Bachelor's thesis

BBA International Business

2021

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THE PROCESS OF BECOMING A CHAIN STORE SUPPLIER AS A SMALL BEVERAGE MANUFACTURER

– Case Company X

TURKU AMK

TURKU UNIVERSITY OF APPLIED SCIENCES

BACHELOR’S THESIS | ABSTRACT

TURKU UNIVERSITY OF APPLIED SCIENCES

BBA International Business

2021 | number of pages 49

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This thesis is based on a summer project done for Case Company X, a small beverage manufacturer from Finland that is about to start manufacturing canned water. Company X wanted to research the buying process and the main requirements to make offers for three major Finnish chain stores. The thesis answers three research questions: which are suitable retailers for small beverage manufacturers in Finland, what are their buying processes like and what are the main requirements to offer them products.

The thesis starts with an introduction to the topic and case company and follows up with a project background. My main data collection methods consisted of various articles, reports, news, blog texts and statists focused on packaged water market. My research findings are mostly information gathered from conversations with 15-20 chain store representatives over the project duration, via phone or email.

The research findings showed that the basic buying processes and requirements are not massively different between chains. However, it is advised for Case Company X and other small beverage manufacturers to start slowly, build a local or regional coverage by contacting individual, nearby stores and test the demand on their product before trying to enter the higher levels of supply chain.

The thesis ends with a summary of the summer project with my recommendations for Case Company X on the changes they should make, if they were to continue pushing for chain store supplier status. Attached in the end is a GANTT-chart I created for Company X to try to help schedule the production.

KEYWORDS:

Beverage manufacturer, beverage market, research project, market research, contacting

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Appendix 1. GANTT-chart

LIST OF ABBREVIATIONS (OR) SYMBOLS

Abbreviation	Explanation of abbreviation (Source)
PET	Polyethylene terephthalate (Napcor, n.d.)
EAN	European Article Number (Weber Marking, 2020)
GTIN	Global Trade Item Number (GS1, n.d.)

1 INTRODUCTION

1.1 Research overview

My thesis is a research project for Case Company X, where I worked during the summer of 2021, with the intent to research and clarify, which are the main requirements and qualifications for a small beverage manufacturer to make viable offers to predetermined Finnish chain stores and in part, create the conditions for that to happen. During the project, I worked within the guidelines and wishes of the case company to give them a holistic picture of the selected chain store's buying processes and requirements. However, I also clarify and give my recommended way of entering the market most suitable for Company X's current situation.

The case company is a small business offering mobile beverage canning solutions, but their aim is to enter the beverage market themselves by starting to manufacture canned water by the end of year 2021 at latest. In addition to the mobile canning and labeling machinery the company carry, they are also running a minor soft drink business on the side. The company already have the needed knowledge and machinery to produce canned water due to their other business ventures, but still need to research the requirements of the retailers. They also need to research what kind of documents they need to offer their products in the chain store level.

The Company X set an agenda for me as project objectives that I followed during the project. This included creating a contact list, contacting the right company representatives, acquiring he needed documents for making offers, researching the possible supply options and lastly, creating offer drafts ready to be sent. To also view the packaged water market and evaluate Company X's plan to enter it, I created a small market analysis using PESTELE and Porter's Five Forces model. The analysis is separate from my project objectives and research questions, but it hopefully adds value to Company X. I also created a GANTT-chart based on found timetables using Microsoft Project, to help schedule the production and other decisions. The chart can be found attached from the end of this thesis.

Based on the research findings and market analysis, I give recommendations on what changes or additions Company X could still make to get towards the chain distribution level in the future.

1.2 Research background

Company X has been operating from year 2017, offering mobile canning services for beverage companies and running a minor soft drink business on the side. The company has the knowledge of manufacturing canned water and other beverages, and the manufacturing facilities were rented but not operational, with at least a couple of new tanks supposed to be arriving from China. A designer had designed them a couple of can labels and they also had a plan to hire a web designer to create a separate website for the canned water side of the company. The production had not started as of July 2021, and the can labels were ordered but not yet delivered, so from this standpoint, the situation was not ideal.

The base product that Company X want to bring to the market is a canned, mildly carbonated water with no added minerals, projected to be in a normal 330ml aluminum can. The idea was to get started with one to three product variations and grow the selection afterwards, once there was data how well the first products were succeeding. One of the strong points of Company X’s operations was projected to be their small batch sizes. This would allow for them to keep track of changing trends and listen to customer feedback to create new variations of the beverage on a short notice. This was supposed to be advantageous for them as a small business compared to their bigger competition. However, this also meant that Company X’s desire of getting into chain store selections was a little optimistic, since it was unlikely their production would be enough to make it in the chain supply levels.

The Company X has already registered their product to the Palpa register, a Finnish organization in charge of collecting, recycling, and reusing the beverage packages that belong to their systems. Palpa recycles three kind of beverage packages: aluminum cans, PET plastic bottles and glass bottles. To register the product and its packaging, the manufacturer must pay the company registration fee of 1000€, not including taxes. On top of that, Palpa charges 284,55€ per barcode which are used in products to identify them, plus deposit fees and recycling fees per can produced (Price list - Beverage can, 2021). Registering the company and products to the Palpa register grants an exemption from the Finnish beverage packaging taxation.

1.3 Objectives and research questions

The main objectives Company X set for the research project were to:

- Determine, which chain stores to contact, collect contact information and create a contact list.
- Contact the selected chain store buyers and research, what are the requirements and qualifications for both the manufacturer and the product and work on creating circumstances where those requirements are met.
- If possible, acquire the needed documents used to make the offers
- Research, which are the different options to distribute products to the chain stores and by which timetables the stores operate, to help schedule the production
- Based on the collected information and acquired documents during the research, conduct drafts or ready made offers for the company to use once they were ready to make offers to the stores

The main research questions for this thesis:

- Who are suitable retailers for small beverage manufacturers?
- What is these retailer's buying process like?
- What are the most important requirements and qualifications for small beverage manufacturers to try and enter chain store selections?

2 METHODOLOGY

For my theoretical part and frameworks, I read numerous web articles, reports, blog texts, news and statistics related to packaged water market, the environmental and ethical consequences and factors using relevant key words, carefully trying to remain critical that the sources and references were legitimate and up to date.

For the part of my thesis that focuses on the research findings about the chain stores, contacting, supply options, timetables, and requirements, much of it is based on my personal findings during conversations with chain store representatives, either phone call or via email. These research findings gave much important in-depth information about the buying processes and practices of these chain stores. During the project, I contacted about 20 different representatives from S-Group, Kesko, Inex, R-Kiosk and Aarnio Wihuri from different levels of the organization. Most of them are either selection specialists or directors of buying and sales. I reached nearly all of them during the project either by calling or via email, a couple answered to my emails after the project had already come to an end.

I began by searching, whether the right person’s contact information was available from the chain store’s organizational website, but for none of the chain stores, that was not the case and I needed to contact a lot of people from top of the organization down, until I was redirected to the right person. The S-Group regional selection specialist, individual K-retailers and Inex logistics personnel were the outliers here, since I had the direct contact information from my previous professional training period in Company X’s other owner’s brewery.

Primarily, I tried to contact everyone first by calling, but in most cases I would not get an answer right away so I tried calling them again the next few days until they answered, or I continued by emailing them my questions. Before I started to contact the representatives, me and Company X had conversations about which questions they had, which information was valuable for the company, and I reported back to them every day if some new information came up.

Because S-Group has such a strong regional focus on their trade, the grocery stores cannot be contacted directly. Instead, the manufacturers must start by contacting regional selection specialists, who I got a hold of effortlessly. For the chain store level though, I could not get an answer from the upper level, but luckily the regional selection specialists were able to give me a good picture about the requirements and buying process since their process does not differ much from the chain store level. Later I found the direct contact information for the selection director for beverages, however, he was on vacation the whole time and got back to me after the research project had already ended.

Biggest difference to S-Group, besides not being owned by its customers, is that all Kesko grocery stores have their own independent entrepreneurs or K-retailers leading them. This allows businesses to contact the stores and K-retailers directly and in part, the stores have more power to choose which products they want to feature in their selections. The contact information for these individual K-retailers is in most cases not readily available from the stores' websites, most likely due to the number of inquiries they would have to deal with from manufacturers and customers. Instead, K-Citymarkets, K-Supermarkets and K-Markets usually have a general customer service number available which is usually a chargeable number. The customer service will guide the caller by connecting them to the right person or giving out the number for the specific K-retailer, store or even an individual department if the store has different numbers for each section.

