

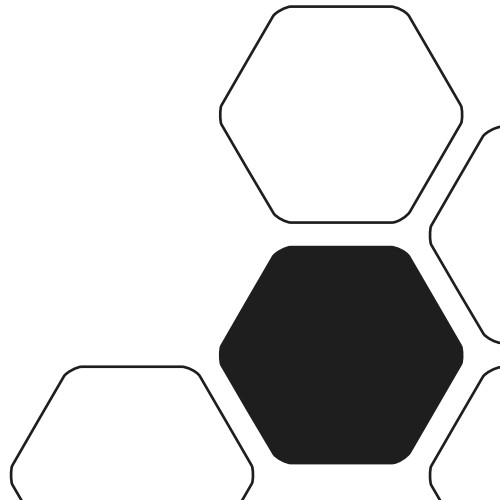


Building customer loyalty in the Nordic dog food industry

**A future loyalty program for
Purina Pro Plan**

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Thesis Spring 2019
Bachelor of Culture & Arts
Metropolia UAS



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TITLE

Building customer loyalty in the Nordic dog food industry:
A future loyalty program for Purina Pro Plan

NUMBER OF PAGES

95 + attachments

DATE

23.4.2019

UNIVERSITY

Metropolia University of Applied Sciences

DEGREE

Bachelor of Culture & Arts

DEGREE PROGRAMME

Design

SPECIALISATION

Industrial Design

INSTRUCTORS

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KEY WORDS

Customer experience, Service design, Strategic design,
Design thinking, User-centric design, Customer loyalty,
Customer journey

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ABSTRACT

This thesis focuses on designing a future loyalty scheme for Purina Pro Plan – a premium pet food brand that operates under Nestlé Purina PetCare. The aim of this project was to create a competitive strategic proposal and actionable loyalty initiatives by the means of design tools and methods. In addition, this thesis strives to encourage the client to pursue more customer-centric and support-driven loyalty initiatives that enable emotional commitment and long-term customer loyalty.

The Nordic dog food industry has grown explosively during the past decade, thanks to increased living standards and the humanization of pets. Challenger brands have emerged rapidly and market leaders have applied more aggressive strategies in order to reinforce their position in the market. Moreover, earning customer loyalty in today's competitive scene requires more than selling high-quality products – in return for their loyalty, consumers want memorable customer experiences that include profound support and long-term economic gain.

This thesis attempts to demonstrate the benefits of design thinking while solving a complex, strategic challenge in an evolving market. The approach utilizes design methods and tools to develop future loyalty initiatives that answer to consumer needs, enable competitive advantage and build long-term customer loyalty for the Pro Plan brand.

The project outcome is based on qualitative and quantitative insights from internal and external sources, such as consumer and stakeholder interviews, market research and competitive analyses. The project also considers current capabilities and requirements of the company, as they have a strong influence on the outcome. Additionally, this thesis examines relevant industry data and explains widely recognized principles of customer loyalty and the benefits of design thinking.

The project outcome provides direction and inspiration for future development and decision-making concerning Pro Plan's loyalty program. The outcome includes a strategic roadmap and conceptual, digital service solutions, through which Pro Plan can improve customer engagement and build genuine and lasting loyalty.

TIIVISTELMÄ

Tämä tutkielma keskittyy Nestlén omistaman eläinruokabrändin Purina Pro Plan:in tulevaisuuden kanta-asiakasohjelman suunnitteluun. Projektin tarkoitus on luoda kilpailukykyinen strateginen ehdotus sekä käyttökelpoisia palvelukonsepteja muotoiluajattelun keinoin. Lisäksi, tämä tutkielma pyrkii rohkaista yritystä tavoittelemaan asiakaskeskeisempää kanta-asiakasohjelmaa, joka mahdollistaa tunneperäistä sitoutumista ja pitkäaikaista asiakasuskollisuutta.

Pohjoismainen koiranruokateollisuus on kasvanut räjähdysmäisesti viimeisten kymmenen vuoden aikana, kiitos kohonneen elintason ja lemmikkien inhimillistämisen. Markkinajohtajat ovat toteuttaneet aggressiivisempia strategioita vahvistaakseen vaikutusvaltaansa kuluttajiin, samalla kun haastajabrändien määrä on kasvanut nopeasti. Korkealaatuisten tuotteiden myynti ei enää riitä asiakasuskollisuuden ansaitsemiseksi, sillä kuluttajat haluavat mieleenpainuvia asiakaskokemuksia, joihin sisältyy perusteellinen asiakastuki ja pitkäjänteinen taloudellinen hyöty.

Tämän tutkielman tarkoitus on osoittaa muotoiluajattelun hyödyt moniulotteisen strategisen haasteen ratkaisemiseksi. Tutkielma hyödyntää muotoilun keskeisiä menetelmiä ja työkaluja selvittääkseen, millainen Pro Plan:in kanta-asiakasohjelman pitäisi olla vastatakseen kuluttajan tarpeisiin, saavuttaakseen kilpailuetua ja rakentaakseen pitkäjänteistä asiakasuskollisuutta.

Tutkielman lopputulokset perustuvat laadullisiin ja määrällisiin havaintoihin, kuten kuluttaja- ja sidosrymähaastatteluihin, markkinatutkimukseen sekä kilpailija-analyysiin. Lisäksi tutkielma huomioi yrityksen tämänhetkiset valmiudet ja vaatimukset, sillä niillä on merkittävä vaikutus lopputulokseen. Tämä tutkielma tarkastelee myös oleellista tietoa koiranruokateollisuudesta sekä selittää yleisesti hyväksytyjä asiakasuskollisuuden periaatteita ja muotoiluajattelun hyötyjä.

Tutkielman lopputulokset antavat suuntaa ja inspiraatiota Pro Plan:in kanta-asiakasohjelmaan liittyvään suunnitteluun ja päätöksentekoon tulevaisuudessa. Lopputulokset sisältävät strategisen ehdotelman sekä digitaalisia palvelu-ratkaisuja, joiden avulla Pro Plan voi vahvistaa asiakas-tyytyväisyyttä ja rakentaa pitkäjänteistä ja kestäväää asiakasuskollisuutta.

1. Introduction

- 1.1 Lead-in
- 1.2 Project definition
- 1.3 Project objectives
- 1.4 Project scope
- 1.5 Research framework
- 1.6 The design process
- 1.7 Research methods

1.1 LEAD-IN

I've always been inspired by the potential of design - the impact that creative problem-solving skills and cross-disciplinary design thinking can have on business, society and the environment. In fact, this might be the reason that I'm graduating from the field of design in the first place.

Design is an evolving field that constantly reflects the changes and development of the environment. As the demands on society and business are becoming increasingly more complex, the need for unconventional approaches and new competitive advantages is growing. Companies across the world are now recognizing design as a strategic resource and an asset to interpret consumer behaviour.

Correspondingly, many designers are redefining themselves as versatile problem-solvers rather than providers of artistic services. Methods that were originally used to develop products are now being applied to design systems, services, experiences, processes and strategies. Design is evolving towards a way of thinking, rather than making. (Muratovski 2015.)

1.2 PROJECT DEFINITION

This thesis focuses on developing future initiatives for Purina Pro Plan's Nordic loyalty program by the means of design tools and methods. Pro Plan is a global, premium dog food brand that operates under Nestlé Purina PetCare. The brand has recently lost desirability and loyalty in the Nordic market, which has led to a decrease in market share and revenue. Therefore, Pro Plan needs to reorganize and develop a new competitive loyalty scheme that reinforces reputation and builds long-term customer loyalty.

This thesis examines the challenge from a strategic angle while striving to answer the following question: what kind of loyalty scheme should Pro Plan pursue in order to answer to consumer needs, gain competitive advantage and build long-term customer loyalty? The approach uses design methods and tools in order to develop and validate future loyalty activities for Pro Plan's loyalty program. The project outcome is based on qualitative and quantitative insights from internal and external sources, such as consumer interviews, business objectives and market data.

The project was actualized at Nestlé's Nordic headquarters in Copenhagen. Representatives from Purina actively engaged in the project by providing knowledge and access to relevant documentary sources. In addition, internal stakeholders contributed to the outcome by validating and reflecting on ideas and early concepts.

In order to be able to build loyalty and reinforce customer engagement in the future, Pro Plan needs to recognize pain points and opportunities in the customer journey. This thesis strives to uncover the potential of Pro Plan's loyalty scheme by inspiring stakeholders to pursue more customer-centric, support-driven loyalty initiatives that create memorable customer experiences.

1.3 PROJECT OBJECTIVES

The company's business objectives reflect the current challenges of the brand; Pro Plan aims to improve profitability and increase market share by pursuing various strategic actions, including reducing unnecessary expenses, increasing distribution, boosting recruitment of new customers and building loyalty among existing ones.

The fundamental purpose of this thesis was to provide potential future solutions for Pro Plan's new loyalty program, which was being implemented at the time of the project. As more specific demands and requirements were revealed during the process, the objectives were further defined.

By immersing in the challenge as well as analysing and applying insights from various sources, this thesis strives to design a competitive strategic proposal and actionable, customer-centric initiatives for Pro Plan's loyalty program. The strategic proposal provides direction and guidance for future decision-making and development of the loyalty program, and the loyalty initiatives represent concrete actions that support and pursue the research findings.

The project outcome aims to reinforce customer engagement and commitment to the brand, and thereby, recruit new loyal members and build long-term customer loyalty for Pro Plan. In addition, this thesis aims to uncover valuable research findings that enable stakeholders to make more justified decisions regarding the loyalty program in the future.

Moreover, this thesis attempts to demonstrate the benefits of design thinking while solving a complex, strategic challenge in an evolving market. By pursuing a strategic design approach – a problem-solving process that utilizes design tools and processes to meet consumer needs and business goals – this project strives to challenge and develop the author's cross-disciplinary thinking skills and ability to apply design tools in multifaceted strategic contexts.

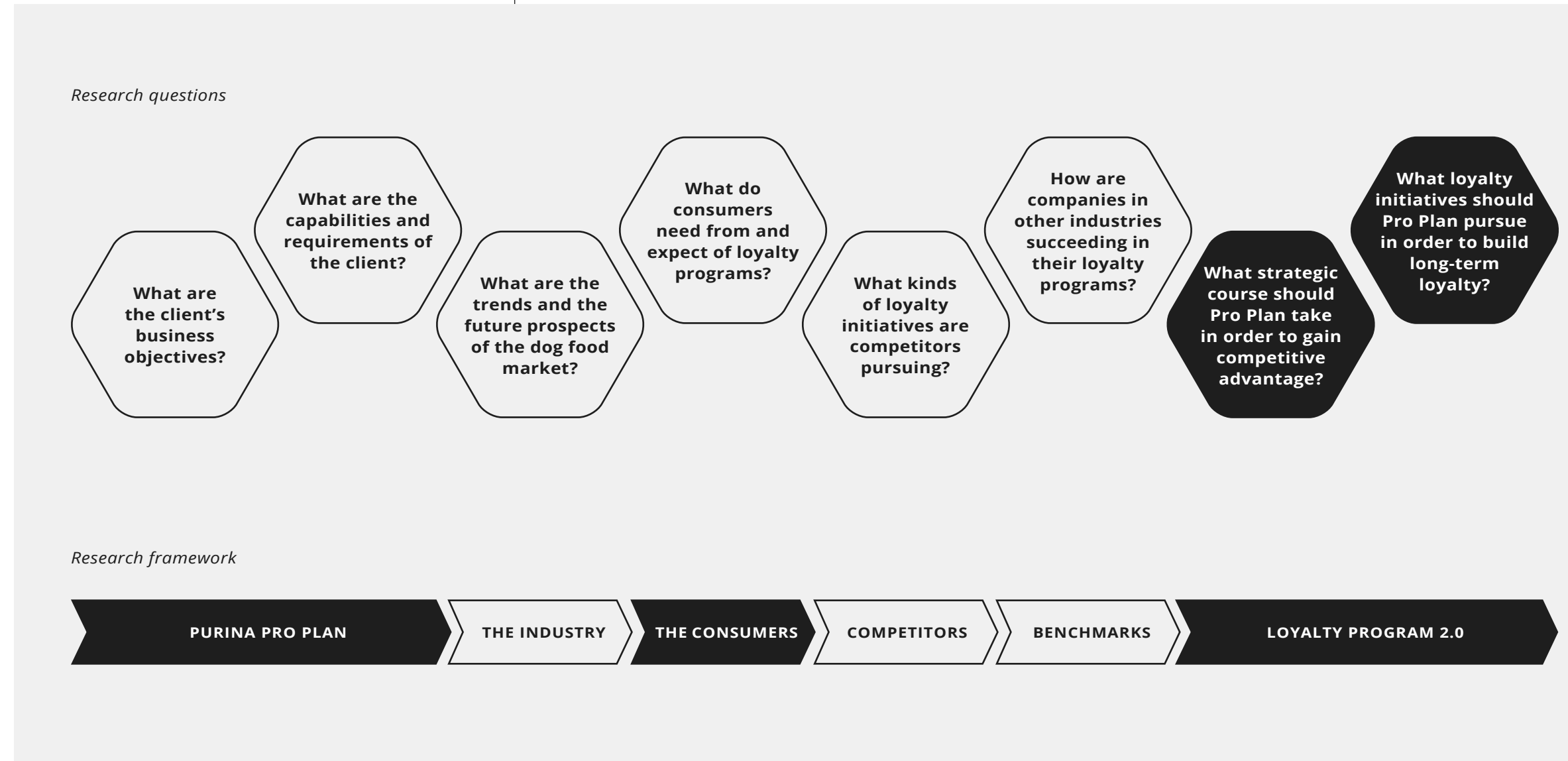
1.4 PROJECT SCOPE

In order to be of value for the client, the project outcome needs to resonate with the company's current capabilities and requirements. Therefore, the outcome exclusively includes proposals that are within the company's reach in the near future. Involving internal stakeholders in the process ensured that the outcome is feasible and applicable for the client.

Building customer loyalty is a broad topic that can include a wide range of actions and initiatives. However, most loyalty schemes today are based on digital initiatives that provide added value to customers while enabling consumer data collection for companies. Therefore, this thesis focuses strictly on providing solutions that can be implemented in Pro Plan's digital loyalty platform.

In addition, this project pursues a conceptual outcome that demonstrates user-centric and strategically favourable actions, rather than visual design elements or user interface development. The visual appearance of the concepts complies with the principals of Pro Plan's graphic guideline – excluding some solutions, in which creative freedom has been taken.

1.5 RESEARCH FRAMEWORK



Graph 1. Research framework and questions.

1.6 THE DESIGN PROCESS

The design process demonstrates a version of the double-diamond model (a commonly used process model among designers), which has been modified in order to match the strategic nature of the project in question.

The research phase includes reflection and analysis of various internal and external sources. The research data provided observations, which were synthesized into key insights. These insights serve as the strategic drivers of the service concepts and the foundation of the strategic proposal.

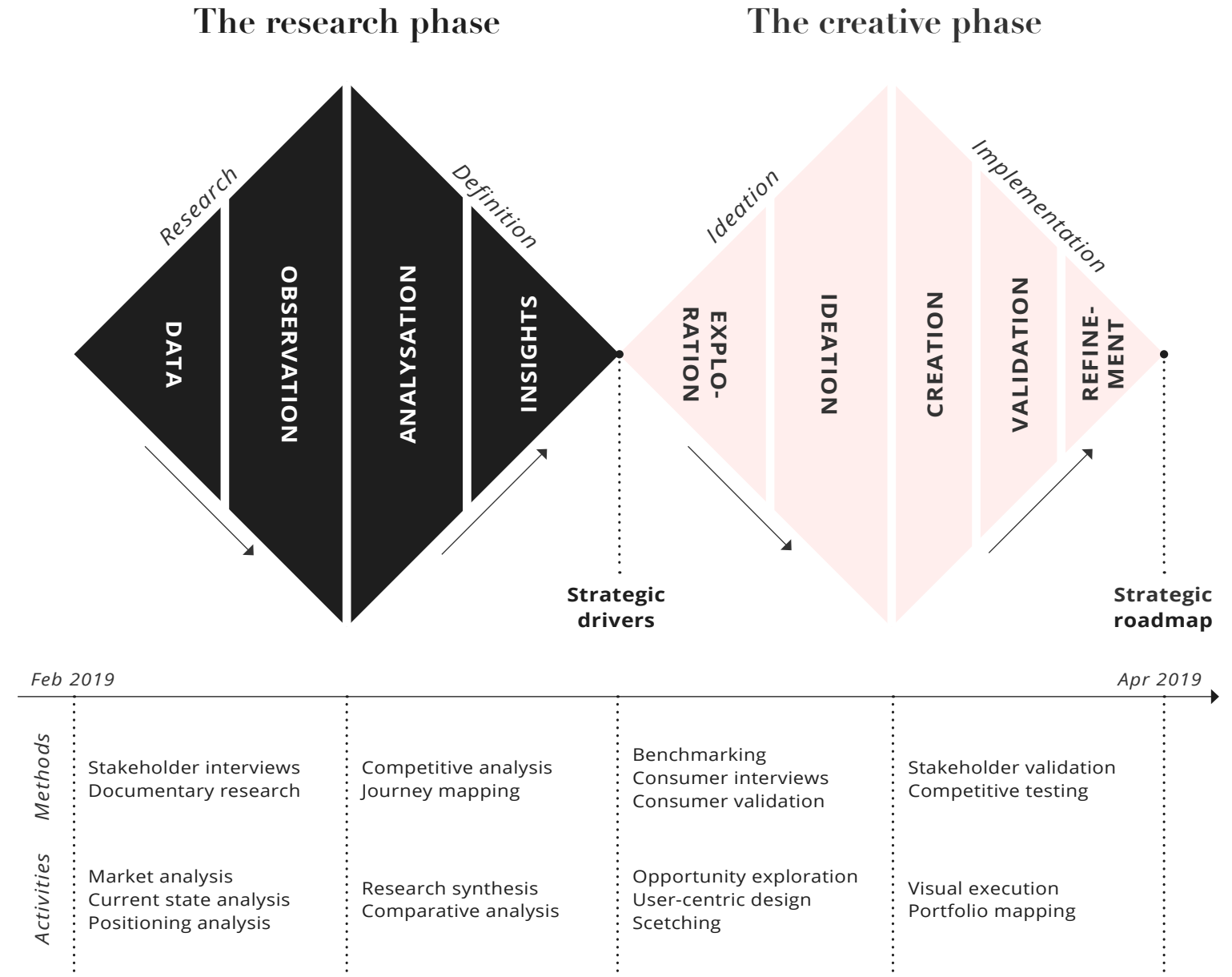
The creative phase focuses on concept development – from drafts and early ideas to further refinement and validation. The ideas and concepts were continually compared to the strategic drivers as well as the client’s requirements and capabilities during the creative phase. Consequently, the process resulted in a user-centric, actionable and competitive project outcome.

