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“Aunt Mabel’s Possible Entry On The French Market”

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“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.”
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Executive Summary

Millba is a Norwegian company that produces American styled cakes under the brand name “Aunt Mabel’s”. This project is based on the following strategic problem definition.

*Is it attractive and possible for Millba AS to introduce their “Aunt Mabel” muffins to the French market, and if so, what are the best entry strategies?*

After conducting several internal analyses’ the results show that Millba possess a lot of valuable resources and capabilities, which make them qualified for further expansion.

The external analysis reveals that the political stability in France is high. The government works to facilitate business to dampen the effects of the recession and make France more competitive. Consumer trends represent both possibilities and constraints while EU and labour regulations might pose a threat. The competitive environment of the Pâtisserie/Viennoiserie is characterized by many players and high entry barriers in certain areas. Based on this, the company was placed in Solberg’s nine strategic windows under *Consider Expansion In International Markets*. Furthermore, an agent was identified as the most appropriate entry strategy.

A *modified standardized marketing mix* was used to develop the marketing strategies for sales in snack-bars and exclusive food stores. These retailers are assumed to reach the new target consumer group. “Aunt Mabel’s” is expected to appeal to these consumers by positioning itself as products of premium taste and quality.
Introduction

This project is conducted on the behalf of the norwegian company Millba AS and is to finalize the Bachelor Degree both for The Norwegian School of Business and Grenoble École de Management.

This project will consist of four main parts. Part one is the internal analysis of Millba concerning their strengths and weaknesses. Their resources will be assessed through the use of a VRIO analysis and a financial analysis. Their attitude, competence and embodiment of resources and preparedness for internationalization is analysed through the ACE model and the Bakka Model.

Part two consists of the external analysis where the French market is evaluated. To identify the most important factors affecting Millba’s possible penetration a PEST analysis have been conducted. Furthermore to identify the competitive structure of the industry Porter’s Five Forces will be used. In addition the industry’s globality will be identified through Solberg’s 9 strategic windows. Lastly, to sum up the internal and external analysis a SWOT matrix will be presented.

Furthermore, there will be an identification of the Key Success Factors for Millba before part three will present strategies concerning marketing mix and Millba’s entrance in France. The final recommendations will be presented in part four and will thereby suggest a further strategy.
**Millba AS – A company profile**

Millba AS was established in 1999 and is today situated in Skien, which is the city where Henrik Ibsen was born. In 2000 they launched muffins, donuts and berliner on the Norwegian market under the brand “Aunt Mabel’s, which are American cakes of premium quality. Their bakers are only using world class ingredients when they are producing the bakery products. (Millba 2009)

Furthermore the technology that can be found at their facility in Skien makes Millba the most modern and effective bakery for premium quality American cakes in northern Europe. In the current bakery of 4,500 square meters, only 50% of the space available is being used, hence they have room for further expansion. They have available freezer space to store 300 pallets on-site, but they also rent space off-site to store the remaining pallets. This storage facility is just referred to as the “frozen hotel”

Since the launch of the American cakes in 2000 Millba AS has enjoyed rapid expansion in both the domestic market and abroad. The financial situation has simultaneously had a healthy development. Today Millba has approximately 40 employees and are exporting cakes to Sweden, Denmark, Iceland, Finland, Faroe Islands, Austria, Belgium, Latvia, Lithuania, Estonia, The Netherlands, Germany, Malta, Portugal and Saudi Arabia.

Millba’s vision: To produce American style cakes of premium quality with world class ingredients. (Søvik 2009)

Millba has a variety of American style cakes and has expanded their product assortment in 2009. This variety includes; Individually Wrapped Muffins, Premium Muffins, Coffee Shop Muffins, Donuts and Berliner. In addition the muffins are produced in various sizes from 35 grams to 160 grams and are sold on different sized trays.

