Arcus AS - Linie Aquavit

"Examine the English Spirit Market"

Bachelor in International Marketing

May 2009

Leeds Metropolitan University

Anette Østervold

Cathinka B. Dytwik

Gunn Tøya Brenna

John Hegdal

Maren Djøve

"This paper is done as a part of the undergraduate program at BI Norwegian School of Management. This does not entail that BI Norwegian School of Management has cleared the methods applied, the results presented, or the conclusions drawn."
Acknowledgements

The authors are pleased to present this Bachelor thesis, which is a result of thoroughly research of the English spirit market and trends.
We would like to show our gratitude to our sponsor Arcus who made it possible for us to carry trough our project, and also give a special thanks to Mrs. Skalleboe and Mr. Aste who provided us with information and helped us on our way while writing the thesis.
We would also like to thank our supervisor Mr. Williams who has shared his knowledge with us and given us support throughout this Bachelor thesis. The quality of this project would not have been the same without his expertise and help.
Finally yet importantly, we would like to show our appreciation to all the people who contributed in our primary research, and in that way made it possible for us to carry out this project.
Table of Contents

EXECUTIVE SUMMARY ..............................................................................................................II

1.0 INTRODUCTION ......................................................................................................................1

1.1 THE COMPANY .........................................................................................................................1

1.2 AQUAVIT .................................................................................................................................2

1.3 AIMS AND OBJECTIVES .........................................................................................................3

1.3.1 Aim ......................................................................................................................................3

1.3.2 Objectives ..........................................................................................................................3

1.4 THE VISION AND MISSION OF ARCUS ................................................................................3

1.5 METHODOLOGY ...................................................................................................................3

1.6 LIMITATIONS EXPORT-MARKETING PROJECT ..................................................................3

1.7 TIMETABLE ..............................................................................................................................4

2.0 LITERATURE REVIEW ..........................................................................................................5

2.1 MICHAEL PORTER’S FIVE FORCES .....................................................................................5

2.1.1 Potential Entrants ...............................................................................................................5

2.1.2 Buyer Power ......................................................................................................................5

2.1.3 Supplier Power ..................................................................................................................6

2.1.4 Substitutes .........................................................................................................................6

2.1.5 Rivalry ..............................................................................................................................6

2.1.6 Critique Michael Porters Five Forces ................................................................................7

2.2 THE BAKKA FRAMEWORK ................................................................................................7

2.2.1 Critique the BAKKA Framework .....................................................................................8

2.3 THE VALUE CHAIN ..............................................................................................................9

2.3.1 Critique of the Value Chain ............................................................................................10

2.4 PESTEL ..................................................................................................................................11

2.4.1 Political Factors ................................................................................................................11

2.4.2 Economic Factors .............................................................................................................11

2.4.3 Social Factors ..................................................................................................................12

2.4.4 Technological Factors .....................................................................................................12

2.4.5 Environmental Factors ...................................................................................................12

2.4.6 Legal Factors ...................................................................................................................13

2.4.7 Critique PESTEL .............................................................................................................13

2.5 SOLBERG’S 9 STRATEGIC WINDOWS ...............................................................................13

2.5.1 Critique 9 Windows ........................................................................................................17

2.6 SWOT ....................................................................................................................................17

2.6.1 Critique SWOT ................................................................................................................19

3.0 RESEARCH METHODOLOGY ............................................................................................20

3.1 INTRODUCTION ...................................................................................................................20

3.2 RESEARCH LIMITATIONS ..................................................................................................20
## 6.0 SWOT ANALYSIS

<table>
<thead>
<tr>
<th>SWOT</th>
<th>Company</th>
<th>Industry</th>
<th>Threats</th>
<th>Opportunities</th>
</tr>
</thead>
</table>

### 7.0 DISCUSSION OF FINDINGS

- **7.1 FINDINGS PRIMARY DATA**
- **7.1.1 Questionnaires**
- **7.1.2 In-depth Interviews**
- **7.2 FINDINGS SECONDARY DATA**

### 8.0 STRATEGIC OPTIONS

- **8.1 STAY IN THE DOMESTIC MARKET**
- **8.2 ENTER THE ENGLISH ON-TRADE SPIRIT MARKET**
- **8.3 ENTER THE ENGLISH OFF-TRADE SPIRIT MARKET**
- **8.4 ENTER THE ENGLISH ON- AND OFF-TRADE MARKET (HIGH-END)**

## 9.0 CONCLUSION AND RECOMMENDATIONS

## 10.0 BIBLIOGRAPHY

### 10.1 BOOKS

### 10.2 INTERNET BOOKS

### 10.3 INTERNET JOURNALS AND ARTICLES

### 10.4 INTERNET PAGES

## 11.0 APPENDICES

- **APPENDIX 11.1 TIMETABLE**
- **APPENDIX 11.2 E-MAIL SENT TO BARS, PUBS AND RESTAURANTS**
- **APPENDIX 11.3 QUESTIONNAIRE**
- **APPENDIX 11.4 TOPIC GUIDE IN-DEPTH INTERVIEWS**
- **APPENDIX 11.5 AGREEMENT**
- **APPENDIX 11.6 BRAND PLATFORM LINE**
- **APPENDIX 11.7 E-MAIL SENT TO DISTRIBUTORS**
<table>
<thead>
<tr>
<th>Graphs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. VAT Based Enterprises the UK</td>
</tr>
<tr>
<td>2. GDP World</td>
</tr>
<tr>
<td>3. GDP the UK</td>
</tr>
<tr>
<td>4. Inflation</td>
</tr>
<tr>
<td>5. Import</td>
</tr>
<tr>
<td>6. GBP/NOK</td>
</tr>
<tr>
<td>7. Income and Wealth</td>
</tr>
<tr>
<td>8. Labour Market</td>
</tr>
<tr>
<td>9. Cultural Dimensions</td>
</tr>
<tr>
<td>10. Population</td>
</tr>
<tr>
<td>11. Expenditure of GDP on Education</td>
</tr>
<tr>
<td>12. Income Distribution the UK</td>
</tr>
<tr>
<td>13. Telecommunications</td>
</tr>
<tr>
<td>14. Findings-Education</td>
</tr>
<tr>
<td>15. Findings-Cities</td>
</tr>
<tr>
<td>16. Findings-Social Status and Drinking Habits</td>
</tr>
<tr>
<td>17. Findings-Income and Aquavit</td>
</tr>
<tr>
<td>18. Findings-Drinking Habits</td>
</tr>
<tr>
<td>19. Findings-Importance When Purchasing a Spirit Drink</td>
</tr>
<tr>
<td>20. Findings-Aquavit</td>
</tr>
<tr>
<td>21. Findings-History of Linie Aquavit</td>
</tr>
<tr>
<td>22. Findings-Association Bottle</td>
</tr>
<tr>
<td>23. Findings-Association Label</td>
</tr>
<tr>
<td>24. Findings-Consider Buying Linie Aquavit</td>
</tr>
</tbody>
</table>
# List of Figures

<table>
<thead>
<tr>
<th>Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Organisational Map Arcus Gruppen AS</td>
</tr>
<tr>
<td>2. Michael Porters Five Forces</td>
</tr>
<tr>
<td>3. The Value Chain</td>
</tr>
<tr>
<td>4. The 9 Strategic Windows</td>
</tr>
<tr>
<td>5. SWOT</td>
</tr>
<tr>
<td>6. Research Designs</td>
</tr>
<tr>
<td>7. Possible Errors Secondary Data</td>
</tr>
<tr>
<td>8. Secondary Data</td>
</tr>
<tr>
<td>9. In-depth Interviews Possible Advantages and Disadvantages</td>
</tr>
<tr>
<td>10. Questionnaires- Possible Advantages and Disadvantages</td>
</tr>
<tr>
<td>11. Postal Questionnaires- Possible Advantages and Disadvantages</td>
</tr>
<tr>
<td>12. Telephone Interviews- Possible Advantages and Disadvantages</td>
</tr>
<tr>
<td>13. The UK Spirit Market Segmentation</td>
</tr>
<tr>
<td>14. The Buying Decision Process</td>
</tr>
<tr>
<td>15. Evoked Set Model</td>
</tr>
<tr>
<td>16. SWOT</td>
</tr>
</tbody>
</table>
# List of Appendices

<table>
<thead>
<tr>
<th>Appendices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Timetable</td>
</tr>
<tr>
<td>2. Email Sent to Bars, Pubs and Restaurants</td>
</tr>
<tr>
<td>3. Questionnaire</td>
</tr>
<tr>
<td>4. Topic Guide In-Depth Interviews</td>
</tr>
<tr>
<td>5. Agreement</td>
</tr>
<tr>
<td>6. Brand Platform Linie</td>
</tr>
<tr>
<td>7. Email Sent to Distributors</td>
</tr>
</tbody>
</table>
Executive Summary

Arcus AS, a Norwegian subsidiary of Arcus Gruppen AS have shown their interest in the English spirit market. Arcus AS offers different products of wine and spirits, and is the only company in Norway who officially has an approved laboratory for the analysis of wines and spirits. The product Arcus are interested in launching in England is Linie Aquavit. They have previously tried to launch their aquavit, but without success.

A group of five students at Leeds Metropolitan University has worked with this report regarding the spirit market in England. The aim and objectives was to examine the English spirit market with focus on market trends, identifying possible external influences, and the positioning of Linie Aquavit in England.

The report consists of primary and secondary data, where primary data was conducted through in-depth interviews with bartenders and bar owners and questionnaires handed out to the consumers at pubs, bars and restaurants. The data was collected in Leeds, Liverpool, Newcastle and Birmingham. In addition, an e-mail was sent to different distributors in England, to find different options regarding entering the English spirit market. The secondary data consists of web pages, articles, reports, journals and appropriate literature. The primary and secondary data has been analysed, and the authors have developed strategic options and recommendations that Arcus can find useful if entering the market.

The findings of the analysis show that the English spirit market is one of the largest in the world. The on-trade market has decreased the recent years, while the off-trade market has been slightly increasing. The overall spirit market has decreased, and some of the reasons are the economic recession and public health campaigns. Political, economic, social, technological, environmental and legal factors could influence a possible entry to the English spirit market.

The authors have found that England has a well-established drinking culture, and that there is a market for Linie Aquavit. They would advise Arcus to enter the on and off trade market, and position themselves as a luxury brand to maintain their reputation as exclusive. Linie Aquavit should be sold in high-end bars and restaurant and exclusive stores.
Chapter 1

Introduction
1.0 INTRODUCTION

1.1 The Company

Arcus AS (hereafter Arcus) is the producer of Linie Aquavit, and the headquarters are located in Oslo, the capital of Norway (Arcus, 2009). Linie Aquavit was “discovered” in 1807, and the marketing of the product started in 1830, and has become a traditional spirit in Norway (Arcus, 2009). Arcus would launch their product in England as a high-end spirit and they see themselves as a luxury brand.

Arcus was founded in 1996 when they acquired production, import and distribution from “Vinmonopolet” (Arcus, 2009). “Vinmonopolet” in Norway had a monopoly of all spirits and wine before Arcus was founded (Arcus, 2009). During the first years, the government owned Arcus, but in 2000, they were only partly involved. In 2003, they became privately owned (Arcus, 2009). Today, Arcus is responsible of the Norwegian spirit manufacture, which is based on the traditions from the old distillation processes (Arcus, 2009).

Arcus is a part of Arcus Gruppen AS (“the Arcus Group”) (Arcus, 2009). Arcus Gruppen is the largest wine and spirit player in Norway, and Ratos, a Swedish investment company is the major owner (Arcus Gruppen, 2009). Arcus’ main market is Scandinavia, but their products are also marketed in other parts of the world. The main markets outside of Scandinavia are Germany and the U.S (Arcus, 2009).

Arcus has previously tried to launch their aquavit in England, but without success. The authors of this project do not have any information on the previous attempts because Arcus wants the research carried through without any influence or knowledge about it.

Arcus is optimistic, and believes that there is a place for aquavit in the English spirit market. They are primarily interested in positioning aquavit as a shot or a “beer chaser”. A “beer chaser” is a shot consumed following the beer so the taste can linger in the mouth for a while. As mentioned previously the authors are going to carry out research to see if there is a market for aquavit in England. They are also going to find out how the consumers would prefer to drink it.
1.2 Aquavit

Aquavit is a traditional Scandinavian spirit distilled from either potato or grain, Linie Aquavit is distilled from potatoes (Arcus, 2009). The spirit contains around 40% alcohol by volume and according to EU law it has to contain at least 37.5% alcohol by volume to be classified as aquavit (Arcus, 2009). The spirit is flavoured with different herbs like caraway seeds, anise, dill and fennel. The name of aquavit origins from the Medieval Latin Aqua Vitae, which means “water of life”, and in English it can be written in two different ways: “aquavit” or ”akvavit” (Arcus, 2009). Aquavit can be consumed from a shot glass, but aquavit enthusiasts often tend to treat it as fine whiskey. Aquavit is claimed to compliment beer better than other types of spirits and it is claimed that aquavit will ease the digestion of rich foods (Arcus, 2009).

The first known reference of aquavit is dated back to 1531 in a letter from a Danish lord to the last Archbishop of Norway. The letter, dated April 13, accompanying a package, offers the archbishop "some water which is called Aqua Vitae and is a help for all sort of sickness, which a man can have internally" (Arcus, 2009). In Norway, Sweden and Denmark aquavit is a spirit that is a natural part of Christmas and other traditional celebrations (Arcus, 2009).
1.3 Aims and Objectives

1.3.1 Aim
“Examine the English spirit market”

1.3.2 Objectives
- To identify market trends within the English spirit market
- To identify external factors that could affect a potential entry by Arcus into the English spirit market
- How to position Linie aquavit in the English spirit market

1.4 The Vision and Mission of Arcus
- Create the best possible beverage experience
- Develop authenticity and closeness to the products
- Import, produce, bottle, market and sell wine and spirits
- Be the market leader of the local market and develop key brands internationally

1.5 Methodology
The literature in this project will mainly be secondary data sources like books, journals, web pages, and several articles. Our primary research will be based on questionnaires and in-depth interviews. Methodology will be discussed in chapter 3.

1.6 Limitations Export-Marketing Project
This project is a research regarding the English spirit market, but most reports and articles, which are used, is about the UK spirit market.

The authors are all students and have not accomplished a report, which is this comprehensive before. They are also familiar with consider Linie Aquavit as a traditional spirit that plays a great part in the Christmas traditions in Norway, and it can therefore be hard for the authors to “think outside the box” and reposition Linie Aquavit in their mind and in that way find new solutions for the product within the English market. English is the authors’ second language, something that can lead to misunderstanding with communication.

Limitation regarding the primary research is discussed in section 3.2 “Research Limitations”.

[Image of Arcus logo]
1.7 **Timetable**

The projects timetable is attached in appendix 1.
Chapter 2

Literature Review
2.0 LITERATURE REVIEW

In this chapter the internal and external market situation will be reviewed. These analyses will be applied to Arcus in chapter 4 and 5. The models used in this project are: Michael Porters 5 Forces, the BAKKA Framework, the Value Chain, PESTEL and Solberg’s 9 Strategic Windows, and they are summed up in a SWOT-analysis.

2.1 Michael Porters Five Forces

Michal Porters “five competitive forces” is a tool that is useful when analysing the external environment that the company operates in (Porter, 2008). When operating in a competitive environment, the company becomes vulnerable towards several external factors (Porter, 2008). Michael Porter analyses the threats of potential entrants, buyer power, substitutes, supplier power and rivalry in the competitive environment (Porter, 2008).

2.1.1 Potential Entrants

When new companies enter the industry, the competition increases and intensifies the competitive environment (Porter, 2008). Many competitors result in a competition for market share, which again results in a tougher industry to compete in (Porter, 2008). In industries where the entrant-barriers are low, more companies are likely to offer their products or services, because the risk for entering the industry is less considerable (Porter, 2008). When the entry barriers are high, the risk of potential entrants becomes lower, generates more recourses and at a greater risk to increase market share in the industry (Porter, 2008).

2.1.2 Buyer Power

If there are many suppliers that offer similar products or services, the buyers are likely to hold the bargaining power (Porter, 2008). If the costs and risks of altering a supplier are low, the buyer power becomes greater (Porter, 2008).
2.1.3 Supplier Power

The bargaining power of the supplier is likely to be high if a few large suppliers control the market. If there does not exist any substitutes, the costs and risks of switching supplier is high (Porter, 2008).