1.7 RESEARCH METHODS

In order to render a relevant and successful outcome, the design process included a variety of research methods. The project particularly emphasized qualitative methods, which empowered a more practical and user-centric perception of the challenge.

Stakeholders actively engaged in the project by providing internal knowledge and access to various documentary sources. The sources included qualitative and quantitative studies, such as industry data and interview reports. Together with profound analysis of market trends and competitors, these sources rendered a comprehensive overview of the client’s current state and challenges regarding customer loyalty.

The consumer interviews included in-depth conversations with consumers, which provided rich insights in their needs, desires as well as industry standards. Additionally, consumers were asked to validate early concepts and ideas, which rendered valuable observations for future concept development. The process also included analysis of best practices by exploring successful loyalty schemes in other industries.



Graph 2. The design process.

2. The client

- 2.1. Purina Pro Plan
- 2.2. Brand identity
- 2.3. Target audience
- 2.4. The challenge
- 2.5. Loyalty program 1.0

2.1 PURINA PRO PLAN

Purina Pro Plan is one of Nestlé's leading pet food brands that operate under the Purina PetCare group (Nestlé 2018). Purina is the second-largest pet food company in the world and the largest in the United States (Pet Food Industry 2018a). The company's heritage goes all the way back to 1894, but Purina PetCare, as it appears today, was formed in 2001 when Nestlé acquired Ralston Purina and merged it with Friskies PetCare Company. (Purina PetCare 2019.)

The Pro Plan brand was launched in 1986, when Purina developed a new innovative process that made it possible to use real meat as the primary ingredient in kibble. Since then, Pro Plan has been a forerunner in scientific innovation, including development of colostrum-rich puppy foods and therapeutic and dietary pet foods for veterinary conditions. (Purina Pro Plan 2019.)

Pro Plan offers a range of premium, scientifically formulated pet foods developed by Purina's own experts. The scientific approach on pet nutrition is the fundament for Pro Plan's product development and the cornerstone of its brand identity. (Purina Pro Plan 2019.)

As a premium dog food brand, Pro Plan belongs to the so-called *specialist* category in the dog food industry, which means that it's sold exclusively in specialist pet shops, plant centers and veterinary stations in addition to online retailers. Since Pro Plan doesn't pursue its own online shop, the brand is entirely dependent on third-party retailers in terms of sales, which influences the foundation of the loyalty scheme as well. (M. Wallbrand, pers. comm. 25 Feb 2019.)

Pro Plan is available in all Nordic countries. However, as Denmark and Iceland are neither essential nor profitable markets for the brand, they're not included in this research. In other words, "the Nordic markets" in this thesis refers to the following countries: Sweden, Finland and Norway.

2.2 BRAND IDENTITY

Pro Plan's predominant colours are black and white, which further underpins the professional and premium perception of the brand. In addition, Pro Plan uses the red colour of Purina and various other supplementary colours for different product lines.

The key element and primary graphic in Pro Plan's brand identity is the hexagon. The geometrical shape visually reinforces the brand's scientific credentials and nutritional approach. The hexagon is used in various ways and colors in Pro Plan's brand material, which unifies the visual appearance of different product lines. Pro Plan's brand images strive to convey personality and confidence, while avoiding any kinds of questionable situations. The dogs in the pictures are always pure bred, as Pro Plan avoids expressing an opinion on crossbreeds.

Pro Plan's logo comes as either white on black background and vice versa. The logo always includes Purina's logo on the top. Pro Plan's typography consists of one singular font (in addition to the font in the logo), which is used in various sizes and letter cases.

There are several other recommendations and restrictions regarding Pro Plan's visual appearance and communication. As a brand of one of the world's largest food and beverage companies, Pro Plan has to take caution in all published content in order to avoid undesirable attention and criticism.



Image 1. Example of Purina Pro Plan's hexagons.

PURINA
PRO PLAN



Image 2. Purina Pro Plan brand image.

2.3 TARGET AUDIENCE

All brands in the specialist category, including Pro Plan, strive to reach consumers who are aware of the nutritional differences between dog food brands and willing to spend more money for higher quality. In other words, Pro Plan's target audience consists of consumers who, for one reason or the other, prefer premium dog foods to mass-market alternatives.

Typically, these consumers are professional or amateur breeders and hunters, as well as dog owners, who pursue dog shows or other types of competitions. However, humanization of pets has led to a progressively increasing amount of enthusiastic dog owners, who passionately care for their dogs' wellbeing without pursuing competitive goals. The enthusiastic dog owners are generally highly aware of the nutritional benefits and components in their dog foods. (Mediacom 2019.)

In addition, Pro Plan targets the consumers with 'normal' family and companion dogs. These dog owners are harder to recruit due to the price difference in mass-market and premium products. However, Purina has recognized various catalyst moments in the lifespan of a dog, which enable recruitment of 'normal' dog owners as well. The catalyst moments are further explained in chapter 3.5. *Targeting strategies.*



Graph 3. The target audience.

2.4 THE CHALLENGE

While the Nordic dog food market has thrived during recent years, Pro Plan has experienced setbacks in terms of market share and profitability. Due to a number of internal and external factors, the brand has lost desirability and relevance among consumers, and therefore, its power to build and retain customer loyalty. However, according to empirical studies, Pro Plan has some of the most high-quality products in its segment, which serves as a good baseline when rebuilding desirability and customer loyalty.

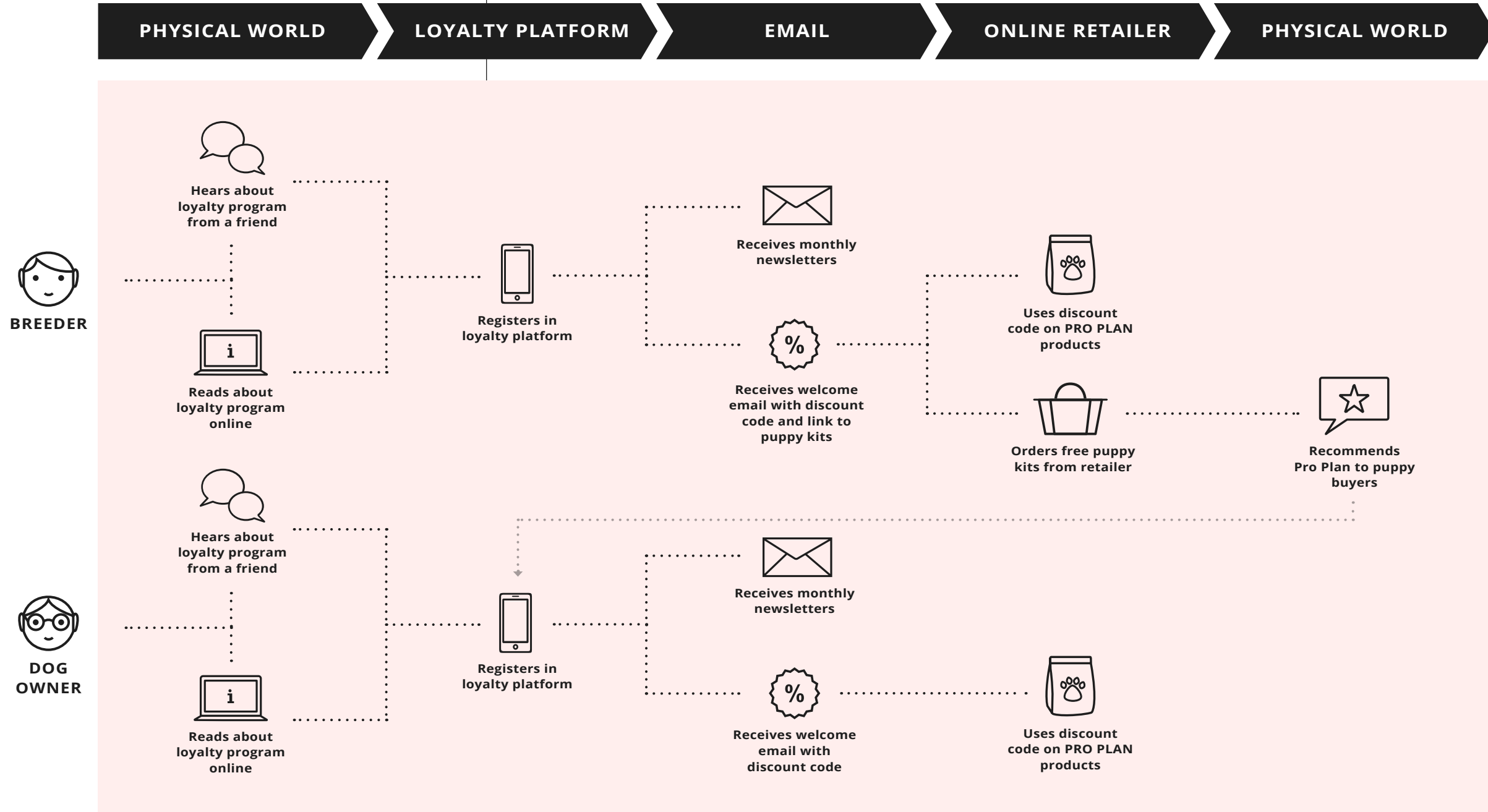
Internal stakeholders recognize that Pro Plan needs to take more progressive actions that proactively improve reputation and customer engagement in order to rise from its setbacks. However, market leaders are pursuing aggressive strategies that strive to influence consumers and rule out competition, while new challenger brands are emerging continually. Consequently, building customer loyalty in today's market is much harder than it was a decade ago, when the competition was considerably less fierce and consumer demands were less advanced.

2.5 LOYALTY PROGRAM 1.0

In June 2019, Pro Plan launches a new loyalty program, which is based on a digital platform on the brand's website. The loyalty platform offers an agile digital environment, in which Pro Plan can expand its loyalty scheme and improve customer engagement in the future.

Like many competing loyalty schemes in the industry, Pro Plan's former loyalty program has only accepted breeders as loyal members. This has prevented the brand from directly influencing dog owners and collecting valuable consumer data. However, the loyalty program 1.0 will engage both breeders and dog owners through the same digital platform.

At time of launch, the loyalty platform will allow consumers to independently register online and receive newsletters with discounts and information from Pro Plan. In addition, the platform will enable automatic data collection while leaving manual work procedures in the company's past. However, in order to achieve its business goals, Pro Plan's loyalty offering has to be updated with new, relevant initiatives that enable efficient recruitment and retention of loyal customers. (M. Wallbrand, pers. comm., 4 March 2019.)



Graph 4. Customer journey in loyalty program 1.0.

3. The dog food industry

- 3.1 History of dog food
- 3.2 Segments & channels
- 3.3 Market trends
- 3.4 Nordic competitors
- 3.5 Targeting strategies

3.1 HISTORY OF DOG FOOD

The relationship between humans and dogs goes all the way back to our ancestors, who tamed wolves for hunting and protection purposes. Along with the domestication of dogs, people started crossbreeding and developing different dog types – hunting, guard, herd and eventually, companion dogs. However, the first breed society wasn't established until the early 1800s, when breeding of specific pedigrees set off. (Dorling Kindersley 2013, 8-9)

Along with purebred dogs arose the interest for specific nutritional requirements of different breeds – the science of veterinary nutrition emerged. (Pet Food Institute 2019.) The first commercial dog food was developed in the 1860s and within the next 50 years, the commercial dog food industry started taking ground.

Canned dog foods were popular in the 1900s, until the first dry kibble was launched in the 1950s. Dry dog food became the leading option, and brands started to differentiate and pursue more advanced marketing strategies. (The Farmer's Dog 2019.) The first dog food specifically formulated for puppies

was launched in the 1960s and the first nutritional requirements for dogs were published around 20 years later. (Pet Food Institute 2019.) In other words, the dog food industry is still young and it keeps developing alongside with the science of veterinary nutrition.

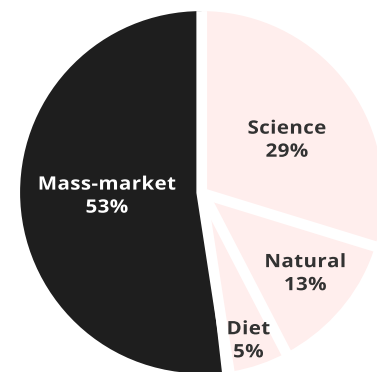
The global pet food market has exploded during the past ten years and correspondingly, the amount of brands and products have increased radically, which applies to the Nordic market as well. Although the market growth has now decelerated slightly, the total dog food industry is still expected to keep a CARG (Compounded Annual Rate of Growth) of 4,3% during the next five years. (Pet Food Industry 2018.)

3.2 SEGMENTS & CHANNELS

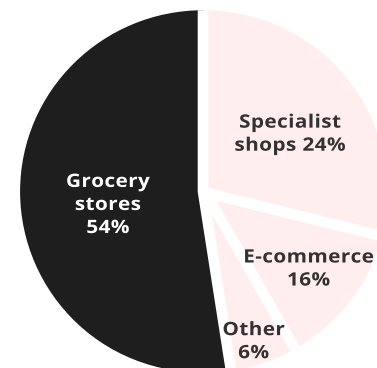
According to Paula Flores (2018), head of pet care research at Euromonitor International, the pet food industry is still a rather concentrated market, as the top five companies account for 41% of the global sales. However, the market expansion and recent economic growth has triggered the rise of niche brands – smaller competitors that offer alternative products, such as organic, frozen, raw and gluten-free dog foods. (Pet Food Industry 2018b.) These market challengers are increasingly gaining more popularity and market share in the Nordics (GfK 2019).

Today's dog food industry constitutes of two major categories: *mass-market*, which incorporates commodity brands, and *specialist*, which includes all levels of premium dog food brands. According to market data from 2018 (GfK), the specialist dog food category stands for nearly half of the total Nordic dog food market. Brands in the specialist category are then further placed in one of the three following product segments: *science*, *natural* or *diet*, depending on the nutritional approach and philosophy of the brand.

Typically, brands in the specialist category are distributed through three main channels – e-commerce, specialist pet shops as well as the 'green channel', which refers to plant and agriculture retailers. The spread of value shares within product segments and distribution channels evolve with market trends. (GfK 2018.)



Graph 5.
Value shares
of product
segments in the
Nordic dog food
industry.



Graph 6.
Value shares
of distribution
channels in the
Nordic dog food
industry.

3.3 MARKET TRENDS

The global pet food industry is influenced by various evolving market trends, which pressures companies to pursue more agile and customer-centric strategies and initiatives. Market trends often derive from human-centred phenomenon, such as improved living standard and higher health awareness in addition to increased favour of e-commerce. However, market trends can also originate in business-driven motions, e.g. strategic acquires and partnerships that strive to increase influence and competitive advantage in the market. (cf. Nielsen 2018; Flores 2018; GfK 2019.)

PREMIUMIZATION

Increasing wealth and resources in the Nordics has led to a growing demand for specialist dog foods. The demand for premium is further reinforced by the humanization of pets, which means that today's consumers perceive their pets as full-fledged family members and care for them accordingly. In addition, the increasing awareness and trends in human health and wellness is progressively affecting the pet food market. (Nielsen 2018; Flores 2018.)

DEMAND FOR NATURAL

As consumers are choosing organic, fresh ingredients over processed foods for themselves, the demand for natural dog foods is rising as well (Nielsen 2018; Flores 2018). The natural segment has experienced steady growth during the past five years, while the market share of science-driven brands has gradually decreased. This suggests that natural alternatives are converting consumers from the science segment (cf. GfK 2019). Recent studies show that the natural segment now prevails 13% of market share in the Nordics (see graph 5 in chapter 3.2 *Segments & channels*).

SMALLER DOGS

GfK's market analysis (2019) suggests that consumers are increasingly favouring small dog breeds to big ones. Particularly dogs between 5–25 kg are increasing in the Nordics, while the favor of larger dogs is reducing. (GfK 2019.) Lindsey Beaton, managing editor of the Pet Industry Magazine, believes that the trend is particularly driven by millennials, who often prefer city-life over the countryside. (Beaton 2018).

E-COMMERCE

Like most B2C industries, the dog food market is affected by changing consumer behaviour and new shopping habits. The e-commerce channel has grown progressively recently; it now holds 16% of value shares among the distribution channels (see graph 6 in chapter 3.2 *Segments & channels*), while the traditional specialist shop channel is decreasing (GfK 2019; Flores 2018.) In addition, online retailers are creating their own private labels in order to push down prices and disrupt the market (Kestenbaum 2018).

ACQUISITIONS & PARTNERSHIPS

Brand acquisitions and partnerships are becoming important means of gaining competitive advantage and increasing market share. Finnish pet care retailer Musti & Mirri recently acquired the online retailers VetZoo and Animail in its pursuits to conquer the Nordic e-commerce channel (Nordic 9 2017). Similarly, Mars Petcare acquired veterinary chain AniCura in 2018 (AniCura 2018). Mars has also partnered with the Swedish breed association *Svenska Kennelklubben* and insurance company *Agria Försäkringsbolag*, which further increases its competitive advantage in the Nordics. (Agria 2019).

