
<td>Mathias Ram</td>
<td>05-May-09</td>
</tr>
<tr>
<td>Ethnic Food Store</td>
<td>Sahand Delikatesser HB</td>
<td>Senior Seller</td>
<td>Yıldız Altay</td>
<td>08-May-09</td>
</tr>
<tr>
<td>Hypermarket</td>
<td>ICA Maxi-Västerås</td>
<td>Store Manager</td>
<td>Måns Hemmingsson</td>
<td>11-May-09</td>
</tr>
</tbody>
</table>

Table 3.1 Interview Schedule
Source: Author’s own

We conducted our interviews in a semi structured way since we asked some prepared questions. However, we asked the questions in an open way, without any categorization that the interviewees could have expressed their ideas freely. Please, refer to appendix to see the interview questions.
3.5.2. Sampling model

In the study carried Laroc AB and Sevan AB are chosen as the sample who is supposed to be the representatives of the companies in Swedish ethnic food stuff market. On the other hand, as the representatives of buyers Sahand Delikatesser ethnic food shop and ICA Maxi in Västerås are chosen. These samples are basically created according to convenience sampling model which enable researchers to select the most accessible ones. Both companies are located in Stockholm and they respond our request to contact with immediate reply and willingness. However, these companies are the most remarkable firms in the ethnic food market as well. As much as the access to companies is not problematic, they are considerably good representatives of the market since they are the one of the major players in the market. For instance, Sevan AB is working in the market for the last 25 years and despite not having any market research they are pretty confident about their market share that company claims they are the market leader in Sweden. On the other hand, Laroc AB being considerably younger with 8 years of company life, they have brand recognition in the market since they sell products both in ethnic stores and retailers like ICA chains. For the selection of buyers the accessibility created the most important factor.

3.5.3. Reliability and Validity

In our research we are interested in bringing a deep understanding of the issue. To do so, we used primary and secondary data. Primary data is acquired from the use of semi-structured in depth-interviewing. Secondary data is acquired from reports and documents from trust-worthy organizations and researchers like Swedish Chamber, Goteborg University etc. In addition we used three methods to increase the credibility and trustworthiness of our study. In name, triangulation, member checks and peer debriefing methods are utilized in the study. Indeed, to prevent the subjective judges of the respondents, the data is collected from three different sources; firstly from case companies, secondly from one ethnic food store, thirdly from a retailer market. In addition the reports and other documented sources strength our approach to collect data from multi sources. The data collection method from multi source enables us to get rid of the bias caused from interviews. On the other hand, being two partners in the study, each author carries an individual judgment which always provides a critical eye to study being done. Furthermore, evaluation of our reports by our colleagues prevents us from biased interpretation of data collected. Our aim behind these methods is to minimize the bias due to
subjective judgment and inductivity and bring a better understanding as well as increase the validity and reliability of the research.
4. Findings

4.1. Industrial Review

4.1.1. European Food Market

Before focusing into ethnic food market, it is important to understand the general market conditions which ethnic food market is a part of it. To do so while giving general facts of the food industry, even though each country might show different aspects in themselves, we will take European Union as a single market which Sweden is a member of. In EU, the food industry is relatively fragmented, smaller enterprises serve local markets and generally concentrate on regional preferences while a few multinationals competing on the global market with global brands and a large range of products (Banse et al., 2008). The food industry with almost four million employees is the leading employer in the EU, with the majority employed in small and medium-sized enterprises. However the food industry is changing in character. One key driver of change in the food system is globalization. Globalization or with other words international integration of markets means that agricultural and food products are increasingly traded across national borders. Expectation on this issue is that globalization trend will continue to grow and globalization, in the form of vertical and horizontal integration and global expansion, will continue affecting all involved in the food supply chain. There are several factors behind this globalization such as liberalization of trade, advances in technology and infrastructure. International trade in food products and agricultural commodities is growing fast with the removal of trade barriers. As the food system gets more globalized, the more food supply chain gets affected in the sense that as it gets more globalized, an increase in the presence of large multinational corporations can be observed. Such increase of large multinational corporations and dominance of them is affecting farmers who cannot have the same market power and organizational structure. The most sectors of the food industry in the world are characterized by an increasing scale and decreasing numbers of firms however the average company size in Europe is smaller than in the US, resulting in higher costs per unit product. (Banse et al., 2008)
If we include the reality into consideration that the food habits in Europe differ such between the Mediterranean countries and the north-western countries then it can be seen that when compared to the competitors, Europe is weak in economies of scale. The European food industries perform low on growth of labor productivity which indicates a cost disadvantage in the long run. However, exports and imports rose over the last decade. European prices of export products are higher than the prices of imports: higher valued products are exported, lower valued products are imported. (Wijnands et al., 2007)

The general findings on EU food industry can be summarized (Wijnands et al., 2007) as:
- Processed foods, as opposed to traditional agricultural commodities, are becoming increasingly important in agricultural trade
- Food manufacturing shows one of the highest degrees of trans-nationality and foreign production by food multinationals is increasing
- The major companies are playing a key role in this process
- Significant international expansion and organizational changes are taking place in the retail industry
- There has been a significant increase in cross-border mergers and acquisitions of retailers
- A very small number of major retailers are playing an increasing role in globalization of food systems, affecting competition in the distribution of food products. (Banse et al., 2008, p. XII)

4.1.2. Ethic Food Industry

Ethnic food is hard to describe since it is based on the differences between cultures and there isn’t any certain list for ethnic foods that one dish, accepted as ethnic food at one place, might be accepted as a part of own cuisine in another place. Furthermore, it is another challenge that some ethnic foods could be adopted by the host countries like in the segment of Italian cuisine; pasta or pizza is adopted globally that they are not accounted as ethnic food anymore. Nevertheless, to be in the safe side, researchers tried to set some descriptions for ethnic food concept. Some researchers tried to describe the notion as “an ethnic food is what a sample of non-ethnic consumers believe it to be” (Paulson-Boxand Williamson, 1992, p.10). However this definition bases on the subjective judgment of the readers and it may lead each one to another bundle of food. Therefore, in this study ethnic food will be described with the
definition “food from countries other than the home market contributing to a different food culture than the traditional cuisine of the host country” (Church et al, 2006, p.4).

Amount of ethnic food consumption is a changing measure from country to country. The countries like; United States (US) and United Kingdom (UK) the size of the ethnic food markets. The US market is measured as 75 billion $ in 2007 which is accounted as 1$ out of every 7$ being spent over food. On the other hand, UK retails ethnic food market, is accounted for 68.8% of the European retails ethnic food market with 2.2 billion € in 2003, which was virtually zero at the end of 1980s (Paulson-Boxand Williamson, 1992).

![Figure 4.1: European ethnic foods retail market value by country, 2003](http://example.com/image.png)

Source: Church et al, 2006
Total market value 3.2 billion €

Although Sweden has a relatively lower share of 5.2% of Europe retails ethnic food market with respect to UK’s share of 68.8% it has a relatively high consumption when it is compared to its significantly lower population of 8 975 according to UK’s 59 699, France’s 60 200 and Germany’s 82 531 population in 2004 (European Commission, 2006).

According to a study carried by Business Insights, 90% of businessmen, chosen from US and Western Europe food industry, forecast a slight or high growth in the global ethnic food industry for coming years (Logman, 2002). The global food consumption trends show that the ethnic food consumption ratios within the countries is an increasing measure all over the world (Church et al, 2006; OECD, 1997) In addition, providing ethnic food from more regional cuisines is expected from food manufacturers as a niche retailing strategy, as a result
ethnic sub-ranges is predicted to continue to expand (Howitt cited in Heather McIlveen & Samantha Chestnutt, 1999). Swedish Chamber of Trade approves this trend for Sweden and forecast an increase for ethnic food consumption as growing part of total food consumption (Fox Research AB, 2007).

Although there isn’t any study devoted to explore the reasons behind the rising of ethnic food consumption of nations, there are some assumptions used by scientist to explain this rise. The increase of traveling to other countries among people and learning about new cuisines is accepted one of the reasons for this growth. On the other hand, the globalization of food industry worldwide and increased import-export opportunities with better technical conditions (Paulson-Boxand Williamson, 1992) or the increase of immigrant groups who start up ethnic businesses (ethnic restaurants, ethnic groceries, ethnic super markets etc.) (Jamal, 1996). What is more, it is grounded on the consumer’s growing desire for the greater variety of food products and the relative economical improvement in the welfare of ethnic minorities (OECD, 1997).

The range of services provided in ethnic food market is pretty satisfactory for all types of consumers’ expectations; as much as you can buy the ingredients and cook by yourself, you can have a good meal in an ethnic restaurant or you can buy a take-away from a corner kiosk. Therefore, ethnic food market could be segmented in three the consumer, take-away and restaurants according to value added (Paulson-Boxand Williamson, 1992).