2.1.4 Substitutes

A substitute is a product or a service that satisfies the same needs that another existing product already provides (Porter, 2008). The threat of substitutes is high if they can provide the same purpose at a lower price for the consumers (Porter, 2008).

2.1.5 Rivalry

All the external factors (potential entrants, buyer power, supplier power and substitutes) create and shape the industry rivalry. The industry rivalry is the environment that the company operate in when competing in an industry (Porter, 2008).

The profitability of an industry is affected and limited by high rivalry (Porter, 2008). The intensity of the rivalry is depending on if there are several competitors in the same industry, if they are equal in size and power. Without an industry leader, the industry is likely to be slow and the exit barriers are supposable to be high (Porter, 2008).

Figure 2: Michael Porters Five Forces
2.1.6 Critique Michael Porters Five Forces

Porter’s five forces are, like many of Michael Porters models, not updated to the new business environment. This model requires both competition and market to be perfect and relatively static, however it can forget the complexity in today’s companies (Recklies, 2001). The risk of overlooking a small part in the analysis is significant and this can turn into large differences with great effect (Recklies, 2001).

2.2 The BAKKA Framework

Bjarne Bakka developed ‘the BAKKA Framework’ in 1973. It classifies and analyses where a company is situated in the international development process. It is important to be aware of the fact that this model could be quite generalising (Solberg, 2005). The main purpose of the theory is to present the different stages a company undergoes in an internationalisation process (Solberg, 2005). The BAKKA framework also suggests which factors in the decision making process is affected in the different stages (Solberg, 2005).

The BAKKA Framework introduces five stages of internationalisation:

- Trial Export
- Extensive Export
- Intensive Export
- Multinational Export
- Global Export

(Solberg, 2005).

In the trial export phase the company has no or little international experience. The basic knowledge on the subject of the new market is minimal, and this lack of knowledge can bring down an international operation (Solberg, 2005). An example of this is the credit period in different countries, and in Norway the normal credit period is 30 days (Solberg, 2005). However, in south of Europe, the period usually varies from 90 to 120 days (Solberg, 2005). If a small or medium sized company does not receive payments when expected, it can be a crucial and destructive factor (Solberg, 2005).
Solberg suggests that it can be difficult for a company with little experience to find a suitable partner who can help them to succeed (Solberg, 2005).

The “next stage” in the internationalisation process is extensive export. Here the company has “survived” the first stage, and has assembled a network of agents in several countries (Solberg, 2005). The management structure at this stage is often weak and the CEO is in charge of the international operations. For this reason further expansion and to achieve a greater profit can be difficult. The market knowledge is minimal and the company does not have the human resources and financial capital to follow up their customers and contracts (Solberg, 2005).

In the multinational export stage, the company is becoming further dependent on its international operations (Solberg, 2005). Exporting is no longer a small part of the business, but vital. The company has narrowed its many markets down to the most profitable and suitable for the company (Solberg, 2005). Market information is being processed effectively because of a higher presence in the market, this makes the company more able to develop the product and services to the market needs (Solberg, 2005).

The company has now developed an international office or team, who are running the international operations. This eases the workload from the CEO and the top management (Solberg, 2005). At this stage the company is recognising high profits from their international operations (Solberg, 2005).

The last stage in the BAKKA Framework is global exporting. The company has developed to become a major player in the international and global market (Solberg, 2005). Their marketing communication is becoming more standardised and the company strives to develop one message expressing their values toward a global market (Solberg, 2005).

2.2.1 Critique the BAKKA Framework

Carl Arthur Solberg’s (2006) book “Internasjonal Markedsfoering” is used as reference for the Bakka framework. Unfortunately, this book can only be found in Norwegian. Solberg’s theories form much of the recommended literature for the “International Marketing” module at BI Norway. The theories are therefore found valid by the authors.
2.3 The Value Chain

The value chain is a model developed by Michael Porter, and it describes and explains at which stage a company can create their competitive advantage (Johnson, Scholes and Whittington, 2008). The primary activities in the value chain are described as inbound logistics, operations, outbound logistics, marketing and sales and service.

Figure 3: The Value Chain

![Value Chain Diagram](image)

Source: (Johnson, Scholes and Whittington, 2008).

*Inbound logistics:* This activity concerns the warehousing, the receiving of raw materials, and the controlling of input materials (Johnson, Scholes and Whittington, 2008).

*Operations:* In this step, the product is developed into the final and complete product (Johnson, Scholes and Whittington, 2008).

*Outbound logistics:* This activity should transport the final product to the consumer, it also includes warehousing and distribution (Johnson, Scholes and Whittington, 2008).

*Marketing and Sales:* This step should convince the buyer to purchase the product. This includes the pricing and marketing of the product. It is also important to identify the customer needs (Johnson, Scholes and Whittington, 2008).
**Service:** This activity is important subsequent to the sale. The companies should develop a customer support team, repair service and so on to make sure that their customers are satisfied (Johnson, Scholes and Whittington, 2008).

The above activities are primary and vital, and if a company knows exactly where their strength is situated, they can achieve a competitive advantage. The primary activities are supported by procurement, technology development, human resource management and the firms’ infrastructure (Johnson, Scholes and Whittington, 2008).

*Procurement* is the operation of purchasing inputs like raw materials, supplies and equipment that are utilised in the value creating activities (Porter and Millar, 1999).

*Technology development* is the technology, research and development the company use to support value-creating activities (Porter and Millar, 1999).

*Human resource management* is the activities the company is accomplishing when recruiting, hiring, and training new members of staff (Porter and Millar, 1999).

The last supporting activity is *the infrastructure of the company*. This could include finance, organisational structure, the culture within the company and legal issues (Porter and Millar, 1999).

If these activities are developed efficiently, the company’s margin and profit can be increased, and the customers might be willing to pay a higher price for the product, than the costs of the different activities in the value chain (Porter and Millar, 1999). A competitive advantage can be developed by a cost advantage or a differentiation.

### 2.3.1 Critique of the Value Chain

In Porters value chain one single company controls all the elements of the value chain from design to production to distribution. When each element in the value chain cooperates and is well functioned, this creates the values in the company (Recklies, 2001). Today it is unusual that one company performs all the elements in the value chain by itself. Often one company is creating the design, a different company is producing the product and another one is providing
the distribution. In this model a company would not have much value if you look at the company itself (Recklies, 2001).

2.4 PESTEL

PESTEL is an analysis of the macro-environment. The framework considers external categories such as political, economical, social, technological, environmental and legal factors (Johnson, Scholes and Whittington, 2008). The PESTEL analysis is essential when a company considers entering a new market, it is also a helpful strategic-planning tool (Johnson, Scholes and Whittington, 2008). The margins between success and failure in a new market are small and the PESTEL is helpful when answering questions regarding these factors and developing a strategy (Johnson, Scholes and Whittington, 2008). Using the PESTEL framework can make it easier for the company to adapt quicker to the new market, and to avoid failure (Johnson, Scholes and Whittington, 2008).

2.4.1 Political Factors

These refer to the degree of intervention the government has in the economy (Doole and Lowe, 2008). This could be several areas such as political stability, demerit or merit goods, tax policy, trade barriers and labour law (Doole and Lowe, 2008). Political decisions also have an impact on essential areas such as the level of educated workforce and the health of the nation (Doole and Lowe, 2008). Countries without political stability can sometimes have significant problems with corruption and this can create barriers for a company (Doole and Lowe, 2008).

2.4.2 Economic Factors

The economic factors have a high correlation with the political factors (Doole and Lowe, 2008). These factors could have an influence on demand, cost, price and profit and have a major impact on a company’s decision making, the way they operate, further growth and expansion (Doole and Lowe, 2008). Knowledge about the economic environment is important, but the economic changes can often be hard to predict. A strong currency can make exporting difficult and inflation can increase a company’s costs (Doole and Lowe, 2008). Firms constantly have to monitor the economic environment to prevent the company against
threats and to be able to seek opportunities. In 2008 the world experienced how difficult this can be, and the impact of economic factors (Doole and Lowe, 2008).

2.4.3 Social Factors
The social factors are extremely important, but can be difficult to evaluate (Doole and Lowe, 2008). The social influences cover a wide area, some changes rapidly, others are firmly established and are difficult to change (Doole and Lowe, 2008). Social factors could include changing cultures, demographics, education, health and trends. A change in social factors and trends can also be a result of a change in one of PESTELs other areas (Doole and Lowe, 2008). A decline in the economic market can have a major effect on the social factors and force the market into a change such as the demand for a product, pricing and availability (Doole and Lowe, 2008). The current economic decline has created a significant change in the social factors. People have lower purchasing power and the manufacturers of luxury-items such as new cars and travels are experiencing a major decrease in the market (Doole and Lowe, 2008).

2.4.4 Technological Factors
Technological factors refer to innovation, research and development of new products and technology (Rapidbi, 2009). These factors include ecological and environmental aspects and can decide a company’s failure or success (Rapidbi, 2009). Technological shifts affect a company and can determine in what way the company produce and carry out their operations. The development of new technology can benefit both the company and the consumers (Rapidbi, 2009).

2.4.5 Environmental Factors
These factors are often considered as “the green” issues and could include weather, climate and climate changes (Doole and Lowe, 2008). The environmental awareness is constantly growing with focus on global warming and the effects of this. People’s desire and social responsibility are increasing and this has an effect on industries such as travel and transportation (Doole and Lowe, 2008). The environmental focus and increasing awareness affects the consumers demand for different products and create new trends. This results in
new business opportunities and more environmentally friendly products. The environmental factors have a high correlation with social factors (Doole and Lowe, 2008).

2.4.6 Legal Factors
These factors refer to the legal environment, which the company operates in and how they affect the company (Doole and Lowe, 2008). This could include health and safety legislation, restrictions and new regulations (Doole and Lowe, 2008). Domestic laws, EU laws, and International law are binding for a member of the European Community (Doole and Lowe, 2008).

2.4.7 Critique PESTEL
The external environment is very complex and dynamic, and the PESTEL analysis should be undertaken on a regular basis (Oxford University Press, 2009). In addition, it is important that managers question their assumptions, because it is easy to assume how the different external environment will influence the company (Oxford University Press, 2009).

2.5 Solberg’s 9 Strategic Windows
Solberg’s 9 strategic windows is a model that analyse the correlation between the company’s industrial structure and their internationalisation ability. These factors provide the management with information simplifying which strategies they should choose (Solberg, 2005).
Source: (Solberg, 2005).

1. **Stay in Your Domestic Market**

In this window there are few or no threats regarding changes in the market- or competitive climate (Solberg, 2005). The companies starting point is quite poor in the internationalisation process, and there are few indicators telling the company to consider business in international markets (Solberg, 2005). However, if the company’s management aspires to enter the international market, this should be done with small steps to gain experience and market share along the way (Solberg, 2005).

2. **Consolidate the Position in Established Markets**

Here the company still exists in what you can consider an isolated market. On the other hand, the management has developed a certain position in some export markets and the company has gained international experience (Solberg, 2005). At this stage, it is important for the company to continue their expansion of their market position in already established markets (Solberg, 2005).
3. Seek New Business-Markets

The company has achieved a dominant position in some export markets. The company has also international experience (Solberg, 2005). At this stage, it would be natural for the company to seek growth through new business-markets internationally, either through seeking new markets or new product-areas, this way the company can explore the experience and the position the company has achieved (Solberg, 2005). Companies that are market leaders in their domestic market should consider this strategy (Solberg, 2005).

4. Seek Niches in the International Markets

Here the company has little experience with international markets, but at the same time, the company is in a market where global competitors are visible (Solberg, 2005). A change in the external conditions will make the company extremely vulnerable for competition in the domestic market (Solberg, 2005). The company should develop small niches where they can identify their competitive advantage such as in specialisation or have a technological advantage (Solberg, 2005). By establishing niches, the company will improve their position and be able to climb on the y-axis on the model (Solberg, 2005). This will give the company experience in the international market and strengthen their position. Companies at this stage are very vulnerable and it is essential to have financial backing and a strong management team (Solberg, 2005).

5. Consider Expansion to New Markets

At this stage, the company already has a certain position in the international market, and it has developed an international organisational culture (Solberg, 2005). The company should be prepared for possible changes of entering a global market. It is important to develop a strong network and market-position in the competitors domestic/main market (Solberg, 2005). This can help the company to be prepared if the market should change from international to global. This is a very ambitious strategy, however necessary to survive in a global market (Solberg, 2005).

6. Prepare Globalisation

In this window, the company has a solid position in already established markets combined with a strong and developed international organisational culture (Solberg, 2005). The market where the company is situated is international but not considered global. Companies should at this stage prepare themselves to enter the global market (Solberg, 2005). A financially strong
company should look for possible buy-out candidates to strengthen its position in new markets. If the company is in a weak financial situation, they should consider an alliance (Solberg, 2005). The key factor at this stage is to build a platform in the main competitors’ domestic market, to be able to “strike” if they try to enter the company’s own domestic markets. (Solberg, 2005).

7. Prepare a Possible Buy-Out
In this window, the company has a weak starting point to enter a global market with hard competition (Solberg, 2005). The management team do not have the opportunity to develop the company’s position, which is necessary if you are going to survive in a global and competitive environment, and this can lead to loss of market share (Solberg, 2005). To survive, the company should specialise in niches and gain international experience through operating in a more protected environment (Solberg, 2005). If this turns out to be difficult the company should prepare for a possible buy-out to increase their own company’s value- (Solberg, 2005).

8. Seek Global Alliances
When a company is situated in the global market but is not fully prepared to be in this situation, the company could benefit from seeking an alliance (Solberg, 2005). If they do so, it can strengthen their internationalisation conditions (Solberg, 2005).

9. Strengthen Your Global Position
At this stage, the company is in a global market, and in an organisation that is strong enough to face the challenges (Solberg, 2005). Here it is important to secure their position in the main markets and to pay attention to the changes. This can be new technology, costs, political and legal changes or customers’ preferences (Solberg, 2005). It is essential to identify the main markets and always stay ahead to keep the competitive advantage. Another critical element at this point is to build an organisation, which can quickly adapt to the possible changes (Solberg, 2005). Key factors here are flexibility, a clear vision and to adapt to changes. The expression “think global, act local” defines the position (Solberg, 2005).
2.5.1 Critique 9 Windows

Carl Arthur Solberg’s (2006) book “Internasjonal Markedsfoering” is used as reference for the 9 strategic windows. Unfortunately, this book can only be found in Norwegian. Solberg’s theories form much of the recommended literature for the International Marketing module at BI Norway. The authors therefore find his book and theories valid.

2.6 SWOT

The SWOT-analysis is an analysis that can assist a company with its strategic planning process. In the SWOT-analysis the internal factors (strength and weaknesses) and external environmental factors (opportunities and threats) within a company is evaluated (Solberg, 2005). The SWOT-analysis provides information regarding the key issues on the subjects of the company’s business environment and the company’s strategic capability. The company could benefit from knowledge on these subjects on its way to achieve a certain goal, and can be provided by evaluating these factors (Solberg, 2005).

When a company is generating different strategic options and planning their future course of action the SWOT-analysis can be helpful. Nevertheless it is important to take into account that a SWOT-analysis only provides a general description of the company and the environment they operate in. If a company wants to use this analysis as a helping tool on its way to become competitive, the company must undergo evaluations of their competitor’s strengths, weaknesses, opportunities and threats. After-words they could benefit from comparing their results to get a complete understanding of where they are positioned in relation to their competitors (Johnson, Scholes and Whittington, 2008).
Figure 5: SWOT

<table>
<thead>
<tr>
<th>Internal</th>
<th>Negative or potential to be negative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengths</strong></td>
<td><strong>Weaknesses</strong></td>
</tr>
<tr>
<td><strong>Opportunities</strong></td>
<td><strong>Threats</strong></td>
</tr>
</tbody>
</table>

**Strengths**
Strengths are internal factors in the organisation and within the organisation's control, it includes resources and capabilities, which can be used to develop a competitive advantage, for instance a strong brand or patent (Johnson, Scholes and Whittington, 2008).

**Weaknesses**
Weaknesses are internal factors in the organisation, which can be considered to be an “absence” of strengths and a reason for not achieving a goal. Examples of areas, which need to be improved, could be a weak brand or lack of patent (Johnson, Scholes and Whittington, 2008).

