

Opportunities for a German sustainable customer loyalty programme in Scandinavia

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<p>Sustainability and positive social and environmental impacts have always been among the primary concerns for countries in Scandinavia. The number of socially conscious consumers in Finland, Sweden, Norway and Denmark is relatively high and keeps rising. Therefore, these countries offer a vast market potential for companies focused on sustainability. It is especially true, considering the fact that the consumers in these countries have one of the biggest purchasing power in Europe.</p> <p>The case company of the thesis is Bonsum UG, a German social impact start-up and a certified B-Corp that offers a sustainable loyalty programme for socially conscious consumers and rewards people for shopping for organic, ethically produced goods and eco-services. The aim of the thesis is to determine how to approach the target group in Finland, Sweden and Norway while strengthening the company's market position. Therefore, the research is limited to Finnish, Swedish and Norwegian customers as well as potential partner companies, such as online shops, selling organic and ethically produced goods and eco-friendly services. The aim is to find out the potential of the target group in the countries mentioned and, based on the research results, provide a basis for the development of the business of Bonsum in this market.</p> <p>The material was gathered by through desktop research on the consumer market in Finland, Sweden and Norway for the research section as well as through an assessment of the organisational readiness to internationalise. The research was qualitative in nature and was carried out in the spring of 2016.</p> <p>Based on the research findings and analysis of the results, marketing strategy recommendations were created. Key aspects to consider in view of the markets were also covered in the final chapter.</p>	
Keywords Sustainability, Bonsum, customer loyalty programme, eco-friendly, organic, Fairtrade, rewarding system, data privacy	

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1 Introduction

Nowadays, we talk a lot about different global environmental and social issues, such as world hunger, financial crisis, refugee crisis, climate change, deforestation, air & water pollution, etc. During the process of searching for the solution, we realise that one of the primary causes of these issues is the way we produce and consume. Fast and mass production leads to increase in consumption. We consume more and more, all while producing a lot of waste with a lack of effective waste management policies.

Luckily, today, a lot of businesses begin to realise that sustainability should be one of the core business values. It is assumed that shifting towards sustainable production and consumption is the number one solution to the environmental and social issues we face on a daily basis.

Sustainability is particularly one of the primary concerns in the Scandinavian countries that are often characterised by strong social welfare system and governments taking the lead on sustainability issues through the legislature.

This huge interest in providing a positive impact on the environment and the society makes Scandinavia an attractive market for a German sustainable start up, Bonsum, which focuses on changing the traditional way of consumption to a better, more responsible one. Working at this social impact start-up inspired me to carry out a research for the company on its potential in the Scandinavian market.

Internationalisation involves a lot of risk, especially if the country or, in this case, countries of destination have economic, legislative, cultural and language differences. There might be a need to adapt the product or service into the new market due to customer, business partner preferences and competition. Internationalisation also requires high costs and does not necessarily guarantee success.

Therefore, the aim of this thesis is to find out about the target group in the Scandinavian countries as well as the opportunities for growth and services to be adapted or improved. The topic provides deep insights on the Bonsum's market potential in countries, such as Finland, Sweden and Norway, with a stronger focus on the Swedish and Finnish markets, as well as suggestions for the company, based on the research findings, to enter these markets.

The case company, Bonsum, is a great example of a born global firm with a strong focus on sustainability and positive impact on the society and the environment.

This thesis also provides an opportunity to examine the case company and pinpoint its uniqueness. Research on Bonsum's current practices of selling its services both domestically and abroad has been conducted with the help of personal experience in working at the company and carrying out the tasks related to the business development, as well as quantitative and qualitative research on the market and literature review.

1.1 Research objective and limitations

The objective of the thesis is to provide the client organisation, Bonsum, with information on the current demand for sustainable products and eco-services among customers in Finland, Sweden and Norway as well as their interest of being rewarded for shopping responsibly and making a positive social and environmental impact. The research should provide Bonsum with information that supports their expansion to the Scandinavian market and knowledge that can be used when preparing marketing strategy for the new target group.

At the moment, the client has no specific considerations on entering the Scandinavian market, hence this research is to provide the company with a deeper insight on their market potential in those countries. Finland, Sweden and Norway as potential markets have not been properly assessed so far. In fact, the small population size and cultural & language differences between Germany and Finland, Sweden and Norway are one of the primary concerns for Bonsum, when planning on entering these markets.

The outcome of the thesis is the following:

- Market research
- Evaluation of the target customer group
- Defining marketing tactics for the mentioned customer group

In order to make the results as specific and concise as possible, the research concentrates mainly on Finnish and Swedish customers with a few insights on the Norwegian market. The main market segment of Bonsum are socially conscious customers or LOHAS (Lifestyles of Health and Sustainability), which are defined in its strategy. Because of the strong social welfare system, high purchasing power and general interest in organic products and eco-services, customers in Sweden and Finland are most likely to be attracted by the service that Bonsum offers. The current estimate is that approximately 20% of LOHAS customers in Europe are from Scandinavia. (Peyron 2015.)

1.2 Sustainability in Scandinavia

Sustainability as a concept implies production and consumption, built on several principles regarding preserving the natural resources without jeopardising the needs of future generations. (Mont 2007.) One of these common principles are following:

- Conservation of biodiversity and ecological integrity
- Sustainable income
- Integration of environmental and economic goals
- Social equity and community involvement
- Dealing cautiously with risk and uncertainty

It is known that the majority of these principles is commonly used in the Scandinavian countries. Local authorities in Finland, Sweden and Norway are in a unique position to promote sustainability. For example, after Sweden being deeply affected by the 1970s oil crisis, the country's response was to shift from oil towards natural resources – wood, water and uranium. This resulted in Växjö, a city in the southern Sweden, to become one of the 'greenest' cities in Europe. (The Guardian 2015.) In fact, the country is among the most fossil-free countries in the world.

Its neighbour, Norway, was one of the primary target markets for the all-electric Tesla Model S in 2013. Norwegians are particularly interested in electric cars because of the tax breaks, free parking, toll exemptions and access to bus lanes. In addition, Norwegians have one of the biggest purchasing power in Europe due to their high income and strong social welfare system.

As for Finland, even the City of Helsinki alone is one of the most sustainable capitals in Europe. The city is committed to promoting 'green' values in all its operations. It is known for the best quality tap water in Europe. In fact, it is often much more preferred to a bottled water. Recycling is also very important and practiced in Finland on a daily basis. In addition, several hotels have introduced carbon footprint calculators. (Visit Helsinki 2015.) When it comes to building & construction, it is common to preserve the nature, hence Finland is Europe's most forested country, with over 70% of land covered with forests.

Overall, it is safe to say that Finland, Sweden and Norway can be described as pioneers in sustainable development. This has created the perfect opportunities for sustainable consumption, which in its turn aims to achieve equal distribution of resources and minimise the environmental impact. (Hertwich & Katzmayer 2003.) High interest in sustainable consumption leaves a need for an easy access, convenience and further motivation to

purchase products, such as organic food, ethically produced clothes, cruelty free cosmetics and renewable energy sources.

1.3 Research problem and questions

The research covers the following aspects: level of interest in a rewarding system for sustainable consumption in the Scandinavian market, strategy including market entry mode, customer target group and timeframe for entering the new market.

Research question:

What are the opportunities for a German sustainable customer loyalty programme to enter the Scandinavian market?

Sub questions:

- What is an estimated Bonsum's market share in Finland, Sweden and Norway?
- What is the potential in terms governmental support?
- What approach can be used towards socially conscious customers in Scandinavia?

1.4 Scope of research

The research will be conducted using qualitative methods. The thesis consists of theoretical and empirical parts. The theoretical section is based on literature review, including Internet sources and media, and desktop research.

The research findings are mainly based on the most recent Eurobarometer surveys. In addition, in the empirical process of this thesis, an interview was conducted with the CEO of the client company, in order to find out his expectations about the Scandinavian market, assess the company's readiness to internationalise as well as Bonsum's past practices of expanding abroad.

1.5 Thesis structure

At first, the client company and their target market will be presented. Secondly, the reader will get the idea of ethical consumption and socially conscious customer group as well as typical marketing strategies for this target group. Thirdly, the focus will be on international market research and its main activities. After that, there is going to be an overview about problems that may arise, competition as well as opportunities and possibilities for financial support.

As it was mentioned previously, the empirical part will mainly consist of qualitative research on Finnish, Swedish and Norwegian markets with a stronger focus on Finnish and

Swedish markets. After the introduction of the research and presentation of its results, the conclusions and recommendations will be listed. Based on the conclusions, marketing tactics will be suggested to the client company.

2 Bonsum – Shopping for a better world

Bonsum is the client company of this thesis, established and based in Berlin, Germany, and currently operating in Germany, Austria and the UK. At the moment, the majority of Bonsum's market share is concentrated in Germany, however, the company has been successfully expanding its business to the UK market since September 2015. The company has high potential for internationalisation and would like to expand their market share to the Scandinavian countries.

The main concept of the business is a sustainable customer loyalty programme, partnering with a big variety of online and offline, Germany only, shops selling organic food & drinks, ethically manufactured clothes, cruelty-free cosmetics, etc. as well as 'green' energy and other eco-service providers.

The business model of Bonsum is commission-based. For example, every time a customer accesses a partner shop website and makes a purchase, Bonsum gets a certain percentage of commission (e.g. 10%). Half of the commission goes back to the customer in form of loyalty points, which are called Bonets. After that, the customer may decide to collect the Bonets for further redemption or spend them on donations to Bonsum's charity partners or tree planting in the USA, China and Brazil. (Bonsum 2015.)

Bonsum provides added value for both its customers and partners. For example, for socially conscious consumers it is an intuitive and easy way to find organic and sustainable products. The rewarding nature of shopping via Bonsum's website creates involvement and incentive for purchase, therefore, inspiring people to make responsible purchasing decisions.

For its partners, Bonsum creates value in form of customer retention, at the same time expanding the client base through cross-selling potential of the platform in order to use economies of scale. In addition, Bonsum's partners benefit from feedback about customer perception of brand due to the community feedback.

Bonsum's mission is to change the traditional way of shopping to a more responsible one. The ability to spend Bonets on donations, reduction of carbon footprint or other eco-products encourages Bonsum's customers to make a positive environmental and social impact. This is an interesting concept, especially in terms of promoting the sustainable lifestyle.

