Export Marketing Consultancy Project
BA (Hons) International Business

Tutor:
Gareth Williams

Authors:
Kristina Linnea Johansson Brunvall
Ole Johannes Gill Lunde
Maiken Salmelid
Sondre Larsson
Richard Lindin
Victoria Ekeli

Date:
07th of May 2015
Plagiarism declaration

“We certify with the signatures that this is our own work. Material from other sources has been properly acknowledge and referenced. The work has not, in whole or in part, been presented elsewhere for assessment. If this statement is untrue we acknowledge that we have committed an assessment offence. We also certify that we have taken a copy of this assignment, to make available upon request, which we will retain after the board of examiners has published results.”

Researchers

Kristina Linnea Johansson Brunvall          Ole Johannes Gill Lunde

Richard Lindin                               Victoria Ekeli:

Maiken Salmelid                               Sondre Larsson
**Introduction**

This report is a comprehensive study for the module Export Marketing at Leeds Beckett University. Through cooperation with the Norwegian grocery store company KIWI Mini Pris AS, the report will present the findings of a thorough market analysis of the UK grocery store market. It will include secondary findings through data collection and will be supported by primary research that the researchers have collected and analysed.

Secondary data will be elements on what is currently happening in the market. Elements evaluated are current and future trends, customer needs and behaviour, external macro/micro environmental factors, competitors operating in the market and entry mode possibilities.

Primary data methods include in-store and online observation, 3 expert interviews as well as semi-structured interviews conducted in the streets of Leeds to base findings found with customer’s opinions.

The overall aim of the report is to evaluate if there is a possibility for the company to enter the current UK market and present possible entry mode strategies.
Summary

Due Date: 7th May 2015

Level: Bachelor Thesis in Export Marketing – International Business

Title: “Evaluating KIWI for the UK market”

Authors: Kristina Linnea Johansson Brunvall  Sondre Larsson
Ole Johannes Gill Lunde       Richard Lindin
Maiken Salmelid       Victoria Ekeli

Tutor: Gareth Williams

Topic: When a company is evaluating a foreign market to possibly enter, it is vital that they evaluate both internal strengths and weaknesses as well as look at the external environment that affects a market and entry possibilities. When evaluating an entry mode different influential factors that affect entry mode decision are crucial to pinpoint. Influential factors vary for each market, which makes international expansion individual for each country.

Research aim:

The research aim is to evaluate the UK grocery store market by considering current market trends and situation in the foreign market, and evaluating if there is a potential market for KIWI to expand into with possible entry modes. “Consider the current market trends and situation in the foreign market, and evaluate if there is a potential market for KIWI to expand into.”
Method: The data collected has been through a qualitative method. This is based on what the researchers saw as the most appropriate way to collect data, and to understand the market situation and entry mode possibilities. Data has been collected through literature, books, Internet resources, online journals, interviews and observation. The qualitative research has been concentrated in the United Kingdom.

Conclusion: Evaluating the market situation is crucial when understanding KIWIs expansion possibilities. The choice is influenced by several internal and external factors. Both factors are valuable for decisions made by KIWI, though with varying degree of influence. The internal environment builds on the company’s competitive advantages to evaluate if the market is applicable to them. The researchers have found that the external environment is highly competitive and influence KIWIs entry greatly.

Key words: Trends, macro environmental factors, competitors, consumer behaviour, convenience, price, external factors, internal factors, analysis, UK, Norway, entry modes, joint-venture, acquisition, micro factors.
Acknowledgements

This consultancy report has been a large in depth study of the UK grocery store market. The researchers are thankful to many individuals for all support, guidance, help and knowledge given to us along the way.

First of all we would like to thank the company KIWI for allowing us to research the market on their behalf. There are particularly two people in this company that have been of immense help, this is Jan Paul Bjørkøy the Operating Leader for KIWI and Trond Inge Larsson, Regional Manager of KIWI in the Rogaland region in Norway. Without their help, guidance and answers provided along the way it would not have been possible to conduct this in depth report.

Second of all we would like to thank all anonymous individuals that helped us gain knowledge about consumer needs and patterns regarding choice of grocery stores. They gave us findings to support what has been researched about the environment as well as their individual perspectives on choices made.

Third, we would like to thank Cathy Barnes, Professor of Retail Innovation and Director of Faraday at Leeds Beckett University who gave us her professional opinion of the market situation and trends in the UK grocery store market.

Fourth, we would like to thank Leeds Beckett University for allowing us to conduct this report and for all the help along the way.

Last but not least we would like to thank our module supervisor and overall go to guy for all meetings, guidance and answers to all questions we have had, Mr. Gareth Williams.
Executive summary

This report is written on request from KIWI Mini Pris AS, a Norwegian grocery store chain and subsidiary of “NorgesGruppen”. KIWI currently has a strong position in their domestic market, and they wish to evaluate their possibilities for further international expansion. Based on their request the researchers have examined the UK grocery market by identifying main competitors, trends and the changing consumer behaviour within the market. Upon late request, the researchers have also evaluated possible modes of entry for KIWI into the UK market.

The primary research includes; expert interviews, semi-structured interviews and observation. This research will present key findings of their competitors, consumer behaviour and overall changes found in the UK market. The UK grocery market is dominated by the “Big Four” (Tesco, ASDA, Sainsbury’s and Morrisons), and is changing dramatically. Changes in the market are alterations to the entire British operating infrastructure; by hard discounters ALDI and LIDL.

Further research reveals that the changing consumer behaviour is forcing the industry to adapt to meet the customers needs. The two main factors found that shoppers value, are convenience and choice.

Secondary research complied with the primary data, has provided the researchers with a greater understanding of the UK grocery market, which has been used to draw a conclusion and recommendation for KIWI.

Conclusions found are that KIWI would need to adapt to the British consumer’s shopping patterns. There are also too many competitors offering the same within the supermarket sector, KIWI would need to be innovative and offer something that does not currently exist.

Based on this report’s findings, the researchers’ recommended KIWI to stay in their domestic market. The researchers recommend KIWI to continue success in Norway and focus on Scandinavian possibilities. However if they chose to enter the market, recommended modes of entry are; alliances through joint venture and acquisition. The recommendations are based on findings from both primary and secondary data.
# Table of Contents

Introduction .................................................................................................................. 3
Summary ....................................................................................................................... 4
Acknowledgements ...................................................................................................... 6
Executive summary ...................................................................................................... 7
Table of contents ......................................................................................................... 8
Definitions ................................................................................................................... 12
Limitations ................................................................................................................... 13

## Part 1 – Introduction of the report

### Chapter 1: Terms of reference 15

1.0 Project aim and objectives .................................................................................. 16
    1.1 Consultancy request ......................................................................................... 16
    1.2 Research aim .................................................................................................. 16
    1.3 Research objectives ......................................................................................... 16
    1.4 Research questions ......................................................................................... 17

### Chapter 2: Research methods 19

2.0 Research method ................................................................................................ 20
    2.1.1 Research design ......................................................................................... 21
    2.1.2 Reliability and validity ............................................................................... 22
2.1 The chosen research method ............................................................................... 22
2.2 Methods for data collection ............................................................................... 23
    2.2.1 Research instruments ............................................................................... 24

## Part 2 – The UK market

### Chapter 3: Internal analysis 28

3.0 The company ...................................................................................................... 29
    3.1 Finance .......................................................................................................... 30
Chapter 4: Market analysis

4.0 Aim of chapter

4.1 Environment analysis

4.1.1 The environment

4.1.2 PESTLE analysis

4.2 Industry analysis

4.2.1 UK grocery market size

4.2.2 Porter’s 5 forces

Chapter 5: Competitor analysis

5.0 Aim of chapter

5.1 Competitor profiles

5.1.1 UK grocery store market share

Sainsbury’s

TESCO

Marks & Spencer

The co-operative food

Waitrose

Iceland

Morrison’s

ASDA

ALDI

LIDL

5.2 Positioning

5.2.1 Positioning explanations

Chapter 6: Consumer trends

6.0 Aim of chapter

6.1 Consumer needs
Chapter 7: Market trends

7.0 Aim of chapter

7.1 Current market

7.1.1 Convenience stores

7.1.2 Supermarkets

7.1.2.1 Discounters

7.1.3 Online

7.2 Future trends

Part 3 – Overall findings

Chapter 8: Syntheseses of overall findings

8.1 SWOT analysis

8.1.1 Summary of SWOT analysis

8.2 Patterns matching

Chapter 9: Strategic evaluation

9.1 Aim of chapter

9.2 Strategic evaluation

9.2.1 Bakka framework

9.2.2 Solberg’s 9 strategic windows

9.3 Mode of entry

9.3.1 Joint venture/strategic alliances

9.3.1.1 Mode of entry suggestions

9.3.2 Acquisitions

9.3.2.1 Mode of entry suggestion

9.3.3 Advantages and disadvantages of entry modes

Chapter 10: Conclusion

10.1 Conclusion

Chapter 11: Recommendation

11.1 Recommendation
List of figures:

- Figure 1: Research Process .................................................. 20
- Figure 2: Research Design .................................................... 21
- Figure 3: Research choices ................................................... 22
- Figure 4: Environment levels ............................................... 35
- Figure 5: Share sales .......................................................... 39
- Figure 6: Porter’s 5 forces ...................................................... 41
- Figure 7: Market share ........................................................ 45
- Figure 8: Positioning map ...................................................... 56
- Figure 9: SWOT analysis ...................................................... 76
- Figure 10: Solberg’s 9 Strategic windows ............................. 89

List of tables:

- Table 1: Financial numbers ................................................. 30
- Table 2: Key facts ............................................................ 34
- Table 3: PESTLE analysis .................................................... 35
- Table 4: Market size ........................................................... 38
- Table 5: Market size ........................................................... 38
- Table 6: Sainsbury’s Strengths & Weaknesses ...................... 46
- Table 7: Tesco Strengths & Weaknesses ............................. 47
- Table 8: M&S Strengths & Weaknesses ............................. 48
- Table 9: The Co-operative Strengths & Weaknesses ............ 49
- Table 10: Waitrose Strengths & Weaknesses ...................... 50
- Table 11: Iceland Strengths & Weaknesses ......................... 51
- Table 12: Morrisons Strengths & Weaknesses .................... 52
- Table 13: ASDA Strengths & Weaknesses .......................... 53
- Table 14: ALDI Strengths & Weaknesses ........................... 54
- Table 15: LIDL Strengths & Weaknesses ............................ 55
- Table 16: Leading Convenience Retailers market share 2013/2014 68
- Table 17: Leading online retailer 2013/2014 ..................... 72
- Table 18: Bakka modellen .................................................... 88
- Table 19: Entry modes ........................................................ 93
Definitions

The authors of this report have created a simple guide of how to read the report. By looking for key information regarding facts and findings, the reader can easily find the most relevant data for each chapter marked in green.

- = Highlights key findings and facts.

- **Hypermarkets and superstores**: Hypermarkets have a sales area of 60,000 sq. ft +, superstores are 25-60,000 sq. ft. They operate using large formatted stores and sell a full range of grocery items as well as usually holding a range in non-food related items. (IGD, A, 2014)

- **Small supermarkets**: Defined as food-focused stores that operate with a sales area between 3-25,000 sq ft. (IGD, A, 2014)

- **Convenience stores**: Stores with a sales area of less than 3,000 sq ft. They have long opening hours and sell products from at least eight different grocery categories.

- **Discounters**: This operating method provides customers with a price aware shopping environment. (IGD, A, 2014)

- **Other retailers**: Includes stores with a sales area of less than 3,000 sq ft. Typical examples are: newsagents, off-licences, some forecourts and food specialists, such as butchers and bakeries. This channel also includes the grocery sales of non-food retailers such as department stores. (IGD, A, 2014)

- **Online**: Internet shopping allows for orders to be placed at grocers & online food specialists for home delivery and customer collection. (IGD, A, 2014)

- **Top-up shopping**: Supplement shopping conducted by the consumer.
Limitations

During the research the authors often faced limitations. The first limitation was knowledge in the field relating the topic; the researchers were faced with large amounts of information to evaluate. The researchers had to use secondary data to gain knowledge about the market and understand what was most relevant. Further, primary data collected through observation, semi-structure and in-depth interview, helped the authors gain perspective of the relevant findings.

The second limitation regarded research collection; the information gathered was only sampled once. The observation reports are based on visiting only one store in each large competitor in the market, the researchers therefore do not believe that this is representative enough for each competitor. This limitation was overcome by the vast amount of secondary data collected; the researchers were therefore able to support their findings with this.

The third limitation the researcher faced when collecting primary data was reliability. However they concluded that Leeds operates as a representative market for the UK.

The semi-structured interviews are constructed of questions asked on the spot. Often interviewees do not process their answers before answering and may give the researchers wrong feedback. (Saunders, M 2010) Based on secondary research and expert interviews gathered, the researchers believe that this is the case. The researchers believe that some of the interviewed objects have answered based on what they think they do, not on what they actually do. Therefore, the researchers do not regard their semi-structured interviews as their most reliable primary data collected.
Part 1 – Introduction of the report

Chapters:

1) Terms of reference
2) Research method
Chapter 1: Terms of reference

The aim of this chapter is to provide the reader with an introduction and a clear overview of the report. Furthermore this chapter will also present the overall research aim, research objectives and research questions.
1.0 Project aim and objectives

1.1 Consultancy Request:
KIWI wants a comprehensive study of the existing British grocery store market situation and current trends, and identifies possibilities and barriers of entry for KIWI to permeate the landscape. On late request from KIWI they also wanted the researchers to evaluate possible modes of entry.

1.2 Research Aim
On behalf of KIWI’s requirements and the objectives, the research aim is expressed as:

“Consider the current market trends and situation in the foreign market, and evaluate if there is a potential market for KIWI to expand into.”

1.3 Research Objectivities
The research objectives are structured by completing them, “step by step” and in different sections, when all the objectives are completed the overall aim will be achieved.

Objective 1: Identify decision-making criteria for supermarket choice within the UK market.
Objective 2: Identify consumer thought-processes within the grocery store.
Objective 3: Understand Consumer awareness and perception of the competition.
Objective 4: Assess the compatibility of KIWI concept with the UK market and identify potential positioning alternatives that are compatible with the UK market
Objective 5: Identify whether KIWI has the possibility of expanding into the UK market.
1.4 Research Questions

To ensure the analysis of the industry is complete and reliable, the questions are constructed to gather both secondary and primary data. The research questions are constructed to find secondary information on the grocery store market from statistics and existing analysis of the industry. The primary data collected is tailored to the analysis by gathering information through interviews and observations in different grocery stores.

Objective 1: Identify decision-making criteria for supermarket choice within the UK market.

Research Questions
1.1 Why do customers choose the store/s they do to shop at?
1.2 How do supermarkets adapt to the changing shopping pattern?

Objective 2: Identify consumer thought-processes within the grocery store.

Research Questions
2.1 Do customers need specific information about the supermarket before selecting a store?
2.2 Identify typical shopping trends in the UK.
2.3 Is discount a major factor for the customers when choosing an item?
2.4 Are consumer needs being met by the UK grocery market?

Objective 3: Understand Consumer behaviour and perception of the competition.

Research Questions
3.1 In what way has the market altered in previous years?
3.2 How has consumer behaviour changed in recent years?
3.3 How does competition differentiate themselves?
3.4 How are different store chains operating to create a loyal customer base?
**Objective 4:** Assess the compatibility of KIWI concept with the UK market and identify potential positioning alternatives that are compatible with the UK market

**Research Questions**

4.1 What factors do KIWI need to take into account if they were potentially entering the UK market?

4.2 How do future trends in the UK grocery market look like?

4.3 How could possible future trends in the UK grocery market affect KIWI’s entry mode.

**Objective 5:** Identify whether KIWI has the possibility of expanding into the UK market.

**Research Questions**

5.1 If KIWI were to enter the market, how should KIWI adapt to best do so?

5.2 Would KIWI have to gain support and cooperation from another player?

5.3 What will be the most economical way to enter the market for KIWI?

5.4 Would KIWI have to change their operating methods to enter the UK market?

5.5 What characterizes KIWI’s main target group?

5.6 How has KIWI previously entered the Danish market? Could their tactics possibly be a replicated when entering the UK market?
Chapter 2: Research methods

This chapter will solely present and debate the different research designs and methods for our data collection. This chapter will also include a short illustration of the research process, the chosen research design and the methods and location for the data collection.
2.0 Research method

To fulfil the overall aim of the project, an appropriate research method must be chosen. This chapter will explain the different research methods and explain how answers to the research objectives, questions and the aim of the project will be answered.

When choosing research method, there are several varieties; the researchers have chosen to base their theory upon Gripsrud et.al, (2010) and Saunders, M et.al, (2012). Due to the researchers particular aim of providing an understanding of “what is happening” rather than “why it is happening”, the researchers has chosen to undertake a deductive approach towards the research, working from theory to data. (Saunders, M et.al, 2012)

Demonstrated below are some of the stages the researchers needed to complete, as part of the report, the authors have chosen to follow Mark Saunders research process.

Figure 1: Research process
Source: Saunders, M et.al, 2012
2.1.1 Research design

Research design is a framework used to seek answers to research questions. The purpose of the design is to analyse research collection in way of combining relevance to the research aim. (Gripsrud, G. 2010) Choosing a design is the most important factor to select as well as choosing the most appropriate approach to investigate the identified objectives. (Gripsrud, G. 2010) The research design can be divided into three different categories: explorative, descriptive and casual. (Gripsrud, G. 2010)

Figure 2: Research design
Source: Gripsrud, G. 2010

*Explorative* research is a researcher’s tool to understand an issue more thoroughly, before attempting to quantify mass responses into statistically inferable data. (Gripsrud, G et.al, 2010) Explorative research provides a rich quality of information if used correctly, and it will help identify the main issues that should be addressed in the surveys. It can also significantly reduce a research project’s level of bias. (ibid, 2010) *Descriptive* design gathers quantifiable information that can be used for statistical inference on a target audience through data analysis. (ibid, 2010) Used correctly, it can help the organisation better define and measure the significance of a variable regarding a group of respondents and the population they represent. (ibid, 2010) *Causal* research falls under the category of conclusive research due to its attempt to reveal a cause and affect the relationship between two variables. (ibid, 2010)
2.1.2 Reliability and validity

Reliability is the extent to which one can trust that the findings and results are reliable. (Gripsrud, G et.al, 2010) Referring to the degree of the data collection techniques or analysis procedures will yield consistent findings. (Saunders, M et.al, 2012)

Validity resolves how valid the measurements are regarding the purpose of the measuring. (ibid, 2010) Validity is concerned with whether the findings are really about what they appear to be about. (Saunders, M et.al, 2012)

2.1 The Chosen research method

When choosing the research design, the researchers were faced with several methodological choices. To choose the most suitable method, listing the different research choices is needed.