The K-retailers and the store staff altogether are usually quite busy and there can be a lot of background noises which makes it harder to communicate in efficient manner. The K-retailers and department managers are usually working in morning shifts so the best chance to reach them is in the morning time, especially if the subject is to sell something. Also, the time of the week can have an effect; Mondays can be a bad time to try to reach a retailer, since they must plan the new week and go through emails for example. In this case, I did not contact the individual K-retailers since Company X had nothing to sell yet and Company X was more interested in the chain store level.

For Kesko, I first contacted the buying- and sales director of industrial products, who gave me some answers but quickly directed me to his subordinates and this continued until I got the actual selection manager's information. This manager was also on vacation and could not be reached so I returned to my previous contacts and got some answers.

Contacting R-kiosk started by searching information, whether the stores could be contacted individually or if there was a regional buyer who oversaw all the stores. R-kiosk is an entrepreneur driven franchising chain in Finland, so the consensus was to contact the retailers one by one. However, I did not contact the kiosk owner directly but decided to start searching online, whether there was contact information for a selection specialist or regional manager. R-kiosk didn't have any public information about their selection specialists or regional managers, but luckily, I found a regional manager from LinkedIn and decided to email her, and she kindly directed me to a category director, who oversaw the selection R-kiosk carries in Finland. The category director then informed that different product lines have their own individual category directors and gave me contact information for the category director of cold beverages and nicotine products.

After a lengthy phone conversation with the category director, I got good answers for my questions regarding their buying strategy, schedules, requirements etc. The category director told that once there were samples of the canned water or the product was ready to be sold, Company X should send samples to his office and all the offers were to be made directly to him. After that, he would first taste the product, look at the design, weigh in whether it would fit in the selection and then he and Company X could negotiate about the details. The acceptance from the category director would not be enough in this case, since the buying process would go through R-kiosks logistics partner, Wihuri. Wihuri is Finnish conglomerate, which operates globally in four different fields: manufacturing, importing, sales and services. In Finland, Wihuri might be best known for their Metro-wholesale stores (Wihuri About Us, 2021).

Wihuri was later contacted also about the buying process, but I was unable to get any answers from them, since the logistics partner would only answer these kinds of inquiries after the category director accepted the product.

Finding articles for the theoretical part was relatively easy, although there were not too many credible ones but contacting the managers and selection specialists took effort and time, mainly because of the timing and many of them were on vacation or they were not willing to give out information before Company X was ready to make offers to them. However, this kind of research gave much more in-depth information I could not find online and me and Company X learned a lot of valuable things.

3 MARKET ANALYSIS

As my tools for forming a small market analysis and evaluating Company X's plan to enter the water market, I used PESTELE and Porter's Five Forces models. PESTELE can help the company to identify, which factors their business is affected by and Porter's Five Forces help the company identify the competitive forces in the market and help them to position themselves for success.

3.1 PESTELE

Originally the PEST analysis, is a framework believed to be created by Harvard Professor Francis J. Aguilar in 1967. Over the years, many different variations from the original PEST analysis, like PESTLE and STEEPLE have been created by several different authors, including Fahey, Narayanan, Morrison, Renfro, Boucher, Mecca, and Porter (Rastogi and Trivedi, 2016).

In this case, I will use a more recent variation – the PESTELE, which stands for political, economic, social, technological, environmental, legal, and ethical macro-environmental factors which can impact the company or an organization (Marketing Theories - PESTEL analysis, 2012). I will only focus on the factors that are most relevant for Company X operating in Finland. For Company X, especially the social factors are important since people's lifestyle habits and current trends impact greatly on how much water is being sold. Also, the environmental and ethical factors play a big part, since packaged water has a questionable reputation.

Picture 1; PESTELE analysis factors (Professional Academy, 2020)

3.1.1 Political

The first letter P refers to Political. Political macro forces of the market include things like labor laws, government policies, taxation system, trade restrictions, foreign trade, and political stability (Marketing Theories - PESTEL analysis, 2012).

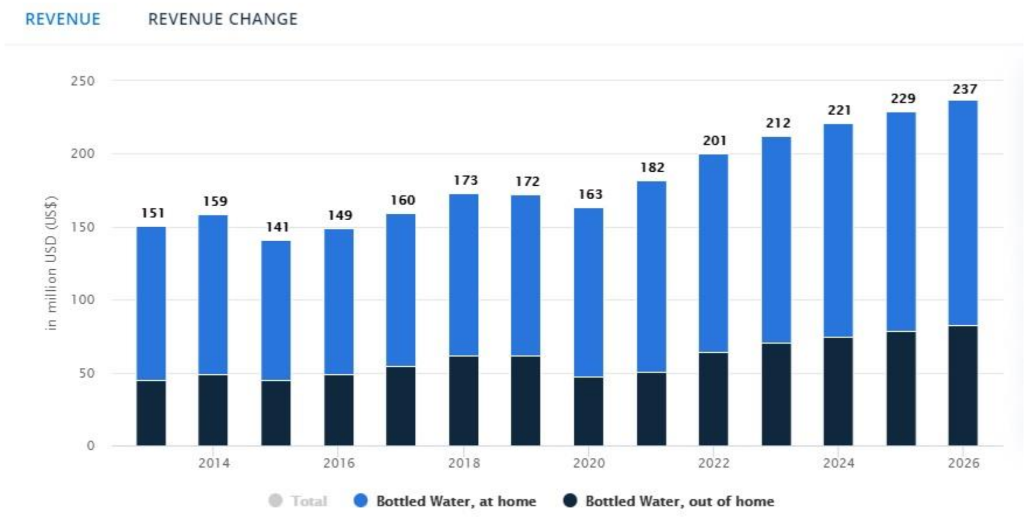
The most relevant factor for Company X is the Finnish taxation policy on businesses. Two taxes affect Company X in Finland: corporate income tax and value-added tax (VAT). Corporate income in Finland is meant for limited liability companies such as Company X and it has been set at 20%. The standard VAT rate in Finland is 24%, which is paid on the sales of goods and services. Companies that are registered for VAT must file their VAT returns regularly (Taxation in Finland, 2021).

Company X is manufacturing canned water, so they are also obligated to pay beverage tax and beverage packaging tax. Beverage tax is paid according to the product's net weight without the packaging, and the amount of taxation depends on the classification of the beverage (Virvoitusjuomavero, 2021). Beverage packaging tax is set at 0,51 euros per liter of beverage, and it applies to packages made of glass, plastic, or aluminum (Juomapakkausvero, 2021). Company X will not have to pay the tax, since they are registered to Palpa, as mentioned in the Research background section.

3.1.2 Economic

Second letter E refers to Economic factors, such as economic growth, exchange and interest rates, inflation, and unemployment rates (Marketing Theories - PESTEL analysis, 2012). Due to Covid-19, businesses, employers, employees, and their families have all faced unemployment and financial issues, which even more emphasizes the importance of these economic factors for a business. After all, these economic factors determine how people spend their income.

In Company X's case, it's important to examine how much people are buying packaged water and how big the packaged water market is. According to Statista, the total revenue of bottled water in Finland is 182 million USD or roughly 157 million euros, as of 2021. The number is forecasted to increase every year and peak at 237 million USD or about 204 million euros in 2026. This is a very telling statistic of the steadily growing trend of buying packaged water, considering the great drinking water quality and accessibility in Finland.



Notes: Data is shown using current exchange rates. The applied current exchange rates are displayed in the Key Market Indicators below. This replacement of the 2017 constant exchange rate with current exchange rates was carried out in October 2021.

Most recent update: Oct 2021

Source: Statista

Picture 2; Bottled water revenue in Finland, 2013-2026 (Statista, 2021)

On top of Finnish competitors, Finland imports a considerable amount of packaged water Company X will have to compete against. As the picture below shows, in year 2020 Finland imported over 11 million liters of natural and mineral water, according to the Finnish Customs Tulli's statistical database Uljas (Packaged water import and export Finland 2020, 2021).

202109, AA (2002--.) All countries together

		Quantity
2201 (2002--.) Waters, incl. natural or artifi	Imports by countries of origin	567 087 l
2202 (2002--.) Waters, incl. mineral waters	Imports by countries of origin	10 951 427 l

Picture 3; Finnish packaged water import 2020 (Packaged water import and export Finland 2020).

3.1.3 Social

The S in PESTELE stands for social factors, such as age distribution, people's education level, differences in cultures, lifestyle, and trends and the population's health (Marketing Theories - PESTEL analysis, 2012).