Since late 2015, Bonsum in collaboration with Humbolt University has also been developing a good digital currency, Goodcoin, which is a Bitcoin-like type of currency that can be generated by making responsible purchasing decisions. (Goodcoin 2015.)

2.1 Target customer group

As it was mentioned before, the concept of Bonsum's business is very attractive to people interested in the sustainable lifestyle. The main target customer group is socially conscious consumers, which are those willing to pay the extra for sustainable products and services. (Nielsen 2012) The majority of socially conscious consumers (63%) are under the age of 40, with 40% of them being millennials. Studies show that 66% of the target group are female that are more likely to try out new products and read product information and ingredients.

A typical socially conscious consumer is well-educated, interested in the sustainable lifestyle, personal and professional development as well as environmental protection and social impact. These are the people who carefully read the product information, list of ingredients as health and wellness are two of the most influential factors for purchasing a sustainable product for 59% of consumers. (Nielsen 2015.)

In addition, socially conscious consumers are often good citizens, participating in the local community development as well as interested in the global social and economic issues. According to the Nielsen study (2012), 66% of the respondents think companies should support the society and the environment.

Socially conscious consumers are also active technology and Internet users, which is very important for Bonsum as mostly an online platform. It is safe to say that online shopping has been growing with a fast pace as the number of mobile phone and tablet users increased as well. The statistics show that in 2015, 67% of Europeans aged 16-74 used the internet on average daily or almost daily basis, with the hit in Luxembourg (92%), Denmark (87%), the Netherlands and Finland (both 85%). (Eurostat 2015.)

Table 1 shows that nearly two thirds of internet users made online purchases in the period of 12 month prior to the E-commerce survey conducted by Eurostat in December 2015.

	Proportion of individuals who:			Frequency of use (on average)		Proportion of individuals who purchased online within the last 12 months
	Used internet within the last 3 months	Used internet within the last 12 months	Never used internet	Every day or almost every day	At least once a week (including daily use)	
EU-28	79	81	16	67	76	53
Belgium	85	86	13	73	83	55
Bulgaria	57	60	35	46	55	18
Czech Republic	81	83	13	63	77	45
Denmark	96	97	3	87	93	79
Germany	88	89	10	75	84	73
Estonia	88	89	9	77	86	59
Ireland	80	82	16	67	78	51
Greece	67	68	30	55	63	32
Spain	79	80	19	64	75	42
France	85	87	11	68	81	65
Croatia	70	71	26	60	66	31
Italy	66	68	28	62	63	26
Cyprus	72	72	26	63	70	23
Latvia	79	80	18	66	75	38
Lithuania	71	72	25	56	69	32
Luxembourg	97	98	2	92	97	78
Hungary	73	76	21	63	72	36
Malta	76	77	22	69	74	51
Netherlands	93	94	4	85	91	71
Austria	84	85	13	68	81	58
Poland	68	70	27	52	65	37
Portugal	69	70	28	55	65	31
Romania	56	62	32	37	52	11
Slovenia	73	75	22	61	71	39
Slovakia	78	81	16	60	74	50
Finland	93	93	5	85	91	71
Sweden	91	92	5	82	89	71
United Kingdom	92	93	6	83	90	81
Norway	97	97	1	89	96	76
Former Yug. Rep. of Macedonia	70	73	26	60	69	11
Turkey	52	54	44	40	48	15

Table 1. Internet use, frequency of use and online purchases in 2015. (Eurostat 2015.)

These findings show that there is a growing potential for e-commerce companies, such as the client company, especially in the countries of destination.

2.2 Importance of market research in internationalisation

There are many challenges that a business faces, when expanding its business abroad. Not only is it the economic, political, social and cultural differences, but also the way of doing business in general, customers' attitude towards the product or service and, of course, competition.

In order to develop a successful marketing strategy and pinpoint the main risks and obstacles, a market research is needed. Most of the companies often have no idea about how to internationalise. Even though the company might be in the same economic area with the country of expansion, it still might be difficult to approach the market.

There are five main benefits of an international market research (Cavusgil & Riesenberger 2009.):

1. *Forecasting.* A set of assumptions play a major role in managerial decision making. Forecasting helps estimate sales and revenues as well as the demand for product. However, it is impossible to do without a prior research about the market.
2. *Planning.* International business requires proper planning in order to succeed in the market. Managers are becoming aware of the challenges, risks and opportunities in the process of research. Therefore, it is required to investigate the market potential before creating a marketing strategy.
3. *Competitive intelligence.* Knowing about competitor's product offerings, pricing and strategy helps the company to develop its own strategic actions. Information about the competitors can usually be obtained from the Internet and publicly available documents.
4. *Monitor progress on organisational objectives.* Research helps the firm to critically assess its product as well as its current business practices (e.g. production processes, marketing strategy, etc.).
5. *Increase organisational skill and knowledge base.* International business requires a lot of skills for multicultural negotiations and way of doing business in a foreign country. Research gives information on cultural differences and customer perception of the product in the foreign country, which in its turn broadens the horizons for the management.

Cavusgill & Riesenberger explain in their book 'Conducting Market Research for International Business' the importance of a market research: 'International business poses substantial risk and uncertainty. To succeed and avoid blunders, managers must develop a thorough understanding of each target market. Managers must understand customer and competitor characteristics before committing significant resources.' (Cavusgil & Riesenberger 2009.)

3 Ethical consumerism

In 2014 alone, sales of products and services from brands that demonstrated commitment to sustainability increased by 4% worldwide. (The Nielsen Company 2015.) This shows that consumers, nowadays, are more than ever concerned with the environmental and social impact of their purchasing decisions. Due to climate change, air and water pollution, poverty, world hunger and other types of social and environmental crises, consumers are becoming more responsible with their purchasing decisions. In 2015, 66% of consumers globally said they were willing to pay more for sustainable brands. (The Nielsen Company 2015.) Ethical consumption is becoming mainstream.

The term 'ethical consumer' was introduced by the UK magazine *Ethical Consumer*, first published in 1989. The magazine is targeted to people 'campaigning on ethical issues, boycotting products and looking for ethical alternatives'. (Ethical Magazine 2013.) Essentially, this is what *ethical consumption* means: being a critical consumer, looking for labels, such as organic, Fairtrade, carbon neutral, etc. and being curious about how the profits from sales of the companies of your choice are distributed. (Lewis & Potter 2011.) Trying to be a responsible citizen of our planet and expect the same from corporations is what ethical consumption is.

'Shopping is more important than voting'. (Wilson) People should be more aware of the impact their buying choices can have. In the UK alone, manufacturing and consumption are responsible for 57% of greenhouse gas production. (The Guardian 2010.)

However, responsible or ethical consumption is more than caring about the environment, it is also an act of morality as conscious purchasing decisions are based on non-price criteria that affect moral rather than the functionality, such as ethical manufacturing process, fair working conditions, etc. Ethical consumers base their purchasing decisions on 'the moral nature' of the product, which is, essentially, the ethical part. (Carrier 2012.)

There are a lot of examples of ethical consumption. People go on eco-holidays instead of conventional ones, they bring their own bag to a supermarket instead of purchasing a plastic bag, they buy organic and local food, use cruelty-free cosmetics and household products, consume less meat and other animal products, recycle waste, upcycle clothes, etc. There are a lot of ways of consuming responsibly and creating a positive impact.

Many companies nowadays recognise the potential of ethical consumption. Companies with strong presence and sustainability policies outperform others in almost everything:

whether it comes to attracting talent, investors, partners and, most importantly, consumers. (Nielsen 2015.) Nowadays, there are lots of businesses, demonstrating their commitment to sustainability in form of cooperation with non-profit organisations, donating part of the profits to charities, practising eco-friendly ways of sourcing materials, reducing their carbon emissions and making smaller steps, such as using renewable energy during the production process or recycling. These activities create a positive effect on the society and the planet, at the same time creating value for the customer.

Nielsen Global Corporate Sustainability Report from 2015 shows a strong connection between companies contributing to the community's development, satisfying their consumers at the same time. The results of the research confirm that market for sustainable goods continues to grow and more and more consumers are becoming socially conscious and more critical to business activities. (Nielsen 2015.)

3.1 Ethical consumer groups

According to the Nielsen Global Sustainability Report (2015), the percentage of people willing to pay more for sustainable goods amounted to 66% from 30,000 survey respondents in 60 countries across the world. In comparison with 2014 survey results, the amount of socially conscious consumers increased by 11%. The study also shows that it is no longer only wealthy customers, but consumers across regions and income levels are willing to pay more if it ensures a positive social and environmental impact. (Nielsen 2015.)

The main target customer group for sustainable companies and 'green' marketers is LOHAS. These are the people, who are passionate about the environment, personal development and healthy lifestyle. They are interested in buying organic, fair trade and, most likely, local food and drinks, ethically produced clothing and jewellery, 'green' and renewable energy. However, apart from consuming, they are also interested in supporting non-profit organisations, donating to charities, volunteering and other forms of providing positive social impact.

According to Natural Marketing Institute (NMI), which has the original consumer tracking tool, in 2007, nearly 41 million of the U.S. consumers (14%) were included into the LOHAS segment. In Japan, LOHAS are about 12% of the adult population. As for the European market, LOHAS are mainly located in Western Europe, in countries such as the UK, Germany, the Netherlands, Belgium, Denmark, Norway, Iceland, Sweden and Finland.

LOHAS customer group is also complex in its nature. According to the NMI's study about LOHAS (2010), this segment can be divided into five different customer groups: LOHAS, NATURALITES, DRIFTERS, CONVENTIONALS and UNCONCERNEDS. The first group, LOHAS, consists of people who are very concerned about the ecology, healthy and sustainable lifestyle as well as social justice. They only buy organic products and use exclusively eco-services, e.g. solar energy, water-saving supplies, etc. This is the prime target group for companies marketing green, sustainable and socially responsible products. NATURALITES are those who show their interest in protecting the environment as a result of their personal concern with their health and well-being. They do consume organic and healthy products and green services but as an outcome of their personal drive towards the sustainable lifestyle. DRIFTERS are the people who are shifting their commitment towards the sustainable living. They usually get easily influenced by trends, and although they do try to consume responsibly, the price factor is often more important to them rather than the nature of the product. DRIFTERS are the youngest group among those five, and oftentimes it mainly consists of young people and millennials. CONVENTIONALS might not be particularly concerned with the environmental and social issues, however, when it comes to their consumption habits, they are usually practical and tend to practice recycling and use of renewable energy. UNCONCERNEDS are the people who pay little attention to the environmental and social issues or are not necessarily striving towards a healthier lifestyle, however, they do purchase sustainable goods every now and then, but are not the prime target group for green marketers. (Natural Marketing Institute 2010.)

