

Master Thesis

Company: Nature Power

Project Topic:



“Attractiveness of Swedish Market and Optimal Marketing Mix for Iranian pistachio”

Supervisor:

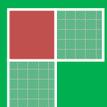
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Abstract

Date:	2009-05-29
Program:	International Marketing
Course name:	Master Thesis
Title:	Attractiveness of Swedish Market and Optimal Marketing Mix for Iranian pistachio
Authors:	Kamola Nurullaeva kna08001@mdh.se Hamid Alizadeh Eslami hah08001@mdh.se
Tutor:	Daniel Tolstoy
Problem:	To find out appropriate marketing strategies for Iranian dry-fruit company to enter the Swedish market.
Purpose:	To find out an optimal entry mode for “Nature’s Power AB” to follow while entering Swedish market.
Method:	Exploratory research is used predominantly to gain a deeper understanding and insight of something. The design is far more flexible and dynamic than that of descriptive research. The collected data helps us explore and learn about the current situation of the Swedish market with reference to its uncontrollable and controllable elements and also helps us develop a marketing mix for Nature Power AB.
Conclusion:	The conclusion of this Master Thesis has implications for pistachio importers to Sweden.

ACKNOWLEDGEMENT

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Vasteras, May 29, 2009

Kamola Nurullaeva

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1. Introduction

We are a group of two students, who will conduct this research and in our study we will address specific issues/problems faced by newly established Swedish company “Nature’s Power AB”. The outcome of this study will provide “Nature’s Power AB” with a basic framework to solve their specific problems or at least contribute to their efforts to solve their problems. Framework provided by Watson Box makes it easy to understand our research proposal.

<p style="text-align: center;">What?</p> <p>1) - How attractive Swedish market is for Iranian pistachio in the context of rivalry, entry barriers, buyers’ power, suppliers’ power, and substitutes available?</p> <p>2) - What marketing mix Nature Power should adopt for its Iranian pistachio in order to effectively introduce into Swedish market?</p>	<p style="text-align: center;">Why?</p> <p>This thesis study is important because it would be a contribution to the knowledge of, first of all, company decision makers and then students. This would be useful not specifically in the dry fruit industry but also as a general guide for new companies to get started in new markets.</p>
<p style="text-align: center;">How - conceptually?</p> <p>Current competition or rivalry Threat of new entrants or entry barriers Bargaining power of buyers Bargaining power of suppliers Threat of substitute products or services Product Mix Pricing strategies Placement (Distribution Channels) Promotion Mix</p>	<p style="text-align: center;">How - practically?</p> <p>A combination of primary and secondary data will be collected from various different sources like, web sites of companies, articles, journals, magazines, etc. Collected data will then be analyzed using selected theories and would be interpreted in graphical format, wherever possible, and recommendations about the attractiveness of the market will then be made based on analysis. In the end an effective marketing mix would be</p>

Figure 1: The Watson Box¹

¹ Source: Fisher C. 2007, p. 72

1.1 About the company

“Nature Power AB” is located on Vasteras, Sweden and engaged in the wholesale of organic foodstuffs in Scandinavia.² The overall goal is to provide people top quality of natural foods according ecologically and socially sustainable food production; high respect to customers according their values and needs in the term of providing highest top quality natural foodstuff with reasonable prices. It aims to provide the highest standards for our products. Investors of the company are from Iran with some preliminary research on Swedish market and looking to enhance their understanding about the Swedish market. Nature Power AB believes in introducing highest quality products at competitive price to meet the quality standards of target market and to capture its planned market share.

1.2 Objective of the study

Nature Power AB, company recently entered to Sweden market is going to introduce Iranian dry fruits. A good and Exact Marketing Research and plan can be very useful in this case. In this way Nature Power AB is going to provide an effective entry strategy with Iranian pistachio as its core product and finding best solutions to enter to Sweden market with effective advantages.

This paper is going to analyze Iranian pistachio competence in Sweden market and its specific entry strategy into the said market. It goes from second-hand data to primary data, from international market environment to Sweden pistachio market, from company’s strategy to its entry strategy.

There are two main objectives of this master thesis; first one is to provide Nature Power AB with information about the attractiveness of the Swedish market for Iranian pistachio with reference to its competitiveness, entry barriers and legal restrictions, buyers, suppliers available with their bargaining power and substitutes available. Second one is to provide Nature Power AB with an effective Marketing Mix, so, that company could use thesis output to make different crucial decisions about their plan of

² www.nature-power.se

introducing Iranian pistachio in Swedish retail hypermarket. Marketing Mix will primarily present the right set of Product, Price, Placement and Promotion, that Nature Power AB would use to position itself in Swedish market.

1.3 Research Question

In this paper we are going to find out appropriate marketing strategies for dry-fruit importers from Iran to help them enter to Swedish market with good potential and competitive advantage in dry-fruit business. The purpose of the thesis is to outline a model for an Iranian pistachio exporter to exploit their business in the Swedish market. Main research question of this paper is “How can an Iranian dry-fruit company enter the Swedish market?”

1.4 Why is this study/thesis important?

This study/thesis is important because it would be a contribution to the knowledge of Nature Power AB to plan and conduct their future marketing activities in Sweden. This thesis will provide company with an insight on the potential of the Swedish market in the context of its uncertainty about the buyers and suppliers’ power, competition, barriers, and substitutes. Thesis will also add to the knowledge of the company on how they should manage the marketing activities based on presented Marketing Mix and its Analysis in the light of literature theories.

This thesis will also help us (the authors) learn in a practical environment by implementing the theories in real time. Nature’s Power is also in contact with TEKNIKBYN, Science Park Vasteras, which has assigned us a coach. The coach will be guiding us throughout the master thesis with his business expertise in Sweden so this will be an invaluable addition to our knowledge and experience.

2. Conceptual Framework

Factors Influencing Market Entry Strategy

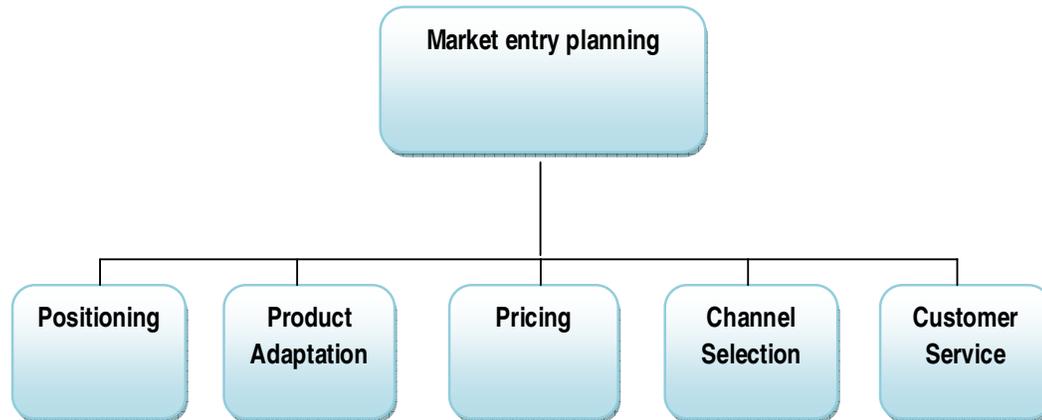


Figure 2: Factors Influencing Market Entry Strategy³

2.1 Overview of the literature

Literature review part of the thesis would involve a thorough discussion of the relevant literature. Theories from the main writers in the subject area will be chosen, adopted and described with best relevance to the thesis objectives. We will achieve our objective by carefully adapting and applying Porter's five forces model from "On Competition by Michael E. Porter, 1998". Porter's five forces model would provide the following concepts for the research purpose:

