VIGOUR HEALTH
The ASC-Series Launch in Canada

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David M. Danielsen
Joakim Fredriksen
Espen Nordli
Bjorn R. Nostberg
EXECUTIVE SUMMARY

This report is part of the authors’ bachelor degree in International Marketing and analyzes the Canadian vitamins and dietary supplements (VDS) industry. Based on this analysis, the authors will be proposing how Vigour can enter the market.

Vigour Health was founded in 2006 by Omar Paulsen Bekheet and John Ivar Andre and the goal was to introduce a new lifestyle concept that should be inventive in its approach. Vigour utilizes raw materials from the northern parts of Norway, and produces prescription-free, unique dietary supplements from perhaps the cleanest environment in the world. The company wants to export its Arctic Seaweed Complex series (ASC) to Canada, which has the following products in its portfolio: Pure:DETOX, Daily:PROTECTION and Figure:BALANCE. However, Vigour is currently in the process of launching their products in Norway and has therefore a rather limited budget to support their market entry in Canada.

The first section of the report describes the research problem, research objectives and methodology. It further outlines more about Vigour and the company’s strengths and weaknesses, before it describes the Canadian VDS industry with an emphasis on distribution channels. Based on the findings, the authors have identified different courses of action and make a recommendation at the end of the report.

Methodology
The report is based on both primary and secondary data. Secondary sources that were used consist of online articles, books, newspapers and reports.

Due to a highly competitive industry and the number of the existing distribution channels, primary research was also conducted in order to outline the process behind getting new products into a retailer’s products portfolio. This was completed through interviews by phone and in person with different members of the industry. A focus group was also conducted to discover people’s opinions regarding consumer behaviour related to VDS, using Norway as a country of origin and market trends.

Main findings from the analysis
Total sales of VDS in Canada were estimated at $861 million in 2006, which represented a moderate growth compared with 2005. In recent years, many Canadians have become more health conscious and are changing their lifestyles in regards to exercise and nutrition. Canadians are attempting to stay healthy by adding vitamins and herbal remedies to their routines and 30% of Canadians take VDS products on a daily basis. 50% of the population in British Columbia (B.C.) use VDS products regularly and the province is considered to be the most health conscious in Canada.
In Canada, vitamins and dietary supplements are sold through different retail channels, including supermarket chains, drugstores, speciality stores and online. After investigating a broad range of distribution channels, the most suitable are outlined in the report. These consist of the wholesalers/drugstores London Drugs and Katz Group; food/drugstores Capers and Pharmamart; speciality stores Nutrition House, GNC and Unique Nutrition; and two online retailers: Cureself and Nature’s Essence Health Products Inc.

The Canadian VDS industry is a difficult business to operate in and is recognized by the industry’s competitive environment along with retailer’s high bargaining power. The main findings from the analysis have confirmed this claim and the choice of distribution channels seems to be the main issue when entering the Canadian market. By choosing traditional retail, there are many additional costs and Vigour would be left with little or no control over their products. Furthermore, big competitors such as Jamison and Greens occupy large sections of the shelves in these stores and it is difficult for a little company to stick out. Hence the importance of differentiation and to establishing a niche strategy will be crucial in order to succeed in Canada.

**Recommendation**

After analyzing the Canadian VDS industry and making the discovery that the choice of a distribution channel is critical, the authors have outlined three different courses of action in which to enter the market. The first option executes mass retail by entering through London Drugs and Katz Group, which will expose Vigour’s products to a big customer base, but will acquire financial investments and leave the company with no control.

The second alternative, premium retail, is carried out by offering Vigour’s products at Capers and through two unconventional retailers; Lululemon and Helly Hansen. This strategy would be excellent in terms of reaching the target market and will give Vigour a more exclusive image.

The last option consists of opening a fully owned store at one of Vancouver’s busiest shopping streets along with offering the products online. The store will, in addition to retail Vigour’s products, operate as an information centre and promotion tool in order to create buzz about the brand and positive word of mouth. To execute this strategy, Vigour should line up with a partner. Based on their exclusive image, Voss Water is recommended.

By evaluating these ways of entering the Canadian market, the authors believe an exclusive retail and online store is the most profitable option. This recommendation is not only based on financial calculations, but also on the fact that this strategy will give Vigour full control over distribution. Furthermore, by executing this niche strategy, Vigour will be able to build an exclusive brand and operate as an “all embracing lifestyle company”.
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David Medeiro Danielsen                  Joakim Fredriksen

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Bjørn Roger Nøstberg                    Espen Nordli
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1.0 INTRODUCTION

1.1 Research Problem

"Is there a potential market for Vigour’s product line in Canada, if so, what would be the most profitable way for the company to enter this market?"

1.2 Research Objectives

In order to successfully enter the Canadian market it is necessary to pinpoint and determine certain research purposes and goals. By doing so, the research objective can be correctly identified.

The following list identifies key research objectives regarding critical information needed in order to solve the research problem:

- Gain information about the Canadian vitamin and dietary supplements (VDS) industry with a focus on Vancouver, B.C.
- Develop an understanding of the competition in the VDS industry.
- Acquire information on how Norway, used as a country of origin, can have an impact on sales and consumer preferences.
- Develop an understanding of the Canadian health industry and government regulations surrounding this industry.
- Carry out a broad academic literature review on relevant marketing topics.
- Gain an overall picture of distribution systems and supply chains in Vancouver and outline the different possibilities.
1.3 Methodology

The conclusions and findings presented in this report will rely on both primary and secondary data. Secondary data were found in online reports, marketing literature, newspapers and consumer statistics. Primary research was carried out through interviews, observations and a focus group.

The focus group was conducted to discover trends in consumer behavior as well as associations with Norway in general and as a producer of dietary supplements. Due to limited resources the focus group is not representative of the Vancouver market since the participants were business students or professors at Simon Fraser University. Interviews on phone and in person were conducted in order to get a broader knowledge regarding the existing supply chains, distribution channels and market trends. Regional offices for retail chains such as Katz Group, Capers, GNC and Nutrition House were contacted for short telephone interviews. In addition, e-mails were sent to get information on the e-commerce industry and prices on possible promotional activities. Additional in-depth interviews were conducted with managers or buyers at Unique Nutrition, London Drugs and UPS. Discoveries presented by guest speaker Lauriee Vallery, chief experience officer, at Experience Renewal Solutions regarding changes in consumer behavior, were also used.
2.0 VIGOUR HEALTH

The idea behind Vigour emerged in 2006 when Omar Paulsen Bekheet and John Ivar Andre Fjerdingstad put their minds together and created what would become Vigour Health. The goal was to introduce a new lifestyle concept that would be inventive in its approach. Vigour utilizes raw materials from the northern parts of Norway and produces prescription-free and unique dietary supplements from perhaps the cleanest environment in the world.

Vigour’s objective is to be a leading brand within dietary supplements in selected markets and segments, while constantly reinventing its operations to ensure innovativeness, superb products and to further company growth. Vigour’s business concept is based on cutting edge raw materials, unique brand-building measures and innovative distribution channels. The company was founded with a special thing in mind; to represent a lifestyle concept, which would satisfy the needs of the most demanding consumers belonging to this segment. With a constant focus on brand building through high-end preferences and trends, Vigour will strive to position itself as an exceptional provider of high quality Norwegian health supplements. Vigour is currently in the process of launching the product in Norway and therefore has a rather limited budget to support its market entry into Canada.

2.1 Organization

The entrepreneurs behind Vigour Health, Paulsen Bekheet and Fjerdingstad, are in charge of the most central positions within the company. This includes management and decisions concerning development of new products. Further, Vigour has highly qualified people from research institutions as well as pharmaceutical experts within the organization. Production is being outsourced.
2.2 Product Line

Vigour seeks to determine the market potential for their Arctic Seaweed Complex series (ASC) in Canada. The ASC series consists of three products; Pure: DETOX, Daily: PROTECTION and Figure: BALANCE, containing pulverized and processed seaweed (kelp). All of the products are developed in the research centre in Tromsø, in the northern Norway. According to Vigour, the initial manufacturing process will take place in a production facility in Norway, above the Arctic Circle. Nevertheless, as the company expands its operations, additional production facilities will be considered in order to increase the company’s production capacity. Excellent manufacturing practice is of great importance to Vigour.

2.2.1 Pure: DETOX

The pulverized kelp in the Pure: DETOX has the ability to bind heavy metals and transport them out of the body. The high level of potassium acts like a blood purifier, resulting in a highly potent product capable of keeping the body pure and free of toxins. Pure: DETOX is an innovative product. Vigour believes it has great potential due to a consumer market that is not yet fully aware of its benefits. It is recommended to use Pure: DETOX for three weeks at a time, 3-4 times annually, similar to most other cleansing products.

2.2.2 Daily: PROTECTION

Vigour’s Daily: PROTECTION strengthens the immune system as a result of its high level of antioxidants. C-vitamins and antioxidants in the product protect the DNA in the body against free radicals and prevent illness, in addition to reducing the risk of heart diseases and cancer. The product is by definition a multivitamin produced with more natural raw materials. Recommended usage is two capsules each day all year around with the exception of a couple of months a year.
2.2.3 Figure: BALANCE

Figure: BALANCE is a weight loss product, which in contrast to other products in the same category, focuses on increasing the body’s capability to burn calories instead of blocking out hunger signals. The iodine in the seaweed stimulates the body’s capacity to burn calories and chrome in reducing the constant hunger for sweets. To maximize the effect, it is recommended to combine it with Pure: DETOX, since synergy effects are created when they are consumed together. Recommended usage is four capsules each day.
3.0 INTERNAL ANALYSIS

3.1 ACE-Model

The ACE-model seeks to analyse Vigour’s attitude, competence and embodiment towards expansion opportunities within the company. The model is based on the company’s approach in terms of exports and it is therefore important to bear in mind that Vigour, by this date, has not yet established itself in its reference market. However, the analysis would help to develop an understanding of Vigour’s corporate culture.

3.1.1 Attitude

Vigour’s willingness to search for international opportunities, while at the same time launching its products in Norway, indicates a corporate culture where a focus on international expansion opportunities is encouraged. Even though Vigour is a relatively new company, they have already been in contact with Innovation Norway, among others, to view international opportunities. It is therefore reasonable to claim that Vigour has a positive attitude towards exporting to the Canadian market. Exporting to the rest of NAFTA as part of their long-term plan indicates a willingness and continuing engagement within international markets. Vigour’s management are also evaluating market opportunities in the rest of Scandinavia. A critical success factor outlined by Solberg (2005) is a company’s willingness to take risks and make commitments as an international company.

3.1.2 Competence

Vigour’s core competence is in marketing and distribution which seems to be highly transferable since both the entrepreneurs have a major in international marketing management. Within the organization a high level of competence also exists when it
comes to product development and food supplements, which will also represent core competences, transferable to new markets. Vigour’s insight concerning the VDS market and their extensive knowledge about food supplement products will generate great value for Vigour. (Vigour AS 2007)

The Norwegian arctic experiences polar nights and times with very limited amounts of sunlight, affecting the amount of vitamin D concentration in the kelp. The value of vitamin D is therefore dependent on when the kelp was harvested. However, Vigour has the competence to add additional vitamin D to the product if it is found to be desirable.

3.1.3 Embodiment

Even though a good attitude and competence is present within the company, it is too early to draw any conclusions regarding the embodiment within the company. It is argued by researchers that the internationalization has not yet made an impact within an organization when revenues from international markets make up less than 15% of total revenues. Vigour is not yet present in any international market and has not yet started its internationalization process.
4.0 EXTERNAL ANALYSIS

4.1 Macro Environmental Factors

The following analysis focuses on highlighting macro-environmental factors, which apply to any foreign company planning to enter the Canadian VDS market in terms of political, economical, socio cultural, environmental and legal factors.

Canada is a country with a great variety of culture, climate and language. These diversities make Canada a country of both opportunities and threats. Due to limited resources, the research conducted for this report will focus on Vancouver as a potential launch market. Given Vigour’s allocated resources to the expansion being limited a focus on the Vancouver market is best suited. Vigour has allocated $300,000 Cdn for the expansion.

4.1.1 Political Factors

Canada is considered a political stable country with fair and free elections where Canadians, according to Freedom House Inc. (2008), enjoy high economic and political freedom, which makes it easier for Vigour to reach its desired target market. According to the annual perceived corruption index released by Transparency International (2007), Canada ranks among the top 10 corruption-free countries in the world, which can make a possible market entry less complicated and costly compared with countries that have serious corruption problems. Canada has two official languages: English and French, meaning that Vigour must label the products with information in both languages (Government of Canada 2003).

Canada benefits from membership in several unions and trade agreements such as the WTO and NAFTA, but also from smaller bilateral agreements with Norway, such as TECA, and the free trade agreement between EFTA and Canada.
The Trade and Economic Cooperation Agreement (TECA) seeks to enhance trade and build stronger connections between Norway and Canada (Government of Canada 2006). Even more important is the free trade agreement between EFTA (Iceland, Liechtenstein, Norway and Switzerland) and Canada. The agreement was signed Jan. 27th, 2008 and is expected to be ratified in Jan. 2009. The agreement is described as a “first-generation agreement with an emphasis on tariff elimination” (Foreign Affairs and International Trade Canada 2008). The treaty uses the product definitions from the GATT (General Agreement on Tariffs and Trade 1994) treaty and will, in this case, eliminate tariffs that affect Vigour. The treaty eliminates tariffs on all goods except equipment used in the shipping industry or agricultural products. Vitamins and goods made by ingredients from the sea are covered by the treaty (Muhlbradt 2008).

4.1.1.1 Canadian Import Regulations

The exporter, also known as the vendor, in this case Vigour, is responsible for including the necessary documentation needed to export goods into Canada, which includes the preparation of:

- Packing list
- Bill of lading
- Commercial invoice
- Canada Custom Invoice (CCI)
- Certificates of origin if applicable

(See Appendix 1 for more information about what each document should contain.) These documents should be provided to the carrier, which is the person or company that transports the goods. Then the carrier presents the documents to the customs broker in North America. Note that the article used to provide this information is not intended to be an all-inclusive guide regarding export into Canada. It is therefore suggested that Vigour contact a Livingstone representative for detailed information specific to their product. Livingstone International is the largest trade services company in North
America. With an extensive network in both Canada and the U.S., Livingstone would be able to assist on issues such as trade consulting and cross border transportation.

4.1.1.2 Canada Border Services Agency

“All goods entering Canada are subject to requirements by the Canada Border Services Agency (CBSA).” (Livingston International Inc. 2004) CBSA is the government body responsible for trade and border legislations and regulations in Canada. The importer of the product is responsible for providing the necessary documents to the CBSA. The CBSA reserves the right to deny any kind of goods imported to Canada and is also able to request additional information on goods.

4.1.2 Economical

Canada is a wealthy country where consumers have strong purchasing power. The gross domestic product per capita was, according to Euromonitor International (2007), $46,651 Cdn. in 2007 and is growing steadily by about two to three per cent annually. On the other hand, the consumer price for goods in B.C. only changed by 0.8 per cent compared with the Canadian average change of 2.2 per cent from January 2007 to January 2008, making consumer goods more affordable (Statistics Canada 2008).

In 2006, retail sales of vitamins and dietary supplements reached $861million Cdn., up by two per cent from the previous year (Euromonitor International 2007). The sector is forecast to show a modest growth in the following years (2007).

As a result of location and trade unions, the U.S. is Canada’s largest trade partner. Canada used to be the US’s no.1 trade partner, but is now second behind China. This interdependence has led to a more integrated economy, which underlines the importance of looking at trends in the U.S. economy. The National Post published an article that described clear signs of a recession in the U.S. This is made evident by the fact that in April, same-store sales in the retail industry fell by 0.5%, which is the biggest drop in sales in almost a year. Big retail chains, with the exception of Wall-Mart, are all losing customers and American consumers are switching to the lowest cost
retail alternative. The result has been a decrease in sales of luxury goods, such as clothing, while sales of vitamins and food remain stable. This may suggest that health products are perceived to be closer to a necessity, rather than a luxury product (Timberlake 2008).

### 4.1.3 Demographical and Geographical Factors

Canada is the world’s second largest country in size, with 10 provinces and three provinces from the Pacific to the Atlantic oceans. Its population is about 33 million (Central Intelligence Agency - The World Factbook 2008) and similar to other developed countries, the majority of people living in Canada are aging baby boomers. People aged 50 and over represented 25% of the population in 1990, and are expected to reach 36% by 2015 (Euromonitor International 2007) This opens up big opportunities in the health care industry as the demand for such products will experience a steady increase in future.

The regular VDS consumer is 35 years or older, and the usage tends to increase by the level of education (Print Measurement Bureau 2007). Regarding geographic differences, VDS consumption is higher in Western provinces compared with the East. Another interesting fact is that people who use VDS can be described as “health conscious champions” who are more likely to carry out a healthy lifestyle, including the purchase of organic food at health food stores. (2007)

#### 4.1.3.1 Ethnical Diversity in Vancouver

Furthermore, Canada consists of a very diverse population, which is mainly due to heavy immigration from Asia and the Middle East in the 1970s and 80s. This has led to a total of 31% of the entire population consisting of people from these continents. (Euromonitor International 2007). The different ethnic backgrounds has contributed to shifts in trends regarding food, beverages and packaged products in speciality stores and grocers. The advertising of products and services is also an issue with a diverse
population, and must be adapted to the different cultures and languages to avoid misinterpretation within the ethnic groups.

Chinese Herbs is a health shop carrying vitamins, dietary supplements and other body care products, which are manufactured in China and primarily sold to Chinese customers. However the manager indicated the shop is increasing in popularity with Western people. All products have labeling in Canadian and Chinese, or just Chinese, and usually it is a doctor or acupuncturist who gives consumers advice on what kind of product to buy. The Chinese products require very little advertisement; instead they educate physicians about their products and, in that way, reach the consumer through experts. These findings indicate that most Chinese people based in the Vancouver area have a preference for natural herb products over vitamins. Further, they tend to prefer shopping in Chinese health stores, because they have a greater variety of these products. This is of importance for Vigour, since over 17% of Vancouver’s population is Chinese (Statistics Canada 2008).