**Opportunities**
Opportunities are external factors in the organisation, and one of the reasons why the organisation develops products and exist. These factors can provide the organisation with profit and growth, for example the launch in a new market or new technology (Johnson, Scholes and Whittington, 2008).

**Threats**
Threats are also external factors within the organisation, and beyond their control (Johnson, Scholes and Whittington, 2008). Threats can increase the organisation's risks, and the organisation should try to minimise them by developing plans in case they should occur, for instance new regulations or new trends (Johnson, Scholes and Whittington, 2008).
2.6.1 Critique SWOT

When performing a SWOT-analysis it is very important to have an objective on what you want to achieve. Many use the analysis without any further judgment, and they are not always open to critique about their company, this makes the results less relevant (Novicevic et.al, 2004).
Chapter 3

Research Methodology
3.0 RESEARCH METHODOLOGY

3.1 Introduction
This section is in relation to the research methodology the authors have used when carried out research for this export-marketing project.

The authors have made use of both primary and secondary data. The primary data was collected to answer the aim and objectives, and to gain thorough knowledge regarding the spirit market in England. The secondary data was assembled to gain knowledge about the English market and to understand the internal and external environment surrounding a specific market in a country.

3.2 Research Limitations
There are several limitations, which is important to point out:

- The research for this project is sampled during one semester
- There was only conducted research in four cities, something that can be considered restricted
- The respondents did not always take the questionnaire seriously, which resulted in some unreliable answers
- The research was conducted in places serving alcohol and our respondents had been consuming alcohol, most people who had not consumed alcohol already did not wish to participate in our queries
- The only place the authors could conduct our primary research was in bars/pubs because they needed a location which was licensed to serve alcohol to not breach any laws or regulations
- The in-depth interviews was undertaken in the bar/pub/restaurant, and background noise could be interrupting
- The authors did not get a chance to handle out samples in some bars, depending on the distributor the bar dealt with
3.3 Research Design

To answer the aim, a research design had to be chosen. There are different theories according to types of designs, and the theory by Gripsrud et.al (2004) is used in this section, where three different types of research designs are identified: explorative, descriptive and causal.

The purpose of a research design is to describe the process of an analysis according to solving a problem (Gripsrud et.al, 2004). When choosing a design you have to know the area you are analysing, what our ambition during the process is, and to explain coherences (Gripsrud et.al, 2004).

Figure 6: Research Designs

![Research Designs Diagram]

Source: (Gripsrud et.al, 2004).

3.3.1 Explorative Design

The explorative design is useful if you have no or limited knowledge about the area you are going to explore. Basic knowledge, relevant theory, and theoretical models are not familiar, and therefore the purpose of the research is to gain an understanding of the research area (Gripsrud et.al, 2004). It is common to start with secondary data such as gathering data on previous articles and journals, and then carry out own sampling of primary data, an improved and more detailed understanding will be developed (Gripsrud et.al, 2004).

There are two methods of collecting primary data for an explorative design: focus groups and in-depth interviews.
Focus Groups
A focus group is a group interview, where the participants (usually 8-12 persons) have to discuss a given topic (Bryman & Bell, 2003). The purpose of a focus group is to identify issues and problems relating to an aim (Gripsrud et.al, 2004).

Individual in-depth Interviews
An individual in-depth interview is a conversation between an interviewer and a respondent. The purpose of the interview is to get the respondents’ personal feelings, experiences, opinions and so on. It normally lasts from ½ - 2 hours (Gripsrud et.al, 2004). If the topic is sensitive, it could be easier and less problematic for a respondent to be honest in an in-depth interview instead of “pouring out feelings” in a focus group (Gripsrud et.al, 2004).

3.3.2 Descriptive Design
A descriptive design is helpful if you already have primary understandings on the given topic. The intention is to describe a particular situation on a particular area (Gripsrud et.al, 2004). The design is supposed to show the level of one variable or the coherence between two variables (Gripsrud et.al, 2004).

Primary collection methods for a descriptive design could be: structured questionnaires, observations and diaries (Gripsrud et.al, 2004). If you are performing a practical research, this design is very advantageous (Gripsrud et.al, 2004). Questionnaires are very common, and often represented as postal enquiries, telephone interviews or web-based enquiries. The setbacks with this method could be vague answers, the respondents are not honest or do not remember details (Gripsrud et.al, 2004).

3.3.3 Causal Design
This is a design advantageous when inquiring explanations between different causes (Gripsrud et.al, 2004). Experiments are operated with an aim to manipulate an independent variable to see if there is an effect on a dependent variable (Gripsrud et.al, 2004). If you are making an initiative and then inquire the effect on this, you can define this as an experiment. It is important to control the effects on the experiment to see if there are any not-included variables affecting the dependent variable (Gripsrud et.al, 2004).
3.4 Reliability and Validity

3.4.1 Reliability

“Reliability is concerned with the question of whether the results of a study are repeatable” (Brymann and Bell, 2003, p.33). The point of this is to see if the results are defendable, and there are three ways of finding out if the results are reliable:

1) Stability
Two groups/individuals should get the same result on an identical survey. To see if there is any correlation between $T_1$ and $T_2$, a test-retest is often operated (Bryman and Bell, 2003).

2) Internal Reliability
This factor is regarding the respondents’ answers, and if they are related to own scores or due to other indicators have been affecting the answers (Bryman and Bell, 2003).

3) Inter-observer Consistency
When a great deal of subjective judgment is involved in activities, there is a possibility of lack of consistency in their decisions. An example of such an activity could be the recording of observations (Bryman and Bell, 2003, p.76).

3.4.2 Validity

“Validity refers to the issue of whether an indicator that is devised to gauge a concept really measures that concept” (Bryman and Bell, 2003, p.77). The survey could be accurate and have a large timescale, but there could be a problem according to gauge something unintentionally; this is called a systematic error (Gripsrud et.al, 2003).

3.5 Secondary Data

This is data collected for other purposes, for instance to get a deeper knowledge about a market. The advantage of this data is that the data is already sampled, which makes it easier and more inexpensive for others to gain knowledge from it (Gripsrud et.al, 2004). The validity of secondary data can be reduced since it was essentially sampled for other purposes.
Secondary data could be helpful achieving a better understanding of for example aims or objectives. (Gripsrud et.al, 2004).

A setback with secondary data can be the fact that other people has sampled them, therefore they might not be reliable (Gripsrud et.al, 2004). The secondary data could originate from both internal and external sources, where external sources could be public sources or standardised surveys (Gripsrud et.al, 2004). Standardised surveys could be carried out by for example professional marketing bureaus. Public sources could be collected from books, the Internet and so forth. The public sources are often without costs/low costs, and there is a lot of information available from the Internet (Gripsrud et.al, 2004).

3.5.1 Problems with Secondary Data

Figure 7: Possible Errors Secondary Data

<table>
<thead>
<tr>
<th>Problems with Secondary Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sampling error</td>
</tr>
<tr>
<td>Non-sampling error</td>
</tr>
<tr>
<td>Error that invalids the data</td>
</tr>
<tr>
<td>Error that demands the data to be reformulated</td>
</tr>
<tr>
<td>Errors that reduces the reliability of the data</td>
</tr>
</tbody>
</table>

Source: (Gripsrud et.al, 2004).

3.5.2 Secondary Data English Spirit Market

The author’s secondary data consists of journals, academic articles, Athens, web sites related to their project, and appropriate literature in the form of books. All secondary data is listed in the bibliography section of this project.

Secondary data could be made use of in both explorative and descriptive designs (Gripsrud et.al, 2005).
3.6 Primary Data

This type of data can be sampled through communication such as interviews, observation and analysis of documents and so on, and it is important to be thorough and complete when performing the research (Gripsrud et. al, 2004). Primary data can be divided into qualitative and quantitative data, where quantitative data often are uttered in form of numbers (Gripsrud et. al, 2004). Quantitative data could be sampled by for example questionnaires, while qualitative data could be sampled by analytical descriptions (Gripsrud et. al, 2004). Bryman and Bell (2003) suggests: “Quantitative data often depend on large samples, while qualitative data often depends on smaller samples”; this is not necessarily true on all cases.

3.6.1 Pros and Cons with Collecting Primary Data

<table>
<thead>
<tr>
<th>Advantages in-depth interviews</th>
<th>Disadvantages in-depth interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliable results</td>
<td>Large costs</td>
</tr>
<tr>
<td>Large samples of individual information</td>
<td>The interviewer could affect the respondent</td>
</tr>
<tr>
<td>Not affected of other respondents</td>
<td>Time consuming</td>
</tr>
</tbody>
</table>

Source: (Gripsrud et. al, 2004).
3.6.2 Data Collection Methods

The authors began with an explorative design to get a basic knowledge and understanding regarding the company (Arcus) and the spirit market in England, and this was carried out by gathering secondary data. Primary data was collected via in-depth interviews. After gaining a basic knowledge on the subject, the authors moved on to a descriptive design. Primary data was collected by handing out questionnaires to consumers in bars, pubs and restaurants to find out if there was any coherence between the secondary and primary data. The primary data was sampled in Leeds, Liverpool, Newcastle and Birmingham. These cities were chosen because they covered mid- and north of England. London is not considered when Arcus specifically asked the authors not to.
The bartenders and the consumers was presented with different questions, nevertheless both were presented with a taste of Linie Aquavit. The consumers were inquired regarding lifestyle, drinking habits, and their opinion/knowledge about aquavit before and after tasting it, while the bartenders was inquired on the subjects: distributors, trends, importance of label and their opinion about aquavit and how they would use the product in their bar/pub/restaurant. The same approach was carried out every time when going in to a bar/pub/restaurant, where the authors asked for the manager and if he or she could make the time for an in-depth interview. Regardless of performing an in-depth interview the authors asked the manager if they could hand out questionnaires and samples to customers. When carrying out the in-depth interviews there was often a lot of background noise. This is why two persons were carrying out each in-depth interview, one person was enquiring the questions and the other person was taking notes according to the answers.

The research started in Leeds, where all the authors worked together. The reason for this was to cooperate and achieve a similar approach, so everybody would know how to act when carrying out in-depth interviews and questionnaires in the other cities. When travelling to the different cities the authors split. They chose to carry out the research with these means because of the time limit and because it was not necessary for all five to be present in the bars/pubs/restaurants when carrying out the research.

The questionnaire and in-depth interview was developed over several weeks, and it was demonstrated to and approved by both the supervisor and Arcus before travelling. A pilot survey was conducted at Leeds Metropolitan University where 20 students participated. An e-mail regarding the collection of the primary data was sent to the bars in advance, but the feedback was poor. The e-mail was sent from a student e-mail account so that it would be reliable, and to show the respondents that this was a genuine project. The structure of the mail is presented in appendix 2. Given that the feedback was poor, the authors determined that they would go to the bar/pub/restaurant instead and ask directly if they could talk to the manager. This was working without complications, and the response was beyond expectations. The questionnaire and in-depth interview guide is presented in appendix 3 and 4.

When the questionnaires was handed out to the respondents, the authors first presented themselves, then briefly explained the background for the research, and finally asked if the respondents would like to have a sample of Linie Aquavit and answer the questionnaire. An
agreement to sign was handed out, for ethical and juridical reasons (appendix 5). The response was very positive and most of the people asked were willing to be a part of this survey, but there were certain limitations, which is presented in the opening of this section.

The in-depth interview was carried out before or after lunch, in that way the bartender/manager would be able to take the time to sit down for a while. There were always many persons at work, so it did not affect costumers or employees that we performed these interviews. A sample of Linie Aquavit was given to the bartenders/managers, in that order they would get an opinion about the taste and label of aquavit.

The questionnaires and in-depth interviews were conducted with the purpose to underpin the secondary data, and to gain more knowledge about the English spirit market.

The total number of primary data collected was:

- 128 questionnaires
- 8 in-depth interviews
- 1 e-mail interview

3.6.3 Criticism

The authors had sent e-mails requesting appointments with bars/pubs, but they did not spend a great deal of time on it. The aftermath of this was few appointments. It could have been easier to carry out the primary research if the authors had arranged appointments on beforehand, something that could have been a time saver.

The structure of the questionnaire should have been angled depending on what we wanted to find out, not the other way around. This way, the analysing of the data would have been less complex.

The questionnaire was sent to Arcus for approval only a couple of days before the authors were planning to conduct the research. The questionnaire was approved a week later, and for this reason the authors had to reschedule the research process.

Because the authors were not as effective as possible at all times, time was lost and they did not get the opportunity to collect as many questionnaires as they originally wanted.
Chapter 4

Internal Analysis of Arcus
4.0 INTERNAL ANALYSIS OF ARCUS

4.1 Michael Porters Five Forces

4.1.1 Buyer Power

The players in the alcohol drink market can vary from manufacturers of beer and cider, flavoured alcoholic beverages (FABs) and spirits and wine (Marketline, 2008). Buyers will be on-trade businesses like bars, restaurants and so on. Another important buyer is the off-trade businesses like supermarkets, hypermarkets and other retailer shops (Marketline, 2008). Arcus and Linie Aquavit will be facing the alcoholic drink market as a player, and there can be several obstacles for a company entering the market.

When launching Linie Aquavit into the English market, a critical success factor will be to get access and meet the consumers at the right retailing places (Mintel, 2008). In the alcoholic drink market (ADM) there are wide ranges of players that offer products that can satisfy the same consumer need (Mintel, 2008). If a person wants to enjoy an alcoholic beverage, he or she can choose from several products and product categories, which satisfies the same needs. When there are a lot of different players in the same market, like the ADM market, the buyer power increases (Marketline, 2008). On-trade businesses are likely to offer their shelf-space to popular brands that the customers have knowledge to, and prefer (Mintel, 2008). Offering well-established brands will naturally generate less risk to the on-trade business (Keynote, 2008). For a new product like Linie Aquavit, the on-trade businesses will have to take a large risk when promoting it, contra a well-established brand in the English market. Because of the wide range of products offered to the market, switching costs for an on-trade business are low (Marketline, 2008). For example, an on-trade outlet will most likely offer the products that the customers prefer, if a product does not sell, or has the right image, the bar can always find another product that can fulfill this need. If Linie Aquavit is well promoted and manage to create a well-established market position, the demand for Linie will most likely increase and then become interesting brand for the on-trade outlets (Keynote, 2008). Overall, the buyer power in the on-trade business is moderate (Marketline, 2008). Off-trade buyers like supermarkets and hypermarkets has experienced growth and gained market share off the more traditional on-trade businesses (KeyNote, 2008).
There are several reasons for this, new technology (home entertainment centres and so on), higher standards of living and a high access to home entertainment are all reasons which makes it more convenient for people to stay at home (Mintel, 2008). Heavy discounting by supermarkets/hypermarkets, smoking ban in pubs and the increase of health-focused consumers are also trends that favour the off-trade market (Mintel, 2008). The economical recession the consumer now is facing, make the consumer more aware of their’ spending habits, ergo people are careful when it comes to unnecessary expenses and non-essential spending, which is resulting in people buying from the off-trade market instead of the on-trade market (Mintel, 2008).

Super and hypermarkets offer a wide range of products in all their stores, and are therefore less dependent on each product or brand, something giving them a higher buyer power towards the off-trade businesses (KeyNote, 2008). Large off-trade chains can pressure and negotiate a better price by buying large volume, in bulk, and by being less dependent towards one specific product or brand (Mintel, 2008). Large buyers can have an increased negotiation power compared to smaller players in the alcoholic drink market (KeyNote, 2008).

Many supermarket and hypermarket chains integrate backwards, and offer a range of self-owned/branded products in a variety of product categories, including spirits (Marketline, 2008). The cheaper self-owned products, which are offered to the customer is intended to offer the customer more “value” for their money compared to other brands. Even if the self-owned products do not have the best brand image or the same quality as the competitors, it still satisfies the expectations and needs of the customer, something that again results in a higher buyer power for the off-trade chains (Mintel, 2008). It gives further competition towards the other spirit brands, and thereby accumulates higher negotiation and buyer power (Marketline, 2008).

If Linie Aquavit is to be launched trough a major supermarket chain it is going to be financially demanding, a reason for this is the heavy competition of shelf space and the access and entry barriers into the super- and hyper- markets (KeyNote, 2008).

With these factors in mind, the buyer power in the off-trade market is moderate towards high (Marketline, 2008).
4.1.2 Supplier Power

Several acquisitions and mergers between distributors within the UK spirit market have led to the creation of some huge and powerful players within the market. This has created an extremely competitive environment (Mintel, 2008).