The individually wrapped muffins come in flavours such as milk chocolate, chocolate, blueberry strawberry and caramel and usually come in 100 grams. The
chocolate and blueberry muffin also exists in 35 grams also. In addition the chocolate and milk chocolate muffins can be bought in “Club” packages of 12 à 70 grams. The muffins can stay frozen up to 1 year and have a shelf-life of 4 weeks after defrosting.

Furthermore they have Premium Muffins of 120 grams which come in chocolate and raspberry, carrot, caramel and wildberries. The Premium Muffins can be bought in boxes consisting of 2 pallets of 8 muffins. In similarity with the individually wrapped muffins, the premium muffins can stay frozen up to a year, however after that the shelf-life is 48 hours. In other European countries both the Premium Muffin and the Coffee Shop Muffin are usually sold at a price of 2,5 Euro.

Millba also produce Aunt Mabel’s Coffee Shop Muffins which have a net weight of 160 grams. The flavours include triple chocolate, strawberry, raspberry, apple & cinnamon and blueberry. The Coffee Shop Muffins can be bought in the same amount and have the same shelf-life as the Premium Muffins.

The focus in this project will be on the muffins, hence there will be no further explanation of the Donuts or Berliner.
Methodology:

Market research can be conducted using two different approaches namely quantitative and qualitative methods. (Olsen 2009)

Qualitative research

Qualitative methods identify through focus groups and interviews; different attitudes, experiences and behaviour. This gives the researcher the opportunity to explore in depth opinions of the participants. Qualitative research commonly has less participants than the quantitative method, however the conversations or interview usually last longer. (Ibid)

Quantitative research

In other cases one may find quantitative research more appropriate. This is mostly used to generate statistics and thereby involve more numbers. The time allocated to each participant is often shorter, but the research involves more people. A common example of quantitative research is extensive questionnaires. (Ibid)

In the case of Millba and this project the most valuable information is the consumer and retailers attitudes, behaviour and experience. Such information will give a good basis to determine a further strategy. Not only will it then be possible to see the differences in consumer behaviour and preferences, but also to assess the experience and opinion of potential future professional partners for Millba. Therefore a qualitative approach has been chosen for the collection of primary data and is more appropriate for this project. As the examples above suggests, this information is going to be acquired through focus groups and interviews. Millba needs more information and knowledge about the French market as the problem definition on the next page requires a lot of information. Therefore an explorative design has been chosen to get a more in-depth understanding of the market. As the secondary literature may have unreliable sources and does not necessarily contain information directly linked to the problem definition in this project it has been used with great care.
Validity and Reliability

Validity can be explained as the legitimacy of one's research. In other words, it involves to which degree one's research measures what it was supposed to. Reliability is a condition of validity and considers the consistency of the measurements. (Colosi 1997) The qualitative data which is used in this project can be viewed as valid in the way that it measures what it initially was intended to. On the contrary, the reliability may not be viewed as optimal because the participants did not answer all the questions they were given. However, since subjective answers were expected the reliability is hard to measure as the data collected is qualitative. Lastly, one perspective on this from the given information, may be that the validity in this context is more important than the reliability. This is because if the measurement did not measure what they were intended to measure the need for reliability is no longer present.
Strategic Problem Definition

To be able to analyse and write about the French market it is important to narrow down the multiple factors and issues down to be able to present successful and manageable proposals and recommendations for Millba AS. Therefore the conducted problem definition is as follows:

*Is it attractive and possible for Millba AS to introduce their "Aunt Mabel’s" muffins to the French market, and if so, what are the best entry strategies?*
Part one: Internal analysis

VRIO analysis

To understand the performance of the firm and to lay the foundation and basis of the internal analysis, the VRIO framework is an appropriate tool. For a company to obtain a sustainable competitive advantage, the resources or capabilities within the firm needs to be Valuable, Rare, Inimitable and Organized. In this context the resources are referring to what a company possess and capabilities to what they can do. Resources and capabilities can be everything from financial resources and equipment to organizational expertise. (kilde: Wernerfelt 1984 sited in Gallagher 2004)