4.1.4 Market Trends

As mentioned, the total sales of VDS stood at $861 million in 2006 which represented a moderate growth compared with 2005 (Euromonitor International 2007). The growth in the industry was explained by marketers in 2004 as a shift from prescription medication towards vitamins. The marketing manager for HPI Health Products, Kelli Robinson, phrased it this way: “Many people have found that use of prescription medications has only masked symptoms and in many cases caused more problems than the original health challenge” (Okalow 2004). People would rather look for ways to support the body’s natural tendency towards wellness and balance (2004). Despite the fact that more Canadians are increasingly concerned about eating natural and that VDS had experienced growth in earlier years, the sales of most VDS declined in 2006, especially herbal products (2007). This might be a consequence of the negative publicity regarding the safety and efficiency of herbal supplements, which was reinforced by several product warnings and withdrawals of such products initiated by Health Canada. The warnings were mostly based on side effects and the interference herbal products
could have on the effectiveness of standard drugs (Euromonitor International 2007). Another contributing factor to the modest growth is the new legal regulations in the VDS industry. All new products are now required to be approved by Health Canada before being launched into the Canadian market. The approval process can be very time consuming, as Health Canada sees existing products in the Canadian market as a priority. Health Canada’s regulations and the public information they provide seem to be well respected and followed by Canadians (2007). To counteract the slow demand of VDS in Canada, many manufacturers increased the price of their established products to boost sales value. However, since many subsectors demonstrate a strong degree of private label penetration, the price hike on branded products was somewhat leveled by sales of lower cost store brands (2007).

4.1.5 Consumer Behaviour

Most Canadians have become more health conscious in recent years and many are changing their lifestyles in regards to exercise and nutrition. Canadians are trying to stay healthy by adding vitamins, supplements and herbal remedies to their routines and, according to Print Measurement Bureau (2007), 38% of Canadians take vitamins, minerals and herbal products over a six-month period. On a daily basis, about 30% of Canadians consume these products and the average daily intake is two units. The results of the latest BBM RTS Research Agency (2007) survey show that the average use of vitamins, supplements and herbals is the heaviest in B.C. where 50% of respondents used at least one in the past seven days. The Prairies were second on the list at 49%, followed by Ontario with 45%, Atlantic Canada at 38% and Quebec at 34%. All over Canada, 43% of Canadians took at least one vitamin/mineral supplement or natural remedy in the past seven days. (BBM RST 2007) Findings also confirmed women to be more likely to use supplements, with 59% versus 41% of men using a supplement in the past seven days. Further, women aged 65 or older were found to be the most likely to use supplements, at 68%, in the past seven days. Usually the women are the decision-makers in the buying process involving a VDS product, even when they are not the user. (Vannucci 2008). According to findings made by BC AIM 70% of consumers have a mental shopping list in when shopping and will not pay much
attention to other products. The average customer scans an entire aisle in less than three seconds. Observations made by BC AIM while eye tracking consumers, show that people tend to neglect huge product lines with relatively similar packaging.

Furthermore, there has been a general increase in interest on the subject of natural and alternative methods of self-medication to sustain good health and VDS are becoming a part of many people’s everyday lifestyles (Euromonitor International 2007). A consumer study by Ipos-Reid conducted in 2005, at the request of Health Canada, indicated that as many as 71% of Canadians use natural health products. Regarding what Canadians associate with natural health products, 13% associate it with vitamins and supplements, 12% with herbals and tea, 8% with additive-free foods, 8% with organic foods, 8% with plant products and 7% with toxin free products. The most popular products are vitamins (57% of users), Echinacea (15%), herbal remedies and algal and fungal products (11%), glucosamine (8%), homeopathic medicine (5%), organic products (5%), and supplements (5%) (Euromonitor International 2007).

Studies of vitamins and dietary supplements show that consumers desire more product information (2007). There are many different products on the market and little credible information about the actual effect these products have. This is visible in health shops around Vancouver, were tendencies show that many sales representatives have knowledge deficiencies regarding many of the products they carry. Another important fact is that consumers shopping at large superstore chains tend to be less well educated in terms of VDA products and therefore require help and advice from sales representatives. As a result, the best products may not necessarily sell the most. Products that staff members like, or have knowledge about, are retailing in large quantities (Vannucci 2008).

A focus group was conducted to discover trends in consumer behaviour. The first subject the group discussed was a healthy lifestyle and what they associate with the term: “a healthy lifestyle”. Some of the participants mentioned clean air, a green environment and clean water, while others focused on exercise, yoga and sports. Healthy organic food, fresh fruit and vitamins were also brought up, and the only retailer mentioned was Wholefoods and its subsidiary: Capers. All the participants knew that Capers sold organic and natural health products.
When discussing vitamins and dietary supplements in general, the group meant that these products come in addition to an already active lifestyle. Some said that one thing leads to another, and that when you already are carrying out a healthy lifestyle you are more likely to consume vitamins. These statements are consistent with the findings from the Print Measurement Bureau (2007), stating that people who use VDS are more likely to carry out a healthy lifestyle, including the purchase of organic food at health food stores. There was also a consensus within the group that many people use vitamins when they are starting to feel sick in order to respond to illness symptoms.

4.1.6 Vitamins

Most vitamins experienced a decline in sales in 2006, especially multivitamins which have been many people’s favourite in previous. Vitamin E and “other vitamins”, mostly consisting of antioxidants and mixed vitamins, increased by $2.4 million and $700,000 in retail value from 2005 to 2006, respectively (Euromonitor International 2007). However, the vitamin subsector performed poorly, as vitamins are now added to a large number of foods and beverages (2007). It is not clear why Canadians have turned away from their previous favorite, the multivitamin, and over to more popular vitamins, like vitamin D and mixed vitamins with antioxidant properties. However, it appears that Canadian consumers prefer to choose what specific vitamins they take, instead of using a combination of vitamins (2007).

In Canada, as in the rest of the world, the interest in vitamin D is growing due to the many benefits the vitamin entails. According to an article in The Globe and Mail, scientists and researchers are looking into how vitamin D can prevent serious, chronic ailments such as cancer, multiple sclerosis, diabetes, heart diseases, influenza and schizophrenia (Drescher 2008). The background for the studies conducted on vitamin D is based on the fact that people in northern parts of the world are more likely to develop cancer. Researchers therefore believe that this is due to an insufficiency of sunlight in these areas, since the sun is a large source of vitamin D. The article mentions a study in the Journal Circulation that found that those with low vitamin D levels had a 62%
increased risk of heart failure. Another study from Archives of Internal Medicine discovered that the mortality risk is cut by 7% for those who take vitamin D supplements, and the last study mentioned, conducted by the U.S. National Cancer Institute, revealed that people with relatively high levels of vitamin D in their blood had a 72% lower risk of dying from colorectal cancer (Drescher 2008). As a result of this, additional vitamin D has been added to B.C. milk, among other food products. According to the buyer of general merchandise at London Drugs, Mr. Vannucci, and sales representatives at Capers in Greater Vancouver, there is a great and steady demand for vitamin D. They both found the approach of focusing on vitamin D, from all natural raw materials, to be a good idea. It has been discovered that seaweed and kelp have many beneficial attributes and are good sources of vitamin D, but the public may be unaware that these products contain the popular vitamin since the manufactures are not emphasizing it on labels. However, the focus group conducted on students at Simon Fraser University showed a broad knowledge of vitamin D and its benefits.

According to the manager at Unique Nutrition, vitamin D experienced a magnificent increase in sales after the article mentioned was published. He also said that this type of news coverage, PR and celebrity endorsements were the most effective marketing tools in influencing the population to buy health products.

### 4.1.7 Market Forecast and Predictions

In the forthcoming years these trends are likely to continue. Due to the discovery of natural resources like diamonds and oil (second largest supply in the world), Canadian consumers are likely to experience an increase in income and standard of living, which again will lead to less price sensitivity on necessities which vitamins and food seem to be. Therefore, the VDS industry is likely to experience producers moving towards higher quality and brand image, instead of cost leadership. In Canada, as in Norway, retailers have great power over both smaller specialty stores and producers. Talking to managers of specialty stores, they all agreed that the business was more lucrative 10-15 years ago. Today, some of them have to sell products below purchase price to avoid being eliminated by retailers who are able to sell for less due to operating with larger
quantities. This trend shows that specialty stores are struggling, and retailers will grow their domination over producers even more in years to come.

4.1.8 Legal Factors

In order to export Vigour’s product line to the Canadian market, Vigour needs a license for doing so under the Natural Health Products Regulations, which came into effect on Jan. 1, 2004. Vitamins and minerals are defined by Health Canada as natural health products and Vigour must therefore follow these regulations, which are included in federal law (Health Canada 2007). This license must be applied for to the minister of Health Canada and shall contain detailed information regarding the company and its products. The minister shall, according to the Natural Health Product Regulations (Government of Canada 2003), reply within 60 days and submit a product license if the application contains satisfying information and no misleading information, (a table of required information is presented in Appendix 2), and lastly, the result of usage must not be likely to result in injury to the health of the buyer or the consumer (2003). These regulations are effective in all provinces of Canada.

Further there are requirements to the labelling of the product. The label must contain information concerning usage, storage and content as well as cautions, warnings and known adverse reactions associated with the product usage (Government of Canada 2003). A complete list can be found in the Appendix 3.

There is no law against promoting dietary supplements as long as the product is licensed for the Canadian market. All advertising and promotion must inform the audience about all sorts of usage-related adverse affects.
4.2 Canadian Business Culture

When doing business in Canada it is important to keep in mind the diversity of the country, which consists of people from different countries and cultures. While there are many ethnic backgrounds represented, the main distinction is made between Anglophone and Francophone Canadians. By applying R. Gesteland’s guide on how to do business in foreign countries, it is possible to point out the main differences between the two cultures (Gesteland 2002).

French is Canada’s second official language and when doing business in Eastern Canada, and especially in the province of Quebec, fluency in French is a necessity. When approaching French businesses it is also important to have connections, since relationships are highly appreciated and a direct approach has a bigger chance of being turned down. Anglophones, on the other hand, are more direct and can be reached through phone calls and e-mail. They also tend to be more informal than their Francophone counterparts and prefer low-context communication (Gesteland 2002). When comparing the Canadian business culture overall to the Norwegian one, using Geert Hofstede’s cultural dimensions, some differences do occur (See Appendix 4). Canada scores higher on individualism and Canadians therefore tend to appreciate individual success more than Norwegians, but not to the same extent as their American neighbours. Another difference can be found in masculinity, where Norway scores very low. Canada, on the other hand, has a moderate masculine culture, meaning the Canadian culture is more assertive and competitive than the Norwegian business culture. (Clearly Cultural - Making Sense of Cross Cultural Communication n.d.)
4.3 Porter’s Five Forces

Porter’s framework aims to get better knowledge about where the bargaining power in the supply chain lies, and also give indications regarding the attractiveness in the Canadian market by evaluating the five forces; suppliers, buyers, competitors, substitutes and the threat of new entrants.

4.3.1 Bargaining Power of Customers

The buyers are represented by Canadian and North American retail chains. All the drugstores, health food shops and speciality stores in the VDS sector are buying what the market wants. Even though there are many retailers, all of them have limited shelf space and do not depend on Vigour’s product line to make a profit. On the other hand, Vigour and other producers in the VDS industry are relatively dependent on having shelf space in these well-known chains, because the great majority of products are sold through drugstores, health food shops and speciality stores. Only 10 per cent are sold through the Internet (Euromonitor International 2007), which increases the bargaining power of buyers.

The industry is recognized by many small- and medium-sized companies as well as by two large well-established companies. Since all of the producers have great interest in being displayed on the best shelves at the retailers, the buyers’ bargaining power is even stronger. To enter huge retail chains such as London Drugs, considerable resources must be allocated to a viable promotion plan, and to listing and slotting fees. Slotting fees are also the issue at other smaller specialty retailer chains in B.C. In conclusion, the buyers exercise strong bargaining power as a result of many producers competing in an industry with intense rivalries and where alternative distribution channels are rarely used.
4.3.2 Bargaining Power of Suppliers

Vigour utilizes only the finest raw materials from chosen suppliers and is dependent on these suppliers to carry their products according to Vigour’s strict quality promises. According to the entrepreneurs behind Vigour, Fjerdingstad and Bekheet, quality and deliveries on time by suppliers are critical. “Poor product quality may lead to return of goods, which in a short-term perspective can decrease our profitability” (Omar Paulsen Bekheet 2007). In the long-term perspective, poor quality can also damage Vigour’s brand equity. The suppliers have strong bargaining power based on Vigour’s dependence and lack of alternatives.

The suppliers’ power also increases if Vigour should decide to use statements such as “produced in arctic Norway”, “Scandinavia” or similar production-specific announcements. Vigour is therefore limiting their potential producers to a specific geographical area and becoming more dependent on the producer, thus increasing the supplier bargaining power.

4.3.3 Competitive Rivalry within the Industry

Weber, Jamieson Laboratories and Swiss are the three largest suppliers of VDS and have an 80% market share in B.C. (Vannucci 2008). Swiss and Jamieson have a broad range of products, a strong brand name and well-developed distribution systems. Jamison has a profitable contract with GNC Nutrition, where GNC relabels their products and sells them under the house brand. This is very profitable for Jamison since the house brand gets the best position in the store and is promoted by GNC Nutrition while Jamieson receives a royalty for every product sold. Weber has a similar arrangement with London Drugs. However, it requires extensive production facilities and high brand equity.

Both Swiss and Jamieson are Canadian companies with several years of experience in the VDS industry. Jamieson exports to more than 50 countries, including the U.S., China, Japan, Hong Kong, Korea and Singapore, and has taken action in order to
survive an increasingly global market. Both Swiss and Jamieson price their products relatively low, making them affordable for all segments of the population.

Since Vigour’s product portfolio consists of three different products, it will affect which brands and companies each product is in direct competition with. The following sections are therefore divided into the different products to give a better description in regards to direct competitors.

4.3.3.1 Pure: DETOX

The closest competitors for the Pure: DETOX product from the Arctic Seaweed Complex is companies such as Renew Life and ReCleanse. Renew Life offers a series of 15 different cleansing and detox products. According to the manager at Unique Nutrition, this product was selling itself and the customers needed no explanation from the employees, which was explained to be the result of good and informative promotion. The products contain minerals, vitamins, herbs and amino acids in order to support the cleansing of the liver and range in price from $20 to $35 Cdn (Manager UN 2008).

Another popular brand is the Herbal Cleanse produced by ReCleanse. Both Renew Life and Herbal Cleanse enjoy high sales and are found in almost every retailer operating within the VDS industry and both products are priced in the same price range. The products, recommended usage are two weeks, 2-3 times on an annual basis which, is similar to Vigours Pure: Detox. Renew Life found a way of selling more by introducing a broader product line: one product to be used in the preparation phase of the detoxication cure, the actual detox, and finally a product to be used immediately after the detox cure is finished.

4.3.3.2 Daily: PROTECTION

Multivitamins have a well-established position in the market, but sales have shown a slight decline in Canada as more customers have shifted towards single vitamins to better serve their specific needs. According to Mr. Vannucci at London Drugs’
headquarters, the customers buying multivitamins tend to be less well educated about vitamins and cannot pinpoint their exact needs.

Within the VDS industry, there are also brands that are based on kelp. For instance, Nutrition House offers a product called Norwegian Kelp, $12 Cdn. Even though this product is produced in the Caribbean, it can be seen as a cheaper alternative to Vigour, in terms of its name. A quick search online on some VDS retailers’ portfolios shows that there are several actors in the business, some more serious than others who claims to use only Norwegian kelp in their products, which again, can cause problems for Vigour in terms of price and credibility.

4.3.3.3 Figure: BALANCE

There are several products on the market used to lose weight. These products focus both on taking away the appetite for sweets and help the body digest and process food more efficiently and burn more calories. One of the best-selling products in this category is Hydroxycut Hardcore from Muscle Tech, which seeks to increase the process of burning calories. The box containing one-month usage retails for $70 Cdn., and enjoys high sales due to lots of promotion in magazines and other print media. The price is considerably higher than the benchmark brand in the VDS industry. New competitors must be able to differentiate their products from the existing products and use promotion to inform and educate the market.

4.3.4 Threat of Substitute Products

For the same reason as above, this section concerning substitutes also divides the three products in the ASC series in order to get a more accurate and systematic overview.
4.3.4.1 Pure: DETOX

Common substitutes for the detox product can be alternative ways of cleansing the body. Fasting for a period of time, eating raw food and other all-natural ways to cleanse the body are alternative detoxification methods. However, this is not commonly exercised among most people. Other substitutes can also be detox patches, which pull out toxins through the pores. Nevertheless, patches focus more on skin care while Vigour’s Pure: DETOX cleanses the body from the inside and outside.

4.3.4.2 Daily: PROTECTION

Vitamin C is a strong substitute as well as flu shots. Vitamin C is among the most purchased vitamin in Canada, and represents a million-dollar business alone. Cold FX managed to capture a major market share and charges a premium for its products as a result of aggressive promotion, including celebrity endorsements. As described above, the more educated consumer in terms of VDS products is more likely to choose more specific vitamins to fulfill their needs rather than a multivitamin. Fruit, with a high concentration of vitamins, is also a viable alternative to Daily: PROTECTION.

4.3.4.3 Figure: BALANCE

Training and regular exercise, in addition to different diets, are substitutes for weight-management products. These non-food-supplement alternatives can be seen as substitutes to Vigour’s Figure: BALANCE.

4.3.5 Threat of New Entrants

In order to reach the market it is required to get a license from Health Canada. For exporters, Canadian import requirements must also be fulfilled. Brand equity, working distribution and promotion channels, in addition to the process of building trustful
relationships and consumer awareness, must be seen as a time-consuming and costly process. The threat of new entrants must be seen as low.