The researchers favoured Mark Saunders explanation when choosing the research method, he states the following:

“When choosing your research methods you will therefore either use a single data collection technique and corresponding analysis procedures (mono method) or use more than one data collection technique and analysis procedures to answer your research question (multiple method).” (Saunders, M et.al, 2012)
Furthermore, the researcher saw the multiple methods design as the most suitable method. (See figure 3) This is due to reasons such as choosing to combine data collection techniques and procedures. When using this method the researchers were faced with two possibilities. (ibid et.al, 2012)

These methods use both quantitative and qualitative data collection methods. (ibid et.al, 2012) However the study will lean towards a multi-method qualitative study, as this method mostly refers to collecting qualitative data, using such as: in-depth interviews, observation, semi-structure, and analysing using non-numerical methods. (ibid et.al, 2012)

When the researchers obtained a wider understanding of the market in the UK, the types of questions asked by the researchers determined the necessary approach to complete the study; resulting in the use of descriptive study. This can be completed in a form of quantitative or qualitative study. The research is used in a detailed way to support previous findings, but further to answer research questions created to fulfil KIWI’s request.

### 2.2 Methods for data collection

The main methods for data collection are quantitative and qualitative data collection. The chosen method depends on the researchers aim and the questions.

**Qualitative:** Qualitative research is descriptive information with no numerical form. (Saunders, M et.al, (2012)

**Quantitative:** Quantitative data in raw form, that is, before the data has been processed and analysed, conveys very little meaning to most people. (Saunders, M et.al, (2012)

The researchers have collected data through qualitative research, this has provided the researchers with greater understanding of the research topic.
To collect qualitative data, the researchers have chosen to use several instruments. The researchers conducted their investigation through data, in-depth interviews (expert and e-mail), semi-structure interview, observation and secondary/documentary research. Collecting data through these channels is appropriate, and has provided the researchers with information directly from representatives of the company and the industry, and secondary/documentary research provided information indirectly.

### 2.2.1 Research instruments

**In-depth Interview** is a loosely structured interview that allows the interviewee to speak freely about the points and questions given, it also gives the researchers the opportunity to capture valuable and rich descriptive information. (Gripsrud, G et.al, 2010)

The researchers have conducted three important separate interviews. The first was an interview with the Operating Manager of KIWI enlightening the researchers of KIWI’s entry mode into the Danish market. The second was with a Regional Manager in KIWI, to gain knowledge of KIWI’s operational techniques and thoughts of the British market. The third was an interview with an expert in the British market to enlighten the researchers of how the market is changing and the response to it.

The in-depth interviews helped the researchers gain more inside-knowledge about KIWI and a better understanding of how they operate and why. The questions asked were related to the entrance in the Danish market, KIWI’s skills and values, and their success.

*The first interview* regarding the entry mode into the Danish market was conducted via email. This is due to a hectic work schedule. This technique, gave the interview subject time to think, gather information and formulate a response. This provided the group with useful information on previous entry modes. The interview was conducted with the aim of understanding the reasoning behind entering Denmark and how they proceeded to do so.
The second interview regarding KIWI’s operational techniques was done via Skype, since the researchers currently reside in the UK. This interview provided the group with useful information on how KIWI operate, how they relate to consumer shopping patterns and how operational techniques in the British market might evolve and influence their techniques.

The third interview regarding the British supermarket was conducted face-to-face due to no limitations with regards of country barriers. This interview was conducted based on secondary research to gain opinions and predictions for the future of the UK market.

Semi-structured interviews are the combination of a structured survey and an unstructured conversation. (Saunders, M et.al, (2012) Semi-structured interviews are useful for collection of information regarding people’s ideas, opinions and experiences. (Saunders, M et.al, (2012) To avoid scenarios resulting in information that the research team does not need, the following steps were taken:

- Interviewing consumers to gain personal experience to document secondary findings
- Consider ethical issues and ask tactful and planned questions.
- Pre-define questions beforehand that they need answers to.

While conducting these interviews the researchers always explained the purpose of the interview and how the information would be used. The information was collected verbally by asking people on the streets. The researchers used a recording device for further analysis of the data; therefore asked approval of this.

The interviewers were free to add questions regarding the possible change of the interview where they saw fit.

The best way to capture people’s ideas, opinions and experiences is by asking questions that they do not have a fixed set of answers to. (Saunders et.al, (2012)
The reasoning behind this choice of interviews was that by asking the customers, it gets the primary set of data the researchers need on choices made. It is also information that cannot be found through secondary data.

*Observation* is a method of gathering data collection for the purpose of research, but is still more than simply looking or listening. (Stenhouse, 1975) simply defines it as “systematic enquiry made public” (University of Strathclyde, n.d)

In this report the researchers used the observation technique to find similarities and differences in the top ten largest competitors in the grocery store market. This gave the researchers information about the competition within the market and the operating methods in the UK. It also gave the researchers further information to justify secondary research found. This further allowed the researchers to evaluate how KIWI could differentiate themselves in the UK market and possibly become successful.

*Secondary/documentary research* will be a major part of the study. Researching already existing data is needed to gain further understanding of the market in the UK, but also to allow the researchers to gain a personal understanding regarding the challenges and opportunities within the market.

This data was mostly collected through various sources, such as journals, online journals and academic journals. Regular research in general of the market was collected from online databases as referred to during the report.

To be able to collect information about competitors, regulations regarding governmental initiatives etc., the information was collected using official websites from the UK government.
Part 2 – The UK Market

Chapters:

3) Internal analysis
4) Market analysis
5) Competitor analysis
6) Consumer trends
7) Market trends
Chapter 3: Internal analysis

This part of the report will provide the reader general understanding and information about KIWI. It will highlight KIWIs competitive advantages; what they offer, their skills and level of differentiation.
3.0 The company

KIWI has gained over 36 years of experience from operating in the grocery store market, and are specialised in innovation and creativity. (Valvik, M.E 2008) They have earned a sterling reputation in the Norwegian market, both from customers, retailers, wholesalers and from the government. Their underlying philosophy to differentiate themselves in new and innovative ways, has created a unique way of operating a grocery store. (Johnsen, L 2011)

- It is better to be a good original than a bad copy.

(KIWI, 2015)

From the expert interview with Trond Inge, he states that the KIWI culture is important for the KIWI groups in general, but also being able to provide the best possible service. As he states the following: (See appendix 1)

“We must treat our customers as our guests, not just customers.”

Cohesion, security, and an informal tone constitute the “glue” for their culture. (KIWI A, 2015)
3.1 Finance

The researchers were provided with financial information such as: total growth, new stores and organic growth from recent years. The statistics portrayed in table 1, function as a good indicator on how management has used their resources to expand profit. The researches see this as a competitive advantage.

<table>
<thead>
<tr>
<th>Year</th>
<th>So far this year</th>
<th>Total growth in NOK</th>
<th>Total growth in %</th>
<th>Organic growth</th>
<th>Organic growth NOK</th>
<th>New stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>23 598 890 630</td>
<td>1 964 686 251</td>
<td>9,08%</td>
<td>3,44 %</td>
<td>719 800 954</td>
<td>26</td>
</tr>
<tr>
<td>2013</td>
<td>25 864 913 739</td>
<td>2 266 023 109</td>
<td>9,60 %</td>
<td>4,03 %</td>
<td>927 338 208</td>
<td>33</td>
</tr>
<tr>
<td>2014</td>
<td>28 198 574 738</td>
<td>2 333 660 999</td>
<td>9,02 %</td>
<td>4,04 %</td>
<td>1 009 344 230</td>
<td>28</td>
</tr>
</tbody>
</table>

Table 1: Financial numbers.
Source: provided by KIWI

The previous year (2014) results show that KIWI made a turnover of 28.2 billion NOK, an increase of over 2 billion NOK from the year prior, and is further expecting a total turnover of 29.8 billion in 2015. (See appendix 1) These market shares grew most of all the chains in the country by 0.8 percentage points resulting in KIWI holding 17.7 per cent of the market. (Johnsen, L 2011)

Information gathered from interviews, observation of KIWI stores in Norway and general research from the UK market there are certain strengths, skills and levels of differentiation that KIWI offer. When conducting an internal analysis of the company for KIWI it is important to highlight the following aspects regarding their skills, what they offer and how they differentiate themselves. (See appendix 1)
Offers:

• Store concept that meets customers needs
• Wide range in products
• Different price levels to meet preferences
• Loyalty cards for campaigns
• Discount for loyal customers through campaigns
• Offer primary target market discounts to promote loyalty

Skills:

• Correct resource allocation resulting in company growth
• Meet customer needs regarding product variation
• Adaption to changing shopping pattern by offering relevant campaigns
• Development of strong technological systems advancing operations
• Good routines with PR activity to gain loyal support
• Successful evaluation and entrance into the Danish market

Differentiation:

• Campaigns
• Target market
• Operation methods
• Trumf loyalty card
• Promote environment through offers
• Promote the growing health trend
• Best in the street tactic

These bullet points are drawn to summarise key findings from available secondary research and expert interview with members of the company. The bullet points highlight their most essential competitive advantages. (See appendix 1)
Chapter 4: Market analysis

The aim of this chapter is to present general information about environmental factors in the UK that affect the industry. The most relevant macro-factors in the PESTLE analysis will be presented and evaluated. Later an industrial analysis will focus on key micro environmental factors through the Porter’s 5 forces framework. Furthermore, the chapter will present an evaluation of the intensity experienced among competitors.
4.0 Aim of Chapter:
The aim of this chapter is to answer the following research questions:

**Objective 2**: Identify consumer thought-processes within the grocery store.

2.2 Identify typical shopping trends in the UK.

**Objective 3**: Understand Consumer behaviour and perception of the competition.

3.1 In what way has the market altered in previous years?

**Objective 4**: Assess the compatibility of KIWI concept with the UK market and identify potential positioning alternatives that are compatible with the UK market.

4.2 How do future trends in the UK grocery market look like?
4.1 Environment analysis

By evaluating the current market situation, certain conclusions can be drawn regarding KIWIs’ possibilities of expanding into the UK market.

### Key facts

<table>
<thead>
<tr>
<th><strong>Government:</strong></th>
<th>Parliamentary constitutional Monarch</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population:</strong></td>
<td>63.39 million</td>
</tr>
<tr>
<td><strong>Currency:</strong></td>
<td>British pound (GBP)</td>
</tr>
<tr>
<td><strong>Households:</strong></td>
<td>18.6 million in 2014 <em>(containing two or more families were the fastest growing household)</em></td>
</tr>
<tr>
<td><strong>GDP per capita:</strong></td>
<td>$36,700</td>
</tr>
</tbody>
</table>

#### Demographic details:

- **Life expectancy:**
  - Total population: 80.29 years
  - Men: 78.16 years
  - Woman: 82.54 years

- **Ethnic composition:**
  - White (92.1%), black (2.0%),
  - Indian (1.8%), Pakistani (1.3%),
  - Mixed (1.2%), and other (1.6%)

<table>
<thead>
<tr>
<th><strong>Country area:</strong></th>
<th>243,610 sq. km</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Language:</strong></td>
<td>English</td>
</tr>
<tr>
<td><strong>Exports:</strong></td>
<td>Manufactured goods, fuels, chemicals, Food, beverages and tobacco</td>
</tr>
<tr>
<td><strong>Imports:</strong></td>
<td>Manufactured goods, machinery, fuels and foodstuffs</td>
</tr>
</tbody>
</table>

*Table 2: Key facts
Source: Marketline, 2013*
4.1.1 The environment
The researchers have divided the environment into three sections.

4.1.2 PESTLE Analysis
When evaluating expansion into a foreign country, there are many macro factors that companies need to consider and take into account.

The researchers have decided to apply the PESTLE analysis for the potential country by focusing on most relevant factors, to identify the firm’s growth opportunities. (Lancaster, G et.al, 2011)

<table>
<thead>
<tr>
<th>Political</th>
<th>Economical</th>
<th>Social</th>
<th>Technological</th>
<th>Legal</th>
<th>Environmental</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Conservative party</td>
<td>• 5th largest economy in the world</td>
<td>• 22nd largest population in the world</td>
<td>• Scientific and technological advancement</td>
<td>• Legal minimum standard</td>
<td>• High concern over environmental issues</td>
</tr>
<tr>
<td>• Part of the European Union</td>
<td>• 8 largest per PPP</td>
<td>• Sociologists define social class</td>
<td>• Energy industry</td>
<td>• Both UK and EU law</td>
<td>• Important role in reducing greenhouse gas</td>
</tr>
<tr>
<td>• EU legislations</td>
<td>• Worlds most globalised economies</td>
<td>• International culture</td>
<td>• Advance manufacturing materials</td>
<td>• Minimum wage legislation</td>
<td>• Kyoto protocol</td>
</tr>
<tr>
<td>• Political stability</td>
<td>• 3 largest stock of both inward and outward FDI</td>
<td>• Resources are allocated primarily by market forces</td>
<td>• Innovation</td>
<td></td>
<td>• Regulations <em>(Air, Hazardous substances, packaging, waste, recycling)</em></td>
</tr>
<tr>
<td>• Low start up cost for new businesses</td>
<td>• Unemployment rate 7.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3: PESTLE analysis
Source: Marketline, 2013
The researchers have chosen to present a full PESTLE analysis in bullet points for the UK in the figure above. The most distinguishing factors will be highlighted and further listed. These points will regard how these factors affect the grocery store market. Companies in the market should consider these variables at different extents, due to that they affect companies differently.

**Political**
The UK market is highly regulated, both by UK and EU laws. Relevant laws (built on EU standards) for the grocery market industry include displaying nutritional facts for every consumable product. (Ibid, 2013) Most critical political factors:

- Regulated by UK and EU law (Ibid, 2013)
- Initiatives from the government (Ibid, 2013)
- Specific policies regarding the industry (Ibid, 2013)
- Foreign trade regulations (Ibid, 2013)

**Economical**
The UK is the 5th largest economy in the world; and the supermarket industry plays a vital role feeding over 26 million households. (Ibid, 2013) The industry is vastly contributor to the UK economy and operates as one of the UK’s largest private sector employers and the largest manufacturing sector. (Ibid, 2013)

Mike Watkins, Nielsen’s UK head of retailer and business insight says (2014):

> “The economic factor driving behaviour from “big and occasional” to “little and often” is saving money – its easier to mange weekly than monthly budgets and reduce wasted food.” (Ruddick, G D 2014)

Most critical economical factors:

- Inflation rates are rising. (Marketline, 2013)
- Wages have stagnated. (Ibid, 2013)
- Disposable incomes have been eliminated. (Ibid, 2013)
- Price conscious consumers. (Ibid, 2013)
• Convenience shopping is rising which distributes to sale volumes being spread over store chains. (Ibid, 2013)

Social
Due to the demanding culture from the people and the suppliers, the supermarkets must be able to satisfy different demands. Customers in the UK obtain goods from over 347,419 different types of outlets in the UK. (Ibid, 2013) Most critical social factors:

• Variety of different cultures with different needs that alter from the norm (Ibid, 2013)
• Consumer demands changing. (Ibid, 2013)
• Changing store operations for store chains. (Ibid, 2013)
• Consumers are more conscious of quality and the production process which results in increasing demands of labelling. (Ibid, 2013)
• Increase in obesity influences consumers to choose more health conscious options. (Ibid, 2013)

Technological
Since online shopping is one of the new hot three channels to drive market growth, and is considered to be the fastest growing channel over the next five years, it is positive that the UK is a country known for innovation and research. (Ibid, 2013) Mike Watkins, Nielsen’s UK head of retailer and business insight says (2014):

“This is compounded by a key lifestyle factor, shopping online, which reduces the need to go out-of-town.” (Ruddick, G D 2014)

• Innovation. (Marketline, 2013)
• New technology. (Ibid, 2013)
• Predicted that the innovative market through online and Click & Collect will rise. (Ibid, 2013)
4.2 Industry analysis

This part of the study is a presentation of the most relevant micro-findings from the industry analysis in the UK. The key aspects will be analysed and further supported by a Porter’s 5 forces analysis to figure out and determine the possible impact they might have on KIWI.

As of April 2014, the UK grocery store market was worth £174.5 billion though is constantly increasing. (IGD B, 2014) Reports predict that over the five next years the UK market will grow by 16.3% to over £203 billion. (IGD B, 2014)

4.2.1 UK grocery market size

![Graph showing market size growth over years]

<table>
<thead>
<tr>
<th></th>
<th>Value year to April 2014 £bn</th>
<th>Share sales 2014 %</th>
<th>Value year to April 2019 £bn</th>
<th>Share of sales 2019 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superstore and hypermarkets</td>
<td>73.7</td>
<td>42.2</td>
<td>70.8</td>
<td>34.9</td>
</tr>
<tr>
<td>Convenience</td>
<td>37.4</td>
<td>21.4</td>
<td>49.0</td>
<td>24.1</td>
</tr>
<tr>
<td>Small supermarkets (3,000-25,000 sq ft)</td>
<td>35.5</td>
<td>20.4</td>
<td>49.0</td>
<td>24.1</td>
</tr>
<tr>
<td>Discounters</td>
<td>10.8</td>
<td>6.2</td>
<td>21.4</td>
<td>10.5</td>
</tr>
<tr>
<td>Online</td>
<td>7.7</td>
<td>4.4</td>
<td>16.9</td>
<td>8.3</td>
</tr>
<tr>
<td>Other retailers</td>
<td>9.4</td>
<td>5.4</td>
<td>9.3</td>
<td>4.6</td>
</tr>
<tr>
<td>Total</td>
<td>174.5</td>
<td>100.0</td>
<td>203.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4: Market size

Source: IGD B, 2014

Table 5: Market size

Source: IGD A, 2014
The presented table and pie chart show the size of the current market from 2014 as well as predictions for the size that individual markets will have by 2019. These findings support primary research from the interview with Cathy Barnes that the grocery store market is not suffering but rather changing. Furthermore, supporting findings that convenience is dominating the market and that online shopping is expected to grow (See table 5). This concludes the researchers overall belief that the grocery store chains need to realise what the consumer want and adapt to the consumer, not visa versa.