Although, the information presented in the NMI study is five years old, since then, the number of socially conscious consumers has dramatically increased. According to the Eurobarometer survey of September 2014, there is no indication that the attitude of European citizens towards the environment has diminished. (Eurobarometer 2014.) In fact, even the financial crisis did not reduce the desire of Europeans to put an effort into protecting the nature and consuming more sustainable products; around 75% of the respondents were willing to pay more for environmentally-friendly products. In addition, according to the predictions based on the survey, in 2016, around €3.881 bn. will be spent by socially conscious consumers, €82 bn. of which will be spent on online shopping.

3.2 Ethical consumption in Europe

In April 2013, the EU Commission introduced the Single Market for Green Products initiative, which proposes a set of actions to solve the problem of communicating effectively environmental performance of eco-friendly products. As, nowadays, consumers are confused more than ever with the amount of different labels, 59% of people think that labels

do not give enough information, 48% think that labels are not clear. (Eurobarometer 2013.) In addition, labelling varies between the Member States, which makes it difficult for brands to market their products to different countries within the EU. If the customer is confused, there is going to be a lack of trust, which, in its turn, influences the customer's readiness to make sustainable purchases.

The Single Market for Green Products proposed a set of actions to overcome these problems:

- Establish two methods of measuring environmental performance, the Product Environmental Footprint (PEF) and the Organisation Environmental Footprint (OEF);
- Use these two methods in the Member States, companies, private organisations and the financial community;
- Three-year testing period to develop a product- and sector-specific rules through a multi-stakeholder process;
- Communicate environmental performance based on transparency, reliability, completeness, comparability and clarity;
- Support international efforts towards data availability.

The EU Commission set a testing period for the Single Market for Green Products initiative, from 2013 to 2016. During this period, Eurobarometer conducted a customer survey on European citizens' attitudes towards building the single market for green products.

Based on the results of the testing period, which will be presented later in 2016, the EU Commission will decide on whether to build the Single Market for Green Products or not. Depending on this, the companies will communicate their environmental performance in a concise way, based on transparency, reliability and clarity.

3.3 Marketing to socially conscious consumers

Today, we live in a world of choice, and consumers have more options than ever. Their choices can be driven by different factors, such as price, trust, recommendations and other.

As the number of socially conscious consumers increases, the question of effective marketing of sustainable products arises. Therefore, it is crucial for a business to understand the connection between customers' attitudes and purchasing actions. According to the Nielsen's report, for 62% of consumers trust is one of the most important factors, with 59% concerned about health/wellness benefits of the purchased product. In addition, more than a half of respondents (57%) pays attention to the ingredients: it is important

that the product is made from fresh, organic and preferably local ingredients. (Nielsen 2015.)

One of the main challenges for companies is to ensure trust and avoid 'greenwashing', which has, unfortunately, become a major problem in green marketing. It is often common to big corporations, industries, governments and sometimes non-profit organisations to create a pro-environmental image in order to successfully sell their products or services. 'Greenwashing' is commonly used in paid advertising, especially with an attempt of providing recommendations from influential people, such as celebrities.

When it comes to advertising, socially-conscious consumers tend to rely on the recommendations from people they know (95%), while also looking for product reviews online (76%). In addition to paid advertising channels, socially-conscious consumers trust outdoor, TV and print and social media. (Nielsen 2012.) This is where the problem of trust arises. Socially-conscious consumers often need a justification of why certain products are 'healthy' or 'eco-friendly'.

Organic certification, standards and requirements are intended to assure quality of products, safety of production processes, as well as avoidance of fraud and promotion of commerce. As the movement of socially conscious customers is growing, the amount of customers who critically evaluate products they buy increases. Some labels can often be misleading, and there is always a risk of fraud. Therefore, customers need to rely on third-party regulatory certification.

Depending on a brand, there are many ways of demonstrating and communicating its commitment to sustainability. One of the most common is to adopt sustainability standards and certifications. For example, for food producers and cosmetics brands development and implementation of sustainability standards it is important because of the growing number of companies actively participating in the design of sustainable solutions as well as the increased amount of customers concerned with their responsibility.

There are many norms and standards related to environmental, social and food safety issues. These standards are legally non-binding and often voluntary. The sustainable norms and standards have a positive impact on the general development of a company's corporate responsibility.

The development and adoption of these standards are often highly supported and encouraged by governments and international organisations. (Henson & Reardon 2005.) For

some European standards, such as the EU Organic, it is compulsory for all organic food produced within the EU to obtain the EU Organic logo.

Most of the labels are internationally recognised. However, some of them are country- or region-specific. The most commonly used labels are presented in the table of sustainable certifications and standards below (Table 2).

Name	Main objective	Initiator	Standard launch	Products certified	Target groups
EU Organic	Develop standards for organic agriculture and farming within the EU	European Commission	1972	All organic pre-packaged food produced within the EU, including crop, livestock, wild products & agriculture	Producers of all sizes
Fairtrade	Improve the trading position of farmers and hired labour with a guaranteed minimum price as main benefit	Fairtrade International	1988	Wide range of agricultural products, including coffee, clothing and food produce	Primarily small farms organised in cooperatives
Demeter	Strengthen the life processes in soil and food-stuffs, exclude the use of fertilisers	Demeter International	1928	Wide range of agricultural products, including crops, processed	Producers of all sizes

	and chemical plant protection agents in crop production			products and livestock	
Energy Star	Coordinate energy labeling of office equipment	The U.S Environmental Protection Agency (EPA)	Energy efficient models of office equipment	1992	A broad range of partners across all sectors of economy
OEKO-TEX	Exclude the use of illegal substances, harmful (but not legally regulated) chemicals and parameters for health care	International Association for Research and Testing in the Field of Textile Ecology (Oeko-Tex)	Textiles for children, textile toys, textiles which have direct contact with skin, furnishing materials, textile wall and floor coverings	1992	Wide range of manufacturers in the textile and clothing industry
Leaping Bunny	Exclude the practice of testing cosmetic and household products on animals	Cruelty Free International	Various cosmetic and household products as well as the ingredients used in the production process	1996	Cosmetic and household producers of all sizes
PETA Vegan logo	Exclude animal abuse and use of animal prod-	People for the Ethical Treatment of Animals	Wide range of products, including	1980	Factory farms of all sizes, laboratories, the clothing

	ucts	(PETA)	cosmetics, household products, clothing and some food produce		and entertainment industries
Ecocert certification	Make the process of organic farming as transparent and reliable as possible	Ecocert group	Wide range of organic agricultural products as well as organic cosmetics, household products and textiles	1992	Organic farms, cosmetic producers, clothing manufacturers of all sizes
B Corporation logo	Measure companies' social and environmental performance and ensure transparency in all business activities	B Lab	The certification is company-specific and can be obtained by any social impact company	2006	Companies of all sizes and from different industries, using business to provide positive social impact

Table 2. Sustainable certifications and standards.

In addressing environmental and social issues, standards vary in 'stringency' of their requirements in order for certain environmental, social and economic practices to be adopted. Organic and Fairtrade labels are often considered having the most rigorous standards and are usually most recognised by the consumers. Moreover, more recent standards, such as B Corporation standards, may have just as important role in increasing the coverage of certified products and companies due to their strict assessment processes. In fact, the B Corporation certification might, in some cases, be used as a universal proof of social responsibility of a business because the assessment covers the company's entire operations and measures its positive impact in various areas as well as its product or service impact on the society and the environment. (NBIS 2012.)

Obtaining the sustainability standards is only one of the ways of marketing to socially-conscious consumers. Nielsen study (2015) has defined three most commonly used tactics for demonstration of the commitment to the sustainability.

1. Claim Only: indicating a connection to sustainability via a product's label on packaging.
2. Marketing Only: using Internet and media to promote positive social and environmental impact on the local and global community.
3. Claim + Marketing: brand uses both labelling on its packaging and promotion via media channels.

Figure 1 below shows the effects of different tactics, presented above. For example, in 2014, companies that used claim only approach had the highest increase in sales (7.2%), however, this tactic account for only 2% of global sales. In general, this approach is mainly used by smaller businesses with less possibilities to use media channels.

While claim only type of communication is helpful and ensures trust among customers, it still requires messaging and creating awareness via marketing channels. Traditional marketing approach might as well be helpful. In fact, in 2014, 65% of sales were generated by brands using marketing only approach.

However, claims are important to millennials. (Nielsen 2015) As it was mentioned before, millennials are one of the main components of socially conscious customer group. Therefore, claim + marketing approach has the second highest growth potential, and amounted 31% of global sales in 2014. (Nielsen 2015)

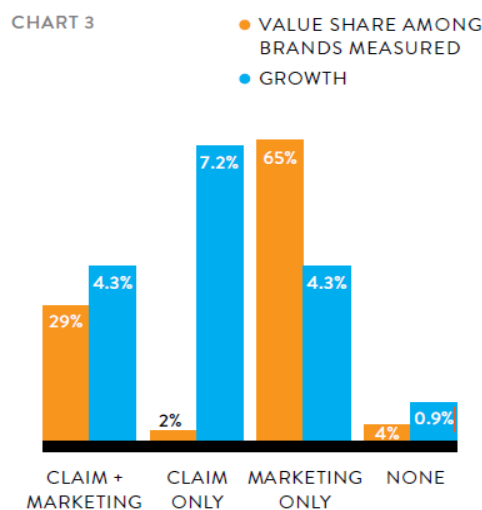


Figure 1. Marketing to socially-conscious consumers. (Nielsen 2015.)