4.3.6 Porter’s Five Forces Conclusion

The attractiveness of the industry is evaluated to be moderate. Even though the competition is intense and the buyers exercise high bargaining power where the producer is responsible for promoting the product and take on all the risks, the industry has many niche markets. The rivalry in the industry will decrease, thus better Vigour manage to differentiate its product from being just a supplement into being a lifestyle. Opportunities to differentiate and add additional value for the end-user opens niche markets with lower competition. Certain niches in the market are easily ignored by the big corporations. Substitutes do not pose a viable threat in the industry and the alternatives are rarely exercised. Brand equity is critical in order to gain the consumer’s trust and the potential retailer’s shelf space. However, with a well-established global brand, economies of scale and well incorporated distribution channels, the profit margins in the industry are good.

4.4 Country of Origin Effect

Several studies claim that the country a product is produced significantly affects the consumer’s preferences for the product. The effect is often explained by limited rationality and the consumer’s need for simplifying the decision process. The perception of a country can create a halo effect based on the perception of the country of origin which can transmit to the product. It is also claimed that information about the product reduces the country of origin effect. (i.e. country of origin effect has the potential of simplifying the search for information or work as a substitute for information) (Scott S. Liu 2005).
In order to get some input on Canadian’s underlying perception of Norway, a focus group was conducted. The findings are not significant since the focus group consisted of a non representative selection of the population, (i.e. only business graduate students at SFU). However, the focus group had consistent associations and provided theories and indications regarding country of origin, which can be the subject for further research. Words the participants in the focus group associated with Norway were words such as; mountains, cleanness, purity, arctic, coldness and Scandinavia. The focus group seemed to look at Norway as a part of Scandinavia rather than an individual country. However, the participants did not associate seaweed with Norway because they were of the perception that seaweed was the opposite of clean. On the other hand, they said it would make more sense with fish oil from Norway. Based on the findings, words such as Scandinavia and arctic should be emphasized as country of origin. These words seem to have very positive connotations for Canadians and are associated with cleanness and purity. The findings will be incorporated later in the product and label section under the marketing mix section.

Lousie Heslop and Nicolas Papadopolous at Carleton University in Canada conducted a study in 1999, which aimed to find how 18 countries were perceived among people in 15 countries. The sample size consisted of 294 to 338 consumers in each country, making it a total of 4,627 respondents. The participants ranked each country on different attributes from 1-7, and by looking at how Norway scores in Canada, it is possible to see how Norway is perceived among Canadians. On the “product attribute”, which tells us how products are perceived in terms of quality, Norwegian products scored 4.8 and the willingness to buy products from Norway was 5.1. On the third feature, about Norway as an ideal country, the score was 4.6. Overall, the study concluded that Norway has a high profile as a country of origin among most European and American countries, and is perceived on the same line as Sweden and Canada, but does not have as good a profile as Germany and the Netherlands.
4.5 Solberg’s Nine Strategic Windows

Solberg’s framework seeks to give indications for a suitable strategy choice based on the nature of the industry and the company’s ability to internationalize (Solberg 2005). (See Appendix 5 for the entire framework.)

4.5.1 The Nature of the Industry

The buyers in the VDS industry are usually operating as retailers within huge chains and are therefore relatively few in number but huge in size. The competitive landscape is dominated by two large companies and can be best described as partly fragmented, because of the numerous smaller competitors that also operate in the industry. The demand is heterogeneous due to the varying customer preferences and needs. Many of the brands and products vary greatly in what they strive to achieve and can in many cases be used in addition to rather than instead of. In terms of entry barriers, brand equity and customer demand pose the greatest obstacles, in addition to import regulations and policies enforced by Health Canada. There are also opportunities and gains from economies of scale in the VDS industry since distribution-related costs can be reduced greatly by delivering greater volume. In conclusion, the described features within the industry indicate that the nature of the industry is neither global nor local. The industry can best be described as increasingly global.

4.5.2 The Company’s Ability to Internationalize

Vigour’s management is highly committed to the expansion, but are missing some core elements in their ability to internationalize, such as a satisfying market share in the reference market and networks and relationships with key players in the Canadian market.
The ability to internationalize can be enhanced by hiring more qualified people. A manager with responsibility to make business relationships in Canada and to monitor trends in the consumer market would improve Vigour’s ability to internationalize. Also, by building a stronger brand in Norway and capturing a market share in the reference market it would strengthen the opportunities for a market expansion in Canada.

4.5.3 Seek International Niches

Vigour is described by Solberg’s strategic windows as a company with limited international experience that is facing increased competition from international companies. As a result of an increasingly globalized industry, it becomes critical to expand to internationally. Without having the stability and advantages an international company have acquired, Vigour could stand to lose market share to global companies entering the Norwegian market. This may not be the situation yet, but within time, in an even more globalized market with fewer import barriers, this may occur. Changes in the external environment can have implications for Vigour in terms of stronger competition.

Vigour is advised, by Solberg’s framework, to seek niches in international markets by emphasizing competitive advantages. Innovativeness and quality of natural raw materials are, among others, competitive advantages for Vigour. By employing the niche strategy, Vigour can acquire valuable experience in conducting international trade and increase the company’s ability to internationalize. Vigour can also charge a higher price for niche products with high profit margins. Capital will be an important asset for Vigour.

Vigour must also strive to differentiate its niche as distant from its competitors as possible to avoid direct competition. This can be done through patent protections and most importantly by branding. Differentiating the marketing mix in order to protect its
niche and define the niche market as accurate as possible will be critical. Throughout history many Norwegian companies have expanded to new markets and gone head-on with the well-established competition. The companies experienced significant losses and had to pull out as a result of not defining its niche adequately (Solberg 2005).
5.0 DISTRIBUTION CHANNELS

The most common way of distributing vitamins and dietary supplements in Canada is through drugstores (Euromonitor International 2007). Health food shops were hit hard by the new regulations and experienced a decline in share of sales, now accounting for about 15% (2007). While Canadians are showing an increase in online shopping, this did not apply in the vitamins and dietary supplements industry. Direct sales only account for around 10% (Euromonitor International 2007). The following section evaluates different ways of entering the Canadian market, followed by critical success factors for each option.

5.1 Food and Drugstores

As found in Porter’s analysis, the buyer possesses the bargaining power when negotiating with food and drugstores. This imbalanced and unfavourable situation can make the entry into the organized retail chains time consuming and expensive.

5.1.1 Capers

Capers Community Markets is fully owned by Whole Foods Markets, which is operating all over North America and is the leading natural and organic foods retailer in Canada with four locations in Greater Vancouver (Capers Community Market 2007). Capers sells a broad selection of organic food as well as dietary supplements, vitamins and other natural health products and is considered a high-end retailer with relatively high pricing compared with other retailers. As the market leader in organic foods, Capers attracts health-conscious men and women searching for organic food choices. The target market is less price sensitive and is willing to use a considerable amount of money on their own health.
Decisions regarding Capers’ selection of vitamins and dietary supplements are made by several different departments, according to a member of Whole Foods’ vitamins and dietary supplements team. The regional headquarters of Whole Foods Markets are responsible for buying and distributing the products to Capers. The regional office performs several quality-control tests before deciding whether or not to accept the product. After passing the test, the most critical matter will be to influence every individual retailer to carry Vigour’s products. To get accepted, new products must be superior in pricing, packaging and quality.

In order to get into the product portfolio, Vigour must present its products to the regional head office. The next step would then be to influence the individual retailers to carry its products. An important factor would be to demonstrate customer demand by showing proof of sales in Norway/Scandinavia. New products must be unique in terms of filling a category need and Vigour’s brand positioning and promotional approach will play an important role in getting access to retailers. It is reasonable to assume that Whole Foods is operating with listing and slotting fees, which are premiums that Vigour must pay in order to get considered as a serious vendor. Based on numbers from the wholesaler and drugstore giant London Drugs, the annual fees vary between $20,000 and $30,000 Cdn. in total.

Further, a new supplier must also be able to provide a copy of the company’s liability insurance, for which Capers requires a minimum of $2 million in the general-aggregate portion. Capers is exercising a “customer return policy” similar to most retailers, which gives Capers the right to send products back if they do not sell, and the supplier must carry all costs. A complete list of requirements and the standard application can be found in Appendix 5.

The distribution of products is handled by UNFI Warehouse (see Appendix 5). United Natural Foods Inc (UNFI) is a full-line natural products distributor offering wholesale service to all classes of trade, including natural food stores, supermarkets, food service accounts and buying clubs throughout the U.S. The Western Region includes locations in Rocklin, CA, Fontana, CA, Auburn, WA and Denver, CO. (United Natural Foods n.d.)
5.1.2 Pharmamart

Pharmamart retails basic grocery, household items and, among other amenities, pharmacy products. This strategy can be interpreted as an attempt to compete directly with Shoppers drugmart and Wall-Mart, among others, and also as a response to the success of the basic grocery, in addition to the modern Zellers prototype.

The manager at one of Vancouver’s Pharmamart, Mr. Hani Al-Tabbaa (2008) could inform that this particular pharmacy store is using four big distributors. The local manager for each store then decides what to put on the store shelves. However, the product has to be in the distributor’s portfolio, since no products are bought directly from producers or agents.

Mr. Tabbaa also mentioned a constant change in the business of packaging vitamins, where daily packages are getting more common. A daily package contains the daily supplements for one person or a pill board with different vessels for each pill. According to Mr. Tabbaa, consumers appreciated the freshness the daily packages gave and were perceived among consumers to avoid evaporation, in addition to keeping the pills and vitamins in a superior condition (Al-Tabbaa 2008).

5.2 Food/Drug Stores – Critical Success Factors

- Be able to make long-term investments, since money and commitment are important factors.
- Each store is making decisions about what products they carry and B2B promotion, with focus on relationship building, must therefore be executed.
- There must be a demand for the product in order to convince each store to carry the product.
5.3 Specialty Stores

Specialty stores are retailers carrying vitamins and dietary supplements exclusively. Overall, there are many retail stores specializing in VDS, both privately owned and organized chains. Some of the largest are examined in the following section.

5.3.1 Nutrition House:

Nutrition House began franchising outlets in 1993 and today over 70 Nutrition House stores are located in malls across Canada. Nutrition House has the largest variety of natural health products of any Canadian chain and every Nutrition House employee receives ongoing education through the Nutrition House Training Program. The program seeks to ensure that their customers receive friendly and knowledgeable service every time they visit the store. Nutrition House’s products include national brands of vitamins, supplements, body care and sports nutrition products, as well as exclusive Nutrition House Extra products and co-branded Extra-value products. (Nutrition House 2007)

To be considered a supplier, Vigour Health will have to provide products that are within Canadian regulations and give Nutrition House up to 90 days to review the product samples and information. Further, the product submission must be accompanied with proof that the company possesses a minimum of $2 million Cdn. of product-liability insurance, follow all relevant Health Canada and NHPD regulations and exercise bilingual labelling. Vendors must also submit a summary of advertising plans for the products to be considered, among other information (see Appendix 6 for a complete list of requirements).

All decisions are made by the head office in Ontario, such as marketing and advertising campaigns, along with the product portfolio. The head office has a range of products that the different franchisee can choose from. The franchisees are not certified to carry...
products that are not approved, however, they determine which products they want to carry by ordering from the head office’s portfolio of products. Nutrition House sells mostly Canadian and American brands, but also stock international brands (e.g. from Germany). Health conscious people aged 25 plus are the most common customers (Mitchell 2008).

5.3.2 GNC

GNC (General Nutrition Centres) is the largest global specialty retailer of nutritional products; including vitamin, mineral, herbal and other specialty supplements and sports nutrition, diet and energy products. GNC has more than 4,800 retail locations throughout the U.S. and franchise operations in 48 international markets. In B.C. there are 26 GNC stores (General Nutrition House 2008).

GNC is an American owned chain retailing products from all over the world approved by Canadian regulations. GNC is similar to Nutrition House in terms of the head office’s list of accepted products to be retailed by the individual stores as well as the centralized decision power. The head office makes decisions regarding marketing and product portfolio. The difference between GNC and Nutrition House is that GNC has a larger supply of products in other categories, including protein powder and sports nutrition, and they also attract other consumer segments.

GNC's retail stores stock a wide range of weight loss/bodybuilding and nutritional supplements in both their own numerous in-house brands (which is in collaboration with Jamieson) as well as third-party brand names. GNC’s house brand seemed to be the most popular products at GNC as it also occupies the best shelf space in the store. GNC stocks some kelp products within the price range of $12 - $15.

In order to be approved as a GNC vendor, Vigour is required to submit a product for review. All future suppliers must download the New Product Submission Form on the company’s website, and follow the directions on the form to begin the review process.
This process of getting GNC to review a submission would typically take about four weeks. Product information should be sent to the head office in Pittsburgh, PA., and include a non-returnable sample of the products along with background information on the company and a pricing proposal that includes product cost and suggested retail price. Further, it is required to outline any advertising/promotional programs the vendor would have for the product for the current year and the total dollar expenditure. (For the product submission, consult Appendix 7)

5.3.3 Unique Nutrition

Unique Nutrition is unique in the sense that it contains only one store and is run as a family business. The store is inside a fashionable mall: “The City Square”, which includes a wine store, a euro–style cappuccino and pastry bar, a gourmet Chinese restaurant and a large grocery market, among others. As the website states; “City Square has all the ambience of a European village” (Greater Vancouver Hotels n.d.) The average customer shopping at this mall tends to be enlightened, health conscious and willing to pay more for better quality and service.

Unique Nutrition buys its products directly from distributors as well as from producers, which are often represented by a salesperson (Manager UN 2008). As long as the product is good enough and can prove that it has been through an extensive research period, the manager seemed willing to stock it. Unique Nutrition buys and owns all the merchandise in the store, except one brand called Pro-line, which they had a consignment deal with. Pro-line had some of the best shelf space in the store, but because of a lack of marketing, it was not selling as projected. Pro-line is a completely new brand and it goes to show that it is possible to get premium shelf space and a good deal without a well-known name (Manager UN 2008).

Unique Nutrition operates with a 40% markup and a 5-10% profit margin, which is lower than the industry standard. Due to more moderate growth in the VDS industry and development of multiple big and small competitors, Unique Nutrition experiences
declining income (Manager UN 2008). For example, the price of Norwegian Kelp and other kelp products, now sell for half the initial retail price. In other words, the store lost money on every sale. The reason for this extreme price reduction came from the lack of sales over time, which again could be due to lack of marketing. The manager told us that kelp products in general did almost no advertising, and that consumers had too little information about the product and its benefits. The sale of these products was often done when the salesperson in the store explained to the impulse buyer what the benefits were (Manager UN 2008).

5.4 Specialty Stores – Critical Success Factors

- Convince each retailer to carry the product (B2B). It is not only a matter of being introduced into the chain’s portfolio, but more about the ability to be visible to a greater extent so that each manager of a franchise store will order your product. To be able to do this, Vigour must conduct marketing and advertising, and thereby create consumer demand before even selling a single product.
- Differentiate the product design, due to the high level of competition and the high number of products in the shelves.
- Educate sales personnel about the benefit of the products in order to make them recommend the Vigour product line. This can be achieved by giving the store staff sales incentives, which will be important based on the fact that sales staff tend to play an important role in the consumer’s decision-making process.

5.5 Wholesale

Entry through a wholesaler enables Vigour to distribute its product line to a broad selection of retailers. This strategy reduces the risk related to entering foreign markets, as Vigour would use the wholesalers’ experience and local knowledge. The two wholesalers identified are London Drugs (LD) and Katz Group. LD is not a traditional
wholesaler, but is operating on the same basis as Katz Group, and both chains handle storage and distribution by themselves.

5.5.1 London Drugs

London Drugs is a 100% Canadian owned chain and operates 68 stores across Alberta, Saskatchewan, Manitoba and B.C. LD tends to sell mostly basic products, but is, according to Mr. Vannucci (2008), seeking to refresh people’s opinions in relation to the chain, through carrying newer, more innovative brands. LD’s consumers are described as less well educated in terms of what specific VDS products they are looking for and the sales representatives are therefore a very important reference person in the consumer’s decision-making process. “People don’t want info, they want solutions” (Vannucci 2008).

It is not free or without risk to enter a huge retail chain such as London Drugs. LD operates with a profit margin of 40-60% on VDS products and there are many expenses related to distributing products through wholesalers. First, a onetime listing fee at LD of $10,000 Cdn, covering the work related to include the products into product listings. Vendors would have to provide $15,000 Cdn to LD as a fee that would be used for advertising. In addition, new vendors would have to do advertising accounting for about $15,000 Cdn themselves. The slotting fee would be an annual premium of $15,000 Cdn however; Mr. Vanucci indicated that the fee could be higher or lower depending on the potential of the product as well as relations in the industry. In terms of storing and transporting the products to the stores, LD is entirely responsible.

The buyer at the head office, Mr. Vannucci, makes decisions on behalf of all London Drugs outlets. In other words, the slotting fee is covering access to all of LD’s stores. New vendors will have to bear all the risk. If the product doesn’t sell according to LD’s three-month sales prognosis, the entire supply will be shipped back to the producer, and
Health Worx is a small firm producing prescription-free medicals in pill form, and has clear similarities to Vigour. They entered through London Drugs with their high-end product. Health Worx does not have the financial strengths and resources and could therefore only afford limited shelf space in London Drugs. They sell about 150 bottles a month, each retailing at $60 Cdn, which is higher than all of London Drugs vitamins and other prescription-free medicals. The revenue for each bottle is around $25 Cdn, bringing the monthly total revenue up to $8,000-$9,000 Cdn. Every small company without the brand equity is only given a small place in London Drugs’ shelves and the cost structure would be the same, 40-60% of the retail price would go to LD. If the product sells for $60 Cdn, LD would receive about $35 Cdn of the retail price.