Like seen from the packaged water revenue of Finland, drinking water has become a very popular option. As a reference outside of Finland, bottled water has been America's favorite drink since 2016, outselling even many brands of soft drinks. The reason for this is the increased awareness on making healthy choices and lessening the amount of sugar consumed (Data Shows Bottled Water Consumption Continues To Increase, 2020).

Water has become a trendy and health-concious drink all over the world and especially so called "welfare-waters" have become increasingly popular due to their added value in minerals, such as zinc, magnesium, collagen, and different vitamins to give benefits for the consumer (AB Picus Advisors Oy, 2021). Packaged water is also great for situations where there is no water supply or safe way to drink natural water, like festivals, summer cottages, parks, and hiking trails.

3.1.4 Technological

The T refers to Technological factors like innovation, the use of robotics, automation and artificial intelligence, technological growth, research, and awareness of using the existing technology (Marketing Theories - PESTEL analysis, 2012).

In the case of Company X, the technological factors might be the least important factors, since the business is quite small, and a lot of the labor is done somewhat manually. However, the manufacturing process still needs machinery and existing technology, and a lot of the canning and labeling work can be automated. Company X has the advantage of already being in a soft drink business and offering canning services to other manufacturers, so they have already optimized the canning process for their scale of business. The need for different kind of machinery or manufacturing processes might change, however, if new packaging materials are invented to replace aluminum cans in Company X's case.

3.1.5 Environmental

The second E refers to Environmental factors, which the more important ones in Company X's case. These factors are things like weather and climate, natural disasters, environmental policies and government pressure, pollution levels and company emissions and lastly, climate change (Marketing Theories - PESTEL analysis, 2012).

The weather or the climate do not have a straight impact on Company X's business, but the reason behind them – pollution levels and emissions, which lead to climate change and growing pressure from government and national organizations – alter how Company X must adapt to these environmental factors.

As the product in question is packaged water in Finland, where the drinking water is pure and high-quality and is available for nearly everyone, it is controversial whether the healthy lifestyle choices outweigh the environmental consequences that packaged water causes.

Manufacturing, packaging, and logistics all create pollution and waste, things that are often overshadowed by packaged water marketing about healthy lifestyle choices and natural choices and environmentally friendly acts. Some waters are even falsely marketed as natural water or spring water, even though over half of the bottled water is normal tap water (Report: 64% of Bottled Water Is Tap Water, Costs 2000x More, 2018).

On global scale, Finland's use of packaged water in very minor, and on the bright side, Finland has a great recycling system Palpa. On top of that Finland has strict terms what water can be called natural water or spring water, monitored by the Finnish Food Authority.

One growing trend to mitigate the emissions from manufacturing and logistics is to carbon offset the products or the whole company (Hanes, 2021). This is done by calculating the carbon footprint for the company or for the individual products, have their manufacturing process audited and paying a certain sum to buy so called carbon credits to compensate the caused emissions (Carbon offset - Wikipedia, 2021). The process also requires the company to commit to increasingly reduce their emissions The donated money is then used for certified environmental or ethical projects, such as planting trees, creating renewing energy sources or fuel, or buying water purifiers to developing countries. When compensating the emissions, companies can also receive marks for their carbon offset they can then showcase in their products.

Carbon offsetting is often seen as new age greenwashing, since donating money does not automatically mean that the company is interested in reducing their emissions. Many times the money does not always go to actions that make an actual difference in the climate and some just use the carbon offsetting as a PR tactic to seem like a responsible company for the consumers (We're living in a golden age of greenwash, 2021).

3.1.6 Legal

The L refers to Legal factors, such as employment laws, which were already covered in the political factors, copyright laws, health and safety laws and regulations, consumer protection and discrimination laws (Marketing Theories - PESTEL analysis, 2012).

As for the legal factors, the most important ones for Company X are the consumer protection and health and safety laws, as their product is a beverage. The inspections and monitoring for food in Finland are operated by the Finnish Food Authority. Regional inspections and monitoring for the Food Authority are handled by a regional Centre for Economic Development. The purpose of this kind of organization is to ensure the safety of food and monitor the quality and information on the food, although companies are self-responsible for their products firsthand (Control, 2021).

Large part of health and safety regulations and consumer protection are mandatory package markings, which in Finland are at least the name of the product, ingredients, possible allergens, quantities of ingredients if needed, net weight and volume, minimum shelf life, producer’s information, country of origin, storing instructions if needed, nutritional values and if an alcoholic beverage, also the true alcohol content for drinks over 1,2 percent by volume (Pakolliset pakkausmerkinnät, 2021).

Also, when labelling and marketing the canned water, Company X needs to be certain of the origins of the water they use and whether they can call it natural water or spring water so they will not be guilty of advertising malpractice. The Finnish Food Authority has instructions for packaged waters, how different kinds of waters are classified, what kind of certificates they need and what are the packaging regulations for each kind of water (Pakatun veden valvontaohje, 2021).

3.1.7 Ethical

The third and the last E in PESTELE is a newer addition and sort of a mix of social and environmental factors. These factors are bribery, intellectual property, confidentiality, international trade ethics, reputation, and equal opportunities. Ethical factors are like a corporate social responsibility and effort for sustainability (Professional Academy, 2020).

The sustainability is the factor I think is the most relevant for Company X because of their product. While packaged water can be part of the solution for example developing countries or countries affected by war, it can also be a part of the problem in other parts of the world, where there is no shortage of water. Buying packaged water instead of using tap water can lead to inequality, deteriorating tap water systems when tap water is replaced by packaged water. This can also lead to increasing amounts of misleading health claims about packaged waters and low-quality water overall (Ab Picus Advisors Oy, 2020). The increase in packaged water sales have also increased the amount of plastic and other package waste, and unlike Finland, many other countries do not have a recycling system, or it is not up to standards. Also, when looking at packaged water from an ethical standpoint, it is not supporting the United Nation’s Sustainable Development goal number 6 (SDG6) of ensuring availability and sustainable management of water and sanitation for all since it is far away from sustainable source of clean water, apart from earlier mentioned water-stressed countries (Goal 6 | Department of Economic and Social Affairs, 2021).

3.2 Porter’s Five Forces

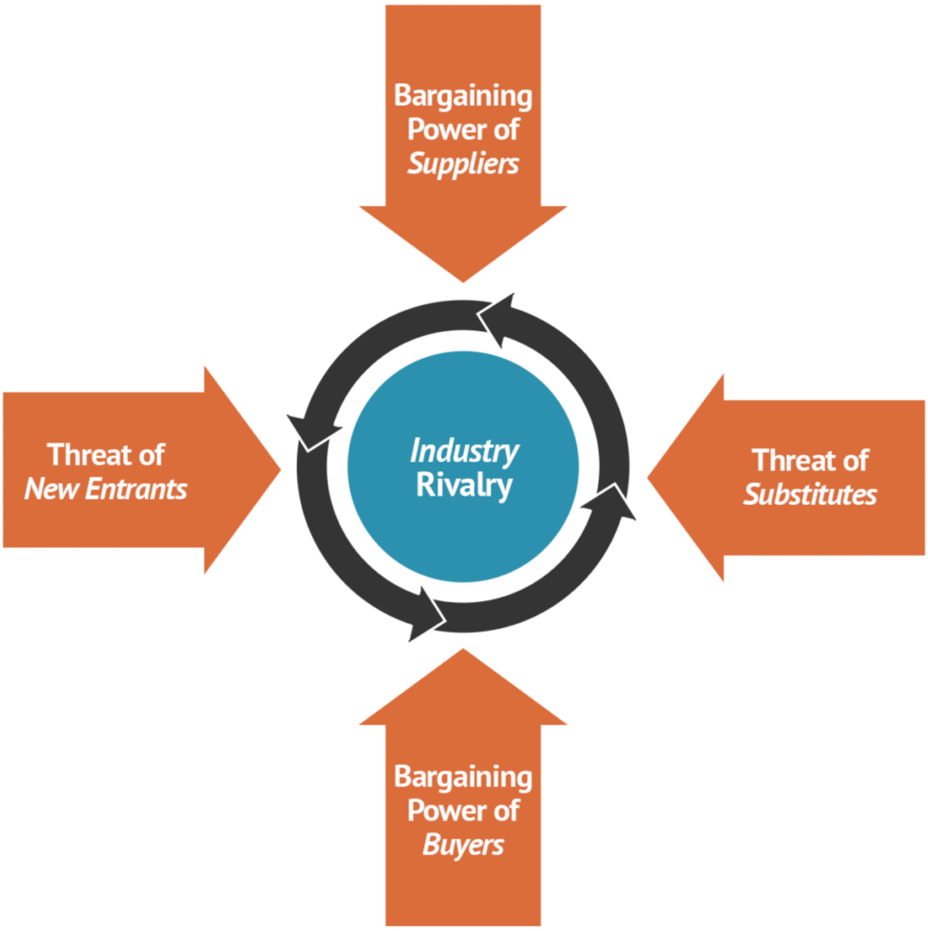
Porter’s Five Forces is a framework named after Professor Michael Porter, who first published the model in his Harvard Business Review article in 1979. The model can help the company understand the competitive forces in the market and help the company to position itself for success (The Five Forces - Institute For Strategy And Competitiveness - Harvard Business School, n.d.)Porter’s Five Forces consists of five different factors, which are competitive rivalry, threat of new entrants, supplier power, buyer power and threat of substitute products.