The strategy is also chosen depending on a type of a product or service sold by a brand. For example, brands that sell consumable goods, such as coffee, tea, snacks, baby food tend to generate more sales using claim + marketing approach. While household goods are better sold using marketing only strategy. This means that consumers tend to more rely on company claims and labels more when it comes to products of individual consumption, such as food, baby food and drinks rather than products used around the house, such as laundry detergents, cleaning products, etc. (Nielsen, 2015; 14) Nevertheless, in some cases, use of claims can contribute to the growth of household products sales, especially when it comes to paper towels and bath tissues.

4 International market research

International business is the performance of trade across country borders. (Cavusgil & Riesenberger 2009, 3.) In the world of globalisation, international business has massively grown for the past years. More and more companies realise their potential in multiple countries, and today, these are not only big corporations but also start-ups.

Traditionally, in order to avoid risk and uncertainty, firms tend to firstly establish their businesses in the domestic market. After this step they begin to gradually explore neighbouring countries and culturally close markets. Only later, do they expand their businesses to countries that are further away both geographically and culturally. (Leonidou & Samiee 2012.)

However, more than 20 years ago, a new type of organisation was identified (Rennie 1993.). This type of company tend to expand its business abroad within the first years of its establishment. The name for this type of business is 'born global'. It is mostly common for SMEs and start-ups to be characterised as born global, which briefly means that 25% of their sales were generated abroad within 3 years after the decision to expand abroad. (Cavusgil & Knight 2015.)

Apart from the growing number of born global firms, internationalisation has also become easier, especially in such markets as the European Single Market, and hopefully, soon the Single Market for Green Products. Thanks to the freedom of movement and the single European currency, many companies, in particular small- and medium-sized, enjoy their growth in the business-friendly environment and many benefits of internationalisation (Cavusgil & Riesenberger 2009, 4.), such as:

- Growth via market diversification;
- Higher profits from lucrative foreign markets;
- Satisfaction of existing customers who have moved abroad;
- Economies of scale in production and marketing;
- New product or service ideas based on foreign customer perception;
- Competitive advantage in the domestic market.

Although, there are many benefits of internationalisation, companies are often afraid of risks and uncertainty, connected to the expansion abroad. There are four major types of risks associated with internationalisation. (Cavusgil & Riesenberger 2009.)

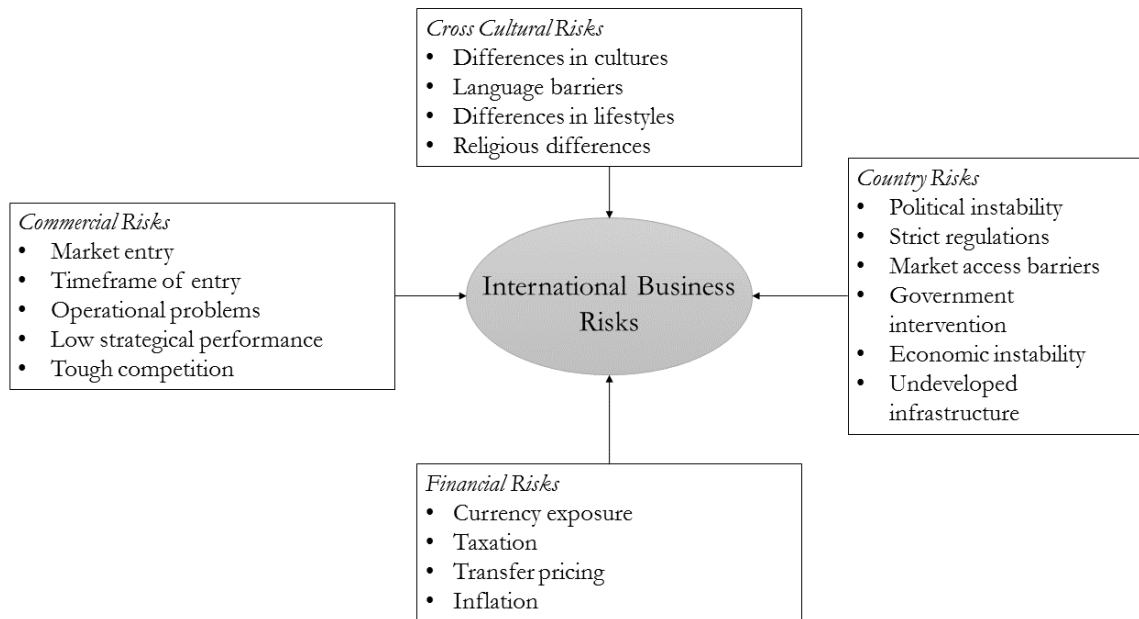


Figure 2. The four major foreign country risks.

Figure 2 represents the four main risks associated with internationalisation: cross cultural risks, country risks, commercial risks and financial risks.

1. *Cross Cultural Risks*. These are the risks associated with differences in cultures, languages, lifestyles and religion. Each country's historic, ethnic and religious circumstances influence customers' lifestyles as well as their buying behaviour. These can also be one of the major influences in the company's product perception.
2. *Country Risks*. The foreign country's political, economic and legal systems define market situation and business success. In order to succeed in a foreign market, companies should be aware of the obstacles they might face due to the political and economic situation in the foreign country as well as legal procedures and level of government intervention in the business.
3. *Commercial Risks*. The company might fail in the foreign market due to tough competition, low marketing performance and poor choices in pricing and strategy as well as wrong choice of market entry mode. In order to avoid those risks, management must look at the competition, their pricing and marketing strategies, best practices as well as most suitable market entry modes.
4. *Financial Risks*. Although, this might not be a major risk, when expanding to another European country, some countries, even within the EU, might still be subject to this risk that often includes fluctuations in currency exchange rates. Another potential challenge is foreign taxation. Companies must be aware of different tax rates and procedures related to taxation in a foreign country. In addition, some

countries suffer from high or unstable inflation levels, which might be challenging for companies' pricing activities.

Typically, these four types of risks are ever present and cannot be avoided during internationalisation. However, prior market research and effective risk management strategy help management to overcome these risks without causing major business problems.

4.1 Purpose of international market research

Each of the previously mentioned risks influences the business's success in the foreign market. This leads to a necessity of a thorough international market research, in order to determine the main foreign market opportunities and obstacles that might hinder the company's business activities. International market research is the systematic process of collecting, analysing and reporting data relevant to specific business decisions, involving at least one foreign market. (Cavusgil & Riesenberger 2009.)

Research is the foundation of marketing decision making. For many organisations, research is a key component for gaining a competitive advantage. For this reason, many managers and marketing researchers are on constant hunt for information about market opportunities, social, economic and political systems, customer behaviour, competition, etc. in the market of destination. Luckily, with the help of Internet and information technologies, this information can be obtained much easier than ever before.

International market research helps companies to acquire market intelligence and have a deeper understanding of foreign markets, in order to develop successful strategies crucial for international business operations. Key questions that arise during the process of market research are:

- What are the most attractive markets?
- What is the degree of demand for the product/service among the target customer group in those markets?
- What is the industry market potential in each target foreign market?
- What kind of barriers or risks exist in the market of destination?
- What is the anticipated level of company's sales?
- What are the characteristics of target customer group in the markets of destination?
- What are the opportunities for potential partnerships?
- What is the most appropriate market entry mode?

- What is the level of competition? What are the main strategies used by competitors in the markets of destination?
- What government regulations apply to the company's operations?
- What should be the key features of the company's marketing strategy?

Based on these questions, management can define different components of international market research: overall market information (e.g. country's population, demographics, social, economic and political status, etc.), target customer group definition and characteristics, competition and competitors' main strategies, market entry mode, potential partnerships and laws & regulations as well as potential support from the government.

4.2 Activities of international market research

The success of entry and operations in foreign markets depend on good choices, which, in their turn, result from the amount of right information about the market and a proper analysis of this information.

In order to succeed in the research process, companies must identify their objectives and activities, according to the objectives. Determining the opportunities in the foreign market and assessing these opportunities is also helpful in creating the most effective marketing strategy.

The process of identifying opportunities in international market research is called Global Market Opportunity Assessment (GMOA), which is, essentially, the process of analysing the company's readiness to internationalise, suitability of the product or service for the foreign market, screening foreign markets and assessing them as well as choosing the right business partners. (Cavusgil & Riesenberger 2009.)

Global Market Opportunity Assessment consist of the following six activities:

1. Analysis of organisational readiness to internationalise (e.g. SWOT analysis).
2. Product/service assessment on suitability for foreign markets.
3. Screening countries for opportunities.
4. Assessment of industry market potential and market demand.
5. Selection of qualified business partners.
6. Estimation of company's sales potential.

These are the main six activities that have been used during the research on the opportunities for the client company of this thesis in the countries of destination.

4.3 Conclusions

To summarise everything that has been mentioned in this thesis so far, the main theoretical concepts that will be considered during the research process are: ethical consumerism and international market research.

It is important to understand what ethical consumerism is, since the primary target group of the client company is socially conscious consumers. As we have already found out, ethical consumerism can be characterised as a willingness to be a critical consumer that cares about the brands' he/she chooses and their environmental & social performance.

The most important part is to understand primary target groups. There are five main categories of socially conscious consumers, according to Nielsen (2015): LOHAS, NATURALITES, DRIFTERS, CONVENTIONALS and UNCONCERNEDS. All of the groups at least once in a while make purchases of, for example, organic food, Fairtrade products, and eco-services. The most socially conscious consumers are LOHAS, who are very concerned with environmental, social & economic issues as well as their health. The least concerned group is UNCONCERNEDS, hence the name. These consumers might very occasionally purchase, e.g. organic food, however, they do not have any intentions to do so on purpose.

It is also crucial to know, how certain categories of socially conscious consumers react to marketing of sustainable products. Therefore, there are three main tactics of marketing to socially conscious consumers described in the subchapter 3.3.1. In short, a company may either only use labels (e.g. organic, Fairtrade, etc.) on the packaging or promote positive social and environmental impact on the local and global community. In addition, the company can combine both approaches and use both labelling on its packaging and promotion via media channels as well as educating their customers.