Five forces

- The industry/Current competition or rivalry
- Threat of new entrants or entry barriers
- Bargaining power of buyers
- Bargaining power of suppliers
- Threat of substitute products or services

³ Philip Kotler, International Marketing, 7th edition

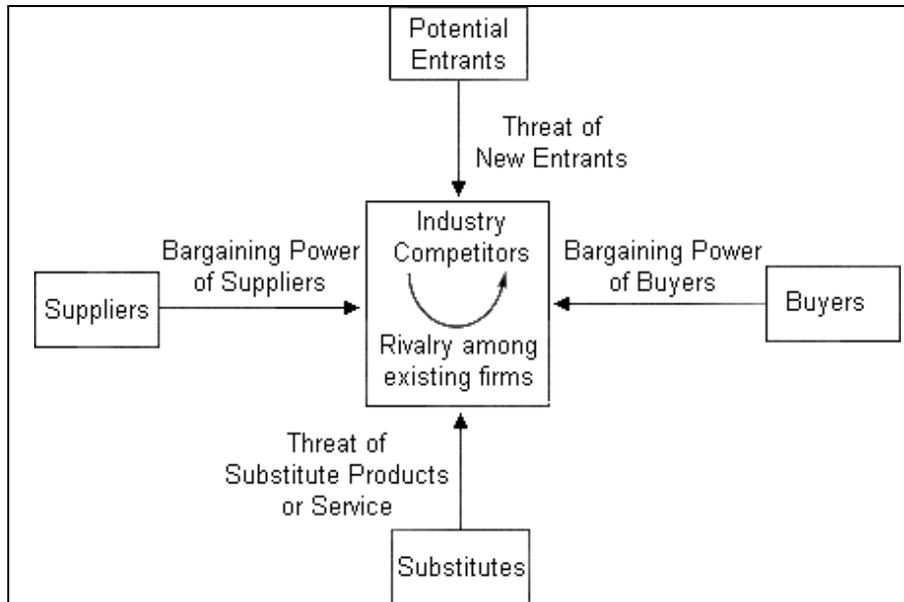


Figure 3: Five Forces⁴

Whatever their collective strength is, the corporate strategy's goal is to find a position in the industry where a company can best defend itself against these forces or can influence them in its favor.⁵

2.2 Comparative advantage

In economics, comparative advantage refers to the ability of a person or a country to produce a particular good at a lower opportunity cost than another person or country. In other words, it can be contrasted with absolute advantage which refers to the ability of a person or a country to produce a particular good at a lower absolute cost than another. It explains how trade can create value for both parties even when one can produce all goods with less resource than the other.⁶

⁴ http://www.valuebasedmanagement.net/methods_porter_five_forces.html

⁵ Michael E. Porter, On Competition, 1998, P. 22

⁶ Michael E. Porter, On Competition, 1998, P. 28

2.3 Market plan

2.3.1 Positioning

Positioning defines what the company image is in the customer's mind, which means the more we know about the customers, the easier we choose the accurate position in the market. To understand what the customers need, we should select the most profitable customer segment and concentrate on understanding the target group in advance, and then create the most suitable image to meet the customers' needs. To the company, finding the exact window to get access to the customer at the right time according to the right circumstances is one systematic way to position the company in the market.⁷

2.3.2 Product adaption

According to different strategy, the company is available to choose either product standardization or product adaptation. As one of the effective ways to enter into new market by producing and developing products with international commerce, production standardization gains a few advantages. Such as cost reduction, standard management, On the other hand, product adaptation concentrates on providing more tailored products to the new markets with particular culture, needs and taste. According to many professionals and academics ideas, the company will have more choice to gain market share than only offering a standardized product by adapting the products flexibly up to the local culture. Regarding to the researchers Hill and Still's points, products adaptation strategy is valuable for the company to strengthen its competitive position in the new market.⁸

Variety of factors affects the product adaptation decision. Political and legal environment of the new market that the company plans to enter decide what level of product adaptation in a way. Stages of economic and market development is another factor to spur whether the company should make product adaptation. In addition, the

⁷ Philip Kotler, International Marketing, 7th edition

⁸ http://www.freeoessays.com/show_essay/Business-A-55461.html

cost of adaptation, the nature of the product, the convergence of consumer taste between countries and competition should be taken into consideration as well.⁹

The more valuable way for the company to enter into the new market is doing product adaption to meet the target market requirement.¹⁰

2.3.3 Pricing

When the products enter into a new country, it will experience from the importer, the primary company for local distribution, or the secondary distributor—hypermarket or intermediary. Several factors affect the pricing strategy including pricing objective, price escalation, pricing controls, competition and target customer.¹¹

Pricing objectives

Pricing objectives can be located into two ways: one contributes to the marketing objectives; on the other hand, pricing can be an element for the business target. In the first approach, pricing can be one way to achieve a specific target, whether an ideal return on profit or a targeted market share. In the second approach, exporting is one way to sell excess inventory, and the company just view the sales in the international market as passive contributions to its marketing sales. The pricing objectives should be consistent with the overall strategy of the company and particularly the marketing objectives.¹²

Pricing escalation

Pricing escalation exists when the products are in the international market. Generally, the difference happens between the exporting country and importing country and the cost added as the result of exporting products from one country to another. Particularly, the costs are increased by the shipping cost, insurance, packing, tariffs, longer channels of distribution, large middlemen margins, special taxes, administrative costs and

⁹ http://www.freeoessays.com/show_essay/Business-A-55461.html

¹⁰ Philip Kotler, International Marketing, 7th edition

¹¹ Philip Kotler, International Marketing, 7th edition

¹² Philip Kotler, International Marketing, 7th edition

exchange rate fluctuations. All these factors contribute to the higher final price in the international market than the domestic market.¹³

2.3.4 Competition

Competition reflects the market structure, which is an important point to determine the international price. Competition factor refers to the number of competitors, the size of the competing firms and the relative position. Different market structures contribute to different pricing strategy. The company can set the price according to the income levels and meanwhile, the company can also regard the competitors' prices as a landmark to position its products. For instance, if the company positions its products as higher quality than its competitors do, the price should be set accordingly. On the other hand, if the company choose to compete with its competitors on price, it will be helpful for the company to set competitive price. In addition to understand the cost structure of the competitors, the company has to match its marketing mix, which means charging higher price needed to provide better quality of products.¹⁴

Target consumer

The company has to evaluate and choose one market segment as the target market that they are going to enter. Demand elasticity decides how the customers will react to the price changes. If the demand will increase dramatically by lowering the price, we call it price elastic. On the contrast, if the price has little effect on the demand, it will be regarded as price inelastic. Except for the buying behavior, other factors- the ability of customers to buy, prices of substitute and competing products and the nature of non-price competition are very important for the products pricing whose products are without big difference with its competitors. To the products with distinguish difference; higher prices are helpful to enhance the market share. Additionally, the brand names

¹³ Philip Kotler, International Marketing, 7th edition

¹⁴ Philip Kotler, International Marketing, 7th edition

and an image of high quality are two other factors can add more value to the products to sell at premium prices.¹⁵