Valuable

A resource can be seen as valuable if it helps the company to meet the threats and opportunities one may find in different markets. This might be for example that they are efficient, deliver quality products or services, have good customer responsiveness or that they are innovative. If the resources of a company fulfill one out of these factors it can be seen as a valuable resource. (Ibid)

In the case of Millba, the muffins perform very well on the factors that they are produced to perform well on. In other words their products are known to be of high quality within their field of production. This is based upon the fact that the muffins are produced of world class ingredients. The chocolate comes from Belgium, the donut coating and concentrate comes from the Netherlands and the blueberries come from the United States and the import is regulated by WTO and GATT. (Schaffer et al, 2005) This is done to secure that they get the best products that are available, even if it means higher costs which emphasizes their image as a high end product. Besides this, one of Millba’s visions and main goals is to deliver American style cakes of premium quality and that the quality consistency, so the customer knows what he or she is getting when purchasing one of their cakes. Another factor that supports their choice of delivering premium quality products is their sales rate which shows an enormous growth since the launch. More about this under customer responsiveness.
Furthermore, Millba score very well on the efficiency factor. They have the most modern production system in Northern Europe and the amount of input for Millba is very low compared to the actual output. (Baking & Snack International 2009). This production system is a great advantage for the company. The parts that are used for the muffin line are ordered from different parts of the world to then be put together and is customized especially for Millba and their needs in production. The system has the capability of baking around 11,700 muffins per hour and is run by only 10 people per day and is therefore seen as very effective. Besides this, it uses compressed air to raise the cakes which is energy saving. The muffin line is expensive and hard to copy and is seen as a very valuable resource and as one of their biggest strengths. Also, Millba has a good working relationship with a logistics company in Norway that has set aside several trucks that are just transporting for Millba. By doing this, the trucks have available space going back to Norway that Millba takes advantage of. The trucks are now transporting the ingredients needed back to Norway which means that the trucks are never driving empty around Europe. The products are distributed on all weekdays in Norway and on a weekly basis to the countries it exports to. (Søvik 2009) This is very efficient and cost-effective.

In addition to this the customer responsiveness should be considered, which is how well the company responds to the customer needs. Millba AS has until now not been willing to make great changes to adapt their muffins in each country partly because their muffins are their trademark which may be a negative factor. (Søvik 2009) Millba is however, going to launch new and healthier cakes in September 2009 and have therefore considered customer needs in that way, simply because they do take into consideration the focus on health. Nevertheless their sales does not reflect the importance of adaptation to fulfill customer needs. The sales rate shows an enormous growth since the launch. When their cakes were launched in 2000 the amount of products sold were 3 150 000 whereas in 2007 it was 35 000 000. (Søvik 2009) In other words they sell 77 times more muffins than the first year of production so obviously they know how to fulfill customer needs even though they have not yet performed any product customization. The growth rate of units sold is also shown in a graph under the financial analysis.
Concerning innovation, Millba can be perceived as having an innovative product development process. According to themselves, they have revolutionized the baking industry in Norway. Before Millba the Norwegian market consisted of mostly traditional cakes. (Baking & Snack International 2009) Furthermore their production line or muffin line is very innovative for its region and is, as already mentioned, the most modern production system in northern Europe.

**Rare**

If a resource is not widely possessed by other companies it can be said to be a rare resource. Since resources can take almost any form and be almost everything a company possesses, it is hard to analyse each and every factor. However, considering their equipment and production facilities and since it is customized, it may be looked upon as rare.

**Inimitable**

If it is difficult to substitute or acquire a resource within a company if it is inimitable. In the case of Millba it might be relatively difficult to acquire their production facilities. It is time consuming and very costly as it is especially adapted to fit the needs of Millba (Søvik 2009). However seen from another perspective it is definitely possible to substitute these production facilities if you do have enough financial resources and time. Concerning their other resources many of them are probably quite easy to imitate and create substitutes for. Take for example their products, even though they use world class ingredients and have great production facilities the products may be imitated and substituted. Some of the employees have been with Millba since the very beginning and can be characterized as very loyal and willing to adapt. Since Millba is a company that focus on continuous innovation, such employees are of great importance. Because it takes time to develop this corporate culture this resource may viewed as inimitable.