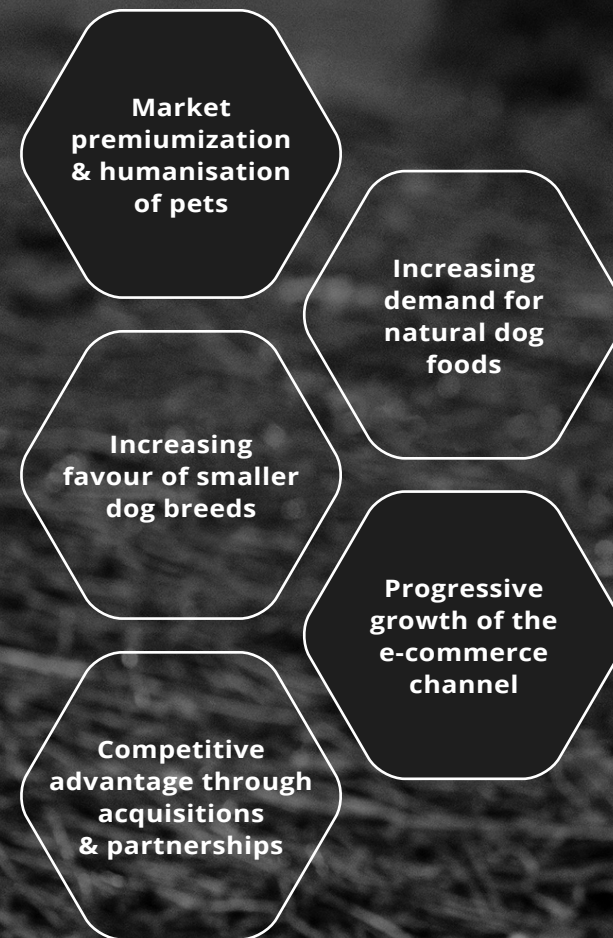


Image 3. Purina Pro Plan brand image.

3.4 NORDIC COMPETITORS

Today's global dog food market is dominated by three major dog food manufacturers – Nestlé's Purina PetCare, Mars' Royal Canin and Colgate's Hill's. Each market leader offers science-driven, complete nutrition for dogs of all breeds, ages, diets and conditions. Nevertheless, according to UBS analyst Pinar Ergun, the pet food giants are not reacting fast enough to the evolving market trends and consumer needs, which has enabled challenger brands to gain favour among consumer. (Sonenshine 2018.)

While Royal Canin and Hill's are nearly as strong in the Nordic specialist segment as they are in the total dog food market, Purina is lacking behind. In 2018, Purina PetCare accounted for 6% of value shares in the Nordic market. (GfK 2019.)

This chapter introduces four of Pro Plan's biggest competitors in addition to three rising challenger brands. However, there are several other relevant competitors in the Nordics, which have been noticed in the research although not presented in this thesis.

ROYAL CANIN

Presumably Mars Petcare's most well known brand, Royal Canin, has been dominating the global pet food market for years (Sonenshine 2018). Like the other market leaders, Royal Canin pursues a strong science-driven approach on pet food (Pet Food Industry 2019).

Over the years, the brand has gained reputation and market share in the Nordics by determinedly acquiring retailers and partnering with veterinary service providers in addition to investing heavily in visibility and marketing (Phillips-Donaldson 2018). As a result, Royal Canin is currently the most sold specialist dog food brand in the Nordics (GfK 2019).

 ROYAL CANIN



Image 4. Royal Canin online banner.



Image 5. Hill's Pet Nutrition online banner.

HILL'S

Hill's Pet Nutrition, a premium pet food brand owned by Colgate-Palmolive, is also among the most sold specialist dog food brand in the Nordics (Mediacom 2019). Like its fellow market leaders, Hill's pursues a strongly science-driven approach on pet nutrition. The brand focuses on continuous innovation in pet health, wellness and therapeutic pet foods while building and strengthening its relationship with veterinarians and industry influencers. (Taylor 2010.)

ACANA

Acana is a high-end dog food brand owned by the Canadian pet food producer Champion Petfoods. Acana sells premium, meat-based dog foods made of fresh, regional ingredients that are sustainably raised and harvested in Canada. (Champion Petfoods 2019.)

Acana does not belong to the leaders in the Nordic dog food market, however, the brand has managed to build an impressive reputation among consumers. Nevertheless, Acana is also the most expensive brand on the market, which attracts only a small group of consumers.



Image 6. Acana online banner.

EUKANUBA

Eukanuba, also a Mars-owned brand, founds its philosophy on the idea that dogs are carnivores and should be fed accordingly. The premium brand specializes in tailored nutrition for different breeds, sizes and activity levels as well as veterinary diets. (Eukanuba 2019.) Eukanuba currently belongs to the most popular specialist brands in the Nordics (Mediacom).



Image 7. Eukanuba online banner..



Image 8. Labb landing page.

LABB

Labb is a Norwegian dog food brand owned by the local agricultural cooperative and retailer Felleskjøpet. Since its launch in 1996, Labb has steadily expanded its market share and is currently the most sold dry dog food in Norway, which makes it a relevant market challenger in the Nordics.

While emphasizing high-quality nutritional components and fresh, local ingredients, the brand competes in both the natural and the scientific category of the specialist segment. Labb's products are sold in over 100 stores and national online shop across Norway. (Labb 2019.)

MAGNUSSON

The down-to-earth dog food manufacturer Magnusson Petfood is Swedish family-owned business. Similarly to Labb, Magnusson emphasizes fresh ingredients and sustainable, local production. (Magnusson 2019.)

Magnusson's products are sold in Swedish grocery stores and specialist shops as well as online retailers across the Nordics. Although Magnusson does not fulfil the requirements for the specialist category, it offers aggressive competition to upmarket brands. The company's revenue has increased by more than 40% during the past 10 years (allabolag.se 2019). In addition, Magnusson distributes dog foods to Sweden and Finland through its own online shop (Magnusson 2019).



Image 9. Magnusson Petfood's heritage.



Image 10. Brit online banner.

BRIT

Brit is a rapidly growing, premium pet food brand owned by the family-owned pet food producer VAFO PRAHA from the Czech Republic. Brit's wide product portfolio includes both scientific, natural and fresh meat alternatives with high focus on quality and taste.

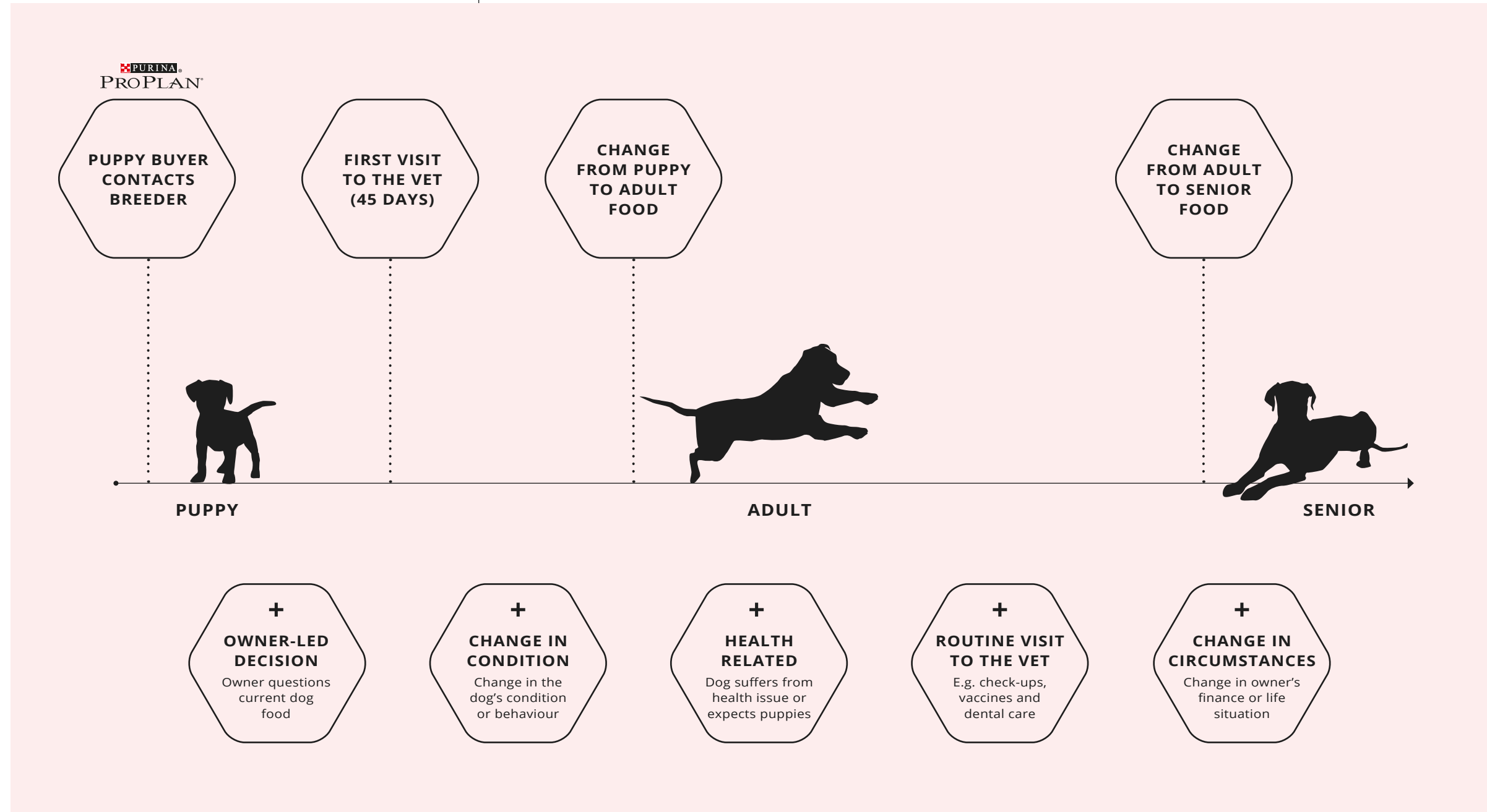
VAFO exports to over 70 countries worldwide and holds significant market share in the EU, Baltics and Nordics. Additionally the company manufactures several private labels for European pet food sellers. (PET Worldwide 2019.)

3.5 TARGETING STRATEGIES

According to a survey conducted for Packaged Facts' Pet Food Forum 2019, a majority of consumers are influenced by recommendations from trusted sources, such as veterinarians, breeders and other dog owners when choosing dog food. In addition, consumers agree that they look for information from the Internet and social media before buying a new product. (Pet Food Industry 2018a.)

Stakeholders at Purina suggest that there are various catalyst moments in a dog's life, during which the owners can be recruited. By targeting these different catalyst moments, brands attempt gain reputation and loyalty among dog owners, e.g. Hill's and Royal Canin, who have aggressively targeted veterinarians in order to influence dog owners.

However, the first touch point in a dog owner's journey is the usually the breeder. Breeders have a similar authority as veterinarians – they're perceived as a trusted source of information and advice, which means that they too have power to influence the consumers choices. For this reason, most specialist brands offer some kinds of benefits for breeders (see chapter 5.3 *Competitive analysis*).



Graph 7. Catalyst moments in the life of a dog.

4. Literature review

- 4.1 Design thinking
- 4.2 Customer loyalty

4.1 DESIGN THINKING

Design thinking is a relatively new and debated term and approach. There is no single definition of the word, other than that it's a way of thinking – a method, a practice and a strategy at the same time. Tim Brown, CEO of international design and consultant firm IDEO, has described design thinking as “a human-centered approach to innovation that draws from the designers toolkit to integrate the needs of people, the possibilities of technology, and the requirements for business success.” (IDEO 2019). In other words, design thinking relies on creativity and research in order to solve complex problems (Muratovski 2016).

CUSTOMER-CENTRICITY

Companies often invest heavily in market research, yet neglect the consumer perspective when developing products and strategies. Successful innovation requires deep insight in the routines, concerns, and desires of the consumers as well as their expectations and needs. As pioneer carmaker Henry Ford put it: “If I had asked my customers what they want, they would have told me ‘a faster horse’.” (Osterwalder & Pigneur 2010.)

Design thinking enables businesses to identify opportunities and pain points in the customer journey as well as understand the deeper, implicit needs and aspirations of consumers. As a result, design thinking can provide innovative solutions that drive growth and strengthen the relationship between company and consumers. (Osterwalder & Pigneur 2010.)

DESIGN RESEARCH

Originally, research has been seen as an independent field of industry, but as designers are enquired to dive deeper into research in order to create relevant solutions, the distinction between ‘designers’ and ‘researchers’ is slowly fading. Research is a broad and sometimes vague term to describe the use of systematic methods and practices in order to interpret relevant data, gain new knowledge and establish facts. Conducting research helps designers understand the end-goal, make informed decisions as well as connect the dots between various phenomena, people and cultures, which usually lead to more successful outcomes. (Muratovski 2016.)

4.2 CUSTOMER LOYALTY

The Financial Times (2019) describes customer loyalty as the consistency in a customer's choice of product or brand over an extended period of time. In general, loyalty is established when companies repeatedly provide consumers with positive experiences – be it of products, services, support, economical or functional advantages, or in best case scenario, all of them. Customer loyalty is seen as a vital driver of growth and thereby, it's also the primary objective of customer relationship management. (Financial Times 2019.)

BEHAVIORAL VS. ATTITUDINAL

Experts have recognized two independent types on customer loyalty – behavioural and attitudinal loyalty, which are often referred to as 'share-of-wallet' and 'share-of-heart'. Behavioural loyalty indicates a consumer's exclusive use of a specific brand, product or service. For example, in lack of options, a person might repeatedly use the same taxi company, although not satisfied with neither service nor price.

In contrast to behavioural loyalty, which is driven by price, convenience and availability, attitudinal loyalty is driven by emotional values such as trust, consistency and likability. In order to earn genuine, long-term customer loyalty and engagement, brands need pursue both approaches (Skovsbo Andersen & Wandall Grandjean 2008).

MONETARY VS. EMOTIONAL

It has been estimated that it's somewhere between 5 and 25 times more expensive to acquire a new customer than to retain an existing one, depending on industry and source (Gallo 2014). Thus, companies put enormous resources into loyalty schemes that aim to reward consumers for repeated purchase and encourage loyalty. (Lovelock & Wirtz 2011.)

Most loyalty programs focus solely on monetary incentives, such as loyalty credits and discounts. However, according to a major survey conducted by McKinsey (2018), consumers find experiential rewards – incentives that make them feel special and recognized – nearly equally important as monetary rewards. (Huang, Rothschild & Wilkie 2018.)

LOYALTY INITIATIVES IN THE INDUSTRY

As dogs are perceived as family members, the emotional bond between owner and dog has become so strong that the welfare of the dog often exceeds financial aspects in terms of dog food. The same applies to the principals of customer loyalty; in order to earn loyalty, companies must build an emotional connection with consumers. Still, most loyalty schemes in the industry are based on monetary rewards, rather than emotionally engaging incentives. (Bergdahl 2017.)

Mark Bergdahl, founder of Loyalty Consulting UK, suggests that emotionally loyal customers stay true to their dog food brand even if they're presented other equally good alternatives. Bergdahl refers to a study in which consumers with strong emotional connections to a brand visited the shop 32% more often and spent almost 50% more money on the brand, than consumers without any emotional attachments. Also, consumers, who are not emotionally committed, stay loyal to a brand only as long as they keep receiving monetary rewards. Thereby, emotional loyalty outweighs monetary loyalty in both reliability and reliance. (Bergdahl 2017.)



Graph 8. McKinsey's loyalty funnel.

THE LOYALTY FUNNEL

McKinsey suggests that consumers fall into one of four levels in the loyalty funnel. In order for a loyalty program to be successful, the company has to guide consumers all the way through the funnel, from one end to the other. Companies often succeed on some levels but are unable to capture all potential moments in the funnel. According to McKinsey's survey, members of successful loyalty programs are 80% more likely to choose the brand over competitors and 50% more likely to recommend the brand to others. (Huang, Rothschild & Wilkie 2018.)

5. Research observations

- 5.1 Stakeholder interviews
- 5.2 Documentary analysis
- 5.3 Competitive analysis
- 5.4 Benchmarking
- 5.5 Consumer interviews
- 5.6 Consumer validation
- 5.7 Research synthesis



Image 11. Consumer interviews in Malmö, Sweden

5.1 STAKEHOLDER INTERVIEWS

The aim of pursuing stakeholder interviews was to gain further insights in the business objectives, the fundamentals of the challenge as well as the needs and expectations of the project outcome. The interviews also uncovered stakeholder objectives as well as capabilities and requirements of the company.

The study included a total of four interviews, which lasted for 30-60 minutes each. The interviews entailed open, informal discussions with representatives from Purina and one of its retail partners, as well as thorough documentation. The stakeholders were selected based on their relation to the loyalty program.

Interviewees:

MARIA WALLBRAND

Brand manager, Purina Pro Plan Dog, Nordic

LUDVIG STEEN

E-business manager, Purina Nordic

SUNE ÅKESSON

Sales manager, Purina Pro Plan, Sweden

HELGA HAAK

Store manager, Zoogiganten, Malmö, Sweden

GREAT PRODUCTS, WEAK REPUTATION

Various scientific and empirical studies have shown that Pro Plan’s products are of exceptionally high quality. However, without a competitive strategy and brand building, even high-quality brands get forgotten. According to stakeholders, Pro Plan was considerably more notable in the Nordics ten years ago, when the market was smaller. Then, consumers started losing interest in the brand, and Pro Plan lost awareness and loyalty in the market.

“We’d rather start with great products and weak awareness, than the other way around.”

– Maria Wallbrand, Brand manager, Purina Pro Plan Dog

REPUTATION BOOSTS LOYALTY

When it comes to customer loyalty, stakeholders agree on the importance of reputation and relevance. In order to regain reputation among consumers, Pro Plan needs to increase visibility and provide positive customer experiences. Stakeholders believe that consumers need an incentive to become and remain loyal to the brand, and therefore Pro Plan needs to actively engage with them.

Sune Åkesson, Sales manager for Pro Plan in Southern Sweden, suggests that reputation is earned through visibility and vigorous partnerships with industry influencers. According to Åkesson, visibility is best gained in at major industry events such as international dog shows and competitions.

WORD OF MOUTH

According to Helga Haak, store manager at Zoogiganten in Malmö, dog owners are mainly influenced by word of mouth when deciding between dog food brands. The more consumers’ care for their dogs, the more important is the choice of dog food. Haak believes that digital visibility is not enough to convince dog owners; they look for references from sources they trust – fellow dog owners, breeders, veterinarians or familiar salespersons in the specialist pet shop.

“Online marketing isn’t enough to convince consumers they want recommendations from sources that they can trust.”