Pricing controls

Due to many political and social reasons, inflation control, regulations protect customers from unjustified price and stimulate equal distribution of wealth, the government prefers to setting up various rules and regulations to control the price. To the company, the better way to cover against the negative impact by the price freezes and controls, the company had better review their prices in inflationary markets. One way is to keep introducing new products in the market, and another is to pay attention to other payment terms or discounts and credits conditions.¹⁶

2.3.5 Channel selection

To realize the marketing goal, the company needs to make sure the product get access to the target market in the effective way. Finding the suitable distribution channel is the most challenging and significant task for the international company. In order to understand the market characteristics and select the distribution, the following factors should be taken into consideration: cost, capital requirement, control, coverage, character, continuity.¹⁷

Cost

Two kinds of cost can be taken into consideration when we choose the distribution channel: one is the investment of developing the channel and the other is the continuing cost of keeping the channel. The cost of the middlemen can be divided into transporting and storing the goods, breaking bulk, providing credit, the cost of advertising, sales representation or negotiations cost.¹⁸

¹⁵ Philip Kotler, International Marketing, 7th edition

¹⁶ Philip Kotler, International Marketing, 7th edition

¹⁷ Philip Kotler, International Marketing, 7th edition

¹⁸ Philip Kotler, International Marketing, 7th edition

Coverage

One of the marketing goals is gaining full-market to get the optimum volume of sales, maintain a desirable market share and realize successful market penetration. Coverage can be accessed on geographic area or market segment.¹⁹

Characters

The distribution channel that the company chose must fit the character of the company or the products and the markets. Different products have specified requirement on the perish ability which need to be storage in special environment.²⁰

2.4 Marketing Mix

We would also use Marketing Mix from “Marketing Management by Philip Kotler, 11th Edition, 2002” in order to be able to define, analyze and recommend the right set of marketing mix for the company that would include;

Marketing Mix / Controllable Elements

- Product (Product Mix)
- Price (Pricing Strategies)
- Placement (Channels of Distribution)
- Promotion (Promotion Mix)

2.4.1 Price

Price factor is consistent to the amount a customer pays for the product, which is determined by numbers of aspects, including market share, competition, material costs, product identity and the customer’s demand.²¹

¹⁹ Philip Kotler, International Marketing, 7th edition

²⁰ Philip Kotler, International Marketing, 7th edition

²¹ <http://www.netmba.com/marketing/mix/>

2.4.2 Product

Product refers to something more tangible, physical products as well as services. It generally consists of brand name, functionality, quality, connected services and so on.²²

2.4.3 Place

In Marketing Mix, Place (Distribution) relates to the approach how the product is going to be delivered to targeted customers. It includes channels of distribution, coverage of the targeted customers, warehouse, transportation and logistics.²³

2.4.4 Promotion

Promotion relates to all the communication tools that the marketers use in the marketplace. The four distinct elements, advertising, public relations, word of mouth and point of sale are included in the promotion factors. In addition, the public relationships are also been valued as an effective way to communicate with the market but without direct payment.²⁴

3. Methodology

3.1 Choice of the theory

We used entry strategy theory and, 4Ps models, Porter's Five Forces as main theories in these papers to analyze the Swedish pistachio market and search a most feasible approach for entry into this market.

3.2 Research Design

We will use Exploratory Research approach in this thesis. Exploratory research allows the researchers to gain a greater understanding of something that they don't know

²² <http://www.netmba.com/marketing/mix/>

²³ <http://www.netmba.com/marketing/mix/>

²⁴ <http://www.netmba.com/marketing/mix/>

enough about. Exploratory research is used predominantly to gain a deeper understanding and insight of something. The design is far more flexible and dynamic than that of descriptive research. (DJS Research Ltd, n.d). So, to follow this research approach we will collect secondary as well as primary data from various different sources. The collected data will help us explore and learn about the current situation of the Swedish market with reference to its uncontrollable and controllable elements and also will help us develop a marketing mix for Nature Power AB.

Why Exploratory Research?

As mentioned before, Nature Power AB is a new company and is looking to move to introductory stage of its life cycle. Company has some basic initial information about the Swedish market and some of its uncontrollable elements but requires detailed insight about the issues. So, in this situation, we find exploratory research the most appropriate one to gain the greater understanding of the company specific problems/issues.

3.3 Choice of collecting information

3.3.1 Primary Data

We collected primary data by some interview and the questionnaire by those people who randomly invited to fill our questionnaire on the supermarkets chosen from different segments.

The primary data was collected from distribution of questionnaires and the survey period conducted from 20th April 2009 to 30th April 2009. The detail of the survey is stated as follows.

Choice of survey instrument

According to the research purpose and the main analysis point of this project plus the validity and reliability consideration, we value the survey instrument of questionnaire is the best choice. The main reason on this selection lies on the advantage on no bias.

Because the customers whom we distributed questionnaires are selected randomly without any influence and interruption from the researchers.

Choice of the questionnaires

In the questionnaires design, we covered the basic information of the respondents, such as age and gender. Additionally, the main part for the questionnaire is the survey of the shopping preference and habits. Our research is divided into six questions, from which we can gain the frequency of buying pistachio, the reason why they like to eat pistachio, how much they spend on pistachio per month, what is their purchasing decision based on and how satisfied they are with the available pistachio. To understand the customer's shopping habit further, one more open question was added to know whether the customer are willing to pay more for the better quality of pistachio. All the questions above are related to the purpose of our survey to know the Swedish customer's demanding information.

Choice of respondents

The 54 respondents whom we distributed questionnaires are the customers from the hypermarket in Sweden. These were ICA, Hemkop, and Coop in Stockholm and Vasteras. Since the main customer target of our products is the Swedish customer plus the distribution channel we chose, the 54 respondents are the main represent of the customer group. We have chosen 54 respondents, which assure us with 90% confidence level, relying on 9,5 million population of Sweden.²⁵ What's more, to gain the overall information from the customers, we selected the customers with different gender and ages. The average age of respondents was 35. In total 54 customers filled out the questionnaire. A slim majority of those were females.

²⁵ <http://www.americanresearchgroup.com/moe.html>

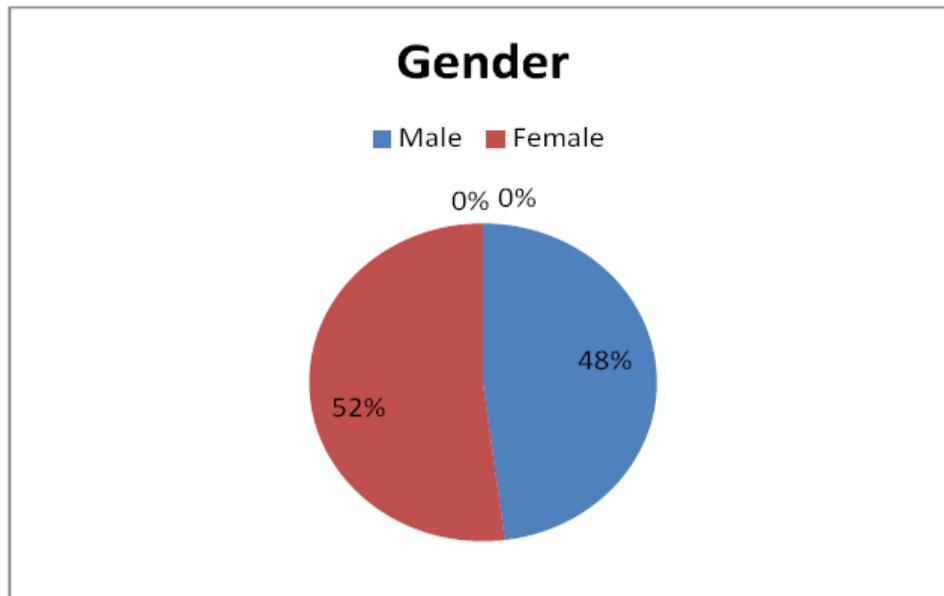


Figure 4: Gender Proportion

3.3.2 Secondary Data

We also would collect secondary data from various sources. Potential sources include; Official web sites of the potential suppliers, customers and other institutes in the network; different online articles, journals, newspapers and magazines; other sources, like research papers, text books, newspapers etc.

