

International Market Research of the British and Spanish Local and Organic Food Markets

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Bachelor's Thesis

DP of Management Assistants

2012



Degree Programme for Multilingual Management Assistants

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Title of report International Market Research of the British and Spanish Local and Organic Food Markets	Number of pages and appendices 121 + 4
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<p>The purpose of this research paper is to present an overall view of the local and organic food markets in Spain and the UK. This research is mainly qualitative, but is also supported by some quantitative data, in order to provide a comprehensive situation analysis. To fulfill the research objectives and to answer the commissioned question, primary and secondary data collection methods were utilized.</p> <p>The theoretical framework is based on international market research. The macro environment was examined with PEST analysis and the competitive environment with competitor roles. The SWOT analysis tool had a minor role in the framework by presenting key findings at the end of the report.</p> <p>By the end of this research it was possible to determine that the most influential macro-environmental factors were social-cultural and technological ones in UK. It was also discovered that the UK's organic market is quite developed, with many competitors and supermarkets dominating the organic market. Based on the results gotten from empirical part related to Spain, it was discovered that political-legal and social-cultural factors are the most important ones for a penetrating company. The competitive environment was found to possess quite a low level of competition but was still surprisingly diverse. According to the findings the authors were able to predict that the European organic food markets have strong potential; demand is probably going to exceed the supply of organic produce in the near future.</p>	
Keywords competitor roles, international market research, macro environment, organic food, PEST analysis, Spain, UK	

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1 Introduction

This research is going to provide an introduction to the world of local and organic food industry and give an overall picture of these markets in England and Spain. This study is going to be conducted as a research orientated study, as a pair work, concentrating on above mentioned countries, which were chosen based on our own personal interests and language skills. The topic for the research was found from HAAGA-HELIA's theme group called 'Business possibilities from local and organic food market for Finnish entrepreneurs'. Local and organic food products are a growing global trend of the present food industry, especially European countries are showing growing interest of naturally produced food products and the nowadays consumer is more and more interested in knowing the source of the food they are consuming. The study is an attempt to collect together information about this new growing field and provide an insight for British and Spanish local and organic food markets. Our commissioner Makumaku is a young Finnish company, whose future plans to expand their operations to other European countries, are supported by this study.

We are going to conduct a qualitative research, supported by some reliable statistical data forming also a quantitative aspect for our work. This market research's conceptual framework consists of international market research approach, PEST-analysis, concept of competitor roles and SWOT-analysis tool. Qualitative research is often used as a precursor for a future research, this is a way how our commissioner can also use our study and receive an answer for our commissioning question, "Is there potential for Makumaku's unique concept"? In our study we are going to determine the British and Spanish macro environmental components, i.e. political, economical, social and technological factors and produce a competitor profile of the practitioners in the field of local and organic food market in British and Spanish markets.

In overall our thesis reports valuable information about British and Spanish market's key issues, e.g. local practices, prospects and cultural diversity, which are important features especially if planning internationalization of your company to the research

destinations. With the help of our thesis our commissioner will avoid some of the risks involved in their future internationalization.

Information analysis has lead to both expected and unexpected results depending on each case study in question. The macro environmental factors from British business environment that were discovered important were quite predictable, except the large role of internet in grocery shopping. Competitive environment was found mature as characteristics for the third largest organic food market in Europe. In Spain's case macro environmental key factors were highly related to the nature of the industry and to cultural diversity in business context. Competitive environment, interestingly enough, the level and variety of competition revealed to be higher than imagined in the beginning of the research.

1.1 Objectives of the study

Our commissioner is recognizing the global market growth of 10-30% per year for organic products and the global scarcity of supply and the high costs of logistics. Makumaku is planning to expand their services in the future, firstly to Nordic and Baltic countries and Germany, secondly to Central and Southern Europe. Therefore this market research is conducted to support their future intentions of expanding their operations to abroad. (Makumaku 2010, 7-8) More specifically Makumaku would like to internationalize their services to the Great Britain and to Spain and this thesis is done to give them information about these destination countries' macro and competitive environment.

Our purpose is to make an international market research of macro and competitive environment and produce a competitor profile that influence any new company penetrating into British and Spanish local and organic food markets. This goal is achieved by using conceptual frameworks of international market research, PEST-analysis and competitive environment exploring through competitor roles of market leader, market challenger, market follower and market nicher. SWOT- analysis tool has a minor role in this research and is employed only to represent the overall organic food sector in the results part of this paper. Our goal derivating from the commissioner's

side is to find out is there potential for Makumaku's unique concept? Sub questions are as follows:

1. What macro-environmental factors have the greatest influence?
2. Does there exist similar concepts to Makumaku?

1.2 Outline of the study

Geographically this work is outlined to the British and Spanish markets. This choice was made based on the personal interests and linguistic abilities of the authors. It was crucial to know the research country's native language since much of the data was information from the local companies' and associations' websites in that country's language. In order to analyze the data one must understand the language almost like a native speaker. The research countries were also chosen based on the interests of the commissioning party and their plans of future internationalization.

The outlining of the research subject was done on the basis of the commissioning research questions. These research questions were formed based on the commissioning party's interests and wishes and to support their future aims of internationalization. The idea is to give an overview of the British and Spanish macro and competitive environments key factors. The emphasis in macro environment is given to the key factors influencing a penetrating company and in competitive environment the main focus is to distinguish the level of competition in the form of competitor roles.

The role of local food markets is secondary compared to organic food markets because there was more information available about organic markets and as it is common that they are retailed together, and also e.g. in Spain the local food is part of the culture and self-evidently consumed daily. These above mentioned factors influenced to the role what local food represented in the end in this report.

1.3 Contents of the report

First chapter of this report is devoted to draw an overall picture of the research, its purpose and the goals to be reached. It provides the background information for the

paper and draws a limitation of the scope of the work. After that, a brief presentation of our commissioner party, Makumaku, and a description of what exactly is local and organic food and the industry's current situation.

Chapter 3 introduces the research methods and design of the report and the background of choosing these methodical approaches. It provides an insight why and how chosen data collection techniques were employed in this market research. All-important terms will be defined precisely so, if needed, the report can function as a basis for a wider investigation in future and it can be repeated.

Chapter 4 opens the theoretical part of this paper by giving thorough introduction of concepts of international market research, macro-environment with the help of PEST-analysis tool and competitive environment through concept of competitor roles. SWOT-analysis tool is briefly introduced as its role in this report is only to present the findings in a more comprehensive way. This chapter first provides a definition of PEST-analysis tool, why and how it is used to determine the macro-environment of each country in this research and also introduces its components, such as political, economic, social and technological. After that, competitive environment tools are presented and explained how creating competitor roles provide an effective answer to our commissioning questions.

Chapters 5 and 6 contain empirical information on current situation of British local and organic food markets. In this part the macro-environment is presented through tools of PEST-analysis, giving an emphasis to the issues recognized by the authors to be key factors for a company penetrating into these markets. Chapter 7 draws a competitor profile, dividing the local practitioners into recognizable competitor roles. Chapters 8, 9 and 10 reveal exactly the same empirical information about Spanish local and organic markets, also putting an emphasis to the key issues recognized in this country for a penetrating company.

Chapter 11 gives a small brief of the analysis method, weighs the validity and reliability of the research and reveals the primary findings of the research by answering to the

commissioning questions. Chapter 12 draws the conclusion of the whole paper, repeats the most valuable findings and presents the author's personal comments. Chapter 13 reports how the overall research process went, including positive and negative sides. Also suggestions how this research could be executed in the future will be provided, as it can be used as a basis for a larger market research.

1.4 Commissioning party: Makumaku

In this part we are going to present our commissioning party which is a Finnish company called Makumaku, which is an online store selling local and organic products. Additions to this they offer information about nutrition, food recipes, blogs, and discussion forum with other consumers on their website, also marketing help is available for producers and further processors. Delivery for customers of the products is organized through different channels and partners, e.g. the customer can get the products from different pick-up point such as K-extra in Lauttasaari or have them delivered straight to their door step. Makumaku is an international platform, addition to that consumers can order local and organic goods, they can interact with each other and with many different service providers, e.g. with nutrition advisor. Makumaku was the first one to introduce this kind of unique concept with its communal element in Finland, but currently there exists few other online stores which provide local and organic food, e.g. Minna's mat in Espoo and Hyvän elämän ruokakauppa in Karjaa.

Target group of Makumaku are consumers, food producers, hotel and restaurant businesses and public sector. Makumaku has 7 shareholders and it was founded in 2010, so it is fairly new company in the market. (Makumaku 2010, 3-5)

Makumaku's internationalization plans would force them to leave out Finnish locally produced products from their selection if they want to preserve their current concept and to find new local organic food producers in the destination countries, rather than ship Finnish organic produce.

2 Local and Organic food industry

Organic food is defined in the website of one of the UK's leading membership charity campaigning for healthy, humane and sustainable food, farming and land use, Soil Association, as such: "Our definition of organic food is food that is produced using environmentally and animal friendly farming methods on organic farms. These methods are legally defined and any food sold as 'organic' must have been inspected and registered by a certification body." (Soil Association 2012)

In overall organic production is heavily regulated industry, in national and international level, especially the European Union sets many regulations to the farmers to follow for their products to fulfill the requirements for an organic product, these will be presented in the sequent paragraphs.

EU regulations on organic farming include among others:

- Producing goods mainly from ingredients of organic agricultural origin
- Using only non-organic agricultural ingredients authorized by the Commission or EU Member States
- Using only a very limited number of additives or processing aids, which are authorized, under certain conditions, by the Commission
- Prohibiting artificial flavorings and colorants
- Ensuring organic and non-organic food ingredients are stored, handled and processed separately at all times

(European Commission's website for organic Farming.)

In order to be labeled as organic, a food product must have a minimum of 95% organically produced ingredients. Any food product sold as 'organic' falls under the EU labeling legislation (no: 2092/91). (Soil Association 2012)



Figure 1. EU's first certifying logo for production of Organic Agriculture. (European Commission's Organic Agriculture website)



Figure 2. EU's second certifying logo for production of Organic Agriculture. (European Commission's Organic Agriculture website)

Above (figure 2.) the new logo for organic products in Europe can be seen, which was designed as a part of a pan-European contest. (European Union's website)

From 1st July 2010, the organic logo of the EU will be obligatory on all pre-packaged organic products that have been produced in any of the EU Member States and meet the necessary standards. It will be optional for imported products. Other private, regional or national logos will be allowed to appear alongside the EU label. (European Union's website.)

Local food is food produce that are sold near the area where it was produced. The local food system aims to increase food security and ensure the economic, ecological and social sustainability of communities. According to our study there is not one right definition to what "local" means in farming. One should keep in mind that if Makumaku is going to expand their services to Spain or UK, while selling Finnish products they would not meet up anymore with the description of local food. In the

case of Makumaku wanting to continue providing also local food they need to include products produced locally in the country in question.

Local and organic go often hand in hand but there is a great difference. Although both local and organic farming consider sustainable development and ethical producing valuable, they don't go together always. Local food doesn't have to be organic nor does organic food have to be locally produced. Locally produced organic food combination however is the most ecological since the produce are grown without pesticides or fertilisers, and therefore no additional nutrients or chemicals are released into the soil and water areas. This protects the biodiversity and landscape of an area. Additionally when organic food is produced and sold locally transportation happens without long transportation routes thus excluding massive emissions. Also the food produce is of better quality when sold locally since it is fresher and collected at the right time of its growth cycle.

Retail channels for local and organic food are local and specialized organic markets, specialized organic shops, and roadside stalls in rural areas, directly from the farm where the food was produced or an online shop where delivery is provided to collection point or directly to the consumer's home.

The market for organic and local food in the industrialized countries has continued to grow year after year. The biggest markets in the European Union according to the European Union report on organic food 2010 are Germany, the United Kingdom, France and Italy as in terms of households' total expenses on organic food (see table 1). Organic food expenses in the EU-15 reached €14.4 billion in 2006/2007, of which more than 80% is from these four biggest European markets. The share of organic food in total household food purchases is the greatest in Austria (4,8%), Denmark (3,8%), Germany and Luxemburg (both 3,7%).

Table 1. Organic sector in households' food consumption. (European commission 2010, 51)

		Organic food expenses mio €	Share in total food expenses %	Organic food expense per capita €
Belgium	2007	283	1,3	26,6
Bulgaria	2006	1	0,0	0,1
Czech Republic	2007	52	0,5	5,0
Denmark	2006	434	3,8	79,8
Germany	2007	5.300	3,7	64,4
Greece	2006	60	0,2	5,4
Spain	2007	200	0,2	4,5
France	2007	2.069	1,4	32,4
Italy	2007	1.387	1,0	21,4
Cyprus	2006	2	0,1	1,9
Luxembourg	2006	41	3,7	86,4
Hungary	2006	20	0,2	2,0
Netherlands	2007	519	1,8	31,7
Austria	2007	739	4,8	89,0
Poland	2006	50	0,1	1,3
Portugal	2006	70	0,4	6,6
Romania	2006	2	0,0	0,1
Slovenia	2006	4	0,2	2,0
Finland	2006	65	0,6	12,3
Sweden	2006	379	2,2	41,7
United Kingdom	2007	2.835	2,7	41,9
EU-15		14.381	1,9	35,9

Table 1 does not cover catering and restaurant consumption, which is reported to be a segment with significant rapid growth and shows even greater prospect to the organic food sector in overall inside Europe. (European commission 2010, 50) Recent years there has been an increase of establishing restaurants dedicated to organic food in Europe, addition to this many businesses have included organic food products to their menu. The private and public sector, schools and governmental offices, are following the tendencies of consumers and are gradually adding organic food to their offerings as well. (European Commission's website of Ecological Agriculture)

Ecological agriculture has represented a marginal sector of the whole agricultural industry for many years, but during this century it has transformed to be one of the most dynamic sectors of Europe, having plenty of potential when looking into the consumer needs of this day and this change has been recognized world wide.

“Multiple anecdotal evidence and aggregate figures indicate that the growth of demand for organic products in the EU outpaces the growth of supply by the organic agri-food sector.” (European Commission 2010, 3.)

Ecological agriculture is practised almost in every country, not only in the developed countries, also it represents a big cake in Latin America, where European countries will probably turn to when Spain and Italy are unable to provide sufficient amounts of organic food products in future. What is thriving this sector is the conservation of our environment and the trend of consumer markets in healthy food products.

3 Research methods

We are conducting a research-orientated thesis using qualitative research approach. As “Gordon and Langmaid (1988) state that qualitative research is used optimally for situations which will increase understanding, expand knowledge, clarify the real issues, generate hypotheses, identify a range of behaviors, explain and explore consumer motivations, attitudes and behavior, identify distinct behavioral groups and provide input to a future stage of research/development.” (Webb 2002, 112.) This research approach supports the aim of this paper, drawing an overall picture of the current British and Spanish local and organic food markets.

To establish a comprehensive understanding of all the components of macro-environment this research also employs some quantitative information, numbers and percentages in Chapters 4 and 5, which can only be presented in this form. Qualitative and quantitative researches are in many cases complementary, and usually in large researches both feature to establish a comprehensive and reliable study, as it is presented market research process Figure 3 underneath this chapter. (Hague, Hague, Morgan 2004, 11)

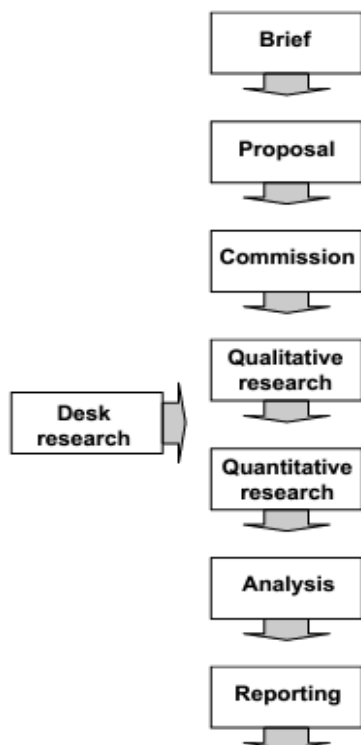


Figure 3. An overview of Market Research Process. (Hague, Hague, Morgan 2004, 12)

By employing secondary research method, i.e. desk research method, the authors of this paper will acquire both qualitative and quantitative data to meet the research objectives. The two main doing parts of a market research, also the most challenging ones, data collection and data analysis, will be explained in the 3.1 and 11 chapters of this report.

The research strategy of this paper was chosen to be a case study, which is adequate for a market research of this size, 400h of work, and which enables to explore one aspect of a problem, process or an event in depth, instead of generating vague generalizations of multiple issues. (Bell 2005, 10)

Case study is suitable for a research strategy when the aim is to answer to questions “how” and “why”. The researched phenomenon is described and explained as it has shown itself to the researcher through different research methods. (Laitinen 1998, 51.)

More detailed this paper applies an exploratory case study method, because its purpose is to generate ideas and hypotheses of the key macro and competitive environmental factors of British and Spanish local and organic food markets. (Ryan, Scapens, Theobald 2002, 144)

Case study method is excellent when wanting to identify key issues of a certain process or problem which will probably merit further investigations in future, as discussed earlier, qualitative research is often used also as a precursor to a future research and the case study method supports greatly these implications of this report. This method also gives an opportunity for the authors to create hypothesis, preliminary or not, about e.g. political or social reasons of certain practices of the researched countries. This report makes use of most frequently used methods of case study; observation and interviews’, in the form of desk research and fieldwork which will be discussed further in the sequent parts of this Chapter. (Bell 2005, 10)

This paper consist of two separate tentative case studies, Sandra Suomikallio is going to conduct the first case study of British local and organic food markets, which will be presented in detail in the empirical part of this report in Chapter 5, 6 and 7. Minna Käyrä is conducting the second case study about Spanish local and organic food markets, which is discussed in detail in Chapter 8, 9 and 10. With the case study approach we are putting an emphasis into identifying the common and unique features, processes and systems of each macro and competitive environment.

3.1 Methods of data collection

This report is conducted mainly as a desk research due to the nature of the research. Secondary data sources online and published reports serve well the purpose of the paper, especially when the authors do not have the resources to travel to the research destinations and execute a field study. Regardless of the geographical distance to the countries, this paper's validity is increased by conducting e-mail interviews of local practitioners and by participating into Finland-Spain Community's seminar for entrepreneurs, in this way the authors can access some inside information that could not have been reached through ordinary desk research. Mix of desk research and fieldwork research are applied as data collection methods in this paper, first desk research is carried out and then the risen questions are answered by industry experts, these methods are discussed further in the sequent part of this paper. The authors of this thesis understand the importance of combining different research methodologies to reach the wanted objectives of this research, such as combining qualitative and quantitative approaches, like discussed earlier, and also combining primary and secondary research methods. This type of research requires skills to collect disparate pieces of information from separate sources and will be a good practice for the authors also for the future. (Hague, Hague, Morgan 2004, 47)

3.1.1 Desk research

Our secondary data will be information collected through desk research; the authors understand the scope of the work of Bachelor's thesis and recognize desk research data to be quickly obtained and inexpensive way of acquiring valuable data. Especially in

Spain's case there are several national governmental reports available about the organic sector to serve the purpose of secondary data. "The marketing environment is generally well documented, and desk research (rather than primary research) is the only practical source available. The economy, demographics and key social variables are all well covered by governments' statistical services and the many publications they produce" (Hague, Hague, Morgan 2004, 42-43.) This statement supports greatly this paper's international market research objective and provides literature background to support the chosen research methodologies.

In the market research literature desk research term is applied loosely, but it generally refers to secondary data that can be collected without fieldwork, referring to focus groups, interviews, surveys etc. Desk research data's importance is also recognized in the field of Export Research; the more the authors are unfamiliar with a market and its situation the more there are need to consult secondary data resources, as would be done in a domestic research situation, where valid information is acquired continuously regardless that the environment is familiar. (Webb 2002, 217)

This research is first conducted by exploring all the available desk research data and then filling in the information gaps with interviews. The described project strategy is based to the fact that there are no need to reinvent 'the wheel' again, so this paper makes use of already existing desk information, such as published literature, internet, online databases and market data, company data, government and European Union's statistics e.g. Eurostat, local food industry organizations, trade bodies, the industry journals and directories are all available for everybody to dive in. (Hague, Hague, Morgan 2004, 39-41, 46) Extremely helpful was also discovered to be the references of many official publications and other Bachelor's theses, which functioned as a good gateway to find other professional and/or official information sources.

The authors recognize the drawbacks of secondary data, firstly the huge amount of the online data requires many hours of work to determine if it is adequate for this paper, secondly the fact that in many cases the findings cannot be predicted, and thirdly some of the data cannot be directly comparable with other countries data because individual

countries employ their own specific techniques. (Hague, Hague, Morgan 2004, 46; Webb 2002, 218) Because of these factors the authors refrain from comparing two case studies of this paper, as it is very tempting to make an overall comparison between these research countries.

In other hand we are living in highly modernized world and probably the most up-to-date data is firstly published online and in the industry's magazines which eventually are published online in e-form in the relevant websites and luckily the researched countries are both part of European Union, so the authors expect to find valid reports, especially objective information, produced by different EU bodies and also both countries being a member states, they are obligated to provide national reports.

The authors of this paper also took part in Finland-Spain Community's seminar concerning entrepreneurship and the possibilities for Finnish companies in Spain in Helsinki 14.2.2012. This event provided valuable inside information from different guest speakers who have a long history as working as an entrepreneur in Spain, especially the cultural differences and the economic environment were recognized as a key factors for Finnish companies by the authors, these findings will be discussed further later on in Chapters 9 and 10.

3.1.2 Field work

This market research incorporates multi-method design by applying primary and secondary data to fulfill the objectives of the research, like briefly discussed in earlier Chapters. Primary data will be collected by means of interviews of local practitioners and industry experts to gain access to inside information of each country's local and organic food market. These interviews are conducted through e-mail which is justified by being the most convenient way for all the parties and probably it was easier for the respondents to express their personal opinions and attitudes, which are of a value as far as they work in the researched environment daily, than in a face-to-face interview. The authors also recognized that as being small organizations and entrepreneurs it can be though that they are very busy, so email interviews were recognized to be a better

form of collecting primary data than telephone interviews, due to them being flexible to start and continue whenever suites best time wise to the respondents.

Interviews were semi-constructed, producing strictly formed questions but not giving any optional answers to avoid limiting the respondent, nor exposing the author's own learning's. Questions were unbiased so that the integrity and objectiveness were supported greatly. When formulating the interview questions, our commissioner's views and wishes were taken into account. Some of the information which Makumaku was keen to acquire, about the researched countries, was so specific that through ordinary desk research tools it would have been impossible to reach, so these questions were incorporated to be the back bone of the interviews. The respondents were also allowed to stay anonymous or skip some of the interview questions, if wanted, to make them as comfortable as possible to answer to applied interviews.

As the researched countries are experiencing significantly diverse market situation in the researched sector, it was necessary to employ different kind of interview questions for these case studies. When UK possesses one of the biggest organic food markets in Europe, Spain is experiencing lack of demand while being the largest producer of organic food products, so it was obvious that to reach vital information for the research there should be alterations in the questions for both countries. Also the level of English was thought when forming the interview questions, for the British interviewee's formal and professional language was applied but for the Spanish industry experts the authors employed basic English to receive sincere and reliable data rather than vague answers. In overall in Spain the level of English generally is seen to be quite bad, which one of the authors has encountered when living in Spain, so also keeping this fact in my mind the authors offered to translate all the interview questions in Spanish, to ensure that we would receive valid and accurate answers, but the interviewees preferred to answer in English.

Little background information was gained through discussion via email with Finpro office in Spain, in the planning part of this market research Finpro offices were thought to be interviewed as their position in the designated countries but after some

research work it was learned that they are not specialized into this specific industry, so other industry experts were sought to fulfill this purpose. The Vice President, Head of Region West Europe, Mr. Tolonen from Spanish Finpro gave his personal comments about the local and organic food market's situation and the developments of online stores in Spain, which were used for some extent as guidelines when conducting this research.