HAV- High Added Value
On the other hand, the product range provided for “consumers as the preparer” also has some different options of value added. For consumers who don’t like to cook; canned or frozen ready to eat meals constitute an option, where as for adventures consumers buying the ingredients from stores and exploring new tastes by yourself is always the other option. The segmentation of the ethnic food products offered in the stores could be described as canned/frozen ready to eat meals, ingredients like cereals and animal products, and sauces-spices and fruits-vegetables.

Although there is some ambiguity in the description and the coverage of the ethnic food, some major cuisines dominate the overall ethnic food market all over the world. Chinese & oriental foods, Indian, Mexican and the Italian foods are the most popular ones (Lewis, 2006). However, some other cuisines like Thai, Japanese, Latin American, African and Middle East presents some opportunities to grow (Lewis, 2006).

Nevertheless, the popularity of ethnic cuisines shows some variation according to taste and choices of the people. Even, the variation is possible to observe among the popular cuisines in different sectors of ethnic food market in the same host country. For example, in UK the retailing stores dominated with Indian (46%), followed by Chinese (31.5%) and Mexican
(12.8 %) foods (McIlveen and Chestnutt, 1999) where as restaurants in London dominated by Italian cuisine following Indian and Spanish cuisines (Lewis, 2006).

<table>
<thead>
<tr>
<th>Type of Cuisine</th>
<th>Some Typical Formats</th>
<th>Underlying Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese</td>
<td>Stir fry, Spring rolls</td>
<td>Stir fry, quick and easy</td>
</tr>
<tr>
<td>Japanese</td>
<td>Sushi, sashimi, Noodles/soups</td>
<td>Fresh, raw, healthy, convenient</td>
</tr>
<tr>
<td>Thai</td>
<td>Stir fry, Curries</td>
<td>Stir fry, quick and easy, healthy</td>
</tr>
<tr>
<td>Indian</td>
<td>Curries, Tandoori, Samosa, Naan</td>
<td>Convenient, authentic</td>
</tr>
<tr>
<td>M Eastern/N. African</td>
<td>Tagine, Meze, Flatbreads, Kebab</td>
<td>Light, fresh, varied, healthy</td>
</tr>
<tr>
<td>Italian</td>
<td>Pasta, Pizza, Roasted Vegetables</td>
<td>Sharing, youth-orientated, easy</td>
</tr>
<tr>
<td>Caribbean</td>
<td>Jerk meat, Chutney and sauce</td>
<td>Laid back, summer-oriented</td>
</tr>
<tr>
<td>Latin American</td>
<td>Fajitas, Tortilla, Tacos, Enchiladas</td>
<td>Indulgent, suitable for snacking</td>
</tr>
<tr>
<td>American</td>
<td>Hamburger, Dei sandwich, Barbecue</td>
<td>Youth-orientated, indulgent, snacking</td>
</tr>
</tbody>
</table>

Figure 4.4: Some typical ethnic formats
Source: Logman, 2002

The Chinese spring rolls, frozen stir fry products and rice dishes are the most popular among the Chinese cuisine. On the other hand, Mexican tacos, burritos, fajitas etc. are the most well known ones together with grain tortillas, aperitifs and salsas.

Although there is very little statistical information related to Sweden and Scandinavian countries, it is know that the Mexican food sales relatively high and it is highly available to find Chinese and Thai ready meals in the stores (Church et al, 2006).
Sweden captures the 8.2% of the Mexican foods retailer market and 7.0% of the Asian foods retailer market of Europe although it has 5.2% share of the overall European ethnic food retailer market.

In the ethnic food industry especially ready ethnic meals offers growth opportunities among other ethnic foods like the overall trend in the food industry (Lewis, 2006).

### 4.2. Swedish Ethnic Foods Market and LAROC AB & SEVAN AB

#### 4.2.1. Swedish Ethnic Food Market in General

First of all it is worth to talk about distribution channel of ethnic food in Sweden to understand the main competitors and actors in the market. There are different pathways before the ethnic food reach to end users. The main stream in the sector is the way; the ethnic food is imported via distributors and sold to stores, retailers and wholesalers. However it is possible to see that ethnic food stores get in contact with some foreign manufacturers and import their products. Furthermore, in the market there are some manufacturers who import the ethnic foods and sell them after processing and labeling as their own product. On the other hand, some public or private catering firms import their products by themselves. (Limon et al, 2001)
Local manufacturers constitutes for the 75% of the total Swedish market for food and beverages while imports compose the remaining 25%. The imported food products has 3 main market segments; the retailer market (big retailer chains and ethnic food stores), the food service sector (restaurants, hotels and catering establishments) and local manufacturers. Even if there is no market research to show the allocation of the imported food by market segments, the general consumption trend in Swedish food market might give some idea about the approximate weight of the distribution. Present figures show that retailer sector covers the 75% of the total food consumption of the Sweden and the remaining 25% handled by food service sector. (Fox Research AB, 2007)

Among the imported products meat products, fruit and vegetables, dairy products, bread and cereal products and beverages are the most important ones however there is an increasing consumption for oil, sauces and spices.(Fox Research AB, 2007)
Overall consumption attitudes show that Swedish people prefer to consume processed food products, indeed 90% of the total consumption of ethnic food accounted for processes food products and only 10% accounted for non-processed products like fresh fruit, vegetables, meat and fish. (Fox Research AB, 2007) Although there isn’t any study devoted to prove increasing trend of ethnic food consumption in Sweden, National Chamber of Trade and European Union approve this trend in their reports of Market Brief of Ethnic Food in Sweden (Fox Research AB, 2007) and Ethnic Groups and Foods in Europe (Church et al, 2006). On the other hand, there are some figures that could create some idea about the size of the market. The overall size of Swedish retailing food sector was approximately 18 billion $ in 2003 (Engström, 2004) of which the 166.4 million € is accounted for ethnic food consumption according to European Union report (Church et al, 2006). Although ethnic food market constitutes a small part of the overall food market, ethnic food is expected to have good sales potential as a “niche market” in Sweden food sector (Dahlbacka, 2008).

1.2 million of Swedish population composed of people who has foreign nationalities, in addition, if the people who born in Sweden and who has parents with ethnic origin added to this group then number rises to 1.6 million. This means 17% of total population could be accounted for ethnic minorities. Majority of the immigrant population comes from Nordic countries, East or Central Europe and Balkans. However, the population of the people from
Asia, Africa and Latin America shows a raise. Of this group, immigrants from Turkey and Middle East are the largest group with 320,000 people out of 700,000 non-European immigrants. (Fox Research AB, 2007)

![Population Numbers](image)

Figure 4.9: Distribution of Ethnic population of Sweden
Source: Author’s own (Information gathered from Fox Research AB, 2007)

Although the important target group of ethnic food is expected to be the immigrant population of Sweden, native Swedish people are began to considered as main consumer group of ethnic food based on the increasing trend of ethnic food consumption by this group. (Fox Research AB, 2007)

After given an overall picture of the ethnic food market in Sweden it will be given some detailed information about Laroc AB and Sevan AB and market structure.

### 4.2.2. Laroc AB

Laroc is a company founded in 2000 in Stockholm by a Turkish businessman Muhittin Taylı. Before founding his business, Muhittin Taylı has been worked in ICA for 15 years in the management level which contributed him as knowledge and experience while building his firm. The main business area of the Laroc is providing Mediterranean and Middle East cuisine’s food stuff products imported from other countries to Swedish market. The company mission of Laroc is to be a good representative of Turkish cuisine and contributing those
products to Swedish market and Swedish consumers. As an important success, Turkish yogurt is introduced in Swedish market by Laroc and this product attracted a lot of Swedes and captured its place in the groceries as a main dairy product. (Interview with Mr.Taylı)

The product range of Laroc covers over 300 items, mainly based on cereals, canned foods, jars, dairy products, olives, oils, flour products and pasta, Mediterranean delicatessen, dried fruits, tea, coffee and spices etc. Approximately 50% of the products imported from Turkey and the rest is imported from different countries like; Poland, Germany, US, Canada, Austria etc. Some amount of the imported products is presented under Laroc’s own brand to the market and some of them provided with their own brands. For example; Polish brand SMAK and Pamopal, Turkish brands; Nuhun Ankara, EgeTürk, Ersu, Marmara Birlik are the product brands which are provided to market with their original brands. However, the majority of products are sold under the Laroc’s own brand (Laroc, 2009) Laroc try to enlarge its product range by searching for new products suitable to introduce in Swedish market. (Interview with Mr.Taylı)