The key factor, competitive rivalry, means identifying the competition and considering, who is the company competing against, how many competitors are there and is there differences in quality or resources available.

Threat of new entrants refers to how easy is it to get in and out of the market and which kind of role laws and government policies play when entering the market.

Supplier power and buyer power refer to how many suppliers and buyers the company has available, how costly is it to change suppliers and how price sensitive the customers are.

The last force, threat of substitute products refers to the customer possibly wanting to move on to using a completely different product and how can the company manage that change (Marketing Theories - Explaining Porter's Five Forces, 2015).



Picture 4; Porter's Five Forces (Target Internet, n.d.)

3.2.1 Competitive Rivarly

Large amounts of packaged water are imported to Finland from other countries, but the main competitors for Company X are still from Finland. Sinebrychoff, Hartwall and Olvi are not only one of the biggest breweries in Finland, but they also are the largest packaged water producers (Kaakkois-Suomen ELY-keskus, 2018). When it comes to bottled spring water or mineral water, Finn Spring Oy is the clear market leader with approximately 90% of the market (Finn Spring –

Wikipedia, 2021). Finn Spring produces most of the grocery chain Lidl's packaged water in Finland.

For competitive rivalry, Company X is at a huge disadvantage against the big beverage conglomerates in volume, capital goods and marketing. Company X's success is greatly affected by which market segment their product falls into. The product is a little different from the start, since it's packaged in an aluminum can instead of a plastic bottle, which makes it a more expensive and luxurious item so it will not be the cheapest drink for thirst. The canned water is at least planned to be slightly carbonated with no added minerals or sweeteners, so it does not qualify as a mineral water or a healthy water to compete in that category. Company X told that the water comes from Lohjanharju, filtered through layers of moraine, and it has a lot of value within the locals of Lohja. From these standpoints, I think Company X falls into the same category as Hartwall Vichy. Of course, vichy water itself is salted, but Hartwall Vichy can also be bought in a can, and it is deemed as a more “luxurious” water which can even be served during a nice dinner. The market segment is still niche, and Company X must really put emphasis on the local aspect and build a story behind the water to find their place in the market.

3.2.2 Threat of New Entrants

When looking at how easy it is to enter the market space and how enticing the market is from a profit standpoint, it really depends on the business trying to look to enter the market. The packaged water business has been growing rapidly and steadily over the last few years all over the world and considering that a lot of the packaged water in Finland has been and is imported from overseas, there is room for new local competitors.

Packaged water as a product is relatively cheap to produce, since it does not require a lot of different type of machinery or manufacturing processes and the raw materials are not expensive compared to some other products; edible or not.

In fact, referring to the Finnish recycling system Palpa, some see the recycling system distorting the competition since for example producing 1,5-liter bottle costs 20 cents, while the bottle deposit from it is 40 cents. Some producers then use this loophole to sell the water under production costs (Ab Picus Advisors Oy, 2020). For the most part, the recycling system and the bottle deposits are seen as a positive factor though.

On the flipside, when the package tax and the requirement of using certain kind of packaging to fit the recycling system began, it limited the ability of small starting businesses entering the packaged water market in Finland. The package tax is not a small cost for manufacturers, and it gives the bigger manufacturers a lot more power over the market by raising the costs of joining the market, for both the small businesses and import businesses (EU epäilee Suomen pullopanttien estävän vapaata kilpailua, 2002). Smaller manufacturers are in a disadvantage in many ways compared to the bigger ones, since they usually have one or a few products to create revenue and their finances cannot handle major setbacks. Meanwhile the big manufacturers like Sinebrychoff, Hartwall and Olvi in Finland produce a lot of other products than water and can produce the water at a much higher rate, bringing the costs down, allowing them to also sell the water at a lower price.

For smaller businesses like Company X, the water market is not desirable or easy to get into, at least from a profit standpoint. For the smaller manufacturers, the product must have some unique features to it to stand out in the market, the logistics must be thought through, and the structure of ownership plays a big part to financially survive the first couple of years of possible unprofitable business.

3.2.3 Supplier Power

When looking at the supplier power of Company X, the main thing is the availability of the aluminum cans used as their packaging. Company X planned to have their cans at 330ml size and with a black color instead of the normal aluminum one. According to Company X, the black cans were hard enough to get before the pandemic time, but because of the hot summer, increased sales of all kinds of beverages, the still ongoing pandemic, and the worldwide deficit of aluminum cans, it is hard to get any kind of aluminum cans now (Beverage producers struggling with aluminum can shortage, 2021). The situation has led to availability issues within manufacturers, but also to growing pressure of coming up with new package innovations which are more sustainable. The Brewers Association forecasts that the shortage could last at least till the end of 2021.

3.2.4 Buyer Power

For Company X, customer's price sensitivity and their influence on the product may have the most importance. When looking at the level of price sensitivity in the packaged water market, the price does not seem to affect the customers very much. Packaged water has a huge markup, costing up to 2000 times more as tap water (Report: 64% of Bottled Water Is Tap Water, Costs 2000x More, 2018). Mentioned in the environmental factors, over half of the packaged water sold comes from the tap and is multiple times more expensive, with most of the costs covering up the packaging and the logistics. Despite having a huge markup in the prices, the sales numbers just keep rising. Also, when taking into consideration that Company X's product is likely competing in the "luxury water" category, the price most likely matters even less.

The customer's influence on the product however is something that Company X want to have, to plan their production and to manufacture products that customers want, and that way keep them on top of the trends. Since Company X's production's strong point is going to be their small batch sizes, they can use the customer feedback to create new flavors and versions of the canned water very quickly, giving them an advantage in the market.

3.2.5 Threat of Substitute Products

Looking at the threat of substitute products, the obvious to notice is that most of the times, at least in Finland, tap water is available for almost everyone, at a much lower cost. However, that does not seem to slow down the sales of packaged water, and tap water is not always an option, for example in summer cottages and events of all sorts. In those cases, there is a great threat of substitute products since there are so many different manufacturers producing packaged water of different kinds and in Company X’s case many times at a lower price point.

The most obvious Finnish competitors are Hartwall’s Novelle and Vichy Original (Vedet | Hartwall, 2021), Olvi’s Vichy (Tuotteet - Olvi, 2021), Sinebrychoff’s Bonaqua (Tuotteet, 2021) and Finn Spring’s Villi and their produced waters for Lidl (Villi Lähdevesi, Villi Vichy ja Villi Mehukivennäisvesi – Janoa parempaa, 2021).

Company X’s best chance to try to reduce the threat of substitute products is to build a strong local customer base and sell the product with the local aspect in mind. That way they can build customer loyalty and convince their customers to choose their local, although more expensive product over the cheaper options. Also monitoring the quality of the product and marketing the product the right way will decrease the threat of substitute.

4 RESEARCH FINDINGS

“In its simplest form, a supply chain is composed of a company and the suppliers and customers of that company. This is the basic group of participants who create a simple supply chain. Extended supply chains contain three additional types of participants. (Hugos, 2018).

In Company X’s case, the typical supply chain for the canned water is an extended supply chain. It starts from producers or suppliers who supply the raw materials, like the water, aluminum cans and can labels to Company X. Then the producer Company X produces the water and makes it a finished product. After that, Company X needs service providers to deliver the products, which in this case means companies that offer logistic services. The products are then delivered to retailers, which stock inventory and sell in smaller quantities to the customers as well as track the preferences and demands of the customers (Hugos, 2018). Last part of the supply chain for Company X are the retail store customers. This chapter focuses on the possible retailers for Company X and their canned water.