3.3.3 How to analyze the data

According to the different detailed information from the questions in the first question can help us to gain the information about how frequent the Swedish customer eat pistachio, never; once a week; once a month or once a year, to the consuming quantitative of the pistachio. Analyzing the second and fourth question can help us to know why the customers like to eat pistachio, because of the nutrition, taste or it is a traditional ceremony to eat pistachio, and which factor is most one to influence the purchasing decision of the customers, price, brand, quality or others. The third question is related to how much they pay on pistachio per month, which will be

taken into consideration when we make price. Whether the customers satisfied with the pistachios that exist in the market right now will be analyzed from fifth question. The open question will be a clue for us to know the willing pay for our products.

Collected secondary data will be analyzed with the help of suggested theories to find out the attractiveness and competitiveness of the Swedish market and would provide a base to determine its relevant potential. Secondary data would also be helpful in analyzing and determining marketing mix for Nature Power AB.

3.4 Analyzing the material

Selected theories would be used to analyze the data collected through primary and secondary data types. This analysis would establish a link between theories and data collected and would serve as a core of the thesis. Information in the analysis would be compiled and presented in graphical format, wherever possible. Analysis portion would endow us with useful information which would then be interpreted to answer the research and strategic questions.

3.5 Practical and ethical issues

The study does not, apparently, raise any ethical issues but there is always room for exceptions so, the right to privacy of respondents in the research will be honored and personal data of respondents will not be revealed and where it is necessary to mention the names, permission will be taken before hand. Permission will be taken before recording audio or video interviews, if any. The objective of research and actual subject will be clearly mentioned to the respondents at data collection stage and no deception or ambiguity will be kept in reality. There might be some practical issues like, delay or non-cooperative attitude of the suppliers or retail customers in providing primary data and so on.

3.6 Timetable Plan

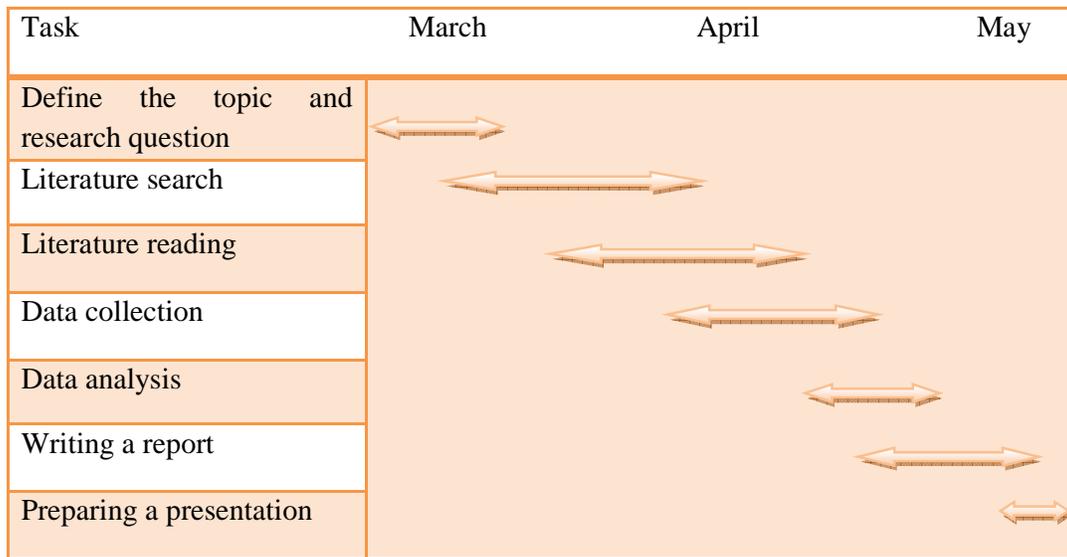


Figure 5: Gantt chart²⁶

4. Finding

In this part, the pistachio and Swedish market will be introduced as the entry background, and the market plan will be presented as well.

4.1 Pistachio introduction

Pistachio is a member of the cashew family, and just like most other nuts, scientists say they are cholesterol free. Moreover, besides delicious in flavor, pistachios contain plenty of nutrients. Science shows that one-ounce serving of pistachios (about 45 nuts) contains over 10% of the daily requirements of dietary fiber, magnesium, copper, phosphorous, and B vitamins. The fat in pistachios contains no cholesterol or monounsaturated fat, which means that they, along with other nuts, will help protect you from heart attacks, and will strengthen your immune system, making your body fit.²⁷

²⁶ Source: Fisher 2007, P. 73

²⁷ http://www.askmen.com/sports/foodcourt_100/100b_eating_well.html

Amino Acid, Vitamin and Mineral Content of Pistachio Cultivars

Amino Acid Type (mg/100g)	Kırmızı	Uzun	Siirt
Lysine	958	815	993
Histidine	410	345	448
Arginine	1677	1388	1852
Aspartic acid	1438	1354	1548
Threonine	490	461	535
Serine	930	839	1184
Glutamic acid	5008	4423	6078
Proline	765	552	849
Glycine	828	632	808
Alanine	650	518	801
Sistine			132
Valine	1222	749	988
Methionine	184	175	253
Isoleucine	791	644	918
Leusine	1277	1008	1438
Tyrosine	599	484	610
Phenylalanine	1059	861	1137
Calcium	139,7	131,3	111,5
Zinc	2,78	2,32	2,49
Sodium	0,40	0,38	0,33
Iron	4,51	3,63	3,84
Potassium	890,7	889,8	860,85
Manganese	1,21	1,00	1,16
Copper	1,03	0,94	1,24
Magnesium	112,8	111,8	116,2
Vitamin B1	1,24	1,28	1,25
Vitamin B2	0,16	0,17	0,16
Niacin	1,50	1,54	1,44

Source: TUBITAK-MAM

Figure 6: Pistachio Nutrition²⁸

Nutritious of Pistachio

In a recent scientific research, it is indicated by scientists that pistachio contains certain element that is friendly to heart, and is helpful to keep away from some heart diseases.²⁹

4.2 Pistachio production situation

Pistachio is a big industry. According to the production data in 2005, it was 190 thousand metric tons. The detailed information can be known from the following chart.

²⁸ PISTACHIOS, Prepared by Gülay BABADOĞAN, 2008

²⁹ <http://www.bio-medicine.org/medicine-news/Pistachio-Nuts-Keep-Away-Heart-Diseases-20380-1>

Rank	Commodity	Production (Int \$1000) Footnote	Production (MT) Footnote
1	Iran	627,978	190,000
2	United States of America	462,721	140,000
3	Turkey	198,309	60,000
4	Syrian Arab Republic	198,309	60,000
5	China	112,375	34,000
6	Greece	31,399	9,500
7	Italy	7,932	2,400
8	Uzbekistan	3,305	1,000
9	Tunisia	2,644	800
10	Pakistan	661	200
11	Madagascar	529	160
12	Kyrgyzstan	331	100
13	Morocco	165	50
14	Cyprus	50	15
15	Mexico	23	7
16	Mauritius	17	5

Figure 7: Pistachio exporter countries.³⁰

This chart vividly illustrates the origin countries of pistachio, from which the readers would be aware that Iran and American are the top two on pistachio export in global market.