<table>
<thead>
<tr>
<th>Cereals &amp; Dried Beans</th>
<th>Rice, wheat, bulgur, couscous, baked beans, kidney beans, red-green lentils, pinto beans, peas, chickpeas etc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canned Foods</td>
<td>Tomato and pepper pure with flavors, mediterranean delicatessen</td>
</tr>
<tr>
<td>Jars</td>
<td>Cooked beans and vegetables, wide variety of pickled vegetables, mediterranean delicatessen honey and jars</td>
</tr>
<tr>
<td>Dairy Products</td>
<td>Turkish yogurt, different kinds of cheeses</td>
</tr>
<tr>
<td>Olives</td>
<td>Turkish green and black olives</td>
</tr>
<tr>
<td>Oils</td>
<td>Sunflower and corn oils</td>
</tr>
<tr>
<td>Flour Products &amp; Pasta, Nuts &amp;</td>
<td>Flour and Turkish flour products, pine nuts, pistachios, almonds, cashew nuts, sunflower seeds, roasted chickpeas etc., raisins, dried apricots, dried garland etc.,</td>
</tr>
<tr>
<td>Dried Fruits</td>
<td></td>
</tr>
<tr>
<td>Spices</td>
<td>Mint, oregano, sesam, pepper, salt, dried chilli powder, sumac, dried paprika-isot etc.</td>
</tr>
<tr>
<td>Tea &amp; Coffee</td>
<td>Coffe cream, fruit juices, salgam juice</td>
</tr>
</tbody>
</table>

Table 4.1: Product range of the Laroc
Source: Laroc, 2009
The aim of the Laroc is providing quality products at affordable prices. In the way to be an appreciated food stuff brand, quality; the products with good taste and healthy conditions are the factors with highest precedence of choosing products. In addition, price conform the second factor to choose suppliers. However, importing products for cheap price but negligible quality is not an option for Laroc since they want to create a brand image with good quality products. Consequently, Laroc aims to choose good quality and affordable prices in the same time. Therefore, every year according to harvest quality and price fluctuation, the origin of the imports could change. For example, Canada, Austria and Indian have the most quality lentils other than Turkey and Laroc import its lentils only from one of these countries according to the price fluctuation. On the other hand, for some specific products imports are done from some specific countries who are the best in this products, for example, Turkey is the biggest and best producer of black olive and the all imports for black olive are done from Turkey. (Interview with Mr.Taylı)

The target customer of the company is both ethnic groups and native Swedish people. In the product range, Laroc both offers products special for both groups. It is possible to see products which are far away from consumption chooses of native Swedish people and the ethnic groups are main target groups, on the other hand, there are some products like dried tomato which are mainly supplied for Swedish people and far away from the Turkish and Middle Eastern ethnic group’s consumption habits. With products like baklava, yufka or dolma Laroc aims to satisfy ethnic groups on the other hand, for green olive, dried tomato and all cereals and beans Swedish people create a bigger consumer group. Since Laroc provides products for each group’s taste, company does not account itself as an “Ethnic food company”. (Interview with Mr.Taylı)

In order to reach to customers, all ways of distribution channels are utilized by Laroc, they sell their products by direct contact with groceries, ethnic stores and big retailers like ICA, Coop etc. besides distributing via the large wholesaler channels of Sweden. Laroc prefers to increase its sales volume in the big retailer chains than ethnic food stores since big retailer chains have a higher potential for reaching consumers and increasing sales volume. On the other hand, the market positioning strategy of Laroc conforms more to market position of big retailer chains who offer products either cheap or high quality with trusted brands. However, generally ethnic food stores prefer cheaper products than branded products and they may easily replace the products of Laroc for a cheaper product. In addition, the purchase orders are
carried over sales contracts with retailers with some periods and provide a reliable business relationship for Laroc whereas with ethnic food stores there isn’t any contracts for long term and all most all of the purchase orders are carried over small amounts with limited times. For 2008 company had 8 million Euro of sales. The pricing process of the products is exposed to bargain with buyers. The prices change according to buyers. For example, the bargain with big retailers is kept in the regions of profitable prices for each side and prices change according to service provided to customer. Indeed, if the products are sold to central purchasing department of retailer chains, the costs of the product delivery to vendors are deducted from the price and if the products are sold to vendors of big retailer chains the delivery cost are added to price. However, the pricing with ethnic food stores happens with a tight bargain since ethnic stores prefer cheaper products. (Interview with Mr. Taylı)

The market strategy of Laroc is based on creating a reliable brand with good quality products. This way Laroc guarantees its place in the market shelves. Since the retailers and ethnic food stores feel a pressure to satisfy their customer’s expectation for branded-good quality products of ethnic cuisine, they will not be able to refuse Laroc’s products. (Interview with Mr. Taylı)

4.2.3. Sevan AB

In the ethnic food stuff market Sevan AB is the one of the important firms and also a competitor of the Laroc since they have similar range of products from Middle East and Mediterranean region cuisines. (Interview with Mr. Taylı)

Sevan AB is founded in 1989 in Stockholm by an Armenian businessman as a food distributor primarily in Scandinavia. Company claims that Sevan AB is the leading company for ethnic food area in Sweden, who sells 4000 different products imported from 40 different countries. Unfortunately, there isn’t any study available to award them as the leader. They provide 50 different brands from Middle East, India, Pakistan, Turkey, Africa, Latin America, Poland, Eastern Europe, Balkans, Western Europe, Mediterranean Sea, South-Eastern Asia Company forecast its sales to reach 17.5 million Euro for 2008-2009. (Sevan AB, 2006) Most of the products that Sevan offers are from Middle East. (Interview with Mr. Ram) Sevan provides goods to market in two ways, primary one is distributing the imported products without changing their labels. The logic lies behind it, is that those imported products are already products of well known firms in their country of origin, so there is no need to change the label because customers with different background are able to realize the quality of that product
with the name of the firm in the country of origin. Al-Wadi from Lebanon or Pınar from Turkey can be given as an example. The other way is importing the products and selling them under the label of Sevan. These products are usually agricultural products like bulgur, rice or nuts. (Interview with Mr. Ram) By providing products in their original labels, Sevan believes they gain competitiveness and with the range of products, Sevan believes that is what lies behind their success. (Interview with Mr. Ram) When importing products, Sevan is mainly concerned with quality and price at the same time. As a result, when choosing its partners, Sevan prefers the one that gives the highest quality with the possible lowest price. Sevan has long term- strong relationship with its suppliers and they believe that this is the source of its success. Even there are unfavorable conditions in economy and productions and prices are fluctuating, those problems are overcome by cooperation between Sevan and suppliers. Sevan’s perspective is to provide products according to demand of customers, usually Sevan provides products with high quality as much as possible with a reasonable price however in some products like pistachio, Sevan provides two kind of the same product which one of them is costs cheaper while the other one is more quality. (Interview with Mr. Ram)

Sevan identifies itself as an ethnic food company and targets Swedish people with ethnic origin however that does not mean they don’t have Swedish customers without different background. Sevan’s major amount of sales is delivered to wholesalers who centrally positioned in the main chains in Sweden and Scandinavia. (Sevan AB, 2006)

The products of Sevan are available in big retailers like Coop and Axfood stores and in small ethnic food stores as well. Sevan gives equal importance to big retailers and small ethnic food stores as well. Lately big retailers started to gain importance since that the number of Swedish customers with different background started to shop more from big retailers for ethnic food. Sevan believes that ethnic stores are more demanding on some products. Nowadays, Sevan is growing fast and demand for Sevan products is rising. In order to provide faster delivery system, Sevan is moving to a new place in Stockholm where they would have capacity to have larger amounts of stocks. (Interview with Mr. Ram)

4.2.4. Barriers to Enter Swedish Food Market

As it is mentioned before, with the process of globalization multinational food companies entered to Swedish market. These multinational food companies made it harder for local companies to enter the market. Today in Swedish market companies which are large in scale can be found such as Unilever, Kraft, Nestlé, Nordfalks, Felix. (Top 100 Food Companies in
Furthermore Swedish wholesale and retail food market is dominated by three groups which are ICA, Coop, and Axfood. These groups account for over 90 percent of the food retail market and each of them have a tight integration of purchasing, importing, wholesaling, distribution and retailing which might create difficult situation for the new entrants. (Sweden Exporter Guide, 2008) Swedish consumers are getting more cautious each day and demanding fresh more nutritious food meanwhile there is also high demand for food quality and environmental concerns (Sweden Exporter Guide, 2008) This means that Swedish consumer is likely to be brand conscious however that does not mean that they don’t look for products in discount (Retail Food Sector Report for Sweden and Finland, 2008). Shortly, Costumer royalty in Sweden is based on quality as well as price just like it is in many other markets. Another barrier to entry might be governmental regulations. Sweden is one of the members of European Union and as a result Sweden is a part of custom union. In order to export to countries that are member of European Union, there are regulations that must be met.(Export Requirements for the European Union, 2009) Other than requirements that must be met in all EU countries, Sweden ask for further requirements such as microbiological testing of fresh veal, beef, pork. (Export Requirements for the European Union,2009) Another aspect of custom union is that “imports are taxed to keep the system fair for EU producers so that they can compete on equal terms on the European market with suppliers situated outside the Union” which means that firms originating from EU will have a price advantage over those firms who originate from countries out of custom union.(How VAT Works?)