It was decided to interview firstly organizations functioning in the industry, but also the entrepreneurs in the designated country to receive larger overview of the markets. Due to this fact there was also small variation between the two interview question lists inside of each country but most of the questions were the same for the association and entrepreneur; few questions were formed by emphasizing their field of expertise to avoid asking questions they are not qualified to answer.

Underneath businesses and non-profit organizations, were chosen for their expert knowledge in the field of local and organic food industry to give a "bird's eye view" of the market structure of the researched countries. (Hague, Hague, Morgan 2004, 63) For industry experts were chosen British Soil Association (respondent A) and Abel & Cole (respondent B), a British home delivery company in UK. From Spain industry experts were Sociedad Española de Agricultura Ecológica organization (S.E.A.E) (respondent C) and Be Organic Barcelona (respondent D), local entrepreneur located in Barcelona. The interview templates employed in this international market research can be found attached to this paper in Appendices part.

4 Concepts of market research

When a company is considering of going into a new market it is recommended to have a detailed market research made by a company who does research projects and market researches like Finpro or other consulting firms. In a comprehensive market research market size and structure, macro environment, competitive environment and customer buying behavior, needs and wants are investigated thoroughly. Markets can be divided to business-to-business markets and consumer markets, the latter being the kind of market this research is focused on. “In consumer markets, the number of potential buyers of a product is often a significant proportion of a total population. Techniques used to research these markets include quantitative methods based on rigorous sampling as well as qualitative techniques that explore complex consumer perceptions and motivations.” (Hague, Hague & Morgan 2004, 6.)

Considering the geographical situation of the researchers and the scarcity of contacts this thesis does not include a consumer survey of any kind. However the authors have included information about consumer preferences to some extent depending on the availability of such information of the research countries’ consumers. Authors have tried to include some information about the consumers and authors have viewed Makumaku’s potential competitors from a customer’s point of view. Consumer preferences and values in a specific country are discussed in the social-cultural parts of the macro environment analysis.

A thing that makes it more complex to execute this market research, is the fact that it is an international marketing research, conducted outside of the familiar environment and comfort zone of our commissioner and the authors of this paper. International marketing research is one of the most growing sections of marketing research industry, due to the increase in the global nature of the commerce. Other stages of a company’s life when an international marketing research would be crucial and beneficial would be when they have obtained a successful position in the domestic markets and has sustained a competitive advantage over its rivals. In this point companies tend to endeavor to expand their sales and market shares by entering the overseas markets and when

this growing section of marketing research industry joins the picture, i.e. called also concept of internationalization. Nowadays it is also a common task of a marketing manager to form international marketing strategies and think what they need to be able to establish. These important decisions are included in an international marketing research of the destination markets, containing valid information to avoid the risks of internationalization. This paper's aim is to support the goals of internationalization of Makumaku to reach the overseas markets and the way how it is successfully done is by conducting an international marketing research of British and Spanish local and organic food markets by discovering information of unfamiliar culture, customers, marketing environments and competitors, putting an emphasis on those sections of an international market which are critical for success. (Webb 2002, 215-217)

An international market research requires more analysis than a domestic one. This is because of the differences in market data collection procedures and the information technology used by marketing research suppliers in different countries can compound difficulties. When possible it should be used the same marketing research methods with the same information systems and IT especially, when data are provided through local marketing research agencies rather than subsidiaries of a major agency. However different information systems may have to be used and to make the data compatible there are nowadays increased sophistication in software. This allows the coordinating agency to assimilate the data gathered from its associate agencies across the world, requesting the data to be presented ready for analysis. (Stone, McCall 2004, 87)

In this thesis important macro-environment aspects and factors as well as a comprehensive competitor profiles are presented as they form the core for this study in question. "The scope and nature of marketing research and gathering marketing information is immense. Marketing research is very different depending upon its purpose and constituency." (Carson, Gilmore, Perry, Gronhaug 2001, 57) A market research is done for excluding risks when entering a new market in addition for the company to market itself, form company strategies and position itself with the most successful outcome. Especially when entering a foreign market it is crucial to be aware of the macro-environmental factors specific to that country including the local culture and the mind-

set and values of the inhabitants. A market research is done through desk research, telephone interviews, face-to-face interviews, self-completion questionnaires, focus groups and observation. Then the samples are selected and the data collected will be analyzed. (Hague, Hague & Morgan 2004, 2.)

All players, i.e. companies, their suppliers, marketing intermediaries, customers and competitors, operate in the macro-environment of forces that constitute opportunities and pose threats. “Within the rapidly changing global picture, six major forces represent “noncontrollables” which the company must monitor and to which it must respond: demographic, economic, social-cultural, natural, technological and political-legal.” (Kotler & Keller 2007, 53.) These forces form the macro-environment and should be explored thoroughly in order to get the big picture where a company is operating in. Kotler & Keller (2007, 53) remind also that although these factors are presented separately they may make interactions and thus set a stage for new opportunities or threats.

For example, population growth (demographic) leads to resource depletion and pollution (natural environment), which leads consumers to call for more laws (political-legal). The restrictions stimulate new technological solutions and products (technology). If the solutions and precuts are affordable (economic environment), they may actually change attitudes and behavior (social-cultural). (Kotler & Keller 2007, 53.)

To support our international market research aims, to answer to the commissioning question “Is there potential for Makumaku’s concept?”, we have chosen to determine the macro environmental key factors and features of British and Spanish markets through theoretical framework of PEST-analysis tool, which will be described in the following chapter 4.1. PEST-analysis will surely offer effective tools to draw an overall picture of the chosen countries’ macro-environments. After that, we are exploring the competitive environment of designated countries with the help of competitor roles concept, which will be thoroughly presented in the 4.2 part of this chapter.

4.1 Macro environment PEST analysis

In a business environment a company is affected by different external forces of the macro environment. Macro environment on business dictionary website by definition is “The major external and uncontrollable factors that influence an organization's decision making, and affect its performance and strategies. These factors include the economic factors; demographics; legal, political, and social conditions; technological changes; and natural forces”. (Business Dictionary website.)

When analyzing the external macro-environment as a whole the PEST analysis tool is used in this research. This tool is the most suitable to support the study's research question, more precisely the sub-question “What macro-environmental factors have the greatest influence? This analysis method is going to give answers of positioning, potential and the direction of the market through its different segments; political-legal, economic, social-cultural, technological market environment. This tool is also good when planning business strategy in a specific market. The PEST analysis is a tool for exploring the external environment, also known as ‘environmental scanning’. The acronym PEST stands for political, economic, sociocultural and technological factors of a given market or industry. Political and legal environments are combined in this study to political-legal to better explain the nature behind the environment. Legal factors such as acts, agreements and regulations have usually a political decision behind them and that is why they are presented together. (Morrison 2006, 30.)

When considering of expanding to a completely new market in a new country, the more information you can retrieve the better. It is different with a company's home country and domestic market. There's no need to ponder about the cultural values and preferences of one's own nation, nor do they have to make any serious effort of finding information about the economic situation. Neither are the differences between say the European countries that vast, but going abroad to e.g. Asian countries these might be immense. For this reason are the market research and the analysis of the environment, and customers of a high importance to an internationalizing company.

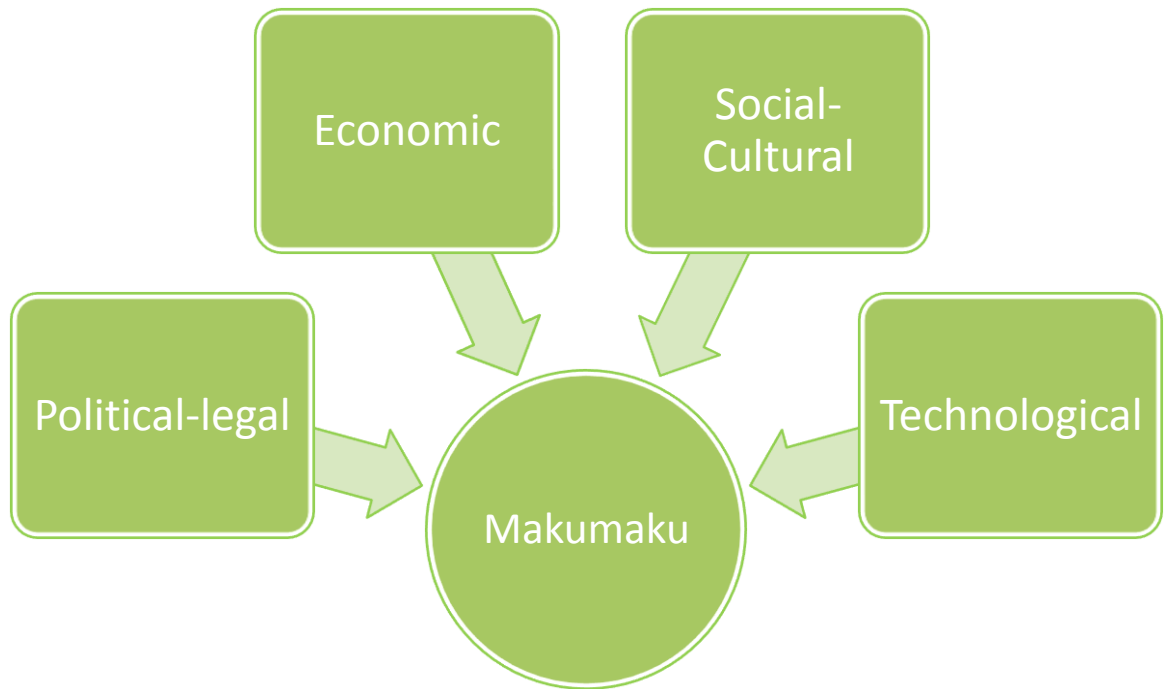


Figure 4. PEST-analysis tool

Political-legal factors are e.g. laws on taxation, regulations on agriculture e.g. EU regulations on organic farming. These kinds of political decisions impact a company's means to operate. One forthcoming piece of legislation could be something that would affect the business operations. Political-legal decisions of which a company can be affected of are made in different levels. The municipal level, depending on what kind of structure the country has (might have more levels), the national level and the international community level e.g. the European Union.

Economic environment and its factors have great influence on a company's success. Companies are depended on consumer with sufficient amount of purchasing power. Consumers' purchasing power depends on their income level, debt and credit availability. According to Keller & Kotler (2004, 55) marketers of a company must pay attention to trend factors affecting the purchasing power because these can have a strong influence on business. These economic factors in a specific country are for example the GDP, interest rates, currency rate and inflation. It would be very beneficial to know whether the country's economy is in good shape and wheter a specific market is growing or shrinking. Considering the market specific to this thesis it is important to explore the economic situation in the organic market of the particular country. How

big the market is in terms of money (sales volume), which companies own the biggest shares of the market and their revenues. In an international business environment macroeconomic environment is the study of national economies whereas microeconomic environment is the study of economic activity at the level of individuals and firms. (Morrison 2006, 70)

Social-cultural environmental aspects are important to study before entering a foreign market since they also can have an impact on company's operations. There might be some fundamental cultural differences to one's own culture and a company can accidentally offend people with e.g. their marketing message or method. People have different views of themselves, organizations, nature and society and these views can change and therefore the company executives have to be aware of new trends and the current situation of values. People have different values which they consider important and on the basis they act. Social-cultural factors can also be the difference of preferences between generations or age groups and the structure of the population.

Technological environment is a very important environment nowadays since our world has become very much operated by technological devices and programs. Over a short period of time there have been many changes and developments in the technological environment. Many companies have succeeded with their product breakthroughs and introduced the world new ways to act or operate in this time. One product, software or device can change the course of a business. These changes are quite rapid so companies have to follow the trends and the developments in order to avoid pitfalls and/or gain potential opportunities due to them. In different countries the technological environment can change immensely. Some countries and companies are not using the full potential of what technology can offer nor do they care to use it if a large portion of the population has neither the financial means nor interest in the technology. Technological environment is also important especially in this work since the commissioning party is operating online and interested in similar companies i.e. competitors in the research countries. Technological factors and the use of technology in a specific country are therefore investigated in this study in detail.

The authors have decided to apply SWOT- analysis tool when scrutinizing the organic food markets, both internal and external environments of each country. This tool is employed in the result chapter of this report to enable presenting better the findings of research in a clear and comprehensive manner. Also the effectiveness of SWOT analysis tool has been rated to be very effective in situation analysis and especially when forming a marketing plan. “ It fulfills this role by structuring the assesment of the fit between what a firm can and cannot do (strenghts and weaknesses), and the environmental conditions working for and against the firm (opportunities and threats).” (Ferrell and Hartline 2008,117.)

4.2 Competitive environment

The process of creating competitive advantage for a company in an industry consists of careful analysis and gathering of information on competitors’ strategies and programs and then choosing a competitive marketing strategy, which depends on company’s industry’s position, objectives, opportunities and resources. This report is an attempt to acquire necessary information of British and Spanish competitive strategies of local and organic markets to support the commissioner’s decision-making process of potential entry to the foreign markets.

Competition means that a customer has alternative possibilities to fill his/her need. Competitive products are products, which satisfy the same need. In a competitive environment one needs nowadays impeccable business ethics and high moral apprehension. Competitors can be one’s partners since many projects and investments can be so grand that cooperation is vital. In this era of continually developing information technology one’s competitors can be company’s clients, product development or finance solution partner, member of the same trade union or competitor fighting for the same market. In order for a company to choose the right partners and market itself better than the other players in the market, it has to know who its core competitors are and how these operate in the market. (Lahtinen & Isoviita 1998, 31.)

Competition has many dimensions. These are forms of competition (number of competitors and their products differentiation), methods of competition (procedures used in

competition), competition roles (strategies of the company) and experiencing competitors as business partners. In the perspective of the competitive environment relevant factors are competition forms and competition roles (Lahtinen & Isoviita 1998, 31.)

This paper concentrates on identifying the above stated relevant factors, forms of competition and the competition roles also because this research strategy answers well to our commissioning questions, “Is there potential for Makumaku’s concept”? and “Does there exist similar concepts to Makumaku?” in the designated countries. To understand if there is a market niche for our commissioner we need to know the number of competitors and their products differentiation, i.e. discover the forms of competition, what is the level of competition, are there already many practitioners offering the same products?

Secondly, to understand if there exists similar concepts to our commissioner, we need to explore the strategies of the already existing practitioners in the field of local and organic food. For a penetrating company it is extremely valuable to recognize the roles of competitors so that they can predict their moves, adapt successfully to the new business environment and maybe even benchmark the market leader or market challengers of each country. “Companies which are successful in their domestic markets and who have sustained a competitive advantage over their rivals have not done so by luck or by taking random decisions, but through consistently making ‘correct’ choices as far as their target markets are concerned. “ (Webb 2002, 215.) This paper will produce valuable and valid information and in this way supports our commissioner in her decision-making process of international market strategies.

The starting point for describing a competitive industry is to examine the number of sellers and the degree of differentiation. Competition can be a monopoly with only one player, duopoly with two, oligopoly with a small number of players, monopolistic which means that many competitors are able to differentiate their offers (e.g. restaurants). Competition can also be pure competition where many competitors offer the same product and service without differentiation resulting in same prices (e.g. selected clothing stores). These competition types can also differ by the degree of differentiation. (Kotler & Keller 2007, 163.)

In the below figure 5 the different competition roles are presented. These competitor types are divided into four groups based on their certain characteristics of competitive strategy and on their ways to attack their competitors.

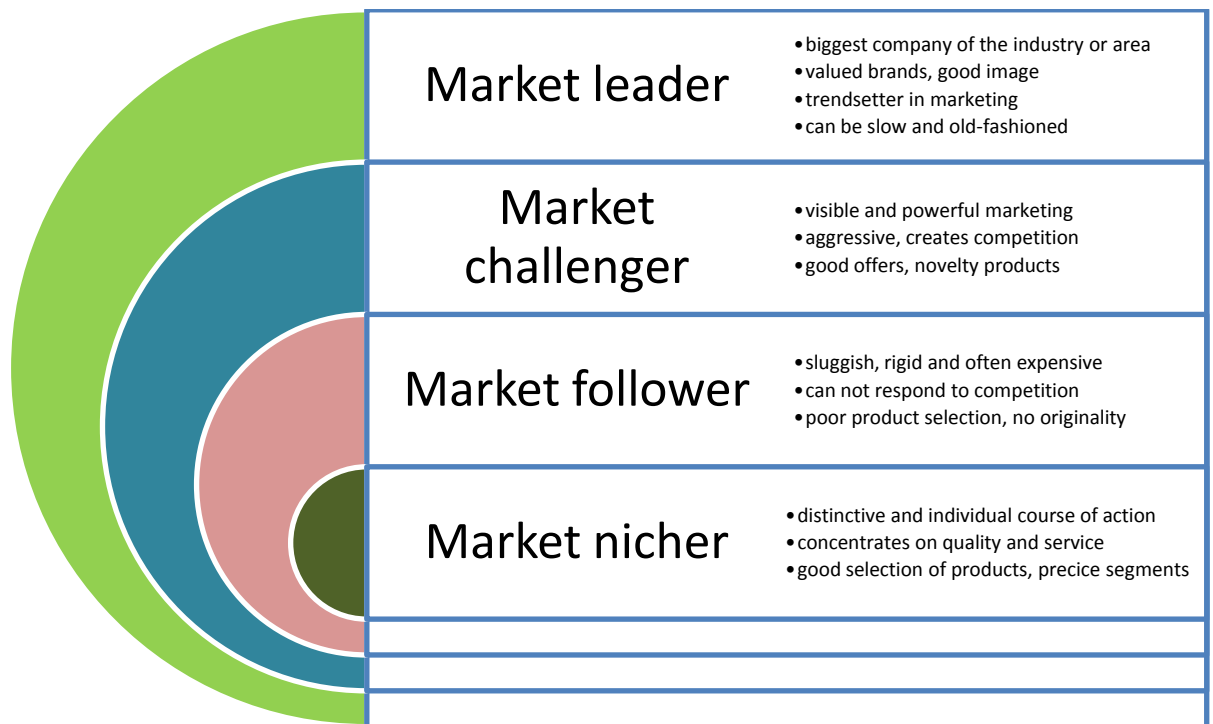


Figure 5. Competition roles (Lahtinen, Isoviita 1998, 30.)

In the empirical part of this report the authors are going to tackle the paper's objective by exploring the competitive strategy dynamics and forming competition roles of the practitioners in British and Spanish local and organic markets, as shown in above example.

Market leader has the largest share of the market and usually leads the others in price changes, new product introductions, distribution coverage and promotional intensity. Market leader has to be on the edge constantly to avoid missing key developments. Risks for market leaders could be spending and marketing conservatively while market challengers spend and market liberally. Market leader might misjudge its competition and be left behind. Remaining in the top position requires ways to expand the total market demand, protect its current market share and effort to increase its market share even if the market size stays the same. (Kotler & Keller 2007, 167 – 168.)

Aggressive market challengers usually aim to increase their market share and first they have to decide who to attack. They either attack the competitors of the same size or the market leader, with which there can be potentially higher results thus with higher risks. Or they can attack small local and regional firms in a way that some big banks have wolf down smaller banks. (Kotler & Keller 2007, 170.)

Market follower can profit from other company's development of a new product, getting it to distribution and educating the market. The company that has done this work bears all the risks associated with the above operations. Market follower will most certainly never outwin the innovator company unless it can better the function of a product or service, but it can still enjoy high profits because it did not bear the innovation expenses. (Kotler and Keller 2007, 172.)

Market nicher is an alternative to being a follower in a large market. Instead a company can be concentrating their products or services to a smaller market or niche. The idea behind being a nicher is specialization. This way a company can specialize itself to a niche and create an image of expertise in that niche. Market nichers can alter by their speciality. E.g. service specialist; a firm that offers one or more services not available from competitors, or a product specialist; a firm that carries or produces only one product line or product. Smaller firms can avoid competing with larger firms by targeting small markets of little or no interest to the larger firms. (Kotler and Keller 2007, 172.)

5 British local and organic food market

This chapter is going to begin the empirical part of this thesis. In the following chapter the author wishes to give a detailed overview of the organic food market in the UK through presenting and analyzing quantitative and qualitative data. On the basis of the following factors of the macro environment marketers are able to adapt a marketing strategy and marketing mix to meet each country's demands. Firstly though, a brief depiction of the local and organic food market of the UK is presented.

UK is one of the largest markets of organic food on the European level with 2.835 million euros of organic food expenses (statistics from 2007). Organic food expenses increased by 11.9% during years 2000 – 2008 and the average of UK households were spending 2.7% of all food purchases on organic products. (European Commission 2010, 41.)

Soil Association is one of the U.K.'s leading membership charity promoting healthy, humane and sustainable food, farming and land use. It was founded in 1946 by a group of farmers, scientists and nutritionists. Soil Association publishes yearly an Organic Market report sponsored by Triodos Bank. The newest report of 2012 says that globally organic sales grew by 8% and are valued now €44.5 billion. All of the major European markets, including the US, experienced a strong growth. Addition to this market analysts predict that the Asian market will grow by 20% in the next three years. However in the U.K. the state of affairs is not quite that positive. The sales for some organic products still continue to grow, e.g. baby food are up 6.6% and it has also been a good year for meat, with lamb and poultry enjoying increases and beef holding its own. Yet the overall market is down by 3.7%. According to the Soil Association's report this is due to falling supermarket sales as retailers cut back on own-brand organic products and the selection available. (Soil Association website.)

According to the Soil Associations report some interesting patterns and trends are being seen. E.g. organic food isn't any more seen as a "posh" product since they are continued to be bought by a wider demographic i.e. population sharing common charac-

teristics, such as age or class - with eight out of ten households buying organic products in 2011. The report also presents some changes in the different ways of buying organic food. Box scheme, home-delivery, and mail-order organic sales continued to grow after a successful year 2010. In 2011 the growth was an impressive 7.2% amounting to £167 million. (Soil Association 2012, 3 & 10.)

“The growth of businesses such as Ocado, for example (its organic sales are up 5.5%), show the continued trend for doorstep delivery and online sales. There are exciting plans afoot for several major businesses to expand their organic offer in this area.” (Soil Association 2012, 3.)

6 British macro environment

In this chapter the British business macro environment is explored through political-legal, economic, social-cultural and technological factors. It is important to consider these factors when entering a market. Gathered below are some characteristics of the British market that are peculiar to this nation's business environment and especially relate to organic and local food industry.

6.1 Political-Legal environment

Organic products in the UK are certified to be an organic products by different certification bodies. They all conform their standards to the regulations created by the European Union. These organizations follow the guidelines of the international and national laws, keep records of production processes, and submit to annual and random inspections. "All food sold as 'organic' must be produced according to European laws on organic production. These laws require food sold as 'organic' to come from growers, processors and importers who are registered and approved by organic certification bodies, which are in turn registered by the Department for Environment, Food and Rural Affairs (Defra) or a similar control body elsewhere in the European Union." (Food Standards Agency's website)

Below is a list of all the certification bodies in the UK:

- DEFRA (Department for Environment, Food and Rural Affairs)
- Organic Farmers and Growers (OF&G)
- Scottish Organic Producers' Association (SOPA)
- Organic Food Federation (OFF)
- Soil Association Certification Ltd (SA Cert)
- Demeter / Bio-Dynamic Agriculture Association (BDAA)

- Food Certification (Scotland) Ltd¹
- Organic Trust Ltd
- CMi Certification



Figure 6. Soil Association and OFG certification labels. (Soil Association and OFG websites)

The standards set by DEFRA follow to the minimum standards of the International Federation of Organic Agricultural Movements (IFOAM). “The DEFRA UK Compendium of organic standards - set by the International Federation of Organic Agriculture Movements (IFOAM) - offers a baseline for all UK organic production and each certification body owns its own standards which are based on the Compendium.”(Aboutorganics website.) Soil association and SOPA standards are higher than above mentioned baseline. The two most commonly seen labels in the UK are the Soil Association and Organic Farmers and Growers. Trade Manager, Lee Holdstock, at the Soil Association stated in her interview that one of the obstacles in succeeding in the British organic market is not having the products certified with a recognizable label for the UK consumers. For example the Soil Association certifies over 70% of all organic products in the UK market because it is well recognized by the consumers, so farmers want to use this label. (Holdstock 16.03.2012)

¹ Food certification (Scotland) Ltd grants organic certification for farmed salmon in the UK.