– Helga Haak, Store manager at Zoogiganten, Malmö

THE POWER OF CONSUMER DATA

Ludvig Steen, manager for the E-business team at Purina Nordic, emphasizes the importance of efficient data collection in loyalty schemes. Collecting consumer data is key in order to provide personalized content and marketing in the future. Companies need to know who their customers are, what and when they buy, and how to use the collected data in favour of both parties.



5.2 DOCUMENTARY ANALYSIS

Purina provided various documentary sources for this project, of which the most important one is presented in this chapter. However, several other documentary sources are utilised as sources throughout this thesis.

Breeders have great power to influence dog owners in their choice of dog food, and therefore, their insights are critical for the outcome of this project. In January 2019, Purina conducted a qualitative consumer study on breeders together with market research institute GfK. The aim of the study was to gain a deeper understanding in the lifestyle and challenges of being a breeder, find relevant solutions to support them and help Pro Plan become their preferred dog food brand.

The study was executed in two separate focus groups, of which each included 5-6 active breeders of different dog breeds. The first focus group included current users of Pro Plan and the second included users of other dog food brands. Each research session lasted for approximately 120 minutes. (GfK 2019.)

LACK OF APPRECIATION

According to the study, there is an unfulfilled need of appreciation and support among breeders. Breeders are aware of their power to influence dog owners, however, they don't feel sufficiently appreciated or rewarded for their effort. Breeders would like to have more support from the industry and a more personal, closer relationship with their dog food supplier.

DEMAND FOR HIGH-QUALITY SERVICE

For breeders, qualitative service and support are equally important as monetary rewards. The service for loyal consumers is deficient in many ways in the industry, which is particularly true for Pro Plan, since the brand's service level doesn't match the high quality of its products. Users of other dog food suppliers, such as Hill's and Brit, are generally more satisfied with the service.

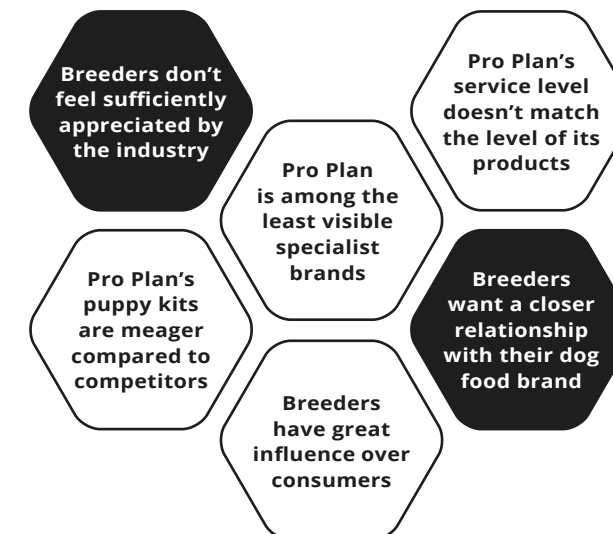
VISIBILITY IS KEY

Breeders suggest that Pro Plan is among the least visible among specialist dog food brands, although having some of the best products in the market. Other brands

are regularly represented at exhibitions and fairs, which is important in order to remain relevant in the market.

THE PUPPY KITS

Getting free puppy kits is an important loyalty benefit for breeders. Generally, puppy kits contain a food package, a measure cup and some treats. Some brands provide additional equipment along with promotional flyers. However, breeders feel that Pro Plan's puppy kit is relatively meagre in comparison to other premium brands.



Loyalty offering for breeders	ROYAL CANIN	HILL'S	EUKANUBA	MAGNUSSON	BRIT	PRO PLAN 1.0
Product discounts	✓ *	✓ *	✓ *	✓	✓	✓
Inspiration & information	✓	✓	✓	✓	✓	✓
Loyalty credits	✓	✓				
Brand products	✓					
Exclusive service	✓	✓			✓	
Events and seminars	✓	✓				
Free puppy kits	✓	✓	✓	✓	✓	✓
Invite a friend	✓	✓	✓			

* 25% discount
 ** Every 6th package for free

Graph 9. Competitive analysis of loyalty offering for breeders (1.0).

Loyalty offering for dog owners	ROYAL CANIN	HILL'S	EUKANUBA	MAGNUSSON	BRIT	PRO PLAN 1.0
Product discounts		✓	✓ **		✓ **	
Inspiration & information	✓ *	✓	✓ *	✓ *	✓ **	
Loyalty credits		✓				
Brand products						
Exclusive service				✓	✓ **	
Contest and lotteries	✓					
Invite a friend	✓	✓	✓ **			

* Newsletters (anyone can subscribe)
 ** Only for hunters

Graph 10. Competitive analysis of loyalty offering for dog owners (1.0).

5.3 COMPETITIVE ANALYSIS

The purpose of this competitive analysis was to gain a comprehensive picture of the level of competition regarding loyalty schemes in the Nordics. The brands in this analysis were selected based on competitive advantages and level/number of loyalty initiatives. The analysis includes three market leaders and direct competitors of Pro Plan (Royal Canin, Hill's and Eukanuba) as well as two well-known challenger brands (Magnusson and Brit).

All brands, including Pro Plan, separate breeders from dog owners in their loyalty schemes. Consequently – in order to simplify interpretation of the study results – the loyalty initiatives were compiled into two separate graphs, one for breeders and one for dog owners.

FOCUS ON BREEDERS

Breeders are neither a big nor profitable target group for dog food brands; yet, their loyalty is considerably more appreciated by brands in terms of loyalty benefits. The radical difference in loyalty efforts between breeders and dog owners supports the claim of breeders are perceived as a gateway to dog owners.

DISCOUNT-DRIVEN INITIATIVES

The competitive analysis reveals that the loyalty schemes in the Nordic dog food market are neither very advanced nor innovative. Excluding Royal Canin and Hill's, competitors mostly pursue monetary loyalty initiatives. Generally, competitors offer frequent or occasional discounts and offers as well as stamp cards (get every x package for free).

GENERAL CONTENT

Most competitors offer conventional means of communication such as monthly newsletters. The content generally include products information, news and expert recommendations. Only a few competitors, such as Eukanuba, put high emphasis on personalization in terms of content and communication.

ONE BRAND STANDS OUT

Currently, Royal Canin is of very few brands to offer value in terms of support and education. As Royal Canin has also partnered with veterinarians and kennel federations, the brand has wide coverage in the market, which further reinforces its influence on consumers.

5.4 BENCHMARKING

The aim of this benchmarking was to collect knowledge of best practices and successful loyalty initiatives in other companies and industries. The presented benchmarks are brands from the consumer goods sector, which makes them relatable to Pro Plan. The brands were selected based on their success and innovativeness in terms of loyalty schemes and strategies. Moreover, the benchmarks demonstrate how innovative solutions have successfully been applied in other businesses and B2C industries.

THE NORTH FACE

The North Face is a leading outdoor apparel and gear retailer owned by VF Corporation. The brand is specialized in extreme winter sports, such as high altitude mountain climbing and skiing. The North Face's mission is to provide the best gear for athletes and modern explorers, support the preservation of the outdoors and inspire global movement of exploration. (The North Face 2019.)

The North Face loyalty program VIPeak was launched in the beginning of 2018. It's based on a traditional point system –

consumers earn points on every purchase. In addition, consumers can gain Peak Points by for example attending events, visiting specific locations or downloading The North Face app.

The innovative part, however, is redeeming the points; members (with more than 10 000 Peak Points) can spend their points on travel adventures around the world with VIPeak Travel. (Retail Technology 2018.) Rather than generic discounts for repeated purchases, VIPeak offers unique, personalized travel experiences tailored to consumers' lifestyles in return for their loyalty. Meanwhile, VIPeak builds and strengthens the relationship between consumers and The North Face brand.



Image 12. Banner of the VIPeak program.

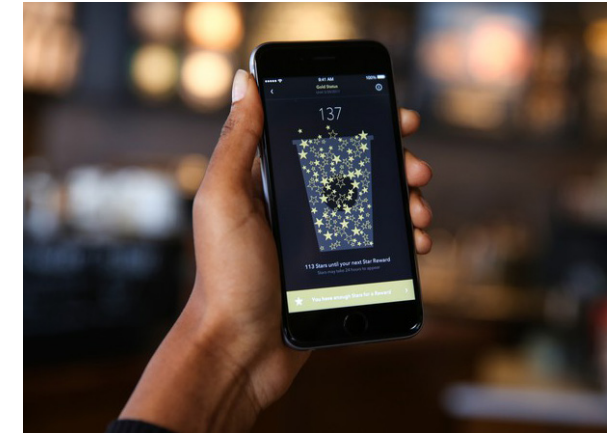


Image 13 Mobile view of Starbucks Rewards.

STARBUCKS

Starbucks probably doesn't need an introduction. With almost 30,000 shops across the world, this multi-billion company is the biggest coffee chain today. Starbucks' revenue has almost tripled during the decade - the company was estimated to be the second most valuable fast food brand globally in 2017. (Statista 2019.)

With its loyalty application 'My Starbucks Rewards', Starbucks has taken personalization and consumer preferences to the next level. The loyalty program is based on a user-friendly, convenient application that enables

consumers to find their closest coffee shops as well as make their order and pay upfront. Consumers can earn loyalty points (or stars, as Starbucks call them) by paying through the application or by participating in challenges and activities.

By centralising all purchases to the application, consumers gets a convenient shopping experience while Starbucks gains an enormous amount of data – consumer locations, preferences and routines. Simultaneously, Starbucks can pursue personalized advertisement through the application. (Oragui 2018.) According to recent studies (2018), My Starbucks Rewards is the most regularly used loyalty program among restaurant chains in the US (Panko 2018).



Image 14. Starbuck Rewards banner.

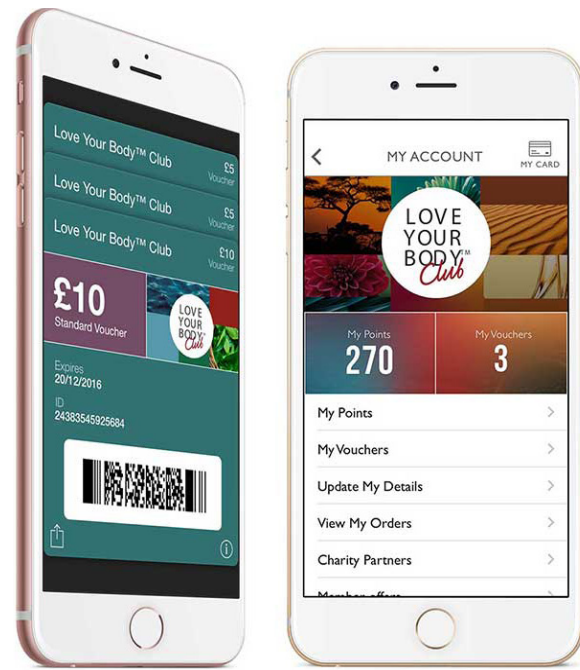


Image 15. The Body Shop application.

In order to differentiate from the competition, The Body Shop recently launched a new loyalty program (Waller-Davies 2016). With the 'Love Your Body Club', The Body Shop has proven that loyalty schemes don't necessarily have to include discounts and offers in order to create value for consumers.

Instead, The Body Shop's loyalty program supports the company values by making it possible for consumers to donate their loyalty credits to charity initiatives against animal welfare (The Body Shop 2019). This enables The Body Shop to connect with consumers in a purposeful, unique way, which further underpins the company's values and strengthens the brand-customer relationship.

THE BODY SHOP

The Body Shop is a global manufacturer and retailer of organic beauty products and cosmetics. The brand's business concept is founded on natural beauty ingredients and zero tolerance for animal testing, and the company has been a leader in the natural beauty segment for decades. However, the favour for natural beauty products has grown and new competitors have emerged over the years. (Schipani 2017.).



Image 16. The Body Shop value banner.

5.5 CONSUMER INTERVIEWS

The purpose of interviewing consumers was to understand why they become and remain loyal to specific dog food brands and to recognize their needs and expectations regarding loyalty initiatives in the dog food industry. In addition, interviewees were asked about their general opinion of Pro Plan.

The interviews were conducted in three specialist pet food shops and at a international dog show in Southern Sweden. A total of 16 consumers participated in the study, of which all were users of different dog food brands. The participants were randomly recruited on the spot and interviewed for approximately 15 minutes. The consumers received a free 3 kg package of Pro Plan dry food of their choice in return for their participation.

The interviews were performed in a semi-structured manner, which refers to a combination of a structural and in-depth approach. Consumers were asked questions based on a protocol with open-ended question, although the questions were modified to more close-ended if needed. The interview protocol can be viewed in the attachments of this thesis.

QUALITY COMES FIRST

A majority of participants agreed that the most important factor behind their loyalty is the dog's wellbeing. As most interviewees were consumers of premium dog foods, they were generally aware of the varying health benefits and nutritional approaches of different brands. Consumer also seemed to have strong believes in what's best for their dogs; some were trusted users of distinguished, science-oriented brands and others were convinced by natural, 'clean' dog foods.

DRIVERS OF LOYALTY

Around half of the 16 participants informed that they belonged to a loyalty program of a dog food brand. A majority of these were breeders, which is logical as many dog food brands only offer loyalty programs for breeders and hunters. When participants were asked about what had made them – or could make them – join a loyalty program, they divided into two opposite standpoints; discount-driven and support-driven consumers.



Image 17. Dog show in Hyllie, Sweden.

DISCOUNT-DRIVEN CONSUMERS

Discount-driven consumers highlighted the need for long-term economic gain and convenience in terms of availability and retail partners. Owning a dog is expensive; particularly as high-quality dog food brands are continuously increasing their prices. Royal Canin and Eukanuba got appreciative comments for their generous loyalty discounts, although participants weren't generally satisfied with the price-quality ratio of their products. All participants preferred digital loyalty systems over physical cards.

“No more cards, please.”

– Elvira, owner of an Amstaff

SUPPORT-DRIVEN CONSUMERS

Consumers who weren't attracted by discounts, emphasized the importance of trust between brand and consumers in addition to convenient, upscale service and support. For some, support meant easily accessible customer service and for others, it meant invitations to events and seminars or free brand products. However, a majority emphasized that contact should to happen on the consumer's terms – email spamming only pushes them away.

“My dogs are everything to me. Whenever there's a problem with their food, I want to be able to contact an expert.”

– Jenny, owner of two Landseers

INDUSTRY EVENTS

Consumers agreed that it's vital that brands are present on fairs and events, as they enjoy meeting and talking to the representatives of their dog food supplier. They want to be able to connect the brand to people and familiar faces.



5.6 CONSUMER VALIDATION

In this study, consumers were asked to validate early ideas and concepts by commenting on drafts and descriptions of ten service concepts. The validation sessions took place at the end of each consumer interview at the dog show in Malmö, Sweden. The objective of pursuing consumer validation was to gain consumer insights and opinions on the concepts, while rendering ideas and direction for future development. Moreover, the validation sessions either confirmed or declined assumptions that had been made earlier in the process.

MONETARY REWARDS

Consumers were presented alternatives of three different reward systems; loyalty credits (such as points), fixed percentage discounts and stamp cards (e.g. “get every 5th package for free”). A majority of participants preferred fixed discounts, as they were seen as the most convenient and financially beneficial alternative. Loyalty credits were the second most popular alternative, assuming that the credits could be used for buying products. However, some participants felt that redeeming loyalty credits is sometimes complicated.

“Loyalty points are so difficult. I always forget to use them.”

– Hans, breeder of Dobermanns

MEANS OF CONTACT

The validation results suggest that consumers favour basic, convenient contact methods, such as online chats, email and phone calls. Older participants tended to favour calling rather than using digital contact methods, but even they were in favour of digital contact forms. Participants agreed that it's important that brands provide convenient, easily accessible means of contact, even if not needed very often.

BRAND PRODUCTS

Despite a few participants who weren't interested in materialistic rewards, the majority were delighted of the idea of free brand products. Participants particularly favoured foldable chairs, blankets and crates, which is only natural, since the study took place at a dog show. The observations suggest that brand products could create mutual value for consumers and the brand; consumers feel appreciated and Pro Plan gets increased visibility at industry events.



Image 18. Dog show in Hyllie, Sweden.

SOCIAL MEDIA ACTIVITY

The study implies that dog owners and breeders are generally active users of social media, although the channels vary; younger consumers seem to favour Instagram, while older (30+) consumers mainly use Facebook. Regardless of platform, social media campaigns and initiatives received a warm reception among consumers – particularly initiatives that include monetary incentives e.g. discount coupons and free deliveries.

CHARITY INITIATIVES

When presented ideas of charity initiatives, many participants seemed surprised. Several participants noted that only a few dog food brands address the matter of social and environmental responsibility. Consumers were intrigued by the idea that they could contribute to charity through a loyalty program, although not everyone were keen on giving up their benefits for it.

“Everyone knows that the dog food business isn’t good for the environment.”

– Ulrika, owner of a Pomerian puppy

PROMOTION OF BREEDERS

According to breeders, kennels often have their own websites and Facebook pages, but getting online visibility and sufficient reach is difficult, especially since many don’t understand the fundamentals of online marketing.

Therefore, participants were generally in favour of incorporating kennels and promotion of puppies in the loyalty platform. Particularly breeders of less common breeds were excited about the idea of promoting their kennels and litters through the loyalty program.



5.7 RESEARCH SYNTHESIS

The research data provided a substantial amount of observations, which were analysed and synthesised after each study. The research synthesis included organizing and clarifying data, finding patterns and themes, as well as interpreting the observations.

In order to ensure a relevant synthesis outcome, only the most essential observations were considered in the final synthesis. Some observations were intentionally left out, such as the demand for an upgraded puppy kit, as it does not directly relate to the research objectives. However, for sake of clarity, offering free puppy kits has become an industry standard, and they're critical incentives of loyalty for breeders. It would hence be recommendable that Pro Plan's puppy kit matches the expectations in the future.