### 4.2.5. Suppliers

For ethnic food market, companies provide their products from different countries and different companies. Laroc gives special importance to quality and emphasizes the importance of quality, as a result Laroc constantly searches for suppliers in order to reach to best supplies all over the world. To do so, Laroc is working with many suppliers from various countries over the world such as Australia, Canada, Germany, India, Poland, Turkey and United States (Interview with Mr. Taylı) however due to firm confidentiality only several of them are named out. These firms are Ersu, Nuh’un Ankara Makarnası, Marmarabirlik, Egetürk, Smak and Pamapol. With given order, first 3 firms are Turkish, German while last two firms are Polish. It might be helpful to take a better look into some of the suppliers of Laroc in order to have a better knowledge of Laroc. For example, Ersu Company is a modern Turkish beverage company established in 1969. What is special with Ersu is that Ersu is one of the leading...
beverage companies producing fruit juice in Turkey. If it is necessary to name some aspects of the company, Ersu exports 80% percent of its production meanwhile Ersu facilities in Ereğli are the only facilities in Turkey that can produce all kinds of fruit juice. Another aspect of the company is that Ersu also exports related machines, technology as well as know-how which established facilities in China, India and Iran with turnkey basis. This makes Ersu the only company in Turkey which exports juice making technology. Ersu is also supplier for companies such as Hartog Foods, Dinter and C.A.S. (Ersu Kurumsal Bilgiler) Another supplier of Laroc is a German company named Egetürk which is established in Cologne. Egetürk Company is exporting its products primarily to European countries as well as to the Middle East and also developing know-how and innovative technologies. (Egetürk) Furthermore, there are some suppliers which we were not able to learn their names due to company privacy concerns, however these suppliers also play an important role that are all over the world. But it must be noted that companies are not depended on suppliers, partners can be changed due to some reasons like pricing or quality.

If we go on with Sevan AB, Sevan works with companies like Dodoni from Grece, Gacrilovic from Croatia, Al Wadi from Lebanon, Unilever from the U.K., Yonca and Yayla from Turkey, Krakus from Poland. It can be seen that Sevan works with quality companies like Laroc. (Sevan AB, 2006) For example Dodoni, Dodoni is a Greek firm established in 1963 having a product range based on dairy and cheese dairies. What is good with this firm is that the feta cheese produced by Dodoni is the most branded Greek cheese while this company is rewarded “High Quality Award” from the E.U. for the quality of its cheese products as well as receiving “Most Branded Product” prize from the Greek Chamber of Commerce. (Dodoni, 2009) Another good example can be Krakus from Poland. Krakus is a Polish firm which produces ham and one of the important companies in its branch. Krakus won many prizes such as “International Award of Good Service and Quality” or “International World selection and the Good Housekeeping Swal” (Krakus, 2004)

4.2.6. Competitors

Ethnic food product market in Sweden covers lots of products from different countries and locations. However, the further information related to competition and competitors will be related to Middle East and Mediterranean region cuisines since the Laroc AB and Sevan AB provides products to customers from these cuisines.
In the market, other than originally imported brands, local manufacturers and distributors sell their own brands. Both Laroc AB and Sevan AB position itself as a distributor who sells its own branded products in addition to originally imported products. Since local manufacturers also sell their own brands Laroc AB and Sevan AB share the market with local ethnic food manufacturers besides the other distributors. However, the real competition takes place between distributors. (Interview with Mr.Taylı)

**Distributors**

There are small and medium companies who provide products from Middle East and/ or Mediterranean region cuisines however two companies; **Fontana AB** and **Di Luca Group** besides Laroc AB and Sevan AB creates the main competition in the market.

**Fontana Food AB**

Fontana Food AB is founded in 1978 by a Greek businessman Frixos Papadopulos. He started his business as an exotic juice importer. Today Fontana Food AB is importing various kinds of food product from Mediterranean cuisine. Fontana devoted its success to good knowledge of products and the direct contact with producers. (Fontana Food AB, 2006) Companies yearly sales is approximately 25 million Euro. (Interview with Mr.Taylı)

The raising interest for Mediterranean food in Sweden is the emerging factor for the increasing sales of the company. Fontana, as a distributor company providing Mediterranean food to Swedish, owns the goal to increase interest for Mediterranean food around Sweden as the corporate mission. (Fontana Food AB, 2006)

Fontana provides different products from the cuisines of Greek, Italian, Iranian, Lebanese and a few more countries. Among the products they provide olives, olive oil, various kinds of cheese, yogurt, dough, beverages like juice, soda, beer, water, and various canned foods like dried vegetables, fruits, and ready meals etc., grains & pasta and snacks. (Fontana Food AB, 2006)
Di Luca Group

Italian Fernando Di Luca is the founder of the Di Luca Group which imports and distributes various tastes from Mediterranean cuisines in Scandinavian region. Group’s biggest company is the Di Luca & Di Luca AB and company’s products are mainly sold under the Zeta brand. Product range covers olive oil, vinegar, beans, pasta, bread, antipasto, pasta sauce and rice which are sold under the Di Luca & Di Luca, moreover, fresh products, wine and cheese products are sold under the sister companies Diné Food, Di Luca Wine & Food, Enjoy Wine and Spirits. (Gruppo Di Luca, 2008) Companies yearly sales approximately 60 million Euro. (Interview with Mr. Taylı)

Besides selling own brands Di Luca Group carries out the agency work of brands like; S.Pellegrino, Grappolini, Ardita and Mengazzoli. The vision of the Di Luca & Di Luca Company is to popularize Mediterranean cuisine in the Scandinavian market with an emphasis on Italian food and drinks. Zeta’s product range aims to satisfy consumers via store and retailer sales and it also covers the hotel, restaurant and catering market in its customer portfolio. (Gruppo Di Luca, 2008)

Local Manufacturers

The food manufacturers in Sweden mainly concentrate on meat dairy products and baking which constitute for 50% of the local food production (Fox Research AB, 2007). Local manufacturers in ethnic food sector are an important factor for the growth of the market since they increase the number of product and the variety that consumers can buy (Paulson-Boxand Williamson, 1992). However, in Sweden local manufacturers who target ethnic food market tend to produce products peculiar to Mexican and Asian food since they are the most popular ethnic cuisines.

Manufacturers produce Mexican foods like tortillas, burritos and Asian style hot sauces and dried beans and lentils. Among the most important ethnic food manufacturers in Sweden are Santa Maria (specialized in Mexican food and spices), Param Para (specialized in sauces and flavorings), Dafgård (ready to eat dishes), Friggs (healthy and dried foods), Risenta (dried cereals and vegetables) and Druvan (seasoning, sauces and conserves from different cuisines) (Fox Research AB, 2007)
Although ethnic product range of the local manufacturers mainly doesn’t match with Laroc & Sevan, products like cereals, dried beans and lentils create the competition between Laroc & Sevan and local manufacturers. Nevertheless, it is hard to point any local manufacturer as the competitors of Laroc & Sevan since they have a few products might match with Laroc & Sevan’s product range.

### 4.2.7. Buyers

Products imported by distributors have two main customers before reaching end consumers; retailers and food service sector companies.

![Seller Buyer Relation of Ethnic Food in Sweden](source: Author’s own)

According to statistics of 2007, retailer sector, including small ethnic stores and big retailer chains, covered the 75% of the total food consumption in Sweden as opposed to 81% in 1995. Although retailer sector constitutes the bigger share of consumption, this shows the increasing trend in eating out in restaurants, hotels and catering establishments. Food service sector increased its share from 19% to 25% in a few years which approves the increasing trend in eating out and preferring ready options. (Fox Research AB, 2007)

#### Retailer sector

In the ethnic food sectors in general ethnic food stores and big retailers position themselves in different sides of the market. Ethnic food stores, many of which are owned by an ethnic person, tend to offer basic ethnic food products like ingredients and sauces. However, besides
selling products of ingredients, big retailer chains gives emphasis in to modified whole meal concepts. (Paulson-Boxand Williamson, 1992).

**Big Retailer Chains**

The retailers have an important place in the ethnic food sector as much as they have in other food segments. In 2007 size of Swedish the retailing food sector was 24 billion usd and the half of this amount was consumed in large supermarkets and hypermarkets. Swedish retailing market is dominated with four main retailers chains; ICA(50.3%), Coop (21.4%) and Axfood (15.9%) and Bergendahls (8.3) who covers more than 90% of the retailing sector of Sweden. The market is highly integrated and concentrated that each group has a highly integrated chain of purchasing, importing, wholesaling, distribution and retailing. (Dahlbacka, 2008)

For the ethnic food segment of food sector, all four retailer chains provide ethnic food for consumers. Recently, all four have started to market ethnic foods especially belong to cuisines of Balkans and Middle East which are the largest immigrants groups of Sweden. The product range covers 300 items which has both fresh and processed options for customers. (Fox Research AB, 2007)

<table>
<thead>
<tr>
<th>Fresh fruit and vegetables</th>
<th>Plantains, okra, sweet potatoes, pomegranates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh food</td>
<td>Deli products, cheese, bread and cakes</td>
</tr>
<tr>
<td>Frozen food</td>
<td>Vegetables and halal meat</td>
</tr>
<tr>
<td>Canned food</td>
<td>Turkey, meat, okra, pickels</td>
</tr>
<tr>
<td>Condiments</td>
<td>Tahini (sesam paste), harissa (chilli paste),spice mixes</td>
</tr>
<tr>
<td>Dried food</td>
<td>Beans, peas, lentils, foul medammas, nuts</td>
</tr>
<tr>
<td>Other food stuffs</td>
<td>Dolmas, basmati rice, soups, halva (sweet cake)</td>
</tr>
</tbody>
</table>