5.5.2 Katz Group

The Katz Group is one of North America’s leading drug store operators with over 1,800 drug stores in Canada and the U.S. Katz Canada comprises more pharmacies than any other retail pharmacy network in Canada. (The Katz Group of Companies 2008 ) In addition to its retail operations, the Katz Group owns and operates Canada’s only national mail-order pharmacy business; Meditrust Pharmacy Inc., which according to their website, is one of Canada’s largest institutional pharmacy operations. The Katz Group also maintain close contact with McKesson Corporation, one of the largest suppliers to North America’s retail pharmacy industry. (The Katz Group of Companies 2008 ) Its Canadian portfolio includes Herbie’s for Drug & Food, Medicine Shoppe Canada and Pharma Plus Drugmart, as well as the Medietrust mail-order pharmacy group. The Katz Group operates Snyder’s (acquired in 2001) stores in the U.S. as well. Its private-label brands are being consolidated under the “Rexal” name, while the pharmacies are uniting under the PharmAssist program (Hoover’s Inc 2008).

New vendors are required to send their leading products along with a sales plan to the head office. When evaluating new products, Katz Group will look at sales in other markets, and the product should be well-established before Katz Group will welcome it
in its product portfolio. Bilingual labelling and thorough testing are also required (Lauren 2008). Katz Group will promote products in flyers, if they perceive the product as innovative and unique (Lauren 2008).

To distribute products, Katz Group uses a third party, McKesson Canada. McKesson Canada carries more than 35,000 products, in 16 distribution centres, and provides logistics and distribution to over 800 manufacturers delivering their products to 6,300 retail pharmacies, 1,350 hospitals, long-term-care centres and clinics and institutions, all over Canada (McKesson Canada 2008). If Katz Group accepts a new vendor, the vendor’s product line will get instant access to all retailer chains in Katz group’s portfolio (Lauren 2008).

5.6 Wholesale – Critical Success Factors

- Money and the willingness for a long-term commitment. The retailer has all the power and Vigour would need to have enough resources to pay whatever the wholesaler demands.
- Relationships with the wholesaler. Once the producer gets into the wholesaler’s portfolio, every single store would carry the product. Decisions regarding new brands getting into the chains or not are based on whether the decision makers/buyers in LD/Katz Group likes the product and thinks it has potential to sell according to goals.
- To influence the buyer, Vigour would have to show sales numbers from other markets. This is particularly relevant for entry through Katz Group, as they demand sales figures, while LD seemed more willing to test new brands and products.
5.7 Online Retailing

5.7.1 Cureself

Cureself Inc. is a Canadian online dispensary of natural health products for the consumer market. Cureself has a well-developed distribution channel and guarantees free delivery within 1-7 business days in Canada, and 3-7 business days in the U.S. (Cureself 2008). They also have customers in Europe, Hawaii and parts of South America (See Appendix 8 for a complete overview of Cureself’s locations). Cureself are responsible for storing, packing and sending products to consumers.

In order for Vigour’s product line to be included in Cureself’s portfolio, consumer demand was pointed out as the most important factor. “We will not stock it up without knowing the demand. In reality, there are so many health brands and so many fish oils in the market; you have to put some effort and money into ads/articles/shows to convince people to buy products. In the health food business, brand image is very important. Anybody can sell fish oils or other food supplements. It takes time to build awareness.” (Demi 2008). Cureself encourages companies to become affiliates either if they have a vitamin or dietary supplement to sell, or a website/store that needs promotion (For the affiliate form, see Appendix 9).

5.7.2 Nature’s Essence Health Products Inc.

Nature’s Essence Health Products Inc. (Nevitamins) is one of the largest privately owned health supplement providers in Greater Vancouver. Nevitamins’ objective, since 1997, has been to provide people with the highest quality products at competitive prices and all major Canadian and American brands are represented in their portfolio.

Nevitamins has four retail stores around the Vancouver area, but rely mostly on online sales (Nature's Essence Health Products Inc. n.d.). Nevitamins buys their merchandises from distributors and then uses Canada Post to ship it to consumers. To be represented
in Nevitamins’ well-respected online-store, Vigour would have to deal with an intermediary, a distributor (Emily 2008).

5.8 Online Retailing - Critical Success Factors

- Building trust and relationships with consumers, since customers like to touch and see the product before purchase. An informative, appealing and credible web page will be critical in order to build trust.
- Extensive promotion is needed to inform and educate consumers.
- Efficient distribution channels to ensure quick delivery to consumers.

5.9 Private Labeling

Private label products are typically those that are manufactured or provided for under another company’s name. They are often positioned as lower-cost alternatives to more recognized brands and private label-brands are well-respected and perceived to maintain relatively high quality by Canadian consumers. This is in strong contrast to the Norwegian market, were private label-brands often are considered a poorer-quality alternative.

There are various types of private labelling:

- Store sub brands: Grocery giant Safeway.
- Store brands: Speciality store GNC.
- Umbrella branding: Vitamin producer Jamieson Laboratories.

Private labelling is usually profitable when large quantities are being produced and a way of doing business that implies low risk as well as low profit margins (Vannucci
2008). Due to Vigour’s limited production facilities and their desire to be differentiated, it is not recommended that they go in with private labelling at this stage.

5.10 Alternative Distribution Channels/Partners

Because of the intense competition and the buyers’ bargaining power, some alternative channels of distribution and potential partners are being analyzed in addition to the more traditional ways to enter the market.

5.10.1 HerbaLife

HerbaLife is a company that operates with independent distributors in order to sell their products. The company is a member of the Direct Selling Association (DSA) and their business model is based on ordinary people who buy products in large quantities, from HerbaLife, and then sell these to the end consumers. Today the company has 1.7 million distributors in 65 countries and they are still growing (Herbalife International of America, Inc 2007). HerbaLife produces their own products, but it is possible for other vendors to join their product portfolio under the HerbaLife brand. In the case of Vigour, HerbaLife would not be the best way of entering the Canadian market, because of the goal of establishing itself as an independent brand of high-end lifestyle products.

5.10.2 Lululemon Athletica

Lululemon is a yoga-inspired athletic apparel company, founded in 2000 in Kitsilano, Vancouver. Lululemon’s mission is: “to provide components for people to live a longer healthier and more fun life.” Their target market is described as: “individuals that work, play and share our vision of creating healthier, happier and more fun lives!”
Lululemon designs their own yoga and fitness apparel in addition to accessories for both men and women, which they offer in their stores in the U.S., Japan, Australia and Canada. Lululemon also hosts yoga classes and other events, as well as using known yoga teachers as “ambassadors”. To get a picture of how popular Lululemon is, it is worth mentioning that despite accusations about not including the promised seaweed in some of their clothes, sales did not drop and the brand still stays popular.

Despite the fact that Lululemon does not offer products from other suppliers yet, their mission and target market seem to fit well with what Vigour wants to accomplish.

**5.10.3 Helly Hansen**

Another alternative distribution channel, similar to Lululemon, is the Norwegian company Helly Hansen, which is well-established in Canada with several stores. H/H is a global leader in action-utility wear for survival, work and sport. Innovation has been a foundation of H/H since the company was established in 1877, and its technical outdoor products are designed to be an enabling layer between human will and nature’s forces (Helly Hansen n.d.). Similar to Lululemon, H/H is perceived as a relatively high-end brand in Canada and targets people with an active lifestyle. H/H is targeting active, outdoor people who appreciate nature and wilderness.

**5.10.4 Voss Water**

Voss Water is ultra-premium Norwegian bottled water, currently present in 30 markets worldwide, with the focus on North America. VOSS Water is naturally unfiltered, low in mineral content, and the closest thing to pure H2O available to the public.

Voss Water and Vigour share organizational similarities; both companies are founded
by two inspirational, innovative young men from Norway who have recognized and understood that it is the power of building a differentiated, luxurious brand that would help them achieve success.

5.11 Logistics

5.11.1 Distribution within Canada – Canada Post, FedEx, UPS

In order to ship products from Norway and distribute products within Canada, there are several options. UPS, FedEx and Canada Post all provide producers and online retailers with the opportunity to get their merchandise delivered to the consumer’s door within a short period of time.

Each day Canada Post provides services to 14 million addresses within Canada and according to Canada Post, 96% of these are on-time deliveries (Canada Post 2007). While Canada Post is a state controlled company, FedEx and UPS are private global delivery companies. Both companies offer a variety of services, including shipping (from most Western-world countries, including Norway), packaging and labelling and end user distribution (United Parcel Service of America, Inc. 2008) (Federal Express Canada Ltd. 2008).

UPS is willing to ship Vigour’s products directly to the customer and can provide Vigour with a service package consisting of the following elements;

- Distribution from Tromsø, Norway, Vigour’s place of production, to downtown Vancouver.
- Storing place in the Sinclair Centre (downtown Vancouver). This would work as a warehouse for Vigour, and UPC would have control over the goods. In that way, UPS would be able to do packaging and distribution of online-ordered products directly to end-consumers in all of the Lower Mainland (See Appendix
10 for map). UPS guarantees one-day delivery in this area.

- Lastly, Vigour would be provided with software from UPS. This software would make it easy to give UPS all online orders received on Vigour’s homepage. Thereby online orders could be received on a computer in Norway, and communicated easily to UPS, which would take care of the distribution to the end user (Moosaei 2008).

5.11.2 Distribution from Norway – Schenker Logistics

Schenker Logistics is one of the leading international providers of integrated logistics services. They provide support to industry and trade in land operations, in worldwide air and ocean freight and in all associated logistics services (Schenker Logistics 2008). One shipment of 1,000 kilograms, from Oslo to Vancouver would cost $4,500 Cdn., where as transport to Oslo and local taxes in Vancouver is not included. Large shipments like this will often get a price-upon request, considering that there might be offers on available space on different flights and so on. A shipment of one tonne is just an example of a large shipment to explain the price range of transport costs from Norway to Canada. (Skogstad 2008)

The fuel/security fee airline companies charge is currently $1.82 Cdn. Per kg, but this fee changes on short notice and has increased lately. Due to a recent fluctuation in the fuel/security fee, Schenker Logistics cannot guarantee the price of $4,500 Cdn, but is still a good guide price (Skogstad 2008).
6.0 SWOT ANALYSIS

6.1 Strengths

A significant strength for Vigour is their willingness to search for international opportunities. Even though Vigour is a newly established organization, they plan to expand operations into international markets and there is a corporate culture where innovativeness and international expansion opportunities are encouraged. Vigour’s attitude and competence towards adapting the product line to better suit the Canadian market is another definite strength.

Vigour has innovative products and a strong R&D department. Within the organization it has a high level of competence in product development.

The country of origin effect seems to be a strength, considering that Norway is seen as clean and pure. In addition, words like Scandinavian and arctic, which are perceived even better than Norway, can be used.

Lastly, the strict regulations in Norway set very high quality standards for all corporations in the industry and can prepare Vigour to meet Health Canada’s requirements for entry.

6.2 Weaknesses

Vigour has not yet achieved a position in their home market because they are still in the introduction phase. At this time, in terms of internationalization process, this is obviously seen as a weakness. However, having in mind that Vigour is a new company; this will change in time.
A second weakness is Vigour’s financial resources. To expand into new markets, financial resources must increase compared with the status quo at this point. Expansions are in most cases an expensive process, as promotion, distribution, transportation and further research are some resource-intensive operations to be covered.

Lack of international competence is also seen as a weakness, which is emphasized by the great geographical distance between Canada and Norway.

Further, Vigour’s products have no brand equity in Canada. Brand equity is very important in order to get accepted by retailers and consumers. Since transportation and lack of economies of scale will increase the production costs to a level where cost leadership is impossible, brand recognition an addition to premium quality is a necessity to compete in a very intense industry.

**6.3 Opportunities**

Canada represents a market with huge potential with a large population. The industry is showing significant values and the consumption of VDS products are satisfying, reaching $861million Cnd. in 2006 (Euromonitor International 2007).

Bilateral trade agreements between Norway and Canada are formed in order to promote and stimulate more trade between the countries. The free trade agreement between Canada and EFTA will remove taxes and duties on products exported and imported between the trade unions. VDS are among the products agreed upon within the GATT agreement and is subject for less duty.

A great number of retailers and different distribution channels allow for many opportunities in the process of getting the product available for consumers.
Opportunities to enter the market by focusing on niche segments, neglected by the bigger corporation, are commonly used entry strategies. By increasing revenue through high profit margins on niches, Vigour can acquire more resources, brand equity and a customer base to go head on with the tougher competition later on. Niche markets are recognized by low volume and high profit margins.

Large retail chains, such as London Drugs, are seeking to enhance their assortment with new innovative products such as Vigour’s ACS series, making the chances of succeeding in LD greater.

6.4 Threats

The industry consists of numerous competitors with a stronger brand and more financial recourses than Vigour. The level of intensity in the competitive landscape has increased even more now, while the demand for VDS products has stagnated, with a growth in market value accounting for 1-2 per cent annually. (Euromonitor International 2007)

Further, the process of getting into a retail chain can be seen as expensive and time consuming. Both Health Canada and the regional office for the retail chains of interest must accept the product based on a series of tests. Then the product must be ordered by the individual retailers, which preferably only order products with a well-known brand name – products they know they can sell.

Recently, different detox/cleansing products have been subject to bad publicity in the media, claiming the products have no effect. The participants in the conducted focus group had the same opinion regarding detox products and showed little trust in any improvement caused by cleansing pills or other products – claiming it was a fad in its last declining period. The word “detox” can be associated with rehabilitation and drug/alcohol abuse. The institution where people get placed under the influence in order to sober up is often referred to as the “detox”, as well as rehabilitation institutions.
such as Canada Detox Centre. This term can have undesirable connotations in the consumers’ minds. Many competitors offering detoxication products have branded the product as a “cleanse”-product rather than a “detox”-product.

Canada is a market far away in geographical distance and amplifies the economic risks involved with the expansion to an even greater extent.

**6.5 Critical Success Factors**

Distribution channels are critical in most industries and the vitamin and dietary supplements industry is no exception. The retailers in the Canadian market exercise very high bargaining power in negotiations. The intense competition and the fact that most retailers operate within large chains, enhance this power. Based on the difficulties of getting the products on the retail chains’ shelves and exposed to the consumer, several other critical success factors can be outlined:

- First, it is vital to create brand equity through promotions to persuade retailers to carry Vigour’s product line. Without a demand, brand name or promotion, most retailers are not willing to carry the product as they might not get the product sold. As stated earlier, brand equity is a necessity in order to compete in a highly competitive market where the opportunities for cost leadership are not viable as a small exporter.

- The second point is also linked to the first factor. The promotion plan requires significant resources in order to achieve brand recognition and acceptance from retail chains.

- Relationships will play a significant role in the process of starting business in foreign markets. The importance of relationships applies for both promotion and distribution channels.
• Knowledge in terms of trends in the consumer market is also a success factor in relation to designing the product with appealing and desirable package in mind.

• Lastly, Vigour is required under law to obtain a product license from Health Canada in order to sell products.

6.6 Strategic Gaps

The gap between the actual company situation and the success factors can be defined as a company’s strategic gap. As a new company, the gaps are usually greater in number and Vigour needs to pay attention and strive to close any existing gaps with the aim of increasing profits.

• The biggest gap is Vigour’s brand equity. The brand name can easily be transferable in Canada, but promotion is required to create brand awareness and trials. Promotion strategies and costs will be outlined under the strategy part.

• Financial resources are vital in order to close many of the gaps. Vigour does not have a predicted, steady cash flow in the reference market yet and is missing financial strength. However, resources are allocated for a possible market expansion. The amount is considered sufficient to make a decent launch in B.C. and establish some connections with important retailers and wholesalers. Vigour has not yet established any relationships with any key players in the Canadian market. As argued earlier, this is essential to start business in Canada.

• International experience and local know-how are among the gaps that need to be covered in order to be more efficient in terms of trends and relationship building. This gap can be closed by hiring knowledgeable, key account managers with international business experience and preferably, relationships with Canadian importers and retailers.
Vigour is also depending on a product license from Health Canada. This gap does not seem an impossible obstacle to overcome, since none of Vigour’s products violate any of the terms outlined in the regulation of sales in the VDS industry. Nor are there any known potential harmful side-effects caused by usage of the products.

6.7 Strategic Problem Definition (SPD)

“How can Vigour introduce the ASC series to the Canadian/B.C. market, using their overall product quality and natural pure raw materials? Further, will educating the desired consumer segment with a focus on company/product strengths eliminate the current corporate weaknesses and successfully deal with competitors and powerful buyers. And to what extent are the advantages of the current corporate strengths transferable to the Canadian market, creating a potential for market success and establishing the product with profitable results for Vigour?”
7.0 GOALS

To set and track goals is vital for Vigour’s success in Canada. Goals can serve as a benchmark tool and decide possible courses of action.

7.1 Short Term Goals

- Create brand awareness.
- Acquire substantial brand equity.
- Obtain capital.
- 1% market share in B.C. within three years after entry.

Short-term goals will focus on creating brand awareness and on acquiring substantial brand equity. Being a visible brand and getting a unique position in the consumers’ minds are among top priorities. The implementation of a thorough differentiation strategy will be vital. To obtain a steady, predicted cash flow in order to get a foothold in the Canadian market and finance further expansion and growth, Vigour should aim towards breaking even within the first three years with a market share of 1% in B.C. One per cent accounts for large revenue generation and will separate Vigour from the smaller actors in the industry.

7.2 Long Term Goals

- Become a preferred high-end brand in the consumers’ mindset.
- Prepare for further expansion in North America.
- Increase the total revenue generation from international markets to at least 50%.
- Become an all-embracing lifestyle company.
Long-term goals include goals with a duration of more than three years. After launching the ASC series in Vancouver, B.C. Vigour should prepare for further expansion in Canada as well as the U.S. In order to be an international organization, competing in an increasingly global industry, Vigour should aim for a 50% revenue income from international markets. According to Vigour’s management, the company’s ultimate objective is to become an all-embracing lifestyle company.
8.0 POSITIONING

8.1 Target Market

Vigour’s target market is primarily about lifestyle (psychographic) factors. The target market is urban people living modern and hectic lives and the segment is health-concerned, living an active daily life. Indications show that people who are spending time on outdoor activities and working out on a regular basis are more likely to take vitamins and dietary supplements (Print Measurement Bureau 2007). Since the majority of the VSD products are used by the older population, the majority of competitors are also focusing on the older segment (BBM RST 2007). Vigour can differentiate and target a younger target market (age, 20-55), but the main focus will be to sell a lifestyle rather than a vitamin/supplement. The target market seeks to eat natural/organic food and is relatively well educated in terms of vitamins and nutrition. The segment has a higher income level than average and tends to prioritize health-enhancing products.