On- and off-trade supply is dominated by multi-national drinks suppliers like Diageo, Bacardi-Martini, Pernod Ricard, Inbev UK and constellation Brands (Mintel, 2008). For instance, Diageo distributes and supply the on- and off trade outlets with famous brands: Smirnoff, Guinness, Captain Morgan and Baileys (Diageo, 2009). With the privileges to supply popular brands, a company automatically acquires power over the market and the demands from customers are high, something that results in high supplier power (Mintel, 2008).

High supplier power in the English spirit market can be a threat for Linie Aquavit and Arcus. Powerful suppliers are probably going to guard their product portfolio against new products and competition, making the introduction of Linie Aquavit to the English market more difficult. If Arcus gets the opportunity to cooperate with one of the major suppliers, the supplier can exploit their power when introducing Linie Aquavit to the English spirit market.

4.1.3 New Entrants

The alcoholic drink market in the UK is considered a lucrative business with an $85.2 billion industry in 2008, and for this reason there is a number of companies trying to enter the market every year (Marketline, 2008).

The alcoholic drinks market in the UK and England include several different categories and segments. Cider and spirits are both in the ADM market although they are quite different products. With a range of different products, there is always a threat from new entrants in the ADM market (Marketline, 2008).

The process of inventing, producing and launching a new product into the ADM market is in need human resources and financial capital. The process also requires a company that is willing to, and has the finance to cope with the high fixed costs (Marketline, 2008). This includes both companies who are extending their product portfolio and new established companies (Marketline, 2008). High fixed costs and high entry barriers results in minor threats from new entrants to the alcoholic drink market (Marketline, 2008).

Another factor hindering new entrants is the accessibility to get the best suitable shelf placement in on- or off-trade businesses (Marketline, 2008). As discussed in “buyer power”,

![Arcus](image-url)
the retailers will less likely be approachable towards a new product. If they already have a similar product in their product portfolio, this reduces the threat for new entrants (Marketline, 2008). Overall, there is a moderate threat for new entrants in the alcoholic drink market (Marketline, 2008).

4.1.4 Substitutes

There are several potential substitutes for Linie Aquavit in the alcoholic drink market, both direct and indirect. Substitutes for Linie Aquavit are not only aquavit, but it also includes other types of alcoholic beverages such as vodka, whiskey or wine (Mintel, 2008). Products that can be used to fulfill the same needs as aquavit can be classified as direct- or indirect substitutes (Marketline, 2008). A lot of options are available for the consumer with the intention of satisfying the same needs, this makes the threats from substitutes more likely (Marketline, 2008). Many available substitutes: direct or indirect, makes threats significant.

4.1.5 Rivalry

Large companies offering beer, cider and flavoured alcoholic beverages mainly dominate the alcoholic drink market in the UK (Marketline, 2008). The leading companies Scottish & Newcastle, Molson Coors and InBev, control 49.2% of the FAB market in the UK (Marketline, 2008). Few dominant players in the market could result in tough rivalry, but the wide potential in product differentiation reduces rivalry (Marketline, 2008). Dominant companies like Scottish & Newcastle tend to offer products in the mass market (Marketline, 2008).

Linie Aquavit can outmanoeuvre some rivalry by differentiating their product towards special and exclusive segments, therefore they should find a segment where Linie Aquavit can target and approach effectively without a great deal of rivalry.

The degree of rivalry in the UK drinks market is moderate (Marketline, 2008), with a superior product differentiation the rivalry for Linie Aquavit should be moderate.
4.2 The BAKKA Framework

Arcus AS was established in January 1996, at the same time the Norwegian monopoly on wine, spirits and beer was dissolved (Arcus, 2008). Today, Arcus is still the only company in Norway, which has an officially approved laboratory for the analysis of wines and spirits (Arcus, 2008). Arcus Gruppen AS is today the largest supplier of wine and spirits in Scandinavia and the company has a presence in all of the Nordic countries except Iceland.

The authors of this project has experienced that Arcus today is between the intensive and multinational phase in the BAKKA Framework.

Arcus’ export motive is mainly strategic, and they are focusing on expanding their distribution into new markets and countries. They already have a solid platform in their home market, and in Denmark and Sweden (Annual Report Arcus Gruppen, 2008), where Arcus’ market share is great (Arcus, 2008). When evaluating a new market and further internationalisation, the main motive should be further market expansion and achieving greater profits (Solberg, 2005).

The company is also interested in further expansion in Germany, the US and England (Arcus, 2008). However, the company is not yet a global player and does not have a strong presence or market share in these key spirit-markets (Arcus, 2008).

The Arcus organisation has its own international division, which handles the international responsibilities (Arcus, 2008). Arcus’ own international division assists the top management by relieving them of workload and pressure. More importantly is having a competent and experienced division and this can help Arcus to develop themselves further in the international market. Arcus’ production facilities are located in Oslo, and all the products Arcus are produced there (Arcus, 2008). When expanding and penetrating a new market, Arcus import the products from Norway into the new market.

Arcus can demonstrate a positive economic contribution from their international division, and the company is becoming equally dependent on its international operations as its operations in the home market (Arcus, 2008). In 2008 Arcus AS’ revenue was 1318 million Norwegian Kroner (NOK) equivalent to £138 million (currency 12 May 2009). £56,3 million came from Arcus’ international operations (Arcus, 2008).
4.3 Value Chain

As mentioned in chapter 2, the Value Chain describes and explains where a company can create their competitive advantage. There are several primary value chain activities:

**Inbound Logistics**
Arcus has a highly developed purchasing- and sourcing department for raw material (Annual Report, 2008). Their logistics are efficient and they are operating with the largest alcohol distribution company in Norway, Vectura (Annual Report, 2008). Vectura is concerned with all inbound logistics, receiving raw materials and warehousing (Annual Report, 2008).

**Operations**
In 2007 Arcus sold their production facilities and relocated to another region in Norway (Annual Report, 2008). In 2008 the plans of building a new facility begun, the plan is to build a new technological leading facility, where the production and distribution is supposed to be the main operations (Annual Report, 2008). It is important to get support from the employees and to maintain a good communication within the company when such a process is going on (Annual Report, 2008). Arcus AS is importing, producing and marketing wine and spirits, and are controlling the steps of the production thoroughly (Annual Report, 2008). Every product Arcus produces is being made at their facility (Arcus, 2009).

**Outbound Logistics**
Vectura is also taking care of outbound logistics, and all distribution (Annual Report, 2008). They are delivering wine and spirit to all parts of Norway within set timeframes, and getting the final product to the customers (Annual Report, 2008).

**Marketing and Sales**
Arcus has a great strength in marketing and sales, and they are doing thoroughly research on their markets and segments (Annual Report, 2008). Recently (2007) they divided the company into three categories: spirit, wine and distribution, this was done to get more efficient marketing (Annual Report, 2008). Norway has laws and regulations, which prohibit the marketing of alcohol, and Arcus is making sure that it should not be in breach of any regulations (Annual Report, 2008). In 2008, Arcus started to market their products through TV commercials for the first time, and this was done in Denmark and Sweden (Annual
This is a step towards an evolving marketing trend. The markets that Arcus exports into are: Denmark, Finland, Sweden, USA and Germany (Annual Report, 2008).

**Service**

Service is important and the customer experience is Arcus’ focus when they are developing their products (Annual Report, 2008). In addition they invite their customers to come and visit them and offer guided tours where wine, spirits and food are served (Annual Report, 2008). Since this project started in 2005 there have been 20,000 visiting the facility (Annual Report, 2008).

The supporting activities are:

**Organisation Infrastructure**

There are 460 employees within Arcus Gruppen, where 27% are women and 73% are men (Annual Report, 2008). There is one woman and seven men on the board, and the company is focusing on offering the same opportunities to both their male and female employees (Annual Report, 2008).

**Human Resource Management**

Arcus is systematically working with the development of employees and the organisation to follow their strategy in the best possible way (Annual Report, 2008). The employees and the managers are offered meetings where they can discuss results and development (Annual Report, 2008). Once a year there is a survey, which is determining the basis of the working environment and employees (Annual Report, 2008). There is a policy to follow-up drinking problems, and if there are any within the company this will be handled (Annual Report, 2008). Arcus has been working closely with their employees, and in January 2009, a new pension agreement was settled (Annual Report, 2008).

**Technology Development**

There is a continually technological development in Arcus, and they are always close to the Norwegian traditions (Annual Report, 2008).
**Procurement**

The prices on raw material increased much in 2008, and this affected the procurement in Arcus (Annual Report, 2008).

After a conversation with Mr. Florent Aste in Arcus, the authors found that Arcus’ greatest strength lies in production (operations), marketing and sales, and these are all activities that add value to the company. In addition, inbound and outbound logistics are activities that add value, because of their corporation with the well-developed distribution company Vectura.
Chapter 5

External Analysis of Arcus
5.0 EXTERNAL ANALYSIS OF ARCUS

5.1 UK Spirit Market

5.1.1 Market Value and Volume

In 2007 the UK spirits market generated total revenue of $17.1 billion and represented a compound annual growth rate (CAGR) of 1.9% from 2003-2007. Whisky sales are the most lucrative with 32.9% of the UK spirits market’s overall value in 2007 (Datamonitor 2008: spirits in the UK).

The market is expected to slightly accelerate, with an anticipated CAGR of 2.3% from 2007-2012, which is expected to drive the market to a value of $19.2 billion by the end of 2012 (Datamonitor 2008: Spirits in the UK).

Figure 13: The UK Spirit Market Segmentation

(Marketline 2008: Spirits in the UK).
5.1.2 Patterns and Trends

The spirit market is a diverse market and spirits are divided into two categories: “white” and “dark” spirits (Keynote, 2008). Scotch- and non Scotch whisky, dark rum, brandy, cognac and liqueurs are examples of spirits in the dark spirits market (Keynote, 2001). The dark spirits are mainly appealing older consumers, and the market is quite conservative. For a new brand to make a break trough, vast international investments are essential (Keynote, 2008).

The sales of white spirits in the UK took a downturn (March 2009), the sales of gin and other white spirits have increased by 5% in volume and value the last five years, but in 2008 it saw a small downturn both in value and volume. The loss of on-trade sales is denting a total market performance and an exodus of customers from pubs and bars is expected to accelerate in 2009 (Mintel, 2009).

(Table: UK volume sales of gin, white rum and other white spirits, by channel and outlet type, 2006-08).

<table>
<thead>
<tr>
<th>Channel</th>
<th>2006 m litres</th>
<th>2007 %</th>
<th>2008 (est) m litres</th>
<th>2008 %</th>
<th>% change 2006-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pubs and bars</td>
<td>6.2</td>
<td>13</td>
<td>6.2</td>
<td>13</td>
<td>5.6</td>
</tr>
<tr>
<td>Clubs</td>
<td>2.8</td>
<td>6</td>
<td>2.8</td>
<td>6</td>
<td>2.3</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>2.8</td>
<td>6</td>
<td>2.8</td>
<td>6</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>On-trade</strong></td>
<td><strong>11.8</strong></td>
<td><strong>25</strong></td>
<td><strong>11.8</strong></td>
<td><strong>25</strong></td>
<td><strong>10.2</strong></td>
</tr>
<tr>
<td>Grocers:</td>
<td>26.5</td>
<td>56</td>
<td>27.0</td>
<td>57</td>
<td>27.8</td>
</tr>
<tr>
<td>Multiples</td>
<td>21.8</td>
<td>46</td>
<td>22.3</td>
<td>47</td>
<td>23.2</td>
</tr>
<tr>
<td>Independents</td>
<td>4.7</td>
<td>10</td>
<td>4.7</td>
<td>10</td>
<td>4.6</td>
</tr>
<tr>
<td>Specialists:</td>
<td>8.5</td>
<td>18</td>
<td>8.1</td>
<td>17</td>
<td>7.9</td>
</tr>
<tr>
<td>Multiples</td>
<td>7.6</td>
<td>16</td>
<td>7.1</td>
<td>15</td>
<td>7.0</td>
</tr>
<tr>
<td>Independents</td>
<td>0.9</td>
<td>2</td>
<td>0.9</td>
<td>2</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Off-trade</strong></td>
<td><strong>35</strong></td>
<td><strong>74</strong></td>
<td><strong>35</strong></td>
<td><strong>74</strong></td>
<td><strong>36</strong></td>
</tr>
<tr>
<td>Travel retail</td>
<td>0.4</td>
<td>1</td>
<td>0.4</td>
<td>1</td>
<td>0.4</td>
</tr>
</tbody>
</table>
At the time, the trading environment in the UK is challenging. The consumers are cutting back on alcohol consumption due to health concerns, pressure from responsible drinking campaigns and straitened budgets for many. However, beer and spirits are suffering most from this decline, while consumption of wine has increased. Coupled with duties and raw material costs, spirits producers and distributors face a challenging trading environment (Mintel, 2009).

The overall market for the white spirit market will increase by just 1% over the next five years, which represents a 12% decline in real value, due to the recession and continued struggle in the on-trade (Mintel, 2009). Volume sales will remain largely static, which indicated that the price per litre is going to fall, affecting the overall margins. The middle ground- non-premium branded spirits –are expected to be squeezed the hardest, with cannibalisation occurring from below as cash-strapped consumers’ trade down (Mintel, 2009).

The key points from the marketing channels in the UK white-spirit market are:

- Declining sales of white spirits is largely due to a troubled on-trade market, as people cut back on drinking in pubs or stay at home, and this is accelerated by the recession

- On-trade decline is unfortunate, given a revival of interest in both gin and rum in long serves and as high-end cocktail ingredients, and growth in premium and super-premium brands

- Supermarket sales are buoyant, driven by both budget and premium brands

(Mintel, 2009).
Key points from the brown-spirit market in the UK:

- Overall sector to decline by 10% in real value over the next five years, despite volume growing by 4%

- The traditional trend of off-trade growth is driving market volumes at the expense of value has come to a halt, with both volume and value sales having declined in 2008

- Golden rum is expected to buck this trend and continue to grow impressively, although it remains to the smallest segment in this market

(Mintel, 2009).

There are four companies that dominate and control 50% of the UK spirit market, these are: Diageo, Allied Domecq, Bacardi Martini and Maxxium (Business Insights, 2003). Diageo and Allied Domecq are the most dominating companies within the dark spirit market, they are both multinational companies with solid financial strengths. It is also possible to find several smaller operators, especially within the production of whisky (Keynote, 2001). Diageo which headquarters is situated in London is still the largest spirits manufacturing company in 2009 (Business Insights, 2009).

5.1.3 Spirit Distribution in the UK

The on-trade market is estimated to account for approximately 50% of the market value, and within the dark spirit market Scotch whisky and liqueurs are performing exceptionally well. Cognac, dark rum and gin dominate off-trade market. The off trade market share by volume is much larger than the on-trade market, but as mentioned it is not larger when keeping value in mind (Keynote, 2001).

5.1.4 Distribution of Aquavit in the UK

In the UK it is possible to order Linie Aquavit from the Internet from different web sites, for example: www.bizrate.co.uk and www.thewineblokes.com/uk. It is also possible to order other types of aquavit on line; the Danish Aquavit Aalborg Taffel is possible to buy from this site: www.cultdrinks.co.uk. The Swedish Aquavit O.P. Andersson is sold from the food department of IKEA, it is also possible to buy it online from the IKEA web site www.ikea.com.
5.2 Positioning

“No company can win if its products and offerings resemble every other product and offering. Companies must pursue relevant positioning and differentiation. As part of the strategic brand management process, each company and offering must represent a distinctive big idea in the mind of the target group” (Kotler and Keller, 2006, p.309).

In order for Linie Aquavit to succeed in the English spirit market, it is essential that the Linie Aquavit product and brand can differentiate and at the same time have the equivalent quality as the competitors.

5.2.1 Frame of Reference

Frame of reference is the point of comparison with other competitors (Wilson and Blumenthal, 2008). Deciding the optimal frame of reference is crucial for a brand, because it decides if the product will be competing with many different brands in a wide array, or narrowly with a few competitors (Wilson and Blumenthal, 2008).

5.2.2 Point of Parity

Before Linie Aquavit can position them in the English spirit market and offer something unique to the consumer, they should primarily possess the equivalent standards and attributes like the competitors are focusing on (Kotler, 2005). Even though Linie Aquavit has not based their entire positioning strategy on their design of the bottle, they still need to have a unique and competitive design, which appeal the consumer. The point of parity is not factors or attributes that are unique only for one product, but qualities that are shared with other brands and products (Kotler & Keller, 2006).