Table 4.2: Ethnic Food Product Range of Retailers
Source: Author’s own (Information gathered from Fox Research AB, 2007)

The sales of these products gave very positive results which means that the Balkans and Middle Eastern food imports in Sweden will increase. (Fox Research AB, 2007) Mr. Hemmingsson argues that ethnic food sales for Asian food stuffs have reached its climax and the volume of the sales for Asian food stuff has been almost constant for several years.
However it would be important to note that most of the Asian food stuff is not recognized as ethnic anymore since people have been using those food stuffs for a period of time which was enough to embed those food stuffs in local culture. One of the other reasons laying behind that is the volume of sales, for instance, ICA started to sell ethnic food stuff originating from South Africa however they were not able to sell much so they decided to not to sell South African ethnic food. (Interview with Mr. Hemmingsson)

Another important point to note is that big retailer chains like ICA started to provide ethnic food in last few years. They are not successful as much as ethnic food stores are but big retailer chains provide a wider range of products. Big retailer chains try to focus on price, quality and providing a wider range of products however at the moment ICA focuses more into price due to temporary unfavorable economical situation and providing a wider range of products in the ethnic food market. But it should be noted that ICA does knowledge that actually costumers are willing to pay more for quality products. In big retailer chains, at the moment, Swedish people with different background buy more ethnic food than Swedish people without different background and the amount of ethnic food that Swedish people without different background buys is around 10%. However, Mr. Hemmingsson doesn’t consider most of the cereals, dried food and conserves as ethnic food but he only considers baklava, dolma in the range of ethnic food. (Interview with Mr. Hemmingsson)

Retailer chains expect very high quality food from its suppliers and prefer to import ethnic food from expert importers. All four distributors; Laroc, Sevan, Zeta and Fontana provide product for these retailers.

**Ethnic Food Stores**

Ethnic food stores are the ones who work in dependent of other retailer chains and mostly target ethnic minorities as the customer. They act independent of main distribution channels of ethnic food as well. As much as they supply their products from specialized ethnic food distributors they could import their products by themselves or they may buy from small food importing enterprises (Interview with Mr. Taylı). However, mostly they prefer to buy food directly from distributors other than buying from wholesalers. Generally ethnic stores follow a product price policy that is cheaper than big retailers (Interview with Mrs. Altay).
Although the main customer profile of these stores is expected as mainly ethnic minorities, the half of customers is ethnic minorities and half native Swedes. In addition, as the target group, stores target both of the groups since Swedes form an important customer group besides ethnic people. (Interview with Mrs. Altay) Market surveys conducted shows that approximately 10-15% of consumers in Sweden buy some of their foods from ethnic food stores. Among the contributors to survey only 40% live close to an ethnic food store that they can shop from. (Fox Research AB, 2007) However, as it is mentioned before, big retailers have recently started to provide ethnic food products which were only available at the ethnic food stores.

In order to be competitive in ethnic food companies could follow two strategies. One is providing quality products. Both ethnic and native Swedes prefer to consume good quality products. Especially native Swedes consume some kinds of ethnic foods besides consuming fruits that are considerably cheaper than other retailers and dairy products. They are open to try new brands and products however, in the long run, they prefer to buy product that they get satisfied with the quality of the product. On the other hand, most of the ethnic minorities prefer the good quality products as well. Brand recognition is an important factor for the motivation of ethnic minorities. If the product is a well-know, quality brand from their country, ethnic minorities prefer to buy the product which comes from their cuisine and has good brand reputation. On the other hand, new product introduction to market is the other affective strategy for ethnic food companies. This strategy both affects ethnic originated and native Swedes. New products from other countries have a potential consumer from ethnic groups however according to type of food there is a hidden potential among the native Swedes as well. For example, a few years ago Laroc AB started to import different kinds of nuts and dried fruits as snacks, after introducing these new products to ethnic stores, the customers especially native Swedes start to consume nuts and dried fruits imported by Laroc. Among the customers of Sahand Delikatesser ethnic food shop, schools and companies started to order those snacks with big amounts. Moreover, date which is originated from Middle East, known with its benefits for health and imported by Sevan is another attractive product for native Swedes and highly consumed by them. (Interview with Mrs. Altay)

In the ethnic stores, Sevan is an old well-know company with various products with various brands, on the other hand, Laroc is a new company known with its good quality and reasonable prices. For the Sahand Delikatesser ethnic food shop in Västerås Sevan has a larger sales amount with its large product range and brands, on the other hand, as a new
company, Laroc has a lower sales amount. However, related to high population of immigrants from the Balkans in Västerås, in the Sahand Delikatesser ethnic food shop the Balkan brand of “Prilvittrade” has the highest sales amount among the importer companies. (Interview with Mrs. Altay)

**Food service sector**

Food service sector includes all restaurants, hotels and catering establishments like canteens in schools, in buildings of public and private organizations. As mentioned before, food service sector has an increasing trend in Sweden, between 1995 and 2007. In 1995 food service sector constitutes the 19% of food consumption in Sweden which increased to 25% in 2007. Sector increased its share by 7% which is an increase worth to notice.

In the urban areas of Sweden, a relatively large amount of restaurants serve ethnic foods besides other options or completely oriented with ethnic food meals. Among those restaurants, besides Italian (pizza) and Chinese restaurants, there is some amount of restaurants serving kebab, sushi and some other oriental cuisines to their customers. These restaurants also purchase their products via their usual distribution channels which mainly linked to big distributors and wholesaler and they prefer well known branded products. (Fox Research AB, 2007)

**4.2.8. Substitutes**

Substitutes for food products is a hard concept to distinguish, since each food product has a unique taste and place in the meals, providing another product with for as a substitute is a hard task to achieve. However, if we accept the similar tastes, it would be reasonable to discuss. In the Sahand Delikatesser Shop in Västerås, Balkans’s cuisine provided by Prilvittrade Company products forms an example for substitute for products of Sevan and Laroc companies. Since this cuisine has some similar tastes and foods to Middle East and Mediterranean cuisines, even Middle Eastern people in Sweden consume their products (Interview with Mrs. Altay). Even though, there isn’t any tough competition created by this cuisine and its products for now.
5. Analysis

In order to give a clear account of discussion, major actors in Swedish ethnic food market; new entrants, suppliers, competitors, buyers and substitutes is discussed in advance since their characteristic and effects exist independent of individual companies. Then in deep, analyses are provided for both Laroc AB and Sevan AB. Finally overall discussion for study is presented.

5.1. Market and Company Analysis

5.1.1. Entry Barriers in Swedish Food Market

Considering overall completion in the Swedish food market, existence of multinational food companies such as Unilever, Kraft, Nestle in the market, keeps competition alive since these companies has some advantages being global and utilizing economies of scale. For the product range of ethnic food stuff companies that is similar to those of multinational companies or local companies, companies do not have to compete with only other ethnic food companies but also with multinational companies on some range of food products in Swedish food market. (Interview with Mr. Taylı). Adding into consideration as Porter (1998) puts it out that high rivalry makes it harder for new entrants, then, it can be analyzed that considerable rivalry in Swedish food market makes it hard for the new entrants. It also can be that new entrants could be a threat for existing companies by providing alternatives. Porter (1998) argues that economies of scale as well as distribution channels affect the new entrants, which is also the case for Swedish market. Mentioned companies like Unilever, Kraft, Nestle are big in scale which in the end enables them to produce at lower unit costs. Since ICA, Coop and Axfood accounts for over 90 percent of the food retail market, it is also hard to get into distribution channels for new entrants because ICA, Coop and Axfood do the distribution either by themselves or by the distributors that they have been tightly integrated. Another barrier to entry that Porter mentions and could be found in Sweden is that government policies. As mentioned before, imports are taxed to keep the system fair for the producers in EU. This might be a big disadvantage for those new entrants originating from out of the EU or for those companies which import from countries out of EU.
5.1.2. Suppliers in Swedish Ethnic Food Market

Laroc and Sevan are working with suppliers from the different parts of the world even though they are more likely to be focusing into Middle Eastern cuisines. The suppliers play an important role as mentioned by Porter (1998). According to Porter (1998), suppliers can be a source of power for the firm and this is the case for Laroc and Sevan. Laroc and Sevan are focusing into suppliers who provide the best quality with the best possible price however suppliers of Laroc and Sevan are successful and usually well known companies in their country of origin. Sevan uses it for its own success and makes it a source of power. Sevan does not label all of products that it imports with company brand but labels the products that are imported from unknown firms with its own brand “Sevan”. (Interview with Mr. Ram). By leaving some products in their original brands, Sevan tries to draw the attention of the customers. (Interview with Mr. Ram) Those unlabeled products are belonging to firm that are well known in their country of origin so that customers having a background related to that country can realize the firm and the value attached to that brand. Another way that Sevan uses suppliers as source of power is range of product. By working with different suppliers, Sevan gets different products which in the end enable Sevan to provide a wide range of products. These can be applied to Laroc as well, Laroc working with quality suppliers, makes its product quality. Even though Laroc does not have wide range of product as much as Sevan does, still working with different suppliers enables Laroc to provide a range of product.