8.2 Porter’s Generic Strategy

Porter’s Generic Strategies outline three main strategic options that can help a company determine the type of strategy that will be most effective in achieving a sustainable competitive advantage. The generic strategies are: *Cost Leadership Strategy*, *Differentiation Strategy* and *Focus Strategy*. These three options are considered within the context of two aspects of the competitive environment which are:

1. Sources of competitive advantage.
2. Competitive scope of the market.

Because of strong competition and a cluster caused by many competitors in the vitamin market, the differentiation strategy will be the most applicable for Vigour (Marketing Teacher Ltd 2008). The high shipping costs from Norway, in addition to high
production costs in terms of labour and few economies of scale, also emphasise
differentiation. This allows Vigour to desensitize prices and focus on value that
generates a comparatively higher price and a better margin. The differentiation strategy
will incur additional costs in creating their competitive advantage and for Vigour this
competitive advantage will be to present oneself as a “lifestyle”, rather than a vitamin
producer. Vigour should therefore be positioned as a Scandinavian supplier of high-end
products and information related to executing a healthy lifestyle. Vigour should try to
establish itself as the industry’s innovative leader, by underlining the fact that they have
a differentiated product made by ingredients from the Arctic Circle. To achieve this,
the company must be superior in the education of sales representatives and customers,
as well as in the ability to process market and customer feedback and use this to deliver
innovative, requested and trendy new products.

Should Vigour experience success in its differentiation strategy, it will only be a matter
of time before other VDS producers will execute the same strategy. This can be
described as a second-mover advantage, where Vigour will carry the costs of educating
consumers about the benefits related to the use of supplements from natural seaweed.
The second mover can then introduce the product with a minimum of costs and steal
Vigour’s price-sensitive customer base. When Vigour has a strategy that is
differentiated from other VDS producers on place, price and promotion, instead of only
the products, it will be more difficult to for others to copy.

8.3 Demand Estimation

The demand is estimated by separating the target market; people aged 25-55, from the
total population of the Lower Mainland which is about 2.5 million. The population of
people aged 25-55 in Canada accounts for 16,714 million, which is about 50% of
Canada’s population. By using 50% as a benchmark and generalizing the demographic
variance to be similar all over Canada, the target market in the Lower Mainland is
calculated to be 1,266 million. Then the population of 1,266 million was divided by
50%, since 50% of the population in B.C. is using VDS on a regular basis. Vigour’s
total potential customer base in the Lower Mainland is calculated to be 663,000 people.
9.0 POSSIBLE COURSES OF ACTION

The following section will present three different ways of entering the market in which the authors believe will be the most optimal for Vigour. Vigour’s goal in the reference market is to establish itself as an all embracing, high-end lifestyle concept, instead of one of many vitamin producers and will also focus on keeping this position in a global environment. By doing so, Vigour will distinguish itself from other competitors and create substantial brand equity. For these reasons, entering the market under private labelling is undesirable.

In addition, speciality health store chains, such as GNC, Nutrition House and Unique Nutrition are not recommended for Vigour’s expansion to Canada, primarily because of the intense competition with other brands within these stores. As mentioned earlier, GNC’s focus on their house brand will make it more difficult for Vigour to get good enough shelf space as well as getting the right in-store promotion. Secondly, by differentiating itself as Vigour is recommended to do, going through these chains will not be the right way in terms of meeting Vigour’s target market.

The three entry strategies found to be most suitable for Vigour’s expansion into the Canadian market are: distributing through big wholesalers as London Drugs and Katz Group. Enter through Capers (Whole Foods) which is a retail chain, or opening a high-end Vigour store on Robson Street along with online shopping. London Drugs seeks to become a more innovative retailer, while Capers already has a large group of loyal health-conscious customers who are willing to pay higher prices for better quality (Vannucci 2008)
9.1 Alternative 1: Mass Distribution Through Wholesalers

**Place:** Distribution through the wholesalers London Drugs and Katz Group represents an alternative way of entering the Canadian market. This option provides Vigour with shelf space in 68 different London Drug stores across Western Canada, as well as Katz Groups’ portfolio of 1,800 different pharmacies. With Shoppers Drug Mart, Safeway and Canadian Superstore as additional alternatives, among others, Vigour’s product line can achieve good coverage in the entire North American market within a few years. With LD, Vigour will have to give up some degree of control over their products and cannot choose to only enter the Lower Mainland, B.C. as a launch market. Vigour’s product will be mass distributed by LD and Katz Group and the numbers in the financial estimations will be affected by this in terms of market share and units sold.

**Price:** The average price at London Drugs and similar huge retail chains varies from $5-$20 Cdn. Vigour’s product line must be priced somewhat higher than the average to differentiate itself and to generate revenue as a result of several expenses related to transportation, promotion and distribution. Pure: DETOX at $29.99, Daily: PROTECTION and Figure: BALANCE at $24.99 would work as a price to generate significant income as well as positioning Vigour as a more high-end product than their competitors. At the same time it would not price Vigour out of the market, since the customers at LD tend to be price sensitive. However, high price can be seen as high quality.

**Product:** Blue is a colour which very few VDS producers have emphasized and can work as a point of difference when it comes to packaging. The colour blue can give positive associations to ice, arctic and cleanliness.
**Promotion:** A promotion plan is required by London Drugs with a minimum investment of about $30,000 Cdn. This amount is most likely to be similar among other retail chains as well. In some cases the promotion has to be conducted even before the products have been accepted by the retail chain, as a gesture of goodwill. The money spent on promotion will therefore not generate any sales since the product is nowhere to be found yet. Based on this, additional resources must be allocated to conduct a profitable promotion. For huge retail chains, the most common way to advertise would be mass-promotion strategies, such as adverts in the store flyers. A creative idea could be to purposely place Vigour’s brand on public transportation where Vigour is present where potential consumers would have a good opportunity to read the ad. This represents a low cost way to reach people all over the city.

In addition, health magazines could also be a good way of reaching the right target segment. Popular health and fitness magazines in Vancouver include: “Prevention”, “Fitness” “Woman’s Health”, “Men’s Health”, “Runner’s World” and “Canadian Health and Lifestyle,” with readers all over North America. This wide coverage of advertising can only be profitable if wholesalers are used to distribute the products all over Canada. However, many magazines offer regional advertising. In the range of 500,000 magazines the costs are about $50,000 Cdn. for a full-page color ad (Specifications about prices and audience for the magazine Fitness can be found in Appendix 11).

**Evaluation**

Distributing through wholesalers and huge retail chains is a strategy with unlimited growth opportunities in North America and will expose Vigour’s products to millions of potential consumers. LD will have the responsibility of storing and transporting the products to the stores. However, the strategy takes away some of Vigour’s control of in-store positioning and educating consumers. Vigour will also be distanced from the
end-user and lose customer feedback. In addition, the financial risk will be on Vigour’s side, since the entire supply will be sent back to Vigour if LD cannot sell the products. Another aspect is the investment of meeting promotion requirements and listing and slotting fees in addition to LD’s high profit margins. Lastly, Vigour will face great difficulties in charging a premium price and position itself as a high-end producer when executing a mass-distribution strategy to the superstore chains.

Financial

By using only London Drugs to distribute and sell the products, Vigour can expect to sell about 25,250 units in year one (See Appendix 12 for demand estimation and rational). By expecting a market share of 0.2% in the four provinces LD is represented (B.C., Alberta, Manitoba and Saskatchewan) and pricing the products as follows: Detox $29.99, Protection $24.99 and Balance $24.99, Vigour will have a total income of $757,247.50 in year one. Total expenses are expected to be $943,373.75 resulting in a loss of $186,127.25 the first year. In order to break even in year one, Vigour will have to sell 59,934 units in total (See Appendix 13 for the entire break-even analysis). In following years Vigour will not have as many additional costs to London Drugs as in year one. In addition to increasing their market share by 0.1% each year for the next two years, Vigour can expect a steady cash flow and be able to make a profit in year three.

9.2 Alternative 2: Premium Retail

Place: In order to execute a selective distribution strategy in Canada, Capers, Lululemon and Helly Hansen would be possible choices for partners. This would give Vigour seven retail locations in Vancouver, as well as one H/H-store in Whistler. Capers was discussed in the selection of different food and drugstores in which Vigour could enter using its own brand name and Lululemon and H/H were discussed as potential partners. Capers, which is a fully owned subsidiary of Whole Foods, is
using the same product selection list and grants Vigour with good
growth opportunities with retailers all over the U.S (See map in
Appendix 14). The focus group also indicated a positive attitude towards
Capers and was well-aware of their product selection. Lululemon
operates in Australia and Japan, in addition to the U.S. and Canadian
markets. H/H is also an international company represented in many
markets and posses opportunities for growth.

**Product:** Since the shelves are filled with many competing products, Vigour will
have to fight in order to get attention and the design of the containers is
therefore essential. Since Vigour will be found only at premium retailers,
the products should have an exclusive touch in order to stand out from
the rest. A see-through bottle in light blue would be differentiated from
most products at Capers, as they tend to be dominated by the colour
white. A recyclable glass container should also be evaluated.

**Price:** To cover the costs of getting into Capers and being able to build an
exclusive brand, only found at premium retailers, Vigour should price its
products somewhat higher than its competitors. Since the average price
of products found at Capers varies from $15 to $35 Cnd. for a package
containing one-month supply, Vigour should price Pure: DETOX at $49
and Daily: PROTECTION and Figure: BALANCE at $39. Capers
customers are likely to be less price sensitive compared with the typical
LD customer.

**Promotion:** Because Vigour has no control over the products and the retailer has no
special interest in treating Vigour’s products differently from others,
Vigour should emphasize promotions in order to create a demand and
pull customers into the stores. In addition to customer advertising
through newspapers, magazines and the internet, Vigour must also stress
promotion towards Capers’ independent retailers. This would probably
be the most important promotion with this strategy and include
educating the staff at Capers, Lululemon and H/H about the complex
ASC series in order to make them good spokespersons for Vigour. Permission to do in-store promotion is more likely in H/H and Lululemon than at Capers.

**Evaluation**

A definite advantage by choosing this alternative is H/H, Lululemon and Capers’ constant desire to pursue a high-end image, as well as the similarities in target markets with Vigour. Capers’ customers tend to be well-educated in fields such as food, vitamins and dietary supplements along with a healthy lifestyle. The Lululemon and H/H suggestions might seem unconventional, but these retailers would fit perfectly with Vigour’s positioning strategy. The main advantage with Lululemon is that they are targeting people who execute an active lifestyle and appreciate healthy products, which is exactly the same target market as Vigour’s. The same applies for H/H, which sells clothing for active people who enjoy the nature and sports activities. A considerable fact about H/H is that it is a Norwegian company, which will benefit Vigour in their branding as an arctic vitamin producer, and hopefully create some goodwill to make it easier to get shelf place in their stores. On the other hand, both Lululemon and H/H are currently only carrying their own products and it is hard to say if they would be willing to sell products that are not only produced by another company, but are also completely different from their own. Hence, relationship building and the way Vigour presents their image to the companies would be essential in order to persuade them to carry the products. Another beneficial outcome of pursuing this strategy is related in consumers’ perception of these exclusive and highly successful companies. By being a part of their product portfolios, Vigour will gain on their future growth. Since Vigour wants to be perceived as an exclusive brand, this strategy will help the company to create the right perception among its target customers.

On the other hand, the importance of differentiation in the Capers’ isles requires a capital intensive promotion plan in order to be noticed. A viable promotion plan is also required by each Capers retailer in order to get permission to replace an existing
product. Capers will be responsible for product placement and education of the customers. Vigour will therefore be very distant from its consumers and will experience difficulties in picking up on consumer feedback and market trends.

**Financial**

By offering the ASC series at Capers, Lululemon and Helly Hansen, Vigour can expect to sell about 16,575 units in year one (See Appendix 15 for demand estimation and rational). By operating with a 0.5% market share in the Lower Mainland and pricing the products as follows: Detox $49, Protection $39 and Balance $39, Vigour will have a total income of $679,575.00 and total expenses of $656,571. This will lead to a profit of $23,004 in year one, and in order to break even, Vigour will have to sell 10,738 units (See Appendix 16 for a complete overview). It is reasonable to assume that Vigour will be able to gain more market share in year two (0.75%) and year three (1%) and will therefore increase the profit in these respective years.

**9.3 Alternative 3: Exclusive Retail**

**Place:** A fully owned store in Vancouver, retailing Vigour products and Voss Water exclusively. Examples of store name could be: Vigour&Voss, V&V or just Vigour. The ideal location for the store will be on Robson Street, downtown Vancouver (for further information about Robson Street see Appendix 17). The store should be relatively small in size, between 200 and 250 square feet, and have an exclusive atmosphere. Since one retail location alone will not generate enough sales to cover the costs of having a self-owned store, a Canadian online shop will also be established and is budgeted to be the main source of income. UPS will be in charge of storing, packaging and distributing Vigour’s products to online buyers.

**Product:** In addition to Vigour’s three products, the shop will offer Voss Water in
two different bottles; Silver and Red. Both will come with the choice of sparkling and still water. Vigour’s products will be offered in exclusive packages. The colors used for the three products should be white, green, brown and blue. This is a way to give the products a touch of nature, in the sense of earth, forest, clouds and water. Over time, when the consumers get familiar with Vigour, it will be vital to expand the product line with more Vigour products. A judicious R&D commitment will therefore be crucial when choosing this alternative.

**Price:**
A Premium price should be charged: selling Pure: DETOX at $49 Cdn. and Daily: PROTECTION and Figure: BALANCE at $39 Cdn. Due to the lack of other VDS companies choosing the same differentiation strategy, consumers have fewer reference prices and are therefore more likely to accept the higher price. In addition, Robson is a high-end shopping street attracting both locals and tourists that are likely to be relatively price insensitive.

**Promotion:**
Promotions will initially be used to get attention and create awareness, then quickly transform to focus on reassuring long-term goals like establishing a loyal consumer base. The promotion should find a way for Vigour to be exposed and to interact and engage with the target group. This will be done by sponsoring the Sun Run, as well as arranging hiking challenges across Vancouver. The core in Vigour’s promotion strategy and the best place to educate customers will be in the store on Robson Street.

**Evaluation**

A combination of a retail store in downtown Vancouver on one of the busiest streets in addition to online retailing will give Vigour an exclusive profile and high control over all channels. However, this strategy represents a high risk, great exit barriers and significant financial investments. The initial economical commitments are great in
terms renting on Robson and decorate the store, but are similar to the investments required by LD and Katz Group to enter through the wholesalers. Integrating the retailer function will enhance Vigour’s profit margins to a greater level than what is the case when distributing through big retail chains. This is due to the fact that well-established retail chains tend to claim very high profit margins, slotting and listing fees. Vigour will also receive better feedback from the customers as a direct effect of being closer to the end-user.

By implementing this strategy, Vigour will be executing something that does not exist in the Canadian VDS market yet, and will in that way increase customers’ perception of Vigour as an exclusive brand. The concept can be compared with what Apple has done by establishing their own Apple stores in urban downtown areas or in big malls. In these places they offer their whole product line. The rationale behind why this strategy can apply to Vigour is based on the relatively strong competition among VDS products in Canada. As mentioned in the analysis, the market consists of many competitors that distribute their products mainly through drugstores and health shops. The store will not only operate as an information centre and a place where people can buy the products, it will also draw a lot of attention and will, by choosing the right promotions strategy, create a lot of word-of-mouth.

Even though internet retailing only accounts for about 10 per cent of total VDS sales, it is an efficient way of receiving and processing orders. In addition, e-commerce is a steadily growing industry. An online shop will relieve the Robson store and help Vigour spread their risk. This website will serve as a link between Vigour and the customers to build brand loyalty. Providing people with awareness of the store location will hopefully give the desired effect with many curious consumers visiting the Robson store. There they will get enough information about the products to actually buy a sample. In order to maintain the relationship with the customer, the website will be the main distribution channel for further purchases. This will be the case since the store mostly operates as an information centre for first-time buyers, and a tool to create buzz about the Vigour brand. The domain name www.vigour.ca is available and can serve as an exclusive information and order centre.
To integrate the retail function within the company represents a highest risk in terms of amount of capital investment. However, prognoses show that profit margin and revenue are equally high, and will already surpass expenses somewhere in the first year of operations. Exclusive distribution will provide Vigour with a differentiated image unlike what any other VDT producer has been able to do. It will also offer full control over employment education, which again will give Vigour full control over the parts of the company that come into contact with the end consumer. This is a critical success factor neither LD nor Capers are able to provide. In the first phase in regards to awareness, information and customer education, it is particularly important to have control. Employees in big retail chains tend to recommend consumers to buy the most known brands. They are thereby contributing to the big market share shared by two companies; Jamieson and Swiss.

A challenge for Vigour’s will be their limited product line, as they only have a plan to export three different products to the Canadian market. By distributing Voss Water in the “Vigour store”, consumers will have more choices; it will attract already loyal customers to Voss, and improve the atmosphere of the store. The possibility of having a high-end brand like Voss Water present in the store will enhance the company’s wish to be exclusive even further.