If Linie Aquavit is launched into the English spirit market, it will be important that the consumers perceive Linie Aquavit as a product that holds the same quality, exclusivity, design and to be considered as an option equivalent to the already established brands.
5.2.3 Point of Difference

When a product holds the same standards as the competitors, it needs a special attribute to differentiate and position itself from all other similar products. “Points-of-difference are attributes or benefits consumers strongly associate with a brand, positively evaluate, and believe that they could not find to the same extent with a competitive brand” (Kotler & Keller, 2006, p. 312).

The attribute and brand association that create the point of difference for a brand can be based on almost any type of consumer attributes (Wilson & Blumenthal, 2008). The important thing for the consumer is that this attribute only can be provided when choosing your brand (Wilson & Blumenthal, 2008).

In Linie Aquavit’s case, the “taste that really travels” will be the main point of differentiation. “The taste that travels” and the story behind Linie Aquavit indicate that this a product that offers something different, special and exclusive compared to similar products. This is because it has been shipped around the world in order to attain the specific taste the consumers love. This is a point of difference that makes Linie Aquavit special in the eyes of the consumers, and an attribute that positions Linie Aquavit from the competitors.

5.3 The Buying Decision Process

Before buying a product or service, the consumer analyses his or her options by evaluating the best suitable (Sandhusen, 2008). The buying decision process can be divided into three parts; external influences (input), the actual consumer decision making process (process) and the postdecision behaviour (output) (Schiffman, Kanuk & Hansen, 2008).
5.3.1 External Influences

The external environment affects all consumers in the buying decision process (Schiffman, Kanuk & Hansen, 2008). A company that provides a product or service, and this company’s marketing mix and how it communicates with the external environment, sends a message out to the external environment (Sandhusen, 2008). The entire marketing mix sends a message to the external environment in order to connect with the segment and consumers that can relate to the company, and its products (Schiffman, Kanuk & Hansen, 2008).

Other external influence the consumer faces is the socio-cultural environment. Here, the family, informal sources, other non-commercial sources, social class and culture affects the consumer in the buying decision process (Schiffman, Kanuk & Hansen, 2008).

Both the firm’s marketing efforts and the socio-cultural environment factors have an affect on the consumer in the buying decision process (Schiffman, Kanuk & Hansen, 2008).

5.3.2 Problem Recognition

The first part of the buying decision process is likely to occur when the consumer is faced with a problem (Schiffman, Kanuk & Hansen, 2008). The “need recognition” can be triggered by internal or external stimuli (Kotler & Keller, 2005). Internal stimuli can be basic needs like...
hunger or thirst, while external stimuli can be factors like opinions and encourage from family and friends (Schiffman, Kanuk & Hansen, 2008).

For example, a person is throwing a party for his friends and wants to buy a spirit that he can share with them at the party, he has now recognized the need to buy a spirit.

5.3.3 Search for Alternative Solutions

The next stage in the decision process is the information search. When the problem has been recognized, the search for a solution begins. At this stage the consumer gathers and searches information regarding options that can solve the problem (Sandhusen, 2008).

The first thing the consumer will do is recollection of past experiences; this can provide enough information, enabling the consumer to make a choice (Schiffman, Kanuk & Hansen, 2008).

If the consumer has no previous experience, or wants more options before deciding, he can start an extensive research in the external environment that can provide useful information in order to make a decision (Schiffman, Kanuk & Hansen, 2008).

The length of the information search depends on previous knowledge and information the consumer has about the products or services that can fulfill the need (Schiffman, Kanuk & Hansen, 2008). The amount of information and time spent on the decision is depending on importance of the purchase (Schiffman, Kanuk & Hansen, 2008).

If we keep the previous mentioned example in mind, purchasing a bottle of Linie Aquavit in the pricerange £ 10 – 20 is not going to be an substantial investment for the consumer (Schiffman, Kanuk & Hansen, 2008). Buying a newly launched spirit with little knowledge and experience will in advance not generate a great risk or the demand for a prolonged information research process. It can be sufficient with influence from external environments affecting the consumer to purchase Linie Aquavit. Word of mouth from a direct reference group, the companys marketing efforts or the motivation to try something new can justify trying a newly launched product such as Linie Aquavit.

5.3.4 Evaluation of Alternatives

After the consumer has gathered the information about the products that can fulfill the specific need, the evaluation of potential alternatives starts (Schiffman, Kanuk & Hansen,
Evoked set is the list of brands and products the consumer considers in the decision process (Schiffman, Kanuk & Hansen, 2008). This list of brands is the set of alternatives the consumer takes from his or hers memory shortlist (Dacko, 2008). The brands and products in the consumers evoked set are brands the consumer already has a relationship to, and knowledge about (Dacko, 2008).

Reflecting on the example, he has now gathered internal and external information about potential spirit brands and products to offer his friends. Of all the brands in the spirit market, his evoked set is a list of 4-7 products (Dacko, 2008). The products in his evoked set are different products, suitable in different situations or contexts. This person wants to buy a quality product he can offer to his friends. He does not wish to offer a cheap or unexciting product, but a brand and brandimage he can relate to.

Now the list of acceptable brands for his party is down to 2-3 products. He decides to try Linie Aquavit rather than what he would normally buy, because he finds the new product, and the history behind it exciting.

5.3.5 Purchase
The first time purchase of Linie Aquavit will be a trial purchase; here the consumer attempts to evaluate the product by direct use (Schiffman, Kanuk & Hansen, 2008). Buying a bottle of Linie Aquavit will not be a long term commitment purchase for the consumer, here products can be evaluated by use (Schiffman, Kanuk & Hansen, 2008).
5.3.6 Post-purchase Evaluation

After the purchase and usage of the product, the evaluation of the purchase starts (Schiffman, Kanuk & Hansen, 2008). The evaluation has three potential outcomes: (1) Actual performance meet the expectations giving a neutral feeling towards the product; (2) performance exceeds expectations, resulting in customer satisfaction; and (3) performance of the product is below expectations causing negative customer satisfaction (Schiffman, Kanuk & Hansen, 2008).

In the mentioned example; at this stage the consumer evaluates the product by measuring it towards his internal expectations, and the external feedback from his friends (Schiffman, Kanuk & Hansen, 2008). If it was a positive experience and the consumers expectations was exceeded, it is a good possibility that the trial purchase can be repeated and become a favoured brand. If Linie Aquavit was not appreciated at the party and was below expectations, negative customer satisfaction will occur and create a negative impression towards Linie Aquavit (Schiffman, Kanuk & Hansen, 2008).

5.4 Market Adaption

5.4.1 Standardised or Adapted Marketing of Product

Definition product:

“Anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need” (Kotler and Armstrong, 2008 p. 232).

When entering a new market a company has to consider if they should have a standardised product or adapt the product to the certain market. Many companies have failed at this when they have used a standardised product in every market and this has turned into a disaster when people do not buy it (Kotler and Armstrong, 2008). McDonald’s for example is a global company who understood that adaption to the market would be crucial for their products. That is why they in India sell chicken-burgers, not any products made of cows when they are considered sacred (Kotler and Armstrong, 2008). In Muslim countries where they do not eat pork, they have changed the name from hamburger to beef burger, -small changes to adapt to each countries preference (Kotler and Armstrong, 2008).
Communication is also very important when entering a new market. Some companies choose to use a standardised advertising message around the world. This is less expensive than adapting to each market and can also benefit a strong brand. Nike for example, with the slogan “just do it”, is adapting only to meet cultural differences (Kotler and Armstrong, 2008). Other companies choose to adapt their communication to local markets fully. This can be necessary to meet a market's needs and to succeed (Kotler and Armstrong, 2008).

There are five strategies for adapting a product and the marketing communication strategies. Three of them are product strategies, and two of the strategies involve the communication around the product (Kotler and Armstrong, 2008).

**Product Strategies**

*Straight product extension*

This indicates that the company does not make any changes to the product. Both the product and the communication are the same in all markets (Kotler and Armstrong, 2008). This can be a success in some markets and a total disaster in others. That is the reason why it is very important to evaluate the market first and then decide the strategy best suited (Kotler and Armstrong, 2008). However, if straight product extension can be successful this can save a company for many costs related to promotion, product development and manufacturing changes (Kotler and Armstrong, 2008).

*Product Adaption*

Here the company changes the product to adjust to the market they are entering, to meet the local conditions and needs. This is a time-consuming and expensive strategy, however sometimes the only way to succeed in a market (Kotler and Armstrong, 2008).

*Product Invention*

This strategy involves creating a new product for a new market, or to maintain or reintroduce an already existing product if the product is well adapted to the new market (Kotler and Armstrong, 2008). There are no changes in communication at this level.
Communication Adaption
This is a strategy where you fully adapt all communication regarding the product to the local market. The advertising messages needs to be changed to fit in to the local market, however the product is standardised in this strategy (Kotler and Armstrong, 2008).

Dual Adaption
In this strategy a company finds it necessary to change both the product and the communication. This is a combination of the product adaption strategy and the communication adaption (Kotler and Armstrong, 2008). This is also the most expensive- and time-consuming strategy of the five different strategies. Dual adaption can sometimes be the only way to enter a local market with success (Kotler and Armstrong, 2008).

5.5 PESTEL
This analysis considers the market in the UK and examines the macro environment according to six different factors. Even though the aim of this report is to examine the English spirit market the authors find this analysis of the UK relevant for England as well.

5.5.1 Political Factors
Political Stability
If there is political uncertainty in a country, it might have an effect on foreign investment plans in the given country. The political situation the UK is stable, and the business environment is very strong. The Prime Minister in the UK is Gordon Brown, and Labour has been in power for eleven years now (Labour, 2009). It is important that the country a company is exporting to have political stability, and low corruption index. This would not be a problem if Arcus were entering the English spirit market.

European Union
The UK is a member of the EU and they operate with free movements of goods within the Member States. This could be goods, which are originating from Member States, and products coming from non-Member States, which are in free circulation in that Member State (Cutbert,
2006, p.66). If a foreign company is doing business with an English company, it is important to know and adjust to the EU regulations. Norway is not a member of the EU, however they are members of the EEA. If Arcus is up to date on the EU laws when they are exporting to the English market, they will not meet any surprises when the trade is being done, and they can avoid unexpected circumstances.

**Taxation**

Value Added Tax (VAT), is a tax added to goods and services in the EU, imported from within or outside the Member States (DirectGov, 2009). If the companies’ annual turnover reaches a certain level, VAT is required (The no-nonsense guide, 2009). The turnover threshold for 2008-2009 is £67,000. There are four different VAT categories: Standard Rate, (which is 15 % from December 2008, and this will change to 17,5 % in January 2010), Reduced Rate, 5 %, Zero Rate, 0%, and exempt from VAT (The no-nonsense guide, 2009). If your business has not reached the VAT level, is possible to register on a voluntary basis, as this might have benefits for your company (The no-nonsense guide, 2009). Between 2007 and 2008, the VAT based companies increased from 2.10 million to 2.16 million business enterprises, which gave an increase of 3 % (National Statistics, 2009).

If Arcus were entering the English spirit market they had to be aware of that VAT would be added to their products.
5.5.2 Economic Factors

The UK is a leading trading power and financial centre. They have large coal, natural gas and oil resources, but the oil and natural gas resources are declining (The World Factbook, 2009). The current situation in not only in the UK, but the world, is a economic recession, and the last half of 2008 in the UK was embossed by economic slowdown, tight credit, falling house prices and so on (The World Factbook, 2009). This has forced the Gordon Brown government to implement measures to stabilise the economic and financial markets, such as part nationalising the banks and cut taxes (The World Factbook, 2009). Still, the UK is the sixth largest economy in the world, with a GDP of almost US$ 2,3 trillion in 2008 (The World Factbook, 2009). The unemployment rate in the UK is low compared to the average within the EU Member States (UK Trade and Investment, 2009). According to the World Factbook (2009), the unemployment rate in the UK is 5.5 %, and in EU it is 7, 20 %.

It is important for Arcus to have knowledge about the unemployment rate in the UK, because it is telling if the purchasing power parity (PPP) is strong or weak in the UK market.
Gross Domestic Product

A growth in the GDP of a country indicates an increased level of economic activity. The GDP growth real rate in the UK contracted 1.5% in the fourth quarter of 2008. The GDP in fourth quarter, 2008, was 1.9% lower compared to fourth quarter in 2007 (National Statistics, 2009). In 2009, the GDP continues to fall, and in January 2009 the GDP growth rate was – 1.8% (Trading Economies, 2009).

The production industries fell 4.5%, construction output fell 1.1% over the quarter and the service industries fell 0.9% in the fourth quarter. All distribution and business services decreased in 2008. These factors could warn Arcus not to invest in the UK market.
Graph 3: Gross Domestic Product the UK

**GDP Growth**

**Economy contracts by 1.5% in Q4 2008**

![Graph showing GDP growth](image)

Source: (National Statistics, 2009).

**Inflation**

In 2008, the UK had an inflation of 3.8% (The World Factbook, 2009). The CPI (consumer price index) has fallen to 3% in January 2009, while the RPI (retail price index) has fallen to 0.1% the same month (National Statistics, 2009). What caused the fall in CPI was falling fuel and lubricant prices, falling house rent prices, fuel costs with electricity tariffs, falling costs of heating oil (National Statistics, 2009). What affected the fall in CPI also affected the fall in RPI, but mortgage interest payments and house depreciation can be added to the fall in RPI (National Statistics, 2009). Arcus must be aware of this if considering export to England because low inflation in England makes products and services less expensive, while the productions costs in Norway remains the same.
Inflation
CPI down to 3.0%, RPI down to 0.1%

Source: (National Statistics, 2009).

Import
Except from the world and the European Union, the United Kingdom is the sixth largest importer in the world, and Norway is their seventh largest import partner (The World Factbook, 2009). It is positive for Arcus to trade with a country that already is familiar with Norwegian export, laws and regulations, and this is making the process easier for the government.
Graph 5: Import

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Imports</th>
<th>Date of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>World</td>
<td>$ 16,210,000,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>2</td>
<td>United States</td>
<td>$ 2,190,000,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>3</td>
<td>European Union</td>
<td>$ 1,466,000,000,000</td>
<td>2003</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>$ 1,202,000,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>5</td>
<td>China</td>
<td>$ 1,156,000,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>6</td>
<td>France</td>
<td>$ 718,400,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>7</td>
<td>Japan</td>
<td>$ 695,200,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>8</td>
<td>United Kingdom</td>
<td>$ 645,700,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>9</td>
<td>Italy</td>
<td>$ 566,800,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>10</td>
<td>Netherlands</td>
<td>$ 485,300,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>11</td>
<td>Korea, South</td>
<td>$ 459,900,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>12</td>
<td>Spain</td>
<td>$ 444,900,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>13</td>
<td>Canada</td>
<td>$ 436,700,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>14</td>
<td>Hong Kong</td>
<td>$ 389,800,000,000</td>
<td>2008 est.</td>
</tr>
<tr>
<td>15</td>
<td>Belgium</td>
<td>$ 375,200,000,000</td>
<td>2008 est.</td>
</tr>
</tbody>
</table>

Source: (The World Factbook, 2009).

**Exchange Rates**

If Arcus were exporting their products to the English market, their income would be in pounds, while their fixed costs would be in NOK (Norwegian Kroner) because they are having their production facilities in Norway. Arcus must be aware of that their income can vary, since the exchange rates are changing frequently. The graph shows how much the pound has varied the last year against the Norwegian Krone (NA 24, 2009).

Graph 6: GBP/NOK 1 Year

Source: (NA 24, 2009).
Income and Wealth

Household wealth has increased more than 50% from 1987 to 2006, and the GDP per head in the UK was the third highest within the G7 countries in 2005. In 2007, 85% of the adults in the UK were very, or fairly satisfied with their living (National Statistics, 2009). The median hourly earnings for women were £10, 46, while men are earning 13% more per hour (National Statistics, 2009). Income would tell if the British consumers would afford Linie Aquavit, and is also showing how strong the purchasing power parity is (PPP).

Graph 7: Income and Wealth

Labour Market

In the second quarter of 2007 there were 15,7 million men and 13,3 million women employed. The percentage of working men has fallen from 92% in 1971 to 79% in 2007, while the percentage of working females has increased from 56% to 70% the same period (National Statistics, 2009). 90% of the employees were satisfies with their job, and 70% was satisfied with their earnings (National Statistics, 2009). In addition, this part is important, because of the same reasons as the section on income.
5.5.3 Social Factors

It is always important to be aware of cultural differences when doing business in international markets. There are not any significant differences between Norway and the UK, but it is important for companies to be aware of the British culture, and know how to deal with it.