5.1.3. Competitors in Swedish Ethnic Food Market

In the Swedish ethnic food stuff industry it is hard to talk about a stiff competition between companies. Porter (1998) lists the causes of competition in the market as slow growth rate, high exit barriers due to product differentiation and switching costs, excess capacity, and similarity of players in terms of power and size and variation of rivals in strategy-characteristic-and-origins. However, in the Middle East and Mediterranean cuisine of the Swedish ethnic food stuff market there are a number of companies providing products.

The main players are Laroc AB, Sevan AB, Fontana AB and Di Luca Group. These competitors have different sizes and market powers in terms of sales. Laroc AB is a relatively young company which has approximately 8 million Euro sale amount in 2008. Sevan AB has being working in the market for the last 25 years and has 17.5 million Euro sales. On the other hand, Fontana and Di Luca Group are both working in the market for much longer time than
others. Approximately, Fontana has 25 million Euro and Di Luca Group has 60 million Euro yearly sales amounts. In addition, all companies have different characteristic and origins. Laroc and Sevan provide various food products from Middle East and Mediterranean cuisines. Laroc AB carries a branding strategy with good quality products for affordable prices while Sevan carries a differentiation strategy with 4000 different kinds of products. Fontana has a mission to provide tastes from Mediterranean region and it is a representative of Greek cuisine while Di Luca brings Italian cuisine to Sweden. Although the rivals do not have the same strategy-characteristic and origin, they have close product ranges and very similar cuisines. In addition, companies import their products and they don’t carry any production activity in Sweden which makes them free of exit barriers of the food sector. Moreover, market has a positive growth rate which enable competitors to increase their sales without competing with each other.

On the other hand, local manufacturers create competition with Laroc & Sevan for products like cereals, dried beans, lentils and dairy products. However, Laroc and Sevan have an advantage to utilize economies of scale available out of Europe. Laroc and Sevan import their products from suppliers inside and outside of the Europe. In Europe, food companies have a weakness with respect to global rivals since they are small in size which causes higher unit costs for products. Importing products from different locations Laroc and Sevan carry the advantage to import products for cheaper prices.

5.1.4. Buyers in Swedish Ethnic Food Market

According to Porter (1998), buyer is an important source of competitive force when they buy in big amounts and when the products provided by companies do not carry differentiated characteristic. In Swedish ethnic food market buyers has dominance on the types and characteristic of product provided by companies. This makes buyers a strong source of competitive force that shapes the strategy of companies. Companies sell their products to both ethnic food stores and retailers besides food service sector. Ethnic food stores generally follow a policy of cheaper priced products than big retailers however according to expectation of the consumers they also prefer to sell quality products with trusted brands. On the other hand, hypermarkets prefer quality product and broad range in type.

The products provided by ethnic food stuff companies could be evaluated as differentiated food products since they are hard to find in Sweden and carry relatively different taste from
different cuisines. That is why; ethnic food companies have some power against to buyers. However, both ethnic food stores and hypermarkets don’t give up their market strategies but negotiate for a middle way. Market position of the ethnic food stores could be evaluated as providing cheaper food than hypermarkets do. Ethnic food stores demand for a few kronor cheaper price and big retailers demand for quality products. (Interview with Mr. Taylı) Nevertheless, ethnic food prices stay close to market prices and ethnic food consumers could not insist for cheap prices since those ethnic food products are not easily available in market. Nevertheless, big retailer chains, ICA, Coop, and Axfood who covers almost 90% of retailing sector carry some kind of power against the companies who wants to reach bigger consumer groups. Ethnic food stores prefer to buy in small amounts and for limited times in order to utilize daily price changes; on the other hand, hypermarkets of big retailers buy big amounts and do contracts for long periods like 6 months. This fact results in short term relationship between ethnic food stores and ethnic food companies, whereas, long term and more trustable relationship with big retailer chains.

5.1.5. Substitutes in Swedish Ethnic Food Market

As Porter (1998) argues substitute products could be a threat for companies as long as they don’t differentiate their products with quality and distinctive value added. The products from Balkan cuisines could create a substitution to Laroc and Sevan’s products since they have similar tastes. However, they don’t lower the prices as Porter (1998) points but they join the competition in the market since they have similar characteristic, not price or higher value added advantage.

5.1.6. Laroc AB

Laroc follow the strategy of products differentiation by creating product profile with good quality-affordable price. The aim of the company is to create a trustable brand in the market. However, Laroc targets not only ethnic minorities in Sweden but all Swedes and try to increase its sales in big retailers than ethnic stores.

There are a few facts that shape the strategy of Laroc. The first reason that drives Laroc to develop a strategy to build a trusted brand with good quality-affordable price is the effect of buyers. In the market, there are two main buyers for Laroc, ethnic stores and big retailers. Ethnic stores have a less trustable buyer profile for Laroc. That is based on their attitude to have short term contracts and demand for cheaper prices. This fact creates a low trusted
unfavorable business relationship between Laroc and those stores. Ethnic stores have a potential to prefer any other company instead of Laroc for cheaper prices. On the other hand, big retailer chains provide more trustable long term relationship for Laroc. The seller-buyer relationship between Laroc and big retailers bases on 6 month contracts. In addition, they expect quality products from their suppliers. Therefore, Laroc prefer to increase its market share in big retailer chains instead of ethnic stores. Laroc still try to create its brand and increase its recognition however Mr. Taylı thinks that in the long run this will provide benefits for his company. Creating a highly recognized brand will prevent hypermarkets to refuse Laroc’s products since they will need to sell Laroc’s products to meet demand of their customers for quality ethnic food. Secondly, competitive forces of other rivals in the market affect Laroc while shaping its strategy. As a result of the choice to grow in the big retailer chains, Laroc enters the competition with other ethnic food companies, Fontana, Zeta and local manufacturers who offer old trusted brands for consumers. Thirdly, company sources and competences affect the strategy of Laroc. The owner of the company, Muhittin Taylı has a professional background as manager in ICA retailer chains. His knowledge and experience in big retailer market gives him strength to lead his company better in this market. Hence, he has significant business network in ICA chain stores.

As Porter (1998) explained, “Competitive Forces”, in other word, “Five Forces” of the market play an important role in shaping Laroc’s strategy. Due to the effects and characteristics of ethnic stores and retailers as the buyers in the market and other companies; Sevan, Fontana, Zeta as the competitors, Laroc tended to increase its sales and grow in the big retailer chains with product differentiation strategy. On the other hand, RBV scholars (Barney, 2001; Prahalad & Hamel 1990) explain the competences and competitive advantages of companies as the strengths bases on the companies’ tangible and in tangible resources and capabilities. In the case of Laroc, as Barney, Prahalad & Hamel (1990) explained Laroc’s in tangible resources, indeed, market knowledge and business network of Mr. Taylı enable company to develop competence to set contacts and create good seller-buyer relationship with ICA stores.

Affects of Porter’s Five Forces and the company resources according to RBV scholars are summarized in the figure bellow;
As mentioned under RBV (Barney, 2001; Prahalad & Hamel 1990), one of the elements that affect company is human capital and their experiences. Sevan has been in the market for a
quite long time and as a result Sevan is an experienced company in the market. As a result of the experiences that are gained throughout the years in the market, Sevan builds its strategy according to its experiences. Sevan is well aware that it is important to provide quality product with cheapest price as much as possible. Thus, it is important to have a brand name with a value attached to it in the market. Even though Sevan is well known in Swedish ethnic food stuff market with its quality, Sevan wants to further develop the value attached to Sevan. While trying to provide quality product, Sevan is searching for new suppliers because Sevan acknowledges that supplier plays an important role in this issue. (Interview with Mr. Ram) As a result, Sevan always tries to find new suppliers as fast as possible. Sevan uses suppliers as a means of power source as Porter (1998) would argue. However this is not the only reason laying behind the research for new suppliers. One of the other reasons is that Sevan argues that the range of products is important in market and focuses on keeping the range of product wide. In order do to so, Sevan tries to find new products and tries to find new suppliers. Because one of main competitive advantages that Sevan has is the wide range of products. As RBV (Barney, 2001; Prahalad & Hamel 1990) would explain, firms are using their resources to gain competitive advantage and in our case Sevan is using its resources to provide wider range of products which is its competitive advantage. But it should be noted here that Sevan is already working with suppliers from different parts of the world. These suppliers have old and good relationship with Sevan meanwhile they are quality suppliers.