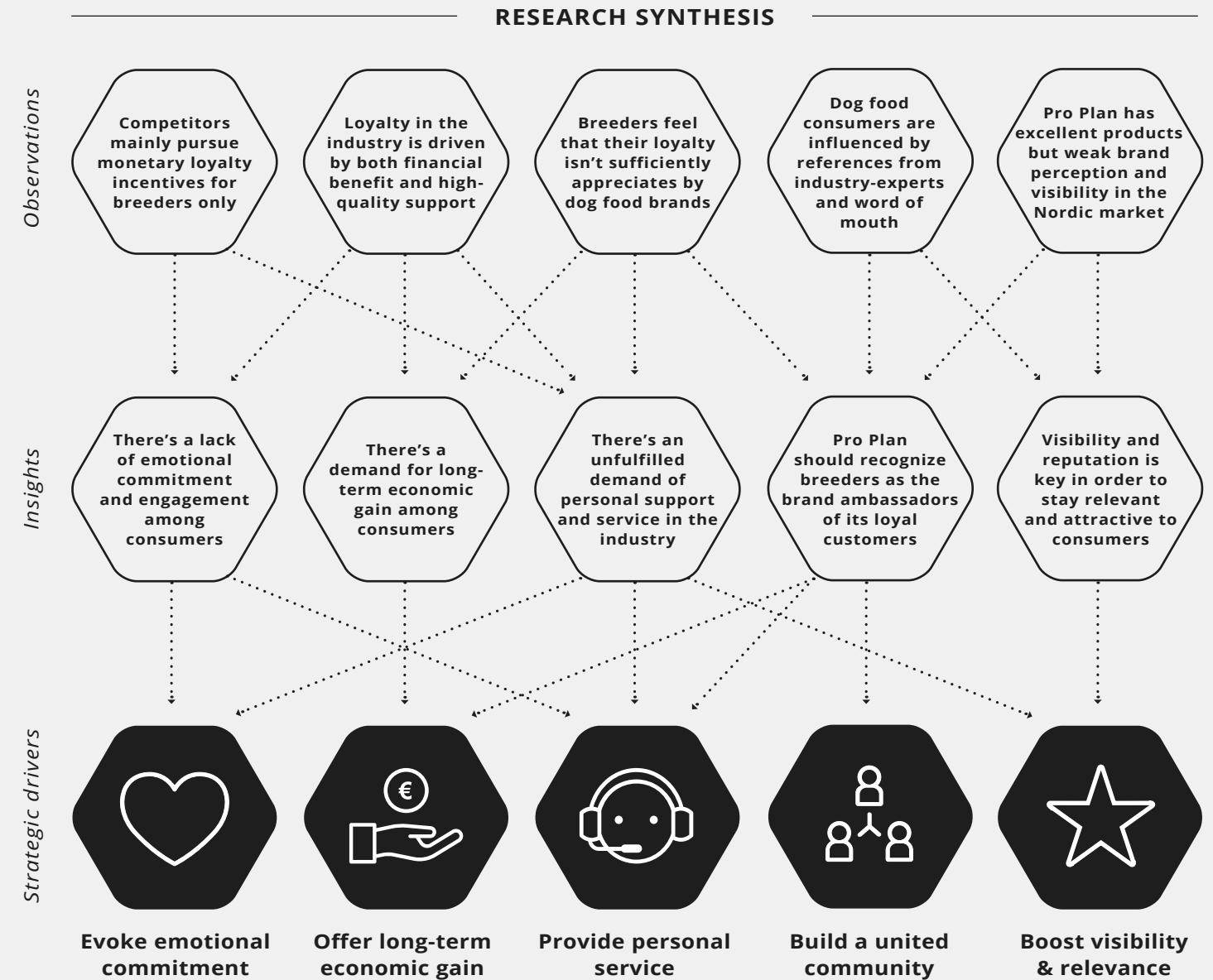
The research synthesis empowered five actionable insights, which serve as the strategic drivers of the project outcome and the foundation of the strategic roadmap. Again, the drivers were compared to the observations and research objectives to ensure their reliability and relevance.

EVOKE EMOTIONAL COMMITMENT

According to current literature on customer loyalty, genuine and resilient customer loyalty derives from emotional commitment and memorable customer experiences (Chahal 2016; Global Pets 2019). Yet, competitors in the Nordics mainly pursue monetary loyalty initiatives, while ignoring emotion-driven aspects of loyalty (see chapter 5.3 *Competitive analysis*). Therefore, Pro Plan has the opportunity to differentiate by offering a loyalty scheme that provides value beyond the shopping experience – incentives that have emotional value to consumers and reinforce customer engagement.

OFFER LONG-TERM ECONOMIC GAIN

Notwithstanding the importance of emotional value, observations from consumer interviews confirm that monetary incentives are effective ways of attracting consumers and maintaining loyalty. By offering unconditional, long-term economic gain, Pro Plan can earn trust and likeability among consumers while ensuring repeated purchase and concurrently pursuing emotional incentives.



Graph 11. Research synthesis.



image 19 - Store visit in Landängen, Sweden.

PROVIDE PERSONAL SERVICE

According to research observations, there's an unfulfilled need of personal customer support and service in the Nordic industry. Although consumers rarely need to contact the dog food supplier, they want to know that they have convenient access to expertise if needed. Therefore, Pro Plan needs to provide convenient, user-friendly means of contact that lead directly to expert support. In order to strengthen the customer experience, the service needs to be personal and thorough.

BUILD A UNITED COMMUNITY

According to research observations, the consumer's choice of dog food is mainly influenced by industry experts and word of mouth. As market leaders have conquered the veterinary channel, Pro Plan needs to strengthen its relationship with breeders in order to reach the dog owners. Therefore, Pro Plan needs to make breeders the brand ambassadors of its loyal community, while enabling a mutually beneficial setup between breeders, dog owners and the brand.

BOOST VISIBILITY AND RELEVANCE

Being visible and relevant in the market is vital in order to gain reputation, and therefore earn customer loyalty. Consumers enjoy seeing and interacting with representatives from their dog food brand, which also enables Pro Plan to strengthen its relationship with consumers.

In order to improve visibility, the brand needs to succeed in three areas; consistent presence at major industry events (such as dog shows and competitions), as well as sufficient online presence and relevant, personal content. Thereby, the loyalty program needs to enable consumer data collection. Additionally, Pro Plan needs to be active on relevant social media channels, such as Instagram and Facebook.

6. The outcome

- 6.1 Strategic roadmap
- 6.2 Loyalty journey 2.0
- 6.3 Loyalty program 2.0
- 6.4 Service concepts
- 6.5 Concept analysis

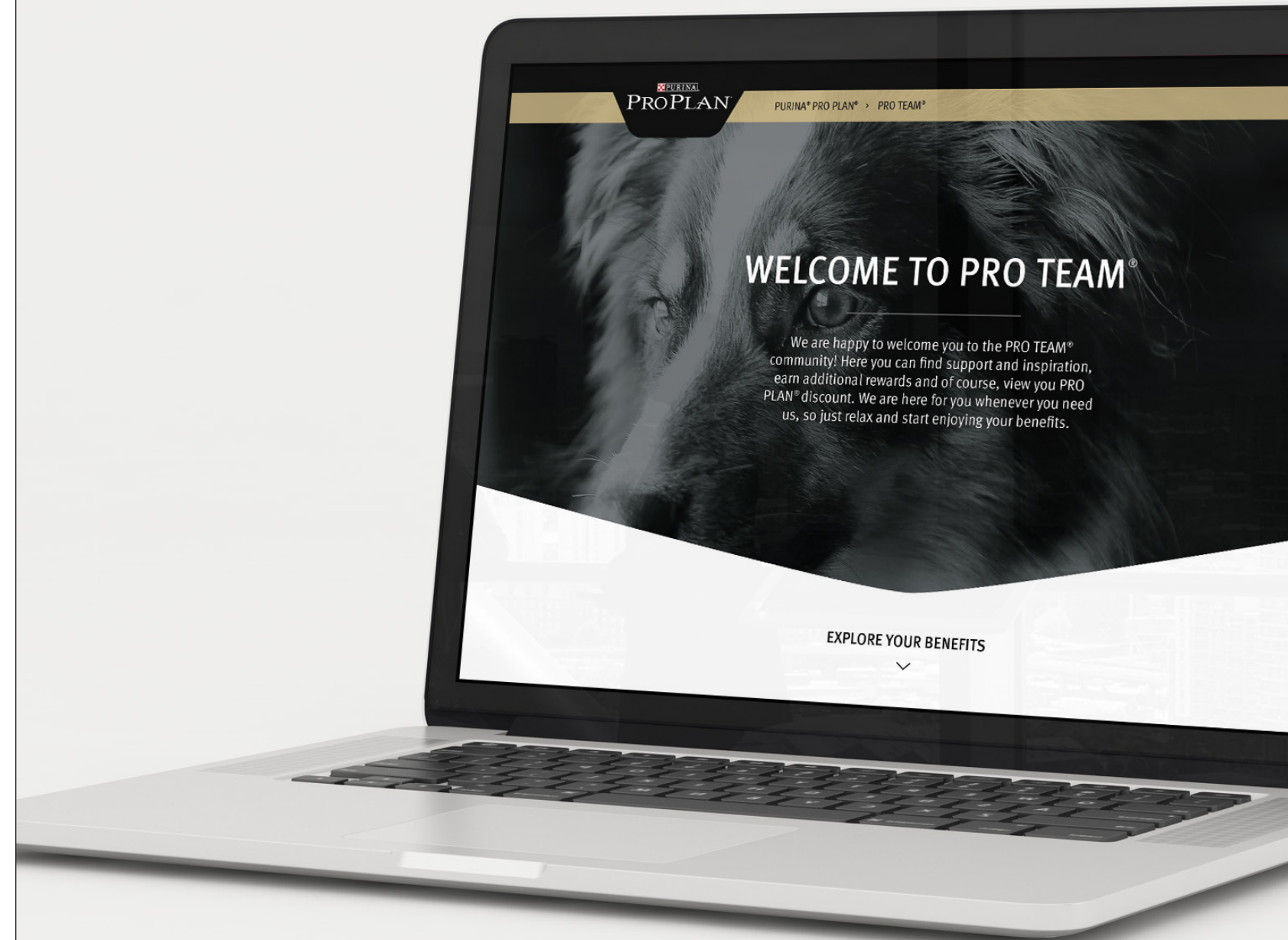


Image 20. Mockup of PRO TEAM landing page.

6.1 STRATEGIC ROADMAP

The strategic roadmap is divided into three strategic focus areas, which demonstrate separate points of action. Each strategic focus area includes three actionable service concepts (see chapter 6.3 *Pro Team*). When brought together in a unified loyalty scheme, these concepts empower competitive advantage for Pro Plan and responds to consumer needs and desires. The recommended schedule prioritizes critical and straightforward concepts, and more advanced concepts are left for a later stage.

REWARD

Providing monetary incentives for loyal consumers is an industry standard that can neither be ignored nor avoided. However, by generating instant gratification while concurrently providing long-term economic gain, Pro Plan can increase trust and appreciation among loyal members. The monetary incentives gives consumers a reason to choose Pro Plan every time they make a purchase while repeatedly reminding them why they should stay loyal to the brand.

SUPPORT

Although providing monetary rewards creates positive shopping experiences, it doesn't empower competitive advantage or long-term, genuine loyalty among consumers. According to consumer insights, personal support is one of the most critical – yet unfulfilled – consumer needs in the industry. By offering support in form of upscale service and repeated encouragement, Pro Plan can reinforce its relationship with loyal members and gain a favourable reputation in the industry.

ENGAGE

Engaging incentives focus on creating a deeper, more resilient relationship with individual members while empowering a sense of belonging within the Pro Plan community. Building customer engagement requires actions that evoke emotional commitment among members – incentives that have personal value to them and makes them feel important. By showing appreciation and evoking a team spirit among members, Pro Plan can create memorable customer experiences that exceed the consumer expectations and reinforces loyalty.



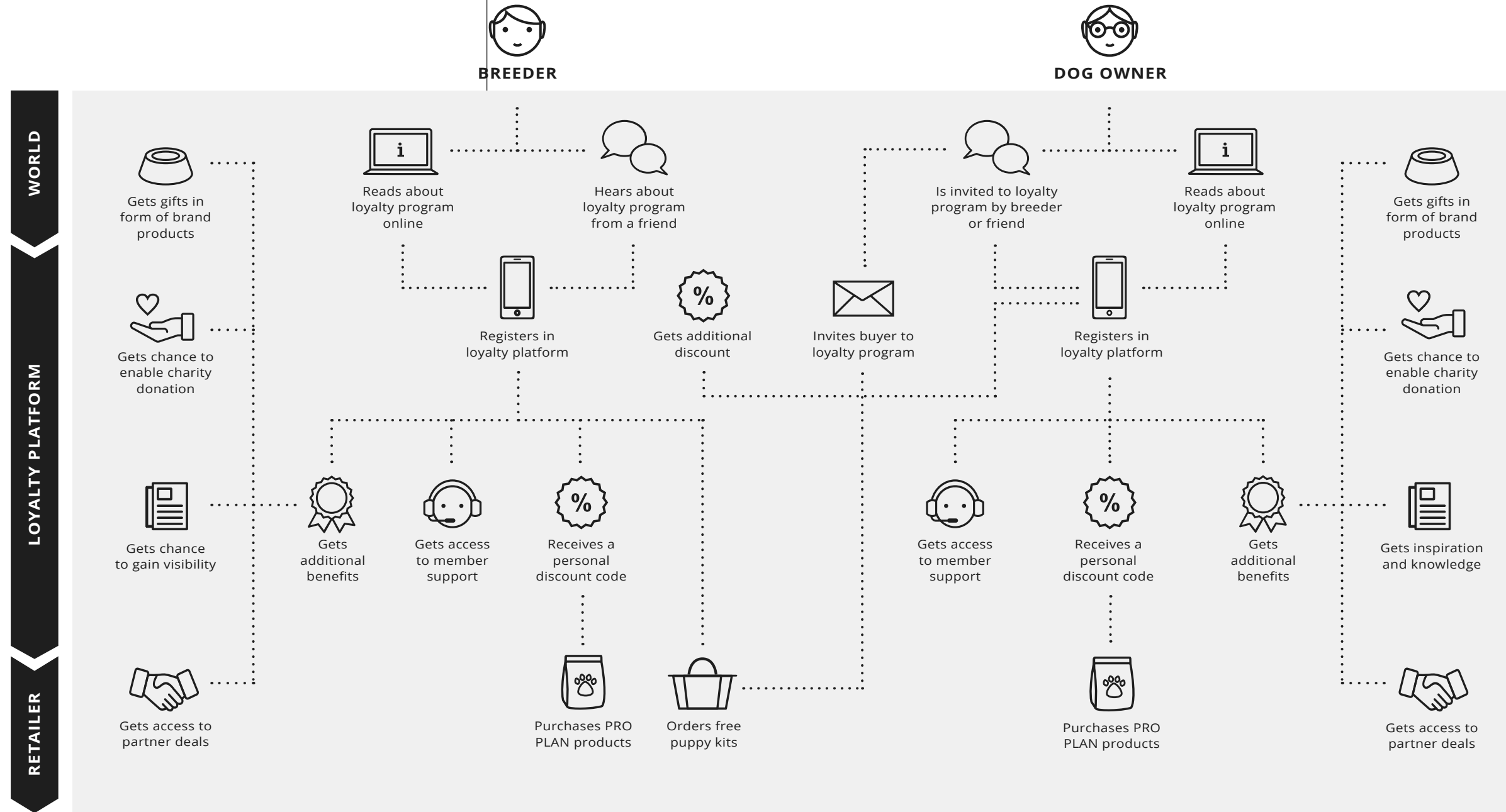
Graph 12. The strategic roadmap.

6.2 LOYALTY JOURNEY 2.0

Unlike the customer journey in loyalty program 1.0 (see chapter 2.5 *Loyalty program 1.0*), the 2.0 journey centralises the loyalty initiatives in the online platform, which drives traffic to Pro Plan’s website and enables a more unified loyalty offering. In contrast to newsletters, contact within the loyalty platform does not require daily use of external software or provoke frustration among members.

By providing monetary rewards for breeders who invite puppy buyers to the loyalty program, the loyalty journey creates a closed loop that enables efficient recruitment of new members while rewarding and showing appreciation to existing ones. Similarly to the breeders, the dog owners get additional monetary rewards as well when they invite friends to the loyalty program. However, the rewards are received only when the invited person registers in the platform.

Since Pro Plan does not have its own online shop, redeeming discounts must still happen at third-party retailers, which requires alignment between the brand and partner retailers. However, providing each member with a fixed discount code is still more efficient than sending out frequent one-time discounts.



Graph 13. Customer journey in loyalty program 2.0.

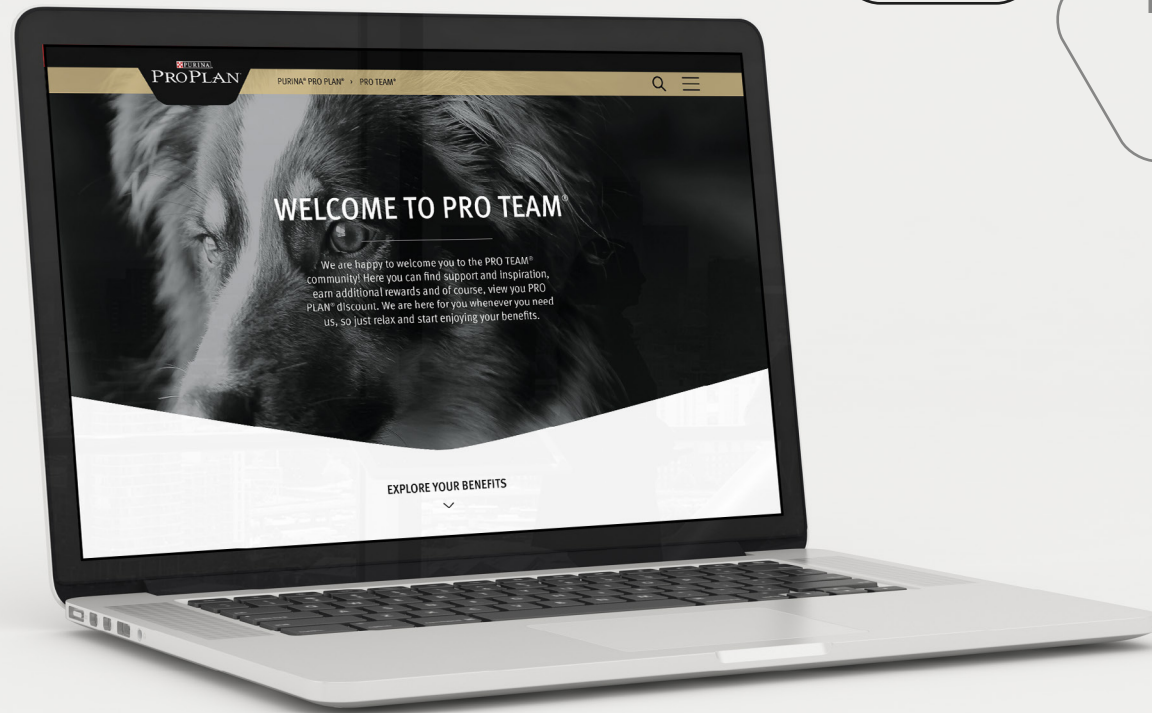


Image 21. Mockup of PRO TEAM landing page.