Chief executive, IGD Joanne Denney Fish, (2014) states the following

“Shoppers now expect grocery retailing to organise itself around their lives rather than building their routines around store opening hours. They expect to buy whatever they want, anytime, anyplace in the most convenient way to them.

- **Total Sales 2014: £174.5 billion.** (IGD B, 2014)
Research highlights that online shopping; discounters and convenience are estimated to account for over 40% of the market in five-years time. (IGD A, 2014)

- Online shopping is expected to be the fastest growing channel of the market. (IGD A, 2014)
- The convenience sector is expected to grow and will account for 24% of the food and grocery sales. (IGD A, 2014)
- Discounters are set to double in value during the period. (IGD A, 2014)

Chief executive, IGD Joanne Denney Fish, (IGD A, 2014) states the following

“People are now more willing to shop around at different types of grocery formats, such as convenience stores, discounters or buying online. They have more options available to them than ever before.”
4.2.2 Porter’s 5 forces

A few well-known and established brands in the UK market dominate the grocery store market. (Ibid, 2014) Tesco, Sainsbury’s, ASDA, Morrison’s, The Co-operative, Waitrose, ALDI, LIDL, Iceland are competitors competing in the same market place to establish larger market shares. But the main competitors that the researchers are focusing on, are competitors operating as a direct threat.

The threats of new entrants are considered low: Large investments are required to compete in the established market. (Seely, A 2012) To enter the market one needs to differentiate themselves from competitors that currently hold a strong market position. (See appendix 2)

There are also barriers set by the government for new entrants to the market. An example of such a barrier is that authorisation from the local government is needed to establish new stores in the market, requiring large resources with regards to time and finances. (Seely, A 2012)
**Bargaining power of buyers is high:** The differentiations in product lines from competitors are small and nearly standardised; this creates low switching costs by choosing another brand. (Seely, A 2012) Customers are attracted towards low prices and products prices are easily comparable. Main factors that (collected from research) attract customers are convenience and choice. (See appendix 2)

**Threat of substitutions for food items is considered low:** Substitutions for supermarkets are other small convenience and organic stores. Many well-known brands are gaining strong positioning in these segments by opening smaller local and express stores, adapting to the changing consumer trends and needs. (See appendix 2) Other substitutions for supermarkets like KIWI could be stores such as “pound-land”, not a direct threat for the supermarkets, but they attract customers by offering low prices on a limited product range.

**Bargaining power of suppliers is considered low/moderate:** There are many suppliers operating in the food industry that depend on the grocery retailers. They cannot afford to loose business contracts with large supermarkets. The largest firms in the industry have a high bargaining power over the suppliers. Through negotiations they get the lowest possible prices. (Bruce, A 2012) Some of the chains own their wholesaler such as Morrisons. This gives them control over their supplier of goods and distribution. Other companies buy their products from independent wholesalers and have their own distribution chains deliver goods to their stores. (See appendix 2)

**The competitive rivalry is considered very high:** The industry’s competitors are constantly competing with promotions, prices and products to distinguish themselves from their competitors. Many main competitors have had an increase in market share over the past few years. This increase has intensified the market rivalry significantly. (Pettinger, T 2014) The grocery market is crowded with many competitors competing to gain higher market shares and attract customers.
Chapter 5: Competitor analysis

The aim of this chapter is to present general information about competitor environment in the UK grocery store market. By building individual profile analysis of each store chain, the researchers can give KIWI an understanding of how each competitor differentiates themselves, and how they are positioned in the already well established market. A positioning map is included to help KIWI gain a perspective of the potential market of entry.
5.0 Aim of Chapter:

The aim of this chapter is to answer the following research questions:

Objective 3: Understand Consumer behaviour and perception of the competition.
3.1 In what way has the market altered in previous years?
3.3 How does competition differentiate themselves?
3.4 How are different store chains operating to create a loyal customer base?

Objective 5: Identify whether KIWI has the possibility of expanding into the UK market.
5.5 What characterizes KIWI’s main target group?
5.1 Competitor Profiles

This part of the report is conducted to provide the reader with knowledge of the current competitive situation within the UK grocery sector. It will focus specifically on the following categories: Total sales volume, Market share & position, Format and Vision Distribution.

The UK grocery food store market was worth £174.5 billion in April 2014 with a 2.8% increase from 2013. (IGD A, 2014) According to the pie chart, the researchers see the chains with the most market shares in the industry and from this can determine that they are KIWIs main competitors in the current market. The researchers will further provide closer analysis of each main competitor. (Pettinger, T, 2014)

5.1.1 UK grocery store market share

![Figure 7: Market share](source: Pettinger, T, 2014)
Vision

“To be the most trusted retailer where people love to work and shop!”

Market share/market position

• 16% market shares in the UK grocery sector. (See Figure 7)
• Second largest supermarket chain in the UK. (Pettinger, T, 2014)

Total Sales volume

• The company revenue for 2014 was 23,949 million. (Marketline B, 2015)

Distribution

• Over 24 million customer transactions per week. (Marketline B, 2015)
• Operate through two store formats: Supermarkets and convenience stores.
• Local store is typically around 4500 sq. ft. gross. (Sainsbury C, 2014)
• They launched an online grocery and non-food products service in 2009. (Ferguson, D 2015)
• Provide consumers with Click & Collect service on non-food services. (Sainsbury G, n.d)
• 30.000 products in their supermarket and half of these are their own brands. (Sainsbury G, n.d)

<table>
<thead>
<tr>
<th>Advantages for Sainsbury’s shoppers</th>
<th>Disadvantages for Sainsbury’s shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Shoppers can purchase a 'fits all' trolley coin</td>
<td>• Price</td>
</tr>
<tr>
<td>• Loyalty points for using your own bags.</td>
<td>• Don't have large distribution of stores outside of town</td>
</tr>
<tr>
<td>• Service desk provide in-store nutrition and dietary advice.</td>
<td>• Online shoppers pay their delivery day’s store price.</td>
</tr>
<tr>
<td>• Prices may change daily to keep them in line with their competitors.</td>
<td>• Prices can alter daily and vary from store to store</td>
</tr>
<tr>
<td>• Own Branded products provide easy read nutritional and allergen labels</td>
<td></td>
</tr>
</tbody>
</table>

Table 6: The advantages and Disadvantages

Source: (Supermarketownbrandguide H, n.d)
Vision

“No one tries harder for customers”.

Market share/market position

• 27.5% market shares in the UK grocery sector. (See Figure 7)
• Biggest share in the UK market. (See Figure 7)
• Fifth largest retailer in the world measured in profits. (Deloitte, 2014)

Total Sales volume

• Total revenue for 2014 was £43,570. (TESCO B, 2014)

Distribution

• Operates with four different store formats: Express, Metro, Compact and superstore.
• Club card is one of the most important qualities for Tesco and they have 38 million Club card customers. (TESCO A, 2014)
• Tesco are market leaders in online shopping and generates £2.5 billion (TESCO C, 2014)
• Offer Click & Collect for customers. (TESCO C, 2014)

<table>
<thead>
<tr>
<th>Advantages for TESCO shoppers</th>
<th>Disadvantages for TESCO shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Loyalty points for using your own bags.</td>
<td>• Management uncertainty</td>
</tr>
<tr>
<td>• Stores give loyalty points when you recycle bottles. (not all)</td>
<td>• Online shoppers pay their delivery day’s store price.</td>
</tr>
<tr>
<td>• Service desk provide in-store nutrition and dietary advice</td>
<td>• Prices can alter daily and vary from store to store</td>
</tr>
<tr>
<td>• Prices may change daily to keep them in line with their competitors.</td>
<td>• Liquidation of large out-of-town stores</td>
</tr>
<tr>
<td>• Loyalty points through club card</td>
<td></td>
</tr>
</tbody>
</table>

Table 7: The advantages and Disadvantages
Source: (Supermarketownbrandguide G, n.d)
Vision

“Quality, service, innovation, trust”

Market share/market position

- 3.10% market share of the UK grocery sector. (See Figure 7)
- 2014, M&S stood for 15% of the convenience retail market. (Carroll N, B 2015)

Total Sales volume

- Food: Stands for 55%, £5.1 billion. (Mark & Spencer group PLC B, 2014.)

Distribution

- Marks & Spencer (M&S) is a British multinational retailer that operates in over 50 countries. (Mark & Spencer group PLC A, 2014.)
- Marks & Spencer has 798 stores throughout the UK (Ibid, 2014)
- M&S operate through six store formats: Premier, Outlet, Major, Simply food, High Street and Simply food franchised. (Ibid, 2013)
- M&S Simply food owned and franchised. (Ibid 2014)
- M&S focus on showing the consumer that their products have quality, innovation and provenance of their food. (Ibid, 2014)

<table>
<thead>
<tr>
<th>Advantages for M&amp;S shoppers</th>
<th>Disadvantages for M&amp;S shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>High quality</td>
<td>Non-performance of home delivery</td>
</tr>
<tr>
<td>Efficient customer service desk.</td>
<td>Does not have a full online shopping service.</td>
</tr>
<tr>
<td>Prices are the same at their main stores and simply food formats.</td>
<td>Delivery charge of £3.50 - £4.75, but free for orders over £30.</td>
</tr>
<tr>
<td>Own Branded products display easy to read nutritional and allergen labels.</td>
<td></td>
</tr>
<tr>
<td>Provide a Nutrition Advice Service.</td>
<td></td>
</tr>
<tr>
<td>Majority of stores don’t charge for trolleys.</td>
<td></td>
</tr>
</tbody>
</table>

Table 8: The advantages and Disadvantages

Source: (Supermarketownbrandguide E, n.d)
Vision

“To be the best local food retailer in the UK.”

Market share/market position

- 5.4% of the market share of the UK grocery sector. (See Figure 7)
- 6th largest supermarket in UK grocery market. (Pettinger, T. 2014)

Total Sales volume

- £9,746m total revenue. (Lidbetter, U 2013)

Distribution

- Co-operative groups is owned by millions of customers in the UK
- Operates in different services: insurance, food and legal services.
- Co-op serve 14.5 million customer transaction every week and it is estimated that over 60% of the UK customer have purchased in a Co-op store over the year. (The co-operative group A, n.d)
- Co – op has over 2800 stores across the UK and they are the country’s leading community food retailer because they have food stores in every UK postal area. (Ibid, n.d)
- Co-op offers home delivery terminals in certain stores where consumers can shop normally. The store delivers the products at a time that is convenient for the consumer. (Ibid, n.d)

<table>
<thead>
<tr>
<th>Advantages for co-op shoppers</th>
<th>Disadvantages for co-op shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student discount</td>
<td>No Online shopping</td>
</tr>
<tr>
<td>Benefits from a share in the profits</td>
<td>Prices can vary between the larger and smaller store formats.</td>
</tr>
<tr>
<td>Own Branded coffee, tea, hot chocolate and block chocolate are Fairtrade.</td>
<td>Don’t have online grocery shopping</td>
</tr>
<tr>
<td>Branded products display easy to read nutritional and allergen labels.</td>
<td></td>
</tr>
</tbody>
</table>

Table 9: The advantages and Disadvantages

Source: (The co-operative C, n.d)
Vision

“Being effective and that their members gain personal satisfaction of being part of a co-owned enterprise.”

Market share/market position

• 4.30% market shares in the UK grocery sector. (See Figure 7)

Total Sales volume

• Waitrose’s total sale for the year 2014 was £148.77 million. (John Lewis Partnership, 2015)

Distribution

• Waitrose is a group part of the John Lewis store group. (Waitrose to open first…, 2014)
• The company operates with over 300 stores across the UK and hold almost 18,000 products. (Waitrose B, 2015)
• Online shopping at Waitrose is a growing operation and is operated from 168 branches across the UK. (Food manufacture B, 2014)
• They primarily focus on two different integrations when delivering products to customers – free of charge and that customers may use the Click & Collect that is available at all John Lewis stores. (Food manufacture B, 2014)
• 350 stores in total. (Food manufacture B, 2014)

<table>
<thead>
<tr>
<th>Advantages for Waitrose shoppers</th>
<th>Disadvantages for Waitrose shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• High quality</td>
<td>• Dependent on own label performance</td>
</tr>
<tr>
<td>• Very efficient customer service desk.</td>
<td>• Dependency on the UK market</td>
</tr>
<tr>
<td>• Prices are the same from store to store.</td>
<td>• Online shoppers pay their delivery day’s store price.</td>
</tr>
<tr>
<td>• Change their prices to keep them in line with their competitors.</td>
<td>• Online shoppers pay their delivery day’s store price.</td>
</tr>
<tr>
<td>• Own Branded products display easy to read nutritional and allergen labels.</td>
<td></td>
</tr>
</tbody>
</table>

Table 10: The advantages and Disadvantages

Source: (Supermarketownbrandguide I, n.d)
Vision

“Be number one in the frozen food category.”

Market share/market position

- 2.10% market shares in the UK grocery sector. (See Figure 7)
- 10th largest supermarket in the UK grocery sector. (Pettinger, T. 2014)

Total Sales volume

- Total sales revenue for 2014 was £2.4 billion in the UK market. (Iceland, 2014)

Distribution

- Operating in the UK and Ireland primarily selling frozen food as well as prepared meals and vegetables.
- They currently operate with 830 stores. (Iceland, 2013)
- The online stores incomes stand for about £200,000 per week. (Home delivery, 2014)

<table>
<thead>
<tr>
<th>Advantages for Iceland shoppers</th>
<th>Disadvantages for Iceland shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online shopping</td>
<td>Reliant on UK market</td>
</tr>
<tr>
<td>Frozen food</td>
<td>Primarily offer frozen food</td>
</tr>
<tr>
<td>Awarded best company to work for</td>
<td></td>
</tr>
</tbody>
</table>

*Table 11: The advantages and Disadvantages*

*Source: (Foodmanufacturer, 2014)*
Vision

“Food Specialist for Everyone”

Market share/market position

- 10.17% market shares in the UK grocery sector. (See Figure 7)
- 4th largest grocer in the UK market. (Pettinger, T (2014))

Total Sales volume

- Total sales for 2014 was £17,680 million,
- Decrease of 2.4% from 2013. (Morrison B)
- 11.8 million customers visit their stores on a weekly basis. (Morrison B)

Distribution

- Operate across the UK with more than 600 stores. (Ibid)
- They are M local stores as well as an online home delivery service (Ibid)
- Two different store formats; Morrisons Superstore and Morrisons M Local.
- The Match & More campaign is launched to meet prices at their 5 main competitors ALDI, LIDL, Tesco, Sainsbury’s and ASDA. (Ibid, n.d)

<table>
<thead>
<tr>
<th>Advantages for Morrisons shoppers</th>
<th>Disadvantages for Morrisons shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Shoppers can purchase a 'fits all' trolley coin</td>
<td>• Geographic concentrated operation</td>
</tr>
<tr>
<td>• Provide an online nutrition advice service</td>
<td>• Prices can alter daily and vary from store to store.</td>
</tr>
<tr>
<td>• Prices may change daily to keep them in line with their competitors.</td>
<td>• The majority of stores charge £1 for trolleys</td>
</tr>
<tr>
<td>• Own Branded products display easy to read nutritional and allergen labels.</td>
<td></td>
</tr>
</tbody>
</table>

Table 12: The advantages and Disadvantages

Source: (Supermarketownbrandguide F, n.d)
Vision

“Respect for the individual, Strive for excellence, Service to our customers”.

Market share/market position

- 17.5% market shares in the UK grocery sector. (See Figure 7)
- Second largest retailer in the UK. (Pettinger, T. 2014)

Total Sales Volume

- Total sales for 2014 was 22.914 million pounds
- Increase of 0.5% from 2013. (ASDA, 2013)

Distribution

- Operate across the UK with over 525 stores.
- Strong market share due to being acquired by the American giant Wal-Mart in 1999 and becoming a fully owned subsidiary. (ASDA, 2011)
- ASDA also provides online shopping for individual customers with pick up or delivery services depending on your needs. (ASDA B, n.d)

<table>
<thead>
<tr>
<th>Advantages for ASDA shoppers</th>
<th>Disadvantages for ASDA shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong financial support from Wal-mart</td>
<td>• Poor quality</td>
</tr>
<tr>
<td>• Friendly &amp; helpful staff</td>
<td>• Shopping online is slow and some of the product info is out of date.</td>
</tr>
<tr>
<td>• Online shopping</td>
<td>• Online shoppers pay their delivery day's store price</td>
</tr>
<tr>
<td>• Obliging customer service desk.</td>
<td>• Prices can alter daily and vary from store to store.</td>
</tr>
<tr>
<td>• Own Branded products display easy to read nutritional and allergen labels.</td>
<td></td>
</tr>
<tr>
<td>• Majority of stores don’t charge for trolleys.</td>
<td></td>
</tr>
</tbody>
</table>

Table 13: The advantages and Disadvantages
Source: (Supermarketownbrandguide B, n.d)
Vision

“Provide value and quality to our customers by being fair and efficient in all we do”.