**Organized**

This factor analyze if the other three factors are well organized and if the company knows how to take advantage of them. Millba and their resources can be looked upon as quite organized in the way that they know how to take advantage
of their productions systems and they emphasize the quality of their products and the fact that they use ingredients of high quality. More information about the organization can be found under the ACE-model.

In conclusion the VRIO analysis gives Millba AS quite a high score on all four factors. This means that the company have resources that are valuable, rare, inimitable and organized and can therefore have a sustainable competitive advantage in many markets.

**ACE- model:**

The ACE model is used to determine successful and unsuccessful exporters by analysing 3 factors: Attitudes, competence and embodiment in a company. However there are several sub-factors within each that needs to be in place for the company to achieve the three main factors. A company can develop to be a successful exporter given that it scores positively on all main factors. (Solberg 2006)

**Attitudes:**

When considering the attitudes within Millba AS, one might start by looking at their market orientation. Before entering new markets Millba would always perform market scans and analysis of the main players in the markets. In addition to this they will determine whether or not the premium market for bakery goods is taken. This is to be able to see if they have competitors in the market for bakery good with both high quality and fairly high prices. Through these analysis the cultural differences concerning consumer behaviour are also revealed. By doing market scans they minimize the risk before penetrating new markets. According to Millba they are skillful at reading markets and focusing on opportunities. The attitude of Millba concerning risk taking is very positive because they are not afraid of taking risks despite the barriers that may be found within the field of
trade, politics and cultural differences. (Søvik 2009) These are all features that are required for a company to be a successful exporter. (Solberg 2006)

**Competence:**

In the domestic market Millba has great knowledge and are market leaders within their field. Furthermore their choice of entry strategies in different exporting markets reveal that they have knowledge about not only Norway. They have chosen to remove the intermediate and have direct sales to the customers. To be able to do this, companies needs basic knowledge of the structure and the different players on the market. In addition they know how to evaluate markets and therefore see the opportunities that lies within their field of production. (Søvik 2009) This can be looked upon as one of their important competences as relationships with customers and partners abroad are vital. According to Millba there have been a few changes with their partners over the last few years. However a new goal now is to attend different trade fairs to promote themselves to be able to find potential partners for a stable long-term relationship abroad. Aside from the fact that Millba over the years has changed partners abroad, they have a well established network and a good flow of information. This is key when developing knowledge about different markets. (Solberg 2006)

Another aspect that is important to consider is that according to EFTA (European Free Trade Association) it is “strongly recommended to identify the responsible body in your immediate national and/or sectoral environment representing your country in these organisations, to have a direct link with these sources.” (EFTA 2009) Millba AS has today a good working relationship with Innovation Noway. The organisation aims among other things to encourage innovation in Norway and help Norwegian enterprises in their stage of establishment and further development. (Innovasjon Norge 2009) They may help in building know-how and establishing networks abroad. Consequently, they have been a contributor to Millba’s competence as is today.

**Embodiment:**

The anchoring and embodiment in Millba AS may be termed as solid. The reason behind this is that the top management are all involved in the decision making processes before performing new and heavy investments. They have frequent
meetings and Millba is quite a small company with approximately 40 employees. This means that the transfer of information is easier between the top management and the other employees as they are not very many people working there. In addition many of the employees have been a part of the company since the very beginning and are a vital part in the different decision making processes. (Søvik 2009)

To summarize the ACE-model one may say that Millba AS score quite positive on all three main factors. They are market oriented, willing to take risks, they have knowledge about several markets and the embodiment of the attitudes and competencies are firm and solid within the company. On the contrary finding stable partners abroad is a key success factor for Millba AS to consolidate their position in some of the export markets.