6.3 LOYALTY PROGRAM 2.0

The 'Pro Team' loyalty program is an extension of the brand experience. It's a community of loyal Pro Plan customers, where dog owners, breeders and the brand receive mutual benefit by creating value for each other.

Pro Team allows customers to associate the brand with positive experiences, which reinforces Pro Plan's reputation and boosts loyalty. By providing value

both within and beyond the shopping experience, Pro Team strives to evoke lasting engagement and emotional commitment among customers.

In addition, Pro Team provides a resourceful platform for data collection, which enables Pro Plan to provide relevant, personalized service and content in the future. Briefly, Pro Team offers added value in form of a rewarding, supportive and engaging community in return for customer loyalty.

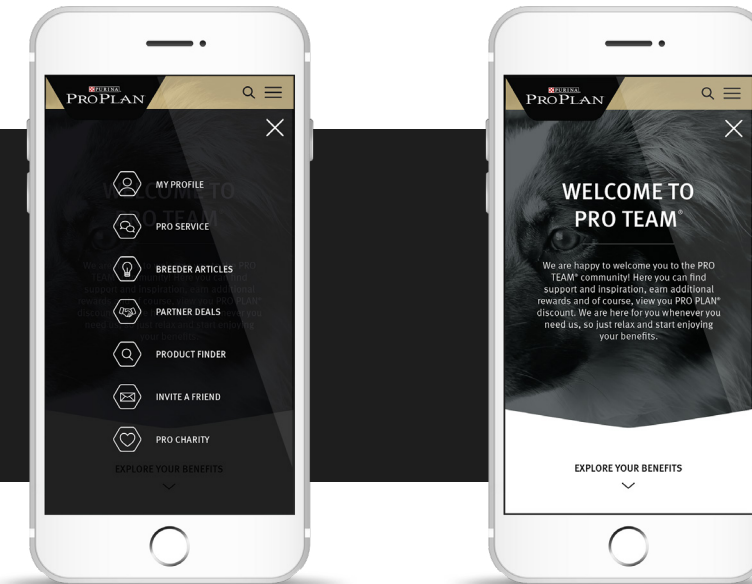


Image 22. Mockup of PRO TEAM mobile landing page and menu.

6.4 SERVICE CONCEPTS

The service concepts demonstrate actionable solutions that can be integrated in the Pro Team loyalty platform. A majority of the concepts can be implemented in a volitional order, but some require primary implementation of another concept in order to deliver on its original purpose.

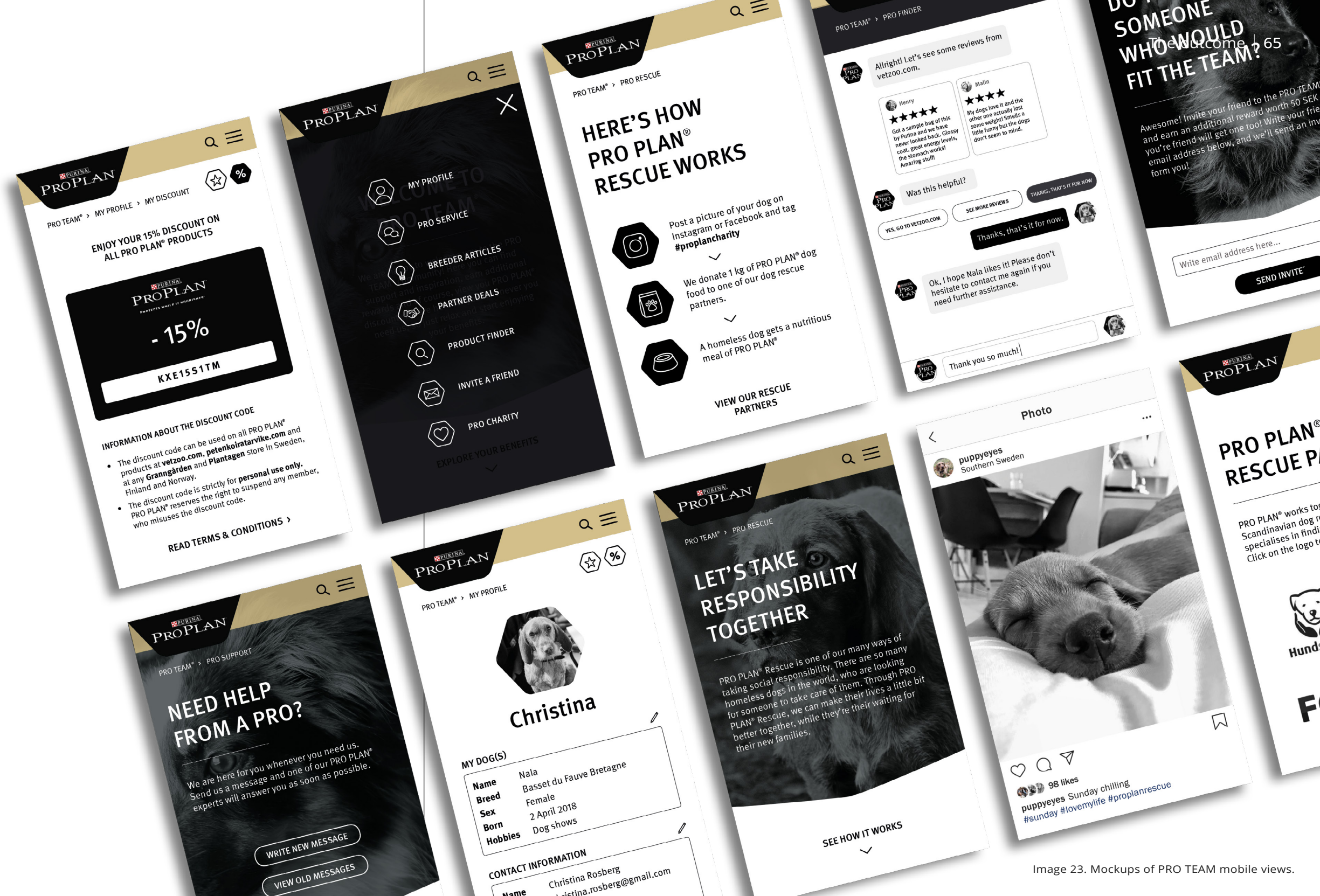


Image 23. Mockups of PRO TEAM mobile views.

MEMBER PROFILE

The member profiles are a personal profile pages in the loyalty platform, in which members can fill in relevant information about themselves and their dogs as well as view their personal discount code and additional rewards. Integrating personal profiles in the loyalty platform is critical in order to collect consumer data. In addition, personal profiles enable other loyalty initiatives, such as the Pro Finder and Pro Gadgets. The more information a member gives up, the more personalized service can be provided.



- 1 Member registers in loyalty program through website
- 2 Member fills in relevant (yet optional) information in the loyalty platform
- 3 Pro Plan gets access to consumer data that enables personalised service

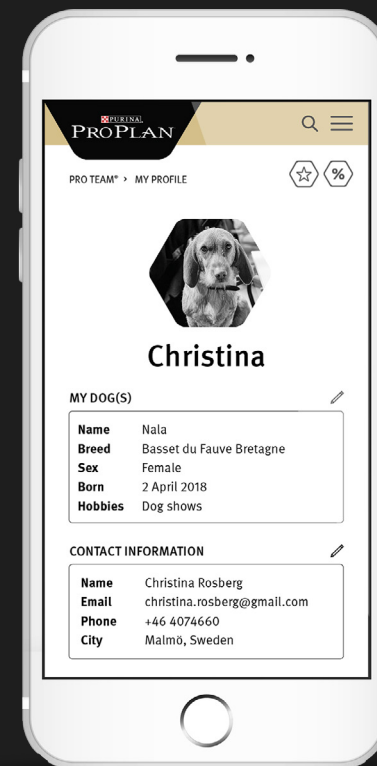


Image 24. Mockup of the 'Member profile'.

PRO DISCOUNT

The Pro Discount is a fixed percentage discount that reward members for each purchase and encourage them to stay loyal to Pro Plan in the future. The discounts are standing, which empowers trust and reliability among members.

The Pro Discount is valid at selected online and specialist retail partners, e.g. Vetzoo.com, Granngården and Plantagen. The discounts are for personal use only, which is communicated in the terms and conditions as well as in the online purchase phase.

- 1 Member views discount in the Pro Team profile
- 2 Member gets discount on Pro Plan's products in selected online retailers
- 3 Pro Plan refunds the difference to online retailer

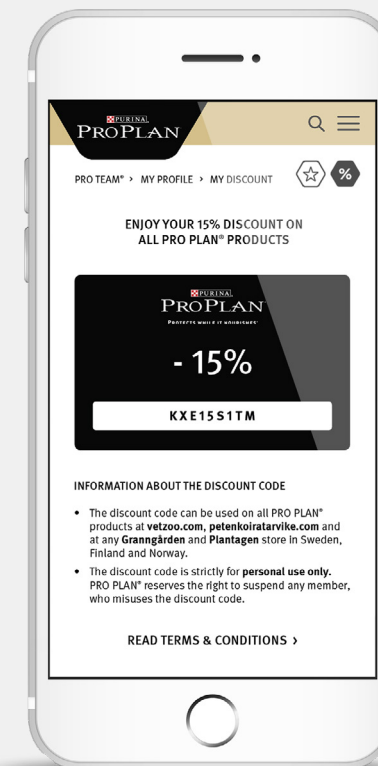


Image 25. Mockup of the 'Pro Discount'.



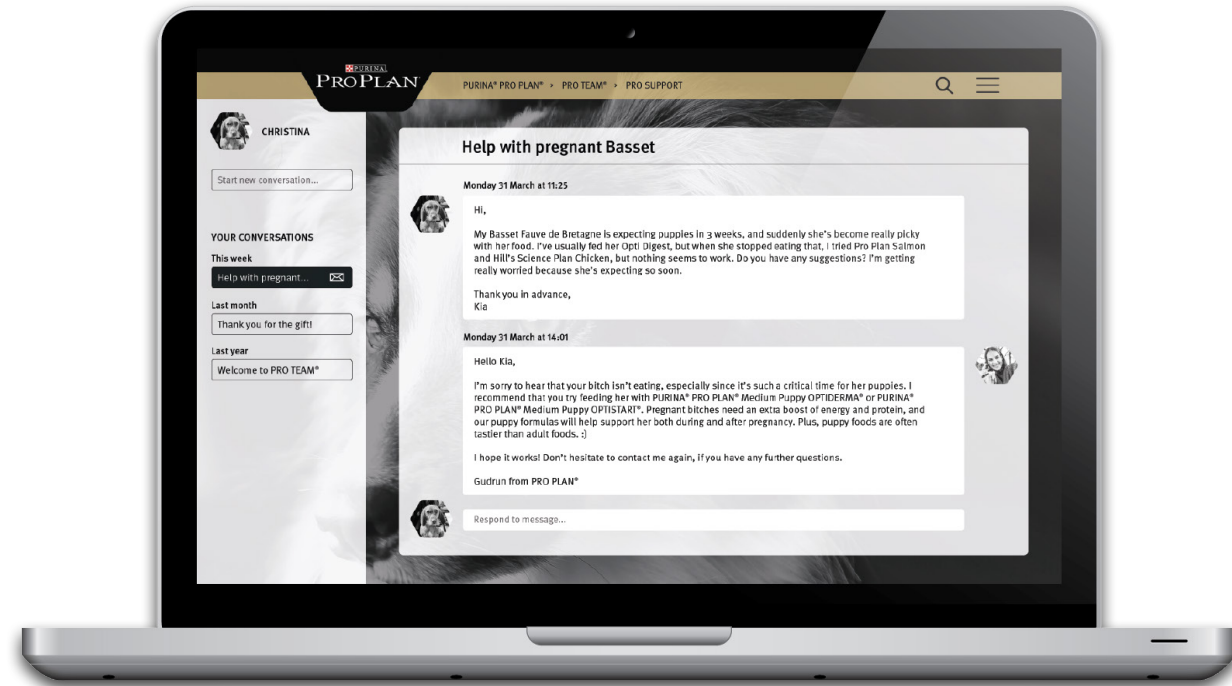


Image 26. Mockup of a 'Pro Service' conversation.

PRO SERVICE

Pro Service is a user-centric, convenient mean of contact, which allows members to get in touch with and consult Pro Plan experts through the loyalty platform. In contrary to call lines and emails, the Pro Service solution saves time and effort for both parties without compromising personal and qualitative interaction.

In order to deliver on its purpose, the solution needs to automatically extract data from the member's personal profile and enable Pro Plan experts to access consumer data conveniently without further effort.

- 1 Member contacts Pro Plan through Pro Service solution in loylaty platform
- 2 Pro Plan experts answer message during the next work day
- 3 Member gets personal and convenient service and expert support
- 4 Pro Plan gets to support members and provide positive customer experiences

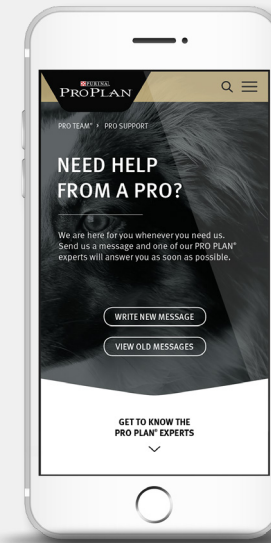


Image 27. Mockup of the 'Pro Service' landing page.

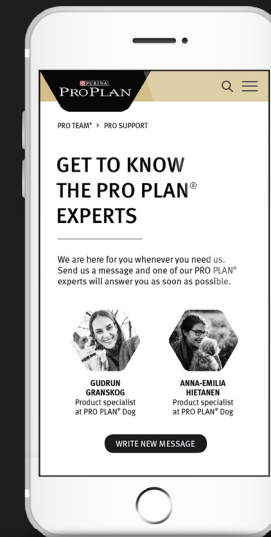


Image 28. Mockup of the 'Pro Service' experts.

INVITE A FRIEND

All dog owners and breeders, who invite friends or puppy buyers to Pro Team, receive an additional discount coupon for every invited person that registers in Pro Plan's loyalty program. Enabling members to invite their friends or puppy buyers to the loyalty program empowers communality among members and enables Pro Plan to recruit new loyal members while increasing awareness among consumers.

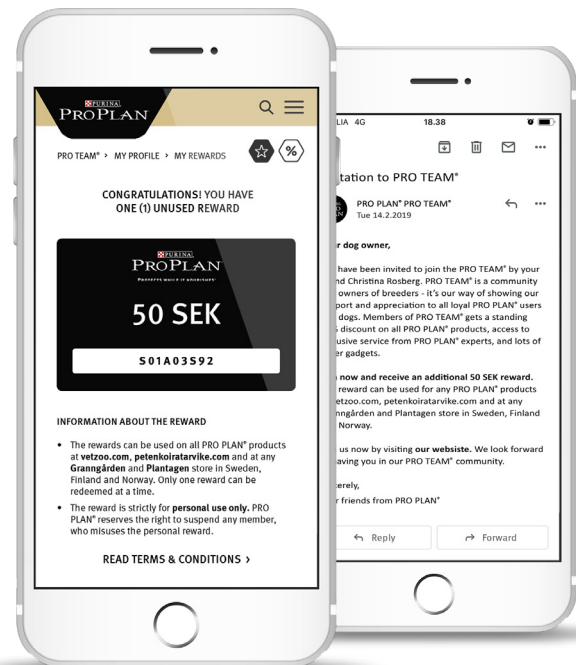


Image 29. Mockup of the 'Invite a friend' discount and email invitation

In addition, the rewards serve as incentives for breeders to recommend Pro Plan to puppy buyers, which is critical in order for Pro Plan to regain relevance and competitiveness in the market. Dog owners can send a maximum of three invites per month, however, breeders can send invites to all their puppy buyers. The discount coupons can be redeemed at selected online and specialist retail partners, which further increases partners' interest in reselling Pro Plan's products.