This is important to understand, when moving on to the theoretical part about international market research, which serves as a guideline for this thesis research process. From the chapter 4 we learn about purpose of market research in the internationalisation process, e.g. what questions it is supposed to answer. Market research is a key instrument to identify the most attractive markets, degree of demand for the product in those markets, industry growth and potential, level of competition and competitors' main activities, risks and barriers of entry, market entry mode and government regulations and support. To put this

in a simple form, by the end of research, it should be easy to answer the following questions:

- What are the most attractive markets?
- What is the degree of demand for the product/service among the target customer group in those markets?
- What is the industry market potential in each target foreign market?
- What kind of barriers or risks exist in the market of destination?
- What is the anticipated level of company's sales?
- What are the characteristics of target customer group in the markets of destination?
- What are the opportunities for potential partnerships?
- What is the most appropriate market entry mode?
- What is the level of competition? What are the main strategies used by competitors in the markets of destination?
- What government regulations apply to the company's operations?
- What should be the key features of the company's marketing strategy?

There are main six activities listed at the end of the subchapter 4.2. The questions above are typically answered during each step of the research. It is always advised to start from company self-assessment, e.g. SWOT analysis, in order to be able to successfully determine, what needs to be adapted, what could be emphasised, what are the risks for the company or what kind of opportunities should the company consider, when entering a foreign market.

5 Methodology

To answer the questions presented in the subchapter 1.3, the material was gathered by qualitative methods with some elements of quantitative. These methods were chosen to allow the reader, the researcher and the client company have deeper insights on the situation in the chosen markets. Due to the nature of questions the qualitative method has, the research is exploratory and analytical. This was chosen to help the client company to better understand the market opportunities and create a better marketing strategy, based on the analysis of the research findings.

The quantitative part of the research was to gather statistical data about the market. However, due to the limitations of the research and the amount of people to be surveyed (depending on each country), the surveys were not gathered by the researcher but taken from the statistical source of the EU.

The interview questions are open-ended, which gives a possibility to examine and analyse the company's readiness to expand to the selected countries as well as pinpoint the main aspects for the SWOT analysis, which is presented further in this thesis. The questions for the interview were determined based on the aspects considered in the SWOT analysis.

5.1 Gathering information

The material was gathered from two different sources. The primary source was desktop research, with the data derived from statistics of the EU, Sweden, Finland and Norway. To ensure the validity of the data, primary sources were the government websites, statistics from the EU as well as the competitors sites, both in English and respective to each country languages. This method of gathering information was the most convenient due to the scope of the research. At first, conducting a survey was an option, but since three countries were under the consideration, it would be fairly time-consuming and difficult to determine and distribute the survey among the entire population of Norway, Sweden and Finland all together. In fact, there are a lot of survey results present on the EU and countries' government websites, which are definitely more reliable and comprehensive sources of data.

Another source was a face-to-face interview with the CEO of Bonsum, in order to determine the organisational readiness to internationalise, key practices and points to consider, when creating a marketing strategy for the Nordic countries, which are presented further in the recommendations. The interview was conducted in English. In addition, some of the

materials from the company itself were used, in order to have a full picture during the analysis. The interview was built around the following questions:

- What do you see as main strong points of Bonsum?
- Which actions would you take to improve the current business activities?
- What could be changed in the current management process in order to succeed in the foreign market (e.g. should you consider outsourcing)?
- What kind of opportunities of expansion to the Scandinavian market do you see?
- What could be potential threats for Bonsum during the internationalisation process?
- How suitable do you find your service for internationalisation?
- Based on the experience of expanding your business to the UK market, what changes you had to make in order to adapt your service to the foreign market?
- What do you see as the strongest points of the service? What do you think are the most attractive features of the service to the foreign customers?
- What do you think needs to be adapted in order to succeed in the Scandinavian market?

The presented interview outline covers the key research questions. Adding to that theoretical concepts about market research described in the chapter 4, the interview questions were created with the purpose of making it more visible on what the company should pay attention to when creating a strategy of entering the market. The datasheet of the interview can be found in Appendix 1.

Even though the researcher has personal insights about the company, its strengths and weaknesses, it very important to consider the founder's opinion, especially because he has previously done a couple of SWOT analyses about Bonsum, therefore, it is better to add his experience to the researcher's personal opinion.

5.2 Methods of analysis

The aim of this thesis is to analyse the Nordic countries market for potential expansion of Bonsum as well as the organisational readiness to expand.

The interview and other company materials, e.g. business plan, pitches, etc. were first and foremost carefully selected, and the most important and interesting to the research parts were taken for further analysis, which resulted in the SWOT table, presented in the subchapter 6.1.

As for the statistical data, the main points, such as consumer buying behaviour (maintenance), percentages of socially-conscious consumers in the respective countries and percentages product types were taken for further considerations and creation of visuals, such as tables and charts.

Since the primary type of this research is qualitative, the same method of analysis was chosen, in order to draw patterns of socially conscious consumers in the respective countries. As mentioned before, this was necessary for drawing conclusions and creating recommendations for the client company and their marketing strategy for these countries.

6 Bonsum company and service assessment

Internationalisation is a complex process that requires evaluation of organisational readiness to expand its business abroad as well as, if present, analysis of experience of the firm and nature of its international activities. (Cavusgil & Riesenberger 2009.) Organisational readiness can be assessed in different ways, one of which is SWOT analysis – the most commonly used tool for company self-evaluation. Specification of objectives of the company, its vision and mission, as well as external factors that are favourable and unfavourable to achieve the company objectives is helpful in focusing on company’s strengths and improvements in order to overcome obstacles of internationalisation and profit from its opportunities.

Company’s service assessment is also a necessary part of international market research. This type of assessment helps to identify and highlight pinpoints of the product/service in order to attract foreign customers as well as improve the service based on its current weaknesses. Service assessment can also be done through a SWOT analysis.

Below, a SWOT table (Table 3) and discussion are presented, based on the results from the interview with Michael Weber, the CEO of Bonsum.

Strengths	Weaknesses
<ul style="list-style-type: none"> - Easily scalable on the international market - Bonets function as a reward system - Overview of goods and services on a fragmented market - Sustainable consumption increases people’s self-esteem - From client’s perspective, Bonsum is a great way to acquire new customers and retain the old ones - Sustainable company image - Clear USP 	<ul style="list-style-type: none"> - Criticism of one of the partners can harm the integrity of the platform - The platform cannot reach the critical mass of end customers
Opportunities	Threats
<ul style="list-style-type: none"> - Establishment of PoS and mobile - Launch of Bonets as a digital currency - Focus on social network mindset - Foundation of a magazine for responsible consumption - Expansion to the international market 	<ul style="list-style-type: none"> - Decreasing market for sustainable products due to the economic changes - Data privacy issues - Rebranding of traditional loyalty programmes

Table 3. SWOT analysis of Bonsum.

According to the business plan of Bonsum from June 2015, the company's mission is to inspire people live more sustainably. Consumers are encouraged to make more responsible purchasing decisions by being rewarded for buying organic goods.

Just like any other business concept, this one has its strengths, weaknesses, opportunities for growth and threats, which are all presented in Table 3, based on personal experience of the thesis writer and interview with the CEO of the company, Michael Weber.

We can see that the strength of the company definitely outweighs the weaknesses, opportunities and threats. One of the main strong points of Bonsum, as Michael Weber mentioned, is that it can be easily scaled for the international market, meaning that the business model allows the company penetrate any potential foreign market, especially since it has already been translated to English language and has such big partners as TOMS, Etsy, etc., which are big international players. (Weber 2016.)

Another pinpoint of Bonsum is that it attracts both users and clients because of its branding as a sustainable business and a social enterprise. This creates an additional value for the customer and better branding for the partner shops.

However, despite the overwhelming amount of strengths, there are lots of threats and weaknesses to consider. It is especially crucial to understand, when considering an expansion to a foreign market. In this case, the company needs to pay a lot of attention to cultural aspects, languages and social differences. Nevertheless, Bonsum can still emphasise on its "green" mindset and customer data protection policy.

All in all, Michael Weber sees the expansion to international markets as a tremendous opportunity for Bonsum. In fact, the company has already tried expanding to the UK, however, had to slow down the process because the management decided to focus more on the German market as the amount of socially conscious consumers is higher. To answer the question about what changes needed to be adopted, based on the previous experience, the interviewee highlighted the need for market intelligence analysis, preferably from a person with cultural knowledge and better understanding of the market. As for the changes, the CEO believes that the main physical changes to be made is the language translation of the platform and, of course, local partner shops.

7 Opportunities in the Scandinavian market

During the research process, the focus was primarily on three Nordic countries: Sweden, Finland and Norway, with a stronger focus on Sweden and Finland. The majority of research findings were derived from the most recent Eurobarometer surveys. The research has shown a big potential for the development of Bonsum's business in those countries, due to the perfect match with the target customer group.

The rigorous climate and strong architectural traditions have given the Scandinavians a deep understanding of relationship between people and nature. The first summit on environmental protection was held in Stockholm in 1972, with the Norwegian prime minister, Gro Harlem Brundtland, first putting forward the concept of sustainable development. (Gauzin-Müller 2002.)

To this days, Scandinavia is facing up to the growing dangers of the environmental damage with the help of policies of environmental protection that are based both on strict laws and on ideas of individual responsibility of the citizens. The Swedish concept of *allmansrätt*, the right of all to benefit from the natural environment, proves the previous statement.

According to many studies, for most Swedish citizens, sustainability is a consistent lifestyle. In the Eurobarometer survey (2014) on the attitudes of European citizens towards the environmental protection, 100% of respondents in Sweden answered 'Important' to the question of how important it is to protect the environment personally. (Eurobarometer 2014.)

The country is ranked first in the European Union in consumption of organic food and drinks as well as one of the leaders in recycling cans and plastic bottles. In 2013, the target of 90 per cent of all aluminium cans and PET bottles in the recycling system hit about 88 per cent, which was very close to being reached. In recent years, Returpack, a Swedish recycling company, has introduced a number of measures to encourage people recycle even more by doubling the deposit on containers and introducing innovative advertising campaigns.

A study conducted by the European Commission found that 40% of Swedes had purchased eco-friendly products in September 2015, which is above the European average. (The Swedish Institute 2015.) In general, Sweden has an exceptionally high proportion of

people (60%) buying organic and sustainable products, with 53% of consumers preferring local produce. In 2014, the turnover in the environmental goods and services sector amounted to SEK 220 billion. (Statistics Sweden 2014.) The Eurobarometer research (2014) shows that 94% of consumers in Sweden are willing to pay more for sustainable products.