Financial

By opening up a fully owned store in addition to online sales, Vigour can expect to sell about 16,575 units in year one (See Appendix 18 for demand estimation and rational). By operating with 0.5% market share in the Lower Mainland, and pricing the products as follows: PURE: Detox at $49, DAILY: Protection and FIGURE: Balance at $39, Vigour will have a total income of $679,575.00. Total expenses are expected to be $586,331.25, which will lead to a profit of $93,243.75 in year one, and in order to break-even, Vigour will have to sell 8,812 units. (See Appendix 19 for a complete table of the break-even analysis) It is possible to assume that Vigour will be able to gain more market share in year two (0.75%) and three (1%) and will therefore increase their profit in these years.
10.0 RECOMMENDATION AND IMPLEMENTATION OF MARKETING MIX

After evaluating the three alternative courses of action, as well as taking into account that online business is the world’s largest and fastest-growing market place, it is recommended that Vigour choose Alternative 3; exclusive distribution through fully owned store in combination with online distribution.

In the VDS industry, credibility is a critical issue. Credibility and the consumers’ trust can be won by brand equity. Branding is defined by Kotler as something that resides in the minds of the consumers’ minds (Kotler and Keller 2006), and is ultimately all about creating a difference and adding value to buyers. In the process of branding a product, the most important element is to teach consumers “who” the product is, what it does for the consumer and why the consumers should care. (Kotler and Keller 2006) Good branding is a strategy to eliminate consumer confusion and gain trust, as well as a key factor in developing relationships with consumers. The proposed Vigour entry to the B.C. market will entail a high focus and need for appropriate branding of the product. Due to the regulations and general costs involved in the process of presenting the product line into the B.C. market, the option of cost-leadership as a marketing strategy will not be viable. Branding will therefore be the most effective method of establishing the products and creating the sufficient consumer perceptions towards Vigour’s ASC series. “Good branding will be the strategy to eliminate consumer confusion.” Kevin Brady, president of Anderson DDB, Toronto (Okalow 2004). The consumer wants to know that the products they choose offers that kind of experience and can relieve their health challenges (2004).
10.1 Product

Vitamins and dietary supplements can be classified as convenience goods when applying Kotler’s framework of product classifications (Kotler and Keller 2006). Convenience goods are bought on a frequent basis and do not involve much consideration before a decision is made. A newspaper article in the National Post supports this theory; American customers are limiting their purchases due to the economic recession, however food and vitamin products are not showing any signs of a decline in sales. Vigour should strive to enhance the product from the expected to the augmented product by developing Vigour’s offerings towards embracing a lifestyle instead of just a convenient product. The process of enhancing the product to include lifestyle will be described in the section of building customer relationships.

In general there are four different types of packaging in the Canadian VDS market. The product can be used by the consumer in terms of a pill, capsule with liquid centre, pure liquid or in powder form. Based on the findings from the focus group and Mr. Vannucci’s experiences in London Drugs, a number of consumer trends and attitudes were discovered. Pills are perceived as having the slowest effect (Vannucci 2008). In products such as pain killers, where time-before-effect is important, consumers tend to prefer liquid pills or powder. Liquids and powder are perceived as easier for the body to absorb. The way the vitamin or dietary supplement is absorbed is a critical factor – or more correctly, how the consumers perceive the body’s ability to absorb different types of VDS is critical. Powder and bottled liquids (fish oils, etc.) can be difficult to measure into a daily dosage for the consumer (Vannucci 2008). Capsules with a liquid centre seem to be the best-suited “design” for vitamins and dietary supplements in the Canadian market. Other observations from the focus group indicate to avoid using only the color white. White can easily be associated with medicine and is therefore perceived as a product for the sick.

The most common way is to sell products in small plastic boxes containing between 30-100 pills. In addition, small paper cartons with separated pills in blister packs are also used. However, blister packs, as is the colour white, are perceived more serious by
most consumers (Vannucci 2008). Since Pure: DETOX is a product meant to be used in periods/cures, the product should therefore also be perceived as a serious product. Therefore, findings show that Pure: DETOX should be sold in blister packaging in order to be perceived as a product that is effective and of high quality. The Daily: PROTECTION and Figure: BALANCE should also be perceived as high-quality products, but to avoid the associations with a cure, a bottle would be more suitable. In order to look exclusive, a medium-sized, transparent container in a clear tinted colour is recommended.

A daily dose of Pure: DETOX is two capsules. The package should therefore contain 60 capsules because the duration of the cure is four weeks. Figure: BALANCE comes in containers of 100 capsules and the daily doses here will be four capsules. Figure: BALANCE will then last for 25 days. Finally, Daily: PROTECTION should come in one-month packages containing 60 capsules, enough to cover the daily doses of two items.

As a result of the Norwegian arctic polar nights and times with very limited amounts of sunlight, the vitamin D concentration in the product varies depending on what time the kelp was harvested. Since vitamin D is found to be an essential supplement to the citizens of Vancouver, it is recommended to add additional vitamin D to the ASC-series in order to ensure high values of vitamin D in every product.

The product will benefit from being labeled with the words arctic or Scandinavia. Findings from the focus group found the use of these words very favorable and are associated with cleanliness and purity. In addition, the use of “arctic” or “Scandinavia” rather than the word “Norway” reduces Vigour’s supplier’s bargaining power since the origin of the product is less specific. Furthermore, Canadians are more familiar with the term “Scandinavia” rather than “Norway” and can more easily place country of origin on the map.
10.2 Price

A characteristic of the VDS market is that consumers cannot evaluate the quality before trial. The products become a trust product. The implications of being classified as a trust product are the escalated importance of tangible clues. Labeling will be used as an evaluation of the quality as well as the price and distribution channels. Numerous studies show a positive correlation between price and perceived quality. If the product is priced expensively, the perceived quality is comparable. According to Kevin Brady, president of Anderson DDB in Toronto customer’s quality perception is the most important asset in achieving a market share in the VDS market. Mr. Brady was responsible for marketing Wyeth Consumer Healthcare’s Centrum brand of vitamins. The Centrum brand is today distributed through numerous large retail chains, such as London Drugs, and is retailing above the average ranging from $25- $30 Cdn. The product is selling well and the operation must be considered very successful (Vannucci 2008). Success factors were described as brand personality, unique vitamin content, a quality manufacturer and a longstanding heritage as a leadership brand.

On the price issue all participants in the focus group agreed that a high price reflected the quality of the product. Reference price among the participants for a bottle of 30 days’ supply was estimated to be $7-10 Cdn., but most of them were willing to pay $30 Cdn. if the quality was reflected by the price. This indicates that the consumers are less price sensitive in this product category. It is therefore recommended to price the product line as a super-premium about 100 per cent more expensive than the typical benchmark brand which is priced at $20 Cdn. To secure high profit margins, give consumers a positive association by using tangible quality clues and a high price to indicate high quality of the product.

PURE: Detox - $49 Cdn.
DAILY: Protection - $39 Cdn.
FIGURE: Balance - $39 Cdn.

Since consumers tend to read prices from left to right, prices such as $39 Cdn. and $49 Cdn. will be perceived as a lower price than $40 Cdn. and $50 Cdn.
10.3 Promotion

Vigour shall seek to promote a lifestyle rather than just a product. Through the campaign “Get Vigour”, customers are challenged to peruse an active lifestyle, where the users compete against themselves in different activities they might find suitable. Vigour will have very few costs and the promotion banner “Get Vigour” could very well work as a campaign that customers would speak of and recommend to friends, family and co-workers. Word of mouth is considered to be a credible information channel for the spokespersons’ reference group in addition to being very cost efficient. Vancouverites tend to be active and will provide Vigour with many options in terms of reaching them through creative promotion activities.

10.3.1 Building a Customer Relationship

Here are methods that could be used to promote customer relationships, as well as building exit barriers to retain customers and encourage continued use of Vigour’s products:

- **Vigour Card**
  - Every customer that comes into the shop on Robson will be offered a Vigour card with his/ her purchase. This card will cost $5 and give the customer 5% discount off every future purchase. This will hopefully encourage customer loyalty, and at the same time provide Vigour with limited personal information about the consumer.

- **Personal Account on the Internet**
  - Vigour’s website will have a login function. In this way, consumers shopping on the web page will be able to create an account, which again will provide Vigour with information about recent purchases and other customer feedback. This feedback will be more extensive and form the foundation of Vigour’s customer database.
• **Personalized follow up e-mails**
  - When the consumer is closing in on the date he/she was supposed to finish his/her package of Vigour supplements, an automatic e-mail will be sent out to remind the client that it is time for a new purchase to uphold a healthy lifestyle. In addition, once in a while this e-mail will also include forms for the customer to fill out regarding desired changes to the product and level of current satisfaction. It will be an important part of Vigour's marketing research and provide them with ideas for new innovative products to possibly launch in the Canadian market.

• **Competitions – “The Vigour Challenge”**
  - Each month a Vigour challenge will be arranged. This will be communicated to all members of the Vigour lifestyle community by e-mail. These challenges will contain sports; everything from kayaking to running or skiing. The common theme is competing and meeting people that share the same energetic positive view on life. The winners will receive prices from Lululemon and/or Helly/Hansen. In addition signing up to join the Vigour community will be promoted. An arrangement of this basis can also establish a closer partnership with Helly Hansen and Lululemon. In exchange, these companies should promote Vigour in an exclusive promotion agreement.

In addition to these promotion activities, a Facebook group should be established. This would be without further costs to Vigour, and contributes to even more exposure for the company. This Facebook group should be open to everybody and notify people when and where Vigour challenges are taking place.

### 10.3.2 Public Relations

Public relations are defined as: “The management function which evaluates public attitudes, identifies the policies and procedures of an organization with the public interest, and executes a program of action (and communication) to earn public
understanding and acceptance.” (Belch, 2007) One important benefit by using PR is credibility. This is due to the fact that people consider articles about products in magazines and newspapers as more credible than advertisements that are directly paid for by companies. Another benefit is the low costs involved. Many companies spend significant amounts of money on public relations agencies, but this is not a necessity and for small companies PR is one of the most efficient ways of achieving publicity.

Vigour should definitely focus on using PR in their Canadian launch. Opening an exclusive store on one of Vancouver’s busiest streets, with only three products in the brand portfolio, should create some interest from the local media. Vigour could therefore, with help from articles in local newspapers about their products and the store itself, create a lot of word of mouth and draw curious customers to the store.

Word of mouth is difficult to control for Vigour, but will at the same time be an important feature of expanding to the Canadian market. A very significant aspect here will be to present the company as credible and consistent in all promotion activities. As long as Vigour delivers good quality as promised and at the same time manages to convince the target audience of the benefits of Vigour’s products, achieving positive word of mouth would be within reach.

The Sun Run

The annual Sun Run is on April 20 and attracts thousands of people to run the 10 kilometres run around the city. This year’s event drew over 55,000 registered Runners (Allison Cross, Catherine Rolfsen 2008). The Runners are in all levels of physical condition, but share the perception to be healthy and may have a desire for being healthier. All participants of the Sun Run receive a T-shirt to wear during the race and to keep. To get the Vigour logo on the Sun Run T-shirt is a great way of getting exposure to the target market. The sponsorship investments are categorized in three categories, varying in price and exposure. Bronze sponsorship includes sales both in the finish area and a small company logo on all Sun Run documents. The bronze sponsorship costs about $15,000 Cdn., silver sponsorship can be obtained for about $30,000 and gold sponsorship at $45,000-65,000 Cdn. With the gold sponsorship
package, the company’s name will also be found on huge banners all over the city. (Horwood 2008)

Hiking – The Top Ten Challenge

Based on a successful event in Norway, started by the local community in order to get people out of their houses to discover the wild and close-by nature, the “ti-topper’n challenge” (top 10 challenge) was started. This challenge has attracted increasing numbers of participants each year. The challenge is to climb 10 “mountains” selected by the ti-topper’n management, within the summer season. On each peak there is a post with a unique stamp that the participant can use to cross out that particular mountain from his list (Grenland Turlag 2008). For the Canadian version of this challenge, Vigour could use 10 of the already existing hiking trails around Vancouver. The trails vary in difficulty and are therefore well-suited for hikers of all experience levels (Official Tourism Site of British Columbia n.d.). The Top 10 Challenge should be open to all interested, but the challenge checklist must be picked up at the Vigour store. The checklist will also sport the Vigour logo, which will be exposed to the hikers and to whom he/she might include on the challenge. There are very few costs related to the Top Ten Challenge and it can be a very effective way for Vigour to get exposure and interact and engage the target group for future involvement. Involvement was pointed out as a critical success factor for retailers to reach the consumers (Solutions 2008).

10.3.3 Sales Promotion

Stands

Fitness World located downtown Vancouver gets about 1,000 visitors every day. The visitors share similarities with Vigour’s target group in the way they are willing to pay for quality, hence Fitness World is considered a high-quality gym. Some fitness centres, such as Fitness World, allow independent companies to have stands in the reception area to give away free samples and brochures.

The free samples do not need to contain more than two pills each in order to keep costs down. A downside could be that consumers are not very likely to notice any effect from
using the product for one day. However, to give away free samples can in some cases make the receiver feel a psychological commitment towards Vigour. This commitment can result in a purchase later on and/or openness to more information about the products.

In addition to giving away free samples, Vigour should give the potential consumers at Lululemon, Helly Hansen and fitness centres, a discount card. As argued, the consumers are likely to feel an obligation towards Vigour and will hopefully accept and keep the discount card. The card will have the company name, address, phone number and web site as well as a promise of a 20% discount for the next purchase. 20% are often perceived as a significant amount and can help attract customers to the store. This is a short-term promotion tool to create brand awareness.

10.3.4 Mass Media

Newspaper Advertising
Adverting is a non-personal, paid form of communication. It is used to develop attitudes, create awareness and transmit information in order to gain a response from the target market (George E. Belch 2005). Advertising in local or community newspapers is less expensive than regional and national newspapers. Considering Vigour’s approach with Vancouver as a launch market, using a local newspaper will provide a more focused advertising approach. Advertising in local newspapers such as the Vancouver Sun and The Province would be an excellent way to create brand awareness around Vigour’s brand, as well as the store downtown. Even though The Province doesn’t have as many readers as The Vancouver Sun, it is considered a more serious newspaper (Vannucci 2008). However, since they both have the same publisher through the Pacific Newspaper Group, a combination of ads in both newspapers could be an option to reach more people. Having in mind Vigour’s positioning and target market, the Arts & Life section, which runs Monday to Friday in both newspapers, would be the most applicable section for Vigour to run their ads. Newspaper advertising is sold by the column inch. Different advertising classifications may have
different rates. Pacific Newspaper Group provided a list of rates for advertising in the Arts & Life section (See Appendix 20 for prices). One page with three colours in The Vancouver Sun on a Friday will be just over $7,800 (However, these prices are based on contracts and for more exact prices visit: http://www.png.canwest.com/forms/rates/PNG_Rate_Cards.pdf).

In the first phase of newspaper advertisement, it is recommended that Vigour focus on creating awareness of brand and location of the store, rather than product information. Fewer words and less text in the ads will contribute to the overall look as an exclusive brand, and will leave the consumers curious but aware.

Radio
Radio is a relatively cheap way to get publicity and there are many benefits by using this tool. Good geographic coverage is one of them, and the advertiser will be able to use local radio stations in order to reach the target market without overexposure. Another benefit is the target audience selectivity since the advertiser can advertise to certain demographic or lifestyle groups based on what programs they listens to. (George E. Belch 2005).

Radio could be a good way to advertise for Vigour since the company is only launching their products in the Lower Mainland. It would be possible to use local radio stations to avoid overexposure. “CKNW is the top-rated station in Vancouver. It features news and talk-radio programs with well-informed local hosts focusing on current events and sports” (B.C. Travel Agent 2008). This station also hosts a radio show by Doctor Art Hister, “House Calls”, which is the longest Running health radio show in Canada with its 17 years on air. In this show, the listeners are given the opportunity to discuss health and medical issues in addition to lifestyle topics. (CKNW.com, 2007) Dr. Hister also talks about and recommends health products. If Vigour would be able to get on this program, it would be a great way to get publicity.

Another possibility is CFUN, “which is a talk-radio station that focuses on local issues, relationships, health and lifestyle” (B.C. Travel Agent 2008). This station also provides
similar programs as Dr. Hister on CKNW, where local doctors discuss health and lifestyle issues.

### 10.3.5 Sources

**Expert Sources- Cause Related Marketing**

Two organizations that get lots of attention in the Canadian community are: the Canadian Breast Cancer Foundation, which is symbolized by a pink ribbon and the Prostate Cancer Foundation which uses a blue symbol. These organizations are well respected and admired for their work. If Vigour could get permission from these organizations to use their symbols on the packages of products sold in the Canadian market, this would most certainly have a positive effect. If a cancer foundation would back up the fact that Vigour’s product are preventing cancer, it would give Canadian consumers a reason to believe that the premium prices are reflected by excellence and quality and will pay back in the form of well being. Cause-related marketing is one of the most effective ways that a company can gain credibility and demonstrate support. Vigour could sell blue and pink wristbands in their store, showing their support of breast and prostate cancer foundations.

**Model Sources - Celebrity Endorsement**

Using a celebrity to promote products is a common way to advertise in North America. And in the process of choosing the right spokesperson, the advertiser should consider three source attributes: credibility, attractiveness and power (Belch, 2007). As an example of celebrity endorsement, Cold-FX, a Canadian cold medicine, uses Don Cherry as their spokesperson. He is a well-known CBC hockey commentator, who once played in the National Hockey League and experienced a successful coaching career in the league as well.

Since Vigour is offering products that must be trusted and which directly affect people’s health, it will be important to use a trusted source in their advertising, as a representative of the Vigour lifestyle. This does not necessarily mean a celebrity, but
could also include a doctor, who would through his/her expertise convince people that the products are safe. However, the power of a known celebrity is big in North America and should not be underestimated (Manager UN 2008). Therefore, Vigour should consider the possibility of getting a well-known Canadian celebrity, who would be notorious for executing a healthy lifestyle and he/she should have enough star power, to convince Canadians to buy the products. An example of a celebrity to use in a Vancouver launch is Trevor Linden. He is a well-known and respected hockey player in B.C., who has played 17 seasons for the Vancouver Canucks. Linden is a likable person who supports charities and enjoys healthy activities such as biking and Running in addition to playing hockey. His image would suit Vigour well, and by using Linden in promoting the products, it will have a positive influence on people in B.C.