Market share/market position

- 6.2% market share in the grocery sector. (See Figure 7)
- 5th largest supermarket in the UK grocery sector. (Pettinger. T, 2014)

Total Sales volume

- Total sales in 2014 resulted in 5.27 billion as a result of adding more fresh food (Retailgazette n.a ,2015)

Distribution

- Operate with over 560 stores in Britain. (More than 400 new jobs, 2015)
- Efficiency, low costs and simplicity are key contributors to the ALDI way of doing things.
- ALDI does not offer online shopping, so it is usually a store that customers must travel to and buy items in bulk. (Moore, M, 2015)

<table>
<thead>
<tr>
<th>Advantages for ALDI shoppers</th>
<th>Disadvantages for ALDI shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Range of products and prices is the same from store to store.</td>
<td>• Not online shopping</td>
</tr>
<tr>
<td>• Quality to price ratio is very high.</td>
<td>• Take payment for carrier bags.</td>
</tr>
<tr>
<td>• Shopping problems the store manager is available to help.</td>
<td>• There is no customer service counter.</td>
</tr>
<tr>
<td>• The charge for carrier bags encourages shoppers to reuse their own thus helping the environment.</td>
<td>• Shoppers have to pack their own bags.</td>
</tr>
<tr>
<td>• No online shopping</td>
<td>• No online shopping</td>
</tr>
</tbody>
</table>

Table 14: The advantages and Disadvantages

Source: (Supermarketownbrandguide A, n.d)
Vision

“High quality at low prices”

Market share/market position

• 4.9% market share in the UK grocery sector. (See Figure 7)
• 7th largest food retailer in the country. (Pettinger, T 2014)

Distribution

• Operate with 600 stores located in the UK and Ireland. (Lidl, n.d)
• Plan to increase to as many as 1500, at a pace of 30 stores per year. (Ibid, n.d)
• Experienced increase of sales and they see themselves as more of a supermarket than the past hard discounter. (Ibid, n.d)
• LIDL operates in stores between 640m² to 1407m² net sales area. (Ibid, n.d)

<table>
<thead>
<tr>
<th>Advantages for LIDL shoppers</th>
<th>Disadvantages for LIDL shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• High quality</td>
<td>• Online shopping</td>
</tr>
<tr>
<td>• Their range of products and prices are the same from store to store.</td>
<td>• Have to pay for the normally free carrier bags.</td>
</tr>
<tr>
<td>• Quality to price ratio is very high.</td>
<td>• There is no customer service counter.</td>
</tr>
<tr>
<td>• Started selling Fairtrade and organic products.</td>
<td>• Shoppers have to pack their own bags.</td>
</tr>
</tbody>
</table>

Table 15: The advantages and Disadvantages

Source: (Supermarketownbrandguide D, n.d)
5.2 Positioning

KIWI differentiate themselves well in the Norwegian market; if they want to obtain successful entry into the UK market, it is important for them to know who their competitors are and what they stand for and what they offer their customers.

Secondary research conducted by the researchers showed that the largest competitors in the UK market are; Tesco, Sainsbury’s, ASDA and Morrisons collectively known as the Big Four. Other competitors at large are ALDI and LIDL due to their pricing strategies. The positioning map includes representation from all the main competitors that have been previously defined as the most involved and competitive in the market.

The map shows three different estimations. By using a mapping tool, (Lancaster, G et.al, 2011) the researchers plotted in expert opinions and were presented with the map below. The size of the circles represents the market share where each brand is ranked between 1-3, 1 holding a market share from 0-5%, 2 from 5-10% and 3 above 10%. Later they have been positioned between quality and price based on expert opinions ranged from 1-9 where 1 is the lowest and 9 is the highest possible score.

Figure 8: Positioning map

Source: Overall findings
5.2.1 Positioning explanations

The positioning map was created using two main dimensions, price and quality. These factors greatly influence the market. The researchers have included explanations elaborating on why the competitors have been placed as such. Each brand is rated with how they score on price and quality with a text below stating why they have obtained their position based on expert opinions.

**ALDI: Low price, good quality**

ALDI is a low priced supermarket with good quality. The reason behind this is the similarity between their products and well-known products. It is said that ALDI’s quality is sometimes even better than the ”real” brands. Experts claim that ALDI’s own-brand products both look the same, and taste the same- if not better, than well-known brands- but are sold at a much lower price. (Shooter, A 2013) ALDI is cheapest in five out of thirteen departments. (Collinson, P 2014)

**ASDA: Low price, poor quality**

ASDA are slightly lacking experience with labelling ingredients, additives and informing where their food comes from. This is something shoppers find increasingly important. (Cunningham, T 2010) ASDA’s food is exactly like the saying; “You get what you pay for”. Cheap food, with poor quality. (Cunningham, T 2010) ASDA is cheapest in two out of thirteen departments. (Collinson, P 2014)

**Morrisons: Low price, good quality**

Morrisons deliver both good quality at low prices. They were the first to fight LIDL and ALDI’s discount prices with their Match & More points scheme, which now has made them a cheaper supermarket than ALDI. (Ibid, 2014)

The butcher’s corner always ensures that the meat and fish counter looks appetizing and fresh, the fruit and vegetable quality is excellent. (Ibid, 2014)

Morrisons is cheapest in four out of thirteen departments. (Ibid, 2014)
Sainsbury’s: **High price, good quality**
Sainsbury’s prices are categorized as high, because of their good quality. They are now planning to invest in lowering their prices as well as improving the quality of their products. The good quality will remain- or possibly improve, but the prices will be lowered. (Ruddick, G 2014)

**Co-operative:** **Low price, poor quality**
The Co-operative Group lack reputation of good quality, value and distinctiveness when it comes to their food offers. (Soult, G 2014) The prices have been looked upon as too high by many shoppers, although Co-op already has cut the prices on almost 1000 products in an attempt to equalize themselves with the competitors. (MacDonald, G 2014)

**Iceland:** **Low price, good quality**
The Iceland Frozen Food supermarket has main focus on their seafood; it is imported from Canada, and is qualified as “luxury”. The quality is good, and the prices are low. (Kent, E 2014)

**Waitrose:** **High price, good quality**
Waitrose has a reputation of offering good quality food, but at matching high prices. The prices are above other supermarkets prices, but they are classified as not too expensive. (Naylor, T 2010) The store is uncompromising on quality, and the customers do get what they pay the price for. Most of their customers use the store when they want to treat themselves on a rare occasion, because they don’t feel like they can afford to shop there regularly. (Fenton, R 2014)

**Marks & Spencer:** **High price, good quality**
It is said that Marks & Spencer’s food “is a byword for quality – at a price”. (M&S, 2012) M&S values quality over price, they are also particularly aware of highlighting health credentials on their products. (Montague-Jones, G 2014) In 2012, the store was the last to feature their discount brand “Simply M&S”, and they are continuously cutting the prices of everyday groceries to match other stores and their reductions. (Montague-Jones, G, 2014)
**LIDL: Low price, good quality**

LIDL can be categorized as a ‘limited brand’ supermarket. The customers do not necessarily find the brands they are used to, but similarities. Even though the products are cheap, there is a lack of variety of items. (Lewis, M 2014) However, in 2014 LIDL won the Own Brand Range of the Year for its Deluxe selection, and it is predicted that LIDL will now represent the new elite of UK retail. (Fenton, R 2014) This is because they are one of the businesses that are responding quickest to the changing consumer trends and needs. (Lewis, M, 2014)

**Tesco: High price, poor quality**

According to the experts at HSBC, Tesco needs to improve their quality and lower their prices. (Tesco E, 2014) Tesco has been ranked behind all of its competitors regarding price, promotions, range, quality, service, availability and overall experience. The store scores better on range breadth than the discount retailers, but is heavily defeated in terms of price perception and quality. (Ruddick, G 2014) Tesco is not the cheapest in any of the thirteen departments. (Collinson, P 2014)

**KIWI: Low price, good quality**

KIWI is a discount chain focusing on retaining low prices and high quality. Through a national price test, KIWI verifies their position in the Norwegian market as the 2nd cheapest chain. (KIWI B, 2015) KIWI has their own quality guarantees on fruit and vegetables and a durability warranty on all items to ensure high quality for their customers. KIWI acquires fruit with the CEVITA quality, which is categorized as 20% of the best quality of fruits from BAMA. (see appendix 1)
Chapter 6: Consumer trends

The aim of this chapter is to present general information about consumer trends appearing in the UK grocery store market. The trends regard needs as well as behaviour and by analysing these factors conclusion can be drawn as to how they influence the current market.
6.0 Aim of Chapter:

The aim of this chapter is to answer the following research questions:

Objective 1: Identify decision-making criteria for supermarket choice within the UK market.
1.1 Why do customers choose the store/s they do to shop at?
1.2 How do supermarkets adapt to the changing shopping pattern?

Objective 2: Identify consumer thought-processes within the grocery store.
2.1 Do customers need specific information about the supermarket before selecting a store?
2.2 Identify typical shopping trends in the UK.
2.3 Is discount a major factor for the customers when choosing an item?
2.4 Are consumer needs being met by the UK grocery market?

Objective 3: Understand Consumer behaviour and perception of the competition.
3.1 In what way has the market altered in previous years?
3.2 How has consumer behaviour changed in recent years?

Objective 4: Assess the compatibility of KIWI concept with the UK market and identify potential positioning alternatives that are compatible with the UK market.
4.1 What factors do KIWI need to take into account if they were potentially entering the UK market?
6.1 Consumer needs

The UK economy has experienced a rising inflation, which makes the disposable consumer’s income fall. This has challenged the consumer’s needs in the grocery store market and explains the continuous change in how the supermarkets operate. (Euromonitor, 2015) The consumers are slowly changing from big weekly shopping to smaller top-ups to supplement their main shopping trips. This is mainly due to the desire of cutting back on food wastage and that it is easier to control weekly than monthly budgets. (See appendix 2) The increased focus on price and simplicity is predicted to be the result of years of austerity and stagnant wages. The result is higher price consciousness. The economic downturn has helped discounters capture price conscious shoppers, as they have been more willing to seek out alternatives where they can save money.

Customers that choose to shop at ALDI are most likely shopping at this chain due to price awareness when seen in comparison to customers who choose Sainsbury or Tesco. These shops are most often chosen out of convenience since Sainsbury’s and Tesco’s offer more local and in town stores. (See appendix 2)

Through findings from semi-structured interviews and expert interview with Cathy Barnes, the researchers have determined that the following are the most valuable attributes when shopping: (See appendix 2)

- Convenience
- Price
- Quality
- Product range

Through semi-structure interviews (See appendix 1), the researchers have gained knowledge as to why consumers have changed their place of grocery shopping within the last year:

- 32 out of 50 have not changed
- 18 out of 50 have changed
Reasons for changing are primarily due to location where customers have moved as well as becoming more price and quality aware. (See appendix 1)

“I used to shop at Tesco because of the prices and that it was convenient, but since the scandal I started to shop at Marks & Spencer because of the quality of the products.”

The semi-structured interviews also revealed that consumers are shopping mainly 1 time per week, however, between 2, 3 and 4 times are also ranked highly based on how often customers shop. The interview with Cathy Barnes stated that consumers rather shop largely 1-2 times a month with regular top-ups at convenience stores. (See appendix 2) This shows that the shopping pattern is constantly changing. People might answer what they “think they do”, rather than what they actually do, as one might see in the statement below:

“3 times a week maybe, just whenever I need something”

Another reason for this is the increasing online shopping pattern, which Cathy Barnes predicts will rise in the future to around 18-20%, and is creating a requirement in the marked. (See appendix 2) The Online market is predicted to grow to 8.3% by 2019 (See table 5)

Convenience is rated as one of the most important factors when a consumer is deciding where to shop, and as Cathy Barnes stated; the Big Four have over the last five years stopped listening to the customers, and that now no one truly understands what the consumers means by convenience due to that every individual sees convenience differently. (See appendix 2) As Nick Carroll states in the Mintel report, Convenience Stores, “60% of convenience users see the stores as a good alternative to larger supermarkets. After the dramatic change in the market, almost 32% of consumers switched some grocery shopping from supermarkets to convenience stores.” (Carroll, N B, 2015)

Leatherhead Food Research’s 2014 reveal that over 80% of consumers in the UK claimed to follow a healthier diet. (Leatherhead food research, 2014) This shows that
the consumers are becoming much more conscious of their health. (Ibid, 2014) This gives KIWI a golden opportunity as they tackle this trend by retaliating with several actions and strategies. Keyhole products and the VAT cut in 2007 on all fruits and vegetables are some of the initiatives enforced to tackling this situation, it also makes healthier alternatives more affordable. (Ibid, 2014)

“Why are consumer needs changing: rising inflation, making the focus on shopping change towards price and simplicity.

How is it changing: Shopping patterns are changing from large weekly shopping to smaller top-ups at stores that offer convenience”

Cathy Barnes states that she believes that for a new entrant to enter the market they would have to offer the market something new and innovative, something that is not currently being offered and that meets consumer’s needs of convenience. (See appendix 2)
Chapter 7: Market trends

The aim of this chapter is to present KIWI with how certain trends are appearing in the market and affecting the grocery store sector. The chapter also presents future predicted trends that will appear in the sector. This chapter is of value when determining if the market is suitable for KIWI to enter.
7.0 Aim of Chapter:

The aim of this chapter is to answer the following research questions:

**Objective 1:** Identify decision-making criteria for supermarket choice within the UK market.

1.1 Why do customers choose the store/s they do to shop at?
1.2 How do supermarkets adapt to the changing shopping pattern?

**Objective 2:** Identify consumer thought-processes within the grocery store.

2.2 Identify typical shopping trends in the UK.

2.4 Are consumer needs being met by the UK grocery market?

**Objective 4:** Assess the compatibility of KIWI concept with the UK market and identify potential positioning alternatives that are compatible with the UK market

4.1 What factors do KIWI need to take into account if they were potentially entering the UK market?

4.2 How do future trends in the UK grocery market look like?

4.3 How could possible future trends in the UK grocery market affect KIWI’s entry mode.

**Objective 5:** Identify whether KIWI has the possibility of expanding into the UK market.

5.4 Would KIWI have to change their operating methods to enter the UK market?
7.1 Current market

In the report the researchers have divided the UK grocery store market into three segments: Convenience, Supermarkets and online shopping. This has been done to evaluate the most essential aspects of the grocery store market that are relevant to KIWI, based on their operating formats in Norway.

7.1.1 Convenience stores

In 2014, the convenience sector had an increase in growth by 2.6%. The change in consumer pattern is the fundamental drive, which caused the increase of convenience stores in the UK grocery market. The increase in sales represented that the market is slowing down due to decline in price inflation. Furthermore, it is stated that the convenience market would have a steady growth in the market. (Carroll, N B. 2015)

According to the 2015 Mintel report, convenience shopping is growing exponentially because consumers are using top-up shops as an addition to their main shopping trip. This changing pattern has also affected the out-of-town supermarket because consumers are currently shopping less at supermarkets then they used to. This has left masses of square footage not being used due to the change in consumer behaviour.

Cathy Barnes further confirms that Tesco is liquidating large out-of-town supermarkets due to them not meeting consumer requirements. They are being transformed into a new trend called “dark stores” which from the outside look like stores, but in reality operate as distribution centres. (See appendix 2)

Convenience stores are expanding more into highly populated urban areas, as it gives the opportunity to be closer to consumers home. The younger generation, under the age of 34, of the consumers are becoming increasingly more important for the convenience market. As large amounts of this segment are living in urbanised areas. (Carroll, N A, 2015)
Advantages of convenience stores:

- Good alternative to larger supermarkets
- Cuts down on food waste
- Top-up shopping
- Location
- Steady growth in the convenience market
- Winning market shares from supermarkets

Disadvantages of convenience stores:

- Limited range
- Most used for top-up shopping
- Higher prices
- Cannibalising sales from own supermarkets

<table>
<thead>
<tr>
<th>Convenience retailers</th>
<th>2013 Market share %</th>
<th>2014 Market share %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Convenience retailers</td>
<td></td>
</tr>
<tr>
<td>Tesco Express</td>
<td>15,15</td>
<td>15,50</td>
</tr>
<tr>
<td>M&amp;S Food</td>
<td>14,9</td>
<td>15,0</td>
</tr>
<tr>
<td>Co-op convenience</td>
<td>11,5</td>
<td>11,6</td>
</tr>
<tr>
<td>Spar</td>
<td>7,0</td>
<td>7,1</td>
</tr>
<tr>
<td>Premier</td>
<td>5,8</td>
<td>6,2</td>
</tr>
<tr>
<td>Sainsbury’s Local</td>
<td>5,4</td>
<td>6,2</td>
</tr>
<tr>
<td>Costcutter</td>
<td>5,7</td>
<td>6,1</td>
</tr>
<tr>
<td>Musgrave</td>
<td>6,2</td>
<td>6,1</td>
</tr>
<tr>
<td>Nisa</td>
<td>3,8</td>
<td>3,9</td>
</tr>
<tr>
<td>Lifestyle Express</td>
<td>3,6</td>
<td>3,6</td>
</tr>
<tr>
<td>All others</td>
<td>18,3</td>
<td>16,5</td>
</tr>
</tbody>
</table>

Table 16: Leading convenience market share 2013/2014

Source: (Carroll, N B. 2015)
7.1.2 Supermarket

In 2014 the supermarket segment experienced a negative growth of -0.1% in sales value because of different trends that changed the market. (Mercer, J 2014) The current convenience stores are also reaping sales from their out-of-town supermarkets by cannibalising their own supermarkets. Online sales are also attracting part of the market.

In previous years the UK grocery sector has been rapidly changing due to discounters. This has resulted in a price competition between discounters and the existing supermarkets, disturbing the strong positioned brands in the UK. The price competition has taken the price conscious consumers away from the Big Four stores, forcing them to adapt to customers needs. (Retailthinktank 2014)

The Big Four grocers have in previous years lost market share in the sector and it was predicted that they would stand for 64% of market in 2014, a decline from the previous year. (Mercer, J 2014) Market leader Tesco is such an example, having experienced a decline in their market share the previous year; they now hold a 27.5% market share. (Ibid, 2014)

Tesco recently posted the worst result in the supermarkets history with an enormous loss of £6.3bn. The loss that Tesco has experienced shows the decrease that supermarkets are facing and just how competitive the market is. The result shows that Tesco is adjusting to the market and is trying to reposition themselves by placing the customers in the centre for every choice made. (Hegarty, R 2015)

Morrisons is one of the supermarkets that has experienced immense pressure from the change, it is expected that the market share of the company will reduce to under 10% in coming years. (Mercer, J 2014)
Advantages of supermarkets:

- Wide product range
- Cheaper than convenience stores.
- Click & Collect
- Easy accessibility (for example parking)

Disadvantages of supermarkets:

- Out-of-town location/ less convenient
- Cannibalised by own convenience stores.
- Larger stores, take longer time to locate items

7.1.2.1 Discounters

The main discounters, ALDI and LIDL are expected to grow in following years and currently have a combined market share of 11%. (Retailthinktank, 2014) The rising of discounters not only introduces new shopping methods, but they are changing the way UK customers are shopping. They operate with stores designed to capture attention from middle-class shoppers. (Denton, J 2015)

They stock a limited number of goods (approximately 1.550-1.650 items) in various stores around the UK, allowing discounters to retain low prices compared to the Big Four who stock a range of 30.000 - 40.000 items. (Butler, S A. 2014) Ronny Gottschlich, (2014) states the following:

“One thing people have realised is that with too much choice, someone is charging you for that”

Gottschlich further states that the growth of discounters is a result of everyday purchasing, such as fruit and vegetables. It is also a result of people increasing their weekly shops at discounters, rather than just doing top-up-shop. The discounter market share is experiencing a boost due to household budgeting and shoppers looking to save money where they can.