I started the research project by using old contact lists I had gathered in my previous training period in a brewery, which had most of the same contacts that were needed in this project. I listed approximately 100 separate Kesko stores, which consisted of K-Citymarkets, K-Supermarkets and K-Markets, S-Group regional area specialists, Inex logistics representatives, as well as S-Group, Kesko and R-kiosk chain level representatives to contact. After having conversations with Company X, we decided to focus more on the chain distribution level and leave the individual stores for a later time, since there was nothing to sell yet. The three chain stores selected fit in with the company objective of hoping to get into chain distribution and maybe at some point reach nationwide markets. Although individual Kesko stores were left out at this stage, they should have been the ones targeted primarily, at least to scope out the demand for a new canned water.

The S-Group is a Finnish customer-owned retail- and service sector organization which operates nationwide in Finland, offering for example supermarket trade, department store and specialty trade, service stations and fuel sales, travel and hospitality business and hardware sales (About S Group, n.d.). Although the chain operates nationwide, S-group consists of 19 independent regional co-operatives, which have a strong regional focus with their buying strategy. While this should give Company X a better chance to get into their own regions' selections, it would be harder to convince the other regional operatives. The 19 regional co-operatives together own SOK, which loosely translates into The Central Finnish Cooperative Society.

Kesko is a Finnish trading sector organization, which operates for example in grocery trade, building and technical trade and car sales. Kesko is divided into different divisions according to their own sectors of trade and these divisions form chains. For example, Kesko and independent K-retailers together form K-Group, which consists of their retail store chains, K-Citymarket, K-Supermarket, K-Market and Neste K-stations. K-Group is the biggest trading sector operator in Finland currently (Kesko in brief, 2021).

R-kiosk, part of the Norwegian Reitan Group and Reitan Convenience, is a convenience store chain which has close to 480 stores across Finland. Reitan Group also has locations across Scandinavia and Baltic, with similar kiosks and coffee shops like the Finnish counterpart, albeit with different names. R-kiosks selection carries different hot and cold drinks, snacks, packaged foods, and other everyday items. On top of that, R-kiosks offer postal services and gambling services from Finnish gambling company Veikkaus. R-kiosk is a clear market leader in their own area of business in Finland, with their closest similar competitors being gas stations. Their kiosks can usually be found in areas with a lot of public transport, from shopping centers or near public buildings like hospitals (R-kioski - Yritys, n.d.)

4.1 Opportunities

S-Group offers a couple of different opportunities of getting into their selections. S-Group has divided Finland into 19 regions, which are roughly translated called regional co-operatives. These co-operatives are roughly the same geographical areas as Finland’s official regions, with a few exemptions (Alueosuuskaupat, 2021). The grocery stores in these areas are Prisma, S-Market, Sale, Alepa and Food Herkku Markets. Prisma stores are usually big super- or hypermarkets, S-Markets are a little smaller than Prisma, Food Herkku Markets are S-Markets with a better selection of fresh ingredients like meats and cheeses and Sale and Alepa are the smallest type of stores, usually found near city centers or within gas stations. Alepa only operates in the Finnish metropolitan area.

Since S-Group has a regional focus on their trade, the first and the most likely way for a small business to get into selections is to contact the regional selection specialists and offer them the product. The selection specialists are responsible for only their own regions and cannot negotiate on any other region’s selections, which became clear during the conversations with the specialists. The products can be offered directly to the selection specialists via email or some other method, after which the specialist decides, whether they are willing to insert the product in their order selections. If the product is accepted, the manufacturer still needs to negotiate with the specialist, which stores or locations in the area they are willing to “open”, in other words, which stores will be able to order the product. The number of stores needs to be negotiated and considered by the selection specialist, since there some stores have a very limited capacity, and every product will not succeed in every store. For example, during my previous practical training period, I negotiated with a selection specialist from TOK. He would only open two or three largest Prisma stores from the regional area, even though there are six Prisma stores, 20 S-Markets and multiple Sale stores and ABC- service stations in the area (Palvelut - TOK, 2021). Approval from the selection specialist does not mean orders automatically since the opened stores from the region will make their own orders.

The two other opportunities involve S-Group on a chain level. The product can be offered as a seasonal product or as a batch, which means the manufacturer can offer a certain batch of the product, which is usually left over or is getting closer to expiring. The final opportunity is to try to get the product into chain distribution, which means the product is available to order for all the S-Group grocery stores across Finland. This, however, usually requires firm evidence of the sales from regional co-operatives first to convince the chain-level buyers, which was evident during my conversations with S-Group personnel.

In the case of Company X, we selected a few closest regional co-operatives to contact first, them being SSO, TOK, Pirkanmaa, Hämeenmaa and VBO. Company X is in the regional area of SSO or Suur-Seudun Osuuskauppa, so it was the main priority when contacting the regional co-operatives. The SSO region roughly covers the area between Turku and Helsinki. I was quickly able to book a meeting with the selection specialist for a later time, which unfortunately later got cancelled.

TOK or Turun Osuuskauppa covers the city of Turku and the nearby municipalities. The selection specialist was interested to learn more about the product, but I was unable to give much information, since the production had not started, and the product details were not finalized at the time.

The region of Pirkanmaa covers the city of Tampere and nearby municipalities. I was able to contact the selection specialist, however she mentioned right away, that the regional co-operatives firstly prioritize the local products from the area, but she would give the product some thought when I was able to provide more information.

The region of Hämeenmaa covers Lahti, Hämeenlinna and other nearby municipalities. I contacted the selection specialist, but she was on vacation for the whole of the project, and I was unable to contact her replacement at the time.

Lastly, VBO or Varuboden-Osla covers the coastal area of Uusimaa as well as Ahvenanmaa. I was able to contact the selection specialist in early June, however, she was just hired as a replacement due to retirement of the old employee and she would not make the decision by herself. She told me that the product would be discussed during a meeting later, which was pushed back due to summer vacations. The specialist reached back at the end of August and told that they will not take the canned water into their selections.

Despite prioritizing contacting the regional co-operatives firstly, Company X wanted to find out more about the chain distribution level and whether they had an opportunity to make an offer despite not having evidence or experience from the regional stage. I tried contacting the chain buying agent of S-Group multiple times but was able to hear from him just before the project ended, due to his summer vacation. However, he was able to provide me great information about the offering process and timetables which could be later used to make an offer if Company X chooses to do so.

The main takeaways from contacting the regional selection specialist and the chain buying agent was the unfortunate timing of the project, since the production had not started and I had no physical product to show for as well as due Covid-19, most of the representatives were in their summer vacations most of the project if not all of it.

It was also new information for me and Company X that the regional buyers prioritized the local products, which made it even more evident, that the best opportunity for Company X would be to prioritize getting the product in to their local area selections first, see if the product will succeed and then start expanding the area slowly before offering the product to chain distribution.

Kesko grocery stores K-Citymarket, K-Supermarket and K-Market are being operated by individual K-retailers, so the lowest level of entry is to contact these individual stores and K-retailers to get into their selections. The negotiations about the product will most likely be had with the K-retailers themselves or with a department manager if there is one. The strong point of Kesko is the ability for producers to contact these individual stores even when the business is not big. Kesko also has a specific email address and instructions to help local, small businesses to get their products into the shelves. Kesko has even organized so called “local food dates” or small exhibitions where these local producers can showcase their products and the K-retailers can find new products to be represented in their stores (Local and small producers, 2021).

The other opportunities are the Kesko storage selection and the chain selection level. The Kesko storage selection means that the Kesko representatives will add the products into their portal, where they can be ordered by the K-retailers and department managers. These products are usually the ones that do not have a steady demand and they usually don’t have a permanent shelf location inside Kesko’s stores. In an email from a Kesko buying director, she clarified that they have over 100 different beverage products alone in the storage selection that don’t have a permanent shelf space in their stores, to emphasize how difficult it is to get into chain selections.

Like S-group, the highest level of entry for Kesko is to get the product into Kesko’s chain selection and distribution. This, however, is a hard or almost impossible feat to do for a small business just because of the quantity of products that has to be produced and distributed throughout Finland. For comparison, Company X’s batch size was estimated to be around 500 liters, which is only equivalent of about one pallet of products and simply not enough for chain level distribution. Kesko representatives also usually demand proof of sales and demand from smaller scale first, meaning the individual Kesko stores, to even considered the product to be inserted to chain distribution level.