- 1 Member/breeder sends Pro Plan the email address of friend/puppy buyer
- 2 Pro Plan sends email invite to friend/puppy buyer
- 3 Friend/puppy buyer subscribes through Pro Plan's website
- 4 Friend/puppy buyer gets discount to online retailer
- 5 Member/breeder gets discount to online retailer

PRO PLAN

Increased visibility and brand awareness as well as higher prospect of gaining consumer data

MEMBERS

Opportunity to earn additional rewards and share positive experiences with a third party

FRIENDS AND PUPPY BUYERS

Opportunity to get invited to loyalty program and earn additional rewards

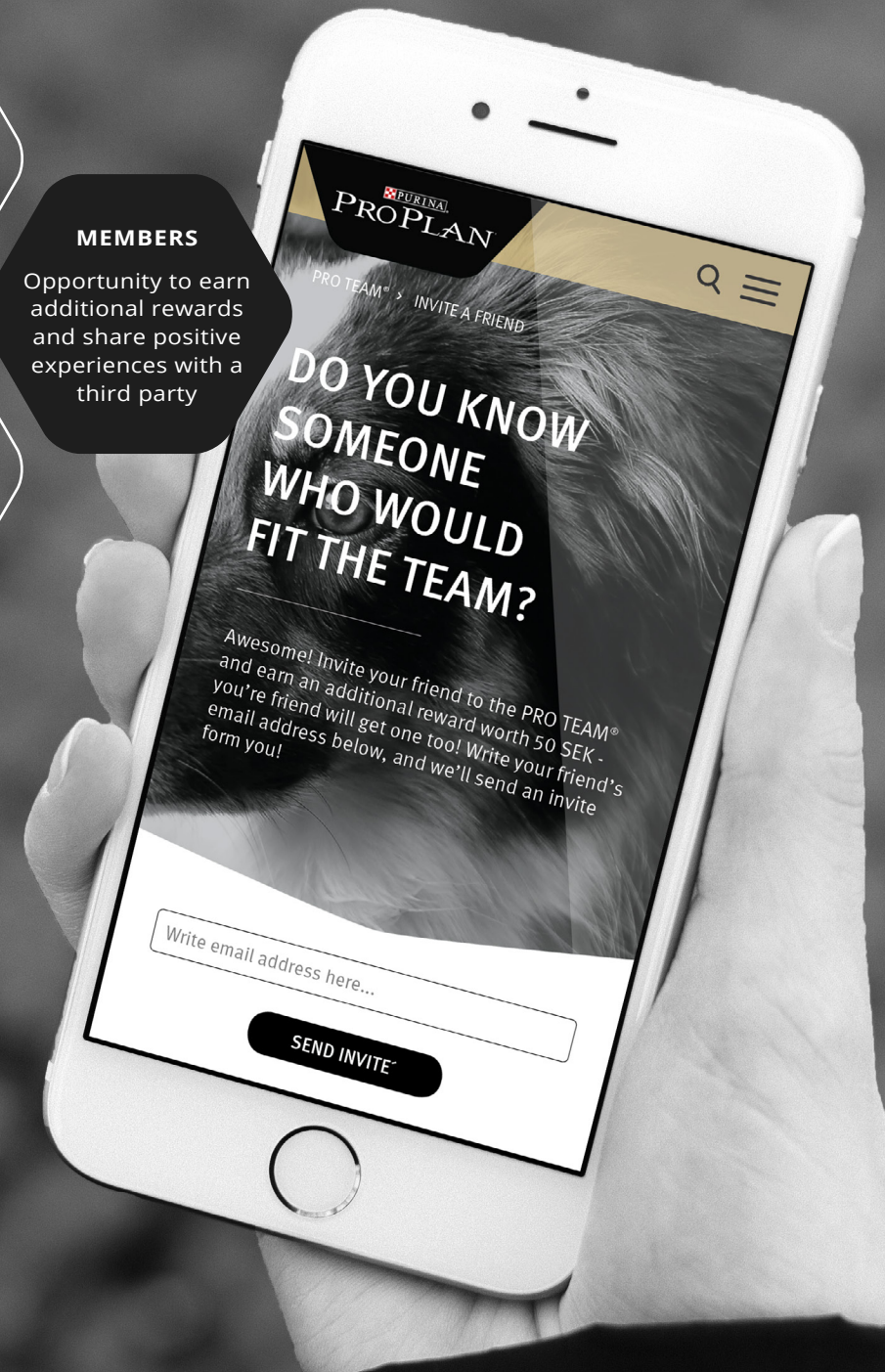


Image 30. Illustration of the 'Invite a friend' landing page.

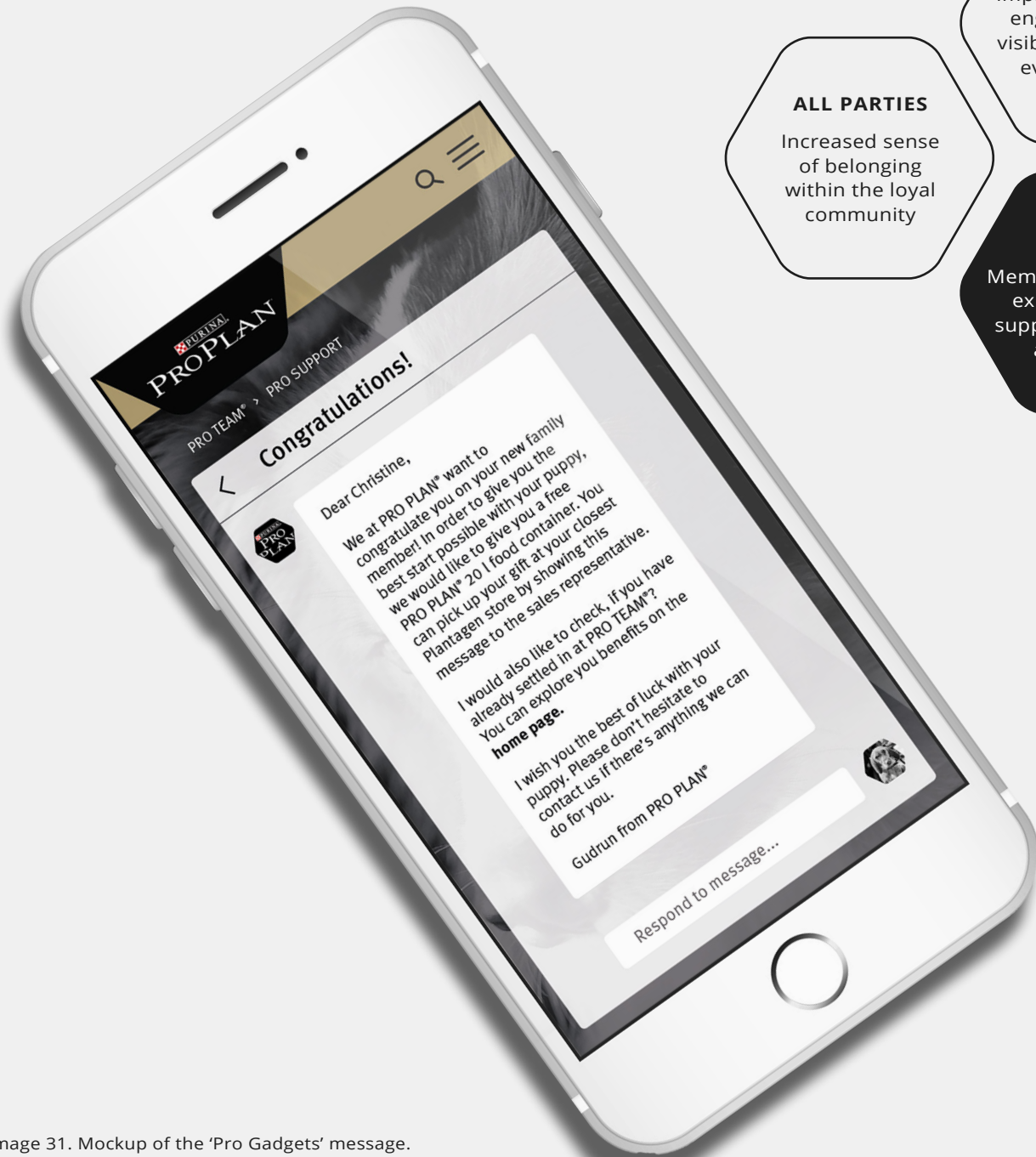


Image 31. Mockup of the 'Pro Gadgets' message.



PRO GADGETS

Pro Gadgets are surprise gifts for loyal members, such as when they win a dog show or get a new puppy. Receiving gifts make members feel seen and appreciated, while Pro Plan gets an opportunity to provide a memorable customer experience and improve brand reputation. In addition, brand products boost brand visibility at industry event and in the streets, as well as evoke a sense of belonging among loyal Pro Plan users.

Offering relevant gifts to members requires access to their personal information, such as where they live, what kind of dog they have and what their hobbies are. This information can be attained from personal member profiles.



Image 32. Illustration of a Pro Plan food container.



Image 33. Illustration of a Pro Plan foldable crate.

- 1 Member wins a dog show or competition, gets a new puppy or similar
- 2 Pro Plan sends member a congratulation message
- 3 Pro Plan sends brand product to member via postal service or partner retailer
- 4 Member picks up product from postal office or partner retailer

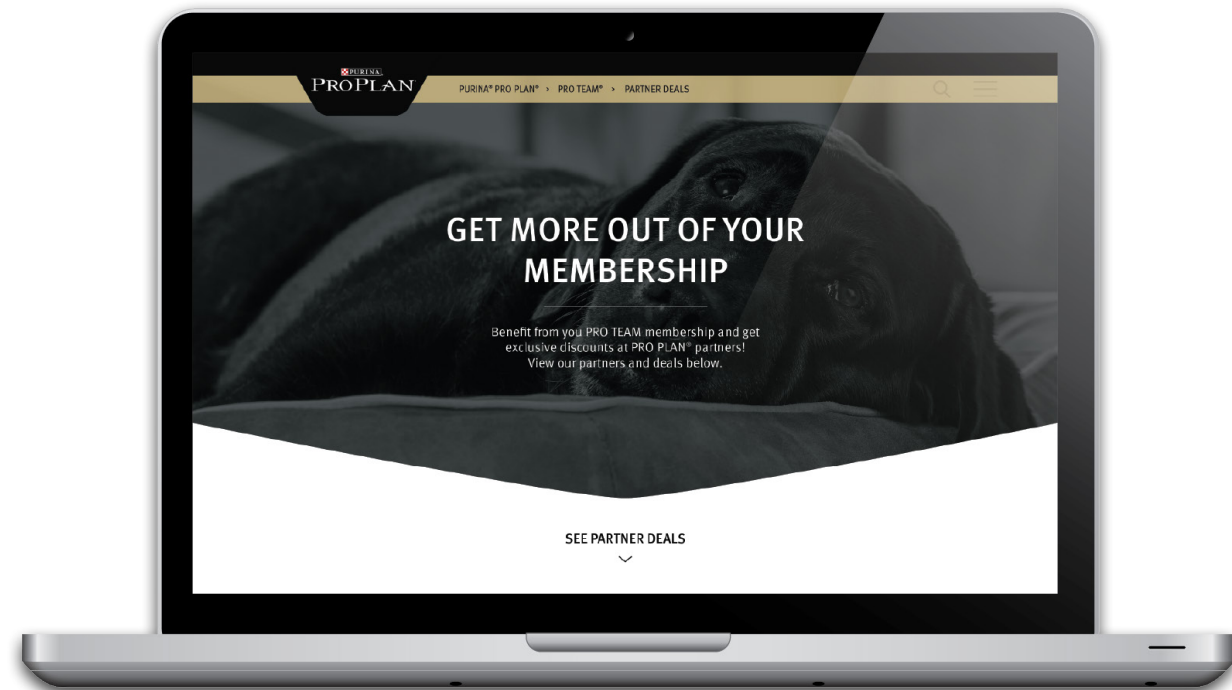


Image 34. Mockup of the 'Partner deals' landing page.

PARTNER DEALS

Partner deals are exclusive discounts at Pro Plan's partners, e.g. veterinary clinics and publishing houses, which enable Pro Team members to benefit from their membership in a larger context. Concurrently, Pro Plan's get the opportunity to incorporate the brand in a larger context of members' lives. The partner deals are promoted in the loyalty platform and in social media channels. The partners are selected based on relevance and suitability.



- 1 Member reads/hears about partner deals
- 2 Member goes to partner store/online shop and shows Pro Team profile to partner
- 3 Member receives discount from partner

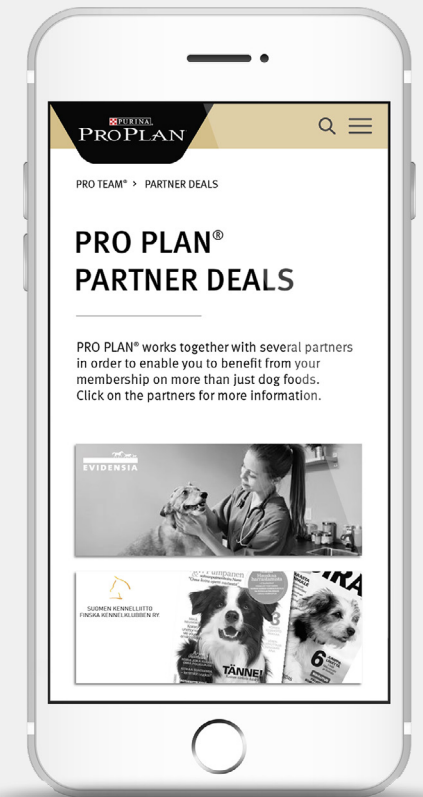
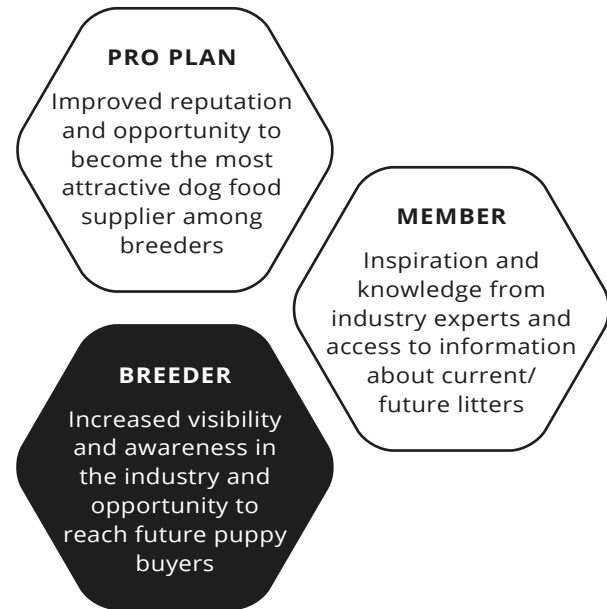


Image 35. Mockup of the 'Pro Plan partners' landing page.

BREEDER OF THE MONTH

The 'Breeder of the month' concept includes in-depth articles on individual breeders. The articles are published monthly in the loyalty platform and a teaser is posted in Pro Plan's social media channels. The initiative increases visibility and reputation of individual breeders while strengthening their status as brand ambassadors of Pro Plan, which further reinforces Pro Plan's position as an attractive dog food supplier.



In addition, the concept provides added value for dog owners in form of inspirational content and knowledge from industry experts.

All Pro Team breeders have the opportunity to be promoted in an article through a digital form, which is incorporated in the platform. To ensure relevant content, each Nordic country (Sweden, Finland and Norway), publishes its own breeder articles.

- 1 Breeder fills in application form in loyalty platform
- 2 Pro Plan receives application from breeder
- 3 Pro Plan contacts breeder for interview
- 4 Pro Plan publishes article in loyalty platform and a teaser in social media
- 5 Members get inspiring content and breeders get visibility

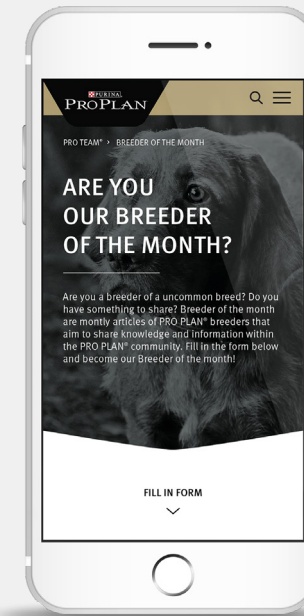


Image 36. Mockup of 'Breeder of the month' landing page.

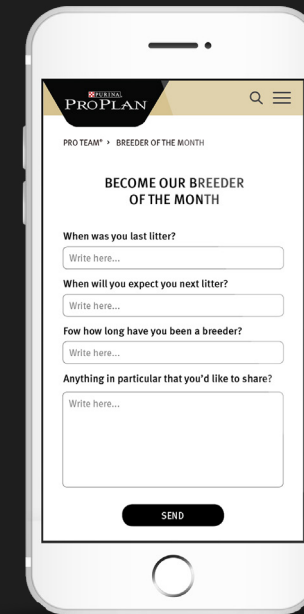


Image 37. Mockup of 'Breeder of the month' application form.



Image 38. Illustration of 'Breeder of the month' article.

PRO FINDER

The Pro Finder offers personalized product recommendations and detailed information, store localisation, as well as reviews with the help of conversational artificial intelligence.

The Pro Finder educates and encourages consumers by explaining the nutritional benefits and components in the products and importing reviews from online retailers, which reinforces transparency and trust between members and Pro Plan. Moreover, the Pro Finder provides convenient, personalized customer support while saving time and resources for both the company and its customers.

- 1 Pro Finder recommends products based on member profile and further preferences
- 2 Pro Finder explains benefits of product and offers detailed product information
- 3 Pro Finder finds product in closest store or online retailer
- 4 Pro Finder provides online reviews on product

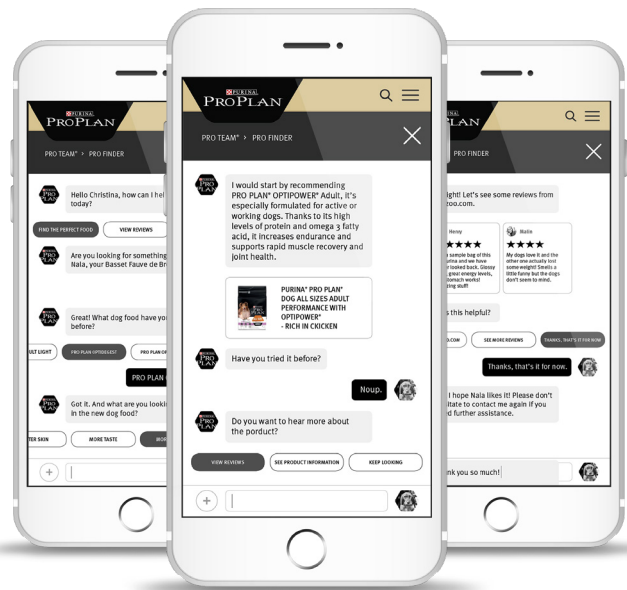


Image 39. Mobile view of 'PRO Finder' conversation.

I would start by recommending PRO PLAN® OPTIPOWER® Adult, it's especially formulated for active or working dogs. Thanks to its high levels of protein and omega 3 fatty acid, it increases endurance and supports rapid muscle recovery and joint health.

Would you like to hear more about the formula, read reviews or find out where you can purchase this product? Or should we keep looking?


SEE PRODUCT INFORMATION

READ REVIEWS


FIND IN STORE OR ONLINE SHOP

KEEP LOOKING


Perfect! Here are some reviews from vetzoo.com

 **Henry**
★★★★★

Got a sample bag of this by Purina and we have never looked back. Glossy coat, great energy levels, the stomach works! Amazing stuff!