Figures show that 54% of UK customers claim to use either ALDI or LIDL on a monthly base. IGD predict that discounters will double their market value over the next five years. (Wood, L 2014)
7.1.3 Online

In 2014 the online grocery market grew by 14.9%, reaching £7.5 billion. (Monk, H 2015) However the online shopping segment is starting to mature, as the growth has marginally decreased in recent years. (Ibid, 2015)

The online segment is predicted further to gain more shares in the grocery market, but will still be a small part of total sales. According to Cathy Barnes she predicts that future online shopping will represent 18-20% of the market. (See appendix 2) Further research shows that it represented 4.4% in 2014 and is predicted to grow to 8.3% by 2019. (See table 5) Online stores are significant to the change in the grocery market, because a lot of consumers are doing their large shops there. This disturbs the supermarkets, as stores are not being relied on as much. (See appendix 2)

As the shopping pattern are changing toward convenience, many firms are liquidating their larger out-of-town stores, using them as “dark stores” an distribution centre for their home deliveries. Cathy Barnes believes that “dark stores” will become a common service in the home delivery sector in the UK.

Supermarkets interests involve retaining customers at their physical stores where they can more easily encourage and promote impulse shopping. Customers that shop online tend to know what they want; this method allows them to monitor their purchase and more simply stick to their budget. (Monk, H 2015)

However more stores are offering online shopping to meet customers’ needs in the changing market. Online shopping is distributing to their customers by home deliveries or Click & Collect.

Based on that the most important factors for customers are convenience and choice, a challenge for companies through online shopping is meeting costumer needs creating more interest and making it a convenient option. This method creates opportunities for competitors to differentiate themselves through unique business strategies toward online shopping for delivery, order values and delivery time. (Ibid, 2015) Examples for strategies to attract new customers could be:
• Free delivery

• Same-day deliver

The Click & Collect concepts consist of a small share of the online shopping today. However, they are expected to grow since many competitors in the market are investing and adding new ideas to improve the service meeting customers’ lifestyle and movements. Improvements and innovations mentioned through research are opening more collecting points, drive-thru services or supermarket lockers in standalone locations. (Ibid, 2015)

Advantages of online shopping:
• Effort savings
• Time saving
• Money savings
• More stores available due to home delivery
• Shop whenever/wherever

Disadvantages of online shopping:
• Delivery time
• Need to spend a minimum amount
• Not able to choose products in person
• Delivery charges

Leading online retailers: market shares 2013-2014

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tesco</td>
<td>40.2%</td>
<td>39.1%</td>
</tr>
<tr>
<td>Sainsbury’s</td>
<td>18.0%</td>
<td>17.5%</td>
</tr>
<tr>
<td>ASDA</td>
<td>13.2%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Waitrose</td>
<td>4.2%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Ocado</td>
<td>12.9%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Morrisons</td>
<td>8.9%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Other</td>
<td>11.5%</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

Table 17: Leading online retailer 2013/2014

Source: Monk, H 2015
7.2 Future trends

The UK grocery market is excelling and the Big Four are striving to identify the next big thing that could revolutionize the industry. Some predictions that could change the UK grocery market are stated below: (See appendix 2)

- According to Cathy Barnes, online shopping has the potential of becoming a major shopping method in the UK. (See appendix 2) Online sales will account for 18-20% of the UK grocery store market in the future, but won’t remove the need of supermarkets.
- Cathy Barnes states that “dark stores” will become a common service in the home delivery sector in the UK. A dark store is defined as a distribution centre where they distribute home deliveries to consumers. Tesco is liquidating hypermarkets to operate such stores. (See appendix 2)
- One of the concepts that can enter the market is drive-through shopping. This is a method that enables customers to collect their pre-ordered shopping at convenient locations for them.
- A price comparison website might arise in the future, the company may compare prices at the different grocers and guarantee the cheapest weekly shop by combining the different products from retailers. (Bubb. N Et al, 2014)
- By building outlets inside the store to make the shopping experience more of a pleasuring day trip increasing store revenue is a possible future trend. Tesco has already now acquired shares in the restaurant Giraffe, the coffee Harris & Hoole and the Euphorium Bakery. Ruddick, G. A, 2015)
- Tesco announced that land acquired and earmarked for supermarkets is going to be developed and built into 4000 new homes instead. Future possibilities for supermarkets could be to build supermarkets at the location of these homes, offering convenience and location for these consumers. Meeting the needs of consumers and reaping the benefits of being the first competitor there could result in positive outcomes. (Out-law, 2014)
Part 3 – Overall findings

Chapters:

8) Synthesis of overall findings
9) Strategic evaluation
10) Conclusion
11) Recommendation
Chapter 8: Syntheses of overall findings

This chapter is created to evaluate KIWI’s external and internal advantages and disadvantages. A SWOT analysis has been created based on information collected through primary and secondary research.
8.1 SWOT Analysis

This SWOT Analysis was conducted to summarise the most important factors that form the KIWI environment. It includes both their internal strengths and weaknesses and external opportunities and threats that KIWI might meet in the market.

**Strengths**
- Strong market position in domestic market
- Revenue growth
- Great reputation
- Differentiated campaigns
- Financial strength
- Core values
- Effective communication lines
- Awarded as best Norwegian newcomer
- Variety of products line
- Part of NorgesGruppen
- Own wholesaler (90% of their goods come from their own wholesaler)
- Good strategy
- Good routine regarding their PR activities
- Solid CSR
  - Co-operate with UNICEF; building schools in Africa
  - Co-operate with the Red Cross
  - Co-operate with Salvation Army
- Good KIWI culture
- Internal development: specialised training centre for employees
- Operate on different social media platforms
- International experience from Danish expansion
- Cevita quality label
- NG-Flyt top-up system
- TRUMF loyalty card

**Weaknesses:**
- Little international experience
- Weak brand awareness in the UK market
- Lack of own social media platforms such as: Twitter, Instagram etc.
- Varied in-store provided service
- Home page is only delivered in Norwegian

**Opportunities:**
- Innovative possibilities
- Online store
- Self check-out possibilities
- UK represents the 5th largest economy worldwide
- 22nd largest population in the world approximately 63.36 million people
- EU legislations
- Political stability
- Legal minimum standard
- UK grocery market is in a decline

**Threats:**
- Unstable grocery store sector
- Unstable economy
- Loyal to British brands
- Increasing price competition
- Substitutes
- High inflation
- Other competitors operating with the same communication channels

![Source: Griffin, R.W et.al 2012]
8.1.1 Summary of SWOT analysis

By summarising the overall findings from the SWOT analysis, there are certain points that are important to highlight. Starting with the internal factors; strengths and weaknesses, the researchers will summarise what the key findings are, before moving on to the external factors presented through threats and opportunities.

**Strengths:** KIWI operates with a set of core values that differentiate them from competitors in the market. By differentiating themselves using campaigns, colours, logo, and operating with strong brand awareness has resulted in high financial revenues and market growth. KIWI also operates as a subsidiary of “NorgesGruppen”, which allows them the stability of a parent company. KIWI gives their customers reasons for remaining loyal by operating with a loyalty card, campaigns as well as giving back to the community. KIWI operates using good CSR tactics that promote their operational strategies giving their customers a good brand image. The researchers see these conclusions as KIWI’s main implemented competitive advantage.

**Weaknesses:** KIWI is seen primarily as a Norwegian operating grocery store since they have been situated here the longest, though they also operate in Denmark. The main weaknesses found by the researchers about KIWI are that they have little international experience and little knowledge about the UK market. They also operate their webpage in Norwegian and do not offer an English alternative for non-Norwegian speakers. The researchers see these conclusions as KIWI’s main disadvantages.

**Opportunities:** The UK market is politically stable, operated by EU legislations and is the 5th largest economy worldwide. (Marketline, 2013) By looking at the UK market that currently is experiencing a decline, KIWI has several opportunities they could benefit from introducing. There is the possibility of introducing online stores, self-checkouts and other innovative creations.

**Threats:** The UK grocery store sector is currently unstable with new infrastructure being introduced, and store chains not knowing how to respond to consumer

2015-Consultancy report 77
convenience. The British economy is also unstable and there is increasing price competition rising. As a result of high inflation, there are several substitutes in the market that are affecting operational methods. Consumers tend to be loyal to British brands and are sceptical to what they do not know. Other threats are that competitors operate through the same communication channels and are doing little to differentiate themselves. Based on the number of people situated in the UK, the market is alluring and lucrative to want to expand into. (Marketline, 2013)

8.2 Pattern matching:

Saunders pattern matching analysis method has been used to evaluate certain predictions that the researchers made before starting the project, with expert opinions and findings found from conducting the report.

When the researchers started this project their hypotheses was as follows:

1. The authors believed that there was not a big gap in the market for entry
2. The authors believed that the online sector would grow as a future trend.
3. The authors believed that price was an important decision making factor in the market.
4. The authors believed that the large town stores were often used.
5. The authors believed that out of town shops were used for large shopping once a week.
6. The authors believed that Tesco the market share leader was doing poorly due to the scandal in the media of underpaying taxes.
7. The authors believed that the convenience stores were being used for supplement shopping.
8. The authors believed that KIWI would not be able to enter the market.
9. The authors believed that the Big Four were doing well in the market.
10. The authors believed that convenience stores were not growing in market share.

Based on these hypotheses the researchers have gained and formed answers through expert opinions and secondary research collected:
1. Based on findings from the report the researchers see that this assumption is correct. Entry to the UK is limited based on what the consumer’s want and possibilities for success.

2. It has been confirmed that the current online shopping market currently (2014) holds 4.1% of the market and is expected to grow to 8.3% by 2019. (See table 5) Cathy Barnes predicts that it will represent 18-20% of the market in the future. (See appendix 2)

3. It was been proven through semi-structured interviews and confirmed through an interview with Cathy Barnes that convenience and choice are the most important factors when customers shop. If they shop due to convenience they shop based on location and do not focus primarily on price. However, if they shop due to choice they might choose out-of-town shops. (See appendix 2 & 5)

4. Cathy Barnes confirms this hypotheses with that it is more regular for consumers to use conveniently placed stores for top-up shopping. She mentions that Waitrose is making a killing in the market. (See appendix 2) This was later confirmed by secondary research that Waitrose was voted the best supermarket in the UK in 2015. ALDI, Iceland and LIDL surpassed all of the Big Four on customer satisfaction done on a survey of 7000 shoppers. (Straus, R.R, 2015)

5. Cathy Barnes confirms this with that customers are doing large shopping in out of town stores 1-2 a month and do top ups whenever they need to at conveniently placed stores. (See appendix 2) It is also confirmed from the semi-structured interviews that shoppers are shopping largely once a week and supply with top-up shopping a couple times a week or whenever needed. (See appendix 5)

6. Tesco still hold 27,5% market share and hold the largest market share in the sector. However, Cathy Barnes states that Tesco are slowly converting large stores that are not being used into dark stores. Dark stores tasks are to look like closed stores but in reality operate as warehouses. Previously acquired land for building new stores is now also being converted to building homes. It can we stated that this hypothesis is not true because they hold such a large
market share, however they are also noticing decreases and are changing to best facilitate them. (See appendix 2)

7. Based on findings from the report the researchers have found that convenience stores are continuously growing for top-up shopping. Cathy Barnes states that customers will rather supplement with items from convenience stores when they need to, than visit large out-of-town stores often. They normally visit out-of-town stores 1-2 a month. (See appendix 2) This is further confirmed from the semi-structured interviews though with slightly different numbers. Customers’ state that they are shopping largely ever week and supplementing with top-up shopping a couple times a week or whenever they need to. (See appendix 5) (Carroll.N B, 2015)

8. Based on findings from the report the researchers believe that the UK market is too big and too much of a risk for them to take. Cathy Barnes states that there is a reason why large shopping store chains have not entered the market. She also states that customers do not know what they want and therefore already established chains are striving to survive and meet customer needs. She also mentions that there are too many competitors in the market doing the same thing and to enter you need to be creative and innovative. The researchers do not feel that KIWI can offer anything different to the market. (See appendix 2)

9. From the previously mentioned statistics of market share, it is seen that the Big Four still hold a large share of the market, however it is also viewed that they have had significant decrease in market share over the last couple of years. (See figure 7) Further support can be given by looking at market share increase of supermarkets like LIDL and ALDI who are threatening the market. (Butler, S.A 2014)

10. This was a wrong assumption made by the authors. Convenience shopping has been viewed as a growing trend in the UK market and is expected to grow to 24.1% by 2019. (See table 5) This is further supported by semi-structured interviews conducted by the authors of this report as well. (See appendix 5) Convenience shops are growing quickly and should not be overlooked when evaluating entrance into the UK market. (Carroll, N.B 2015)
Based on the finding from conducting this project and writing this report, all the authors’ hypotheses have been met, confirmed or rejected. Before presenting a recommendation for KIWI, the authors have chosen to summarise the findings in the current UK market supporting a recommendation.

**Overall conclusion of the UK market**

After thorough evaluation of the UK market (in the previous chapters,) the researchers believed that it was important to summarize key changes that would influence the reports overall conclusion and recommendation. These main changes regard the change in the market, increased competition and increased significance of the convenience market in the UK and the growth that it is experiencing.

A twelve-week study to 5 January 2014 compared to the same study the previous year to 4 January 2015, show that all major players in the market experienced decline apart from three chains; these were ALDI, LIDL and Waitrose. (Denton, J 2015)

- **ALDI experienced a 22.6% growth** (Denton, J 2015)
- **LIDL experienced a 15.1% growth** (Denton, J 2015)
- **Waitrose experienced a 6.6% growth** (Denton, J 2015)

These percentages are further confirmed by Cathy Barnes, “ALDI and LIDL are revolutionizing the infrastructure of the UK” as well as that “Waitrose is making a killing in the market” (See appendix 2), indicate that discounters are experiencing large growth in the British market and are becoming significantly important. Stated by Ruddick in the Telegraph 2014, British retailers are trying to adapt to the change in consumer shopping patterns but German retailers ALDI and LIDL are challenging this. (Ruddick, G. D 2014)

Mike Watkins, Nielsen’s UK head of retailer and business insight says (2014):

> “British retailers are trying to restructure themselves, but this is an agenda being driven by the discounters.”
These percentages support evidence from experts in the market that the Big Four are under attack and that the UK market is under their own version of the banking crisis reported by the Telegraph in 2014. (Ibid, 2014)

It also supports evidence that it is predicted that discounters market share will grow from 6.2% in 2014 to predicted 10.5% market share by 2019. (See table 5)

The Big Four are losing sales and it is not difficult to see why. ALDI and LIDL entered the market in the early 1990s and have developed their own model to attract British shoppers. They offer British-sourced fresh food at consistent prices. (Ibid, 2014)

This can be confirmed by Cathy Barnes: (See appendix 2)

“British existing retailers stopped listening to what their customers want five years ago and now do not know what to offer them”.

Joint managing director of ALDI, Mathew Barnes adds: (Ruddick, G. D 2014)

“Customers have come to see ALDI as a business they can trust, potentially in a market where there is very much a lack of trust”.

Customers are currently changing their shopping patterns from “big and occasional” to “little and often” which is saving them money and reducing food waste says Mike Watkins. This reduces the need to go out-of-town shops and increases key lifestyle factors such as online shopping. This in turn is changing the market structure. (Ruddick, G. D 2014)

This change doesn’t only affect ALDI and LIDL, it also affects online and convenience shopping. Online is expected to grow from 2014 4.4% to 2019 8.3%. Convenience is expected to grow from 21.4% to 24.1%. These are the areas where there are most possibilities in the market. (See table 5, IGD A, 2014)

Bryan Robers, Retail insights director at Kantar Retail says: (Ruddick, G. D 2014)

"Never before has there been such a plethora of choice, and never before have shoppers been so willing to exercise that choice."
Industry forecasts predict that the environment for supermarkets will become increasingly more difficult. IGD, the industry research body states that sales from convenience, discounter and the Internet will in five years be larger than traditional supermarkets and hypermarkets. (Ruddick, G. D 2014)

Chairman of George Bailey, Richard Hyman states: (Ruddick, G. D 2014)

“The Big Four have been guilty of “spectacular arrogance” by “thinking their customers wouldn’t be seen dead in an ALDI or LIDL.”

Managing director of Conlumino, Neil Saunders adds: (Ruddick, G. D 2014)

“The other point is that the playing field has now been levelled. Previously, to acquire a high stature, retailers needed to invest in property – that’s expensive and represents a high barrier to entry. The same is true today, but only to an extent. Online has made it easier for all player to acquire and reach more customers.”

He also mentions that the Big Four decline is not about disliking big business but rather states: (Ruddick, G. D 2014)

"While people may say they dislike big firms, most shoppers rarely act on their beliefs and end up shopping at stores that best suit the needs. As such, Tesco's decline came about because it stopped delivering what consumers wanted. ALDI and LIDL have done well because they are more in-tune with what consumers want."