In the case of Company X, there was debate whether to contact the individual stores, since it is quite time consuming and the stores are scattered across Finland, so logistics could be a big issue if there was a lot of demand since Company X would have to rely on expensive cargo deliveries through Finnish state-owned postal service Posti Group Oyj or some other delivery company. I had previously created a contact list of roughly 100 nearby or otherwise important Kesko grocery stores, most of them from Helsinki capitol area and the rest from Turku and Tampere. This list could be used later to contact these individual stores if Company X wanted to go that route. Due to possible logistic issues and the fact that nothing had been produced yet, it was decided that the individual stores were left out of the project for the time and the focus was shifted into researching the opportunities and demands in Kesko's order selection and chain distribution levels.

I was unable to find a direct contact person who I could inquire about the order selection and chain distribution and the requirements, so I started from the top down and reached out to the sales and purchases director of processed foods via email. I asked him about the requirements of becoming a chain supplier and who I should contact next for more information and got a quick reply. The director suggested to get the Palpa-registration done, informed me about Kesko's timetables and told me that if Company X were to get into their order selection at some point, that the products were to be stored in their warehouse in Vantaa. The director also added that it was the best for Company X to start from a lower level and contact the individual stores first, create a regional coverage, get some feedback and proof of the sales from the K-retailers and with that experience, try to get into the order selection or become a chain supplier. Lastly, the director guided me to contact his purchasing and sales manager for more further questions.

This purchasing and sales manager didn't have much more to add to what the director had said, saying that it was best to create a regional coverage and start from the bottom to see the demand for the product. The manager also added that it would not be an easy feat to get into the order selection either, since there were several hundred beverage products in the order selection alone, which had no shelf location, so the competition is very tough. The purchasing and sales manager also added the product manager for beverages and water to the conversation, although he was to be on a summer vacation for the whole duration of the project.

Being unable to contact the product manager, I later contacted another purchase manager of Kesko to ask about the possible need for test samples and how could Company X distribute them to individual Kesko grocery stores. I got an answer telling me that Company X could send test samples to the product manager beforehand, and he could get back to me as soon as he returned from his vacation. The purchase manager also added that there was no plan from Kesko's side to distribute free samples to individual stores and the only way was for Company X to deliver the samples themselves.

Much like with S-group, the timing of the contacting was really unfortunate since I was unable to get a hold of some of the people I wanted to contact, and also in the case of Kesko, it is a little weird that they pride themselves on working together with the producers and therefore contacting should be easy and the process should be see-through, but I found the contacting to be harder than with S-group, because there was not a lot of information available in their website and the directors and managers were really strict with their information and answers. This was most likely since I had no physical product to give them, and the production had not started, but I hoped an entrepreneur driven company would be more lenient with their information and would help the producers to become partners rather than make it harder to be eligible to becoming one.

From what I could gather from the director's and manager's answers, however, was that it was best for Company X to get the production going and start from the individual stores and start creating the regional coverage to see what kind of demand the canned water has and later, discuss on the possibilities for the order selection or even chain supplier with the sales numbers as proof.

While speaking with the category director of R-kiosks, he said that there was quite a limited space for new products, since R-kiosks are usually small and there is not a lot of storage, but they usually like to cycle new products. The question that rose from the conversation was the package size, since the canned water was projected to be in a normal 330ml can, and since the kiosks have a limited space, bigger, 500ml or 551ml dry pints could prove better options for the stores and their sales margins.

During our conversation, the category manager also told me that if the product would make it to R-kiosks selections, there is an opportunity that their logistics partner Wihuri could take the product into their own and their co-operative's selections at the same time.

The category director mentioned also about the possibility to create campaigns and marketing material together with R-kiosk and at certain times the products could be highlighted in their marketing if the product or products were to be accepted into the selection.

4.2 Timetable

The regional operatives and the chain store level of S-Group follow the same timetable. Different product categories have different dates and deadlines for making offers and when the selection period ends and starts. The selection periods are about 6 months long according to S-Group representatives and the timetable shown on Picture 5 below. In the case of Company X, product is a non-alcoholic beverage, so the selection periods change approximately in April and September. Before each of these selection periods start, there is a timeframe where the offers must be made and the required information must be sent, either via email to the representative or through an online platform called GS1 Synkka, which is a database for product information and pictures used by most of the grocery stores in Finland.

The project took place from June to August, so Company X was too late to make an offer for the year of 2021, however, the selection specialists and the chain buying agent said that exceptions could be made in other times too, if the product was interesting enough and regions or individual stores had room for new products.

Due to issues with starting the production and the best seasonal time for selling canned water had passed, we decided it was for the best to sort out the production issues first and focus on the Spring of 2022 and the next window, having more time to prepare.

Tuoteryhmä	Dead-line tav.toim. tarjoukset	Dead-line täydelliset tuotetiedot	Jaksonvaihdo späivä	Valikoimajakso
ALKOHOLIPITOISET PANIMOJUOMAT	3/19/2021	5/26/2021	9/14/2021	10-03 2022
ALKOHOLITTOMAT PANIMOJUOMAT	3/19/2021	5/26/2021	9/14/2021	10-03 2022
ALKOHOLITTOMAT KAUSIJUOMAT	3/19/2021	5/26/2021	9/13/2021	10-12 2021
ALKOHOLIPITOISET KAUSIJUOMAT	3/19/2021	5/26/2021	9/13/2021	10-12 2021

Picture 5; Example of S-group timetable for alcoholic and non-alcoholic beverages, September 2021 (S-group)

Like S-group, Kesko's grocery stores also follow two main dates, when the season and the selection period change. The dates also differ depending on the product category, which in Company X's case is brewery beverages. According to a buying director of Kesko, the selection periods usually change around September-October and March-April and last about 6 months. The same buying director also emailed the timetable for year 2021 shown in Picture 6 below. These dates apply to Kesko's chain selections.

In Kesko's timetable for brewery beverages, they have specified the deadlines for when the product information must be in GS1 Synkka platform, when the price list for the offered products must be delivered and when the samples of the offered products must be delivered to Kesko's facility K-Kampus. At K-Kampus, Kesko tastes and tests the product and takes the necessary measurements before the product can enter the store shelves.

For Kesko's storage selection, there is no clear dates or time periods for when to offer products. The storage selection products can be considered at any time of the year, taking into consideration the compatibility with the current selection, the ongoing season and how well Kesko sees the product succeeding.

As for individual Kesko grocery stores, there is also no timetable for making offers to the K-retailers or department managers. Products can be offered at any time and the negotiations about them will be had with the K-retailers or department managers. It is worthwhile to mention, that some product categories have certain time periods or seasons that they will sell the best, which will play a part whether the retailer is willing to take the product in or not. For example, products like Christmas beers or glogg will not be even considered if offered in the middle of the summer, and in Company X’s case, canned water will most likely sell a lot better in the summertime, rather than winter. Also, the shelf space and possible renovations in the stores will have an effect whether the K-retailers are willing to try out new products.

In Company X’s case, we ran into the same problem as with S-group. The deadline for making offers for new products had already passed or they came along too soon for Company X to be able to deliver products, as well as the best season for selling canned water was about to end. Therefore, it was decided that the chain selection offers would have to wait at least until next Spring, when the next window for offers would open.

Also offering the canned water for Kesko’s storage selection was not successful since the production had not started, and no samples could be delivered to the product category manager. My suggestion for Company X was to manufacture a couple of small batches once the production starts and try to offer them firstly to local Kesko grocery stores and get their opinion on the product before offering it to higher levels, especially since the product had not been tested with customers yet.

JAKSO	1/2021	2/2021	3/2021	4/2021	5/2021	6/2021
Synkka DL 4,5 kk ennen jakson alkua	14.8.2020	14.9.2020	16.10.2020	11.11.2020	11.12.2020	15.1.2021
Hinnasto DL 4,5 kk ennen jakson alkua *poikkeus tuoretuotteet alla	14.8.2020	14.9.2020	16.10.2020	11.11.2020	11.12.2020	15.1.2021
Tuoretuotteet: Hinnasto DL 4 kk ennen jakson alkua	4.9.2020	28.9.2020	30.10.2020	25.11.2020	23.12.2020	29.1.2021
Uutuusnäyte DL 4 viikkoa ennen jakson alkua * Tuoretuotteet erikseen sovitusti	7.12.2020	4.1.2021	1.2.2021	25.2.2021	29.3.2021	3.5.2021

JAKSO	7/2021	8/2021	9/2021	10/2021	11/2021	12/2021
Synkka DL 4,5 kk ennen jakson alkua	15.2.2021	15.3.2021	9.4.2021	14.5.2021	14.6.2021	15.7.2021
Hinnasto DL 4,5 kk ennen jakson alkua *poikkeus tuoretuotteet alla	15.2.2021	15.3.2021	9.4.2021	14.5.2021	14.6.2021	15.7.2021
Tuoretuotteet: Hinnasto DL 4 kk ennen jakson alkua	1.3.2021	29.3.2021	23.4.2021	28.5.2021	2.7.2021	29.7.2021
Uutuusnäyte DL 4 viikkoa ennen jakson alkua * Tuoretuotteet erikseen sovitusti	3.6.2021	5.7.2021	29.7.2021	2.9.2021	4.10.2021	1.11.2021

Picture 6; Kesko timetable for brewery products 2020-2021 (Kesko)

During the conversation with the category director of R-kiosk, he told me that R-kiosks do not really have a timetable carved in stone. The selection usually cycles rapidly and varies depending on the time of the season, and new products can be offered directly to the category director at any time.