Source: (National Statistics, 2009).
Cultural Differences and Similarities

Graph 9: Cultural Dimensions


- **Power Distance**

Power distance is regarding how an institution or organisation is accepting or not accepting that the power is distributed unequally (Itim International, 2008). The power distance in the UK is low compared to other parts of the world, and Norway and the UK have about the same score. If for example Arcus would establish a sales office in England, they should be aware of that the power distance in the UK is a bit higher than in Norway, and the culture is bit more hierarchical in the UK.
• **Individualism vs. Collectivism**

This dimension tells in which scale you are integrated within a group. An individualist works on his own, and the relationship between the individual and the group is loose (Itim International, 2008). The British culture is more individualist than the Norwegian Culture, so be aware that people might want to work on their own, instead of being a part of a group.

• **Masculinity vs. Femininity**

Masculinity and femininity is about the roles between the genders in the culture (Itim International, 2008). It is a large difference on this cultural dimension between Norway and the UK. Masculine cultures are often more concerned about success and money, and young men should achieve a great career instead of prioritizing their family. Norway is a very feminine culture, while the UK has a high score on masculinity. This can affect business when Brits are more concerned about success and money, and Norwegian focus more on family and social life. Masculine cultures are often more concerned about success and money, and young men should achieve a great career instead of prioritizing their family.

• **Uncertainty Avoidance**

Uncertainty avoidance is about culture’s grade of taking chances, and in which scale people deal with not knowing, and if they feel uncomfortable in uncertain and unknown situations (Itim International, 2008). Norway has a higher score on this dimension than the UK. The Norwegians are less risk-taking than they are in the British culture, so be aware that the UK companies might need less research and time before making decisions. This indicates that Arcus might be more risk-taking when doing business with English companies.

• **Long-Term Orientation**

If you have a long-term perspective, the keywords are thrift and perseverance. A short-term orientation view is about having respect for traditions, and to fulfill social obligations (Itim International, 2008). Norway and the UK are almost the same on this dimension, and this will not create any problems.
**Demographic and Population**

The population in the UK was about 70 million people in mid-2007, which is an increase of 0.6% since 2006. The average age was 39 years and that is an increase of two years since 1997 (National Statistics, 2009). The total fertility rate was 1.90 children per woman in 2007, which is the highest since 1980 (National Statistics, 2009). The population and demographic is very important so that Arcus can map out the market.

Graph 10: Population

**Population Change**

**UK population increases by 388,000**

Source: (National Statistics, 2009).

**Education**

The latest numbers on GDP spent on education in the UK is from 2003, where 5.4% was spent. The average for an OECD country is 5.5% (ESRC Today, 2009). The following graph shows the expenditure of GDP on education in 2003.
Graph 11: Expenditure of GDP on Education

![Expenditure of GDP on education, 2003](image)

Source: (ESRC Today, 2009).

In 2006/2007 there was around 33,900 schools in the UK, and they had 9.8 million pupils (National Statistics, 2009). In 2005/2006 there were 4.5 million people on further education, which is more than two and a half times the numbers from 1970/71 (National Statistics, 2009). Arcus see Linie Aquavit as a luxury brand, where their segment have a high income and are educated, which means that education is very important if Arcus is considering the English market (Appendix 6).

**Income Distribution**

The income distribution in the UK has not changed significantly the last ten years. The richest tenth have more than 30 percent of the income, while the poorest tenth have less than 2 percent of the income (The Poverty Site, 2009). As mentioned, Arcus see Linie Aquavit as an exclusive brand, and knowledge about the income distribution could be useful when and if they are positioning themselves in the English spirit market.
Graph 12: Income Distribution the UK

The richest tenth now have 30% of total income, somewhat more than a decade ago. The poorest tenth have less than 2% of total income.

Source: (The Poverty Site, 2009).

5.5.4 Technological Factors

Telecommunications

Graph 13: Telecommunications

Source: (Datamonitor, 2008).
In 2008 there was 8,269 million Internet hosts and 40,2 million Internet users. The Internet country code in the UK is .uk. (CIA, 2009). Internet connection subscriptions are increasing, the number of subscribers per 100 people in 2006 was 28 and in 2007 it was 38, this is a 36,2 % growth (Datamonitor, 2008). It is important for Arcus to have knowledge about English Internet users to know how they can reach their consumers regarding advertisement via the Internet.

**E-Commerce**

E-commerce is expected to have a lot of effect on how business is conducted. It can lead to a large growth in trade, increase markets, improve recognition, efficiency and effectiveness and transform business processes. Since E-Commerce is expected to have a great impact on the future performance of economy the UK has set it as its goal to become the best environment in the world to carry out E-Commerce (Datamonitor, 2008). Arcus has to keep up with the technological development, and if they were to expand their business to England they should check out which opportunities they have within E-Commerce.

**Research & Development**

In 2004, the UK government published a productivity agenda for science & innovation investment framework for 2004-2014. Some key terms from the agenda is:

- Increasing innovation and R&D by business (HM, 2004)
- The private and public sectors investment in R&D was in 2004 1,9 per cent of GDP, and an ambition is to get it up to 2,5 per cent in 2014 (Era Watch, 2004)
- Reward all types of excellent research (THE, 2006)

**European Innovation Scoreboard (EIS)**

According to the EIS 2008 the United Kingdom is among Europe’s innovation leaders, and the innovation performance is well above other European countries (the UK is the 5th most innovative country in Europe). The UK is the country among the innovative leaders in Europe that has the strongest growth within financial support, this is due to fast growth in Venture capital and broadband access. Within the innovators dimension the UK is performing relatively weak compared to the other innovation leaders in Europe (Inno Metrics, 2009). If Arcus were to do business in the UK they should be up to date concerning technological development and R&D, therefore Arcus could benefit from reading the productivity agenda.
for science and innovation. When a country is as innovative as the UK, companies have to keep constantly up to date and follow the development.

5.5.5 Environment

DEFRA (the department for environment, food and rural affairs) is a UK Government department. “The overarching challenge for DEFRA is to secure a healthy environment in which we and future generations can prosper” (DEFRA, 2008).

“As we build a low carbon resource efficient economy DEFRA helps people to adapt to changes, deals with environmental risks and makes the most of the opportunity we now have to secure a sustainable society and a healthy environment. This will help see us through the difficult economic times, volatile food and energy prices and a changing climate which all make us more aware that we can’t take our environment for granted” (DEFRA, 2008).

The UK is following international environmental treaties, and here is a chart over some of them:

<table>
<thead>
<tr>
<th>International Treaty</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vienna Convention for the protection of the Ozone Layer, 1988</td>
<td>1987</td>
</tr>
<tr>
<td>Montreal Protocol on Substances that deplete the Ozone Layer</td>
<td>1988</td>
</tr>
<tr>
<td>Framework Convention on Climate Change</td>
<td>1993</td>
</tr>
<tr>
<td>Convention on Biological Diversity</td>
<td>1994</td>
</tr>
<tr>
<td>UN Convention to Combat Desertification in those Countries</td>
<td>1996</td>
</tr>
<tr>
<td>Experiencing Serious Drought and/or Desertification, Particularly in Africa</td>
<td></td>
</tr>
<tr>
<td>UN Law of the Sea</td>
<td>1997</td>
</tr>
<tr>
<td>Kyoto Protocol to the Framework Convention on Climate Change</td>
<td>2002</td>
</tr>
<tr>
<td>Cartagena Protocol on Biosafety</td>
<td>2003</td>
</tr>
</tbody>
</table>

Source: (Datamonitor, 2008).

One of Mintel’s reports concerning the environment it was suggested; “59 % agreed that ‘it is important that a company acts ethically’” (Mintel, 2007). Arcus needs to be aware of that Lines two trips crossing the equator can be appealing to some but regarded as an unnecessary and unethical trip by others.
5.5.6 Legal

*HM Revenue & Customs*

HM Revenue & Customs is the UK Government Department that controls both imports and exports in the UK. They are in charge of this department both for customs purpose and on behalf of other Government departments. On arrival, all imported goods into the UK must be declared in some way (H&M Revenue & Customs, 2009).

The United Kingdom is as earlier mentioned a member of the EU. Norway is a part of the European Economic Area (EEA) and is therefore entitled to participate in the internal market in Europe. The EEA agreement does not cover agriculture and fisheries (European Commission, 2008). Article 23 of the EC Treaty states that “the Community shall be based upon a customs union which shall cover all trade in goods and which shall involve the prohibition between Member States of customs duties on imports and exports and of all charges having equivalent effect, and the adoption of a common customs tariff in their relations with third countries” (Cuthbert, 2003, p.65). The purpose of Article 23 is to create a single internal market, where economic frontiers and legal obstacles are removed (Cuthbert, 2003).

*Alcohol Taxation*

In the UK beer and spirits are taxed according to their alcoholic content. From the 1 December 2008 the following rate on spirits applied:

<table>
<thead>
<tr>
<th>Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rate £ per liter of pure alcohol</td>
</tr>
<tr>
<td>Spirits</td>
<td>22.20</td>
</tr>
</tbody>
</table>

(H&M Revenue & Customs, 2008).

Arcus needs to be aware of the taxation of alcohol, which comes in addition to the VAT that is mentioned earlier in this report.
Regulations
The spirit market in the UK includes importers and exporters of spirit drinks, to and from third countries, and UK producers of spirit drinks (Business Link, 2009). A new regulation came into effect 16 January 2009, where spirit drinks with an alcohol content above 15 percent produced and marketed in the EU, sold within EU but produced outside, and exported from the EU, are affected (Business Link, 2009). In some cases, the producers are now committed to define, describe, advise and label spirit drinks with 15 percent alcohol content, and above (Business Link, 2009).

The UK government has announced that they are planning to ban irresponsible price based promotions to handle the English binge-drinking culture (ISP, 2008). If this regulation comes into effect, the way of promoting spirits in the UK would have to change (ISP, 2008). Promotions of discounted spirits are one of the main issues that are being discussed (ISP, 2008). A quarter of the UK population is drinking to a harmful level, and information and help is needed, according to the Public Health Minister in the UK (ISP, 2008).

5.6 Solbergs 9 Strategic Windows

5.6.1 Short Term
Window 4
Seek Niches in International Markets
Internationally the authors classify Line Aquavit as a niche product. Linie Aquavit only has little international experience, thus it is sold in the international market it is not sold in the global market. Linie Aquavit should try to develop small niches to get a competitive advantage within the product usage and process. When thinking of Linie Aquavit’s quality it could be said that it is tailored for the customer, all Linie Aquavit has been carefully made and is shipped around the world and crossed the equator twice to get its unique taste (Arcus, 2009). If Linie Aquavit’s niches are well established this can lead to a limited reference-market and enhance the internationalisation capability. If Linie Aquavit manages to do this, it could make it easier for them to win a position in the international market. Linie Aquavit is a vulnerable brand and when expanding they are in need of financial backup and a strong management team. Fortunately the mother company Arcus can provide this for
Linie Aquavit. Linie Aquavit is an existing product with special applications for a narrow niche market, but lacks international and global experience.

5.6.2 Long Term

Window 5)

Consider Expansion to International Markets

In the long run, if Linie Aquavit follows the recommendation described above to seek niches in international markets, they should have built up a certain position in the international markets and developed an internal international business culture that they may benefit from and develop further. The company should strategically prepare themselves for the possibility to make changes in a global direction. This imply that they will have to develop a network and try to get a footing in the strategic main markets, they have to do this to “get a grip” on important customers and competitions (Solberg, 2005).

The companies that find themselves in this window have the ability to develop the strength to strike back where the competitors is most vulnerable; in their home markets (Solberg, 2005). The strategic main markets are in this case meant to be the markets where the most important competitors have their largest/home markets (Solberg, 2005).
Chapter 6

S.W.O.T.
## 6.0 SWOT ANALYSIS

### Figure 15: SWOT

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well established brand in Scandinavia</td>
<td>Not well-known outside of Scandinavia, the US and Germany</td>
</tr>
<tr>
<td>Distributed by Arcus Gruppen</td>
<td>Absence due to sickness is very high</td>
</tr>
<tr>
<td>Very good knowledge about aquavit</td>
<td>Old monopoly-inability to change</td>
</tr>
<tr>
<td>Stock capital</td>
<td>Location, high transport costs</td>
</tr>
<tr>
<td>Core competence</td>
<td>Cost of production</td>
</tr>
<tr>
<td>Good organizational structure</td>
<td></td>
</tr>
<tr>
<td>Product oriented</td>
<td></td>
</tr>
<tr>
<td>Strategic expansion</td>
<td></td>
</tr>
<tr>
<td>Well-developed purchasing and sourcing department for raw goods</td>
<td></td>
</tr>
<tr>
<td>Logistics knowledge and experience from their national and international</td>
<td></td>
</tr>
<tr>
<td>operations</td>
<td></td>
</tr>
<tr>
<td>International business experience</td>
<td></td>
</tr>
<tr>
<td>Production operations</td>
<td></td>
</tr>
<tr>
<td>High sale and market share in Scandinavia</td>
<td></td>
</tr>
<tr>
<td>Marketing and Sales</td>
<td></td>
</tr>
<tr>
<td>Inbound and outbound logistics</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>High buyer power</td>
<td>Other Scandinavian Aquavit expanding to England</td>
</tr>
<tr>
<td>Cooperation with an UK company (dark liqueurs)</td>
<td>Substitutes, direct and indirect</td>
</tr>
<tr>
<td>Different user areas (long drinks, shots etc.)</td>
<td>Falling service industry</td>
</tr>
<tr>
<td>Willingness to expand</td>
<td>Credit crunch</td>
</tr>
<tr>
<td>UK, one of the largest alcohol markets in Europe</td>
<td>Strong Norwegian currency</td>
</tr>
<tr>
<td>Export opportunities</td>
<td>Non-existing aquavit market in the UK</td>
</tr>
<tr>
<td>With a non-existing position in the English market, Linie can create its</td>
<td>Increased prices on raw materials</td>
</tr>
<tr>
<td>own unique brand position</td>
<td>Increased distribution and transport prices</td>
</tr>
<tr>
<td></td>
<td>Shift in the UK spirit market, Decline in on-trade, -13.8% in 2006-08</td>
</tr>
<tr>
<td></td>
<td>A healthier English consumer is cutting back on alcohol consumption</td>
</tr>
<tr>
<td></td>
<td>Pressure from responsible drinking campaigns</td>
</tr>
<tr>
<td></td>
<td>Current recession makes consumers cut back on unnecessary expenses</td>
</tr>
<tr>
<td></td>
<td>Dominating companies within the English dark spirit market</td>
</tr>
<tr>
<td></td>
<td>VAT and alcohol taxation will be added to Linie, if expanded to England</td>
</tr>
<tr>
<td></td>
<td>Norway has a very feminine culture, while the UK is masculinity</td>
</tr>
<tr>
<td></td>
<td>Consumers can see the shipment of Linie around the world to be unnecessary and hurting the environment</td>
</tr>
</tbody>
</table>
Chapter 7

Findings
7.0 DISCUSSION OF FINDINGS

7.1 Findings Primary Data

7.1.1 Questionnaires

Background
The total amount of respondents was 128, divided between 71 men and 57 women. The average age of all the respondents was 41.06 years.
The education of the respondents was as you can read from the chart below, mainly people with GCSE/GCE and A Levels.

Graph 14: Findings-Education
As mentioned before in the report, the data was accumulated in Leeds, Birmingham, Liverpool and Newcastle. “Other” in this setting is respondents visiting the cities earlier mentioned on day trips and so on. The likeability response was significantly higher in Birmingham, where 42.25% of all respondents liked Linie Aquavit. In Leeds 28.17% of the respondents liked Linie Aquavit, Liverpool 18.31%, Newcastle 7.04% and others 4.23%.

Graph 15: Findings-Cities
The question about social status was compared with how often the respondents go to pubs, restaurants or bars, to see if there was a correlation. The analysis shows that of the respondents that go to a pub, bar or restaurant (and drink alcohol) from 1 to 7 times a week, their social status are mainly singles (43%) followed by those who are married (36%).