² Refers to the budgetary policies for balancing spending with the taxation (Morrison 2006, 81)

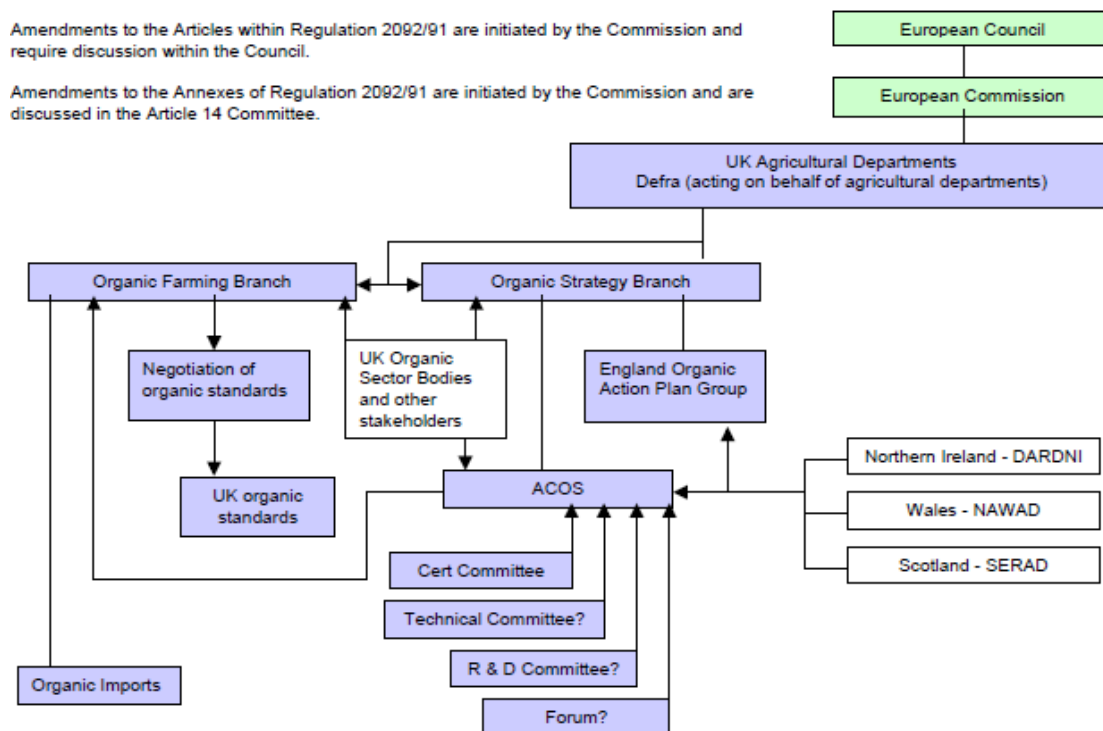


Figure 7. Organizational chart for decision making on organic standards (DEFRA 2005)

The decision making on organic standards and regulations is structured according the above Figure 7. Amendments to the Articles are formed by the European Union Commission in co-operation with the European Council. These amendments are then applied by the UK agricultural departments (DEFRA). The Organic Strategy Branch (OSB) is a section within the Organic Farming & Industrial Crops Division (OSB) Division of the DEFRA. OSB is acting on behalf of the Secretary of State for Environment, Food & Rural Affairs as the Competent Authority for the purposes of Council Regulation (EEC) No.2092/91 (relating to organic production and indications referring to agricultural products) as amended.

The OBS as the Competent Authority provides:

1. the Standards for the production of organic food in the United Kingdom.
2. a Certification System whereby certification schemes operated by private certification bodies, which can demonstrate conformity with the requirements of this Control Manual, can be approved, for the following scope of activities:
 - a) production of organically produced agricultural products;

- b) processing, preparation and labeling of organically produced food and animal feed;
 - c) importing of organically produced food and animal feed from third countries;
 - d) assessment and approval of inspectors employed by the Approved Bodies.
3. approval of certain derogations (e.g. seeds and reduced conversion periods) issued by the approved certification bodies. (DEFRA 2005)

ACOS (Advisory Committee on Organic Standards) is a non-executive, non-departmental public body consisting of an independent Chair and members that have interests in organic food such as producers, processors, distributors, researchers or consumers. Its task is firstly to provide the advice noted above on the development and implementation of organic standards and secondly to assist DEFRA with its supervision of the control system, in particular the approval and control of the organic inspection bodies which authorize individual organic operators. (DEFRA 2005)

Fiscal policy² in the UK includes decisions on direct and indirect taxation. In UK the government gets more money from indirect taxation than direct taxation on contrary to many other European countries. Examples of indirect taxation would be VAT and petrol duty and income tax and corporation tax belong to the group of direct taxation. For businesses tax considerations can be very important when considering future investment. Concessions on tax to corporate taxpayers or small and medium-sized businesses can encourage investments and governments are aware of the fact that this helps to attract investors. As seen in table 2 lowered rates of corporation tax for SME's are used in many countries. (Morrison 2006, 83 – 84)

² Refers to the budgetary policies for balancing spending with the taxation (Morrison 2006, 81)

Table 2. Corporation tax in selected countries in 2000(per cent) (OECD 2002)

	Basic rate	Reduced rate for SME's (where applicable)
Germany	40 ³	n/a
France	33.3	25
Italy	37	n/a
Czech Republic	31	n/a
UK	30	10-20
Ireland	24	12.5
Australia	34	n/a
Japan	30	22
US	35	15

6.2 Economic environment

Firstly this chapter is going to describe the economic environment in the UK in general. Secondly this chapter will present the economic environment reflecting the industry in question, that is the food industry and more precisely organic food industry. Even though economies' future is very hard to predict since markets are at constant motion and unreliable, by presenting an overview of the UK economic situation compared with some forecasts one can become familiarized with the current situation.

The UK economy is the third largest economy in Europe after Germany and France. It is a major trading and financial power state. The biggest segments of GDP are the services, especially insurance, banking and business services, although these continue to decline in importance. Agriculture is intensive, efficient and highly mechanized. It produces about 60% of food needs with less than 2% of the nation's work force. For two decades the British government has been reducing public ownership and contained the growth of social welfare systems. Since 1992 the UK has enjoyed an upward direction

³ Basic rate on retained profits; 25 per cent on distributed profits.

with its economy along other Western European countries. However the 2008 global financial crises impacted the UK particularly hard due to the importance of financial industry of the country. Since then the UK governments have implemented numerous measures to rejuvenate the economy, e.g. nationalizing part of the banking system, cutting taxes, raising the value added tax from 17.5% to 20% etc. Although being among the major economic players in Europe and Bank of England coordinating interest rate moves with the European Central Bank during the economic crisis, Britain is still outside the European Monetary Union (EMU). (CIA, the World Factbook 2012)

Gross domestic product (GDP) per capita in purchasing power in the UK in 2010 was 112 in comparison to Finland's 115.

Gross domestic product (GDP) is a measure for the economic activity. It is defined as the value of all goods and services produced less the value of any goods or services used in their creation. The volume index of GDP per capita in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU-27) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa. (Eurostat 2012.)

Currently, based on the economic indicators published by the Parliament of United Kingdom in March 2012, there is good news regarding consumer spending and not that favorable concerning GDP. GDP fell 0.2% in the last quarter of 2011 compared with the previous quarter. This decline was due to decreases of investment and inventories held by companies. GDP is now 3.9% below its pre-recession peak of Q1 2008. However consumer spending rose for the first time since Q2 of 2010. "In Q4 2011, consumer spending rose by 0.5% compared with Q3. Despite this increase, consumption fell by 0.8% during 2011 as a whole and is 5.4% below its pre-recession peak of Q4 2007." (Harari, D. 2012, 3)

The unemployment rate has now reached its highest in 16 years being in December 2011 8.4%. 2.64 million people of the work force are unemployed according to the Office for National Statistics (2012). Economists however forecast the worsening unemployment course to be eased due to job vacancies growth to 476 000 in January 2011. (BBC News 2012)

DEFRA (Department for Environment, Food and Rural Affairs) publishes annually a comprehensive Food statistics pocket book which provides an overview of statistics on food covering the economic, social and environmental aspects of the food the British consume. It can be very helpful for a business looking for information about consumer buying behavior trends and market information. “The agri-food sector made up 7.1% of national market sector GVA⁴ in 2010 and 14% of national employment in Q3 2011. It was fuelled by £182 billion of consumers’ expenditure on food and drink in 2010.” (DEFRA 2011, 10.)

“Inflation fell from 4.2% in December 2011 to 3.6% in January 2012, but unemployment increased again and uncertainties over the stability of the euro-zone remain. Consumer confidence is key, and although the Nationwide/TNS-RI confidence index rose by nine points to 47 in January from a near-record low of 38 in December, it is still two points below its level a year ago and 29 points below its long-run average of 76.” (Soil Association 2012, 17.) The UK is in the state of revival as are many other countries in Europe.

6.3 Social-Cultural environment

Cultural and social differences between two countries can be sometimes immense. This is because countries are sovereign states that have long history of independence and their own legislation. Countries and their inhabitants have cultural identities and views on how they conceive their environment and the world in general. These views also contain opinions on companies, businesses, mainly based on their image and how they present themselves to consumers and media. It is important for a business to seek help with getting to know the inhabitants of a certain country and the culture to avoid additional risks of presenting themselves in a negative way. Also for marketing purposes knowing who your consumers are and their thoughts on things is essential and supportive to know how to reach your target group and by what means. In the following

⁴ GVA = This is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production. (DEFRA 2011, 8)

paragraphs the British as a population are explained to provide an overview to their numbers and values of consumers.

There are around 63 million people living in the UK. People in the middle of 15 and 64 years of age comprise 66.2% of the population, 0-14 years of age 17.3% and the remaining 16.5% of the age 65 years and over. Major cities, where population is concentrated in are London with 8.615 million inhabitants, Birmingham (2.296 million), Manchester (2.247 million), West Yorkshire (1.541 million) and Glasgow (1.166 million). These statistics are from 2009. The population of the UK is expected to grow to 71 million people by 2031. The average amount of people living in a household in 1961 was 3.1 persons and it has decreased to 2.4 persons in 2010. Also the number of people living alone has enlarged from 7 million to 7.5 million between 2001 and 2008. In 2010 one person households comprised 29 % of all households in UK. Two person households 35%, three person households presented 16% of all households, four person households 14% and households with 5 persons or more all fewer than 4 %.

(Beaumont, J. 2011, 1 – 3)

The population of the UK is aging as it is in the countries of Western Europe. In 1983 there were only over 600 000 people in the age group of 85 and older. This is the fastest growing age group and by the year 2008 this group had amplified to 1,3 million. This number is forecasted to more than double again to 3,2 million by the year 2033. This implies a promising future for products aimed for the elderly in the UK as well as in other markets because of the ever developing information technology and contracted global markets. “The older generation represents a significant marketing opportunity for the food and grocery industry, with those aged 50 and over making up 34% of the population, 51% of food & grocery spend, and 80% of disposable income. Key demands from this group are for clearer labeling, smaller pack sizes and healthy product formulations. They also prioritize customer service and ease of shopping.” (IGD website, 2010.) (CIA 2012; IDG 2010.)

Values and priorities guide how and what people buy and consume. During hard economic times it is understandable that people tend to find cheaper and even alternative

products to consume. According to DEFRA's Food Statistics pocketbook (2011, 40) price has become increasingly important in driving product choice, with 30% naming it as the most important factor and 90% of shoppers listing it within their top five influences in 2010. Ethical buying is continuing to grow despite the challenging economic times. Ethically produced products are e.g. Fair Trade, locally produced, Rain Forest Alliance, organic products or foods with high standards on animal welfare. All these categories have increased their consumers. Only organic products seem to have lost their momentum recently. This is partly linked-up with the swing to other ethical factors such as local food. "The aspiration for high quality, more sustainable food remains. As well as using pricing as a competitive tool, there is clearly scope for promoting ethical credentials as shoppers continue to be influenced by values and not just value." (Padbury, G. 2009.)

During the economic downturn the sales in organic food have dropped by 12,9%, however interest towards local food has accelerated. According to the Shopper Trend 2011 report by The Institute of Grocery Distribution this interest of locally produced goods was aroused by the consumers' want to support local economies and communities during a difficult financial period. "In December last year, over half (52%) of shoppers claimed to purchase local products in order to support local producers, a quarter (25%) to support local retailers, and over a fifth (22%) to keep jobs in their area." (Institute of Grocery Distribution website.) This report also suggests that the trend of British and local food continues to grow in the future. The research reveals that more than four in ten (42%) of shoppers claim they are prepared to pay extra for locally produced foods, increasing from 35% since December 2010. (Institute of Grocery Distribution website.)

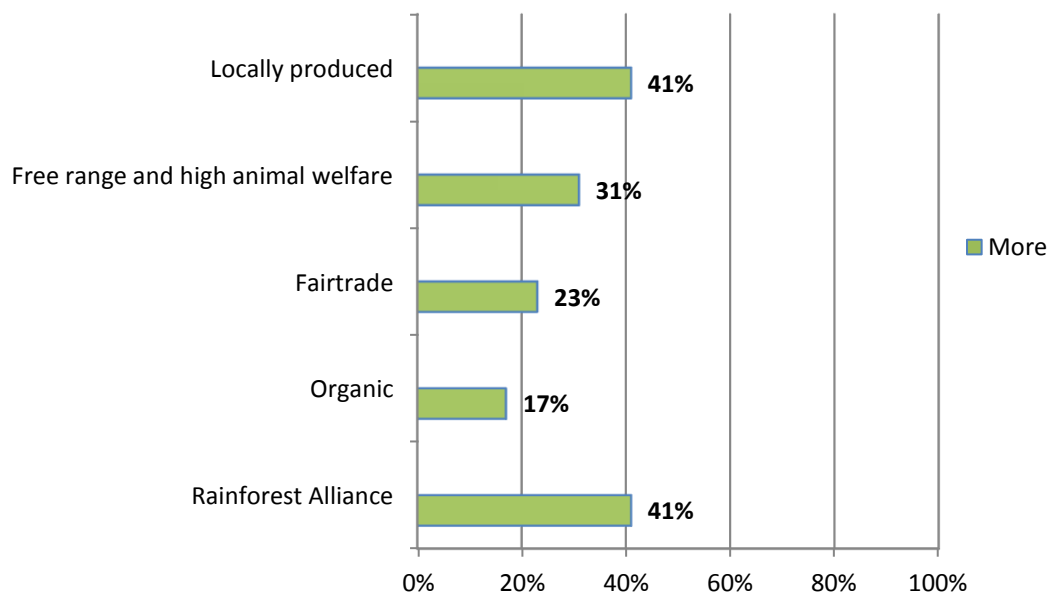


Figure 8. A survey of the intend to purchase more of a particular food category in the next 12 months (Institute of Grocery Distribution 2011 website)

Free From -foods are an upcoming trend in the UK food industry according to Esa Wrang, Head of Industry in Life Sciences and Food Sector at Finpro. Free from – foods are food products out of which some allergens have been removed such as gluten, milk, nuts or egg. This sector’s growth factor in the UK has been faster than of any other food product with health benefits. Free from –foods’ market forecast is 350 million pounds by the end of 2012. There is demand especially for gluten-free and lactose-free food products. Knowledge of special diets in the UK is quite little and diagnostics new. Wrang adds that it is not at all sure that the staff of a restaurant in London even knows what gluten-free or lactose-free food means. Thus there is a lot of work to be done but also many opportunities in this kind of market. Especially in hotel, restaurant and catering business also a small actor can find big profits with its distinct products. (Niemelä 2011, 7-8.)

6.4 Technological environment

In this era of fast developing information technology and the new innovations in the industry it would be foolish for a company to disregard the trends and possibilities of what benefits technological progress could provide. Keeping in mind that the commis-

sioning party is a business operating online, this part is focusing on the technological environment utilizing and/or concerning the World Wide Web. However differences between countries do exist in technology available even if the Internet is assumed worldwide.



Figure 9. An Internet phone box in Cumbria, England⁵ (BBC webpage)

A former BT Group technology chief said in March 2012, that UK will be frozen out of the next industrial revolution because government's broadband plans to create a broadband network with download speeds of 24 megabits per second for 90% of the UK's 25 million households by 2015 are not well funded or ambitious enough. The government has praised it to be a superfast network in Europe. The remaining 10% of homes would receive a minimum of 2 Mbps. "The UK ranks 15th in the global league of countries with the fastest advertised speeds, published by the OECD in September 2011, and has one of Europe's lowest levels of fibre cables to the home. A direct fibre connection, as opposed to fibre to the street cabinet and copper from there to the home, is considered essential for speeds of more than 100Mbps." (Garside, J. 2012.) In some areas like Cumbria, between Scotland and England in the north-west, the situation according to MP Tim Farron is completely unacceptable in this modern age. He has said that "for Cumbrian businesses, providing a decent internet connection is not a luxury, it's the difference between surviving and folding." (Garside, J. 2012.)

⁵ where MP Tim Farron said some homes and businesses were struggling to access even basic broadband speeds.

Although being behind other European and Asian countries when internet penetration and levels of e-commerce engagement are concerned, the UK is home to one of the most advanced online grocery retailing markets in the world. Estimates from IGD state that grocery sales online amounted to £4.8bn in 2010, up 21.4% with the previous year, accounting for 3.2% of total grocery retail sales in the UK as shoppers have increasingly been adopting a multi-channel approach to grocery shopping. In fact UK consumers are the number one society in ordering products and especially food products online. (IGD website)

In table 3 one can see the type of products that are bought online in the UK and their shares. Food counts for 19% of all products sold online, which is significantly bigger percentage compared to that of the other countries. This means that food is a major product category which consumers buy online and internet is a very potential as a retail channel for food products.

Table 3. Type of product bought on the internet in 2007 (BBC website)

	Germany	UK	France	Spain	Italy
Cultural product	46%	43%	31%	5%	13%
Travel/leisure	38%	47%	27%	10%	19%
Domestic appliance	33%	31%	16%	3%	7%
Sporting good	16%	20%	9%	2%	5%
Financial product	10%	24%	2%	1%	5%
DIY	9%	14%	6%	1%	3%
Furniture	11%	15%	4%	1%	4%
Food	3%	19%	4%	1%	3%

According to a report by IGD, the food industry's trade body in UK, online food shopping is expected to double in five years i.e. by 2014. It is predicted that UK con-

sumers will spend £7.2bn on food and grocery shopping. The report said that in 2009, 13% shopped online for groceries with an increase of 63% from 2006. The research showed that 3/5, around 61%, of online grocery shoppers use more than one online store for their food shopping and almost half (49%) would like to try other supermarket websites, but many are put off by time and effort concerned. (Hall, J. 2010)

The chief executive of the IGD, Joanne Denney-Finch said:

Our research shows there is a great opportunity for grocery retailers and manufacturers to encourage shoppers to try online food shopping. People are increasingly mixing the channels they use for their weekly or monthly shop. Many are choosing to visit their local store on a regular basis, while purchasing a number of bulk items, like tinned foods and toiletries, online less frequently." (Hall, J. 2010.)

According to Jonathan Gunz, a senior innovation analyst at IGD, the scene to watch in the year 2012 for the retail industry in UK is the online arena and how the development here will impact the trends and strategy as a whole. Some of the key trends he points out concerning technology are the smartphone revolution, crowdsourcing and new technological innovations. "New takes on virtual 'pop-up' stores, apps, and social media are emerging daily and the sophistication and capability of such technologies is constantly evolving." (Gunz, J. 2011.)

7 British competitive environment

The British organic and local food market is operated by different players. The competitive environment and its players on the market have been analyzed by conducting field work through interviews and desk research by interpreting and observing the websites of the players. These websites also include associations that promote organic food. It has been shown that it is important for businesses to develop a strong competitive position in the market in which they compete. To understand the degree to which a business has a position of competitive advantage, one needs to engage in a detailed analysis of competitors. Important factor in this analysis is the selection of the competitors to analyze. It is often impossible to analyze all the potential, however to maintain a broad market definition should all the meaningful competing substitutes be included. There are different methods to choose the competitors e.g. based on customers' perceptions of the differentiation of companies. This kind of method for this work is too extensive so the author has selected the competitors based on a desk research. The competitor businesses were examined through published reports and homepages. (Best, R. 177 – 178.)

In the UK organic market there are the multiple retailers i.e. chains of large supermarkets with a market share of powerful 71%. Other independent retailers, who typically don't own a large number of stores nationally or regionally, count 14.8% of the market. Box schemes /home-delivery and mail order 10%, farm shops 1.8%, farmers' markets 1.1%, and catering 0.9%.

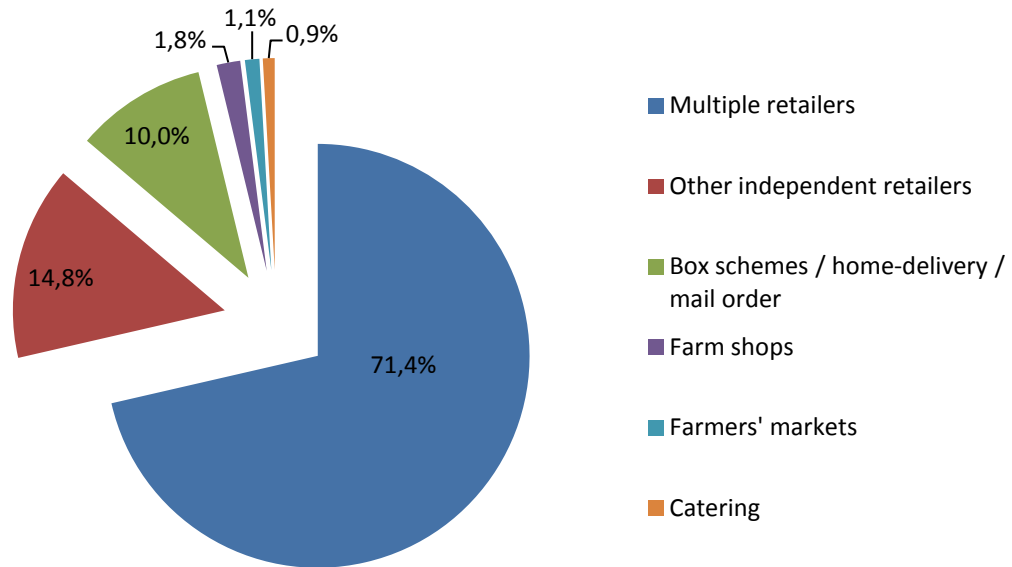


Figure 10. Organic market shares in the UK in 2011 (Organic Market Report 2012, 9)

Lee Holdstock (16.3.2012), Trade Manager from Soil Association, clarified in her interview that home delivery / mail order section include businesses that don't have any stores for consumers to visit and most orders are taken over the internet. Box Schemes are a specific home delivery scheme providing boxes of vegetables or fruit, although these are diversifying to take in meat and other products.

The two largest organic brands in UK are Yeo Valley and Green & Blacks, the latter having also their own online store for UK customers. There are also dairy businesses in the organic market, such as Arla (Danish owned) and Dairy Crest. Another brand, not that large but influential, according to Lee Holdstock from the Soil Association, would be Riverford, a home delivery company with box schemes. (Holdstock, 16.3.2012.)