Sevan does not believe in competing at every field but working side by side. (Interview with Mr. Ram) Sevan tries to focus on what they are good at. As a result, Sevan finds the changes in the market very important and tries to react quickly to changes in market. One of recent changes in market was that Swedes with ethnic origin started to shop more from hyper-markets for ethnic food stuff. Sevan has been strong in ethnic food store however by realizing this fact, Sevan started to focus more into selling in big retailers. Sevan is already working with big retailers such as Coop; however Sevan wants to sell a wider range of products and also in larger volumes. While doing so Sevan still wants to stay strong in ethnic food stores. Because Sevan believes that ethnic stores are more demanding on some products. (Interview with Mrs. Ram) This might a triggering for Sevan to always push itself for more quality. Also by realizing this change in the market, Sevan realized the importance of range of products for once more since one of the aspects that differs hyper-markets from ethnic food stores is the wide range of products. Nowadays, Sevan is growing fast and demand for Sevan products is
rising. In order to provide faster delivery system, Sevan is moving to a new place in Stockholm where they would have capacity to have larger amounts of stocks. As RBV scholars would argue, Sevan uses it financial and also physical resources to be more efficient. Affects of Porter’s Five Forces and the company resources according to RBV scholars are summarized in the figure bellow:

**Sevan AB- Company Resources**

- Knowledge and experience in the market
- Strong business network with suppliers

**Buyers**

- Ethnic stores: more demanding customers on some products
- Chain stores: demanding quality and wider range of products

**Substitutes**

- There is no a real threat to due substitutes

**New Entrants**

- Competitive market and barriers to entry
- Higher taxation for products imported from out of EU

**Rivalry in the market**

- Competitive forces of other companies with trusted brands

**Suppliers**

- Strong-quality suppliers
- Search for suppliers to lower costs

**Core Competence**

Carrying long-term, strong relationship with suppliers

**Competitive Advantage**

Providing broad range of products with trusted brands

**Product Differentiation Strategy**

By

Broad range of quality products

Figure: 5.2 Strategy mapping of Sevan
Source: Author’s own
### 5.1.8. SWOT Analysis of Laroc & Sevan

Even though we were not able to get satisfactory answers from the interviews we made, we argue the major findings in our SWOT analysis.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Knowledge- experience in ethnic food</td>
<td>- Import tariffs for imported products out of EU</td>
</tr>
<tr>
<td>- Strong business contacts with suppliers</td>
<td>- Seasonal quotas for some food products out of EU like nuts</td>
</tr>
<tr>
<td>- Utilizing economies of scale available out of EU</td>
<td>- Recognition time lag for foreign brands by native Swedes</td>
</tr>
<tr>
<td>- Being an insider in the distribution channels</td>
<td></td>
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<tr>
<td>- Low switching costs</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Threats</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Dominance of local and multinational firms</td>
<td>- Processed ethnic food, ready meals</td>
</tr>
<tr>
<td>- Threat of substitutes</td>
<td>- Availability to sell other Scandinavian and European countries</td>
</tr>
<tr>
<td>- Increasing coverage of big retailers as a result increasing bargaining power for them</td>
<td></td>
</tr>
</tbody>
</table>

Table: 5.1 SWOT analyses of companies  
Source: Author’s own

**Strengths**

The existent knowledge and experience gathered over years is a very powerful strength for both companies since they learned a lot about both supply and governmental regulation side of the ethnic food and the consumer expectations. On the other hand, existent business contacts as a result of ease of reaching new suppliers is another very valuable straight for the companies since their business grounded on product importing. Moreover, being an insider in the distribution channels and having seller-buyer relationship with big retailers is another important strength since Sweden retailer sector is highly dominated by a few retailers.
Furthermore, having low switching cost gives a flexibility to respond market demands and changes with respect to local manufacturers and multinational firms.

**Weaknesses**

Importing Middle Eastern and Mediterranean food products highly out of EU leaves companies to exposed to import tariffs which results a clear cost disadvantage for Laroc and Sevan. In addition, EU applies seasonal quotas for some food products like nut to be able to protect the European producers. This is another disadvantage for companies since they are not able to sell same amount of some food products in every seasons. Moreover, companies import ethnic brands from Middle East and Mediterranean region; however it takes time for native Swedes to try and create a brand loyalty for these products.

**Threats**

As in the case of Asian and Mexican food in Sweden there is a possibility of Middle Eastern and Mediterranean food could be dominated by local manufacturers and multinationals firms in the future if the interest in those cuisines reaches a level to take attention of these companies. In addition, Balkan food product importers might dominate the market and perform out the Laroc and Sevan from some products ranges since they have similar products to Sevan’s and Laroc’s products. What is more, increasing share of three big retailers; ICA, Coop and Axfood, creates another threat, the bargaining between the companies and retailers could be dominated by these retailers which causes a profit lost for companies.

**Opportunities**

Overall consumption attitudes show that Swedish people prefer to consume processed food products (Fox Research AB, 2007); that is why processed ethnic food could be an opportunity for companies. Processed food creates an ease for consumers this way it could be an opportunity to increase the recognition and consumption of Middle East and Mediterranean cuisines by Swedes. Moreover, the market forecast for future food consumption attitudes also approve the increasing important of processed food products and ready meals (Wijnands et al., 2007). Furthermore, as it is the case in Sevan’s marketing, Laroc could sell to other Scandinavian countries using similar distribution channels in the Sweden. For example, ICA stores work in some other Scandinavian countries as well.
5.2. Final Discussion

We carried out this study for identifying the competitive strategies of certain two ethnic food stuff companies in Sweden in order to set a success model for the new entrants. We did some documentary research but more importantly we conducted interviews with companies and food stores. We did interviews with Laroc AB and Sevan AB as our case companies, also, we interviewed with ICA Maxi and Sahand Delikatesser ethnic food store in Västerås. In the light of, information gathered from these sources, we come up with some common strategies and competences could be valuable for new entrants to Swedish ethnic food market.

Case companies; Laroc and Sevan reveal some differences in their competitive strategies, however, both companies follow some similar strategies as well. Laroc follows the strategy of building a trustable brand with quality products for affordable prices; on the other hand, Sevan follows the strategy of providing broad range of products with trusted- well known brands from Middle East-Mediterranean regions.

<table>
<thead>
<tr>
<th>Company</th>
<th>Laroc AB</th>
<th>Sevan AB</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product Differentiation Strategies</strong></td>
<td>Quality and affordable products</td>
<td>Broad range of quality products</td>
</tr>
<tr>
<td><strong>Labeling</strong></td>
<td>Mainly under “Laroc” brand</td>
<td>Mainly under their original brands</td>
</tr>
<tr>
<td><strong>Core Competence</strong></td>
<td>Importing good quality products</td>
<td>Carrying long-term, strong relationship with suppliers</td>
</tr>
<tr>
<td><strong>Competitive Advantage</strong></td>
<td>Trusted brand “Laroc”</td>
<td>Providing broad range of products with trusted brands</td>
</tr>
</tbody>
</table>

Table 5.2 Comparison of companies
Source: Author’s own

In the light of the research we made, we revealed the strategies of the companies that we interviewed. As a result, in short-run, we argue that Sevan’s strategy would be more suitable to follow for new entrants. In the long-run, Laroc’s strategy can be argued that it is more suitable for new entrants. Sevan’s strategy is more suitable in the short-run because of a chain of reasons. Creating a brand name can not be achieved in a short period of time. Since creating a brand name requires time, drawing the attention of the customers by providing well known brands from different parts of the world would be an important process in the early
periods of the company in the market. By such a strategy, new entrants will benefit from the potential of ethnic customers in a way that since ethnic customers are already familiar with the well-known brands from their country of origin, the process of getting familiar with the brands would be skipped. Since the companies would prefer to increase their market share in the long run, it is better to create a brand name for the new entrant. Increasing the market share can be argued as not only focusing on the Swedish people with different backgrounds but also native Swedish people. To increase the market share, with the strategy of providing ethnic food by importing well-known brands from all over the world, it is much harder to gain native Swedish customers. It is much harder because most of the time native Swedish people are not familiar with those brands. Since there are wide range of products and different brands, natives Swedish customers will have to face with recognition process with each brand and each products. However, providing ethnic food stuff under a single brand name would easily overcome this problem.

One of the other important dimensions is fulfilling what is missing in the market. To do so, new entrants can follow two ways. First way that can be followed, is to provide ethnic food that is currently not provided. By providing ethnic food stuff that is not provided currently, new entering company can satisfy the need of Swedish people with ethnic origin and also provide a new food stuff to be tried and try openness of native Swedes. Laroc providing yoghurt into Swedish market for the first time can be given as an example. The other way that new entrants can follow is providing the products of a well-known brand from customers’ country of origin that can not be currently found in the Swedish market. By doing so, the new entrant would have a chance to compete with the other firms who provides ethnic food stuff into market by importing.

Exploring the stores that companies like Laroc and Sevan did not explore can be a good way of entering into market in Sweden. These stores can be independently working stores just like ethnic stores or other small retailers. By working with such stores, new entrants can raise their market share where there is no competition with other Middle Eastern ethnic food stuff market.