 **Malin**
★★★★★

My dogs love it and the other one actually lost some weight! Smells a little funny but the dogs don't seem to mind.

 **Emma**
★★★★★

My 2 y husky has been eating poorly and losing weight for the past year. Last month, I contacted my breeder, who told me to try Pro Plan. I must say, the change is unbelievable! I would warmly recommend this product for anyone with similar problems!

Was this helpful?

Yes, thanks

Would you like to read more reviews or find out where you can purchase this product?

READ MORE REVIEWS

FIND IN STORE OR ONLINE SHOP

THANKS, THAT'S IT FOR NOW

Allright. I hope that you've found a solution to your problem and that Nala enjoys her new food. :) Please don't hesitate to contact me again if you have further questions.

Thank you so much!

No problem, until next time!

Image 40. Illustration of 'PRO Finder' conversation.

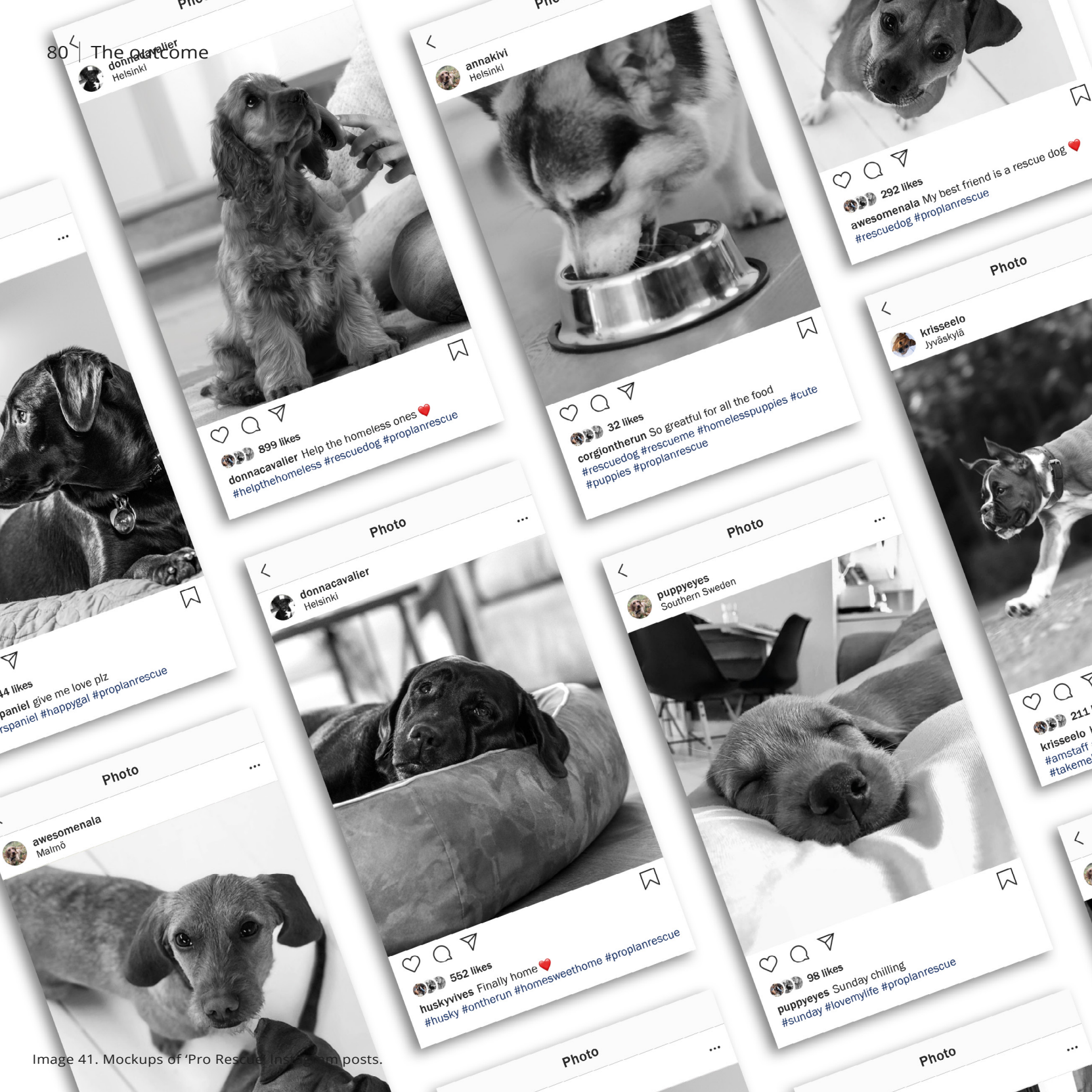


Image 41. Mockups of 'Pro Rescue' Instagram posts.

PRO RESCUE

Pro Rescue is a charity initiative that uses the power of social media to take social responsibility together with loyal members, while concurrently underpinning Purina's brand values.

The initiative enables loyal members to contribute to charity by posting pictures of their dogs with #proplancharity on Instagram or Facebook. In return for each post, Pro Plan donates a specific amount (e.g. 1 kg) of dog food to a local charity organization.

Moreover, Pro Rescue reinforces engagement and emotional commitment among members while increasing Pro Plan's visibility in social media channels.

- 1 Pro Plan advertises the concept in loyalty platform and social media channels
- 2 Member posts picture of dog on Instagram or Facebook with #proplanrescue
- 3 Pro Plan donates 1 kg of dog food selected charity organisation

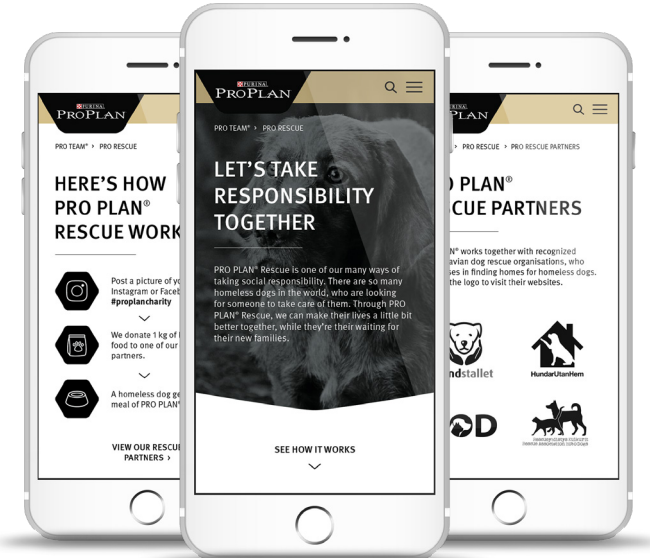
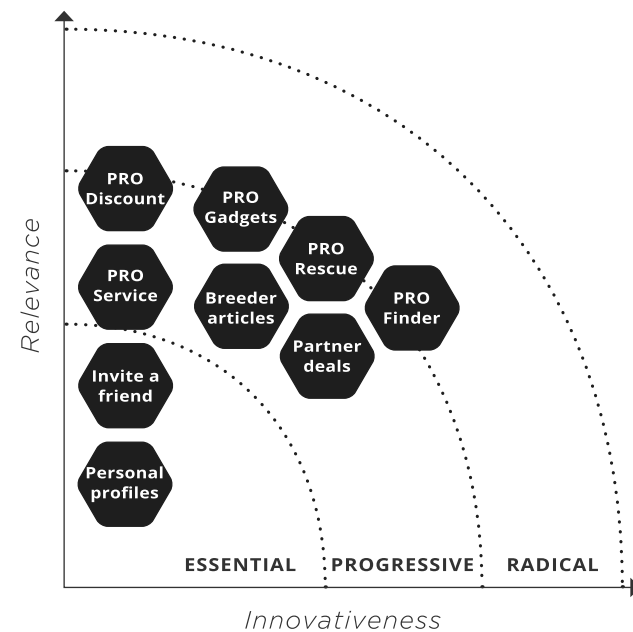


Image 42. Mobile mockups of 'Pro Rescue'.

6.5 CONCEPT ANALYSIS

By analysing the service concepts in a product portfolio matrix, the relation of relevance and competitiveness can be determined for each concept. The product portfolio matrix is adjusted to the Nordic markets, which means that the progressiveness of each concept is compared to standards in the Nordic dog food markets rather than other, more advanced industries.

The proposed service concepts fall in to two of three categories in the matrix –



Graph 14. Product portfolio matrix

essential and progressive. In other words, the concepts demonstrate vital initiatives that enable Pro Plan to meet the level of competition and fulfil critical consumer needs before starting to radically differentiate.

In addition, when evaluating the service concepts in the competitive analysis made earlier in the process, it's evident that the outcome increases Pro Plan's level of competitiveness in the market. The loyalty schemes in the Nordic dog food industry in general are not very advanced so far, and even a minor differentiation could favour Pro Plan.

Moreover, the outcome offers various initiatives that drive emotional engagement rather than financial benefit, which differentiates Pro Plan from most competitors considerably. As Mark Bergdahl, founder of Loyalty Consulting UK, states: "It is clear that the loyalty programs are at crossroads. Those that make the transition to an emotionally engaging relationship with their members have every chance of delivering commercial success, but beware, no amount of loyalty treatment will substitute for good product and good service." (Bergdahl 2017).

Loyalty offering for breeders	ROYAL CANIN	HILL'S	EUKANUBA	MAGNUSSON	BRIT	PRO PLAN 2.0
Product discounts	✓ *	✓ *	✓ *	✓	✓	✓
Inspiration & information	✓	✓	✓	✓	✓	✓
Loyalty credits	✓	✓				
Brand products	✓					✓
Exclusive service	✓	✓			✓	✓
Events and seminars	✓	✓				
Free puppy kits	✓	✓	✓	✓	✓	✓
Invite a friend	✓	✓	✓			✓

* 25% discount
** Every 6th package for free

Graph 15. Competitive analysis of loyalty offering for breeders (2.0).

Loyalty offering for dog owners	ROYAL CANIN	HILL'S	EUKANUBA	MAGNUSSON	BRIT	PRO PLAN 2.0
Product discounts		✓	✓ **		✓ **	✓
Inspiration & information	✓ *	✓	✓ *	✓ *	✓ **	✓
Loyalty credits		✓				
Brand products						✓
Exclusive service				✓	✓ **	
Contest and lotteries	✓					✓
Invite a friend	✓	✓	✓ **			✓

* Newsletters (anyone can subscribe)
** Only for hunters

Graph 16. Competitive analysis of loyalty offering for dog owners (2.0).

7. Conclusions

- 7.1 Discussion
- 7.2 Future prospects
- 7.3 Reflection

7.1 DISCUSSION

The fundamental objective of this thesis was to create a competitive strategic proposal and actionable loyalty initiatives by the means of design tools and methods. When comparing the project outcome to the objective and research questions, it can be concluded, that the outcome reflects the intended purpose of this thesis.

This thesis delivers a strategic course of action and actionable loyalty initiatives, while considering business objectives, consumer insights, market trends and competitive loyalty schemes as well as best practices in other industries. In addition, the outcome resonates with current capabilities and requirements of the company.

Consequently, the project outcome has the potential of reinforcing customer engagement and commitment to the brand, while recruiting new loyal members and building long-term customer loyalty.

In addition, the project uncovers and recognizes relevant research insights and patterns that enable stakeholders to make justified future decisions regarding the loyalty program. The project outcome can also serve as inspiration and encouragement for pursuing a more customer-centric, support-driven, and thereby, competitive loyalty scheme in the future.



7.2 FUTURE PROSPECTS

The outcome is a conceptual proposal based on a few months of research. Implementation of the service concepts requires further qualitative studies and validation in addition to user interface design. However, as requested by the client, the loyalty solutions comply with the company's current technical capabilities, and are therefore feasible and actionable in the near future. In other words, it's now up to prioritization and resources to further develop and implement the project outcome.

One could question whether an online platform is the most favourable alternative for a loyalty program. Virtually all successful loyalty schemes in the world today function through mobile applications. Apps have radically changed consumer behavior by improving and streamlining people's daily activities, such as communication, food orders and bank account management. Therefore, it could be argued that a successful loyalty program must to be application-based in order to be competitive.

However, new technological solutions emerge continuously, and there are no guarantees that mobile apps are here to stay. Before Pro Plan has had the time to develop an application, there market might have proceeded to the next innovative solution. The online platform enables Pro Plan to develop its loyalty offering to a competitive level, and then later on, integrate it in whatever solution that is topical at the time.

Pro Plan has the resources of world-class research and highly appreciated products. Together with a successful loyalty program, the brand can reinforce engagement and evoke emotional commitment among consumers, which would give the brand a significant competitive advantage in the Nordics.

7.3 REFLECTION

Getting hold of the project requirements and expectations was hard in the beginning, as neither the client nor I knew exactly what the outcome would be. The demands clarified as I proceeded in the design process, but some valuable time was still spilled on irrelevant research in the beginning. However, that research also enabled me to get a holistic picture of the framework in which the project was executed, and therefore, create a truly meaningful outcome.

The strategic nature of the project required an outcome that enables alignment between business objectives and consumer needs, while concurrently considering market trends and principles of customer loyalty. The amount of research observations was enormous, and the analysis and interpretation was time-consuming and not always straightforward. Finding patterns and making relevant conclusions based on multifaceted observations is challenging, particularly under time pressure.

However, my personal objectives for this thesis were to challenge and develop my problem-solving skills and my ability to apply design methods in cross-disciplinary

business challenges – which I successfully achieved. The project allowed me to gain a deeper understanding of the design process while further convincing me of the benefits that design thinking can have on business and society.

The project received appreciation and gratitude from the client. According to the client, “the thesis captures the challenges in the market not only for Pro Plan but for the competition as well”. Stakeholders at Purina particularly highlighted the project outcome and the strategic roadmap, which, in their words, were well described and professionally portrayed while capturing the essence of customer loyalty. The project outcome will be presented to a wider audience at Purina in June 2019, after which stakeholders will evaluate possibilities of implementation.

Personally, I'm pleased with the project as a whole. Although the outcome is not as innovative as I sometimes imagined (due to the requirements of the client), the design process itself was intriguing and rewarding. The cross-disciplinary and business-driven angle of the project demonstrates the type of work that I wish to pursue in the future. This project provided valuable experience for my future career as a designer.

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- Image 4.** Royal Canin [webpage]. <<https://www.royalcanin.com/us/dogs>> (accessed 13 March 2019).
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Attachments

CONSUMER INTERVIEW PROTOCOL

This interview protocol served as the backbone of the consumer interviews that were conducted in Southern Sweden. This protocol aims to render an understanding why consumers become and remain loyal to specific dog food brands and to recognize their needs and expectations regarding loyalty initiatives in the dog food industry. In addition, the this protocol strives to clarify the consumers' general opinion of the Pro Plan brand.

GENERAL INFORMATION

Dog owner Breeder

Name _____

Hobbies _____

Current dog food brand _____

Member in loyalty program (of dog food brand)?

No Yes, in _____

LOYALTY INITIATIVES

If "yes" in "Member in loyalty program?"

How/why did you become a loyal member?

What are the current benefits of the program?

Are you missing anything from the program?

How could the brand fulfil these wishes?

Other comments

If "no" in "Member in loyalty program?"

Why aren't you a member in a loyalty program?

What could make you join a loyalty program?

What would you like the loyalty program to offer?

How could a dog food brand fulfil these wishes?

PURINA PRO PLAN

Are you familiar with Purina Pro Plan?

No Yes, from _____

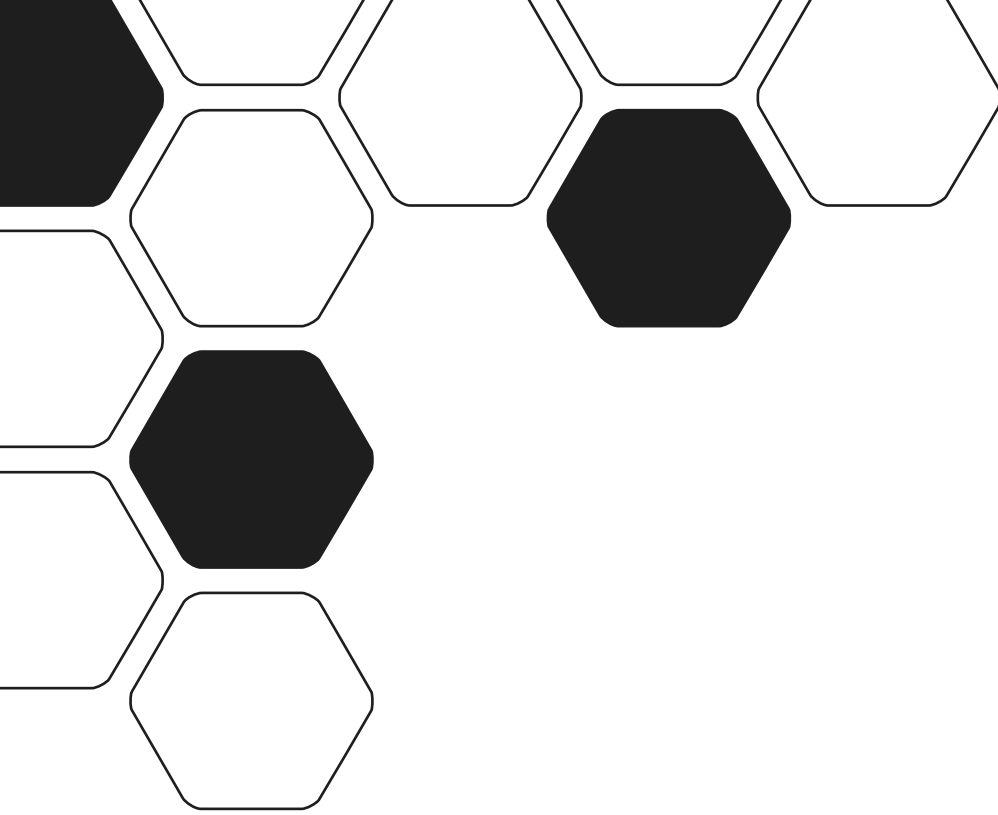
Comments on the products

Comments on the service

Comments on service

Comments on loyalty program

Other comments



STEPHANIE SCHÖNBERG