In the interview to Lee Holdstock, she was asked what, in her opinion, are the biggest obstacles for European companies to access the British organic market. She replied that not having a certification recognized by the UK consumers can be an obstacle. As said earlier in this thesis 70% of organic food certifications come from the Soil Association. This is due to, according Holdstock, being part of a campaigning organization

that represents consumers' interests. Other marks are not well recognized by UK consumers. Holdstock adds that having branding that would communicate the complex benefits associated with organic, accounting for cultural differences, would also be unfavorable for a company. When asked would there be room for other European organic products in the market e.g. Finnish organic berries, Holdstock responded in the affirmative but reminded that the organic market is actually declining at the moment and that there is increasing focus on export.



Figure 11. Soil Association's recipe for success in the UK organic market (Soil Association 2012)

Overall Holdstock answered that there is high competition among organic food suppliers, but that the sales of organic food being at just 1.9% of overall food market there is plenty of room for growth and innovation in organic. (Holdstock 16.3.2012)

In the below table 4 it is evident that all of the companies have lost sales of the organic produce except Lidl. This success of a discount retailer shows that there is a market for organic produce across the social spectrum. Box schemes/home delivery/mail order and catering (not in the table 4) were the kind of companies that also had a positive increasing sales in 2011, box schemes / home delivery / mail order up 7.2% and catering up 2.4%. (Soil Association 2011, 9-10)

Table 4. Leading multiple retailers in the UK organic market 2011 (Soil Association 2012)

	Market share	Sales
Tesco	27.1%	▼ -5.9%
Sainsbury's	23.1%	▼ -5.1%
Waitrose	18.8%	▼ -2.2%
Asda	8.7%	▼ -22.6%
Morrisons	6.8%	▼ -22%
Co-operative	3.6%	▼ -22%
Marks & Spencer	2.6%	▼ -7.6%
Lidl	1.0%	▲ +16.7%

The most common method to deliver goods to customer is internet ordered doorstep delivery either by a national online retailer (e.g. Ocado) or by a local franchisee of a national vegetable box scheme (e.g. Riverford), or by a small (often farm based) local box scheme. Most of the online stores researched such as Abel & Cole and Riverford, do home deliveries using their own vans or trucks to transport the goods to the customers.

When asked about the existence of food circles, Holdstock (16.3.2012) replied that there are food circles in the UK and they are called *community supported agriculture* groups, but that they are very small in number. Abel & Cole's Head of Brand, Claudia Ruane (12.3.2012) was asked whether they have food circles as customers she answered that not normally, but that they can arrange this by themselves, i.e. a group of people order together in large quantity for everyone.

In the following 6.1 chapters the authors has categorized the commissioning party's potential competitors into competitor roles based either on their market share, their visible marketing strategy or some other characteristic that author has been able to recognize. For each company presented, justifications to why the company in question has been chosen to represent a certain role are discussed. The companies are all in their

own way of a certain role. The authors has decided to concentrate more on certain companies, who are similar to the commissioning party company in Finland, who represent best the image of organic and ethical consuming or are in some ways interesting companies and one's to watch. The selection made will also better answer the research question and sub questions.

7.1 Market leader

As showed in figure 4. the market leaders in the British organic market are without a doubt the multiple retailers, i.e. supermarket chains such as Tesco and Waitrose. Based on the market shares and the interview with Soil Association's Lee Holdstock the supermarkets Tesco and Waitrose were chosen for presentation. Tesco has the highest sales of organic in the UK, and concerning Waitrose Holdstock stated: "Waitrose is the leading Multiple Retailer in organic, not because they sell the highest volume, but because they have the greatest commitment to organic." (Holdstock 16.3.2012) In addition, to prove Waitrose's input in organic, Tesco's share of organic sales of total drink and food sales in 2011 was 1.0%, whereas Waitrose's was 5.9%.

Tesco is a market leader in terms of the market share. Tesco is a British multinational grocery and general merchandise retailer founded in 1920. By revenues it is the thirdly largest retailer in the world after Walmart and Carrefour. Tesco is listed on the London Stock Exchange and is among the 100 companies with the highest market capitalization known as FTSE 100 Index. Tesco operates in 14 markets including six European countries, six Asian countries, USA and UK. It also has a very successful online shopping possibility through their website. As above mentioned Tesco's organic sales of total food sales last year was 1.0%. The percentage isn't big but out of Tesco's multibillion revenues it is enough to make Tesco a superior market leader with a market share of 27.1%. They deliver to most UK residential addresses and a customer can choose the delivering slot. The service charge varies depending on the delivery slot chosen.

Waitrose is another market leader with an 18.8% market share. It is a British retailer founded in 1904 with multiple stores around Britain. Waitrose aims to combine the convenience of a supermarket with the expertise and service of a specialist shop. It is

known for providing products of the best quality, and shown interest to organic products through Waitrose's commitment concept presented on their website. Waitrose provides three ways to have the products delivered in addition to the traditional way of shopping in a store. One can buy products online and have them delivered or one can collect them from a nearest branch. Alternatively they can shop in a branch and have them delivered to them. One can select the delivering time online. Waitrose has its own organic brand Duchy Originals.

7.2 Market challenger

The following companies were chosen as market challengers as being either solely or additionally online retailers. The online grocery market, as proven in the chapter 6.1.4., has showed increasing potential as a shopping channel and it is forecasted to continue its successful path in the UK. Through online channels and marketing even smaller companies can confront the market leaders without breaking the bank. Before the time of Internet companies less or more stated their brand and image to the consumers, and they believed in the brand but not anymore. Consumers still trust people but no longer trust companies. Perceptions are nowadays done by consumers interacting online and sharing their experiences through social media. "If digital branding is based on conversation, relationships and interaction, a company needs to be conversing, relating and interacting. As part of that evolving conversation, companies have begun developing more personality-focused brands because consumers relate better to people and characters than corporate entities." (Newlands 2011, 53-54)

Even though some of the market nichers presented in the chapter 7.1.4. could have been described as market challengers as well, the author decided to use own consideration of who could seriously challenge the market leaders. The market nichers presented are still quite small and their marketing isn't that aggressive that they could be presented as challengers. In the future they may well be challengers. According to Lahtinen and Isoviita (1998, 32) market challenger is visible and it has powerful marketing, great offers and it brings novelty products to its product selection.

Planet organic is an organic food retailer with 5 stores and online shopping possibility. Other products it delivers free in the UK when a customer has spent over £30. However it delivers fresh products such as dairy, meat, fish, bakery and fresh meals only within the London area. Its selection is quite wide with products ranging from groceries to health and beauty products and offers wide range of mum and baby products including baby clothes. Planet Organic was founded in 1995. It is UK's largest fully certified organic supermarket. It has a wholesale website for London businesses or individuals where they can order larger quantities of stock with a greater flexibility than their retail site while still offering the same range.

Ocado is an online home-delivery specialist. 10% of its total food and drink sales in 2011 were organic products. Ocado was launched in 2000 as a concept and started trading as a business in partnership with Waitrose in 2002. Ocado now covers a wide area of England and Wales, delivering Waitrose groceries, their own range of groceries and an increasing number of small, specialist or up-and-coming brands. They don't have any actual stores, only online. They deliver the goods to the customer by their own vans. They have a lot of offers, that can be seen from their website and the prices seem to be very competitive. Ocado markets three ways one can shop Ocado's products; using smartphone, computer or a tablet computer. They have an application Ocado On the Go which syncs with ocado.com website and it is available on iPhone, iPod touch, iPad, Android, BlackBerry and Windows Phone 7. Ocado is a serious contender to the supermarkets known for their conventional way of in-store selling. They can attack companies like Tesco with their online shopping possibility, which seems to be one of the best online grocers and the most innovative in using the new technology.

7.3 Market follower

The following market followers are only briefly presented as their ways to operate bring no valuable information to the commissioning party. Market followers according to Lahtinen and Isoviita (1998, 32) are unable to respond to competition, unoriginal, and they tend to have an expensive and poor selection of products. Some of the multiple retailers could fit to this kind of competitor role. Retailers that are not that interested of organic and do not want to invest in it.

Morrisons is UK's fourth largest grocery retailer and its internet business compared to the four biggest grocery retailers' online business is quite small. Morrisons is a market follower in terms that it doesn't yet have a home delivery system of fresh groceries and concerning organic and fresh produce this is a negative aspect. As such Morrisons wouldn't be a direct competitor to the commissioning party. (Wood, 2011.)

7.4 Market nicher

Market nichers were chosen based on Soil Association's Organic Market report, Lee Holdstock's interview, and the author's perceptions reflecting the web pages and public image. Market nicher as said earlier in this thesis is a company specialized in some way, either by e.g. the way they distribute their products or by which channels they sell their products. The chosen competitors are Abel & Cole for its innovative competitive edge and its multiple customer service awards, Riverford for being influential and known in the UK organic market and an independent retailer As Nature Intended. Abel & Cole are two leading companies delivering vegetable boxes and in 2011 they increased their turnover by 28% and over 5% respectively. Box schemes with a turnover above £2 million had their combined sales grow by 15%. "Abel & Cole increased its customer base by 28.5% and now makes an average of 40,000 deliveries a week." (Soil Association 2011, 10)

Abel & Cole has been delivering organic fruit and vegetable boxes in the UK for 20 years. They deliver on the same day week and collect customers' empty boxes so for re-using. A customer can unsubscribe the deliveries any time. In an interview with Abel & Cole's Head of Brand, Claudia Ruane, specified that they deliver to each area on a different day of the week. They do not have delivery slots, rather the orders can arrive any time of the day. Customers don't need to be in when they deliver as leave the order somewhere out of sight. Ruane also said that they hold keys to many garden sheds, communal doors, etc. (Ruane 12.3.2012) (Abel & Cole website)

Abel & Cole provides also many other products on their online store selection, everything from dairy and eggs to kitchen cupboard goods such as tinned goods and pasta.

Meat, fish and chilled foods are also in the selection. One can order these with or without the fruit and vegetable boxes either on regular or irregular basis. According to Ruane organic fruit and vegetables have always been very popular and over the last 24 months organic baby food and yogurt have come to the forefront. She also said that their customers choose them firstly for organic rather than local food but that both are important. Abel & Cole has 16 suppliers, of whom all are presented on their websites with pictures of their farmers and bakers, which gives the company a very humane and close to earth feeling. Their website is all around like this and very customer and user friendly.

They also do some business-to-business in a form of a school programme and office business. The school programme started in 2002 by Abel & Cole starting up a Farmer's Choice scheme as a solely not-for-profit fund-raising venture to raise much needed cash for London's schools. Last year they raised £90,000. The school is supplied with bags of organic fruit and vegetables each week. Parents and teachers sign up for a bag, and when they collect it they pay for the next week. The prices start at £6.50 and the school receives 25% of the price of every bag sold. Brain food –programme is meant for businesses “Smart stuff for clever companies”. The idea is that companies can order organic fruit boxes or other goods such as coffee, tea, cookies delivered for the office. For the use of businesses Abel & Cole have a separate website, portal, for ordering the products, in which the companies can login. They promote fair trade and organic products in their selection.

When Ruane was asked what their strengths are versus big supermarkets selling organic food, she said that they provided a closer link to the farmers and suppliers, that they send the food out in reusable, sustainable packaging, which they then collect and reuse, that their box schemes provide a more interesting selection of seasonal and organic fruit and vegetables and that their customer service is excellent and has won awards.

Ruane said that some of the home delivery market leaders or challengers are Riverford and Ocado, and that she does see them as their direct competitors to some extent. These companies were also mentioned in Soil Association's Organic Market report 2012 and as well in the interview with Soil Association's Lee Holdstock.

Riverford Organic is a box scheme and other organic product retailer, which sells products online. It was founded when Guy Watson began delivering vegetables locally to 30 friends in Devon. Now they deliver around 46,000 boxes a week to homes around the UK through their network of franchisees. The franchisees have their own territories in which they deliver the goods, market their service to get new customers and look after the existing ones. Riverford Organic does national marketing to support their franchisees and provides marketing materials and helps them to get e.g. vans for deliveries. Riverford arranges visits to the farms from which they get their produce and it has its own restaurant 'Field Kitchen' on their farm in Devon. Riverford has 4 farms around the country. They sell meat, vegetable, fruit and salad boxes and other organic food products.

As nature intended is a smaller chain and belongs to the category of independent retailers and has no online shopping possibility. Only organic products are being sold. These reasons justify why As Nature Intended is a market nicher. As nature intended was mentioned by Ruane (12.3.2012) as Abel & Cole's competitor. It has four stores; Chiswick Store, Ealing Green Store, Balham Store and Westfield Stratford City Store. It has no online store and therefore As Nature Intended wouldn't be potentially a direct competitor to the commissioning party. On their website they promote why one should choose organic, natural remedies, groceries including super foods, natural and organic skincare and their suppliers. They tend to have realized the coming trend of free from foods, which are seen as a big trend by Finpro's Esa Wrang discussed earlier in this report, as they present them on their website as well.

There exists also another kind of niche businesses in the UK market and that is farmers markets and farm shops selling local food produced on the farm directly to the public. Over 500 farmers' markets exist in the UK according to National Farmers' Retail and Markets Association (FARMA). According Soil Association this is a struggling sector in a flat economy and it estimates that sales of organic products through these outlets fell by 3.5% in 2011 to £30.45 million. (Soil Association 2012, 11.)

8 Spanish local and organic food market

In this chapter empirical findings of Spanish local and organic food markets, both qualitative and quantitative, are presented in detail. Like discussed earlier the research approach of this market research is mainly qualitative, but some of the relevant data, e.g. concerning economic factors are only available in numerical data, so they will be forming the quantitative part of this paper with the help of case study method.

Brief study into the European local and organic food industry gave a spark to this case study; Spain is a country that has experienced a dynamic increase in the number of organic farms starting from the 19th century and the interest from the commissioning party starting also approximately 2 years ago, these were the main reasons for conducting an international market research of Spain. Grounds for choosing Spain as a research destination was also based on the authors, Minna Käyrä's, experience and knowledge of the country, because of studying the language for many years and living in Spain in some point of her life. All the key factors presented in sequent parts are justified by different resources, but also by author's own experiences which provides added value for the findings.

This paper does not represent the basic facts about the research country because it is already known for some extent to the commissioning party, as they have some acquaintances and partners in Spain.

Before going deeper into the situation analysis of Spanish organic food markets, it is necessary to explain in detail the linkage between ecological agriculture and organic food because when conducting this research it was learned that in Spain, especially in Spanish language, they use words ecological, biological and organic on top of each other, like they were synonyms. Explaining of this linkage is necessary also because this phenomenon can be seen in many of the information resources employed in this market research and surprisingly it is common also for the official documents of Spanish government. Controversially e.g. in Nordic countries, these terms have a different meaning but are of course greatly linked to each other.

In The Spanish Ministry of Agriculture, Fishery and Nutrition's, MAPA's (El Ministerio de Agricultura, Pesca y Alimentación) website these terms are explained in this way; "Ecológico = Biológico = Orgánico", they are seen as synonyms to each other.

Also MAPA explains that Ecological Agriculture excludes the usage of chemical synthesis products such as fertilizers, pest-control substances or antibiotics etc. and in overall the organic food products are the result of Ecological Agriculture. (MAPA 2006, 3) This specification is equivalent to the description of organic food, which was described already in the beginning of this paper in Chapter 2. Spain does not produce specific reports of organic food industry because it is seen as a synonym, like revealed in above paragraph, and part of ecological food industry, which can be seen in the tables and figures employed throughout this report.

Currently Spain is the largest producer of organic products in Europe with 1.25 million hectares of land certified as organic; more than half of the products are produced in south of Spain, in autonomous community of Andalusia, these figures were published in the industry's trade fair called Biofach in Germany 2010. More precise the largest producers of organic products of Andalusia are located in provinces of Huelva, Cordoba and Seville, mostly producing olives, fruits and herbaceous plants. (Rodríguez, 2.) In overall the production sector of organic food is very sizeable due to the favorable climate and soil of the country, which enables to provide large scale of different products and extensive production systems and practices which are applied in numerous farms.

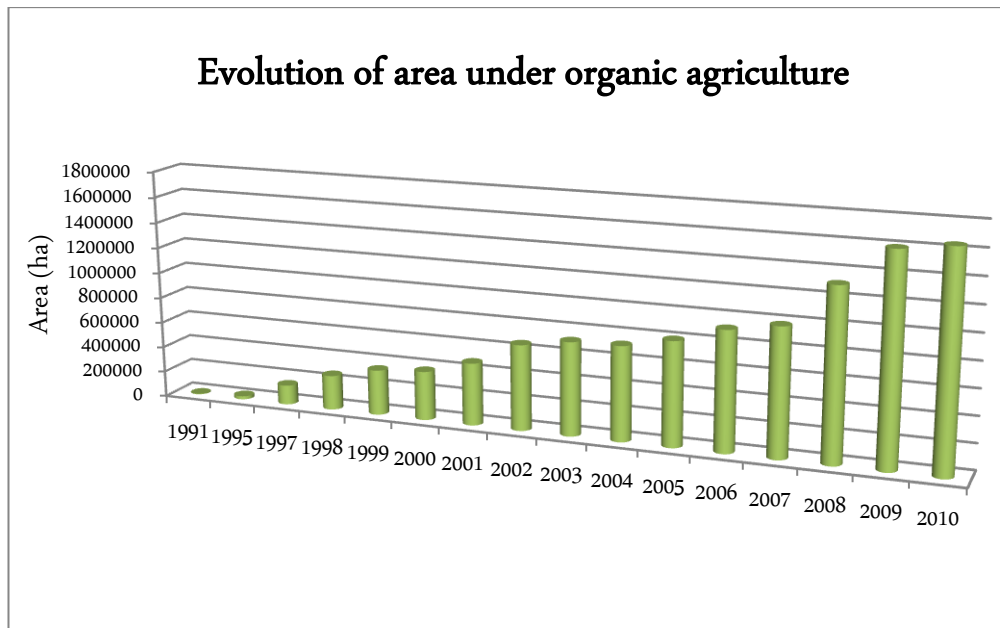


Figure 12. Evolution of Ecological Agriculture in Spain 1991-2010/translated.

(Ministerio de Medio Ambiente y Medio Rural y Marino 2010, 2)

In the European level the area under organic agriculture has increased significantly in the last years, during years of 2000-2009, the total organic area has increased from 4.3 to an estimated 7.6 million ha (+7.4% per year) in EU-level. (European Commission 2010, 11) Spain has experienced an amazing boom in the organic sector; especially between years 2007 and 2008 the increase of organic area was about 0.3 mio ha and as characteristic is developing in cycles, the growth seems to be slowing down. The fast growth can be explained partly with the later start of the sector and resembling to a catching up effect to other European countries due to the introduction of the Common Agricultural Policy (CAP) support measures for the their producer sector later than for the rest of Europe. (European Commission 2010, 8.)

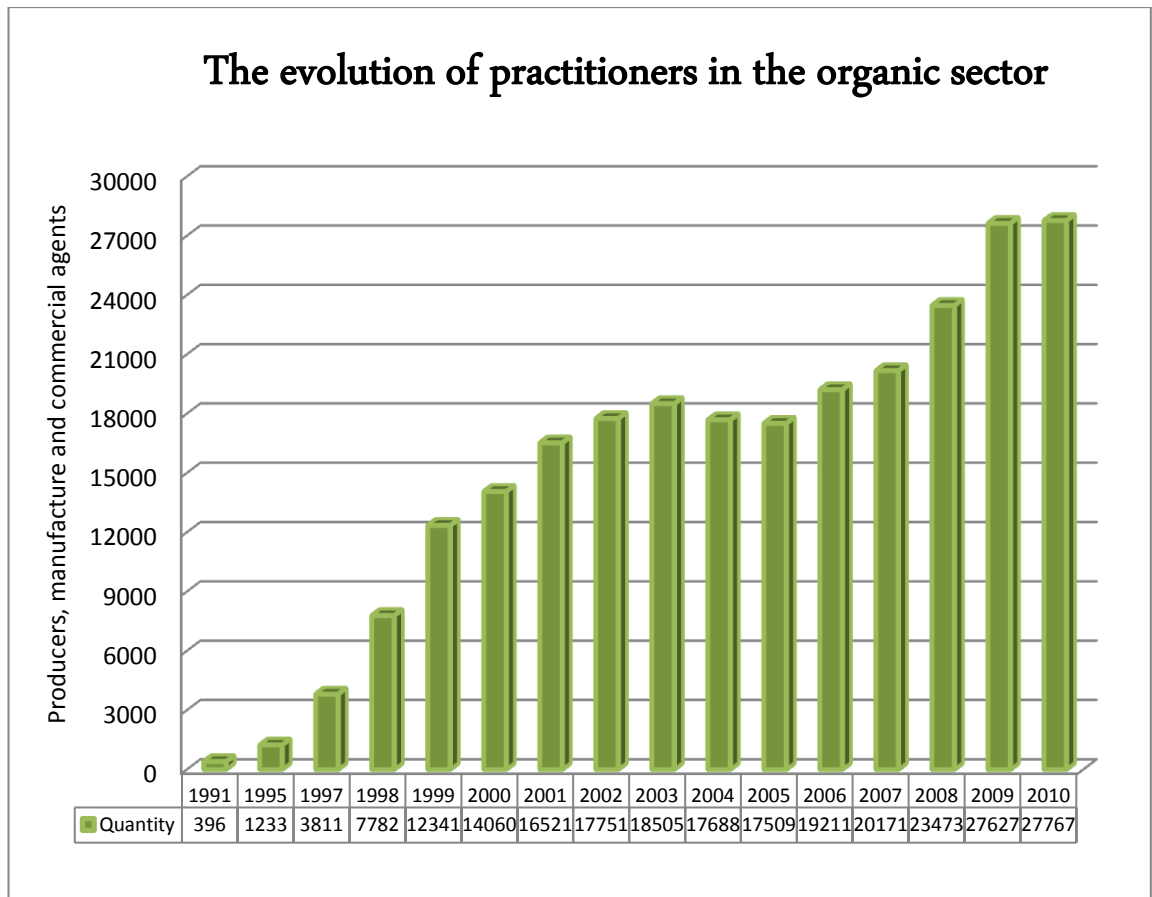


Figure 13. The evolution of producers, manufactures and commercial agents in Ecological Agriculture sector in Spain/translated. (Ministerio de Medio Ambiente y Medio Rural y Marino 2010, 3)

These producers, manufactures and commercial agents have been discovered by NIF-number, which is equivalent to our Y-tunnus in Finland. The number of practitioners seems to follow the increase of area under organic agriculture.

The above figure shows the development and number of practitioners in the field of ecological agriculture in Spain, the boom of organic food sector can also be seen as an increase of the actors in the field with 3302 new practitioners during boom years 2007-2009. All the way from year 2005 to 2009, the increase has been 10 118 practitioners during the whole duration of the growth. Spain being the largest producer of organic produce means that most of the practitioners of the sector are producers and processors than tertiary level operators. It can be presumed that the economic crises is reaching the ecological food industry also, the boom was also partially explained by the later start of the sector and resemblances to a catching up effect, which can be assumed that

has reached its end in the year 2010. (European Commission 2010, 8.) Unfortunately information regarding last two years was not available.

In general Spanish organic food markets are facing a lack of domestic demand but at the same time they are the largest European producer and exporting estimated 80% of the produced ecological products. In the domestic markets the supply and demand does not meet, it is stated that few years ago there existed extremely low consumer awareness. Also high prices, lack of marketing and adequate distribution channels have reduced the national consumption; all these above mentioned facts make Spain a very fascinating market research object. Spanish organic products are a success outside of the domestic markets and Spanish organic food production has only increased regardless of the poor presentation in national level. (Spain Makes a Name for itself in the Organic Food Sector, Marketuno.)