As mentioned before, the category director will only go through the new products and accepts or rejects them, since the buying process is going through their logistics partner Wihuri Aarnio. This means that the process of the product making it into the shelves of R-kiosks takes a little longer, but usually from one to two months, depending on the compatibility of the product within the current selection.

4.3 Requirements

The main requirements gathered from the conversations with S-Group representatives for getting into S-Group's selections are firstly a finished product with a working EAN/GTIN-barcode and product information such as name, price, product volume, batch size and ingredients. Also having the product in Palpa register is almost mandatory for beverage manufacturers in 2021 and Company X had already registered in Palpa. In addition to that, the logistics must be thought out as it was financially unprofitable for Company X to deliver the products themselves, apart from locally to a few stores. Therefore, it is heavily suggested by S-Group to make a logistics contract with their logistics partner Inex Partners Oy.

Inex Partners Oy is a logistics partner for S-Group and a subsidiary of SOK. Inex's main logistics center is in Sipoo, from where they deliver about 1000 truckloads of products to S-Group stores throughout Finland every day (Inex Partners: Inex yrityksenä, 2021).

Getting a logistics contract with Inex Partners for Company X was easy since all the contact information was already available for me. I had a quick phone call with Inex representative, and he sent Company X the needed documentation and the contract to be filled out. The contract will not start, before Company X has S-Group stores to deliver products to and it still requires Company X to deliver the products to the logistics center in Sipoo, but after that, there are no additional costs, since the logistics fees are paid by the regional co-operatives themselves, barring the delivery does not require a longer delivery to another temporary terminal, according to an Inex representative.

Inex and S-Group also heavily suggest the manufacturer to get GS1-services Synkka and Golli to make it easier not only for themselves but to S-Group buyers also to share product information and receive orders from stores.

GS1 Finland is a part of a nonprofit, international GS1 organization, which aims to help its customers control and make their supply chains more efficient. GS1 has over 2 million organizations using their platforms globally and over 8000 in Finland. GS1 Synkka and Golli are online platforms of GS1 Finland, Synkka a database for product information and pictures and Golli for receiving and monitoring the process of orders (GS1 Finland Oy | GS1, 2021).

Synkka and Golli are not free, both require yearly subscription at a fee, and Synkka also having a one-time registration fee. In the case of Company X, they decided it was a good idea in the long run to get both services. Synkka has the option to get only the interface at 1000€, or get the service integrated with the company's own systems, if they had one, at 1400€. Company X selected the Synkka interface which can be used in a browser. On top of that, the yearly fee of Synkka ranges from 300€ to 15 000€, depending on the sales. Company X as a starting company was in the bottom bracket of sales with under 1 million euros, so they only had to pay 300€ yearly. In the case of Golli, there is no registration fee, and the yearly fee is 900€ or 1100€, depending on if the company is an interface user or an integrated user (Pricing of services | GS1, 2021).

As with S-group, the main requirements in Kesko's case are also a working EAN/GTIN-barcode and Palpa-registration as well as the product information, that would be later added to GS1 Synkka. Logistics would also have to be figured out, since Company X could only deliver small orders to nearby individual stores in the best-case scenario. Company X would have to use cargo deliveries to Kesko's warehouse, from where the deliveries would be distributed to the correct stores, or they would have to come up with an agreement with Kesko to have their logistics pick up the deliveries straight from the manufacturing facilities. I didn't advance with the logistics conversation with Kesko's representatives much further, for example about the pricing of Kesko's logistics, since figuring out the logistics were not relevant at the time.

Kesko also heavily relies on GS1's Synkka- and Golli-systems and using them is seen as a definite plus, since Kesko gets all of the needed product information from Synkka, which can be used for the storage selection orders, which will then show up directly in Golli.

Kesko also demands test samples or batches of new products before they can enter the store shelves. The products should be sent to Kesko's K-Kampus, located in Helsinki. K-Kampus was introduced in 2019 and now it serves as a headquarter for over 1800 Kesko employees. K-Kampus might be the smartest headquarter in Finland, due to the use of artificial intelligence which controls the heating, air conditioning, lighting, energy consumption, elevators and so on (K-ryhmän uusi päätoimitalo K-Kampus on otettu käyttöön, 2021).

Also, having conversations with Kesko’s managers and directors, it became clear that starting small, creating regional coverage, gaining experience and evidence that the product will sell was more of a requirement, rather than a suggestion, since it is very rare that a product would be so unique that it would get into chain selection right away. In the case of Company X, canned water is not a new invention, and it must fight for shelf space against other canned and bottled waters, mineral waters, sports drinks, and soft drinks. The suggestion for starting small and gaining knowledge on the demand is sensible and what Company X should do.

While speaking with the R-kiosk category director, he made it clear that the most important requirement for making offers is a good product, that has the taste and the appearance right, with a justified price. Therefore, he wants to first receive samples of the offered products, so he can taste them and assess the visual appearance and give feedback to the producer, if there is something wrong with the taste, labeling, package size or even the marketing strategy, for which R-kiosk could offer help later. The category director also pointed out the importance of social media presence and figuring out the marketing strategy. For Company X, he suggested to use social media influencers as a part of marketing and as a small, local business, to use the local aspect as a part of the marketing and gain exposure that way.

As mentioned earlier, the category director would only test and negotiate, which products he was willing to take into R-kiosks selections and in which scale, and the actual buying process would take place after that, with R-kiosks logistics partner Wihuri. On top of asking about the buying process, I also asked Wihuri representative about the logistics and whether it was possible to use one of their nearby Metro-wholesale stores as a delivery drop-off for Company X, but I was answered that the deliveries could only be made to Metro-stores if they would carry the products in their own selections.

5 PROJECT SUMMARY AND RECOMMENDATIONS

The project started out full of excitement and hope, that Company X would get the production started, find the right persons to answer their questions about chain store requirements, make offers and get started with selling their canned water before the end of the summer. Most of the wanted people were reached, most of the questions got answered and research findings gave a lot of new and important information about the buying processes, requirements, and the industry itself for both me and Company X.

Research findings showed Company X and other small beverage businesses like it, all the targeted chain stores are suitable retailers, but only if the view of the business is realistic and the target is firstly on the local and regional markets. Out of the three chains, Kesko's business model of having individual K-Retailers to handle their own selections outside of chain selection products serves small businesses the best. This allows the business owners to have room to negotiate and really sell the product to the retailers and even the customers in the process. Targeting individual stores also allows flexibility within production since the volumes are not so large. If possible, delivering the products to nearby stores directly also eliminates expensive logistical services from the expenses.

The buying process of all these retailers are basically very similar and follow the same path. All these retailers have a specific specialist or director to monitor and operate a certain product category and these persons are the first points of contact and they will have certain requirements to be filled to be eligible to make offers to them. They work within organizational timetables and by testing and evaluating the demand of the offered products, accept or decline them.

The main requirements for nearly all the three chains for a beverage product are a working EAN/GTIN-code, complete product information, ready and good-looking product, Palpa -registrated product, test samples, use of GS1 Services Synkka and Golli and the requirement of following the given deadlines.

While there are positives to take away from the project, on the other hand, the production of the canned water never started, mostly because the tanks ordered from China never arrived due to shipping troubles. The worldwide shortage of aluminum also made it very hard to find aluminum cans. Company X also has only two employees, with the other owner living in the U.S. and the other owner simply did not have enough time to organize the production due to the other beverage business he is running firstly. The project also started too late, since summer was about to end and the best season for offering and selling water was almost gone and the store's deadlines pushed in too fast.