Its Eastern neighbour, Finland, is also among the top most sustainable countries in Europe. Over 90% of people in Finland believe that protecting the environment is one of the main responsibilities of the citizens. In fact, Finnish citizens are the most worried about air (66%) and water pollution (67%) compare to other European citizens. The growing amount of waste also concerns 57% of the population, which leads to regular practice of separating waste, recycling and upcycling bought items.

When it comes to shopping, 88% of the Finnish respondents of the Eurobarometer survey (2014) said they are willing to pay more for eco-friendly products, especially if they are local (46%). The idea of investing in high quality rather than mass production goods is highly popular in Finland and is fairly easy to realise, especially in the capital area, with its great selection of shops with a green approach.

For the reader's convenience, this chapter is divided into three parts, with each part covering such topics as description of customer behaviour, competition, partnership opportunities, legislation and possible financial support as well as market entry modes.

7.1 Behaviour towards environmentally-friendly products and services

Eco-friendly or green products are products that have a less negative impact on the environment during the production process as well as during its use and disposal. (Eurobarometer 2014.) According to the survey, a high proportion of European citizens regularly purchase organic and sustainable goods.

Generally, there are six behavioural stages that help understand the consumer purchasing decisions and patterns (Eurobarometer 2014.):

- Regular maintenance: customers often buy eco-friendly products;
- Occasional maintenance: customers buy eco-friendly products from time to time;
- Ready for action: customers do not buy eco-friendly products but intend to do it in the future;
- Contemplation: customers do not buy eco-friendly products but may do so in the future;

- Relapse: customers used to purchase eco-friendly goods but stopped doing so;
- Reluctant: customers do not nor intend to buy eco-friendly products on any occasion.

Figure 3 shows consumer attitudes towards buying eco-friendly products, specifically their behavioural stages, in Sweden and Finland.

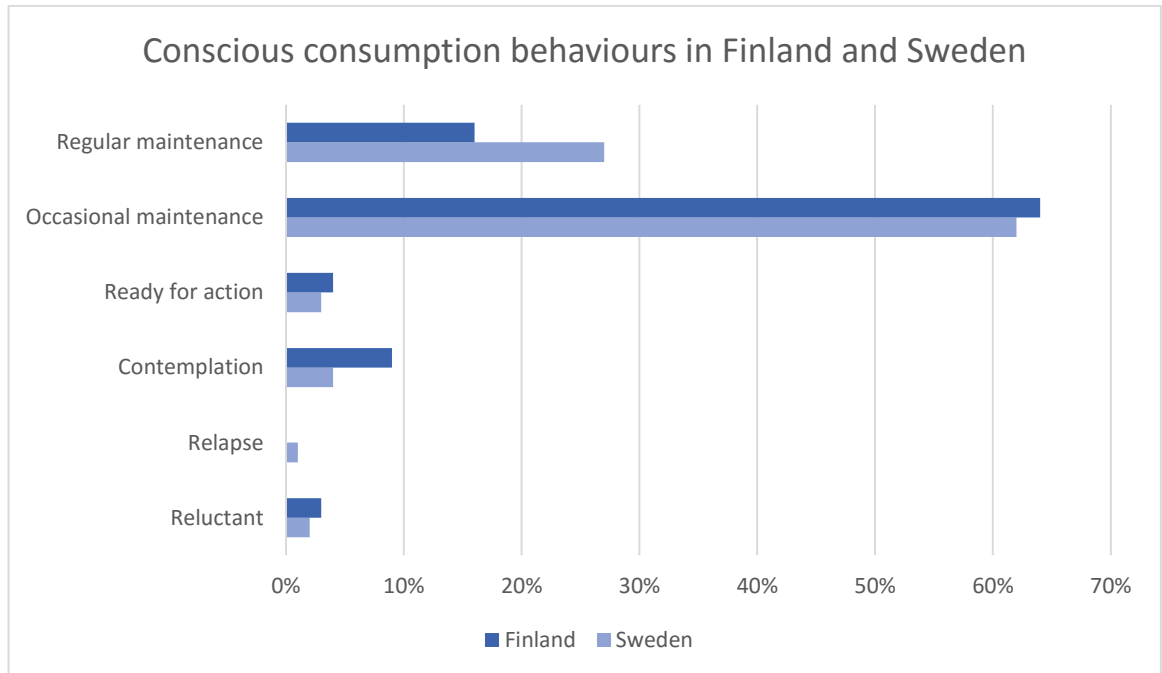


Figure 3. Conscious consumption behaviours in Finland and Sweden.

As mentioned previously, nearly half of Swedish consumers (40%) purchased eco-friendly products in September 2015. Considering the fact that over a half of Swedish consumers buy organic and sustainable products on a constant basis, regular maintenance behaviour is highly popular for the Swedish socially-conscious consumers.

In Finland, 88% of people are willing to pay more for environmentally-friendly products, however, only 64% percent do so regularly. In fact, the Finnish consumers are more likely to purchase sustainable goods from time to time. Finland also has one of the lowest amount of people who are reluctant to shopping responsibly (3%).

The present findings indicate that, because of the tendency of Swedish and Finnish citizens to maintain their ethical buying behaviour, there is a huge opportunity for establishing a loyalty programme that is targeted towards eco-friendly products and services.

7.2 Online shopping in the Nordic countries

Today, online shopping is more accessible than ever. More and more people do their grocery or clothing shopping online, due to its convenience and possibility to purchase wherever and whenever consumers are. According to Forrester Research (2013), the online retail sales volume for the US alone was \$231 billion. The amount of revenue for the online stores is predicted to reach \$370 billion by 2017.

In 2015, approximately 65% of European citizens made online purchases. This amount is derived from 67% of active internet users in Europe, who are mostly located in Luxembourg (92%), Denmark (87%) and Finland (85%). In general, the amount of people shopping online is growing each year, with the higher proportion in the aged 16-24 and 25-54 groups. (Eurostat, 2015)

The types of goods purchased online varies across Member States. However, the Eurostat study shows that the most popular goods purchased online are clothes and sport goods (60%), which are followed by travel and holiday accommodation (52%). Figure 4 below shows the percentage of goods from different categories bought online by Europeans from different age groups.

The biggest increase of shopping online is among young people, namely, aged 16-24. This could be explained due to the age group of active internet users, as it is mainly popular among younger generations. In addition, it might be so that older generations are more prone to traditional ways of shopping due to, for example, trust issue, whereas young people are more likely to try new, more convenient for them ways of shopping.

In general, the main reasons why buying over the internet has become so popular, is that consumers are attracted to the convenience of being able to shop wherever and whenever they are, having access to a broader range of products and services. Studies also show that online shopping rate is affected by gender, level of income and employment status. For instance, employees and self-employed buyers are more likely to make online purchases, with a slightly higher percentage of them being men (66% compare to 64% of women).

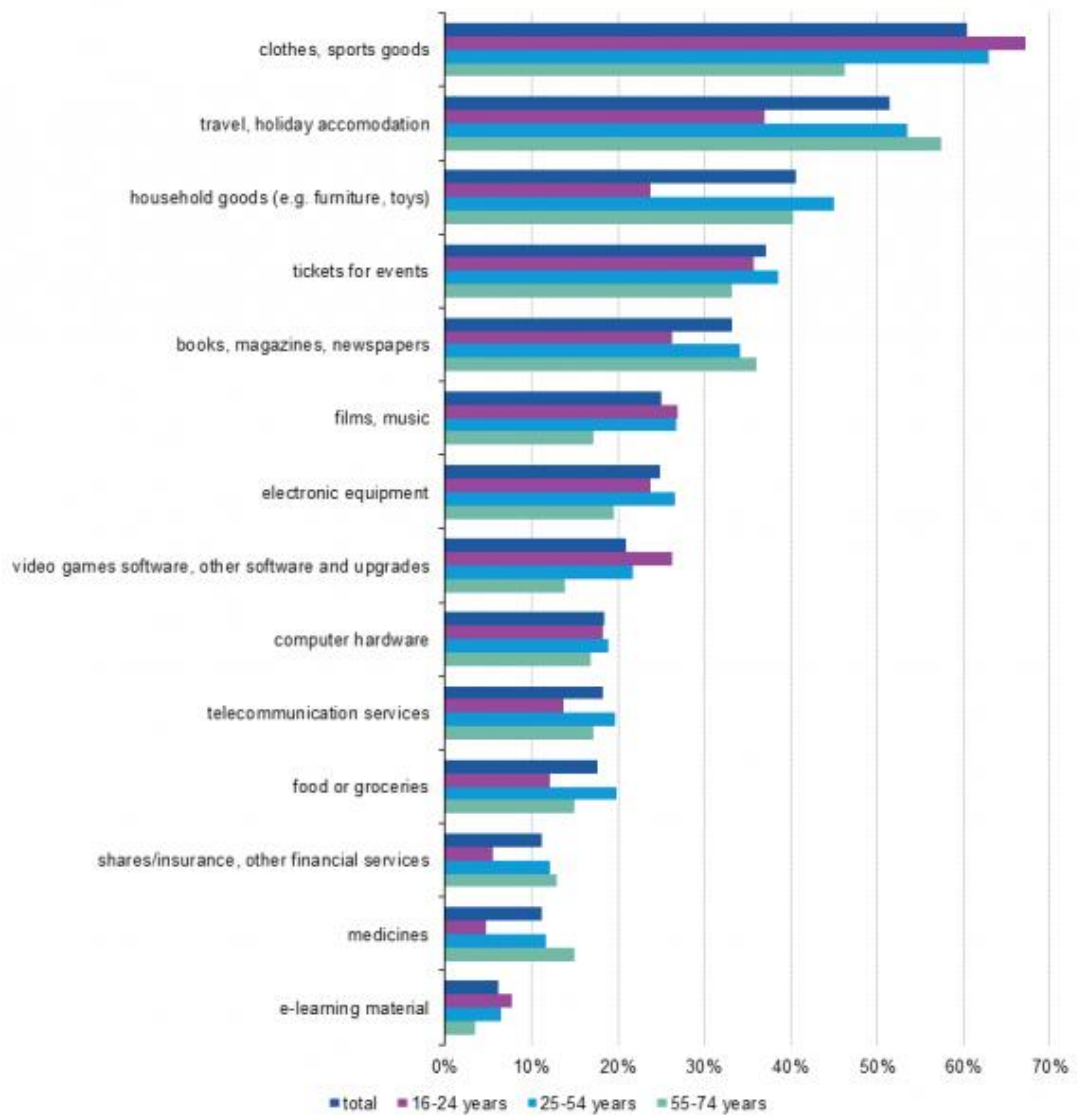


Figure 4. Online purchases for private use in Europe in 2015. (Eurostat 2015.)