Export success has been at least in part due to the high level of confidence in the quality of Spanish organic products. While government organizations see to it that Spanish farmers follow all national and European rules, various non-profit organizations have also contributed to the process by establishing their own production and manufacturing standards. (Spain Makes a Name for itself in the Organic Food Sector, Marketuno.)

The growth of the market can also be seen in the participation numbers of national food fairs, this year's Alimentaria 2012 fairs in Barcelona, there was 200 organic food companies supported by the Ministry of Environment, Rural and Marine. (Ministerio de Medio Ambiente y Medio Rural y Marino website)

In 2010 organic food products represented 1, 9% of the total expenses of households spent on food, which increased with 0, 2% from year 2009. (Martín Cerdeño 2010, 52.) It is reported that the local demand is almost non-existent in the community of Andalusia, they are spending an average of 6€ a year on organic products when being the largest producer. Spain's national consumption average is only 13€ of organic products, while the European average being 50€. (Spain is now Europe's largest producer of organic food 2010)

The most sold organic food products in Spanish markets were in year 2010 vegetables, fruits and eggs. 66 % of distributors retailing organic food products state that they do not make any special promotion for these products. (Martín Cerdeño 2010, 56.)

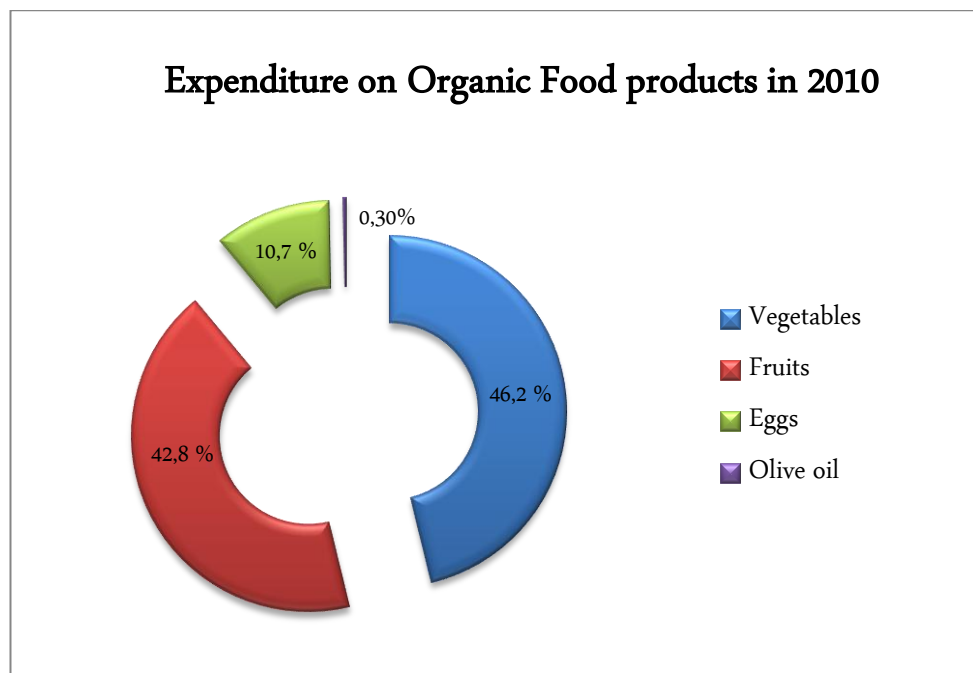


Figure 14. Expenditure on Organic Food products in year 2010. (Martín Cerdeño 2010, 54)

In March 2010 Spanish consumers had spent 12950, 35 million euros to organic food products, which meant that expenditure grew +6, 3% from the previous year. Like presented in the above figure, vegetables represent the biggest piece of the cake which was in euros 598 872 million and fruits 554 513 million euros. On organically produced eggs Spanish consumers spent 138 324 million euros and to the olive oil products 3 326 million euros. Remarkably is that one of the most successful Spanish exporter among organic food products, Nuñez de Prado, is functioning in olive oil industry and has been exporting 90 % of their bottles already for 7 generations regardless it possess only 0,3 % share from the overall expenditure. (Martín Cerdeño 2010, 54.)

It is stated that organic food has become more and more visible in the Spanish consumer food markets during last 10 years. It is possible to find even sections dedicated for organic produce in some grocery stores and organic food labels and trademarks have become a selling power or selling argument for retailers, and also formed into a

real brand in the food markets, comments Pekka Tolonen Vice President of Finpro in Spain. According to some blog writers in the area of Barcelona, area which acts as a precursor of the tertiary level for the sector, exists all the time more and more specialized ecological and organic food outlets but the supply is still quite narrow to other European countries so some of the consumers order e.g. from British organic online shops which export inside of EU. (Ecologia blog website.)

Obstacles seen to decelerate the evolution of organic food markets in Spain are the sector's structural factors, such as lack of supply, higher prices, dispersion in production, lack of demand and unviable sale's conditions concerning ecological food products. Other reason affecting the process is unfamiliarity of concept of organic food among consumers and distribution channels, which has an enormous influence when commercializing these products. (Ministerio de Medio Ambiente, Medio Rural y Marino 2009, 72.)

Local and organic food are usually retailed hand in hand in European markets, in Spain local food is not seen as such a trend as it is in e.g. in Nordic countries. The difference in Spain is that the local food has been part of the culture and part of the way of living for centuries; it is daily and has been available through specialized local fruit and vegetables stores called 'fruterias' and in different kind of market squares or market halls. It is also very common that the local farmers are selling their own products in fruit and vegetable stores or in the local market places. Spanish consumer is custom to consume local food ingredients daily, as e.g. in Finland large part of the fruits and vegetables sold here are imported from abroad because of the Finnish weather conditions which makes it expensive and difficult to produce them locally. In Finnish business environment local food products are a competitive advantage and trend of consumer behavior but in Spain they are daily and in some extent obvious. It can be seen that the consumer food markets are slowly transferring into the big hypermarkets, like it has happened decades ago here in Finland. It is stated that this transfer in Spain has not affected to the quality of the food, at least not yet, but it indicates that the role of big chains will grow in the consumer food markets and will be discussed further in the competitive environment chapter of this paper. (Tolonen, P. 12.2.2012.)

Like stated above, sequent parts of this Chapter will be devoted to draw an overall picture of the current characters of a Spanish macro and competitive environment, putting an emphasis into key factors having a great impact on a penetrating company into these markets. Spanish macro-environment will be discussed through PEST-analysis tool in section 9 and introduction to the competitive environment, more precise to the competitors of Spanish organic food markets in part in 10.

9 Spanish macro environment

This Chapter of this paper is committed to find out the different external key forces affecting a company in a Spanish business environment. To establish a valid picture of the macro-environment, various information resources has been applied, company and governmental websites, national and EU level reports, other Bachelor theses, Finpro office's email inquiry, Finland-Spain community's seminar for Finnish entrepreneurs and the author's own experiences and observations.

9.1 Political-legal forces

New and already existing companies are affected by different political-legal forces throughout their life cycle in the macro-environment where they operate. These external factors, mainly being uncontrollable, are vital for a new penetrating company to familiarize so that they can avoid unexpected surprises and unnecessary risks, if not following e.g. the trade restrictions it can lead to sanctions and fines, damaging your image publicly. (Business directory website.) Political-legal forces should also be taken into consideration when conducting strategic analysis of any form and when forming different company strategies, e.g. in the field of marketing, when advertising your products or services.

In overall political and legal factors can create advantages and opportunities for companies but in other hand also obligations and compulsory duties which enable them to operate in the specific business environment. (Learn Marketing website). This chapter will reveal the key factors of organic food market of Spanish markets.

9.1.1 Regulations of the industry

Like stated earlier organic food sector is heavily regulated industry and in order to get a comprehensive overall picture of the regulations applied in Spain this paper begins the process from the international level, i.e. from European Union level, then continues to national level and finally reaches the regional level, in Spain's case to the Autonomous Communities' level.

In Europe ecological food products have to fulfill the European Regulation CEE 2092/91 and provisions complementary, addition to these national ecological regulations are employed throughout Europe. (Bio Space website).

“In Spain, control and certification of Ecological Agriculture’s products is mainly carried out through local Councils or Committees of Ecological Agriculture regionally, these authorities function under the Agricultural Councils or Departments of Autonomous Communities, or they directly employ State’s general instructions, which are applied without modifications.” (MAPA 2006, 17.) The three autonomous communities, Andalusia, Castilla La Mancha and Aragon, have organized the control and certification through private sector. (MAPA 2006, 17)



Figure 15. 17 Autonomous Communities of Spain. (Eye on Spain website)

In overall the role of Autonomous Communities is quite significant in Spain, especially when studying the political and legal environment. The Communities usually also introduce another language, addition to Castilian, different local practices and procedures

also of conducting official matters. The fact that in which Community you are functioning in Spain, can affect a great deal to the business side, depending of the industry you work in of course, but it is common for these autonomous areas to do things differently. (Nummila 2012, 7.)

All the ecological food products retailed in Spain, addition to their own trademark on the package, need to have product label with a specific logo or anagram with the name or code identifying the regulatory body for that region and additionally Ecological Agriculture needs to be written there on the package also. When having all these it means they are subjected to the regulations of production and inspection according to the certain Autonomous Community. (MAPA 2006, 17.)

Words Ecológico, Biológico and Orgánico are allowed to use only for food products produced by Ecological Agriculture in Spain and these words need to be shown in the logo of the product. (MAPA's website)

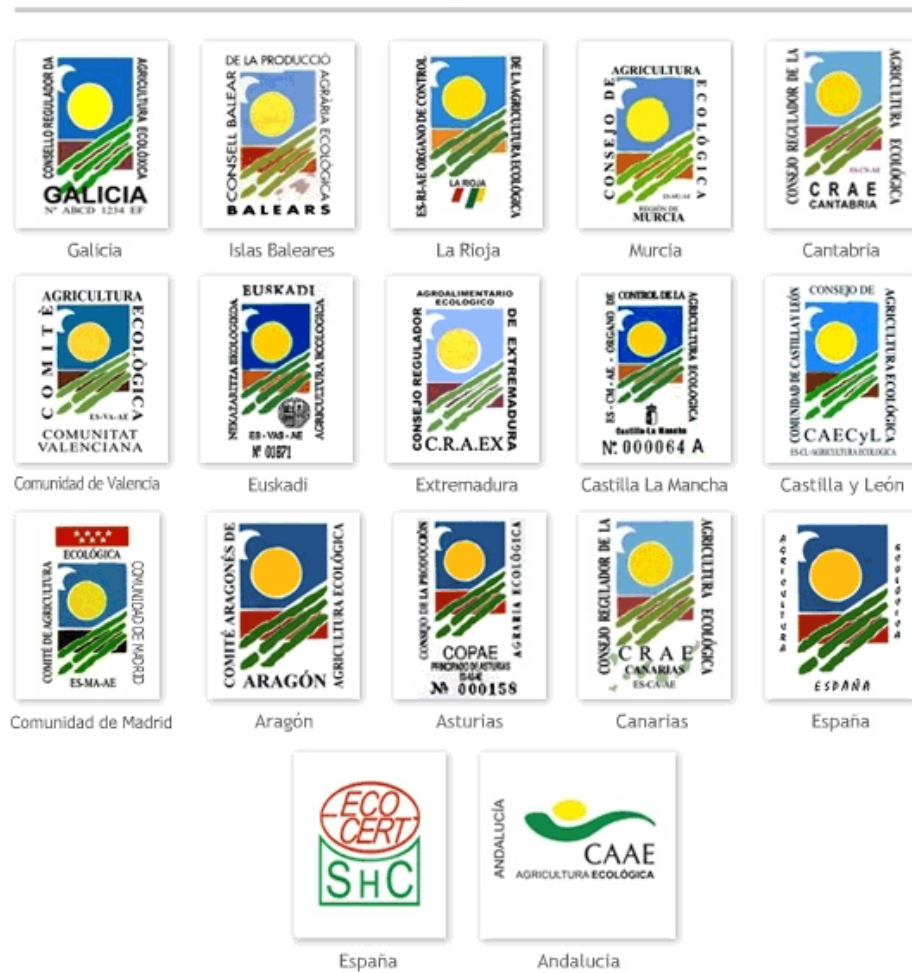


Figure 16. Ecological food logos according to different Autonomous Communities. (Bio Space website)

9.1.2 Governmental actions

The Ministry of Agriculture, Fishery and Nutrition (MAPA) has conducted a research of Ecological food markets in Spain in December 2005 to explore the overall situation of this sector and what could be done to change the direction of the market exporting approximately 80% of the food products to other European countries. Research was done in collaboration with other governmental department, Observatory of Consuming and Distribution of Food (Observatorio del Consumo y la Distribución Alimentaria), which analyzes consuming habits and behavior of consumers. (MAPA's website; MAPA 2006, 10.) The research was conducted by 2000 interviews of Spanish consumers and 100 practitioners of the food distribution channels. This study was done before the recorded boom of Spanish organic sector during years 2007-2009,

which was also predicted by the practitioners of the market, like will be stated in the sequent Chapter.

According to the key findings of this research The Ministry of Agriculture, Fishery and Nutrition (MAPA) realized that it is vital to give a new direction for the evolution of Spanish Ecological Agriculture. There had to be a change in the internal demand of ecological food products, Spain could not continue to export the majority of the produced ecological products, the sector needed a boost concentrating in growth and sustainability. Based these new guidelines the Ministry started the educational and promotional campaign of ‘Agricultura Ecológica. Vívela’ among other things mentioned later in this chapter. (Ministerio de Agricultura, Pesca y Alimentación 2006, 9-13.) These findings of this study are also explored in detail in the Social-Cultural forces Chapter due to its tight relation to the key findings with consumer behavior.



Figure 17. Campaign to promote ecological food products. (MAPA’s website)

As a result of the comprehensive research done in 2005 (MAPA) realized the need to promote Ecological food products because of the multiple benefits what it represents and increase the internal demand of the country for these products. During years 2006-2008 they had an educational campaign, in collaboration and partly funded by EU, called ‘Agricultura Ecológica. Vívela’. This nationwide campaign’s, cost almost 2, 5 million euros and its goal was to;

- promote ecological products to Spanish consumers, business professionals, educational institutes and consumer associations

- increase the knowledge of ecological food products
- inform about the Community legislation regarding ecological food products
- promote the usage of local Community's logos for ecological food products

(MAPA's website.)

The ministry has also established collaboration agreements with the Hotel and Educational sector and also created debate forums on this topic. (MAPA 2006, 2-3).

MAPA also conducted frequently meetings during years 2004-2005 to support the communication and cohesion of the sector. It is stated that many of the sectors practitioners participated into these meetings; as a result they created a strategy for the Ecological Agriculture for the future, called 'Jornadas de Reflexión y Debate sobre la Agricultura Ecológica' which aim is to:

- promote the evolution of Ecological Agriculture in Spain
- improve the knowledge of ecological food products & also promote commercialization and consuming of these products
- improve coordination, managing the resources and support inside of the sector

(MAPA's website.)

Ministry of Environment, Rural and Marine has also published a manual for the retailers, especially for small and medium sized companies (PYMES), how to promote and resell ecological food products. This project was part of Integral Plan for the promotion of Ecological Agriculture during 2007-2010. This very thorough manual supports the attempts to develop from large sector of production to consumption inside of Spain to the level of other European countries. (Ministerio de Medio Ambiente, y Medio Rural y Marino 2009, 5-6.)

In the Autonomous Community of Andalusia five Governmental Councils has signed a pioneer contract to include organic food to also to the public sector. Through this contract Andalusia's government will incorporate organic food to the menus of elementary and secondary schools, special education centers, student housing, retirement homes and disabled centers. This contract is aiming to promote the organic food

products and emphasis to the citizens the importance of health and environment. (CAAE's website.)

The efforts of Spanish government can reveal the position and especially the direction of the organic food markets in Spain. (Chartered Institute of Management Accountants, 7). The government has slowly followed the trends of other European countries regarding the demand for healthier food products and recognized the key player role of their own and initiated different efforts to wake up the whole organic food sector in Spain from consumers to the distribution channel in national level. From the local practitioners point of view the control and role of administrative organizations can also be excessive and act as a restrain for the operators.

The boom that Spain has experienced can be also thought to be partly consequence of Spanish government's actions, awareness campaigns and collaboration agreements among the practitioners of the market for some extend.

As a secondary finding 8 of 10 distributors of the consumer food markets predicted that some kind of boom coming in the near future and their forecast was correct, as this study was conducted in 2005. (MAPA 2006, 11)

9.1.3 Spanish bureaucracy

Spain is known for its difficult bureaucracy, doing any official paper work seems to be difficult and very slow, and this character will face all the new companies trying to establish their business in this country. It is characteristic to Spain to be more relationship orientated than task orientated, which is controversy to the customs of Nordic business environment. It is unfortunate but in Spain you can get some work done faster and easier if you know the right people. (Sarkia 2012, 3.) Relationship management is very important in their culture and plays a big role also in the business world. Also a good customer relationship is a must, in Spain running your errands at the store can be slow because many times the customer does not only pay the goods, but also stays for a chat with the employees. The author has also experiences to be put to the end of the

line, because you are foreigner, which somehow means that you can be dealt slower and later than the Spanish citizens.

“The peculiar Spanish love of bureaucracy has created the need for an equally peculiar and quintessentially Spanish institution known as the gestor. Spanish bureaucracy is so labyrinthine that it is necessary for ordinary people to be guided through it by special office. “(Hobbs 2004, 102.) The main purpose of the Gestoria is to act as an interface between the public and the public administration and they are known for their ability to work around the Spanish bureaucracy, they are not as qualified as a real lawyer (abogado in Spanish) but they are also less expensive. To save your time and nerves it would be smart to employ this institution’s services, they can provide all the necessary guidance for legal paper work, also bookkeeping services, for exchange of fee. (Hobbs 2004, 102-103.) Referring to the above paragraph it would be also smart to use time to create a good relationship with your gestor agent; they will probably be a valuable resource also after establishing your company. Forming personal relationships with your business partners are part of Spanish business culture.

With the help of EU directives, the Spanish government has made it in theory possible to establish a company in Spain only in 48h. The Spanish government has established this by emerging different central and regional schemes, but it is also reported that in some Autonomous Communities it works and in others it does not. This development supports new business owners, regardless of the nationality, but it has a major impact especially to the Spanish new entrepreneurs, it is stated that in Spain 99% of the businesses are small or medium-sized companies (SME’s). Such a high percentage of these business sizes reflect the attitude of Spaniards preferring to work for themselves and not as an employee. (Hobbs 2004, 26-27.) Small sized companies’ refer to a business which has maximum 50 employees and medium-size business up to 250 employees.

9.1.4 Payment terms

The payment terms in Spain are based to the EU law passed 2000 that if the parties do not agree other ways, the bill falls due 30 days after receiving the invoice. This fact is favorable for the customers, government and big enterprises but creates problems for

the small and medium-sized business owners, who according to this should have deep pockets, i.e. great cash resources. (Hobbs 2004, 235) It is obvious that when thinking the Spanish mentality of ‘manaña, manaña’, everybody ignores these payment dates.

“Payment terms in Spain really are terrible. There’s no payment at fifteen days. Thirty days really means forty-five or sixty; sixty days is really seventy-five to ninety; and ninety days can mean anything up to six months. ” (Hobbs 2004, 236.) Authorities most abusing this practice are the government agencies and large companies, regardless that it is illegal. (Hobbs 2004, 236.)

Payment terms were also recognized to be one obstacle for success for the Finnish companies penetrating into Spanish markets at Finland-Spain society’s seminar for Finnish entrepreneurs in Helsinki, it was stated that some of the new entrepreneurs fall into bankruptcy fast because of these unfavorable payment terms because of tight budgets in the early years of a company.

9.2 Economic forces

To draw an overall picture of the greatest economic factors influencing Spanish markets, one need to understand the developments of the economic situation of the designate country, this will be explored in this chapter.

All businesses are affected by national and global economic factors. National and global interest rate and fiscal policy will be set around economic conditions. The climate of the economy dictates how consumers, suppliers and other organizational stakeholders such as suppliers and creditors behave within society. (Learn marketing website.)

This paper outlines the economic key factors in national level, regardless the fact that definitely the global economic factors have an influence to a company functioning in Spanish local and organic food markets. When referring to economic factors, it means in practice quantitative data like economic growth, interest rates, inflation and currency exchange rates.

Spain is an industrialized country with the service sector and industry representing approximately 87% of the country's GDP at the moment; it has fallen from the early years of 21st century by 3%. (Hobbs 2004, 21)

Spain has been the motor of the whole Europe's Construction industry for last two decades but as it is characteristic for economies, they develop in cycles, and the end for this boom came in 2007-2008. Like discussed earlier, these years were partly also the years of a dynamic boom for organic sector in Spain.

During the strongest years of the Construction industry, it owned a share of 14% from the whole Spain's national economy. The current distribution of economic segments of Spain shows that the Construction field has fallen by 9% and the service industry holds the biggest piece of the cake with 66% of the GDP.

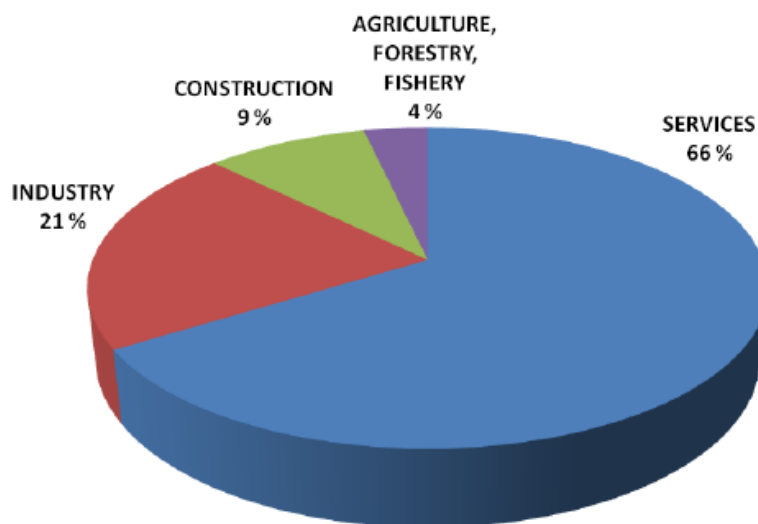


Figure 18. Distribution of different economical segments in Spain in year 2012.
(Nummila, 2012, 11)

Factors affecting this strong economic growth of Spain were such as Europeanization, the growth of population, the rise in the level of standard of living, as well in the price level, decreasing loan expenses, tourism, increase in employment, which all led to investments and more Construction industry. Factors like decreasing loan expenses and

increase in employment lead to growth of consumer's purchasing power which supported the growth of the economy. (Nummila 2012, 13-17).

Especially the Construction of housing was the driving force and evidently now the situation has developed into an oversupply of apartments and the value is dropping extremely fast and not generating any income. (Nummila 2012, 13-17). This drop lead to the massive current unemployment figures of 23, 3% and Spain is experiencing a deep economic crisis when it is predicted to slide back into recession and last until the middle of 2013. (Eurostat 2012, 2; Ernst & Young Eurozone Forecast 2012, 1). Spain was the Europe's fastest growing economy but has dropped to be the next country needing 'a bailout 'from other EU nations. An economy experiencing recession, like Spain, will have a high unemployment, low spending power and low stakeholder confidence. New companies penetrating to Spanish markets should respond to the economic conditions and stakeholder behavior to be successful in the new business environment. (Learn Marketing website.)

Now the long housing and credit boom has come to the end and Spain is facing financial and economic crises. The economic recovery is continuing while EU pressures Spanish government to cut their deficit even stronger, the GDP is forecasted to grow by 0.8% and 1.5% in 2011 and 2012. Gross domestic product (GDP) is the most frequently used measure for the overall size of an economy and Spain's GDP's developments will be presented in underneath Table 5.