As for my recommendations for Company X, I would focus on a few things that the company was or is lacking, and some those things that rose during the project while searching for information or speaking with the chain store representatives.

Currently, Company X does not have a website and there is no information available about their company, which needs to be fixed if Company X decides to move forward with the business. I understood that the designer who designed their can labels is also able to do websites, so it would be great to use the same designer for that job too.

The production became problematic from the start, not only because of the lack of materials and machinery, but also from a time management standpoint. There should be one person full-time in charge of the production and orders, so when the production eventually begins, and orders start coming that someone is always on top of things.

As the chain store representatives mentioned to me multiple times during discussions, my advice for Company X would also be to start of small and slowly, as there is no production for now, the product is not tested with the customer and there is no information or data on the demand. For this reason, Company X should start slow, produce small or manageable batches, create regional coverage, and try to contact nearby stores first and try to get some feedback on the product and make changes according to the customer feedback.

Contacting nearby stores first would also be a good idea, since the logistics are not yet thought through. Cargo deliveries are expensive, and with the volume Company X would be selling at first, the logistics costs could eat all the profits. Contacting nearby stores Company X might be able to make the deliveries concentrated with their own equipment.

Lastly, even though some may see carbon offsetting as greenwashing, I recommend them going carbon neutral or at least calculate their carbon footprint and offset some of their emissions by finding a credible offsetting company with global projects that make an actual difference on the environment. This is of course a big investment that may no matter at all for some organizations and customers, but I think in the long run, customers see this as a positive and responsible act.

Although all the project goals were not met, Company X and myself learned a lot about chain store requirements and the processes to be able to make offers to the stores, and I believe that if Company X decides to continue with the canned water business, they are without a doubt able to leave offers and get their product into stores at some point.

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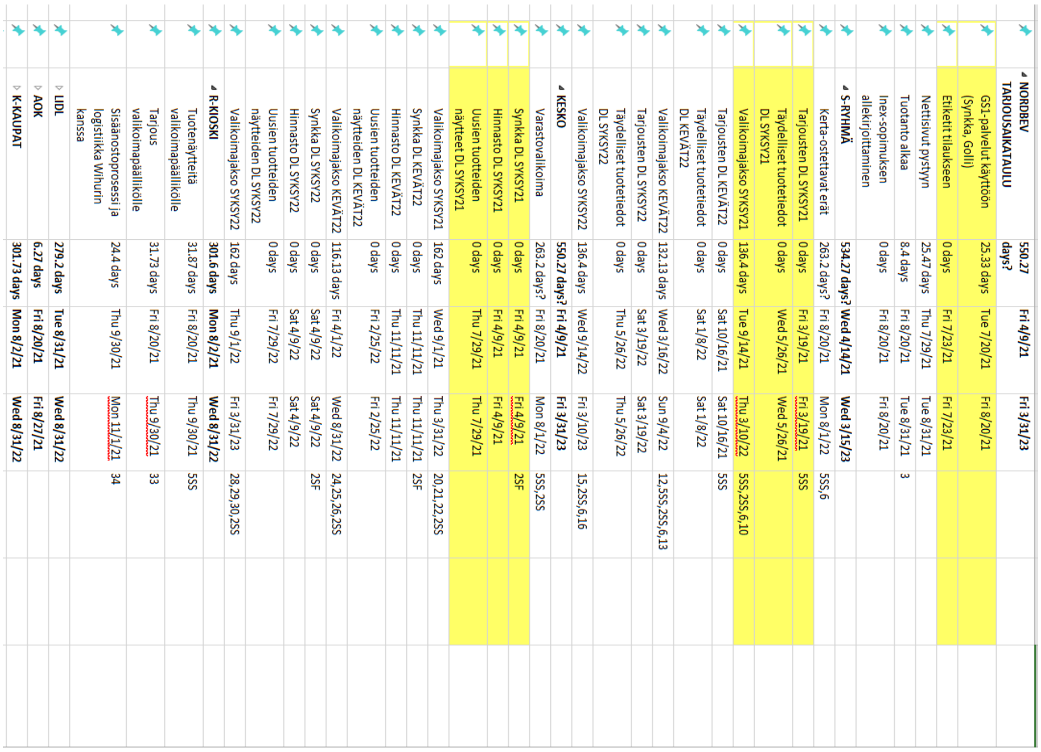
Appendix 1. GANTT-chart



NORDBEV TARJOUSAIKATAULU	**550.27 days?**	**Fri 4/9/21**	**Fri 3/31/23**	
GS1-palvelut käyttöön (Synkka, Golli)	25.33 days	Tue 7/20/21	Fri 8/20/21	
Etiketit tilaukseen	0 days	Fri 7/23/21	Fri 7/23/21	
Nettisivut pystyyn	25.47 days	Thu 7/29/21	Tue 8/31/21	
Tuotanto alkaa	8.4 days	Fri 8/20/21	Tue 8/31/21	3
Inex-sopimuksen allekirjoittaminen	0 days	Fri 8/20/21	Fri 8/20/21	
S-RYHMÄ	**534.27 days?**	**Wed 4/14/21**	**Wed 3/15/23**	
Kerta-ostettavat erät	263.2 days?	Fri 8/20/21	Mon 8/1/22	5SS,6
Tarjousten DL SYKSY21	0 days	Fri 3/19/21	Fri 3/19/21	5SS
Täydelliset tuotetiedot DL SYKSY21	0 days	Wed 5/26/21	Wed 5/26/21	
Valikoimajakso SYKSY21	136.4 days	Tue 9/14/21	Thu 3/10/22	5SS,2SS,6,10
Tarjousten DL KEVÄT22	0 days	Sat 10/16/21	Sat 10/16/21	5SS
Täydelliset tuotetiedot DL KEVÄT22	0 days	Sat 1/8/22	Sat 1/8/22	
Valikoimajakso KEVÄT22	132.13 days	Wed 3/16/22	Sun 9/4/22	12,5SS,2SS,6,13
Tarjousten DL SYKSY22	0 days	Sat 3/19/22	Sat 3/19/22	
Täydelliset tuotetiedot DL SYKSY22	0 days	Thu 5/26/22	Thu 5/26/22	
Valikoimajakso SYKSY22	136.4 days	Wed 9/14/22	Fri 3/10/23	15,2SS,6,16
KESKO	**550.27 days?**	**Fri 4/9/21**	**Fri 3/31/23**	
Varastovalikoima	263.2 days?	Fri 8/20/21	Mon 8/1/22	5SS,2SS
Synkka DL SYKSY21	0 days	Fri 4/9/21	Fri 4/9/21	2SF
Hinnasto DL SYKSY21	0 days	Fri 4/9/21	Fri 4/9/21	
Uusien tuotteiden näytteet DL SYKSY21	0 days	Thu 7/29/21	Thu 7/29/21	
Valikoimajakso SYKSY21	162 days	Wed 9/1/21	Thu 3/31/22	20,21,22,2SS
Synkka DL KEVÄT22	0 days	Thu 11/11/21	Thu 11/11/21	2SF
Hinnasto DL KEVÄT22	0 days	Thu 11/11/21	Thu 11/11/21	
Uusien tuotteiden näytteiden DL KEVÄT22	0 days	Fri 2/25/22	Fri 2/25/22	
Valikoimajakso KEVÄT22	116.13 days	Fri 4/1/22	Wed 8/31/22	24,25,26,2SS
Synkka DL SYKSY22	0 days	Sat 4/9/22	Sat 4/9/22	2SF
Hinnasto DL SYKSY22	0 days	Sat 4/9/22	Sat 4/9/22	
Uusien tuotteiden näytteiden DL SYKSY22	0 days	Fri 7/29/22	Fri 7/29/22	
Valikoimajakso SYKSY22	162 days	Thu 9/1/22	Fri 3/31/23	28,29,30,2SS
R-KIOSKI	**301.6 days**	**Mon 8/2/21**	**Wed 8/31/22**	
Tuotenäytteitä valikoimapäällikölle	31.87 days	Fri 8/20/21	Thu 9/30/21	5SS
Tarjous valikoimapäällikölle	31.73 days	Fri 8/20/21	Thu 9/30/21	33
Sisäänostoprosessi ja logistiikka Wihurin kanssa	24.4 days	Thu 9/30/21	Mon 11/1/21	34
LIDL	**279.2 days**	**Tue 8/31/21**	**Wed 8/31/22**	
AOK	**6.27 days**	**Fri 8/20/21**	**Fri 8/27/21**	
K-KAUPAT	**301.73 days**	**Mon 8/2/21**	**Wed 8/31/22**