Speaking about the e-commerce in Scandinavia, in 2015, the amount of revenue from online purchases in Norway, Sweden, Finland and Denmark altogether was €17.39 billion in total, which had increase around 15%, compare to 2014. This results in four out of ten Nordic residents making regular online purchases. The majority of online shoppers live in Sweden, as in 2015 they spent €6.5 billion. In Norway, people spend slightly less, but still quite a significant amount, on online shopping (€4.4 billion), followed by Finnish consumers spending €2.6 billion in 2015.

Buying clothing online is as popular in Scandinavian countries as in Europe in general. Figure 6 shows the amount of people buying different product categories in Norway, Sweden and Finland.

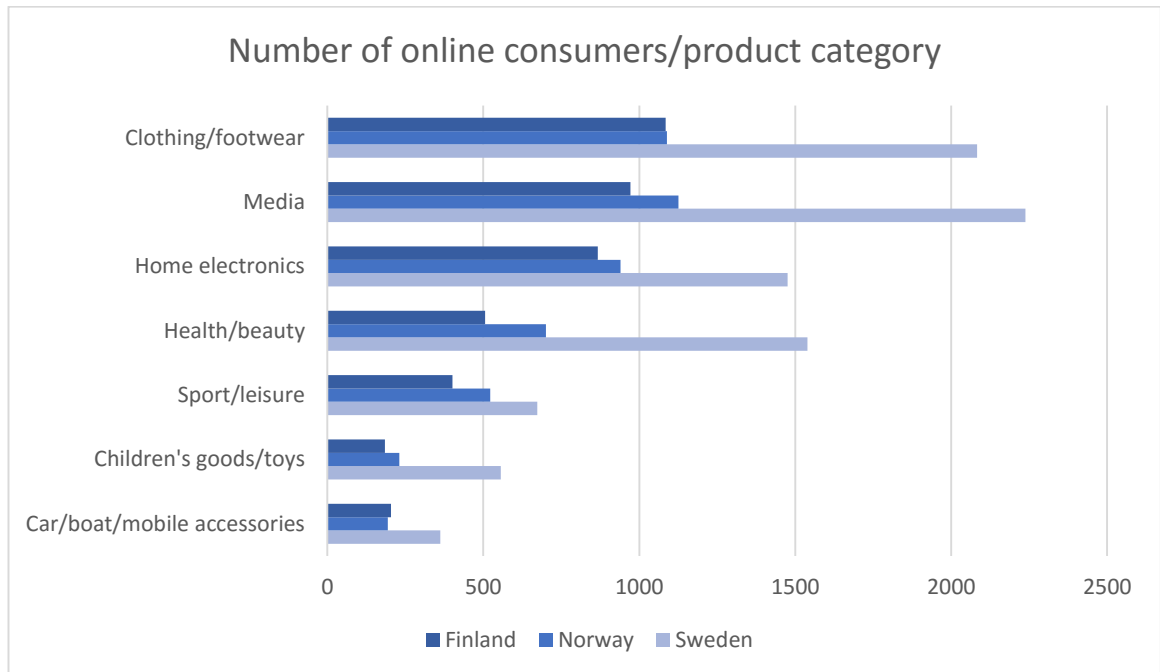


Figure 5. Number of consumers who have shopped online in the product categories. (PostNord 2016.)

The PostNord study also shows that Nordic consumers tend to shop online more because of the convenience and relatively cheaper prices with broader selection.

All of these findings show, which product categories are more popular among online shoppers in Scandinavia and which countries have the highest concentration of people shopping online. These findings are helpful in determining the potential partner shops for Bonsum, based on the most popular product category, as well as the target countries. We can conclude that the client company will have more opportunities in Sweden and Norway, partnering with sustainable online clothing retailers and target either employed or self-employed people, on average aged 24-54.

7.3 Customer loyalty programmes in Scandinavian countries

Customer loyalty programmes is one of the main tactics companies practice in order to retain their customers, thus guarantee sustainable success and profit as well as gain a competitive advantage. According to Demoulin and Zidda (2009), the loyalty card scheme is one of the most popular tools for loyalty programmes, where both monetary and non-monetary or direct and indirect rewards are used.

The Nordic customers are no exception to having multiple loyalty cards. In Finland, over 80% of consumers belong to at least one loyalty programme. The most popular customer loyalty programmes are K-ryhmän K-Plussakortti and S-ryhmän S-Etukortti, with over 3.8

million and 2.2 million users respectively. (Teittinen 2014.) There is also another loyalty programme, YkkösBonus with Pins-programme, which has around 1.2 million users.

In general, customer loyalty programmes are divided according to cooperatives to which each customer belongs and from which group of shops they make purchases, e.g. K-group or S-group. However, it is very common to have multiple loyalty cards. It is also likely that Finnish customers have Stockmann loyalty card as well as some other big retailers, e.g. aClass stores, not to mention some smaller retailers, which have their own loyalty systems.

The main advantage of these big players is that they are the most used ones throughout the whole country. However, the majority of the points can be earned only via offline purchasing, which gives Bonsum an advantage as an online loyalty programme. In addition, just like the biggest German Bonsum competitor, PayBack, these loyalty programmes do not target eco-friendly shops. Nevertheless, some of the sustainable shops, e.g. one of the biggest organic food stores in Finland, Ruohonjuuri, has somewhat similar to customer loyalty programme, according to which, customers can earn “stamps” for each purchase worth €20, 12 of these “stamps” result in €10 gift cards. (Ruohonjuuri 2016.)

In Norway, the system is fairly similar: most of the loyalty programmes are owned by certain wholesale cooperatives, e.g. the biggest Norwegian loyalty scheme, Trumf, is owned by NorgesGruppen. According to their website, Trumf had over 2 million users in 2016. (Trumf 2016.). As Trumf members, customers get 1% bonus when shopping in many stores owned by NorgesGruppe as well as 30 cents per litre in all Shell gas stations in Norway. The points can be redeemed in a form of cash, transferred to EuroBonus or used in the online store Flust.no.

Another big loyalty programme that only operates online, is KickBack.no, with over 70 000 users (KickBack 2016.). This is a cashback site, which allows its members to shop from over 270 partner shops and receive monthly a certain amount of money back from their purchases. The company gets a commission from each of their partners, which it shares with the members' bank accounts. This is a somewhat-similar model to the Bonsum's business, apart from sending cash back to the customer's bank account. However, again, KickBack.no does not have specific target in terms of their partners. The company partners with such big players as Zalando, Ellos, Booking.com, ASOS, etc. The commission rate varies from shop to shop, but usually is in a range between 2 to 13 percent.

In Sweden, customer loyalty programmes also usually belong to big retailers or retailer cooperatives. One of the biggest loyalty scheme is powered by the ICA Group. According to their website, customers who have the ICA-card get bonuses every time they make a purchase at many stores that belong to the ICA Group (ICA 2016.). There are several types of cards – from simple bonus-point card to ICA Bank cards and ICA Bank Card Plus with both credit and debit cards. The card can be either ordered online directly from the ICA website or received in any of the cooperative's stores. The ICA-card is tied to a customer's social security number or ID, which means that only this particular customer can use this benefit card. The group also offers an ICA-card for students, which can give students up to 50% discounts on many goods, depending on the campaign.

Another big market player in Sweden is Coop Sverige, which is powered by Kooperativa Förbundet, a Swedish consumer cooperative. The Coop has its membership programme, members of which can obtain a loyalty card that allows them to earn and redeem loyalty points in the stores that partner with this group. The Coop partners include many well-known brands, such as Polarn O. Pyret, Brothers, SAS, etc. This loyalty scheme has a standard model of earning points for purchasing different kinds of products, e.g. food & drink, clothing, household items and even travelling. Customers can then either make purchases with these points or get discounts for their further purchases. However, in order to become a member of the Coop, the membership fee of 100 SEK is required. (Coop 2016.)

7.4 Competitive advantage of Bonsum

From everything that was mentioned in the subchapters above, we can conclude that the situation with competition in the Nordic countries is fairly tough for Bonsum. There are already many well-established big companies, which control around 80% of the market in each country and are powered by huge cooperatives. In addition, as mentioned before, there are also indirect competitors, which are eco-friendly shops and chains that have their own loyalty schemes.

However, there are several advantages, which differentiate Bonsum from its competitors. One of the main advantages is that Bonsum focuses *exclusively* on eco-friendly, preferably certified, organic shops and green service providers. The company has a strict partner selection process, which serves as an evaluator of each potential partner as well as ensures the user that the products they buy are truly sustainable, which creates value for the customer.

Despite the strict partner selection process, Bonsum still offers a broad variety of shopping opportunities, from food and lifestyle items to financial services. In addition to that, Bonsum is a B-certified corporation, which proves that the business meets strict standards of social and environmental performance, accountability and transparency. (B Copr 2015.) As the B Corp movement is relatively new in Europe, Bonsum highly support and promote every B-certified shop or service provider by partnering with them and offering a sustainable loyalty programme.

Speaking of accountability and transparency of the company, Bonsum has also another competitive advantage compared to its rivals: customer data protection. Unlike most of the Bonsum's competitors, the company does not collect private customer data, e.g. personal identity, social security number, bank account number, address, etc. The customer is only required to provide his/her name (which can be fictional) and email address. This data is either directly submitted to Bonsum or transferred from a partner shop, should the customer register via the shop website. According to the Bonsum's data privacy policy (Bonsum 2016), this is the only information needed to assign Bonets to its users, which, in its turn, creates a secure feeling for the users, and creates value as well.

Another distinctive feature of Bonsum is that, unlike most of its competitors, the redeeming options are far broader and focused on providing positive social and environmental impact. The users have opportunity to redeem their points on vouchers from the partner shops or products offered by partners as well as donations to charity partners and tree planting. (Bonsum 2016.)