Table 5. Spain's economic forecast. (Ernst & Young Eurozone Forecast 2012, 2)

Spain (annual percentage changes unless specified)		Source: Oxford Economics				
	2011	2012	2013	2014	2015	2016
GDP	0.7	-1.2	-0.6	0.8	2.0	2.4
Private consumption	-0.1	-1.9	-1.0	0.5	1.7	1.9
Fixed investment	-5.1	-8.1	-1.3	2.0	3.0	3.0
Stockbuilding (% of GDP)	0.4	0.0	-0.4	0.1	0.1	-0.1
Government consumption	-2.2	-4.0	-0.9	0.0	1.1	1.5
Exports of goods and services	9.0	1.1	2.9	4.6	6.8	6.4
Imports of goods and services	-0.1	-8.4	0.2	6.3	7.0	5.3
Consumer prices	3.1	1.8	1.4	1.4	1.4	1.5
Unemployment rate (level)	21.7	24.8	25.3	24.6	23.2	21.0
Current account balance (% of GDP)	-3.9	-3.1	-3.0	-2.7	-2.3	-1.9
Government budget (% of GDP)	-8.5	-6.1	-3.4	-3.0	-2.5	-2.2
Government debt (% of GDP)	68.3	75.1	79.2	82.4	84.3	85.5
ECB main refinancing rate (%)	1.2	1.0	1.0	1.6	2.6	3.9
Euro effective exchange rate (1995 = 100)	120.8	115.6	119.8	117.6	115.6	115.3
Exchange rate (\$ per €)	1.39	1.26	1.30	1.27	1.24	1.24

Domestic demand remained weak during 2011 but is forecasted to grow slowly by private investment and private consumption. Exports mainly to other European countries are driving force of the current economic growth, on contrary less dynamic imports, due to weak internal demand, resulted in a decrease in the trade and current-account deficits. (European Commission 2011, 108-109.)

Pymex, website for Spanish Small and medium-sized companies (Pymes, Pequeña y mediana empresa) reported in the beginning of this year that the exports of agricultural products from Granada, one of the provinces of Andalusia, has been growing with the magnificent yearly rate of 60% during the last 10 years. Fruits were exported during year 2011 equivalent to US \$11, 2 million, which means growth of 197% from last year. It is stated that the main reason for this great growth was increased import of fruits to the UK, which increased its orders from Spain with 509, 4%, Germany with 465, 1%, Russia with 253, 2%, Holland with 198, 4% and the United States with 123, 8%.

According to Pymex the sustainable growth of fruit exports from Spain will continue at least for the next 5 years, which is good news as being the driving force of the current economic growth. (Pymex website 2012) These exports include also organically produced fruits and the consumption of organic products is increasing dynamically in the EU member states, Germany, the UK, France and Italy represents the four biggest organic food markets where the demand for these products is growing steadily. In France the demand for organic food products has increased annually 18.1% during 2005-2009, in Germany 14% during 2000-2008, in Italy 8, 7% during 2001-2009 and 11.9% in the United Kingdom in the period 2000-2008. (European Commission 2010, 13.)

In overall the biggest constraint for the organic food markets in Europe is low purchasing power of the consumers due to the economic factors, which can be seen characteristic to Spain also. (European Commission 2010, 13).

The economic situation of a state has a direct link to the purchasing power of the consumer, when the unemployment rates are high; the consumer evaluates very carefully which goods to be consumed and what larger investments can be done, which all influences to the already existing and to the new companies. Controversially some practitioners in the field comment that the economic crisis has not affected organic food markets almost at all, because the drivers to purchase these products do not change according to economic situations. These drivers will be discussed further in consumer behavior chapter.

During year 2009 the sales of organic products had grown 20% regardless of the economic crises facing Spain and the fact that the ecological products are 20-30% more expensive than normal ones, it makes the impact of national economic situation to organic sector debatable. (Ecoalimento website.) Now Spain is probably going to be the latest member of Eurozone to require a bailout, which will definitely affect the organic sector in some point, if have not already.

9.3 Social-cultural forces

Social-cultural forces can be seen more important to the consumer businesses than e.g. political-legal issues, due to the nature of the markets. (Chartered Institute of Management Accountants 2007, 7). Social and cultural forces influence on consumer's attitudes, interests, and opinions, they shape our behavior and ultimately influence what the consumer purchases. (Learn Marketing website).

9.3.1 Consumer behavior

It is essential before releasing a product or service to the consumer markets, conventional or ecological, to know and understand who is the potential buyer, who is part of the target group, and what are their primary needs and to adjust them to the product, its characteristics and to the selling strategy. (Ministerio de Medio Ambiente y Medio Rural y Marino 2009, 30.)

Like described in the Political-Legal forces chapter, The Ministry of Agriculture, Fishery and Nutrition (MAPA) conducted a research of Ecological food markets in Spain, during December 2005, to explore the overall situation of this sector. Key findings of this governmental study will be presented in this chapter due to fact that it reveals many characteristics of the Spanish consumer's behavior.

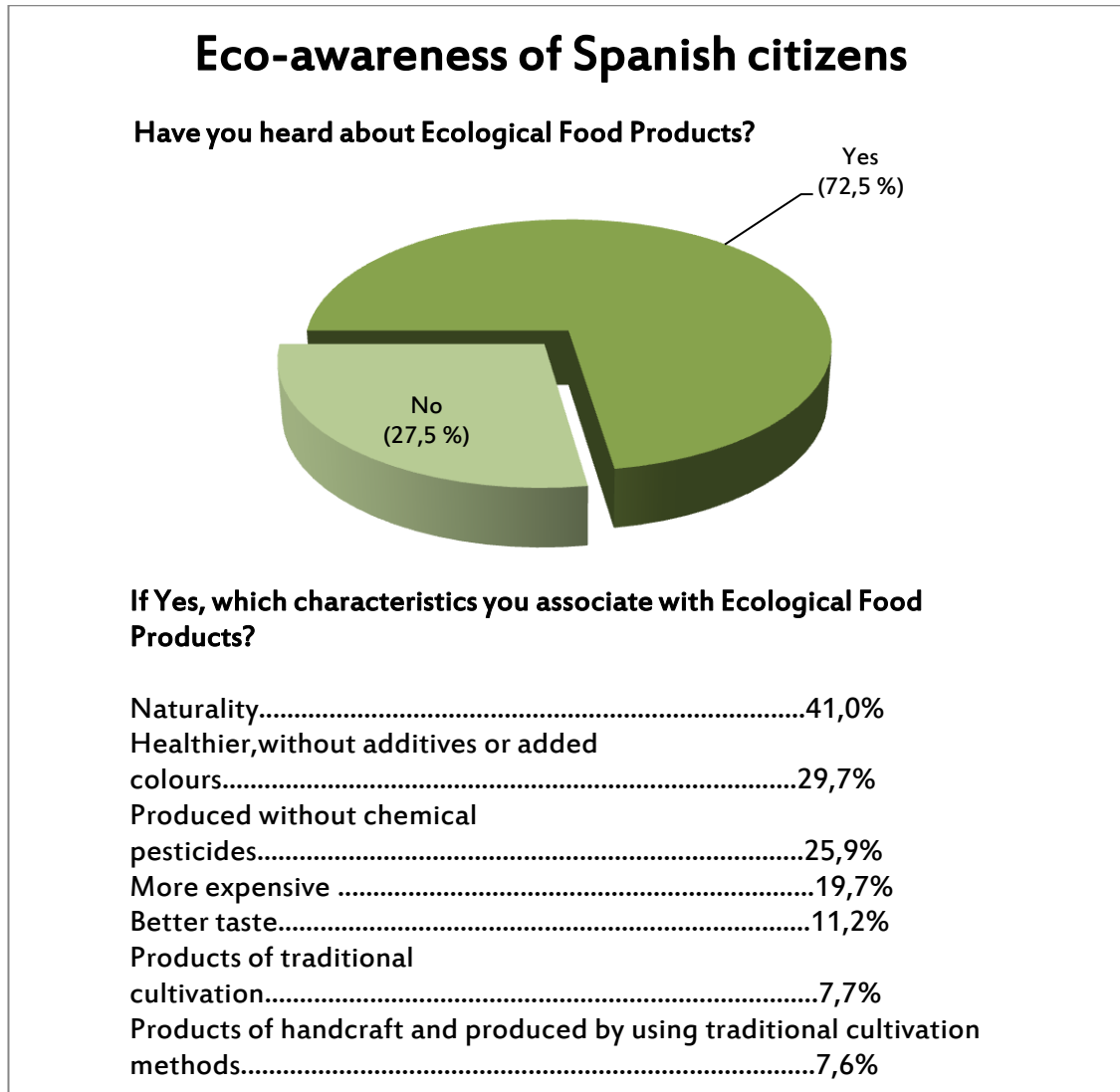


Figure 19. Eco-awareness of consumers and practitioners of the sector/ translated. (MAPA 2006, 6)

During the turn of year 2005 it was stated that in general 72, 5% of the Spanish consumers had heard about ecological food products. From the above figure it can be distinguished that majority of the interviewed were aware of these kind of natural produced products and they know quite well the benefits related to them, but still majority

of them do not consume these products and the key reasons for this behavior can be seen in the next figure 20. It seems that the consumers are aware of the beneficial sides what organic produce can offer but there still seems to be a long way for them to actually purchase these products.

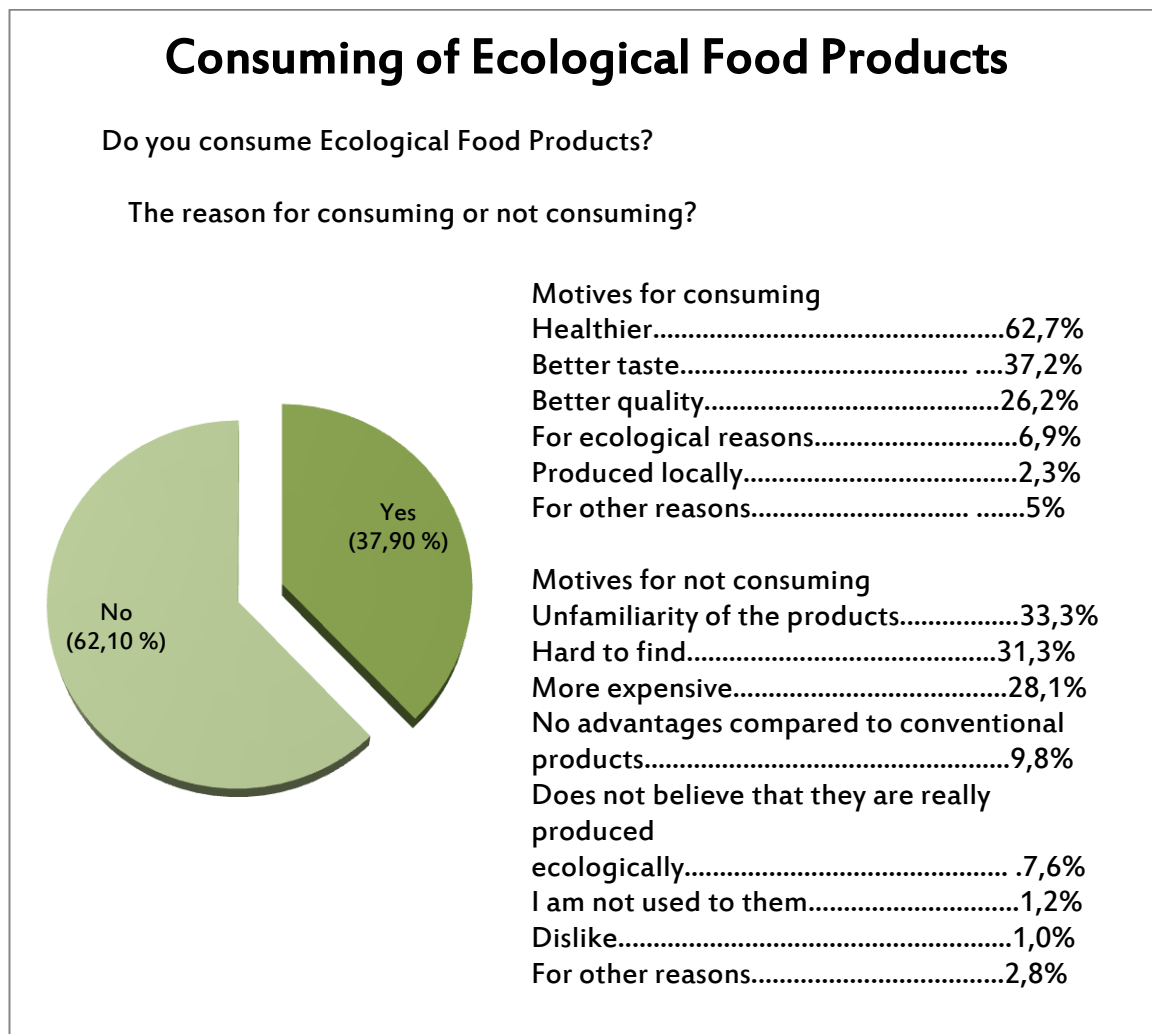


Figure 20. Consumption of ecological products in Spain/ translated. (MAPA 2006, 7)

From the study was discovered that the main reason for not consuming ecological food products was the unfamiliarity towards them, additionally it was hard to reach these products and that they are presumed to be more expensive than normal compensating products. The reason for these products to be hard to reach is the unfamiliarity of the conventional distribution channels towards organic produce, which have been reported through many other sources also.

Reason for the higher price can be presumed to be the difficulty of combining them with conventional distribution channels and the disperse availability than a conventional product. Other reasons for not consuming will not be discussed further as it is evident, also basing to other sources, which are the main reasons for low consumption.

According to one of the market leaders in Spain, Bio Space, states that the key drivers or typologies for Spanish consumers to purchase organically produced food is out of principle; they want to protect environment, necessity for them; as many suffer from lactose intolerance and many allergies, thirdly, pleasure; they want to consume high quality products which possess authentic taste and have healthy effects. (Bio Cultura website)

9.3.2 Cultural diversity

Cultural diversity can play an important role when entering into an unfamiliar market environment, especially in the Spanish markets. These key factors described further in this chapter can easily form an obstacle for a company penetrating into Spanish markets if neglecting them, regardless how thoroughly done is their business idea. In order to succeed in a foreign business environment it is vital to understand the local business etiquette.

In general it is thought that being able to successfully function and establish a business in a foreign country, it is needed to be able to speak the native language effectively, these assumptions and implications were proved to be justified in Spanish markets as Finpro's representative and other Finnish practitioners during Finland-Spain community's seminar stated. (Nummila, Porttinen 2012).

First of all, country's official language is Castilian, addition to this, some autonomous communities and provinces have their own languages such as Basque; spoken in Basque Country in the north next to France's border, Catalan: spoken in Catalonia Barcelona acting as a center and Galician: spoken in Galicia in the north west near to Portugal. There also exists Valencian language, which has formed from Catalan, is spoken in Valencian Community and its role is debatable even among Spanish citizens.

Nation's official language, Castilian, speaks 74% of the citizens, Catalan 17%, Galician 7%, and Basque 2%. All these languages are recognized by Spanish government to be co-official languages with Castilian.

In Spain, where the knowledge of English is primitive in most parts of the country, it is vital to speak the local language especially when working with the local authorities but in the Coastal areas of Spain with English skills you can handle quite well, at least with many of the customers, these being very touristic areas. (Korpijärvi 2008, 33). Regardless differences in Coastal areas, throughout the whole country it is highly appreciated to know how to speak Spanish and most of the Spanish businessmen prefer to do business in their own language to avoid any problems in communications, such as misunderstandings, which can lead to embarrassment.

The author's personal experiences from North of Spain, more precise from the Basque country, support the Finpro's representative's opinions, because in that area the average population does not speak any English so it is necessary to speak at least Castilian. In some parts it is not even enough to speak Castilian, but it is favorable also be able to speak the regional language, e.g. in Catalonia the national spirit is so strong that some of the businesses and authorities prefer doing business in their own regional language, which is Catalan. Especially in the Catalanian area, it is also known that some of the citizens refuse to speak Castilian, thought to be the federations' language not theirs, but this happens rarely and it is an aggravated situation. It is common in Spain that the provinces separate themselves from the federation of Spain, and they want to be seen as their own autonomous areas with their own languages. (Vahamäki, Wahlroos 2011, 43.)

Spanish business world is more relationship orientated than task orientated, controversially like many Nordic countries. Characteristic for Spanish business culture are fear of losing face, individualism and uncertainty avoidance. Loss of face due to criticism or embarrassment in the work environment should be avoided with any cost. Feeling of competence and control are valued and they will insist that everything is fine even though it is not. To avoid all this it is recommended to speak Castilian in business ac-

tions so that any misunderstandings can be left out. Spain has collective past derivation from history but in business environment individualism with personal character and social status are highly valued. In overall family orientation, a sense of identity and belonging to a group are a very important part of Spanish culture, which can be seen by Spanish families taking their kids to local stores and in a way “showing them off” to everybody from neighbors to nearby pharmacies. In management levels decisions are usually done by individuals not as part of a team work. Personal relationships are important when doing business in Spain, small talk and greeting whenever possible are preferred. Spanish people prefer to work and function inside of familiar situations; they are caution towards new ideas and rapid changes. “Spaniards may at start seem very agreeable but later on start to be tentative towards final decisions.” (Vahamäki, Wahlroos 2011, 42.)

9.4 Technological forces

Spain has the reputation to be a bit slow to follow trends and to be a bit ancient regarding some information technology, especially high-tech developments. This belief could maybe be linked only to the cultural diversity because Spanish government has actually invested billions to communication systems in the beginning of 20th century. It is also stated that in one of the northern cities of Spain, Zamora, was one of the first ones in the whole wide world to offer wireless internet connection wherever inside the city. Spain has become sophisticated and modern in the terms of information technology and reported to be world leader in some areas and it should be possible to get ADSL broad band access in every part of the country. (Hobbs 2004, 65.)

In the beginning of 21st century there has been a great increase in internet usage in Spain, during the early years 65% all small and medium-sized firms have some kind of website and are also involved with internet marketing of some form. This great leap has been explained mainly by lower call charges and cheaper computers coming available when the industry has developed. (Hobbs 2004, 295.)

During last 10 years the Online shop culture has been trying to penetrate into the Spanish markets, the first attempt in the beginning of 19th century failed but in recent 5

years every second business has succeeded into introducing online shopping to their customers. (Tolonen, P. 12.2.2012). Especially large grocery store chains throughout the whole Spain, have their own functional and successful online shops, good examples are El Corte Ingles, equivalent to Stockmann in Finland and Eroski, offering services resembling Citymarket.

Spain has been regulating new laws for e-commerce during this century, due to it being an emerging field following the global developments. New regulations are stated to be partly complex and hopefully changing soon concerning collecting personal data through mercantile activity and registration of copyright concerning the website's content, these regulations exist in every country and should be looked carefully into before entering the e-commerce. (Hobbs 2004, 66.)

In Spain there does not exist any tax regime, so the same taxes apply to e-commerce, goods and services sold online, these guidelines are straight incorporated from the European Union's regulations on value added tax (VAT). (Spanish Institute for Foreign Trade website).

10 Spanish competitive environment

Like stated in earlier Competitive Environment Chapter, as revealing the theoretical framework of this research, the most important and relevant factors of a competitive environment are forms of competition (number of competitors and their products differentiation) and competition roles (strategies of the company), these key factors will be examined in detail in this Chapter. Competition roles are formed as far as possible according to the information available for the authors without any fees.

“A good market research should include vital information on possible suppliers of products. Many time suppliers can be an important source of information concerning the characteristics of the market.” (Hobbs 2004, 114.) The operators of Spanish ecological food markets in year 2010, divided by Autonomous Communities, are presented in underneath figure 21 to provide a good starting point for analyzing the overall competitive environment of organic food markets in Spain.

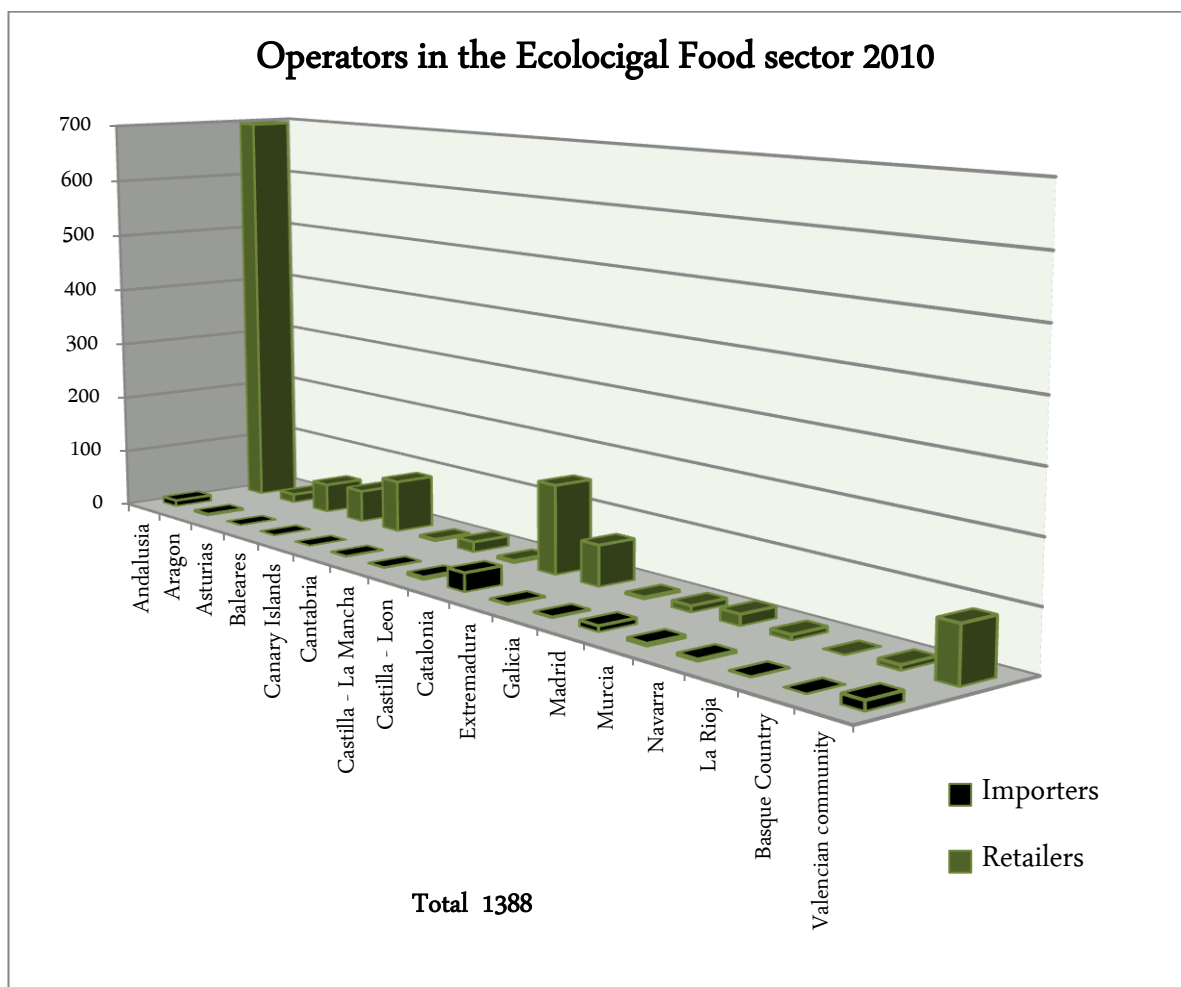


Figure 21. Operators in the Ecological Food sector in Spain 2010. (Ministerio de Medio Ambiente y Medio Rural y Marino 2010, 10)

Like discussed earlier Spain has experienced a rapid growth in the organic food sector, which can be easily measured in the increase in area of cultivation for organic produce, but as can be predicted it also had an influence on the number of practitioners in the field. There has been growth in the number of processors, which has affected further in the distribution channel to commercial agents as there have been more supply in the markets, number of retailers and suppliers has increased.