10.3.6 Olympic Games 2010

It is not necessarily desirable to use the Olympic Games as a way to launch or promote the product. This is due to the extremely high competition among companies and sponsors for exposure. Some sources have also indicated that Olympic athletes are perceived to be unclean (Vannucci 2008). An incident related to the discovery of performance-improving substances would hurt Vigour as they try to promote a healthy and clean lifestyle. However, the Olympics do offer a large amount of people coming from everywhere in the world, and Robson Street will be a natural place where individuals will flock together. Vigour’s store would then be in the middle of the acti

10.4 Backup Plan

In case the strategy should not generate enough sales, three strategies can be applied, where the first strategy would be to make even stronger commitments to advertising. If the sales should yet not be satisfying, Vigour should look towards other options. To license away the product would be a viable option. Another backup option would be to get into the wholesalers such as LD and Katz Group, as described in Alternative 1; mass distribution. While it is very difficult to convince consumes a former low-cost
product can improve to be a high-end brand, it is easier to go from executing a high-end, exclusive distribution to mass distribution. The exclusive distribution plan through a fully owned retail store at Robson provide Vigour with open doors and acceptable exit barriers since the real estate firms operates with a three months only exit period, accounting for about $20,000 Cdn. (Negris 2008).
11.0 LONG TERM EXPANSION PLAN

Worth noticing is consumers movement towards a greener lifestyle. People of B.C., in particular Vancouver, like to consider themselves as more health and environmentally conscious than the rest of Canada. This self image continues down along the coast of the U.S. Therefore, a natural path for Vigour’s future expansion will be to follow the coastline down through Washington, Oregon and California. Although this means having to apply to different institutions to get into the U.S. market, it will be more profitable than expanding into Central Canada, due to similarities in target market.

Integrating the retailer function with a fully-owned store, combined with online retailing, provides Vigour with a model for future expansion. One exclusive Vigour store could be located on the high-end shopping street of each large city along the Pacific coastline. This is somewhat similar to Apple’s expansion model. In addition, partnering up with UPS give Vigour endless opportunities for end-user distribution, as UPS currently operate worldwide. The promotion model used for the Vancouver area is easy to transfer to other markets. This model includes online customer profiles, Vigour cards, Vigour challenges and sponsorships of local events.

For further expansion it is recommended to conduct research on the U.S. market. The FDA (Food and Drug Administration) in the U.S. operates with the same responsibilities as Health Canada and must test and give license to companies in the food and drug sector to protect consumers. The U.S. stands for 94% of all the vitamins and dietary supplements sold in North America (Euromonitor International 2008 ). Further, the U.S. seems like a natural market choice since they have many of the same retail chains, magazines and news channels, making it possible to conduct promotion all over North America by simply expanding through established networks.
12.0 DISCUSSION

12.1 Criticism

Due to the financial restrictions of this report, the authors were not able to travel outside Vancouver. All of the primary research was conducted in the Vancouver area and therefore the research might not be applicable for the rest of Canada.

In view of the fact that Vigour is in the development phase, Vigour was not able to provide the authors with any financial data or examples of how the finished product would look like. This has made it difficult to get correct answers from distributors who couldn’t see the actual products. Furthermore, getting financial data from potential distribution channels in Canada turned out to be difficult. Therefore, the financial part may be of less value to Vigour.

It should be mentioned that the authors may not have been able to gather all relevant information, yet the authors believe that this report will be of great value to Vigour in an expansion to Canada.

12.2 Suggestion for Further Research

There are a few areas that should be investigated more thoroughly in order to get a complete overview of the North American market. These subject matters consist of:

- **Finances**: before entering the Canadian market it is necessary to do a more thorough analysis of the financial aspects.

- **Primary research**: To acquire a better understanding on consumer trends, an extended primary research should be conducted.
• *Research on the US market:* For high-end products it may be easier to expand down the west coast of the U.S. rather than in Canada.
13.0 BIBLIOGRAPHY


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APPENDICES

APPENDIX 1

Documentation Basics

What are Customs Documents?

Customs documents are any group of documents required by the Canada Border Services Agency (CBSA) and Other Government Departments (OGD’s) to accurately and completely identify goods that are being imported. Canada, like Every country has its own specific rules and regulations regarding information and documents required. Subject to Customs or OGD approval, you can use varying document formats or combinations of documents provided that you comply with Customs information requirements. Any missing or incorrect information may cause shipment delays and other import issues.

In order to import goods into Canada, the following documentation must accompany each shipment:

For imports valued at $1,600 and greater (CDN)

If the value of your import is $1,600 (CDN) or greater, the documentation needed to import your goods to Canada is as follows:

1) Bill of Lading

2) Carrier’s Manifest (Cargo Control Document)

3) Canada Customs Invoice or Commercial Invoice

4) Import permits, certificates or licenses (as required)

5) Any other documents that may be needed to present to Customs to satisfy the CBSA requirements or the requirements of other government departments.

6) Certificate of Origin (if applicable)

For Imports valued under $1,600 (CDN)

If the value of your import is less than $1,600 (CDN), the documentation needed to import your goods to Canada is as follows:

1) Bill of Lading

2) Carrier’s Manifest (Cargo Control Document)

3) Commercial Invoice
4) Import permits, certificates or licenses (as required)

5) Any other documents that may be needed to present to Customs to satisfy the CBSA requirements or the requirements of other government departments.

6) Certificate of Origin (if applicable)

**Bill of Lading**

The bill of lading is a document issued by a shipper/exporter to a carrier describing the goods to be shipped, acknowledging their receipt, and stating the terms of the contract for their carriage. The shipper is responsible for completing the bill of lading and providing the completed document to the carrier at the time the shipment is sent. The carrier signs a copy of the bill of lading before departure as evidence of the transfer of goods from exporter to carrier. The shipper should forward to you a copy of the bill of lading in order to arrange for the pickup of the goods, and a third copy is kept for the carrier’s records.

**Manifest**

The manifest identifies the shipper, consignee, shipment packing, weight and general description of the goods as the carrier’s report to Customs. The manifest is also known as a cargo control document (CCD). The most commonly used type of manifest is highway Form A8A.

The carrier prepares the manifest based on the bill of lading provided by the shipper. The carrier must provide your customs broker with a manifest in order for them to obtain a release from Customs, except in the case of a PARS shipment (see Border Release Programs).

A manifest or CCD has its own identifier called a cargo control number (CCN). Once submitted and accepted by Customs, the manifest and cargo control number are monitored by Customs to ensure the properly closed out by a customs release.

**Packing List**

The packing list is the detailed list of contents of the shipment, including quantities, items, model numbers, dimensions, net and gross weights. A packing list should specify per carton (or crate), the number / type of units of material inside. The shipper prepares the packing list at the time the goods are prepared for shipping. There is no standard format for packing lists.

Although not a required customs document, the packing list is often used by Customs and your customs broker to obtain additional information about the shipment.
Commercial Invoice

A commercial invoice is the basic document from which you pay the vendor or exporter.

With respect to import shipments, the commercial invoice generally serves a dual purpose: to enable the exporter to collect his/her money, and to assist you in clearing the goods through customs. A commercial invoice is sufficient documentation for clearance of goods valued less than $1,600 (CDN).

The commercial invoice does not need to conform to a rigid format. The exporter or manufacturer is free to layout the information in any style they choose, provided that the prescribed data elements found on the Canada Customs Invoice are included. In addition, the following information must be clear, accurate and precise:

- Exporter name and address
- Consignee name and address
- Description of goods
- Net and gross weights
- Unit price
- Extended price
- Currency of settlement
- Terms of delivery and terms of payment
- Shipping date
- Reference numbers
- Import licenses
- Freight included or excluded
- Country of origin

Canada Customs Invoice

A Canada Customs Invoice (CCI) is one document that can be used to declare your goods to Customs when importing into Canada. The CCI is important in determining the classification of the goods, the value for duty, tax and duty rate, and tariff treatment.

Note: A commercial invoice can be used to clear customs as long as all of the required information contained in the CCI are captured and provided to the CBSA. This can eliminate duplication in processing paperwork.

If you are using the release on minimum documentation (RMD) border release method, the invoice (either the CCI or
commercial invoice) must contain:

- Your name and business number
- Exporter name
- Unit of measure and quantity of goods
- Value of the goods and currency
- Detailed description of the goods
- Goods’ country of origin
- Number of invoice pages
- Bar-coded transaction number affixed to the invoice by Livingston
- Permits, licenses and certificates required by other government departments

Completion Guidelines for a Canada Customs Invoice (CCI)

1. Have you indicated the full legal name, address and country of the seller?
2. Have you shown the date on which the goods began their continuous journey to Canada?
3. Do you know the purchaser’s order number, or the shipper’s commercial invoice number? This information is not mandatory but may be helpful in referencing the shipment.
4. Have you indicated the full name and address of the consignee? This is the person or company in Canada to whom the goods are being shipped.
5. Have you sold the good to a party that is different from the consignee? If YES, provide the complete name and address of the person or company in Canada to whom the goods are being sold. NOTE: This field refers to the “Importer of Record”.
6. Are all the items the same? If YES, indicate the Country of Origin. If NO, mark “Various” in field 7 and indicate the country of origin for each item along with its corresponding product description in field 12.
7. Have you specified the complete shipment routing details? Including carrier, mode of transport and place from which the goods began their continuous journey to Canada? NOTE: If this is a PARS shipment, the carrier’s bar code label may be placed here.
8. Have you specified the terms of sale? It is extremely important that you fully describe the terms and conditions agreed upon by the vendor and the purchaser. Be sure to indicate any applicable discounts for early payment, etc.
9. Has the currency of settlement been shown? Always remember to indicate the currency in which the vendor’s demand for payment is made.
10. Have you indicated the type of packaging and number of packages?
11. Have you provided a detailed description of each item? This information is most important. In addition to a proper identifying description in commercial terms, include such details as the function of the item, the material of which it's made and the condition – whether new, used, etc. Packages are to be legibly marked and numbered on the outside for identification of the contents and invoice descriptions. Note: If the invoice total in field 17 includes amounts for duty, G.S.T., customs brokerage or freight, a break-down of these amounts should be indicated here (show the total in field 23).

12. Have you indicated the quantity of each item in field 12 in the appropriate unit of measure? Number, weights, volume, etc.

13. Did you show the unit price of each item using the currency of settlement? If the goods were not sold, show the amount per article for which they would otherwise be sold.

14. Have you indicated the total price of each item? Indicate the total price for each item in the currency of settlement for the number of items recorded in the quantity field.

15. Did you indicate both the total net and gross weight of the goods? Net weight excludes packaging materials.

16. Have you shown the total invoice price? Indicate the total price paid or payable in the currency of settlement for the goods described on the invoice.

17. Is there an attached commercial invoice? If YES, check the box in field 18 and indicate the commercial invoice number.

18. Is the exporter different from the vendor shown in field 1? If YES, indicate the full legal name, address and country of the exporter.

19. Have you indicated the name, address, and phone number of the person/company completing the invoice? This should be a responsible individual in the vendor's organization who has knowledge of the transaction.

20. Have you shown the number and date of any Canada Border Services Agency ruling relating to the shipment?

21. Are fields 23 and 25 applicable to your situation? If YES, leave unchecked and complete the applicable field 23-25. If NO, check the box in field 22.

22. The completion of these fields is self-explanatory with the exception of export packing. The amount of "export packing" must be indicated if additional packaging was required solely for the international transportation of goods (i.e., other than what would normally be required for domestic transport).
Additional Documents

Certificate of Origin

A certificate of origin (CO) is a document submitted by an exporter to those countries requiring it, listing goods to be imported and attesting to their place of origin. The person who completes the CO must be aware of the legal requirements for origin evaluation and should be familiar with the manufacturing process and/or sources of supply. The CO certifies the country of manufacture of the goods being shipped based on the evaluation of prescribed rules and is used to support the tariff treatment claimed on the customs accounting document (Form B3 - Canada Customs Coding Form). Where countries have agreements (such as NAFTA) for favorable duty treatments for goods originating in specific counties, submission of a certificate of origin can assist in lowering or even completely eliminating duty on goods, thereby helping to increase your competitiveness in the Canadian market.

This information along with the completion guidelines for Canada customs invoice can be found at: [http://sbinfocanada.about.com/od/canadaimport/Canadian_Import_Information.htm](http://sbinfocanada.about.com/od/canadaimport/Canadian_Import_Information.htm)
APPENDIX 2

Licence Application

5. An application for a product licence shall be submitted to the Minister and shall contain the following information and documents:

   (a) the name, address and telephone number, and if applicable, the facsimile number and electronic mail address of the applicant;
   (b) if the address submitted under paragraph (a) is not a Canadian address, the name, address and telephone number, and if applicable, the facsimile number and electronic mail address of the applicant's representative in Canada to whom notices may be sent;
   (c) for each medicinal ingredient of the natural health product,
      (i) its proper name and its common name,
      (ii) its quantity per dosage unit,
      (iii) its potency, if a representation relating to its potency is to be shown on any label of the natural health product,
      (iv) a description of its source material, and
      (v) a statement indicating whether it is synthetically manufactured;
   (d) a qualitative list of the non-medicinal ingredients that are proposed for the natural health product and for each ingredient listed, a statement that indicates the purpose of the ingredient;
   (e) each brand name under which the natural health product is proposed to be sold;
   (f) the recommended conditions of use for the natural health product;
   (g) information that supports the safety and efficacy of the natural health product when it is used in accordance with the recommended conditions of use;
   (h) the text of each label that is proposed to be used in conjunction with the natural health product;
   (i) a copy of the specifications to which the natural health product will comply; and
   (j) one of the following attestations, namely,
      (i) if the natural health product is imported, an attestation by the applicant that the natural health product will be manufactured, packaged, labelled, imported, distributed and stored in accordance with the requirements set out in Part 3 or in accordance with requirements that are equivalent to those set out in Part 3, or
      (ii) if the natural health product is not imported, an attestation by the applicant that the natural health product will be manufactured, packaged, labelled, distributed and stored in accordance with requirements set out in Part 3.
APPENDIX 3

Labeling

75. (1) The sponsor shall ensure that the natural health product bears a label that sets out the following information in both official languages:

(a) a statement indicating that the natural health product is an investigational natural health product to be used only by a qualified investigator;
(b) the brand name or code of the natural health product;
(c) the expiry date of the natural health product;
(d) the recommended storage conditions for the natural health product, if any;
(e) the lot number of the natural health product;
(f) the name and address of the manufacturer;
(g) the name and address of the sponsor; and
(h) the protocol code or identification.

(a) the inner label shall show the following in respect of the natural health product, namely,

(i) a brand name,
(ii) a qualitative list by proper name, or by common name if the proper name is the chemical name, that in descending order of quantity per dosage unit, sets out all medicinal ingredients that it contains,
(iii) its recommended dose,
(iv) its recommended duration of use, if any,
(v) its lot number,
(vi) its expiry date,
(vii) its product number,
(viii) if it is sterile, the words "sterile" and "stérile",
(ix) the net amount in the immediate container in terms of weight, measure or number,
(x) its recommended use or purpose, and
(xi) if it does not have an outer label, a statement that refers the purchaser or consumer to the leaflet that is required in accordance with subsection (2); and
(b) the outer label, if any, shall be labelled as required under section 93.

(2) If the natural health product does not have an outer label, the statements, information and declarations required to be shown on the outer label under section 93 shall be shown in a leaflet that is affixed or attached to the immediate container.
APPENDIX 4

The 5D Model of professor Geert Hofstede

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### APPENDIX 5

#### Solberg’s Nine Strategic Windows

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<td>Strengthen your global position</td>
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<td>Consolidate position in established markets</td>
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<tr>
<td>Evaluate expansion into new markets</td>
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<td>Seek global alliances</td>
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<td>Seek international niches</td>
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**Vigour Health**

*The ASC-Series Launch in Canada*
New Vendor Submission: Information Requested by Whole Foods Market
Pacific Northwest, Whole Body Department

Copy of the company liability insurance. We require a minimum of $2 million in the general aggregate portion.
Information regarding opening order discount and ongoing discount offers.
Information regarding products being available through a distributor (i.e. UNFI) if applicable.
Minimum order amount and shipping charges (if not available through distribution).
Item listing for products being submitted for approval
(description, UPC, order/item number, product size, case size, case cost, and MSRP; electronic version preferred).
Display options (if needed or applicable).
Customer return policy.
Live, sellable sample, and any other product information (i.e. ingredient lists, press, research).
Name, phone number and email address for primary and secondary contacts.

Please send the requested information to:
Fatimah Mateen, Regional Whole Body Buyer
Whole Foods Market Pacific Northwest Regional Office
15 Lake Bellevue Drive, Suite 100
Bellevue, WA 98005
425.957.6767

the best way to follow up is via email:
fatimah.mateen@wholefoods.com
APPENDIX 6

DVO Information for Direct Whole Body Vendors

DVO Overview:
A National Ordering System

A Whole Body Team Member creates orders by scanning products with a handheld device. The device is then docked and synched to a website where the system loads the order into a database. The WBTM can then review the orders via the website. Finally the WBTM submits the orders and they are transmitted to the appropriate vendors via fax, email and direct file transmission.

The system provides an extranet where vendors can “acknowledge” that orders have been received. The vendors are able to enter optional shipping and out-of-stock information. WBTM can review the status of their orders, seeing whether or not vendors have received their orders.

If you would like to be added to DVO, we need the following information. Remember this is a national ordering system so other regions could activate this information to transmit their orders:
## DVO Information for Direct Whole Body Vendors

| VENDOR NAME | ADDRESS | CITY | STATE | POSTAL CODE | PHONE | FAX # | SALES EMAIL | CUSTOMER SERVICE EMAIL | ACKNOWLEDGEMENT SETTING-This requires your commitment to log into www.vendors.wholefoods.com and acknowledge each order that is sent within 24 hours. More information on Order Acknowledging document. We will set you up with a username and password. | TRANSPORT PROTOCOL- Please choose between **FAX** or **EMAIL (email is preferred)** | FILE FORMAT- Please indicate what you have available but **HTML is preferred.** | VENDOR NAME |
|-------------|---------|------|-------|-------------|-------|-------|-------------|------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|
Whole Foods Whole Body Department

New Product Process
Frequently Asked Questions

What factors determine if new products are approved?
- Has customer demand.
- Is unique and fills a needed category.
- Product is superior in pricing, packaging, quality and can replace a similar product.
- Vendor is willing to meet overall preferences of Whole Foods Market.
- Written commitments for demos and trainings.
- Distribution through UNFI Warehouse.
- Opportunity to be first to market.