³⁰ <http://www.fao.org/es/ess/top/commodity.html?lang=en&item=223&year=2005>

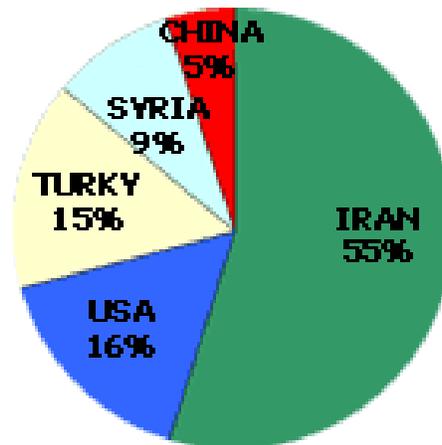


Figure 8: Percentage of Iranian pistachio exports in the global market.

Currently, the situation is that America might gain more profit with less volume of pistachio, and the cause to it is that they export pistachio more on processed products; in other words, they add more value to the pistachios, rather than exporting just raw materials. This is really becoming a bottle-neck effect and bothers Iranian export companies on pistachios. Nevertheless, Iran occupies the top in production, and has the most diversified pistachios in types.

4.3 Basic background of Sweden

The chart below will give us the fundamental information about Sweden.

<u>Consolidation</u>	
<u>EU accession</u>	1 January 1995
<u>Area</u>	
Total	<u>449,964 km² (55th)</u> <u>173,732 sq mi</u>
<u>Water (%)</u>	8.7
<u>Population</u>	
2008 census	9,234,209 ⁴
<u>Density</u>	<u>20/km² (194th)</u> <u>52/sq mi</u>
<u>GDP (PPP)</u>	
Total	2007 estimate \$335.405 billion ^{III} (<u>30th</u>)
<u>Per capita</u>	\$36,577 ^{III} (IMF) (<u>16th</u>)
<u>GDP (nominal)</u>	
Total	2007 estimate \$454.839 billion ^{III} (<u>18th</u>)
<u>Per capita</u>	\$49,602 ^{III} (IMF) (<u>8th</u>)

Figure 9: The Profile of Sweden³¹

4.4 Market plan

Positioning, product adaptation, pricing and distribution channel will be the four main parts in the market plan.

³¹ <https://www.cia.gov/library/publications/the-world-factbook/geos/sw.html>

4.4.1 Positioning

Up to part of our customer survey in Sweden, we acquaint the customers in Sweden are not so satisfied with the Pistachios that exist in the Swedish market from California, especially when we provided the Iranian Pistachio and USA pistachio during the survey, and the customers had choice to taste and compare the two products. When the customer tasted the pistachio from Iranian, they felt it is more delicious and palatable. Moreover, the quality is better than the California pistachio.



Figure 10: Satisfaction with the Quality

The respondents are only medium satisfied with the quality of the available pistachios. Pistachios are being bought because of their taste and if they have a good reason. However, the customers are not entirely satisfied with the quality of the pistachios that are available in Swedish supermarkets.

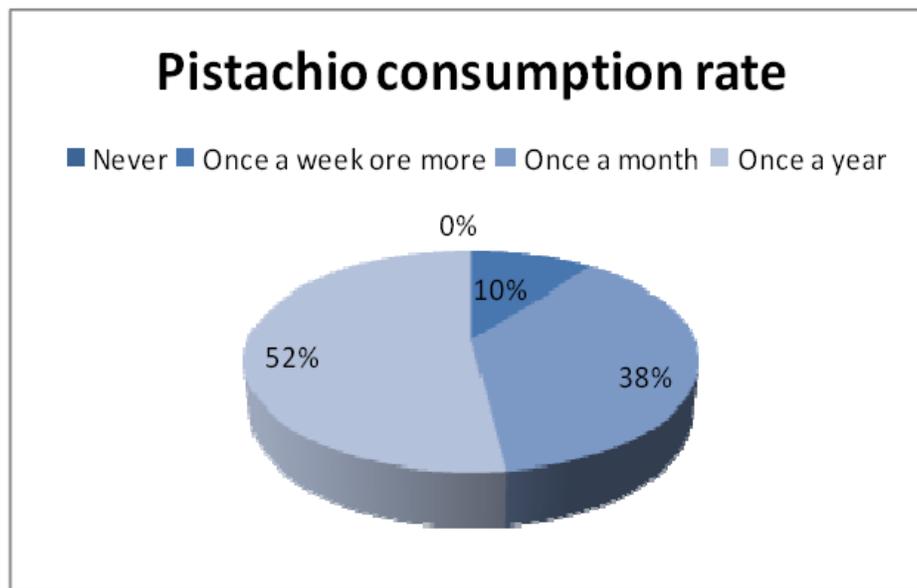


Figure 11: Consumption Rate

The respondents are regular consumers of pistachios, males as well as females. Quite a huge proportion of 37, 5% is consuming pistachios on a very regular basis (once a month).

As we talked above, Iran is the first largest pistachio producer and exporter in the world and Iranian pistachio is famous for its best taste and quality with higher nutrition of potassium, calcium & phosphorous, protein and energy.³²

Compared with the other pistachios from Turkey, according to the analysis on the results of 1980s, the nuts of Iranian pistachio are bigger with 162.03g with 55.43% fat, and 22.69% protein. While the Turkish types were around 129.72g with 57.68% fat and 22.08% protein.³³

There is only one kind of pistachio that the USA provided to the Swedish market, on the contrary, various kinds of pistachios from Iran are produced and the nature-power company is going to introduce diversified pistachio to Swedish market. According to

³² Iranian pistachio, 2008, <http://www.sahravi.com/pistachio/iranian-pistachio.htm>

³³ R. Karaca, A. Nizamoglu, quality characteristics of Turkish and Iranian and Iranian pistachio cultivars grown in gaziantep, <http://www.actahort.org/members/showpdf?booknrarnr=419>

the survey, the customers pay more attention on taste more than other factors, which enforce the possibility and popularity of the introduction of the Iranian pistachio.

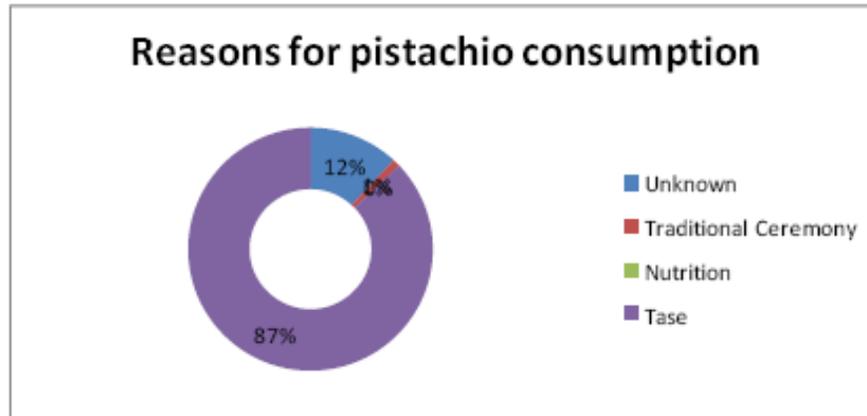


Figure 12: Reasons of Consumption

The large majority is consuming pistachios because of the taste. The customers are most widely unaware of the nutritional benefits.