This states that the environment is experiencing a challenge. This challenge is currently creating an unstable environment for existing chains in the British grocery store market in the mid section over the next few years. This creates a large uncertainty for any potential new entrants. However if a company still wish entry to the market, the most beneficial ways are through the convenience and online market that are predicted to grow.
Chapter 9: Strategic evaluation

The aim of this chapter is to evaluate KIWIs export motives and level of internationalization. By evaluating these factors a more concise conclusion and recommendation can be created not only based on the external environment but also based on their internal capabilities. This part of the report will also support the researchers recommended mode of entry.
9.1 **Aim of Chapter:**

**Objective 5:** Identify whether KIWI has the possibility of expanding into the UK market.

5.1 If KIWI were to enter the market, how should KIWI adapt to best do so?

5.2 Would KIWI have to gain support and cooperation from another player?

5.3 What will be the most economical way to enter the market for KIWI?

5.4 Would KIWI have to change their operating methods to enter the UK market?

5.5 What characterizes KIWI’s main target group?

5.6 How has KIWI previously entered the Danish market? Could their tactics possibly be replicated when entering the UK market?
9.2 Strategic evaluation

9.2.1 Bakka framework

The model is used to explain the company’s expansion possibilities by looking at seven distinct areas. The purpose is to present factors that are predicted to affect the selected company’s decisions in the internationalization process.

Export motives

KIWI’s vision is to provide goods and services that are “fast, safe and cheap”. KIWI expanded into the Danish market in 2008 through a joint venture with the chain Alta and now own 40% of the chain. KIWI’s main goal is to become a supermarket chain operating across the whole of Scandinavia. (See appendix: 3)

Market Choice

KIWI operates primarily in the Norwegian market but decided to enter the Danish market due to similar shopping patterns. They do not operate in Sweden because of different shopping patterns and are dominated heavily by express stores. The main difference from Norwegian and Danish shopping patterns to Swedish ones are how often customers shop. In Norway it is more usual to shop several times a week while in Sweden they still primarily shop once a week. (See appendix: 3)

Market share

KIWI had a solid growth in 2014 and increased their market share. Their market share is now at 17,7%, with an increase of 0,8% since 2013. (KIWI B, 2015)

Organisation

KIWI operates in the Norwegian and Danish markets. In Norway they operate as a subsidiary under “NorgesGruppen” with ASKO operating as their own distributer and BAMA as a supplier of fruits and vegetables. (NorgesGruppen 2015)

In Denmark they operate in cooperation with the Danish supermarket brand Alta. Alta operates with a Danish wholesaler called Supergros, their aim is to introduce a Danish KIWI operated by Danish management and on Danish terms. (See appendix: 1)
**Entry strategy**

KIWI’s sole expansion was into the Danish market. The entry mode used was through a joint venture agreement with the store chain Alta. The strategy is a long-term agreement where they have bought up 40% of the existing store chain. (See appendix 3)

**Marketing mix**

KIWI’s product range consists of either Norwegian brands or internationally established brands. If KIWI were to potentially enter another market they would have to re-evaluate their product range to suit the new market. (NorgesGruppen, 2015)

**Economic result**

KIWI’s turnover of 28.2 billion NOK from 2014 is from the Norwegian market. They experienced a 2.3 billion NOK increase from the year before. The market shares from 2015 show KIWI having a 17.7% share in the Norwegian market. (NorgesGruppen, 2015)
Table 18: Bakka model

Source: Solberg, C.A 2009

KIWI’s internationalization capability is low when looking at the Bakka Framework. The grocery store sector is highly competitive and there are many operating store chains already existing in the market. Currently they are situated in the trial export stage, this indicates that they lack knowledge regarding the international market.

In the Norwegian market KIWI has a strong market position. They also operate successfully in the Danish market through joint venture with Alta.

KIWI’s long-term goal is to operate in the whole of Scandinavia with possibilities of international expansion.
9.2.2 Solberg’s 9 strategic windows

By looking at Solberg’s 9 strategic windows the researchers have decided to place KIWI between the first (Stay in your domestic market) and the second window (Consolidate position in established market).

Solberg writes that in the “stay in your domestic market” window, a company will experience few or no threats in their marketing or competitive environment. The company also has little experience with regards to internationalization. A company located in this window should focus on their own market rather than internationalization. If management have ambitions of expanding internationally, it is recommended that they proceed with small steps to gain expertise and market shares gradually.
Solberg writes in the “consolidate position in established market” window, that company’s operating here still operate in isolated markets. Management has built a position in certain export markets where they have gathered a bit of international experience. In this kind of situation it is important to further develop their market position in these established markets.

By looking at Solberg’s definitions of the two defined windows, the researchers have placed KIWI between these two. Reasoning for this is that they have established themselves well in their domestic market, and have expanded to Denmark because of similar consumer shopping patterns. However, the researchers feel that they have little to no experience or knowledge regarding other markets, and if they are considering further expansion they should do this tactfully and by using “baby steps”. It is important before rushing ahead and pursuing more markets to rather establish themselves well in the markets they are currently located in.

As stated in the Bakka framework, KIWI is located in the trial export phase and when operating in this type of export phase it is easy to make mistakes based on little experience and knowledge, which could potentially be quite costly. Therefore the researchers conclude that they are between these two windows and should perhaps stay here until they are ready for further internationalization.
9.3 Mode of entry

Based on the information gathered through the report, positioning and evaluation of KIWI's internationalization capacity, the researchers have concluded that there are primarily two suitable entry modes for KIWI to evaluate entering through. These modes of entry are vastly different and have advantages and disadvantages.

9.3.1 Joint Venture/ Strategic Alliances

When entering a new market KIWI could potentially establish a joint venture with an existing business in the market. Joint venture is when two or more companies enter into an arrangement by cooperation and combining their resources for the new business venture. Joint venture could be a strategic advantage for KIWI to enter the market with. By combining companies’ resources in a joint venture it will divide responsibility between them, spreading the risk. (Extrafull. n.d)

There are other opportunities to evaluate rather than joint venture; KIWI could use a strategic alliance. A strategic alliance is when two companies or more cooperate to accomplish a common beneficial goal. The companies could share resources, information and risk between them in a strategic alliance. This strategy is also seen as cost effective when compared to acquisition. (Czaja. J n.d)

9.3.1.1 Mode of entry suggestions:

The first mode of entry possibility that the authors suggest is an alliance with Nisa convenience store (See appendix 4). The reason being that convenience is a growing trend in the UK market and Nisa currently operate successfully. KIWI has previously entered the foreign market in Denmark using this entry mode and is familiar with this technique. The authors see positive advantages with an alliance for both parties. An alliance with Nisa would allow KIWI to enter the market sharing economic responsibility; they would also gain knowledge of the UK market situation, shopping patterns, wholesalers, customer preferences and network. An alliance with KIWI would allow Nisa economic power to perhaps launch them into becoming larger than they currently are.
The second entry mode that the authors suggests, is an alliance with Waitrose (See company profiles). Waitrose currently operate with supermarkets and their own convenience stores called Little Waitrose. By entering an alliance with Waitrose, KIWI could enter as a store chain that operates under them. KIWI focuses on offering good quality at low prices. They could target the consumer segment wanting to purchase regularly at Waitrose but choose not to because they are focused on price. Waitrose would still gain profits from this arrangement as well as expanding their audience. This cooperation would also not tarnish their good name. The reason why Waitrose could benefit from this cooperation is that they could target the Big Four based on quality and discount. An example of a similar partnership is the cooperation between Netto and Sainsbury’s in the UK. (BBC A, 2014) KIWI would benefit from this arrangement as well because they would gain assistance from a large competitor in the market who have financial security as well as ties to everything they may need to know. (BBC A, 2014)

9.3.2 Acquisitions
A strategic investment for firms wanting to expand their operation could be through acquisitions. This strategy involves buying a company in the host country/market that a firm wants to enter. This gives the purchasing company another companies’ resources such as, employees, technology, factories, brand names and network of distribution. This provides the foreign company with a rapid solution to expanding their business.

9.3.2.1 Mode of entry suggestions:
Spar has close ties to “NorgesGruppen” and their subsidiary KIWI in Norway. If KIWI wanted to enter the market, possible acquisition of selected stores from Spar UK could be an entrance possibility. Spar has over 2400 stores in the UK (Spar, n.d) and cooperation with KIWI could help them gain a larger position in the grocery retail market. Through their current cooperation in Norway, the authors recommend KIWI to explore further possibilities with Spar regarding UK collaboration. (Spar, n.d)
### 9.3.3 Advantages and disadvantages of entry modes

The researchers have classified two strategies of entering a market as most relevant to KIWI. The two strategies are joint venture/strategic alliance and acquisitions further described below.

<table>
<thead>
<tr>
<th>Entry mode</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| **Joint venture/ strategic alliance** | • Benefits from local partner  
• Shared risk and knowledge  
• Stable start | • Quality control  
• Changing circumstances  
• Conflicts over earnings |
| **Acquisitions**            | • Lower cost and risk  
• Easy to finance  
• Instant penetration | • Hard to identify candidates  
• Hard for some firms  
• Negotiating financial terms |

**Table 19**: Entry modes  
**Source**: Solberg, C.A 2009
Chapter 10: Conclusion

This chapter will present an answer to KIWI´s request as well as present answers to the research objectives set out to answer the overall report.
10.1 Conclusion

On request from KIWI the researchers of this report were asked to examine the British grocery store market situation and current trends, as well as identify if there were any barriers that prohibited entry. On late request from KIWI, the researchers have also evaluated possible entry modes for KIWI into the UK market.

By examining the external environment, it can be concluded that the market in the UK is currently unstable. Foreign competitors ALDI and LIDL have changed the British operating infrastructure. Findings indicate that the players in the market do not know how to compete with this infrastructure that operate in medium sized store formats, with a limited product variety and at a low prices. Findings show that customers most often shop based on two factors, convenience and choice. This shopping trend is confusing for existing established rivals because convenience and choice is individual for each customer. Varied trends cause chaos in the market because store chains do not know how to adapt to meet customers needs.

Further research regarding competition shows that many stores operate similarly and lack differentiation; this creates a highly competitive market because there are too many players doing the same thing. Research shows that innovation is the key to changing the market.

Research through expert and semi-structured interviews show that consumer-shopping patterns have changed. Consumers now shop largely a few times a month, and supply with items through convenience at local stores. Out of town stores are being used less frequently, creating a growing trend of dark stores operating as warehouses. Online shopping, Click & Collect as well as home delivery are a few other trends that are growing in the market.

Examinations of the internal environment showed that KIWI has a solid financial position in the Norwegian market, but from the Bakka framework has little internationalization capability and export possibilities. Solberg’s 9 strategic windows framework was later conducted to position KIWI and evaluate their possible entry
strategies for entering the UK market. The modes of entry the researchers found most relevant were entering through acquisition or continuing alliances such as joint ventures (the entry mode they used to enter the Danish market).

The researchers have also looked at relationship and influence strategies that can help KIWI establish and create ties to customers and partners. KIWI’s brand equity in the market is considered strong in Norway. The researchers believe that if KIWI were to enter the UK market they would have to adapt to the consumer shopping patterns, while offering purchasing methods that they recognize in an innovative way that can set them apart from their competitors.
Chapter 11: Recommendation

This chapter is created to provide a recommendation based on the overall findings of the report. It will function as a final statement to answer the research question:

“Consider the current market trends and situation in the foreign market, and evaluate if there is a potential market for KIWI to expand into.”
11.1 Recommendation

Evaluating the findings from the report, has given the researchers knowledge of the UK grocery store market.

Based on these findings, the researchers have developed a recommendation for KIWI about the UK market regarding entry and possible entry modes based on trends, consumer shopping patterns and the market situation in general.

The main research question to fulfil this request is stated as follows:

“Consider the current market trends and situation in the foreign market and evaluate if there is a potential market for KIWI to expand into.”

Based on the internal analysis of KIWI, it can be concluded that they are a strong company in their domestic market with few internal weaknesses. This results in strong financial success.

The researcher’s recommendation to KIWI is that they should reassess entering the UK market, based on the findings stated in the conclusion and throughout the report, the researchers do not believe that it is optimal for KIWI to enter the market at this time due to the competitive situation. By comparing KIWI to the already existing competitors in the market, the findings show that KIWI does not differentiate themselves enough to enter the currently struggling market. The researchers believe that KIWI would experience the same problems that current chains are experiencing with regards to meeting the customers needs and how to position themselves in order to fulfil this requirement. Their operating tactics are not the question with regards to entering, but rather the struggling UK market.

The researchers suggest that KIWI should focus on strengthening themselves in their successful domestic market, Denmark and neighbouring countries based on their long-term goal of operating in the whole of Scandinavia. The customers in the UK market do not know what they want and established store chains are struggling to meet their needs. Therefore entering at this time is an unnecessary risk to take.
The UK market has been identified through the PESTLE analysis as a mature and lucrative market to enter. However based on what the experts say, it is a recently changed and uncertain market to enter at this time due to ALDI & LIDL changing the infrastructure of the grocery market sector. Furthermore it can be stated that the consumers shopping patterns have changed and have moved from the weekly shopping pattern to large purchases a couple times a month with top-ups when needed. This indicates that the market is in a transition phase, and full of uncertainty. Expansion into the Danish market was their first step towards internationalization, which gives KIWI the knowledge of how to enter neighbouring countries through joint venture based on similar shopping patterns.

If KIWI should wish to enter the market against the researchers recommendation, there are primarily two different strategies identified that the researchers believe could be best suited; acquisitions and alliances such as joint ventures.

The researchers see that there is a limited gap to enter the market through. The convenience store sector, is the most potential area in the market. This is due to continuous growth and findings that this sector is predicted to keep on growing by experts. In 2019 it is estimated that the convenience store sector will grow to 24.1%. (See table 5)

“Shoppers now expect grocery retailing to organise itself around their lives rather than building their routines around store opening hours. They expect to buy whatever they want, anytime, anyplace in the most convenient way to them.”

The researchers recommend entering through an alliance with Nisa. Nisa is a successful chain in this market operating currently with a 3,9% market share from 2014 in the convenience store market in the UK with a £1.43 billion turnover. (See appendix 4) Nisa offer convenience and easy accessibility to their customers. The researchers feel that if KIWI could gain an alliance with them they would be in the right sector in the UK market and with the right chain. (Carroll, N B, 2015)
“Convenience stores have upped their game by going beyond providing the staples, such as bread, milk or eggs, and now offer a better quality and range of fresh fruit, vegetables and meat. This includes providing in-store butchers and bakeries. Convenience operators are also more effectively tailoring their products and services to meet the needs of local people. Shoppers use convenience stores more than any other type grocery format, on average 11 times a month.”

The report is primarily focused on market trends, the competitive situation and a market analysis of the UK market. However, due to the late request of evaluating possible entry modes, this analysis is not as in depth as the researchers would have preferred. Assumptions and justifications are therefore made based on information already collected and by evaluating their internationalization capability.
Bibliography
Online images


Email

- Bjørkøy.P.J. Email to Operational Manager, 11th March (2015)

Interview

- Barnes, C (2015) Interview with Cathy Barnes. 22nd April, Leeds (Leeds Beckett University) Rose Bowl.
Books


Newspaper article (online)

• Shooter, A (2013) *The high street copycats: Yes it’s cheap - but the real secret of Aldi’s success is the ruthless way it apes the look of top brands... and often the quality is even better*. Daily Mail [Online] Available from: <http://www.dailymail.co.uk/news/article-2508069/Aldi-successful-copies-brands-improves-quality.html> [Accessed 15.03.15]


Webpage


  Available from: http://www.academia.edu/8993883/UK_PESTLE_Analysis [Accessed: 02.03.15]


• Nisa, (nd) *Nisa Home* [Online] Available from: http://www.nisalocally.co.uk (Accessed 01.05.15)


Appendix 1: Expert-depth interview 1

Skype in-depth interview with: Regional Manager Trond Inge
Date: 22.03.15
Place: Leeds Becket University (over skype)

Q: How does KIWI operate in Norway? Is there anything that categorizes KIWI in a special way?

“Asking this questions, you are of course thinking in relation to our competitors in Norway, in Norway you categorize and divides them into three different categories. You have such us as us in KIWI, a discount chain (KIWI, Rema 1000, Coop Prix), you have supermarkets, such as Coop Mega, ICA, Meny, and finally you have hypermarkets, such as Coop Ops and others. In Norway the discount chains constitutes 62% of the total marked. Compared to REMA 1000, KIWI never runs on periodic deals and offers, the aim is to constant offer fixed and low prices, as REMA 1000 only communicate and market themselves to the market ass cheap, as we in KIWI has some other fundamental values, such as - Cash back Guarantee on expired food & goods. - Quality guarantee on fruit and vegetables, Diaper agreement (every fourth package of diapers you buy is free), subsidies to eliminate the VAT on fruits and vegetables to encourage healthier habits, low priced meat campaigns every weekend. We often say that our competitors has one leg to stand on, in form of only selling cheap products, we in KIWI have several, in form of the mentioned deals and agreements. This is off course one way we in KIWI differentiate ourselves compared to our competitors. This is different deals and concepts that have been developed during the years, with the aim to keep this as an on going trend. We also offer a loyalty card to our customers, something called a Trumf-card, and this gives the customers 1% discount on goods. This is something our competitors do not offer, some do, but most of them do not. “
Q: Do you think the concept only is adaptable for Scandinavian markets? Or do you think it’s a easy adaptable concept that would work in other countries as well?

“The easiest way to answer this is by using an example, Hakan as a Swedish concept, buys all of the Rimi stores in Norway, and are trying to enter the Norwegian market, they fail to adapt to the Norwegian consumer pattern, and are now selling all of the stores, and are now withdrawing from Norway, this is due solely to a different shopping pattern in Norway. In Sweden, you almost only find big express stores, where the pattern is different, the customer shops ones a week, compared to the Norwegian pattern, where customers shops almost everyday, this is something you guys needs to consider when you are evaluating if the British market has a potential for KIWI, is the shopping pattern equal to the Norwegian and Danish pattern. This is of course one of the reasons why KIWI decided to enter the Danish market. So to say that the concepts fits all of the Scandinavian countries, would be to big, but some of them. Something that is even becoming more popular during the years, and maybe special for the big cities, is that is becoming more popular to only have one kid, and smaller families, compared to the big families you will find in some of the Scandinavian countries, that’s one of the reasons why smaller shops are becoming more popular somewhere. So I think the KWI concept fits for some countries, but not everywhere, possible England, where one sees a relatively similar shopping pattern as in Norway. “

Q: How do you think the consumer and shopping pattern will change in the future?