The retailers of Andalusia (697 retailers) are mostly suppliers or exporters which do business to business as this Autonomous Community produces approximately 65% (2010) of whole country's organic food produce and it is stated that the local demand is almost non-existent in the community of Andalusia, they are spending an average of

6€ a year on organic products. (Spain-holiday website) It can be presumed also that many of the retailers in Andalusia are farmers selling directly to customers from their own premises, as their number in the area is huge. As producers Andalusia, Extremadura and Valencia stand out but as manufactures, Andalusia and Catalonia possess a major role in the market. (Bio Space website) Markets are expanding fast especially in Catalonia (150 retailers) and Valencian community (91 retailers), which can be also explained by having many producers in these communities, which is lacking from the capital area of Madrid (11 retailers). Catalonia and Valencia Community possess most of the importers also, which can be explained by local retailers acquiring for special foreign organic food products, which can be seen from their selection of products. Canary Islands also show potential with 89 retailers and being a touristic area, it is also easier for foreign companies to establish their businesses in that business environment.

There is a concentration to Catalonia Barcelona, to be noted in the number of practitioners and it is stated that the demand for organic products is growing annually by 20% in this area. One of the biggest practitioners in the Barcelona's market states that the economic crises has not affected organic food markets in their city and that the sector's growth has not stopped to the borders of Barcelona, it is expanding all the time. (Bio space website) The market situation regarding consumption and demand towards organic food, is mentioned to be privileged in Barcelona compared to other Autonomous Communities in Spain, there does not exist lack of demand, there are customers for everybody. The competitive situation in Barcelona has evolved into a level where local retailers are now able to differentiate themselves from the competitors by their organic selection and directing it to different types of target groups. (Bio Space website.)

In Spain 75% of the sold organic produce are done by specialized stores. These kinds of stores are usually small or medium sized and they specialize in health or eco-friendly goods. Spain has been under a catching up effect, as well as other EU-15 countries like Greece, which can explain also the development and situation of the market as small specialized stores are most likely first to follow trends of the consumer markets; it is characteristic for bigger chains to be slower in their moves and especially react slower

to the changes or trends in the market. If you compare the retail channels from other European countries, which are pioneers in the European organic food markets, e.g. UK and Austria, it can be learned that in these countries the organic food markets are more mature because of the market share what conventional supermarkets possess in this moment.

Like it could have been predicted, currently Spanish consumer food markets are undergoing a transfer stage, the overall food markets are gradually transferring from different specialized stores, like fruit and vegetable markets, to the shelves of big hypermarket chains, but at least until now still providing fresh offerings. This transfer also means that the big chains are entering new markets and as can be presumed they understand the profitability organic food markets in Spain. (Tolonen, P. 12.2.2012.) The movement from small specialized stores to larger supermarkets can be also verified by looking into the defined market leaders of this paper in Chapter 10.2.

In overall in European level the growth in size and sophistication of the operators of organic food products are supporting the movement of supermarkets to apply organic food and drinks in their selection. The production of natural and organic products has formed into a profitable business form, which also the big chains have acknowledged and will be more discussed in the market roles chapter of this report. (European Commission's website of Ecological Agriculture)

“The selection of goods determines the supplier, not supplier the selection”
(Ministerio de Medio Ambiente y Medio Rural y Marino 2009, 73.) Distribution of organic food products in Spain is concentrated into specialized distribution channels; this market share is significantly inferior to conventional food products channel's share. Reason for the usage of rare specialized distribution channels is the unfamiliarity of organic food products for the consumers and conventional distributors, which leads to an irregularity in the offer of these products in stores. The unfamiliarity of organic food products is tackled by Spanish government through different campaigns and projects to support the evolution of organic food market in Spain, like discussed in Macro-environment Chapter.

From the retailers point of view all above mentioned has led to some extent to irregular supply of organic products, low variety, and high price, in general these special products are seen unattractive compared to conventional ones in the eyes of different agents in the distribution channel. From producers point of view there are difficulties to answer to the consumer's needs, concerning the price, supply of the products, variety and to be able to provide all of them regularly. The dispersed production is hard to match with the needs of conventional distribution channels and lack of centralized distribution network. (Ministerio de Medio Ambiente y Medio Rural y Marino 2009, 7 & 71.) Spanish organic food sector suffers from structural issues and lack of integration among the practitioners in the industry.

Surprisingly 54% of organic food expenses derivate from 'autoconsumo' distribution canal, which refers to producers selling products directly to the consumers. They are not only producing them but also retailing them further, without any intermediaries. It is stated that this is the primary way of distributing organic food products in Spain and this distribution channel possesses the biggest market share in Spanish organic food markets. Spain is probably one of the rare countries where this kind of specialists possess the biggest piece of market, it can be partly explained the Spanish culture where they are used to using local products so it is characteristic to buy the food products straight from the local farmers and the fact that there exist so many producers throughout the whole country. (Martín Cerdeño 2010, 59)

The biggest obstacles for marketing organic food products in Spanish consumer markets are the fact that the organic food market is heavily regulated, firstly through EU and secondly through Spanish government and Autonomous Communities. Organic food products have low demand among the Spanish consumer markets and the production sector consists of multiple independent operators who are barely integrated. There exists excessive administrative effort and control, which combined to the organic production, can carry out costs which will affect to the prices in some product lines. In Spain there does not exist a special system of acquisition for organic products, which would be adapted to the present situation of the sector. Most of the producers

and manufacturers cannot guarantee minimum quantity, ongoing quality, services, continuity or logistics for the retailers. (Martín Cerdeño 2010, 58.)

In general it was almost impossible to find out information about organic food market's practitioners business to business operations, as some of the websites was quite primitive, they did not consist of advertisements or information about clients or partners. Food circle ring phenomenon seems rare in Spain through desk research methods, but there were discovered some online shops which support this kind of functions. Many of the farmers selling directly to consumers are doing it through friend networks, on the basis of all of these findings, it can be presumed that food circles exist in some form, but are very local and private.

10.1 Competitor roles

Unfortunately information about market shares of specific practitioners in the market was not available without paying a fee to receive this information in question. It was discovered to be quite difficult to divide specific market's practitioners in competitor roles according to their business strategies, due to the fact that this international market research was conducted mainly as a desk research because of the geographical distance to researched countries. Competitor roles represented in the sequent Chapters have been established by basing them to all the information discovered during four months of research work. Some of the companies and organizations current situation in the marketplace is changing and/or overlapping with other roles.

10.1.1 Market leader

Market leader has often the power to control the market to a large extent; in this case, both market leaders function in Barcelona and are precursors of the sector in the Autonomous Community. Usually market leaders employ market-orientated and relationship-orientated strategies, as having many loyal customers through their history in the business. (Blythe 2006, 349.)

EcoVeritas is a chain of supermarkets established in Barcelona in year 2002. Veritas has been as a precursor of organic food sector in Catalonia and is stated that their expansion of stores has also enabled other practitioners, other organic food stores, to function in the sector. This supermarket chain consists of 22 stores in Catalonia and own separate sections for their organic products in two supermarkets, called Binipreus, in Menorca. During this year they are planning to expand their services to Valencia, Balears and to Madrid. Veritas was founded by 4 different Catalanian families who wanted to make possible for the whole world to reach organic products. Eco Veritas being currently a chain of supermarkets, which started small also as a specialized store, and providing only ecological produce, will not be categorized as one of the large supermarkets or hypermarkets which are categorized as the market followers of this industry in this report. These followers are not concentrating into organic produce; they are only supplementing their selection with organic products, unlike Eco Veritas.

Veritas offers addition to basic organic food selection also other ecologically produced products; altogether variety includes more than 4000 different types. Assortment of Veritas consists of fruits and vegetables, bakery, meat, yogurt and dairy desserts, delicatessen and cheese, dry food, canned food, honey and jams, juices and beverages, bodega, breakfast cereals, perfume and cosmetics, drugs and treats. Also they boast about their macrobiotic products, vegetable protein and nutritional supplements on their website. All the products found from Veritas' supermarkets have logos of ecological products fulfilling the Community legislation.

Home delivery service is available for orders over 60 euros only. Company's website look very professional and they even have their own newsletter, blogs and sponsors visible on their sites.

Other company recognized to be a market leader is Bio Space in Barcelona, which was established during years 1999-2000 and it is a family owned business already for three generations. It is generally referred as a Spanish version of successful Whole Foods chain, which has spread all to way from the States to UK. Bio Space has expanded to an ecological food store with 500 m2 in Barcelona and it is promoted to possess the

biggest variety of fresh food products in the city with 800 different brands. Selections of products consists of organic food products fruits, vegetables, meat, fresh vegetable protein, macrobiotic, ready meals, frozen, canned fish, dairy products, bread, pastries and sweets, cereals, muesli, pasta, flour, meal and vegetables, coffees, teas and infusions, condiments, juices, soft drinks, wine, champagne and beer nuts and snacks. Their assortment includes also dietetics, hygiene, cosmetics, cleaning products, music and books, organic clothing and footwear, kitchen utensils, gift and decorative objects.

Bio Space was rewarded in the industry's own fair, called BioCultura in 2010, as a best retailer where to purchase organic products because of their wide and rich selection of goods and because they prefer locally and nationally organic produce in order to help the small producers and manufactures mostly in the Catalanian area, and also with their business actions they aim to support the evolution of organic food culture in Spain in the long run. (Bio Space website).

Bio Space does not have an online shop, instead of that they provide cooking courses and food recipes, but it is mainly focused on selling locally organic food produce without any home deliveries in the center of Barcelona. Business offers also customer loyalty program called Bio Club with their own card, which enables customers for special offers and reduction on prices. The ideology of Bio Space is build, addition to basing healthier and more environment friendly produced goods, to fight against big grocery chains, like Carrefour and Tesco, with their long processed food products in Spain. This same phenomenon is happening among organic food markets in Finland, new operators willing to provide more value in multiple aspects than big chains like Kesko and S-chain.

10.1.2 Market challenger

There exist multiple entrepreneurs, farmers, who produce their organic food products by themselves and sell them directly to the consumers through their own websites, without any intermediaries. The delivery of the products is usually organized with their own vehicles or through like-minded friends. Specialty from the customer's point of view concerning underneath introduced farmer shops services is the fact that they of-

fer possibility to buy mixed boxes containing different products species, which is not available with all the practitioners in the market. The Spanish farmers retailing their products own the biggest market share of organic food markets in Spain as a group, for this reason they were not categorized as a market leader in this report. Usually the market challenger has a clear competitive advantage, the ability to provide products in a cheaper price with better quality than market leaders and is true in this context. It is stated that for market challengers market-orientated strategies work best for their advantage. (Blythe 2006, 351.)

Joan Castellà is an entrepreneur in Amposto Tarragona area, in Autonomous Community of Catalonia. The business started 1996 and in year 2006 they established a store in Amposto Tarragona called Ekobo. The owner of the business is the farmer, Joan Castellà, and the production is organized in collaboration with 7-8 persons. They promote transparency of their services and products to the consumers, which is crucial as nowadays consumer is more and more concerned and willing to know the source of the food what they consume. In this form of businesses you are actually able to go and see where the products are cultivated.

Joan Castellà sells 30 different fruit and vegetable species according to the season and the main service form is box schemes, which possess 85 % share of their services. Fruits offered seasonally are grapefruits, lemons, tangerines apple, pear and bananas from the Canary Islands. Vegetable are celery, chard, broccoli, artichoke, cabbage, cauliflower, carrot, heart of tudela, escarole, garlic, pumpkin, spinach, fennel, leeks, ràvanos, dandelion, lettuce, beet, carrot and orange, dried onion, potato and squash. They inform in their website that one box of fruit & vegetables has a fixed price 30, 50€, which includes delivery + VAT and they have sizes of 2, 5, 10 and 14 kg, but they do not establish difference between these different prices according to the size range. Joan Castellà offers home deliveries from Mon-Fri, during each day if needed or then occasionally according to the demand. Website offers food recipes but the actual site is quite simple, you can easily notice that it has not been designed by a professional. In the organic food blogs it is commented that this is one of the cheapest places to purchase box schemes. (Spain-holiday website)

Disfruta & Verdura is a group of farmers retailing through an online shop founded in 2007 in Tarragona. Companies name means in English Enjoy Greenness. This business possess their own market gardens and addition to that they expand their product selection by combining their organic food products with other producers who are part of their integrated producer network. The main form of service is box scheme and they have 15 different versions and sizes available. Sold products are fruits and vegetables and, according to their website, they possess approximately 2700 regular family customers.

Like in every operating in food industry, Disfruta & Verdura follows the seasonal changes which have an impact to their product assortment. During spring – summer season they provide fruits; mandarins, strawberries, melons, watermelons, nectarines, apples, pears, apricots, loquats, plums, cherries. Variety during fall- winter season is fruits; oranges, mandarins, apples, pears, pomegranates (occasionally), figs (occasionally), bananas (organic Islands). Variety of vegetables during spring - summer season is ripe tomato, green, cherry peppers, zucchini, different lettuces, eggplant, green beans, asparagus, peas and cucumber. Assortment of fall – winter season are carrots, leeks, cabbage, cauliflower, winter lettuce, endive, chard, spinach, artichokes, potatoes, onions.

Disfruta & Verdura delivers to Province of Madrid, Barcelona, city of Valencia and its surroundings, Basque Country and to Tarragona. Delivery, more exact refrigerated, to these destinations is included to the price with IVA. They also deliver with extra price of 6€ to the other parts of peninsula and to Andorra with extra price of 1€, refrigerated delivery, through external distributors. They promote that their work is done from the beginning to the end with like-minded friends and that their products will be in the homes of their customers in 24 - 48 hours from the moment they have been cropped from the fields. Prices and sizes of fruits and vegetable boxes are presented in underneath table.

Table 6. Disfruta & Verdura's box schemes prices. (Disfruta & Verdura's website)

Size (kg)	Every week price(€)	Every 15 days price(€)
4	20,50	22,00
7.5-8	29,00	31,00
12	37,5	39,5

Deliveries are once a week/month, every 15 days or on beforehand agreed days.

Disfruta & Verdura seems to have been able to create integrated production and distribution channels through their like-minded friends and surely acts as a competitive advantage in the markets. As a difference to Joan Castellá, Disfruta & Verde's website has a professional touch.

The role of above mentioned business forms is significant among organic food sector in Spain, like stated earlier, more than half of the Spanish consumers reach organic products through these practitioners.

10.1.3 Market follower

Like in many countries, also the large grocery and department stores are following the consumer food market trends, like discussed earlier in this chapter. It is characteristic of a market follower to be slow in their strategic moves, and especially when in questions big national chains. It will be seen how the situation develops in the future in Spanish markets, recently the organic food market has been undergoing a catching up effect and will probably follow the developments of other European markets as usually attack from larger, better-resourced competitor probably leads to undermining of smaller practitioners of the market. In the next paragraphs two big supermarket, hypermarket and department store chains are introduced; El Corte Inglés and Carrefour, addition to these two giants, there are other almost same size chains following their lead but will not be discussed further in this paper. Altogether supermarkets possess market share of 11% from the overall expenditure for organic food products, hyper-

markets even less 3-4 %. It is stated that one third of the supermarket and hypermarkets have organic products in their assortment. (Martín Cerdeño 2010, 58.)

El Corte Inglés is the biggest department store, comparable to Stockmann in Finland, which was established already 70 years ago. Department store chain consists of Hipercors, which is the hypermarket chain, specialized stores such as IT, telephones, insurance, convenience stores, supermarkets, opticians and fashion. It has a strong brand throughout whole Spain and they sell everything what you can think of; the price level is a bit higher than in other Spanish department stores because of their strong brand and loyal customer group. El Corte Inglés does home deliveries in house; as they have their own logistics department so they are able to promise a delivery in 24h (weekends 48h) when you have placed an order online.

All household items from 3 to 15 kg are delivered according to these conditions:

Table 7. Delivery prices. (El Corte Inglés website)

No. of items per order	Peninsula & the Balearic Islands	Canary Islands
1-7 units	9,80€	30€
8-15 units	18,90€	35€
16-24 units	28,80€	50€

This chain has an online shop and the organic food products are available there also.

El Corte Inglés has 800 different ecological products in their assortment, everything to form a healthy diet for any family. They have food products from dairy products, bread, meat, and preserved until wines, deli and fresh produce, newest addition is the organic baby food. Department store has its own restaurants and cafes also where organic food products are available on the menu.

El Corte Inglés promotes to be one of the pioneers in organic food markets with their extensive assortment. Their website is very professional and functional, information is

found in all possible languages and dialects spoken in different Autonomous Communities, also English option is available.

Another market follower is Carrefour, which is originally a French supermarket chain, which has 172 Hypermarkets, 115 Supermarkets, 58 Express Supermarkets, 96 Gasoline stations and 344 Travel agencies in Spain (2012). Carrefour was the first company in Spain to launch an own brand specialized for organic products, it is called Carrefour Eco and its logo is presented underneath.



Figure 22. Carrefour Eco logo. (Carrefour website)

Carrefour has a reputation to have lower price range than some other supermarkets concerning organic food products and it is a market leader in grocery store business in Spain. Company has online store also and they commit to deliver the goods next day after you have placed your order online. Prices for home delivery vary depending on how much you ordered, purchase total being more than 90€, delivery costs are 6€ and total being under 90€, delivery costs 9€. Selection of organic produce was unable to reach for the authors because of their sophisticated online system, which requires personal information to sign in to the online shopping platform. Information gained through blogs, state that they are one of the rare ones to provide organic baby food products. (Holiday- Spain website)

According to some sources Carrefour is the only company from big chains functioning in Spanish markets, which has got their organic products certified, but situation has maybe developed further in recent years. Unlike Eroski, which is another supermarket chain, which has launched its own organic brand called Consumer NATUR, but these

products have not been able to fulfill the standards of organic products. (Universidad Pompeu Fabra 2004, 8.)

Carrefour can be seen as a market follower and, more precise, as an adapter, because it is producing “improved” versions of products or marketing programs. Like stated above, Carrefour has launched its own brand for organic food products. Usually adapters can easily become industry leaders, and are only one step away from being market challengers. (Blythe 2006, 352.)

10.1.4 Market nicher

“Market nichers are firms which concentrate on small segments of the market, seeking to meet the needs of those customers as closely as possible. “ (Blythe 2006, 352.) More precisely underneath presented online stores can be specified as end-use specialists; it means that the online stores specializes meeting all the needs of certain type of end users.

In Spanish organic food markets exists several online stores focusing on acting as an intermediary and in this way resembles the commissioner of this report. The competitor role of these online stores, between market challengers or nichers, cannot be clearly decided through desk research methods and all the time developing industry. These online stores are scattered throughout the whole country and they all were established many years later than the biggest players in these markets. Unfortunately the markets shares what online stores nowadays possess in the Spanish organic food markets were not available without a fee. This paper introduces two different online shops.

Nucer is located in Madrid and it acts as an intermediary and informant concerning organic production. Nucer has an equivalent concept as Makumaku in Finland, as it is a private organization and their products are delivered directly to customer’s homes, has a communal element in their services and educates about ecological products.

Customers can by online either plates or boxes of products, prices depend on the product on hand, e.g. fruit and vegetable boxes price range is between 11-50€, and the

difference with farmer shops is that here you are unable to mix different products. You order by product, no mixed boxes of different fruits or vegetables are available. Then again it is possible to get fruit or vegetable plates mixed with different products for e.g. specific soups, which recipes are presented on the same website.

The product prices do not include transport expenses and deliveries are done each day of the week. Product assortment consist of fresh fruit & vegetables, bakery, gluten, tofu , frozen ready-to-eat products, seaweeds, baby food, tea and coffee, beer and wine oil, rice, cereals, dairy and eggs, legumes, pasta, vinegar, cocoa and chocolate, jams and cream spreads, condiments, preserves, sausages, pork, sweeteners, jams, vegetable pates, bee products, chilled, sauces, seeds, soups and broths, juices, drinks, snacks, candy and nuts. Also dietary supplements, medicinal plants, Japanese products, essential oils, aromatherapy, reflexology and massage and cosmetics are available.

Nucer supports an idea, a bit similar like food circles, that if customers want to order continuously from their shop, Nucer will offer a possibility to order together with other neighbors or other customers nearby. Nucer acts again as an intermediary and they can find partners for them through their customer database. The customer benefits from this extra service form in that way that they do not need to pay for the transport expenses, if they order inside of the set limits by Nucer and also in this way they reduce traffic emissions in their area. The whole country is able to use Nucer's services. Deliveries seem to be organized by themselves and they do not use any third operator.

There exist also other natural online shops, e.g. Biomanantial, organic shopping mall, based in Madrid. Biomanantial uses Correos' as a distributor for their products; Correos is a national postal office which possesses a monopoly in Spain. These only shops delivery costs vary from 7, 5-10 euros. Through Correos' services ordered goods can be delivered straight to home or to a nearby postal office. Product selection consists of everything what you can think of, as they offer not only nationally produced organic goods but also imported ones; organic food in general and organic baby food, macrobiotic food supplements, cosmetics, herbal remedies, sports nutrition , aromatherapy, self-massage rollers, gluten – free, books and gifts. As can be seen their prod-

uct assortment is so wide that it cannot be seen anymore as a purely online store which offers organic produce.

In general Biomanatíal's websites are very commercial, compared to other Spanish websites in the same market. Websites are full of advertisements and the content is available in Spanish, English and German, which many of the other stores do not have.

Biomanatíal was chosen to represent the variety of competition level in the Spanish organic food markets, as there exist approximately 5 similar online stores in Spain, as they all have very similar business operations and employ the same distribution methods, as e.g. already presented Nucer.

11 Results of the British and Spanish case studies

In order for the commissioner to receive the key factors of each country's macro and competitive environment, the importance of alterations in each case study were recognized to be crucial during the research process. The emphasis in each country was put on the factors that were recognized characteristics for business environments exactly in that country in question.

The authors of this research were subjected to 'paralysis through analysis', especially in the macro environment part, as there was oversupply of interesting and relevant data, which was recognized to be vital for any penetrating company but still not exactly answering to the research questions. Data reduction was in order as the research needed to focus on only to research questions formed with the commissioning party in the beginning of this project. (Hague, Hague and Morgan 2004, 162.)

As for any research, the collected data needed to be recorded, analyzed and interpreted in a certain order. Firstly the authors did not rely only on one source concerning any piece of information, so all the data presented in this research was justified by multiple sources. Secondly the disparate information from desk and fieldwork had to be pieced together to form a coherent picture of the markets in question. Any data was not altered and every piece of information was reported correctly and truthfully. Thirdly, in the last phase, findings are presented in a manner that the research questions and objectives are met. Results and conclusions of this paper are based on the interpretation of the data recognized relevant for a company planning of internationalization. (Hague, Hague and Morgan 2004, 47.)

11.1 Validity and reliability

This market research's design is thought by the authors to be adequate to meet the requirements of validity, as Sapsford and Jupp (1996, Bell 2006, 117) have defined validity as the design of research to provide credible conclusions; whether the evidence which the research offers can bear the weight of the interpretation that is put on it. I.e.

research questions, derived from the commissioner, imposed the design of the whole research.

The validity of this research was reinforced by applying not only secondary data, but also primary data, i.e. field experts' interviews, which also contributed by adding credibility with the respondents' own perspectives, which were enabled by forming the interview questions so that the respondents felt free to express their views and opinions without any restrictions. Authors encountered one research design deficient, Spanish interviewees did not answer inside of the given time scheme, so the authors were forced to exclude their email interviews in order to follow the deadlines of finishing this report. This deficient can question the validity of Spain's case study, but in other hand all the main information employed in this paper was translated into English from official reports of Spanish government, as it was widely explored sector by governmental agencies throughout last years. Also participation into Finland-Spain community's seminar for Finnish entrepreneurs supports the validity of the second case study.