4.4.2 Product adaption

When the products enter into European market, the health and security controls are very strict to guarantee it is not bad for the human consumption. All the products that are going to export to EU market are required to pass the food safety measures, which are becoming stricter and tighter every year for all the countries, including EU members by the European Commission.³⁴

Aflatoxins are one kind of toxic metabolites and have been detected in various food commodities including pistachio. According to different security test system, the core of the pistachio is on the foundation of different acceptable levels of aflatoxin. For example, the International Nut Council considers 15 parts per billion as the acceptable aflatoxin levels, whereas the European Commission takes this level at only 4 parts per

³⁴ Iranian pistachio preserves its place in EU markets, June 13,2004, http://www.sahravi.com/news-archive_dates-raisons-pistachio.htm

billion. Every country, which is going to export pistachios to European market, is asked to take appropriate actions to reduce the proportion.³⁵

In 2005, Iran had provided the reports about the measures they were going to take to tackle the problems on the pistachio. In addition, the pistachio farmers in Iran are trained to use the latest available farming technology to update the traditional farming technology to modern cultivation methods. Since European Union has been offering the advanced technology on processing, harvesting and packaging pistachios, the latest notification on food, including pistachio safety by the European Commission has shown that the aflatoxins in Iran's pistachio has decreased within the European Commission requirement.³⁶

In addition to the test from European Commission and International Nut Council, all the food products need to have the ISO 22000 certification and HACCP security requirement. ISO 22000 specifically concentrates on the requirement on the food safety system within the food chain, which require the company demonstrate its ability to control the food safety and keep meet the requirements of customers by satisfying the food safety regulations. ISO 22000 covers three aspects to ensure the food safety along the food chain, which is interactive communication, system management and hazard control. Interactive communication concentrates on the make sure the food safety is identified and adequately controlled at each step, which refers to the communication among the companies upstream and downstream. System management requires the companies should set up effective management system and update timely. Hazard control focuses on the controlling of the final products with the balanced integration of prerequisite Programmers and the combination with the HACCP (Hazard Analysis and Critical Control Point).³⁷

The HACCP is a plan to be used to supervise the crucial controlling points determined to reduce the food safety hazards of the products. The combination between ISO 22000

³⁵ Iranian pistachio preserves its place in EU markets, June 13,2004, http://www.sahravi.com/news-archive_dates-raisins-pistachio.htm

³⁶ Iranian pistachio preserves its place in EU markets, June 13,2004, http://www.sahravi.com/news-archive_dates-raisins-pistachio.htm

³⁷ Jacob Færgemand and Dorte Jespersen, ISO 22000 to ensure integrity of food supply chain, from http://www.iso.org/iso/tool_5-04.pdf

and HACCP will clarify the prerequisite programmers into infrastructure & maintenance programmers and operational prerequisite programmers specifically. Sweden, as one member to participate in the ISO 22000 group, requires the company to satisfy the requirement from ISO 22000 and HACCP to enter into the Swedish market.³⁸

4.4.3 Pricing

Pricing strategy is influenced by the pricing objectives, pricing escalation, competition and target customers. In this part, all the factors will be introduced individually.

Pricing objectives

The nature-power company, as the first one to introduce the Iranian pistachio to Sweden, aims to gain a considerable market share and keep good relationship with the distribution channel by providing high quality and health & environment friendly products. Additionally, the quality of the pistachio is the customers mostly care about when they make their purchasing decision.



Figure 13: Basis of the Purchasing Decision

³⁸ Jacob Færgemand and Dorte Jespersen, ISO 22000 to ensure integrity of food supply chain, from http://www.iso.org/iso/tool_5-04.pdf

Customers are making their purchasing decision for pistachios based on price and quality. Brand names are irrelevant.

Pricing escalation

To insure the food security, regulations from the Food Standards Agency stipulate that all the food importation must adapt to the commission decision, which particularly set specified restriction on the pistachio. They place a time limit on the validity of the aflatoxin health certification of four months to reduce the extension of aflatoxin during the storage and transportation. Meanwhile, all the costs that arise for the security reasons on the sampling, analysis, storage and other official measures are considered as non-compliant consignments and they will be borne by the importers or the food business operators. According to the number of calculation, per consignment for this cost will be approximately £600. In addition, additional costs also need to be covered by the importer or food business operator, such as the enforcement authority's costs for supervision of destruction or legal costs that would happen for legal representation, case preparation or other court costs.³⁹

Competition

Iran and the USA are the two biggest rivals in the producing and exporting pistachio market. According to the number showed in 2002, Iran and the USA share the exportation data presented Iran and the USA took 59% and 12% of the global pistachio exportation respectively. In European Union, the exportation from Iran and the USA showed different trends. From 1992 to 2002, the USA pistachio market share arose from 4% to 23%. At the same period, that of the Iranian pistachio decreased from 95% to 70%. The main reason contributed to the issues was the aflatoxin percentage. Turkey, as the third largest pistachio exporter in the European Union market, posed 6% in 2002.

³⁹ Explanatory Memorandum to the food (Pistachios From Iran) (Emergency Control) (England) (Amendment) Regulations 2005 http://www.opsi.gov.uk/si/em2005/uksiem_20050208_en.pdf

In 2004, Compared with Iran, the cost for production of pistachio in USA is 1.4 times higher than the expenses in Iran per hectare, because the high investment for establishing and maintaining the pistachio orchard and at the same time, it becomes one of the barriers to gain economic of scale. Meanwhile, the annual operating cost for one pistachio orchard in USA is around 3.8 times more than that in Iran.⁴⁰

However, the price of the USA pistachio reflected downward trends since the long-term development with increasing supply quantities and high proration use of advanced technology. Up to the cost structure of the USA pistachio, the production cost decreased, and the annual probability of aflatoxin events was reduced to 2 percent, which poses a positive effect on reducing the safety testing cost.⁴¹

Target Customers

The income level of Swedish customers is \$37,500, according to the GDP per capita number, and it is at the number of 22, compared with other 228 countries in the world in 2007.⁴²

As the primary data, we collected when we were doing the customer survey, the customers shows their interest on better quality of pistachio and they would rather pay higher price for the better quality. Pistachio maintains price inelasticity since its high nutrition as a healthful snack. From the customers' view, they regard quality as their basic factor to make purchasing decision, which can be proved by the survey result that we presented in the methodology part. In the survey, we were trying to understanding how much money the customers pay on the pistachio, and the result showed as follows:

⁴⁰ S. Razavi, PISTACHIO PRODUCTION, IRAN VS. THE WORLD,
http://www.actahort.org/members/showpdf?booknrarnr=726_118

⁴¹ Hayley Boriss, Junior Specialist, Commodity Profile: Pistachios, 2005
<http://aic.ucdavis.edu/profiles/pistachios2005.pdf>