Why would new products not get approved?
- They are redundant to products we already carry.
- Poor representation.
- Not in distribution.
- Poor return policy.
- No trade-out or free-fill offers.
- Cost and retails that are not competitive.
- Poor packaging.
- Unacceptable ingredients.
- Products we feel don’t fit the themes, needs and direction of Whole Foods Market.

How long will it take for approved items to be scanning at the store?
- It simply depends on demand. New vendors can take up to 60 days depending on the application.

How will I know if new products have been approved or refused?
- We will contact you via phone, fax or email.

Can I still present new products to stores?
- We prefer that you present new products to the regional buyer. You will be notified in writing if your product is approved. Upon approval you may be asked to provide stores samples.
- Team leaders may request to the regional buyers that items be added.

Can new products that were not approved be re-submitted for evaluation?
- We prefer new products not be re-submitted for at least six months.
- If you are going to re-submit please provide paperwork indicating what changes have been made that might affect our decision.
APPENDIX 7

BASIC REQUIREMENTS
FOR NUTRITION HOUSE SUPPLIERS

Thank you for your product submission and your interest in Nutrition House. Based on the overwhelming number of product submissions that we regularly receive please allow us ample time to review your product submission and company information. The more thorough the information you provide us the easier the decision making process becomes.

Following is a list the preliminary requirements that we need in order to consider your products for our stores. Please include your name/telephone number with this information. Please do not make contact with any party listed below regarding your product submission. Nutrition house will review the product samples and the information you provide and respond within 90 days of receipt of your submission.

Please send a full product information package including samples to each of the people listed below

Catherine Deslippe VP of Operations 2001-1228 West Hastings St. Vancouver, BC B.C. V6E 4S6 BZ # 164

Fred Stewart COO 12-80 West Beaver Creek Rd Richmond Hill, ON L4B 1H3
Michele Sevier Director of Education 38 Frances Ave Stoney Creek, ON L8E 5V6

Product Submission must be accompanied with the following information

1. Proof of your company possessing a minimum $2 million product liability insurance
2. Proof of your company’s compliance with all relevant Health Canada and NHPD regulations

3. Vendor must submit a summary of advertising plans for product to be considered.

4. Vendor must be willing to participate in national nutrition house marketing initiatives.

5. Vendor must be willing to participate in store co-op programs

6. Vendor must have systems in place to service all of our stores across Canada

7. Vendor must be willing to sign and participate in a vendor agreement which outlines invoicing, returns etc….

8. English/French labels

9. D.I.N. and/or NPN numbers where applicable

10. All products must have UPC bar codes

11. Certificates of analysis, third party testing documentation on products to be considered

12. Product label and full ingredient disclosure

13. Samples of customer and store literature

14. Product Samples

Thank you once again for your product submission, you will receive notice from nutrition house regarding your submission and our interest level within 90 days, should we require more information to make our decision you will be contacted directly.

Sincerely,

APPENDIX 8

GNC NEW PRODUCT SUBMISSION
Please check the appropriate category that applies to the product you’re submitting for consideration, then follow the instructions below.

☐ SPORTS NUTRITION – David Florian
☐ DIET / ENERGY – Jennifer Carroll
☐ VITAMIN SUPPLEMENTS – Wendy Gevert
☐ HERBAL SUPPLEMENTS – Kim Zimmerman
☐ HBA / HMC / GIFT CARDS – Shelly Walters

1. Send a non-returnable sample of your product(s).

2. Provide a background of your company.

3. Provide a pricing outline that includes product cost and suggested retail.

4. Outline any advertising/promotional programs you have for the product for the current year and the total dollar expenditure. Please note any additional programs that would be specific to GNC.

5. Include the shelf life of your product.

6. Please address product and product information to the appropriate contact above and mail to:

General Nutrition Centers
300 Sixth Avenue
Pittsburgh, PA 15222

It typically takes about four weeks for us to review each submission. If you do not hear back from us, please assume there is no interest at this time.
APPENDIX 9

Cureself’s Geographical Reach
## APPENDIX 10

CURESELF

[Affiliate Partners Wizard Log-In | Join Our Affiliate Partnership Program]

### Affiliate Sign Up

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<tr>
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<tr>
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| Country*                          | United States
| Phone                             |
| Fax                               |

### Web Site Information

| Site URL*                        |
| Site Title*                     |
| Comments                        |

### Miscellaneous Information

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By clicking the "Join Affiliate Program" button I [agree with the terms of the Affiliate Agreement.](#)
## APPENDIX 12

### NATIONAL RATES

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| 2 color                  |        |
| Full Page                | $118,200 |
| 2/3 Page                 | $89,900 |
| 1/2 Page                 | $72,200 |
| 1/3 Page                 | $53,200 |

| black & white            |        |
| Full Page                | $102,300 |
| 2/3 Page                 | $78,430 |
| 1/2 Page                 | $62,910 |
| 1/3 Page                 | $46,380 |
| 1/6 Page                 | $20,800 |

### REGIONAL RATES

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**Note:** Rates & dates are subject to change.

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<td>8/12/08</td>
<td>10/7/08</td>
</tr>
<tr>
<td>December/January</td>
<td>9/12/08</td>
<td>11/4/08</td>
</tr>
</tbody>
</table>

### MATERIAL REQUIREMENTS

**Digital Materials**
- Ad worn as spot for digital space

**Non Bleed Ad Units**
- Document should be built to trim dimensions
- Center the non bleed dimensions within the trim dimensions

**Bleed Ad Units**
- Document should be built to trim dimensions
- Center bleed neatly dimensions (front or anything you do not want to trim) within the trim dimensions
- Bleed 1/16" beyond trim on all four sides

**Proof Requirements**
- SWOP Certified or ad worn as spot for proof space

**Note:** If no proof is submitted or ad worn as spot for digital space, the bleed is automatically added.

**Retention of Materials**
- Materials for all processes will be held for one year then destroyed, unless otherwise notified.
- For ads that require type changes such as keyword, advertisement, phone numbers, etc., a complete new file and corresponding color contract proof is required to show these changes.

**Live Matter Requirements**
- All Bleed Ads: Keep live matter a minimum of 3/16" inside the bleed edges at top, bottom, and both sides.

**Spread Ads:** Neat matter 1/4" away from each side of center in 1/16" across the gutter except for center spread.

**FOR PRODUCTION QUESTIONS & EXTENSIONS PLEASE CONTACT**
- Jamie Dard
  - T: 518.284.2069
  - F: 518.284.2709
  - Email: jamie.dard@mea.abc.com

**SHIPPING INSTRUCTIONS**
- Please forward all advertising material to:
  - C3D Graphics, 4111 E. John Q. Hammon Drive, Oklahoma City, OK 73116
  - Tel: (405) 807.4799
  - Fax: (405) 807.4797

**ADDITIONAL MATERIAL SPECIFICATIONS ON REVERSE SIDE.**
Fitness Total Audience: 6,642,000

- Median age: 36
- Median HHI: $65,459
- Median home value: $241,180
- 48% married
- 37% single
- 48% any children in household
- 48% age 18-34
- 24% age 35-44
- 19% age 45-54
- 11% age 55+
- 66% attended college+
- 28% graduated college+
- 72% HHI $40K+
- 64% HHI $50K+
- 42% HHI $75K+
- 75% employed
- 28% professional/managerial
- 65% own a home

MPS Fall 2007, Base: Adults. Numbers reflect percent composition.

Fitness Cooks

- 25% of Fitness 2007 editorial pages are devoted to food and nutrition—#2 among all Meredith titles
- Fitness readers spend $576 million a week in food stores alone
- Fitness reaches 2.6 million moms

When it comes to food, Fitness readers are passionate
- 86% stick with a brand when they like it
- 84% eat healthy and pay attention to their nutrition
- 72% cook meals frequently during a given week
- 72% buy products from companies they trust even if more expensive
- 70% buy based on quality, not price

Hale’s Reports YTD 2007, MR Fall 06

Fitness Moms

The gatekeepers to a healthy family, nearly 40% of Fitness readers are moms – that’s more than 2.6 million family decision makers

Fitness reaches moms important to your brand
- Nearly 500,000* have children under 2
- 1 million between 2-6
- 1.3 million between 6-12

Fitness ranks #1 among women who plan to become a mom in the next 12 months

Fitness is committed to mom and family New Fit Families feature in every issue
APPENDIX 13

- **Demand Estimation**: London Drugs has 68 stores spread out in the four provinces: British Columbia, Alberta, Saskatchewan and Manitoba (Total population of 10.1 million). Expected sales are based on demand estimation by separating people between the ages of 25-55 in these provinces (50%), which is 5.05 million people. By expecting 50% of these to use vitamins on a regular basis, we end up with 2.525 million. It is realistic to expect a 0.2% market share in the first year, which will lead to a loyal customer base of 5050 people. By assuming that these people by 5 products each a year, Vigour ends up with a demand of 25,250 units the first year.

- **Shipping costs from Norway by using Schanker**: $4500 CAD per 1000kg.

- **Assumption 1**: Detox represents 20% of total sales, Protection 70% and Figure Balance 10%.

- **Assumption 2**: Production costs are estimated to be approx $5 CAD per unit.

- **Assumption 3**: In order to create a demand for the products in four provinces, Vigour will have to do advertising for at least 300,000 each year in addition to the promised $15,000 for advertising.

- **Assumption 4**: Sales account management is estimated to $70,000.
### APPENDIX 14

#### Break Even year 1 - Alternative 1: Mass Retail

<table>
<thead>
<tr>
<th>Units Sold</th>
<th>Variable Cost</th>
<th>Fixed Cost</th>
<th>Total Cost</th>
<th>Revenue</th>
<th>Profit Margin</th>
<th>Shipping Cost</th>
<th>Total Cost</th>
<th>Revenue</th>
<th>Profit Margin</th>
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<td>387,800</td>
<td>1,333,000</td>
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</tbody>
</table>
APPENDIX 15

Organic Industry Structure: Whole Foods and Wild Oats Locations

July 2007

Wild Oats
- Wild Oats
- Capers
  - Henry’s Farmers Market (to Smart & Final?)
  - Sun Harvest (to Smart & Final?)

Whole Foods
- Whole Foods Market
- Harry’s Farmers Market

The light blue circles on the inset map at right indicate Whole Foods and Wild Oats locations that are within 8 km (5 miles) of each other. There are 33 in total (although excluding the Henry’s and Sun Harvest locations, Whole Foods has proposed to sell, there are 21).

Phil Howard, Assistant Professor, Dept. of Community, Agriculture, Recreation and Resource Studies, Michigan State University
**APPENDIX 16**

**Alternative 2: Premium Retail**

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
<th>Expenses</th>
<th>Net Income</th>
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</thead>
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<tr>
<td></td>
<td>Sales</td>
<td></td>
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<tr>
<td>Year 1</td>
<td>0.5%</td>
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<td>Year 2</td>
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<td>0,6%</td>
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<td>Year 3</td>
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<td>0,75%</td>
<td>0,25%</td>
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</table>

**INCOME**

- Detox: $49 - 20% of total units sold 162,435.00 $
- Protection: $39 - 70% of total units sold 452,497.50 $
- FIGURE: Balance: $39 - 10% of total units sold 64,642.50 $

**TOTAL INCOME** 679,575.00 $

**EXPENSES**

- Fixed Costs
  - Advertising (Capers) 15,000.00 $
  - Shared advertising cost 15,000.00 $
  - Slotting fee Capers 15,000.00 $
  - Listing fee Capers 10,000.00 $
  - Additional advertising 100,000.00 $
  - Sales account management 70,000.00 $

**TOTAL** 225,000.00 $

- Variable Costs
  - Profit margin Capers: 50% (80% of sales from Capers) 271,830.00 $
  - Profit margin Lululemon: 40% (10% of sales from Lululemon) 27,183.00 $
  - Profit margin H/H: 40% (10% of sales from H/H) 27,183.00 $
  - Shipping cost (4500$ per 1000 kg (250 grams per box*units)) 22,500.00 $
  - Production costs ($5 Cdn per unit) 82,875.00 $

**TOTAL** 431,571.00 $

**TOTAL EXPENSES** 656,571.00 $

**NET INCOME** 23,004.00 $

- **Demand Estimation**: Capers has four stores in Lower Mainland, while Lululemon has two and Helly Hansen has one (and one in Whistler Mountain). The population in Lower Mainland is 2.5 million. By separating our target market (people aged 25-55, which is 50% of the population) from that number gives us 1.266 million. Because approx 50% of Canadians take vitamins on a regular basis, 50% of the 1.266 million are potential customers. By using this number and expect
a 0.5% market share in this group of people in the Lower Mainland, and expect each customer to buy at least five products a year, Vigour will sell 16,575 units in year one.

- Shipping costs from Norway by using Schanker: $4500 CAD per 1000kg.

- Assumption 1: Detox represents 20% of total sales, Protection 70% and Figure Balance 10%.
- Assumption 2: Production costs are estimated to be approx $5 CAD per unit.
- Assumption 3: Promised advertising to Capers, shared advertising, profit margin Capers, slotting fee Capers and listing fee Capers are assumed to be the same as London Drugs.
- Assumption 4: Lululemon and Helly Hansen take a 40% profit margin of their sales each.
- Assumption 5: 80% of total sales comes from Capers, 10% from Lululemon and 10% from Helly Hansen.
- Assumption 6: Additional advertising is expected to be at least $100,000 a year.
- Assumption 7: Sales account management is estimated to be $70,000 a year.
## APPENDIX 17

### Break Even year 1 - Alternative 2: Premium Retail

<table>
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<tr>
<th>Units</th>
<th>Sale</th>
<th>Variable</th>
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<th>Total cost</th>
<th>Revenue</th>
<th>Profit margins</th>
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<td>14286</td>
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</table>
APPENDIX 18

Robson Street

Robson Street is the main shopping area in Vancouver and can be compared to Karl Johans Street in Oslo. Although not technically on Robson Street but still considered part of the district, Burrard Street near Robson in addition to the areas of Hastings, Pender, Alberni, and Georgia Streets that cross near Burrard contain the most expensive upscale stores in the city, with prominent anchors such as Hermès, Gucci, Louis Vuitton, Betsey Johnson, Prada, Chanel, Cartier, Tiffany & Co, Lacoste, Coach, and Salvatore Ferragamo. According to Mario Negris at CB Richard Ellis Canada, the average rent would be from $225 CAD to $240 CAD per square foot with property taxes and operating costs approx. $50 CAD plus in addition. Allowable uses will vary depending on whether the landlord has granted exclusivities to other tenants in the building and also subject to the city.
APPENDIX 19

- **Demand Estimation**: The population in Lower Mainland is 2.5 million. By separating our target market (people aged 25-55, which is 50% of the population) from that number gives us 1.266 million. Because approx 50% of Canadians take vitamins on a regular basis, 50% of the 1.266 million are potential customers. By using this number and expect a 0.5% market share in this group of people in the Lower Mainland, and expect each customer to by at least five products a year, Vigour will sell 16,575 units in year one.

- Shipping costs from Norway by using Schanker: $4500 CAD per 1000kg.
- **Assumption 1**: Detox represents 20% of total sales, Protection 70% and Figure Balance 10%.
- **Assumption 2**: Production costs are estimated to be approx $5 CAD per unit.
- **Assumption 3**: UPS costs: $7.5 for shipping and $1 for packaging each unit/package.
- **Assumption 4**: UPS storage costs $3,000 and online software: $1,000.
- **Assumption 5**: Renting a 220 square feet facility on Robson will cost approx $52,800. This does not include additional costs, such as tax+++.
- **Assumption 6**: Labour is based on one person in the store during opening hours. The store will be open from 9am-9pm, 360 days a year, and the person working there is paid $15 an hour.
- **Assumption 7**: Other costs related to the store, maintenance and interior is assumed to be $30,000 in year one and decrease to $10,000 in the following years.
- **Assumption 8**: Advertising cost is estimated to be $200,000 each year.
## APPENDIX 20

<table>
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<th>Units</th>
<th>Variable</th>
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### APPENDIX 21

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<th>Size</th>
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<td>4col x 90 lines</td>
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<td>1/2 Page</td>
<td>$2,838.60</td>
<td>10.306” x 5.929”</td>
</tr>
<tr>
<td>1/4 Page</td>
<td>$1,425.00</td>
<td>5.694” x 5.357”</td>
</tr>
<tr>
<td>1/8 Page</td>
<td>$706.80</td>
<td>3.389” x 4.429”</td>
</tr>
<tr>
<td>Banners</td>
<td>$1,026.00</td>
<td>10.306” x 2.143”</td>
</tr>
<tr>
<td>Misc</td>
<td>$1,083.00</td>
<td>3.389” x 6.786”</td>
</tr>
</tbody>
</table>

Other Sizes:
- 3col x 28 lines: $319.20 3/8” x 2 1/2”
- 4col x 35 lines: $532.00 4 1/2” x 2 1/2”
- 5col x 42 lines: $798.00 5 11/16” x 3”
- 3col x 35 lines: $399.00 3 3/8” x 2 1/2”
- 3col x 42 lines: $478.80 3 3/8” x 3”
- 3col x 49 lines: $558.60 3 3/8” x 3 1/2”
- 4col x 42 lines: $638.40 4 1/2” x 3”
- 4col x 49 lines: $744.80 4 1/2” x 3 1/2”
- 4col x 56 lines: $851.20 4 1/2” x 4”
- 4col x 63 lines: $957.60 4 1/2” x 4 1/2”