New entrants in the market can focus into ready meal food products. The existing ethnic food stuff companies in the market gained a vision of being representatives of the cuisines that they origin from. However those companies usually provide canned food which is mainly raw
indigents. By focusing into ready food stuff, new entrants can be representative of the cuisines by the means of dishes as well. Reason laying behind it, firstly, the trend is more into processed and ready meal. Secondly, native Swedes are not familiar with these ethnic dishes, however they are willing to learn about other cuisines and demanding for product differentiation. Ready meals can introduce the cuisines and increase the consumption of ethnic food by the ethnic Swedes. As a result, new entrants will meet the demand for processed food and differentiation of food products by providing ethnic ready meals. The named field can not be considered as mature since existent companies provide a very limited range of products.

According the research we have done, we have seen that experience plays a major role in the strategies of the firms. If we consider these companies as single persons for a moment, then, we can argue that Laroc is likely to be a rookie meanwhile Sevan is likely to be a veteran. When we take a look to Cambridge Online Dictionary, Rookie means “a person who is new to an organization or an activity” (Cambridge University Press, 2009) Since Laroc is comparably new in the market and as a result it is less experienced. Laroc has an experience of eight years in the market and it’s a new company in the market that started to be known. On the other hand, Sevan has been in the market for twenty five years and when compared to Laroc it is much more experienced. According to Cambridge Online Dictionary (2009), a person who has had a lot of experience of a particular activity is called Veteran. If we consider that experience in the market means market knowledge, then, we can think that Sevan is more likely to be Veteran when compared with Laroc. In the end, when the definitions are taken into consideration, we argue that Laroc is likely to be a rookie when compared to Sevan. Since sevan has more experience than Laroc, we argue that Sevan is likely to be a veteran when compared to Laroc.
6. Conclusion

In Sweden, ethnic food market is gaining more importance within each day whether due to rise in the population of Swedes with ethnic background or openness of the Swedes to new cuisines. As this market gains more importance the more it gets competitive. There rises the problem “how to compete in Swedish ethnic food stuff industry?” The existence of multinational companies in addition to local companies such as Laroc and Sevan, makes it harder for the new entrants. Ethnic food market is changing, as the only thing that does not change is change itself. Ethnic food is losing its ethnicity as it gets appreciated by the consumers and embeds into culture. Also we were able to observe that there was no agreed definition of ethnic food between our case companies since Laroc did not consider itself as an ethnic food stuff company while Sevan did. Ethnic food stores used to be the only places where one could find ethnic food stuffs however with big retailers realizing the demand of the customers, now various kinds of ethnic food could be found in big retailer chains. It can be argued that there is a big potential for ethnic food stuff in big retailer chains since Swedes with ethnic origins started to shop more from big retailer chains for ethnic food and the companies like Laroc and Sevan started to give more importance to those retailers. However Laroc and Sevan still would like to be strong in the ethnic food stores.

When findings were applied to theories, it was seen that theories were in accordance with the firms in reality. First of the theories that we applied was Porters “5 forces” theory. As theory puts it out that firms are affected by 5 forces, that was the same case in our research and we found out that our case companies get their main strengths from their suppliers. Their suppliers are from different parts of the world however all of them showing a common feature which is quality product. Another force affecting our case companies according to Porters(1998) theory was rivalry in the market. Since there is a high level of competition, firms in the market are trying to differentiate. Laroc is focusing to provide quality products with affordable price meanwhile Sevan focusing into providing quality products with a wide range.

The other theory we used was Resource Based View. As we applied the findings into theory, we found out that companies were acting like the theory foresees. Namely that RBV foresees that firm would use it resources to implement it strategies and that’s what our case companies did. In the case of Laroc, as Barney, Prahalad & Hamel explained Laroc’s in tangible
resources, indeed, market knowledge and business network of Mr. Taylı enable company to develop competence to set contacts and create good seller-buyer relationship with ICA stores. Sevan uses its financial-and-physical resources to be more efficient than, as well as, Sevan is using its resources to provide wider range of products which is its competitive advantage.

Since there were no previously done studies directly related to our research we were not able to totally compare and contrast our results with previous studies. But as much as it could be compared, our results matched partly with the research “Internalization of Ethnic Food Industry” on that Swedish ethnic food market is growing and gaining importance which forces companies into differentiation.
7. Recommendations

In the end of the research we made, in the accordance of the knowledge we found out, there are several points that we can recommend. As it is mentioned earlier, we recommend to new entrants to follow Sevan’s strategy in the short time which is providing well known brands from Middle Eastern region. However, in the long run, we recommend them to follow Laroc’s strategy which is generally based on creating its own brand name. One of the other recommendations we have for the new entrants is working with the independent stores that are not explored by the other ethnic food stuff companies. Another recommendation that we have for new entrants is the processed food and ready meal products. In the market for Middle Eastern processed food and ready meal products, there is a limited range of products.

As a result of our research findings and analysis we recommend the companies Laroc and Sevan to increase their processed food products and even provide ready meal options to Swedish consumers since processed food has a growth potential and provide an easy way to increase recognition of new cuisines.

In this dissertation we search and analyzed the market and competitive strategies of companies and their competences. However, we think there are some amount of research should be done in the market. First of all, native Swedes has a potential to be ethnic food consumer that is why, the new researchers should focus on ways to increase the number of consumers from native Swedes. On the other hand, big retailer chains start to sell ethnic food from Middle Eastern cuisines.

We recommend that new entrants should focus on ready meal food products for Middle Eastern cuisine. Since market of ready meal food products is not a mature one and since there is no previously done research, a future research in this field could be done. To be more specific, future study can focus on which kind of Middle Eastern dishes will be appreciated more in the Swedish ethnic food stuff market.

One of our other recommendations is independent stores. We recommend to new entrants, to work with independent food stores. However, to do so, it is necessary to establish a network among these independent food stores. As a result, a further research based on the question “How to create network between independent stores for ethnic food stuff?” can be done.
References

Books


Journals


Reports


Dissertations


World Wide Web


Appendices

Appendix A- Interview Questions for Case Companies

1-what are the range of your products?

2-Which products are being imported and directly provided to market, and, which products are being produced locally and branded?

3-Who are your suppliers? which countries mainly? What are the reasons behind these choices. Are they competitive in their domestic markets?

4-Who is you target group?

5-What is the structure of your distrubition channel? Do you interact with whole-sellers only or do you interact with ethnic markets or retailers by yourself?

6-What percentage of your production is being sold by retailer and what percentage of your production is being sold by ethnic food stores? What makes the largest part of your customers, Swedish citizens or ethnic minotities?

7-Who are the major firms in this market? Who is your competitior? How is the rivalry in the market? What is driving factor for the competition in the market?

Is it due to:
• low barriers to entry / low priced products/ retail chains exercising strong /or scale economies in operation / advertising?

8-How is the process for pricing? Which factors play a majorly role? Who has the bargaining power?

9-What is the size of the market and your market share?

10-How would you describe recent performance of your firm?
11-Your firm caught an increase recently, what do you think lays behind this success?

12-What are the main reasons laying behind your competitiveness?

What is the effect of the suppliers?
- The cost? Quality?
- Channel of distrubition (dagitim agi)
- Differentation of the products, range of the products

13-What are the strenghts and weakness of your company?

14-What is your core competetence?

15-What is the main strategy of your company?

16-How does the company response to competitors’ strategic moves?

17-What do you think for the future of ethnic food market? What are the trends in the market?

18-Is it a promising market? What do you think about the growth rate of the market?

19-What do you think of swedish food market in general? Strengths and weakness?

20-What are the barriers to entry? What were the problems you find it difficult to solve when your firm was established and how did you overcome?

21-Is there customer royalty in swedish ethnic food market? How do you create your customer royalty?

22-What is the target that Sevan would like to reach in next 5 years
Appendix B- Interview Questions for Ethnic Food Store and Hypermarket

1-Who is your target group as the consumer of ethnic food?

2-What percentage of your ethnic food products is being consumed by Swedish citizens /ethnic minorities Which party forms the largest part of ethnic food consumers?

3-What is the structure of your purchase channel? Do you interact with whole-sellers only or do you interact directly with producer or distributor companies?

4-Who are the major firms in this market? How is the rivalry in the market? What is driving factor for the competition in the market? What are the main reasons laying behind the competitiveness of companies in this market?

Is it due to:

The cost?

Quality?

Channel of distribution (availability)

Differentiation of the products, range of the products

5-What is the size of the market and approximate market share of companies or the order of companies by sales amounts?

6-How is the process for pricing? Which factors play a majorly role? Who has the bargaining power? Are you dominating the pricing process as the owner of a big retailer chain?

7-What should be the main strategy of companies who wants to be competitive in the market? What competences should they develop?

8-Could you tell us about recent the strategic moves of companies in the market?

9-What do you think for the future of the market? What are the trends in the market?
10-Is it a promising market? What do you think about the growth rate of the market? What do you think of Swedish food market in general? Strengths and weakness?

Appendix C- Schedule of the study

The study is carried out according to following time plan.