Graph 16: Findings: Social Status and Drinking Habits
Lifestyle

Of those who go to pubs and drink alcohol 1-7 times a week, 83% liked the taste of Linie Aquavit. Of those who go once a month or less, 16.9% liked it.

Both the overall average income of all respondents and of those who said that they liked Linie Aquavit was £20-£30 000. This is not very reliable, because as you can read from the chart many respondents tried to “avoid” this question by choosing not to answer. It is also very difficult to get people to respond honestly to this type of question because it is very personal.

Graph 17: Findings- Income and Aquavit
Of those who liked the taste of Linie Aquavit and were in the segment that goes to a pub and drink alcohol from 1 to 7 times a week, 84.7% preferred to drink beer. As you can read from the chart below beer, wine, spirits and whisky dominate the consumption.

Graph 18: Findings-Drinking Habits
Drinking Habits

When purchasing a spirit drink many elements are taken into consideration. When asked to rate different given elements in a four point scale from Not Important to Very Important the analysis found that the elements the respondents rated as Very Important was; Smooth Taste 28.1 %, Low price 13.3 % and Purchasing a Specific brand 11.7 %.

Graph 19: Findings- Importance When Purchasing a Spirit Drink

Higher education did not correlate with the respondents’ feelings of brand image. Only 3% of the respondents answered that brand image was very important for them when buying an alcoholic beverage. The highest percentage of the respondents (47%), answered that the brand image was not important for them.
Aquavit

Graph 20: Findings- Aquavit

"Have you ever heard of Aquavit?"

Of all the respondents, only 9.37% had ever heard about aquavit before (7% had tasted it before), while 90.63% had never heard of it before (93% had never tasted it either). To see who had heard about aquavit before, the median age was calculated to 51.5 years. Conducting the questionnaires there were several comments from people (often men aged 50+) about aquavit, it seemed like some of them had prior knowledge about aquavit (Danish Aquavit) and had strong opinions to how this was supposed to be served.
The authors attached a short introduction about the history of Linie Aquavit and how it was prepared on the front page of the questionnaire, giving respondents some knowledge about what the questionnaire was about. The question: “Do you think the history and the way Linie Aquavit is being produced add value to the product?” resulted in that 36.7% said Yes, 10.9% said No, and 52.3% answered that they do not know.

Graph 21: Findings-History of Linie Aquavit
Taste

Of those who tasted Linie Aquavit, 55.47% liked it, while 44.53% did not like it. Of those who liked it, 61% were male, and 49% were female.

When asked to describe the associations the respondents got from the bottle 58% of all respondents answered that tradition was the first thing they thought of, followed by quality, which 32% answered.

Graph 22: Findings-Association Bottle
The label gave the same associations, where tradition (57 %), quality (29 %), and Scandinavian (29 %) were the most frequent associations.

Graph 23: Findings-Association Label
The taste of Linie Aquavit, 40% of the respondents found it to be medium strong, followed by 34% who found it to be very strong, 19% found it to strong and 7% found it to have a mild taste.

The question about how the respondent would prefer to consume Linie Aquavit, 52% answered that they would drink it straight/by itself, 20% would drink it as a digestive, 14% would prefer to drink it with a beer as a beer chaser and 14% would consume it with food. The last question in this questionnaire gave the respondents the opportunity to write any comments about Linie Aquavit. A significant percent of the respondents would prefer to consume Linie Aquavit with a mixer.

In the questionnaire, the respondents were asked if they would buy Linie Aquavit in a pub or restaurant, and 42% answered that they would not, 26.6% would consider buying it, while 31.3% said that they maybe would consider buying Linie Aquavit. The question if the respondent would consider buying Linie Aquavit in a store or supermarket resulted in that 25% said that they would buy it, 48.8% would not, and 26.6% answered maybe.

Graph 24: Findings- Consider Buying Linie Aquavit

Concerning the pricing question, the results was that 69.5% of the respondents would be willing to pay between £2-5 for a single measure of Linie Aquavit and 21.1% would be willing to pay £6-8 for Linie Aquavit.
7.1.2 In-depth Interviews

To gain more knowledge and a wider prospective of the UK spirit market the authors decided to conduct at least two in-depth interviews in each city. The interviews were carried out in two selected bar/pubs in Leeds, Liverpool, Birmingham and Newcastle. The response was overall positive, and the authors only experienced a few problems concerning the tasting of Linie Aquavit. Examples of this was restrictions on drinking when working, and the bar/pub being very crowded so appointments for later interviews had to be made, this is something the authors should have taken into consideration beforehand preparing the data collection.

Trends and Aquavit

None of the interview objects had heard about aquavit before and was very eager and curious of what the product was. The overall response was that most of the people interviewed liked the taste, but said that they would sell it with a mixer (sour mix, coke and others). They thought that Linie Aquavit has a nice aftertaste and that the taste was not as harsh as some spirit shots are. All 8 interview objects said that they would sell Linie Aquavit in their bar if they had the opportunity, but that the decisions regarding new spirits and new products are completely up to the headquarters to decide, so bar managers had no power over these decisions. The bartenders who tasted and experimented with Linie Aquavit was rather hesitant to selling the product in single measures, but would prefer to serve it with ice or with a mixer. All the bars/pubs visited sold most of mixed drinks and shots (beside beer).

After conducting these interviews the authors realised that the market for “beer chasers” was very low to none existent in England. People often buy shots when they go to bars/pubs but do not “use” it as a beer chaser (most people did not know what a beer chaser was). According to the bartenders most shots where bought during the weekend and they said tequila and sambuca was the most frequent bought shots.

Design

Most of the interviewees liked the design of the bottle and thought their customers would find the product interesting. Some of them found the design traditional and old fashioned, and some found it too old fashioned, and thought the design needed to be modernised. The authors received many comments about the design of the bottle, many respondents thought it looked like a bottle of beer. This was also noticeable in the results of this reports questionnaire.
Price
The average price for a single measure of spirit was between £2-£3.50 and this is the same price they would take for a single measure of aquavit (£5-£6 some places, depends on the brand). The price varies a lot from place to place, it depends on which segment the pub/bar focuses on.

Distribution
It was rather difficult to get information about the distribution from the bartenders and managers in the bars, this because of the power distance, the managers has no control of what changes are being made within the chain of bars/pubs. For this reason, the authors had to collect information about the distribution and distribution channels on our own. The authors did this by looking up different distributors in England and contacted them by e-mail and inquired answer to some questions more relevant than the answers the authors got through conducting the interviews.

When consider entering a new market, distribution is important. In the UK market, there are many distributors with different offers. Some distribute to the whole UK, and others just to England or parts of England.

Decisions also have to be made regarding whether you want to be in both on- and off trade or just in one of them. The marketing and promotion of the product also have to be taken into consideration when choosing a distributor. Does Arcus wish to do this by themselves, or do they wish to have a distributor in charge of the complete marketing mix?

After contact via e-mail with Andrew Morse in LWC-drinks, the UK’s largest independent drink wholesaler the authors received some useful information. To distribute to on-trade outlets you would either have to use a national on-trade wholesaler, or several regional wholesalers and you can supply via a combination of these. It is essential that the brand owner puts money and time behind their own sales force out in trade, gaining interest for the brand, obtaining listings and transfer orders, which could then be provided to whoever is the customer supplier. Andrew Morse also implied that no new product would work in the UK unless the brand owner would do this, and if the brand owners solely relied on a wholesale distributor to introduce the product to the market, it would fail (Andrew Morse, 2009). The
authors also tried to contact some of the largest distributors, but did not get any response on requests for information.

The largest distributors and spirit brand owners in the UK are as mentioned earlier Diageo UK, Maxxium UK, Bacardi-Martini Ltd and Allied Domesq. These companies supply to wholesaler distributors and also employ a sales force that work within the on-trade, showing the product to the retailers and generating sales for the products through wholesalers (Andrew Morse, 2009). However, these distributors are also Arcus’ main competitors in the Norwegian spirit market.

InSpirit Brands is a drink marketing and brand development agency (Inspirit Brands, 2009). They are a medium-sized agency located in London and operate with a team of sales people and brand managers and offer a full service from marketing, sales, PR and distribution. They work towards develop brands and find markets suitable for the specific brand, and cooperate with both on- and off trade locations, from trendy London clubs to specialists in national chains (InSpirit Brands, 2009).

Other distributors are LWC-drinks, Cellar Trends, Coe Vintners, Matthew Clark and Waverley. LWC-drinks distribute both to on- and off trade covering most of the UK (LWC-drinks, 2009). Cellar Trends were founded in 1999, and are a specialist in fine liquor, spirit, wine and champagne. They also have a niche-selection of brands (Cellar Trends, 2009). Coe Vintners on the other hand is only distributing to on-trade locations, however they have more than 75 years experience, offering brand development and is the leading independent wine and spirit merchant in the UK (Coe Vintners, 2009). Coe Vintners cooperate with London top-bars and have the expertise to introduce a new brand to the market and find good on-trade locations suitable for the specific brand and image (Coe Vintners, 2009).

Matthew Clark and Waverley are large independent drink distributors and they supply many pubs and restaurants. Waverley each year publishes “the List” where all beverages they distribute are represented (Waverley, 2009). The bars and restaurants, which Waverley supplies, are only allowed to sell beverages included in “the List”. The authors experienced during conducting primary research that many on-trade facilities had agreements like this,
with Waverley, Matthew Clark or other distributors. To have one distributor like this can save the on-trade facility time, money and energy.

In the UK there are different exhibitions like for example “Northern Restaurant and Bar” or “Pure on-trade London” where pubs, restaurants, distributors and brands meet. (Northern Restaurant and Bar, 2009) This is a place where you can get useful information or exhibit your products to get promotion and see how the on-trade market welcomes your product.

There are numbers of possibilities regarding choice of distributor and it is important to have a well defined strategy on where you want to position your product, what segment you are aiming your product to and where you want to be in the future. When this is defined it will be easier to find a suitable distributor or agency.

7.2 Findings Secondary data

Arcus’ level of Internationalisation

The authors have placed Arcus between the intensive and multinational phase in the BAKKA framework. Their export motives are mainly strategic, and they are focusing on expanding their business to new markets. Their position in the home market is very solid as well as the company’s revenue. Arcus AS had a positive economic result in 2008, with revenue of 658 million NOK (around £69 million-currency 12 May 2009). In addition, Arcus AS is a subsidiary of Arcus Gruppen AS, which had revenue of 1318 Million NOK (around £138 million-currency 12 May 2009). The positive economic result is an important factor to consider if Arcus are entering the English spirit market. Arcus AS have some international experience, and they are present in all Scandinavian countries, Germany and the US. If entering the English spirit market, Arcus can take advantage of their experience from other countries where they are present. Arcus AS, as a company, have the resources to enter the English market, with accordance to their economic situation and their degree of internationalisation. Arcus’ level of internationalisation is also discussed in section 5.6

Spirit Market

The UK spirit market generated total revenue of $17.1 billion in 2007. Linie Aquavit is categorised as a dark spirit, and this type of alcohol often appeal to older consumers in a conservative market.
In 2009, spirits and beers have suffered from a decline in the sales, while wine sales have increased. The overall dark spirit sector is predicted to be decreasing with 10% the next five years, while the volume is expected to grow by 4%. While the off-trade market has slightly increased, the on-trade market has been decreasing. A reason for this could be the economic recession.

The two largest distributors that are controlling the dark spirit market are Diageo and Allied Domecq, but there are several small distributors as well. This is discussed in the primary findings section.

The UK

The UK has political stability, and a very strong business environment. The country is members of the EU, and operates by UK- and EU laws and regulations. VAT and alcohol tax will be added to imported products in the UK.

The economic situation in 2009 has been turbulent, with economic slowdown and recession affecting the world. The UK has a strong finance sector, and it has been undergoing hard times. The production, construction and service industry has fallen in 2009, and all distribution services decreased in 2008. This could be important to Arcus to consider before a possible entrance to the English market.

Cultural differences between the UK and Norway are small, but Arcus should be aware of the masculine business culture. The UK expenditure of GDP on education is the same as the average for the OECD countries, and is represented by 5.5%. The employment rate in the UK has been decreasing, and in 2007, 79% men were employed. The employment rate regarding women has increased, and in 2007, 70% of all women were employed.

E-commerce is a fast developing area and is expected to have a great impact on the future performance of the economy. More and more companies are using e-commerce, and Arcus should check out their possibilities. Internet advertising is increasing fast, and Arcus should do thoroughly research in this area and check out different options.

Environmental issues are a frequently discussed topic. Arcus must be aware of that Linie Aquavit crossing the equator twice could be seen as unnecessary to those who are concerned about the environment.

Legal factors are very important, and Arcus must be up to date about the different laws and regulation. The UK government is planning to ban irresponsible price based promotions to handle the English drinking culture, and this could affect Arcus’ marketing if they are entering the English spirit market.
Chapter 8

Strategic Options
8.0 STRATEGIC OPTIONS

8.1 Stay in the Domestic Market

The world is now facing an economical recession and the English market is already affected significantly. For this reason, the English consumers are worried, and cuts back on goods and products, which they consider unnecessary. Instead of buying the exclusive brands, many people buy the “value for less” products instead.

If Arcus chooses to go with this option they avoid putting financial means at stake, and can instead focus on further growth in markets where they are already present.

Still, if Arcus decides to stay in their domestic market they might miss out on potential profit and growth in one of the world’s most profitable spirit markets.

8.2 Enter the English On-Trade Spirit Market

It is possible to launch Linie Aquavit into the English on trade market and position it as a “beer chaser”.

The benefits if this is carried out in action could be the profits of sales, and if Linie Aquavit is successfully promoted and positioned into the English market new trends can be created. If Linie manages to link Aquavit and beer together in the consumers mind it can end up being very successful.

It can be difficult to get a trend of “beer chasing” going, as primary research demonstrate that there today is (almost) a non existing” beer chaser” market in England. For this reason it is probably going to be expensive if launching Linie in this manner because a lot of marketing and promotion is required.
8.3 Enter the English Off-Trade Spirit Market

Another possibility is to launch Linie Aquavit through the off-trade spirit market and marked the product in the same manner as in Norway, sell it as a digestive and as a natural compliment to traditional food (salmon, salt meat). The segment is 40-60 years old men, established with a high buyer-power.

Many consumers are nowadays buying from the off-trade market instead of the on-trade market. English consumers, which are concerned with health issues, can be interested in drinking Linie as a digestive. Linie can also use their experience and knowledge from the industry in Norway.

When positioning Linie Aquavit as mentioned above, they miss out on the mixer and cocktail market, including the market for 40 years and younger. They are also depending on the English market and the English consumer to adapt to them, and not the other way around. If Linie Aquavit is positioned as a “normal” brand that is sold in the supermarkets, it can be difficult to reposition if necessary.

8.4 Enter the English On- and Off-Trade Market (High-End)

Another option is to launch Linie Aquavit both on the high end of the on- and off-trade market and position in as a quality brand, which can be used in cocktails, long drinks and as a mixer. Linie Aquavit should be sold at high-end bars and restaurant and at exclusive shops (Harvey Nichols, Fortnum and Mason and so forth). The positioning and marketing should be adapted towards the English market, but it should still be built upon Linie Aquavit’s story and history. The target segment is 32+ high middle- and upper class not affected by the current economical situation.

This is an option with high complexity and it needs many financial means. The competition between brands is intense and it is difficult to gain market share.
Chapter 9

Conclusion and Recommendation
9.0 CONCLUSION AND RECOMMENDATIONS

As the authors have stated in their aim and objectives, the report was written to examine the English spirit market. It was important to identify market trends, to identify external factors that could affect a potential entry, and to find out how to position Linie aquavit in the English spirit market.

The secondary and primary data was conducted from January to May 2009, and the authors found that the UK alcohol market is one of the largest in the world. The on-trade market has been declining the recent years, while the off-trade alcohol market has been slightly increasing. The total alcohol market has been decreasing, because of the public health campaigns fronted by the UK government, economic recession and other factors.

The market trends within the alcohol market in England indicate that most consumers drink beer and secondly they prefer wine. Of those asked, 100 % was drinking alcohol, and 83 % of those who liked the taste of aquavit were going to pubs and drinking alcohol 1-7 times a week. The most important element when purchasing a spirit drink was smooth taste, followed by low price and purchasing a specific brand. The brown spirit market is considered to be conservative, and the consumers are often around 50 years and more.