The concept of reliability is explained by the degree a test or procedure can be repeated under same conditions and receive same results and conclusions. The authors believe that this research can be repeated by the commissioner or a third party and receive similar results. (Bell 2006, 117.)

Authors of this paper have understood that the reliability of a research employing mainly desk research methods can be questioned, therefore in order to keep the high level of reliability in this market research the authors have supported online information with European Commission's, national governments and local organic food associations reports. The authors were unable to conduct this international market research in any other means, due to the geographical distance to the countries in question.

11.2 Macro and competitive environment

Commissioning research question was "Is there potential for Makumaku's concept?" Answers will be presented, with the help of sub questions, in divided paragraphs within

each research destination and they will follow the theoretical framework of this paper, i.e. macro environmental and competitive factors. In this way the findings will be presented in more clear and consistent way, which enables the reader to establish a comprehensive overall picture of organic food sector in UK and Spain.

11.2.1 UK

If the commissioning party would decide to expand their operations to the UK, they would have to prepare themselves to the environment in which they would operate by creating e.g. a suitable marketing strategy. The authors have studied the local macro environment to present the most influential characteristics of that environment to the commissioning party and to any one of interest according to the research question “What environmental factors have the greatest influence?”

On the European level the biggest force in regulating the organic farming and retailing is of course the European Union. Factors that rose when studying the political and legal environment was that there are many certification bodies operating in the UK. Some of these certification bodies and their labels are more known than others, and they also differ in the guidelines, which they require the farmers and producers to follow. Therefore, in order to succeed, one should have their products certified by a recognizable British certification body, when operating in the UK with the local producers.

Economic factors that are the most influential right now are the global market and the Euro-zone economy. After the 2008 financial crisis, the UK, like many other European countries are in remission, and people are cautious with their personal economy and consumer confidence index is still quite low, 29 points below longtime average of 76. The sales of organic were down last year by 3.7 %. Unemployment rate was 8.4% in 2011, the highest it's been in 16 years in the UK. Even though organic sales were down, companies providing organic food by box schemes and home deliveries increased their sales, being an evidence for hope especially for smaller independent retailers other than supermarkets. (BBC News 2012)

Social and cultural environment seems to be very positive towards organic and local produce. In the time of economic uncertainty people are supporting the local farmers and entrepreneurs. Also other ethically produced products are in demand despite the economic downturn e.g. Fairtrade and products with high standards of animal welfare. This increase in ethical buying could be one reason behind the decrease in organic sales. It is seen in the UK, that consumers are changing their choices of product to support their personal values instead of choosing goods based on their price. Also the product category 'Free From' foods are increasing their consumers. The British population is aging and the age group of over 85-year olds is expected to rise to almost triple by 2033. It is good to be aware of this potential customer group and provide services to suitable for the elderly, e.g. food deliveries to doorsteps etc.

The biggest technological factor that rose during the research was the use of internet in grocery shopping. This factor also proved to be the number one strength and opportunity in the UK organic food market. The online grocery shopping is very popular in the UK and it is expected to double from 2009 to 2014. Other technological devices, like smartphones, are also making an impressive entrance as a purchasing channel of food products, and these kinds of applications are already used by some companies.

When exploring the British competitive market the authors were seeking to find an answer to the research question "Is there a market niche for Makumaku?". To answer this question it was important to first find answers to the research sub-question "Does there exist similar concepts to Makumaku?". The competitors were analyzed constantly comparing them to Makumaku and similarities were found.

To answer the research question, there doesn't seem to be a special market niche for Makumaku's services with the same concept on what they operate in Finland. There already exist at least 5 companies with the same concept. However very few offered an option to pick the order from a certain place, which can for some customers be more convenient than to be at home in some hour, although the delivery time can be arranged according the customers' wants. Also not all of the companies delivered to the whole of UK. There might be some areas in the Northern Britain where there wouldn't

be that many competitors, since most of the competitors investigated had their offices or farms in the southern parts of Britain. Almost all companies similar to Makumaku delivered the goods straight to the customer's home. But as said there are many opportunities in a market like the UK organic market. The atmosphere towards local and organic food is good and with new and innovative products, differentiation in the services using the newest technological innovations and the usage of the internet in a different way could be some of the ways to succeed in the competitive UK organic market.

One main thing to keep in mind about the UK organic market is its current size. It is one of the largest markets of organic food in the European level. It is very competitive market and quite mature but there are also many opportunities within such a huge market. The market is dominated by the multiple retailers' i.e. big supermarket chains with their impressive market shares. Then there are the independent smaller companies and after that the home delivery and box schemes. There are quite a few companies that have the same concept as Makumaku and they have been doing that for several years so they possess even more developed services. Many of the companies have the same products and deliveries to homes.

According to the Soil Association's Organic Market Report 2012 many consumers are evidently looking for a deeper connection to the production values behind their food, as support for farm shops, markets and independent retailers suggests. Box schemes and home delivery companies have increased their sales as many supermarkets have decreased the range and shelf space of organic produce. Online grocery shopping is continuing to grow as a retail channel and other new technologies are emerging to the food industry. New proceeds on virtual 'pop-up' stores and applications are evolving and the world of social media will be able to change the world of marketing and can be responsible for the success of a product or service. The organic market of UK in the following years will probably be the success story of online grocery stores and they are able to challenge conventional supermarkets in an unique way compared to other member states of EU. Many of the companies are making plans to increase their organic offer in online stores and home delivery services. The organic products are at-

tracting customers from all social classes and are beginning to spread into the selections of many different retailers.

As a summary of UK market's positive and negative sides, below is a table formed as a SWOT analysis to give the important characteristics discovered during the research process.

Table 8. SWOT-analysis of the UK organic market

Strengths	Weaknesses
<ul style="list-style-type: none"> ➤ Online grocery shopping popular and increasing ➤ People are health and environment conscious and want safe food ➤ Consumers' strong will to buy local and support the local farmers ➤ Positive attitude towards organic and local food by a wide demographic 	<ul style="list-style-type: none"> ➤ High level of competition ➤ Hard to differentiate ➤ Decrease of organic sales ➤ Price as a limiting factor in the minds of customers
Opportunities	Threats
<ul style="list-style-type: none"> ➤ Free from foods ➤ Cities other than London and Northern rural areas ➤ Developing online arena and new technological innovations ➤ Success and increased sales of box schemes and home deliveries providing companies in the year 2011 ➤ The aging population 	<ul style="list-style-type: none"> ➤ Increasing focus on export (in the case of importing Finnish products) ➤ Having branding that communicates the complex benefits associated with organic accounting for cultural differences

11.2.2 Spain

Basing on the findings of this report, from macro and competitive environment, authors can conclude that there exist potential for Makumaku's concept in Spain. The findings which proceeded to this conclusion will be presented in detail in sequent chapters.

Macro environmental key factors will be discussed firstly according to the first research sub question: “What macro-environmental factors have the greatest influence?”

Greatest influence possess political-legal factors and social-cultural factors in Spanish organic food market. From political-legal point of view industry regulations, administrative support and payment terms are crucial for a operator in a Spanish business environment. Impact of the nation’s economic situation, i.e. economic factors, seems self evident but when scrutinizing the data collected, it looses some what its impact for some extend and can be debated.

Political-legal factors have a great role due to the nature of the industry, in overall organic food sector is heavily regulated and in Spain it follows international, national and regional level laws and regulations. Firstly in European Union level, and secondly in Spanish governmental level and thirdly in Autonomous Communities level. It is impossible for a company to function in organic food markets without familiarizing and operating according to the rules of each region’s regulatory body, these guidelines are offered in Spanish only; the importance of language factor will be discussed further in sequent findings chapters.

The role of administrative effort and control in Spain can be very beneficial for penetrating company but it can also be seen excessive and act as a restrain, like some of the local practitioners have stated. Ministry of Environment, Rural and Marine and Ministry of Agriculture, Fishery and Nutrition (MAPA) have contributed greatly to the evolution of the sector in Spain through different researches, strategic meetings, agreements, promotional campaigns and guidebooks, which are all available for any practitioner in the industry. Remarkable is the very thorough manual for small and medium sized companies (Manual de aplicación a la venta detallista) which gives guidelines how to retail; price and location of the products in a store, promotion and the use of existing logistics and distribution channels in a beneficial way for different business forms. Addition to this the manual presents the tendencies and consumer behavior towards organically produced food products. This manual should be recognized as a key source of information for a company planning of internationalization to Spain.

Not obeyed legal payment terms are characteristic to a Spanish business environment and have been noted to be a stepping stone for foreign companies entering into the markets. These payment terms are unfavorable for the small and medium sized practitioners but favorable for consumers and to large enterprises. Cultural 'mañana mañana' attitude does not facilitate the situation, it is unfortunate but also the governmental agencies ignore due dates regardless that it is illegal and the entrepreneur is usually the one required to have deep or endless pockets.

Spain is undergoing an economic crisis, which surely affects all businesses operating in this environment, as the climate of the economy dictates how consumers, suppliers and other organizational stakeholders such as suppliers and creditors behave within society and it is believed to have a direct link to consumer's purchasing power. Controversially many sources stated that the national economic situation has had a low, or non-existing, impact to the organic food sector at least during year 2010, due to the nature and consumer behavior within the industry.

Social-cultural factors are recognized to be crucial for consumer businesses in overall; in this case study the determined key factors were low eco-awareness of consumers, low demand and cultural diversity, mainly in a form of official languages in the business environment and practices.

From Spanish consumers 72, 5 % have heard about organic products, but there is a long way from this state of awareness to actually purchasing these products. The biggest obstacle for not consuming organic food products were consumer's unfamiliarity towards them, but also it is stated to be difficult to reach them, for consumers and retailers, and also the higher price was seen a significant drawback of organic produce. Spanish government has tackled the low eco-awareness issue through their different educational and promotional campaigns and still continues to do so. (MAPA 2006, 6-7) The overall situation of the market can be presumed to developed in a better direction, as the number of practitioners in the field has increased, being 1388 retailers and importers in year 2010, and as MAPA's research was conducted during years 2005-2006 which was presented in the consumer behavior part. Spanish consumer markets are

following the international consumer behavior tendencies and experiencing a catching up effect in every aspect of its evolution, from increase in cultivation areas dedicated to organic produce to manufactures, commercial agents and retailers in the sector.

Cultural diversity can play a big role when doing a business in Spain, mainly the significance of the official language, Castilian, and regional languages and also the role of Autonomous Communities, where the regional languages derivate from all the way to the business practices. In the coastal areas of Spain, i.e. in touristic holiday destinations, it is possible to establish a company without knowing any Castilian with the help of local Gestor and other governmental agencies, depending on the nature of the business. In general it is necessary to know Castilian to function successfully in a Spanish business environment and depending on the Autonomous Community also the regional language form an obstacle for negotiations because most of the Spaniards prefer to do business in their own language to avoid misunderstandings which can lead to an embarrassment. Basque, Catalan and Galician can act as an advantage and facilitating factors when doing business in Basque Country, Catalonia or in Galicia, for which extent depends on the type of industry.

Also in general Spain is seen to possess more relationship orientated business culture, which means that networks and personal relationships and connections are crucial for succeeding in this kind of business environment. Fear of losing face, individualistic working practices and uncertainty avoidance have been proven to be characteristic for Spanish working culture. Regardless of the collectivistic past which is still part of the culture in business world decisions are done by individuals and not in a group, also personal character and social status is given importance. Key elements like small talk, greeting when possible and building personal relationships should be given room when negotiating in Spain.

The reasons the authors did not receive the answers to interviewees from Spain, can be analyzed in different ways, but maybe this deficient has a linkage to these cultural differences. Interviewees preferred to answer to the questions in English and were very

active in the beginning of the email communication, but it resulted in the end to not following the given time frame and not responding to emails anymore.

Competitive environment will be examined and discussed further by combining the characteristics of it and by answering to the commissioning question: “Does there exist similar concepts to Makumaku”?

The current situation of competitive environment of organic sector in Spain was unexpectedly more developed what first presumed by authors. The level of competition of course does not operate in the same level like in other European markets and can be seen quite low; especially the level of tertiary activity in the sector but there is plenty of potential for future developments. Now, while volume of production of organic food products is reaching international level, domestic consumption is quite low. This present relationship of demand and supply has led to the situation that local farmers, producers and processors are forced to draw upon European markets, where the demand is exceeding supply in many cases. (Martín Cerdeño 2010, 60.)

The numbers of operators in the sector were producers 27.877, manufactures 2.747 and commercial agents 1.388 in year 2010. The number of producers and manufactures are greater due to the nature of the sector, being the biggest producer of organic food products in Europe, altogether there was 32.012 operators. In overall the sector has experienced a catching up effect which is slowing down currently. The tertiary activity have been tried to revive by administrative actions towards consumer’s eco-awareness and formed collaboration agreements among the practitioners of the sector. In overall consumer food markets are challenged by large supermarket chains more and more in future. (Ministerio de Medio Ambiente y Medio Rural y Marino 2010, 7-9.)

Interestingly enough, there existed already couple of years ago all the different forms of retailing organic produce, like in other European organic markets, forms are farmers selling directly to consumers, box schemes, companies having local stores and additionally online store services, supermarkets and hypermarkets and then practitioners specializing only in online services. Answer to the sub questions is that

there exists similar concepts to Makumaku in Spanish organic food markets already. Through this international market research was encountered 5 businesses operating with basically the same business concept. There is variety in the competitive environment from specializing e.g. into organic chocolate to organic online shopping malls. Two of the practitioners having the same concept are located in Madrid, two in Barcelona Catalonia, one in Andalusia near Malaga.

As secondary findings regarding competitive environment, The Autonomous Community of Catalonia, especially Barcelona area, has acted as a precursor for the sector, at least in the tertiary level and Valencia and Canary Islands are very competent followers, unlike the capital area of Madrid, as least according to the competitor level.

Farmers functioning without any intermediaries possess as a group the biggest market share from the expenditure of organic food. Specialized distribution channels are employed due to the low eco-awareness of consumers and conventional distributors. Potential of the organic food market in Spain is significant, which has been verified by different practitioners of the local market and Spanish government. The market share of organic food is increasing all the time following the developments of awareness state of consumers.

To scrutinize the overall organic food sector in Spain, the authors have employed SWOT-analysis tool to represent the key elements and characteristics of each country.

Table 9. Spanish Organic Food Market. (Ministerio de Medio Ambiente y Medio Rural y Marino 2009, 23 and Martín Cerdeño 2010, 59)

Strengths	Weaknesses
<ul style="list-style-type: none"> ➤ Favorable climate for production, enables large variety of competitive products, specially fruits and vegetables ➤ Good image of the products in national and international level ➤ Strong export market ➤ Governments investment in research and support of the sector 	<ul style="list-style-type: none"> ➤ Low domestic consumption and consumer awareness of organic food products ➤ Undeveloped organic food sector; human resources, technology, finances and logistics ➤ Low penetration of organic products into the conventional distribution channels ➤ Irregular supply of products and 20-30% higher price compared to other European markets
Opportunities	Threats
<ul style="list-style-type: none"> ➤ Expected growth in domestic and international demand ➤ Growing interest of conventional market practitioners for organic food ➤ Governments & Autonomous Communities investment in research and support of the sector ➤ Increased awareness of farmers and increase in organic livestock farming ➤ Market is following the tendencies of consumers ➤ Organic food products offer a way of differentiate from competitors and provides added value 	<ul style="list-style-type: none"> ➤ Competition with organic produce imported from Third World countries ➤ Dependence on export trade until the domestic demand activates ➤ Lack of information concerning organic farming ➤ The overall impact of economic crises, especially to the domestic and international level demand

12 Conclusion

The aim of this report was to draw an overall picture of local and organic food markets in UK and in Spain to support the commissioner's future intentions of internationalization. This work was started by formulating main research question and supporting sub questions derive from the commissioner's needs and wishes. From the theoretical framework point of view, this research was conducted by applying concepts such as international market research, PEST- analysis, SWOT- analysis tool and Competitive roles. Based on this framework the primary and secondary research methods were employed in a form of desk research and fieldwork, i.e. by means of email interviews. Data acquired through these research methods were used to analyze the macro and competitive environment of each country and to provide an answer to the commissioning questions.

Through this research discovered key factors of macro and competitive environment can act as guidelines when planning internationalization or forming different company or business strategies for these researched markets but it is recommended by the authors to conduct a very thorough market research before actually penetrating into these markets. Qualitative research is often used as a precursor for a future research and this report fulfills that purpose by it all means for the commissioner.

The most important factors of the macro environment in the UK concerning the potential for Makumaku would be the social-cultural and technological factors that were discovered. The preference to online shopping of the British and the possibilities that lies on the online arena, the increasing importance of values when choosing food products and the potential of Free From food products and local food.

Most important factors concerning the competitive environment were the amount of competitors and the similarities of the companies existing already in the market.

The UK organic market seems to be quite competitive and it is highly dominated by the supermarkets. The organic food market is still quite small compared with other food industry and there's room to grow. There are several companies that operate

similar to Makumaku and they are more developed since they have been operating many years. Also the demand for organic products has been bigger and started earlier in the UK than in Finland. If Makumaku would decide to expand their operation to the UK they would have to choose the place of their operation well. In the competition with other similar companies Makumaku should differentiate itself some way, either by their selection of products, e.g. Finnish organic products, delivery service to areas that are not covered by other companies, or by service characteristics. With innovation of new products or services and having a positive marketing Makumaku would be able to compete on the organic market. I.e. there is potential for Makumaku in the UK market since the online business is so big but as said the competition is hard.

During analysis of theoretical and empirical data concerning Spain it came evident that political-legal factors, due to the nature of the sector, and social-cultural factors play the most important role for the commissioner of this paper. Economic factors can be debated, from commissioner's point of view they are a key factor and will for certain have an impact if operating in current Spanish business environment. Currently, according to international news sources, it seems that the country may become the latest member of the Eurozone to seek a financial bailout, which will evidently in some point affect also organic food markets more significantly, if has not already.

In Spanish organic food markets exists already similar concepts like Makumaku, but only few and they are scattered throughout the country. There exists a market niche for Makumaku's services as the level of competition is quite low still. The level of competition is highest in Andalusia, Catalonia, Valencian Community and Canary Islands. It could be strategically beneficial to locate a new business in any of these emerging market locations, especially Canary Islands usually has many Finnish tourists and they could form a target group.

Farmers selling directly to consumers, without any intermediaries, possess the biggest market share but are not categorized to be the market leaders of the sector in this paper. Low eco-awareness of Spaniards is the largest problem of the sector, which has an affect all the way to the distribution channels of the industry. Also from producers

point of view there are difficulties to answer to the consumer's needs and to be able to provide all of them regularly. The dispersed production is hard to match with the needs of conventional distribution channels and consumers and also there exists need for centralized distribution network.

Strong volume of production in the country has been facing a low domestic demand which has forced the local producers, manufactures and retailers draw upon to other European markets. Spanish organic food sector requires integration and cohesion which will hopefully be tackled by governmental actions. Regardless of the structural problems organic food sector faces in Spain, it is a growing sector and has been noted by every study and research which was encountered when conducting this research to have a significant potential in future. Spain will continue to be the largest producer of organic produce and according to indications of consumer behavior and consumer food market's tendencies; the interest towards organic food is only expanding not only in European level, but also worldwide, and it is predicted that the growth of demand for organic produce in the EU exceeds the growth of supply in near future.

13 Self-assessment

Authors recognize the importance of reflecting how the research process went as it can be used as a precursor research for a larger market research by commissioner or another party. The research process was very fruitful and educational for the authors e.g. from the linguistic point of view, as all the Spanish case study's material was translated into English. In overall it was learned how to conduct a multi-method research, combining qualitative and quantitative data. The already learned theoretical marketing concepts such as PEST and SWOT –analysis tools, were successfully applied into practice during this bachelor's thesis.

In the beginning of the project, the aims of the research were clear but the authors had difficulties to choose the suitable theoretical concepts to support the objectives of the work. Also it was realized that a comprehensive market research was impossible to conduct in the given timeframe. It was challenging to outline scope of the research, especially the oversupply of information concerning macro environmental factors and competitors to analyze.

It was quite easy to find suitable field experts for interviews for fulfill the purpose of primary data. The interviewees from UK that answered were eager to reply and they were pleased to help by providing information. From five interview requests sent by the authors to UK only two were answered, but they proved to be very informative. Five interviews were sent out to Spanish authorities and practitioners and three were willing to answer but did not unfortunately answer during the given timeframe.

Some of the Spanish websites, articles and reports provided valid information but did not include publisher, published dates, locations etc., which frustrated the authors, as in Finland we are used to have basic standards how this information is constructed and provided in all material, also online.

Project plan was made in the beginning of the project and it has been followed accordingly and there were no problems with timing. This was done as pair work by dividing the case studies, but theoretical and empirical parts were done in collaboration. In overall the authors think that any kind of research is easy to conduct if the project plan and aim of the work are clear, comprehensive and well-structured, so in other words well planned is half done.

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Appendices

Appendix 1 interview questions Soil Association

HAAGA-HELIA University of Applied Sciences

Respondent Lee Holdstock, Trade Manager, Soil Association

1. What is your position in your organization and how long have you worked in this position?
2. In Soil Association's report *Organic Market 2012* multiple retailers, other independent retailers, and box schemes / home delivery are presented as they have shares of the market. What is the difference between these?
3. Can you name top 5 companies (market leaders or challengers) among organic food markets in the U.K.?
4. In your opinion, which are the biggest obstacles for European companies to access the British food markets, especially organic food markets?
5. From your point of view, would there be room for other European organic products in the British markets? E.g. Finnish companies exporting their organic berries?
6. Which are the most common ways of organizing the deliveries of ordered organic products to the customer? E.g. farmers delivering the products straight to customer's home, using a delivery company's services, using pick-up points (dropping the products to a local store where customer can pick them up) or using other ways, which are?
7. In general about the ownership of the organic food companies, are the owners mostly farmers, who also produce the products or private organizations?
8. In your experience, do the local practitioners also do business to business with e.g. local restaurants, offices or schools?

9. Are there any food circles in the U.K? In Finland there are communities or group of people (e.g. student groups) who order collectively and usually one member of the group pick up the products on behalf of everybody and deliver them other members.
10. What are the key factors to succeed in a British organic food market? E.g. having right business partners, good customer relationships, distribution channels or knowing the markets?
11. Is there high competition among organic food suppliers?
12. The online grocery shopping is said to double in the U.K. by 2015 (an estimate of Institute of Grocery Distribution (IGD)). Also many organic food stores have already the possibility to order online, your forecast for the future?
13. Is there something what you would like to add/comment further?

Appendix 2 interview questions Abel & Cole

HAAGA-HELIA University of Applied Sciences

Respondent Claudia Ruane, Head of Brand, Abel & Cole

1. What is your position in your organization and how long have you worked in this position?
2. Local and organic food products often go hand in hand. Which one would you say is the biggest trend right now and do you sell imported organic goods?
3. Have you noticed any changes in the buying behavior of customers in the recent years? E.g. have some products become more popular?
4. How do you organize the deliveries of ordered organic products to the customer? Do you provide the customers different options?
5. Do you do business-to-business with e.g. local restaurants, offices or schools?
6. Do you have many food circle groups as customers? In Finland there are communities or group of people (e.g. student groups) who order collectively and usually one member of the group pick up the products on behalf of everybody and deliver them other members.
7. Can you name 3 to 5 companies (market leaders or challengers) among organic food market in the U.K?
8. Do you consider the above companies as your direct competitors?
9. What would you say are your company's strengths vs. big supermarkets selling organic food online or other similar companies like your company?

10. How would you describe the British as customers?

11. What is your biggest customer group?

12. Is there something what you would like to add/comment further?