7.5 Governmental support

Most of the time, governments mainly support their domestic businesses, thus, being a foreign company, it might be a little difficult to find a suitable funding or support in terms of business expansion. However, during the research, a few programmes were identified, which are mainly executed by the government of Sweden. Therefore, some of the German programmes were added for consideration. The majority of programmes either target carbon neutral businesses or social enterprises. However, being a B Corp and an online platform, Bonsum fully matches the criteria.

Being concerned with the climate change and striving to reduce their carbon emission, Swedes tend to choose environmentally-friendly ways of transport. For instance, 30% of people reduced their car use for environmental reasons and 60% of the Eurobarometer

survey respondents chose a more eco-friendly way of travelling, with cycling or public transport being a priority. (Eurobarometer 2014.)

In November 2015, the Swedish Ministry of Environment and Energy set the goal of becoming the first fossil-free welfare nation. (Ministry of the Environment and Energy 2015.) By organising companies, municipalities and organisations into the national Fossil-free Sweden initiative, the Swedish government is planning to tackle together the issue of climate change.

In 2011, the Swedish government presented a new environmental technology strategy to support the growth and development of environmental technology companies, including three main objectives:

- Make it easier to commercialise innovations;
- Promote research and innovation in eco-technology and create the perfect conditions for successful growth of eco-technology companies;
- Promote the export of Swedish eco-technology and thus contribute to the sustainable economic growth in Sweden and globally.

In addition to supporting carbon neutral companies, the Swedish government is also on the side of social entrepreneurs. In a short period of time, Sweden has become increasingly concerned with social entrepreneurship, which, in its turn, has resulted in increased amount of social entrepreneurs. Even though there is not that much governmental programmes regarding specifically social entrepreneurship, there are some initiatives that provide support, e.g. the Swedish Agency for Economic and Regional Growth (Tillväxtverket). They run an initiative offering that supports social enterprises. (Mantel & Lamptey 2013.) Sweden is also a home to Ashoka Scandinavia, which operates from Stockholm and works to support innovative changemakers in the Nordic countries. (Ashoka Scandinavia.)

8 Discussion

This chapter presents conclusions of the information found and analysed during the research process. In addition, since thesis writing process is not only a creative but also an educative process, the researcher presents the gained knowledge and evaluation of the whole process from personal perspective. The conclusions can be used by the client company as a guidance for further activities, should the company consider expanding its business to the Scandinavian countries.

In this chapter, such important points are discussed, as loyalty programme as an incentive for sustainable shopping, recommendations for marketing the Bonsum's service as well as differences to consider, e.g. cultural, language, etc.

8.1 Loyalty programme as an incentive for sustainable shopping

Generally, loyalty programmes have always been used to incentivise customers buy products from certain brands. Most of these programmes offer primarily financial customer benefits, which, consequently, makes them attractive to consumers. Essentially, they provide price discounts and other product offers, such as 2 for 1, etc. However, customers who only buy products because of the price will not continue to do so as soon as they find a better price somewhere else. Therefore, it is important that loyalty programmes provide a feeling of trust and close relationship between business and customer. (Butscher 2002.)

Being close to the customer and running a successful loyalty programme is a key success factor for many companies. This often includes direct communication with the customer through sending out offers via emails and regular mails, offering birthday discounts, etc. Such kind of communication creates a feeling of engagement, which may incentivise the customer to become loyal to the brand.

Loyalty programmes are perfect for promoting sustainable shopping. The rewarding nature of loyalty programmes encourages the customer to make the right choices and come back again for more, especially if his/her purchasing decisions provide a positive impact on the society and the environment, as in the client company's case. In addition, creating a strong brand and making a website not just functional but inspiring, so that the customer returns to get inspiration to live a sustainable lifestyle, is a part of relationship building.

Nowadays, many customer loyalty programmes have been criticised for collecting customer data and abusing it. The biggest loyalty system in Germany, PayBack, received the Big Brother Award in 2002 for intruding on individual privacy through recording and ana-

lysing its members' shopping behaviour. (Big Brother Awards 2000.) Although, it is very common to track on consumers' purchasing decisions, create customer profiles and sell data to big corporations, it has become one of the primary concern of the users of different loyalty programmes. Tesco Clubcard, one of the biggest loyalty programme in the UK, had one of its users claimed his rewards cloned and spent by fraudsters. (The Guardian 2013.) Such criticism from the user's side does not contribute to building a healthy relationship between loyalty programmes and their customers, which, as was previously mentioned, is one of the most important aspects for a successful loyalty programme. Therefore, sustainable loyalty programmes need to have a strong focus on data protection. Bonsum has a great competitive advantage in this sense, and it is recommended to put a strong emphasis on data privacy.

8.2 Marketing to customers from the Nordic countries

Based on the research finding, both theoretical and empirical, several conclusions and suggestions were made in order to ease the process of creating a marketing strategy, should Bonsum consider expanding its business to the Nordic countries.

Nielsen Global Sustainability report (2015) suggests five aspects to consider when marketing to socially conscious consumers. These aspects are justified by the research findings. For instance, in the subchapter 7.2 we see that the biggest increase online shoppers are among people, aged 16-24. This could be explained due to the age group of active internet users, as it is mainly popular among younger generations. Therefore, Bonsum as an online platform, should **focus on the growing interest from millennials**. In addition, being a millennial herself, the researcher is aware of the importance of choosing environmentally friendly way of consuming.

The research also showed that the majority of consumers prefer shopping for clothing online. This serves as an indicator of what kind of partner should Bonsum look for, should they expand to the countries examined. This shows, for example, that the company most likely to get commission more frequently from eco-fashion or outdoor clothing.

Another aspect for Bonsum to consider is **highlighting brand trust and customer data privacy**. As it was mentioned in the subchapter about competition, customer data protection is one of the key competitive advantages of Bonsum as a loyalty programme. It is very important for the users to be aware that their personal data is not going to be used or sold to a third party for marketing purposes. This increases brand trust and customer loyalty.

Moreover, Bonsum, as a B Corp, needs to educate its users and partners about this movement as the B Corp concept is fairly new to the European countries. The client company should also emphasise on the sustainability, especially in the Nordic countries, because, as the research showed, 20% of the total amount of LOHAS in Europe come from Scandinavia. In addition, educating consumers about their social responsibility should be one of the primary activities to attract users and provide incentive to make better purchasing decisions. Additionally, since consumers in developed countries are harder to influence, therefore it is important for Bonsum to communicate its social value, e.g. emphasise on redeeming options, such as donations and tree planting.

As the research showed, simply using claim tactics is not enough. Most of the time, consumers tend to be more loyal to a certain brand, when they are engaged in a dialogue. Bonsum has already done a great effort of building a community of Bonsumers in Germany. However, **more efforts need to be put into engaging in a dialogue with the users** via social media and perhaps reaching out directly via email for a feedback or regular campaigns (e.g. competitions).

Finally, understanding one's culture is the key to successful marketing. This also includes possession of language skills. Luckily, English is commonly spoken in the Nordic countries and it can be used as in the beginning of the market penetration. However, in order to deeply understand the users' needs and involve them in a dialogue, **it is advised to either possess language skills or have a representative(s) of the target country(s).**

8.3 Evaluation

As mentioned before, thesis writing process should be educating for all of the parties: the researcher, the client company and the reader. Therefore, before starting the process it was important to determine several learning objectives. In fact, they match with the research objectives, especially since the topic of the thesis was chosen based on a personal interest of the researcher. In short, the objectives were the following:

- Gain theoretical knowledge of the concept of ethical consumerism and market research
- Get deeper insights on the market of Nordic countries
- Evaluate the company's potential in the market and write recommendations

Generally, most of the objectives were met. In the researcher's opinion, the theory part was the most comprehensive and most time-consuming, which is also beneficial for the future use, as the information presented covers all of the most important aspects for better understanding of the target group, e.g. it explains who are LOHAS, what are their prefer-

ences and purchasing patterns. This information made it easier to determine what to look for during the research process. In addition, some parts explained three main marketing approaches, which was also helpful during the recommendation stage as the theory served as a guidance for defining five aspects to consider, when approaching socially conscious consumers in the respective countries.

During the research stage, the researcher managed to get deeper insights about the market, i.e. a better understanding of consumer behaviour, their most frequently purchased types of goods, their age group, etc. Although this part fairly comprehensive, the researcher had a feeling of an incomplete picture as the information sometimes could be outdated (e.g. from 2013 or 2014). Additionally, in the very beginning, the plan was also to include research about potential partnerships. However, this changed due to the scope of the research and slightly limited information (very few shops could be found online).

Writing recommendations for the company, based on the theory and research findings was one of the most difficult but crucial part of the process. Most of the difficulties occurred due to the limited professional experience of the researcher, therefore, the recommendations were mostly grounded by the theory.

Based on the outcome of the research, there are some improvements to be made. Mostly, it is setting more limited goals of the research, for example, by limiting it to one or two countries and a particular target group (e.g. LOHAS only) as the amount of data to be analysed often felt overwhelming. In addition, the quality of analysis could be better, if the amount of data was less. Searching for best practices would probably help the process as well. As mentioned before, due to the lack of professional experience of the researcher, research about best practices would help with writing stronger recommendations.

Finally, as the writing process showed, there is still some room for improvement. Nevertheless, this process was well-educating in many aspects, combined with the personal interest of the researcher in the topic of sustainability.

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Appendices

Appendix 1. Company interview questions

Questions asked during the interview with Michael Weber, CEO of Bonsum on 12 May 2016:

- What do you see as the main strong points of Bonsum?
- What would you do to improve the current business activities?
- What could be changed in the current management process in order to succeed in the foreign market (e.g. should you consider outsourcing)?
- What kind of opportunities of expansion to the Scandinavian market do you see?
- What could be potential threats for Bonsum during the internationalisation process?

- How suitable do you find your service for internationalisation?
- Based on the experience of expanding your business to the UK market, what changes you had to make in order to adapt your service to the foreign market?
- What do you see as the strongest points of the service? What do you think are the most attractive features of the service to the foreign customers?
- What do you think needs to be adapted in order to succeed in the Scandinavian market?