External factors that could affect a potential entry could be laws and regulations, like the recent campaigns regarding the health of the English consumers. The economic recession could also affect the buyer behaviour of the English consumers, and this has already influenced the on-and off trade alcohol market. Another important factor is that Norway is a member of EEA, and since the UK is member of the EU it makes the trade between Norway and the UK less complex. The already well-established drinking culture in the UK also gives a great opportunity to Arcus.

The primary and secondary data shows that England is an important strategic market for Arcus, and entering the market could help them to increase their further growth.

If Arcus is entering the English spirit market, there are several strategic options to consider. The different options are discussed in chapter 8, and there are both advantages and disadvantages with each option.
If Arcus is entering the English spirit market, the authors will recommend them to consider option four: “Enter the English spirit market, on-and off-trade”.

The authors find this option the best possible strategy. The first advantage with this option is the brand image of Linie Aquavit. They see themselves as a high-end brand, and by choosing this option they can maintain their image as exclusive. If Arcus for example would choose to position themselves as a beer chaser in pubs, it could damage their reputation. Secondly the English spirit market is very competitive and the authors find this the best suitable way to build a fundament in the market. When conducting the queries most of the respondents had never heard of aquavit, or Linie Aquavit. This option makes it possible for Linie Aquavit to develop brand awareness and create knowledge about the product when few already had information or experience of Linie Aquavit.

Entering the market as a niche product gives Linie Aquavit the opportunity to create a luxury brand in England, and with time develop a well-known brand and product. Linie Aquavit should be a standardised product with the communication adapted to the English market. Linie Aquavit’s point of difference should remain “taste that really travels” to show the consumers that this is a product that offers something different, special and exclusive compared to substitutes. The authors’ final advice to Arcus is that throughout the launching process it is important to for them to keep in mind the fact that the bottle of Linie Aquavit reminds some consumers of a bottle of beer which can confuse consumers when purchasing Linie Aquavit.
Chapter 10

Bibliography
10.0 BIBLIOGRAPHY

10.1 Books


10.2 Internet Books


10.3 Internet Journals and Articles


10.4 Internet Pages


Arcus. (2009) **Eske Bille** (In Norwegian) [Internet] Norway, Arcus. Available from: 
<http://www.arcus.no/no/Apne_sider/Var_historie/Mennskene_bak/Eske_Bille/?template=history> [Accessed 13 February 2009].

Arcus. (2008) **Financial Report** [Internet]. Available from: 


Arcus. (2009) **Spirits in Norway** [Internet]. Available from: 


Arcus Gruppen. (2009) **About Arcus Gruppen** [Internet]. Available from: 
<http://www.arcusgruppen.no/arcusgruppen/eng/About_Arcus-Gruppen/> [Accessed 17 April 2009].

Bacardi Martini LTD. (2009) **Home** [Internet]. Available from: 
<http://www.bacardi-martini.co.uk/home.html> [Accessed 17 April 2009].

Business Insights. (2003) **Alcoholic Drinks Market in the UK** [Internet]. Available from: 
Business Insights. (2009) The Top 10 Spirits Companies [Internet]. Available from:

Business Link. (2009) Defining and Marketing Spirit Drinks at 15 Percent by Volume and Above [Internet]. Available from:


Business Link. (2009) VAT [Internet]. Available from:
<http://www.businesslink.gov.uk/bdotg/action/detail?type=INT/Publication&itemId=1077668847&r.i=1073793551&r.l2=1073859242&r.s=m> [Accessed 27 February 2009].


ECRS Society Today. (2009) *Education in the UK* [Internet]. Available from: <http://www.esrcsocietytoday.ac.uk/ESRCInfoCentre/facts/UK/index14.aspx?data=%2ffrXHTl993qITVIQucS67GATBJScxJ2SVQ3yng9hj7y97N4BL7WkRSRJrl3pt9OqH3BN%2f4dpVEuYmcjHKG1DZv09AjDw%2f%2faYWEtRNIaRQO7Z%2b9v6wljzdlMAU7l0HAm5gGksGYkB%2faZ8OR%2bUioJVdZ4d6BSm6OxnMnzD%2bkRD%2fxJcdyR5CGYhEYf0%2fG0%2fjz&xu=0&isAwardHolder=&isProfiled=&AwardHolderID=&Sector=> [Accessed 2 March 2009].


KeyNote (2001). *Dark Spirits and Liqueurs* [Internet]. Available from: <http://www.keynote.co.uk/kn2k1/CnIsapi.dll?nuni=52140&usr=10690srv=01&alias=kn2k1&uni=1235988460&fld=K&noLog=1&NotInWorkset=1&key=17723> [Accessed 6 March 2009].


Mintel. (2008) *Which sectors of the alcohol market are set to grow and which will suffer from the slowdown in alcohol consumption in the UK?* [Internet]. Available from: <http://academic.mintel.com/sinatra/oxygen_academic/search_results/show/&display/id=297298/display/id=330254> [Accessed 9 May 2009].


Chapter 14

Appendices
<table>
<thead>
<tr>
<th>Week (based on year)</th>
<th>41</th>
<th>46</th>
<th>47</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
<th>21</th>
<th>22</th>
<th>23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tasks:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Select Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Select Possible Companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contact Companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confirm Meeting with Company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting with Arcus (Oslo)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research Proposal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hand in Research Proposal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Read Previous Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Literature Review</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal and External Analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning our Market Analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysing Market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research Leeds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research Newcastle</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research Liverpool</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research Birmingham</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysing Data</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Write about Findings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conclusion and Recommendation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Print Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hand in Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepare for Presentation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presentation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 11.2 E-mail Sent to Bars, Pubs and Restaurants

Dear xxx

We are a group of Norwegian students who are studying at Leeds Metropolitan University. We are conducting a consultancy project for the Norwegian company Arcus, and researching the market possibilities and opportunities for the spirit “Linje Aquavit”. Aquavit is a traditional Scandinavian spirit that can be consumed in for example long drinks, as shots and as a “beer chaser”.

Therefore are we interested in handing out free samples to your bar keepers and customers and asking them a couple of questions about the product after. Is there any possibility to carry out this query on ……(date)

Thank you for your time, and we are hoping for a positive feedback. We will gladly answer any questions or concerns you may have!

Sincerely,

Maren, Cathinka, Anette, Toya & John.
Appendix 11.3 Questionnaire
This questionnaire is developed as a part of an export-marketing project at Leeds Metropolitan University. The project employer is, Arcus AS, wine and spirit company situated in Norway.

**Aquavit is a traditional Scandinavian spirit, which contains around 40% alcohol by volume. The name Aquavit stems from aquavitae - the Latin name for “water of life”**.

Norwegian Aquavit is a distilled potato spirit flavored with herbs and spices, predominantly caraway and matured old sherry casks. Linie Aquavit is sent on a four months sea journey crossing the equator twice, maturing in sherry casks as a deck cargo. The length of the journey, constant rolling of the ships, varying temperatures and humidity, and the sea air gives Linie its golden color and smooth taste.

*The sea journey is a tradition that goes back more than 200 years. On the reverse of the front label you will find the date the content departed from Norway, the date it returned after crossing the equator twice, and the name of the ship it sailed upon.*

In this questionnaire a spirit is defined as a single measure of alcohol

This questionnaire is anonymous and the data collected will only be used in this project.
Questionnaire - Linie Aquavit

1) Gender:

Male [ ]
Female [ ]

2) Age (in complete years):
_______________________

3) What is your nationality?
_______________________

4) Where in the UK do you live?
_______________________

5) What is your social status?

Single [ ]
Spouse [ ]
Married [ ]
Divorced [ ]
Widowed [ ]

Lifestyle

6) Do you drink alcohol?

Yes [ ]
No [ ]

7) How often do you go to pubs and drink alcohol?

Every day [ ]
2-6 times a week [ ]
Once a week [ ]
Once a month [ ]
Less than once a month [ ]
Never [ ]
8) How often do you go to restaurants?

Every day
2-6 times a week
Once a week
Once a month
Less than once a month
Never

9) What is your current income?

£0 to £15 000
£15 to £20 000
£20 to £30 000
£30 to £40 000
£40 to £50 000 +
Do not wish to answer

10) Your highest educational qualification?

No formal academic qualification
GCSE/GCE
A Levels
Bachelors Degree(s)
Post- Graduate Degree(s)
Other (e.g. professional qualification)

Drinking habits

11) How frequently do you drink the alcoholic beverages listed below?

<table>
<thead>
<tr>
<th></th>
<th>Every day</th>
<th>2-6 times a week</th>
<th>Once a week</th>
<th>Once a month</th>
<th>Less than once a month</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cognac</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whisky</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Drinks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cocktails</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shots</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spirits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
12) How important are each of the following elements to you when purchasing a spirit drink? Please indicate your answer using the following 4-point scale where
1) Not important
2) Indifferent
3) Important
4) Very important

<table>
<thead>
<tr>
<th>Element</th>
<th>Not important</th>
<th>Indifferent</th>
<th>Important</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low price</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smooth taste</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchasing/ordering a specific brand</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The strength of the spirit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchasing/ordering a local brand</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchasing/Ordering and imported brand</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

13) How important is the brand image for your choice of an alcoholic beverage?

Not important
Indifferent
Important
Very important

Aquavit

14) Have you ever heard of aquavit?
Yes
No

15) Do you know what aquavit is?
Yes
No

16) Have you ever tasted aquavit before?
Yes
No
17) Do you think the history and the way Linie Aquavit is being produced adds value to the product?

Yes
No
I don’t know

After tasting Linie

18) Which associations do you get from looking at the bottle? (you can tick more than one option)

Quality
Exclusivity
Tradition
Modernity
Expensiveness
Inexpensiveness
Scandinavia
Other:

19) Which associations do you get from looking at the label? (you can tick more than one option)

Quality
Exclusivity
Tradition
Modernity
Expensiveness
Inexpensiveness
Scandinavia
Other:

20) Did you like Linie Aquavit?

Yes
No

21) How would you describe the taste of Linie Aquavit?

Mild
Medium strong
Very strong
Too strong

22) Do you have other comments regarding the taste?

__________________________________________
23) How would you prefer to consume Linie Aquavit?

- Straight/By itself
- With beer
- With food
- As a digestive

24) Would you consider buying a Linie Aquavit in a pub/restaurant?

- Yes
- No
- Maybe

25) Would you consider buying Linie in a store/supermarket?

- Yes
- No
- Maybe

26) How much would you be willing to pay for a Linie Aquavit (equivalent to a single whisky)?

- £ 2-5
- £ 6-8
- £ 9-11
- More than £ 11

27) Have you got any other comments about Linie Aquavit?

______________________________

Thank you for taking the time to answer this questionnaire.
Appendix 11.4 Topic Guide In-Depth Interviews

Opening
- Important to “warm up” the person, and making him/her comfortable with the interview situation.

Trends and Aquavit
- Current trends in the spirit market
- Current consumer trends
- Knowledge about Linie
- Knowledge about aquavit
- Taste
- Would Linie be an interesting brand and product for your bar
- How would your bar/pub/restaurant sell Linie

Design
- Thoughts about the Linie bottle.
- Associations towards the Linie brand and bottle
- Does Linies design appeal towards your target group and customers
- Image important for your bar

Price
- Prices on shots, mixers and single measures
- How would you price Linie

Distribution
- What kind of distribution solutions does your bar/pub/restaurant operate with
- How frequently does your bar/pub/restaurant bring in new spirit to the product portfolio?
- Who makes the decision to bring in products and brands?
- Knowledge about distribution companies that operate in the market

It was important for the authors to let the interview objects to speak freely about the topics they were interested in and had knowledge about. The authors used these topics to keep the interview objects on track and on topic.
Appendix 11.5 Agreement

TO WHOM IT MAY CONCERN

Your answers given to this query is anonymous, confidential and will only be used in a student assignment.

By contributing to this query, I have full knowledge and fully understand the risks of consuming an alcoholic beverage.

Arcus, and the student group take no responsibility to the aftermath of this query.

Please sign here:


Arcus AS
Postboks 6764 Rodeløkka
N - 0503 Oslo
Norway

www.arcus.no
www.arcusbeverage.com

## Appendix 11.6 Brand Platform Linie

<table>
<thead>
<tr>
<th>Category/Segment Environment</th>
<th>[Existing market: The aquavit category mainly competes with other alcoholic beverages consumed with food. Historically, aquavit was mainly used as a digestive, with or after food. Aquavit is also consumed with beer. The category is dominated by strong local and national brands in existing markets. The main competition across all markets is the Aalborg brand with various products. One major difference between aquavits is whether or not they are cask matured. Cask maturation is typical for Norwegian aquavits, but not common for other aquavits. Aquavit represents the traditional values and heritage of Nordic culture.]</th>
</tr>
</thead>
<tbody>
<tr>
<td>The product (Technical description)</td>
<td>Linie is a Norwegian aquavit distilled from potatoes and flavoured mainly with Norwegian herbs and spices. It is matured in old sherry casks. During the maturation process, Linie travels for approximately four months on a long sea journey to the other side of the world and back, to achieve the perfect maturation. Every single drop of Linie is produced like this, as it has been for more than 200 years. Linie has a natural golden colour, mature spicy nose with integrated cask aromas. It is moderately spiced and finely balanced with notes of caraway, aniseed, sherry, and vanilla.</td>
</tr>
<tr>
<td>Target Group (Demographics and Values)</td>
<td>Consumers who take interest in optimising the enjoyment of food, with the choice of an appropriate alcoholic drink. They have developed an appreciation of the characteristics of aquavit, and are therefore likely to be more mature drinkers of 30 years plus. The target group has a higher academic education and higher medium income, and are more prone to premium products. There is a majority of men in the target group.</td>
</tr>
<tr>
<td>Key Consumer Insight</td>
<td>The cask maturation process in the aquavit category is little known, but is of real interest when discovered by the consumer. That Linie aquavit still is matured in casks at sea, as it has been for more than 200 years, seems incredible, bordering on the unbelievable.</td>
</tr>
<tr>
<td>Brand Benefits (Functional and Emotional)</td>
<td>[Functional: Linie delivers a distinctive, smooth, sophisticated herbal taste, and has a golden colour, mainly due to its maturation in old sherry casks at sea.] [Emotional: An surprising discovery that the content of each and every bottle actually travels the world by sea, crossing the equator twice to create this unique product. Enjoy the journey is fascinating story of Linie with my friends and family.]</td>
</tr>
<tr>
<td>Reason to Believe – Discriminator</td>
<td>Linie’s distinctive taste is due to its maturation in sherry casks at sea. This sea journey enables Linie to attract more flavours and aromas from the casks due to temperature variations, humidity variations and constant rolling at sea. Linie is the only cask matured spirit that matures at sea and has been doing so for more than 200 years.</td>
</tr>
<tr>
<td>Brand Personality and Role</td>
<td>Linie is seen as a premium brand. Linie is a well-travelled Scandinavian that appreciates good food. He is friendly, well respected, and society confident. Linie is mature, but not old. He is contemporary in style, rather than modern.</td>
</tr>
<tr>
<td>Core Idea</td>
<td>Linie Aquavit a secret waiting to be discovered. The 200 year old tradition of the sea makes Linie truly unique compared with any other brand. It is difficult to believe that it is still sent on a sea journey to the other side of the world, but this really is true still to day. Pay-off (if needed to be decided after research): Linie: Taste that really travels. The journey is part of the journey.</td>
</tr>
</tbody>
</table>
Appendix 11.7 E-mail sent to Distributors

Dear xxxx

We are five Norwegian students at Leeds Metropolitan University working on an export marketing project for Arcus, a Norwegian wine and spirit company. This is a part of our final assignment and a bachelor degree in International Marketing and Business.

Arcus is considering launching Linie Aquavit, a Norwegian spirit in the UK market and we wondered if you could help us with some useful information regarding the distribution and if you had any recommendations regarding their approach? Can they use one distributor like LWC for all distribution to off-trade, pubs and restaurant, or have several distributors?

Here are some of the questions we have, and we would be very thankful if you could help us with some information.

- Distribution landscape, market size, channel weight, stores, development?

- What is the distribution hierarchy? Intermediaries, England only or total UK?

- What are the UK conditions? Commercial conditions, habits, shows to attend?

- How is the money spent? 50% producer/50% distributor?

- What can be done in terms of promotion? By whom?

- What works in term of promotion?

- What is spent in terms of promotion?

- Do you have any recommendations to price strategy/ retail price?

Kind Regards

Cathinka Dybvik, Maren Djuve, John Hegdal, Anette Østervold og Toya Brenna