Answer:

“Personally I think there will be some major structural changes in the consumer and shopping pattern in the future (the next 10-15 years). I think there will be a gradual transition, into a new consumer and shopping pattern and this is something we have to adapt to, as we constitute a major part of the market. I think that the trend that already exists in England, where there are some large express stores, and many local stores. I think this pattern will become more and more popular in Norway as well. I also think that shopping online will become more and more popular in Norway, as this is not relevant for your analysis, but it still shows a certain shopping pattern. Eventually, click and collect will become even more popular. One thing is absolutely certain; the
shopping pattern will change drastically in both Norway and other countries, possibly very similar due to globalization and the influence from international factors. “

**Q: What do you think companies in the UK are doing wrong? Is there anything KIWI has learned from operating in Norway?**

“I choose to answer this question, by focusing on what’s important to do in Norway, different things that work and things that don’t work. Than you will have the opportunity to compare this to what stores are doing right or wrong in England. In Norway, price is of course very important, but it is still not the most important thing, at least not in Norway. In Norway, and specially in my region, we have a saying called, “best in the street”, we do observation on our nearest competitors, observe what they are good at, and try to do this, only better, easy things such as, hot coffee when the customer is entering the store, competitions for our regular customers, and overall just trying to make it homely for our customers, these small measures can make a big difference. We are acting, as our customers are more than this, they are our guests. Doing these small steps contribute, to making the shopping more enjoyable, even if it only is a discount chain, I don’t think you would find these kinds of thing here in the UK. One more thing, is making the consumer feel good taken care of, asking, showing that you see the customer in the store, and giving them the attention they deserve. As mentioned earlier, our loyalty card gives us huge amounts of data about the shopping pattern in each and every store in Norway, and we have huge amount of the shopping pattern for each of out customers. This gives us the opportunity to communicate with the customer, and we are always receiving feedback from the customers by sending out questionnaires. This keeps us updated all the time on different things that works and not. We are always mapping our customers, average we have 5000 shoppers per store, each week, with an average spending between 90 kroners-200 kroners, so in my region, the overall average spending per customer is approximately 160 kroners. Some places in Norway we have stores that are very popular during the weekends, and some store works almost as a newsstand shopping trend. “
Q: Can you tell by the shopping pattern in different stores if it is a popular student store or a family store?

“It is actually extremely easy to spot the difference between a family and a student store. The easiest difference is between the different goods they are buying, students mostly are buying alcohol, cigarettes, candy, and SNUS, things with very high gross profit; this results in us making very good money. “

Q: How do you categorize different stores in Norway?

“We categorize the Norwegian market into 4 categories. Hard discount (Lidl, Aldi), soft discount (Kiwi, Rema 1000), supermarkets and the hyper markets (largest supermarkets). There are no longer any hard discount stores in the Norwegian market, so we are in the cheapest category together with Rema 1000. Kiwi has the biggest market share and has a net revenue of approximately NOK30 billion, of the total national revenue with NOK160 Billion”

Q: Is there a specific target Kiwi is aiming at?

“One of the main reasons why we came with the diaper deal is because we wish to seize toddler’s families and diaper families. There are many reasons, the first reason is that families are growing, so if you shop diapers with us, you will also purchase other merchandise. When we seize these in a mature start of the beginning it will affect their children when they start grocery shopping, so branding is important for us. Our goal is consumers who start shopping with us in an early stage and will keep shopping with us when they are getting older. So the main target group are toddler families, but also other customers. We adapt to different target groups also, to capture our share of the market. We have adapted to the changing purchasing pattern, since our focus lies on fruit and vegetables, we can see a big shift, in the past fruit and vegetables stood for only 8 – 9 % of the share, now they are up to 12 %. So we can se that health is a popular trend. There is a huge difference in people’s habits and this may also be seen in different places across the world. That people perceive and ranks us as extremely good with fruit and vegetables is an advantage for us and one of the main reasons for that is our warranty on fruit and vegetables. But we also have something called
Cevita; quality on fruit and vegetables that are categorized as 20% of the best quality of fruit for example oranges, the 20% of the best quality is Cevita and are products that Kiwi acquires. And then competitor’s gets poorer quality. Something that I have perceived is that the quality on fruit and vegetables in England are not as good as ours, and I also believe that we are cheaper on fruit and vegetables then most in England. “

Q: Due to changed purchasing patterns, has this resulted in KIWI changing their concept to adapt to this? Do you think that you will have to change this even more in the future?

“The most exiting and changing period for us, was when LIDL entered the Norwegian market where we had to consider different options to meet their low prices. In this period we added a new product line to our stores “first price”, which were cheap products with a good enough quality. Kiwi now had 3 different product lines in different price classes, with well-known brands, Eldorado and “First Price” that we didn’t have earlier. Due to the increasing health trends and popularity of fruit and vegetables we have now started to rebuild all our stores so that the first they will see when they enter are the fruit and vegetables section in all our stores, which earlier were the last in the stores, and all the fruit and vegetables departments will also be twice as big as earlier. We have to adapt to what the customers want and the changes is buying patterns, but we have a great opportunity to influence customers, before they found chocolate at tills, but now its more popular with fruit and vegetables. The fact that we become more globalised also has affected what customers want to shop, something we must satisfy to offer new products in our stores to follow the customer needs. Other structural changes we have done is to get rid of all the suppliers that earlier delivered goods to the stores, this is something that we now do ourselves. 90% of the items we have in our stores are from our own wholesaler, previously all the suppliers delivered with their own trucks. Now our own wholesaler, ASKO, which delivers to all the stores in “NorgesGruppen”, distributes all goods. This helped us to become more efficient and to reduce the costs of distribution. We divide our stores into 5 different zones, and we get goods delivered to each zones once a week. We also use a system called ”NG-Flyt”. Before ordering goods were based on what we thought we needed, and constantly trying to keep inventory in store. As an example if there is
space for 20 items in the shelf’s and the inventory reach the minimum with 5 items, it will automatically ordered new items. Our parent company is “NorgesGruppen”, and Kiwi, Asko are subsidiary firms. Meaning that we have joint owners, and are practically deliver to ourselves in a way.”

Q: **What do you think is the easiest way of entering a new market?**

“I think the best way to enter a market is to look at what Kiwi did in Denmark, to operate, as a new operator won’t work, there are to many providers in the market. The cost on a long period of time would have been expensive if we started with one store; I believe that the only way to do it is how we entered Denmark, to make a joint venture by buying up existing premises. This will give the company a stabile and solid start and they could build ahead and that we have people who has knowledge about the market. Something we will acquire if we buy or in a joint venture with existing providers.

If we enter a market with one store and marketing and costs was divided just through that stores in a given period it would become extremely expensive. Some of the advantages of being owned by Norgesgruppen are the purchasing conditions and are considered when joint venture is concluded. So the best way will be to buy a chain that are struggling or a joint venture. That this was a success in Denmark also gives a better reason too why this mode of entry is the best way to enter a new market on and it shows since we have over a hundred stores in Denmark. We bought 50 and have now dispatched over a 100.

In Norway, wholesaler own the stores (Norgesgruppen) while in Sweden it is the opposite, the stores own the wholesalers. How it is operated in England I have no idea, but I can assume that individuals have their own wholesaler. So if Kiwi were to enter the English market without a wholesaler they would not have a chance. So cooperation with a chain, where they will receive purchasing conditions, wholesalers, locations and the knowledge of the market will benefit them.

The British market are in decay since the biggest providers does not earn money any longer and it shows that something is wrong and if a chain is struggling it would be a alternative to buy them. So if local chain stores are struggling and they are looking for
cooperation, Kiwi will be an interesting provider to conduct business with since they are solid. Kiwi will also have to adjust to the market.

**Q: Why do you think LIDL failed in Norway?**

“They only wanted to sell German products, and all the product were sent by trucks which resulted in many problems and high cost due to the big spread of the Norwegian population and markets”.

**Q: How do KIWI markets itself?**

“Social media is getting more and more popular. But we are still using paper advertising in newspapers and magazines. We are so big in scale that we still having some responsibility over the newspapers; if the grocery industry would stop using the newspapers and magazines for advertising and just use the internet they probably wouldn’t exist any more. So we use a lot of money on these marketing plans, but also try to reach our customers trough most of the channels possible”.
Appendix 2: Expert-depth interview

In-depth interview with:  Professor Cathy Barnes
Date: 22.04.15
Place: Leeds Becket University

Q: Are there any typical trends in the current market?

“You probably seen the UK grocers are in news almost daily and today there’s been another bomb shelve that Tesco has made their first loss in how many years in their history, which is £6 billion which is huge. But interestingly their share price has gone up, so that causes us to ask a number of questions which is actually was Tesco over inflating things, is it actually back to where they should be.

But that aside the trends in the UK are quite interesting, because there are two key drivers that consumers are using to shop. The first one is convenience and the second one is choice, and they are choosing with their feet on which one is important in any given time. Notice that I haven’t mentioned price at all, because price actually is a function of convenience of choice, because if you need convenience then the price a shopper is prepared to pay is different and if you want choice, then you will pay a different price then if you happy to accept less choice. So price is actually a function of some rather complex things and its relative.

So if you look on the convenience in the UK grocery market it’s driven the big four, that all four has convenience offers so you have seen Tesco Express, the little Waitrose and that is a big driver and that is probably one of the few growing sectors in the UK grocery market, which is convenience stores, and that is where they are making their money because the price in those are different from the prices in the large hypermarkets. They don’t advertise that, but they are.

So then choice is in the larger out-of-town superstores, and then we got a few years ago ALDI and LIDL, both Scandinavian brands.
They have completely revolutionized this convenience choice equation because they don’t have large stores, they have medium size stores where they have limited choice, but it’s a reasonable choice and its quite clever edit in the grocery market, I think.

They offer a lot of continental products and they have kind of taken this convenience choice equation and turned it on its head because they got lots of stores. The stores aren’t so big and they don’t take forever to walk around but the price is really low. So they are very disruptive in the UK grocery market and will continue to be because frankly the other supermarkets don’t know how to deal with them because of their infrastructure and the way they are set up, their business model is so radically different that they can’t match them, so they have to try something different, but unfortunately they don’t really know what the difference is in this moment and as we have seen Tesco today have settled with this property portfolio that is restricting innovation”.

*Addition question: Sondre: So convenience is the most important thing for people? Location?*

“Location, and people are prepared to pay premium for it or chose that convenience is not important for them rather than a cheaper price.

So maybe when you guys where living at home and your mom or dad was doing the shopping, certainly in the UK you did one large shop a week when I was young it was stayed in the fridge and the covered and the next Saturday or Sunday or Monday, whatever, went out to top up again. That is actually not what happens anymore, because we all have very busy lifestyles we have learned that we are throwing a lot of food away because we do these large weekly shops, so people tend to do a large shop maybe once or twice a month, where you buy a lot of those large items like toilet rolls or washing powder, those sort of things and then in-between we do what called a fresh top up shop and that is where this convenience thing has come in and that’s where these little Waitrose and Tesco Express are actually making a killing because they’re ideally placed for those small top-up shops which is maybe to carry bags full of products rather than a trolley. So we’ll seeing that and what’s that done though is
driven foot farther away from the large out-of-town superstores and there’s a lot of square footage that is not being used.

Know Tesco and some of the other competitors have tried to fill that with non-grocery products so you see a proliferation of televisions and kettle’s and clothes and all sort of things there, that’s apparently that was driven by first by capturing the impulse markets but by increasingly now its been driven by just filling up the space. Because they don’t need the space that they have and you will see more and more that happening. Sainsbury’s recently announced collaborations with Argos so there is a trial now that I think 20 Sainsbury’s stores has given up over a third of their stores to Argos. One may speculate, but then we can see that Sainsbury’s has then bought Netto, another Scandinavian brand and now they are starting to roll out their Netto stores to rival ALDI and LIDL, because they couldn’t do it under the Sainsbury’s brand because they would tarnish that brand. So how have they changed gone of the days for big weekly shops, smaller/ regular shops and then this kind of British disruption, hit the online”.

And it is only small, its about 10% of the UK grocery market for the moment, so it is only predicted to go up to 18 or 20%, so its never going to be this huge thing that everybody talks about, but it is very significant because people are doing those large shops through the internet, which means that again there is a whole lot of store wasted because they are not needed. Now Tesco pioneered this concept of dark store, and I think that increasingly will happen with these large stores. A dark stores looks like a store but people aren’t allowed in. It’s like a warehouse but set out like a store. The only reason Tesco is doing this is because of they have these big stores that they cant use.

Most of the stores pick from existing stores
Q: You mentioned Netto earlier and I was wondering what did you think they did wrong when they entered the UK market?

“I think all it was, was timing, it was the wrong time

ALDI and LIDL had a very small base in the UK in that point of time but they weren’t big players, they were a part of the minority, they were seen as not a threat. How they continued I don’t know, I can expect they cost loosing. And that they were in the right place at the right time but unfortunately Netto went down before”.

Q: Do you think the consumer needs are being meet by the UK grocery market?

“That’s a very good question, if I knew that I would be a millionaire.

I think one of the reasons that the big four (Sainsbury’s, Tesco, Morrison’s and Asda) have done not so well in these last five years is because they stopped listening to the customer and they started to focusing on making money. Now I know that business is about making money but the reason that.

They had a cash cow for a while and it was OK to not listen to the customer so much, but they stopped and we now see the consequences because I don’t think that nobody truly understands what we as consumers mean by convenience. There are some things that are a bit more convenient, but do we really understand convenient, and I believe that the person that comes up with that”.

_Addition question Sondre: So you don’t think that price is the most important factor?

“What Waitrose does very well they do something that they call retail theatre, so you never walk around Waitrose without experiencing product demonstrations to you or tasting. There is always something that is happening to keep you in the store and I don’t think that the big supermarkets think about that”.

2015-Consultancy report
Q: So do you think that discounter is the future of the grocery market?

“I think that there will be a divide in the market, I think there will be a load of discounter whenever we are going to call the discounter or grocery stores or whatever we call them, they will always exist because A) there is always people with lower income that would need that sort of things and B) We all like a deal.

And then it is the high end such as Waitrose. Sainsbury’s are trying to positions themselves with M&S and I don’t know if you ever come across a supermarket called Booths. It is quite prevalent and kind of the North-West and it makes Waitrose look like a down market.

Those will continue to succeed because we all like a bit of a treat, and we all like to go up to feel that we can afford to live the good life even if you only have one meal a week. The middle is the interesting place and I think it’s the place where fools are daring at this moment, I think Asda or Walmart are threatening the middle quite well because frankly they are listed in the US stock exchange and they are so big that they could afford to make very small percentages of the market. Morrison’s will move down, not in any bad way, I think they will end up there and I think they would do very well because they are the British discounter. Tesco’s only option is to go down and I think Sainsbury’s have to move up.

And then there is yet more disruption I think in the UK grocery market because there are two quietly growing brands that you may or may not have heard of, one is Home Bargains and the other one is B&M home store. Home Bargain is actually owned by Terry Lee who made Tesco. Home Bargains is a discounter and they started of by selling discounted home wares. If you go into a Home Bargain store now, at least 50% of the product is grocery, non perishables, so tins, cans, washing powder, cereal, beer and wine. So you get the real size product for a lesser price.

So if these stores go into fresh (fruit & vegetables) they will open a whole new world of discounter concept. I think those two stores are important to watch and Boots because it could steal the thunder from Waitrose at that high end and the other thing that is find interesting that we are starting to see is different business models on how
we purchase our products, so you already started to see subscription models on some products.

In Greys you can basically choose between healthy snacks where you subscribe to this grey where they send you a weeks nutrition balanced of snacks that you can eat between meals. There are companies that send you a meal in a box with all the fresh ingredients. Simple human is a brand that sells bins and waste disposal units, but where they make the money on is tying people on the subscription for the bags and the consumables. So if you buy a washing machine you don’t just buy a washing machine but a lifetime of Ariel supplies to go with it. So with those kinds of household items and the things that you buy regularly, you could see that the subscription models will be the future.

Do you think that online shopping is going to be more popular in the future?

Online shopping is going to grow, but it will never grow so big that you wouldn’t need stores; people will always want to go to stores and squeeze the melons”.

**Q: What about Click & Collect?**

“Its huge and that’s a nice halfway house and what you get with the added advantage of Click & Collect is that you actually get the in store and they purchase their goods as well. Click & Collect is a major growth area and all the major grocery retailers particularly see the growth in the market”.

**Q: What about home delivery?**

Home delivery will always be important, in the moment it stands for 10% and its predicted to double in the next ten years.
Its interesting … All the technology is there its just the trust isn’t.
Q: **Most important challenges for the grocers in the future?**

“One thing that we haven’t spoken about is the rise of the aging population. My parents as an example struggle to go grocery shopping, they may shop online but there is nowhere that really caters for them,

There is a statistics by 2020 in the UK that there will be more people over 65 than it is under the age of 65. It’s a big number and nobody caters for them and there is no supermarket that have thought about that part of the population.

It’s difficult to say because I think that new entrants need to offer something different and we have seen a lot of disruption in the market with online, the discounters, it is hard to foreseen the next disruption would be, but I think its room for innovation. If someone comes up with a good idea and people will go for it, it has to offer convenience.

If Kiwi were to enter the UK market what would be the most suitable way to do it?

They would have to offer a convenient offer whatever that might be and there is a difference between the Scandinavian countries and the British of the customers lifestyle and how they countries is laid out is different”.

*Addition question Sondre: Do you think joint venture would be the most suitable way?*

“They way I see it iss that the big continental stores like the Carfour, Mamath haven’t come in here yet and there is a reason for that”.

Q: **Do you think that the UK grocery market is struggling more then other grocery store markets?**

No, I think that we are actually doing a lot better. The difference is that we got a lot more competition and that’s the problem. If you looked at spend per capita we would
be way ahead, they buoyance of the market is fine it’s just too many players trying to do the same thing.

**Q: How does the wholesale operations work in the UK? Do the supermarkets own their own wholesale operator?**

“It’s different per grocer, Morrison’s own their supply chain and that is kind of their USP (unique selling proposition), they own farms, plantations all around the world. Not many people know that, but they do. Everybody else is a transactional relationship with the suppliers, so that one of the reasons that Tesco and others aren’t doing so well, because it’s quite an adversarial relationship between the retailer and its suppliers because you probably heard in the news that it costs more to produce 4 pints of milk than they actually get and this affects other things as well. They have such buying power that the people can’t afford to say no, but when they do say yes they screw them.