⁴² <https://www.cia.gov/library/publications/the-world-factbook/geos/sw.html>

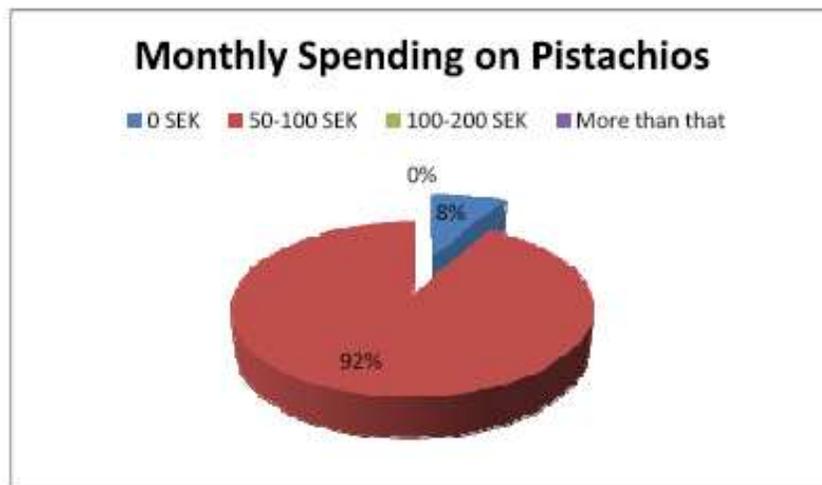


Figure 14: Monthly Spending on Pistachio

The monthly spending on pistachios of the respondents is rather low. Therefore, the consumption of pistachio does take a big share in their monthly spending.

4.4.4 Channel selection

In Sweden, the supermarkets are the main middlemen for the connection between the producers or suppliers and the customers. ICA is one of the Nordic region's leading retail with 2300 ICA shops and cooperated stores in other regions, such as Scandinavia and Baltic.⁴³

Coop Norden is another well established supermarket in the retail trading area in Sweden, with over 700 shops. Since 2002, Coop Sverige is part of Coop Norden with operations on FMCG shops in chains such like Coop Forum, Coop Extra, Coop Konsum, Coop Nära and Coop Bygg. All the Coop trading shops had been divided into different level with different kinds of products. For example, Coop konsum (167 shops) focuses on top quality and fresh produce plus a broad range of products. Most of the Coop konsum locates in the urban areas. Coop Extra shops (36 shops) concentrate on everyday low prices across the entire range of products, and mainly locate on the outskirts of urban areas. In addition, Coop Extra provides multi-buy offers, which help

⁴³http://www.ica.se/FrontServlet?s=in_english&state=in_english_dynamic&viewid=579878&showMenu=in_english_0

the customers pay lower price for purchasing several identical categories of products. Coop Nära shops (98 shops) are famous for its speed, convenience with long opening hours and simplicity but with a large range of products. Coop Forum (38 shops) focus on offering various kinds of products, especially foods, and the locations are often next to the large shopping centers. Coop Bygg (29 shops) mainly sell a broad range of products for home renovation and gardening with well stocked shops but low prices. According to the sale records during 2007, Coop Sverige's selling results kept improving, especially the Coop Konsum, Coop Nära and Coop Extra chain developed well. Renovation under construction had been done in the past year, which will be positive for increasing competitiveness and sales. Coop Sverige values the customers demand as the main working goal. To increase the competitiveness and the products range to the members and customers, many works had been done to improve and increase the efficiency of daily operations in the shops and hypermarkets. In the past 2007, Coop Sverige decided to develop the concept of the Coop Extra, and the shops will be rearranged to be more rational, spacious and lighter. Moreover, the range of products will be broadened to meet the customers' wishes, and the concept of the products will concentrate on the categories and adding value, such as fruit and green vegetables. Many new shops had been opened and large numbers of shops had been rebuilt and modernized. During 2007, the cooperation between Coop Sverige and the retail society--Coop Inköp & Logistik AB (Cilab) had improved and they helped Coop

Sverige take care of the supply of the products to the Swedish consumer. In addition, the coordination of the purchasing and the logistics are also included. The good relationship between Coop Sverige and the retail society contribute to the good reputation of the Coop. In the further development, since KF (Kooperativa Förbundet) became the wholly-owned subsidiary of Coop Sverige, the long-term profitability and market share will achieve a positive development. Many crucial benefits can be gained including improving the products range of shops and hypermarkets, continuously investing on setting up new shops, upgrading to existing units, as well as working on the work of efficiency measures and cost savings. Moreover, the collaboration among the joint chains of the Coop Sverige and the use of the Coop as a joint brand are available to reinforce each other with organic food and health. Coop Norden has its own brand item, and it also has been established among all the consumer cooperative

shops. Coop Sverige, as a part of Coop Norden gained positive results from its brand. In the Swedish market, the Coop brand is going to develop as an image of long term and sustainable development by working on the price leader in specially selected areas and the leader for fresh thinking plus innovation. For example, The Coop Änglamark brand has been considered as the best brand for the environment and health. From the Coop Sverige aspects, they have a long term to attract more products under its brand name. Coop Sverige always positions to provide healthy alternatives in the product range by marking the products with the Keyhole symbol. In addition, to ensure the customer confidence on the food safety, Coop Sverige imposes more requirements on the products than it is required by law. All these actions contribute to its brand.⁴⁴

Arabian shops are very popular in Sweden, and they are well welcomed for its good price and original quality. Large numbers of customers from Middle East and Muslim countries are attracted for its lower price and home style. Various kinds of Nuts are provided in the shops.⁴⁵

5. Analysis

5.1 Comparative Advantage

Iranian Pistachio, as indicated in the data collection, is much better in quality, color and size, compared to other origins. Moreover, its production volume occupies the top in the globe, which prioritizes its status as the source of the best pistachio in the world. As you see in the part of Finding, Iran's pistachio production in 2005 is 1,900,000 tones, dozens of times more than those of U.S.A, the second in production in the world. This comparative advantage derives not only from quality of the product, quantity, but also from the competitive price they offer. According to the statistics, the purchase price from the peasants in Iran is much lower than buying the same quality product from peasants somewhere else, due to the complicated competition there in Iran. In recent years, Iranian government has raised the importance of eco-agriculture, and appeals the

⁴⁴ Annual Report 2007 <http://www.coop.se/upload/modul/coopse/redovisning/Annual-Report-2007.pdf>, P31

⁴⁵ Publicerad: 19 december 2008, 20.00. Senast ändrad: 21 december 2008, 13.30, http://www.svd.se/nyheter/utrikes/artikel_2228749.svd

peasants to grow pistachios with chemical-free or environment-friendly fertilizers or pesticides.

5.2 Country Screening and 5 Forces

Sweden has a population of around 9 million with high ranking in GDP. It has a great consuming power on things including nuts, such as pistachio. It is a tradition and habit for Swedes to have snacks and fruits after meal. Especially scientific research shows that it is healthy to have some nuts after meal, which inspires people to consume pistachio constantly and daily. Currently, the pistachio in Swedish market comes mostly from America, accurately speaking, from California. A small proportion of them, around 20%, are processed and value-added product; whereas the left is primary product. Objectively speaking, the quality of pistachio in Iran exceeds than the one in America on average. However, Irani pistachio can compete with American ones, just because Iranian exporters ignore the effect of promotion, or lack of market knowledge in Sweden. On contrary, American counterparts did plenty of this, especially to sales channels. In Sweden, most pistachio is FAQ (fair average quality) product, so it is important to have some pistachio in better quality, elegant packing, and diversified tastes. According to the survey composed by the authors, 2/3 of the surveyors are not satisfied with the quality of pistachio current in the market, among those surveyed, young people is expecting more diversified pistachio products. The survey also indicates that there is demand on better and more appealing design on packaging.

5.3 Entry Strategy

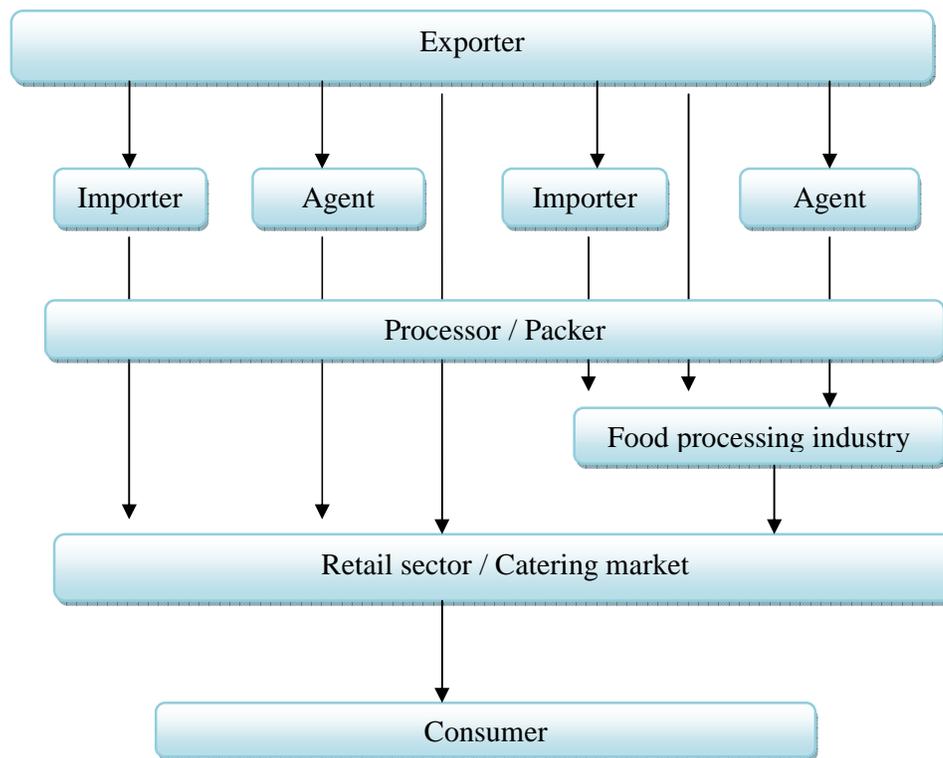


Figure 15: Common distribution channel for dry-fruit products

This is a model, which shows as classic importer imports and resells dry fruit. Importer from Iran has strong relationship with suppliers, so can facilitate quality issues and logistics service when selling to the industry and supermarkets.

Natural Power imports pistachio to Sweden through its company in Sweden, and is going to ship them to contract hypermarkets storage center, and the hypermarket is responsible to distribute the goods to each hypermarket through distribution channel. Just before delivering them to contract hypermarkets, packaging is going to be done in accordance with specific require of the hypermarket. Packaging is the most important thing and dry fruit should be packaged into small packs. You can see that packer is involved in this process.

Hypermarket is critical important to commodity, which includes pistachio. With the help of hypermarket, the product can reach its consumers in a wild range. So the cooperation with hypermarket through importing and exporting is proved to be the most feasible approach to this case. The premise is that the quality and all other conditions

must meet their requirements. This is due to the reason that this company is lacking information about Swedish local market. Moreover, it is far beyond possible to establish its own distribution channel here in Sweden.

5.4 Market plan

According to the four aspects, positioning, product adaption, pricing and distribution channel selection, we mentioned above, the market plan had been set up based on the company's strategy. From the nutrition contents and taste aspects, the Iranian pistachios are more popular within the customers and they are willing to pay more on the better quality, therefore, our positioning strategy is to be a provider for better quality pistachios. In order to enter into Swedish market, we are going to make products adaptation in two aspects. One aspect is that, to adapt the products to the safety requirement from ISO 22000 and HACCP, the pistachios need to be tested and make sure the Aflatoxins content meet the acceptable level. In the other way, package will also be operated by the hypermarket of Sweden, such as Coop, to adapt to the Swedish customers' shopping habit and gain public commitment. We are going to use the hypermarket brand to utilize or attract the customers' confidence and satisfaction. In the pricing part, compared with the competitors plus the consideration of the cost on the products test and customer demand characters, our pricing strategy will in line with the better quality. From the distribution channel aspect, Hypermarket and Arabian shops are the two main distribution channels of our products for its wide coverage, well-known brand and special segment of customers. By using the hypermarket channel, we can share the distribution chain and reach different areas in Sweden or even other countries. Because the renowned reputation and brand of the hypermarkets, it will be positive for our products introduction and extension. A few customers of the Arabian shops are from Asian, and they are familiar with the Iranian pistachios and the products are more preferable to them for the original taste and better quality.

6. Conclusion and Recommendation

Globalization has increased an interest in purchasing a broad variety of dried-fruit among the Swedish consumers. Sweden is a high-income country with a well developed food market. Moreover, organic food products are popular in Sweden, because of healthy food.

The survey conducted regarding pistachio consumption shows that there is a great willingness in Sweden to buy high quality pistachios even with very high premium prices.

Most of retailers have a limited supply of high quality pistachio. Several factors that are limiting market for pistachio are limited supply of Iranian pistachio and high prices for a wrong quality.

According to the market survey about the average payment on pistachio per month for the Swedish customers, plus the consideration of the entry cost, the price should be higher than the price of the existing competitors to cover the cost and hold the line with better quality strategy.

By comparing the price in the Swedish market from other competitors like US and Turkey there is huge difference between the Iranian final cost price and American pistachio. Iranian pistachio have more power to change and balance the pistachio price in the Swedish market as a first big producer of pistachio in the world. Nature Power should enter to this market by premium price because of high quality of pistachio is main entry strategy to this market.

Trying to concern more to the producing of high quality pistachio in the terms of packaging, taste and adaption of these products with European health standards especially to care more about aflatoxin range in this product is very important to the business owners in this industry.

If we want to stay in Sweden market, we must to promote our product and provide more advantages by comparing other current competitors in this market in the term of packaging and quality.

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Appendix

Figure 1: The Watson Box

Figure 2: Factors Influencing Market Entry Strategy

Figure 3: Five Forces

Figure 4: Gender Proportion

Figure 5: Gann chart

Figure 6: Pistachio exporter countries

Figure 7: Pistachio Nutrition

Figure 8: Percentage of Iranian pistachio exports in the global market.

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Figure 12: Consumption Rate

Figure 13: Basis of the Purchasing Decision

Figure 14: Monthly Spending on Pistachio

Figure 15: Common distribution channel for dry-fruit products

Questionnaire

1. How often do you eat pistachio?

- a) Never
- b) Once a week
- c) Once a month
- d) Once a year

2. Why do you choose to eat Pistachio?

- a) Traditional ceremony
- b) Nutrition
- c) Taste
- d) I do not know

3. How much do you spend on Pistachio per month?

- a) 0 SEK
- b) 50-100 SEK
- c) 100-200 SEK
- d) More than 200 SEK

4. What is your purchasing decision based on?

- a) Price
- b) Brand
- c) Quality
- d) Other

5. How satisfied are you with the available Pistachio?

- a) Very
- b) Fairly
- c) Medium
- d) Not at all

6. Would you like to pay more money on the better quality pistachio?

- a) Yes
- b) No