But I have seen a lot of trucks with Sainsbury’s logo on them and Waitrose.

How that works is that each of the big supermarkets have what they call NDC (National Distribution Centres) so for example the bread company delivers their product their and Sainsbury’s then deliver it from their warehouse to all the different stores.

So might want to go to those stores, there are plenty around Leeds”. 
Appendix 3: Expert-depth interview

E-mail in-depth interview with: KIWI operating manager, Jan Paul Bjørkøy
Date: 22.02.15
Place: Leeds Becket University

Q: Why did KIWI choose to enter the Danish market?
“Norgesgruppen” has a strategic goal of becoming a Scandinavian operator. Therefor we choose to accept the offer we received of becoming a partner in a Danish chain called Alta, with an 40% ownership.

Q: How did KIWI move forward to enter?
The way you guys are doing now, research. KIWI Norway is the master franchisor for KIWI Denmark

Q: Did KIWI buy already existing stores?
The chain consists of 50 stores, had a poor turnover. The owners wanted a new concept, and had already been in Norway to look at KIWI. They sold down to 60% ownership, making KIWI co-owners.

Q: Do KIWI import Norwegian goods?
Operating with a Danish wholesaler called Supergros, selling goods from Denmark.

Q: Is the goal to capture market shares bit by bit?
As mentioned, we bought 50 already existing stores.

Q: Is the goal to introduce the KIWI concept into the Danish market?
The aim is to introduce a Danish KIWI, operating on Danish terms, with a Danish management.
Appendix 4: NISA

Vision

“Passionate About Independent Retailing; Committed to Creating Benefits for Members”.

Market share/market position
In 2014 had Nisa 3.9% market share in convenience stores

Total Sales volume
Nisa has a £1.43 billion turnover. (Nisa, 2015)

Distribution
Nisa’s distribution strategy is efficient and put large quantities of products in their operation, and deliver up to 5,000 drop off points throughout the UK. This helps their customers, members and especially to lower the operating costs.
Nisa operates with almost 2500 stores and their store format is developed as, Nisa Local, Nisa Extra and Loco fascia. (Nisa, 2015)

Competitive advantages with Nisa:

• Lower cost prices and the supply of fresh food
• Part of, Making a Difference Locally (award winning)
• Local charities through specific products in stores
• New CEO with cross-sector understanding of shopping behaviour

Competitive disadvantages with Nisa:

• Do not offer online shopping
• Do not offer Click & Collect
Appendix 5: Semi structure interview

1) Which grocery stores do you use - why

1. M, 30-40, W
I shop at Asda, because I’ve worked there for the past 14 years. And occasionally Sainsbury’s because that’s close to where I live.

2. M, 30-40, W
Generally Morrisons because that’s the local company, and because of convenience.

3. F, 20-30, W
Asda for main shopping and Tesco because it’s close to home.

4. F, 50-60, W
Waitrose and Sainsbury’s because that’s convenient.

5. M, 30-40, W
Sainsbury’s because it’s convenient and near where I live.

6. F, 20-30, W
Sainsbury’s and Asda, mostly because of price.

7. F, 40-50, W
Aldi and Asda, because I get value for money.

8. M, 40-50, W
Probably Asda, Sainsbury’s and Aldi. Sainsbury's because they have gluten free items, Asda because it’s close to home.

9. F, 50-60, W
Waitrose generally and Marks & Spencer’s

10. M, 20-30, W
Waitrose because they’re most ethical, they’re doing the free-range pork for example. And they are ethical when it comes to the employees.

11. M, 20-30, NW
Asda and Lidl, because it’s near me.

12. M, 30-40, W
I use Morrisons and Tesco, and I use them because they are close to where I live. And I also go to Waitrose and Boots.

13. F, 50-60, W
Sainsbury’s, because of the good quality.

14. M, 50-60, W
The closest, depends where I’m working.

15. F, 30-40, W
I use Morrisons and Aldi.

16. F, 50-60, W
Morrisons and Aldi.

17. M, 20-30, NW (Student)
I go to the market for fruit and vegetables and Morrisons for the rest.
18. M, 30-40, W
Usually Aldi and Waitrose because it's close to my house

I tend to use Asda because it's my local one.

20. M, 40-50, W
Asda and Lidl, because of convenience

Asda mainly, because I take my grandma and she likes to shop there.

22. M, 30-40, W
Morrisons, close to our house. Waitrose when I’m in town.

23. M, 20-30, W
Morrisons, close to home and convenient to do a bigger shopping there.

24. F, 20-30, W
Tesco, because it's close

25. F, 40-50, W
Mainly Aldi and Lidl, because that's the cheapest

Morrisons mostly, because it's fairly cheap and it's close to where I live

27. M, 30-40, W
I go to Aldi and Asda, simply because they're cheap. There are stores closer to where I live, but these aren't too far from me either.

28. F, 30-40, W
Tesco, just because that’s the closest after work

29. F, 40-50, W
Waitrose and sometimes Sainsbury’s. I like the quality and also the stores.

30. M, 30-40, W
I shop at Tesco when I’m on my way home from work otherwise I mainly use Asda

31. M, 20-30, NW
Sainsbury’s and Morrison’s. Products, price and location

32. F, 30-40, W
Aldi, Asda, Tesco express. Price, parking and location

33. M, 20-30, NW
Morrison’s and Tesco. They are the nearest stores to where I live

33. M, 30-40, W
Co-operative and Sainsbury’s. Location.

34. M, 20-30, NW
Morrison’s and Lidl. Because of price and location.

35. F, 20-30, NW
Sainsbury’s and Tesco because that’s the local companies
36. F. 30-40. W
Lidl and Aldi.

37. M. 20-30. NW
Tesco and Morrisons Local.

38. F. 40-50. W
Asda and the local market

39. M. 30-40. W
Asda and Aldi.

40. M, 30-40, W
Marc's and Spencer and Waitrose

41. F. 20-30, NW
Morrisons. Because it is has good prices and is close by to where I live and go to university.

42. M. 50-60. Working
Morrisons and Sainsbury's. Because Morrisons is local to the region and Sainsbury's is my closest store

43. M. 30-40 working
What ever is closest on my way home from work, and my local Sainsbury's. Because I want to shop quickly

44. M. 20. Not working
Local Markets and Morrisons. Morrisons because it is close by where I live in Headingly and markets for fresh fruits and vegetables because they stay fresh longer than the ones in the stores and it is also cheaper and fresher.

45. F. 30-40. Working
Aldi and possibly Asda. I focus on price and at Aldi I get the prices I want, the items I want and the range I need

46. M. 30-40. Working
Sainsbury's and local Morrison's. I prefer to shop at Sainsbury's because they have their own products, but I also shop at Morrison's convenience stores because it is right were I work.

47. F. 20-30. Working
Tesco and convenience stores because it is close to was I live and the prices are reasonable.

Morrison's because it is close to where I go to school and it is conveniently when I go home.

49. F. 40-50. Working
I like to shop at Mark & Spencer Because of the variety of the fruit and vegetables products and the products has good quality compared to Tesco.

50. M. 30-40. Working
Tesco I prefer Tesco because I feel they have decent prices compared to the products and that I am a Club card member.

Morrison= 17/50
Tesco= 11/50
Sainsbury’s= 13/50
Asda= 15/50
Aldi= 11/50
Lidl = 5/50  
Mark & Spencer = 3/50, age, 40-50, 30-40, 50-60  
Waitrose = 8/50  
Markets = 3/50  
Co-operative = 1/50

2) Have your choices changed within the last year, why?

1, M, 30-40, W  
No, I've always used these stores.

2, M, 30-40, W  
No, it's always been Morrisons.

3, F, 20-30, W  
No.

4, F, 50-50, W  
No not really.

5, M, 30-40, W  
No, not really.

6, F, 20-30, W  
No, not really.

7, F, 30-40, W  
Yes, just from only Asda, to both Asda and Aldi.

8, M, 40-50, W  
No.

9, F, 40-50, W  
No.

10, M, 20-30, W  
Not over the last year, but probably over the past two years. I used to shop at Waitrose.

11, M, 20-30, NW  
Always shopped there.

12, M, 30-40, W  
Yes, because I moved. Location.

13, F, 50-60, W  
No, always been the same.

14, M, 50-60, W  
No, still depends where I am.

15, F, 30-40, W  
Yes because we've moved.

16, F, 50-60, W  
No, always stayed the same.

17, M, 20-30, NW (Student)  
Yes, when I moved here. When I lived at home I shopped at Asda because it was close.
18. M, 30-40, W
No.

No not really.

20. M, 40-50, W
No.

I used to shop at Tesco, but now at Asda.

22. M, 30-40, W
I shop at Waitrose more because I’m in the city centre more.

23. M, 20-30, W
No it’s the same.

24. F, 20-30, W
Usually I just go wherever’s closest.

25. F, 40-50, W
I use the big supermarkets less and less.

No not really.

27. M, 30-40, W
I used to shop at Tesco because that was closer to me, but I changed to Aldi and Asda because they were cheaper.

28. F, 30-40, W
No not that I know of.

29. F, 40-50, W
No, these stores have always been the closest to me.

30. M, 30-40, W
No not in particular

31. M, 20-30, NW
No, I live near a Sainsbury’s and Morrison’s so it’s convenient.

32. F, 30-40, W
Yes, I started to shop at Aldi because of their low prices and recommendation from a friend.

33. M, 20-30, NW
Not really
34. M, 30-40, W
Yes I changed my working place, and I usually shop after work, that’s why I go the Co-operative.

35. M, 20-30, NW
No.

36. F, 20-30, NW
No not really, I like to shop at the same store

37. F, 30-40, W
I have started to shop more at Aldi and Lidl than I did before; it is near my home and cheap.
38. M. 20-30. W
I lived home with my parents last year, but after I moved to the city did I start to shop at Tesco and Morrison Local because of the location.

39. F. 40-50. W
I have started to shop fruit and vegetables at the local market because they have better quality and are cheaper.

40. M. 30-40, W
No, not really. I use to shop at the same stores every week

41. F. 20. NW
Yes, I used Sainsbury’s before. Before when I lived at home I shopped at Sainsbury’s, which was close by, now I have started uni so I shop at Morrisons, which is cheaper and close by.

42. M.50-60. Working
No. Because I have lived in the same place for 5 years and don’t like change.

43. M. 30-40 working
Yes, used Tesco before as my local shop but have moved so now use Sainsbury’s

44. M. 20. Not working
No. I am a 2-year student and have shopped at the same places since I started uni.

45. F. 30-40. Working
No. Because I get the prices I want there.

46. M. 30-40. Working
No. Because the stores are close to where I live and work, so it is practical for me to shop there then at other stores.

47. F. 20-30. Working
No. have always shopped there and at my local stores.

Not that I know of. Because it is convenient for me to shop at Morrison’s since it is convenient.

49. F. 40-50. Working
Yes, I changed from Tesco too M&S
I used to shop at Tesco because of the prices and that it convenient, but since the scandal I started to shop at M&S because of the quality of the products

50. M. 30-40. Working
Not really, the only thing that I can think of is that I have started to shop at the local Morrison’s store since it opened. Because it is practical and if I forget to buy some of the products sometimes and it is convenient for me to just go there.

= 32 say NO their choice has not changed within the last year.
= 18 say YES, their choice has changes within the last year.

3) How often do you shop?

1, M, 30-40, W
About every other week

2, M, 30-40, W
Twice a week
3, F, 20-30, W
About two or three times a week.

4, F, 50-60, W
Once or twice a week, but I go to the market every day.

5, M, 30-0, W
Every other day

6, F, 20-30, W
Weekly.

7, F, 40-50, W
Every week

8, M, 40-50, W
Twice a week

9, F, 50-60, W
Two or three times a week.

10, M, 20-30, W
About four times a week

11, M, 20-30, NW
Three times a week maybe, just whenever I need something.

12, M, 30-40, W
Nearly once a week

13, F, 50-60, W
Twice a week

14, M, 50-60, W
Weekly online shopping

15, F, 30-40, W
We shop weekly.

16, F, 50-60, W
Once a week

17, M, 20-30, NW (Student)
Once a week

18, M, 30-40, W
Weekly.

19, M, 20-30, W
About once a week

20, M, 40-50, W
Twice a week

21, M, 20-30, W
Once a week

22, M, 30-40, W
Once a week

23. M. 20-30. W
Once every week, just when I need stuff

24. F. 20-30. W
Three times a week

25. F. 40-50. W
Once a week for fruits and vegetables and once every two weeks for other items

Around two or three times a week.

27. M. 30-40. W
Once, sometimes twice a week

28. F. 30-40. W
Every day after work

29. F. 40-50. W
Two times a week

30. M. 30-40. W
I'd say every other day.

31. M. 20-30. NW
3-4 times a week

32. F. 30-40. W
1-2 times a week

33. M. 20-30. NW
3-4 times a week

34. M. 30-40. W
2-3 times a week

35. M. 20-30. NW
3-4 times a week

36. F. 20-30. NW
Almost 5 times a week

37. F. 30-40. W
3 times a week

38. M. 20-30. NW
1-2 times a day

39. F. 40-50. W
Every week.

40, M, 30-40, W
4-5 times a week

41. F. 20. Not working
1 time a week
42. M.50-60. Working
2 times a week

43. M. 30-40 working
Every other day

44. M. 20. Not working
Once a week

45. F. 30-40. Working
2 times a month and I supply with convenience items

46. M. 30-40. Working
I shop 4 – 5 times approximately every week.
I do the large grocery shopping twice a week and go into local stores when I need something else.

47. F. 20-30. Working
I may go shopping 5-6 times a week
I find it more suitable for me to shop at supermarket daily then one a week.

Shop like 6 – 7 times a week, depending if I need something. I usually just drop by the local convenience store.

49. F. 40-50. Working
I shop around three to four times a week.

50. M. 30-40. Working
I shop maybe 4-5 times a week.

Every other week= 2
1 time a week= 20
2 times a week= 9
3 times a week= 7
4 times a week= 7
5 times a week= 2
6 times a week= 1
7 times a week= 2

4) What attributes do you value when shopping?

1, M, 30-40, W
Mainly price.

2, M, 30-40, W
Price.

3, F, 20-30, W
Mainly focused on price.

4, F, 50-60, W
Pretty good fresh food, I like to know where my food comes from. I hate all the package wasting’s, I like things that are unpackaged. As healthy as possible really

5, M, 30-40, W
I just tend to buy what's cheapest there
6, F, 20-30, W
I like the discounts and the sales that they do.

7, F, 40-50, W
Just value for money, really. It’s not a particularly pleasant shopping experience, but it’s just about to save the money. I would shop at Waitrose if I could.

8, M, 40-50, W
Sainsbury’s has good free range. Aldi’s the cheapest for price and Asda because it’s the closest. Basically convenience and price

9, F, 50-60, W
Ambiance and the feeling of the stores

10, M, 20-30, W
The quality of the items is good. That’s why I choose Sainsbury’s over Tesco because of the quality.

11, M, 20-30, NW
Carbs and proteins

12, M, 30-40, W
Generally store atmosphere, if it’s nice.

13, F, 50-60, W
It’s nice and clean at Sainsbury’s, and the food is nice.

14, M, 50-60, W
No, just whatever is easy.

15, F, 30-40, W
We get a bit of discounts because we know the ones that are working at Morrisons

16, F, 50-60, W
Value and discount.

17, M, 20-30, NW (Student)
Price and money

18, M, 30-40, W
Small and speedy is necessary.

19, M, 20-30, W
Mainly the accessibility, it’s literally around the corner.

20, M, 40-50, W
Convenience because it’s close to where I work

21, M, 20-30, W
Parking and price.

22, M, 30-40, W
Nothing, just whatever food I’m cooking.

23, M, 20-30, W
The looks of the store, price and location

24, F, 20-30, W
Convenience
25. F. 40-50. W
Car parking, and small stores, I don’t like big stores.

Convenience and Price

27. M. 30-40. W
Price and discounts.

28. F. 30-40. W
Accessibility and convenience

29. F. 40-50. W
Quality of fruit, vegetables and meat, also discounts

30. M. 30-40. W
Accessibility and convenience for Tesco, and price with Asda

31. M. 20-30. NW
Price, products and location

32. F. 30-40. W
Location and price, when I just need a few things I shop at the local Tesco express

33. M. 20-30. NW
Location

34. M. 30-40. W
Location

35. F. 20-30. NW
I really like when a store has discounts, you can save a lot of money by shopping with discounts

36. F. 30-40. W
Convenience and price do I value the most

37. M. 20-30. NW
Since I am a student do I try to shop as cheap as possible, so discounts are important to me.

38. F. 40-50. W
Quality is really important to me

39. M. 30-40. W
Location

40. M, 30-40, W
Price is not the most important for me, I prefer good quality and location

41. F. 20. Not working
Price. Since I am a student with no job at the moment I am very price oriented because I want to get as much as possible with the limited resources I have.

42. M.50-60. Working
Quality and accessibility, I want to get in and out as fast as possible. I hate to shop.

43. M. 30-40 working
Price and quality are important to me. I don’t mind paying a bit extra as long as it has better quality, especially with fruits and vegetables.

44. M. 20. Not working
Price and quality are important to me. That’s why I get fruits and vegetables for an example at the market where it is fresher and lasts longer.

45. F. 30-40. Working
Price is most important to me. I am a single working mother so price is the most important attribute for me to give my children the most I can.

46. M. 30-40. Working
Convenience, products
Having stores right where I work and live is suitable for me and that they have reasonable prices on products.

47. F. 20-30. Working
Convenience
It is nearby where I live and that I am a club card member at Tesco.

Price is important for me and that the store has offers on items.

49. F. 40-50. Working
Quality of the food
Quality is quite important for me when I am shopping groceries.

50. M. 30-40. Working
Price, convenience, product range
Getting more for a cheaper price benefits me of course and that it is located nearby makes it more convenient for me.

= 29/50 valued price as most important
= 18/50 valued location as most important
= 8/50 valued quality as most important