**Financial situation**

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<th>2007</th>
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<tr>
<td>Operating margin (%)</td>
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<td>Current ratio</td>
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<td>Equity ratio (%)</td>
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<td>Liability ratio</td>
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<td>Return on total assets (%)</td>
<td>3,70</td>
<td>4,20</td>
<td>14,20</td>
<td>2,60</td>
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Source: Purehelp 2009

The numbers that are being used are from Millba’s 2007 annual account, which are the last numbers that have been published on Purehelp's webpage.

Based on these figures, one can see that the situation for Millba is healthy and that the company has a solid economy. Despite that they have high total liabilities; their shareholder equity is positive and solid in relation to total equity. A big part of their total liabilities are current liabilities which can be alarming, but their current assets are high and the situation can therefore be viewed upon as acceptable.
As they may have different payment methods in France, for example paying with checks is very common, and the transfer time using this type of payment is longer than others, this may lead to an increase in accounts receivables. According to Millba’s annual account their current ratio is at a satisfying level. The current ratio should be above 1.5 so even though improvements can be done, this is not a major concern. (Lindorff 2009)

As mentioned, Millba’s operations can be viewed as healthy and solid. One of the reasons behind this is, as seen in the table, because their operating margin is at a satisfactory level. It would have been preferable if it was somewhat higher. As a rule of thumb one can say that it should be higher than the interest rate you get in the bank. If not, the return on investment would be higher if placing money in the bank. A company in growth, like Millba, should ideally have a higher operating margin because of the necessary growth related investments.

2008

Numbers from 2008 are not yet published, but information from Millba shows a turnover of 76 million NOK. The earnings over in 2006 and 2007 have been lower due to investments in the company (Søvik 2009) Wages were high in this period, but as mentioned, liquidity was sound. Sales figures have increased steadily since the start up and considerably in 2006-2007. With this in mind it is natural to assume that their earnings will increase again now as the investments have been made. This is clearly shown in the numbers from February 2009, when the result before tax was 2.7 million NOK. Turnover in February 2009 was 7 million NOK and they had 8000 NOK in result. Investments made by Millba only gave reduced earnings a couple of years, and business i now very profitable again. Another way of identifying their positive development may be to have a look at their growth rate of units sold over the past years which is shown in the model below and has been mentioned earlier in this market study. To summarize, Millba’s financial situation is healthy and stable and the likelihood that they will handle the financial challenges that may arise through their continued operations is high.
**The Bakka model:**

The Bakka model is used to determine where in the internationalization process a company is to further reveal what might be the best strategy to consolidate their position. It may be used to analyze what factors can influence a company in the different stages of the process of internationalization. The model consists of five different stages; trial export, extensive export, intensive export, multinational marketing and lastly global marketing. In each step there are seven sub-categories which one can analyze to determine where in the internationalization process a company is. (Solberg 2006)

The seven subcategories contain different factors such as the company’s motives for exporting to another country, their choice of markets, the organization of the company in general and their entrance strategies in the chosen markets. Furthermore the marketing mix and their market shares in the different markets are also important, as of course their financial result. (Ibid) After evaluating Millba AS each step can be analyzed more in depth.
The motives for Millba AS behind their exports are mainly financial, which in the case of Bakka is known to be operational. They want to benefit from the niches or positions that are not already taken in the French market. (Søvik 2009) According to this information, step number one and two are both possibilities. Furthermore, Millba is exporting to as many as 15 different markets throughout the world. The main concentration is in Europe, however, they also export to markets like Saudi-Arabia. Accordingly, the features of stage two is suitable, namely market concentration.

Concerning the market share, they are market leaders in Norway with over 95% in the American style cake sector. However, internationally, they have not yet developed a well-established brand recognition and have somewhat negligible market shares even though it is growing. (Søvik 2009) Again, stage two is where Millba can be placed.

The organization and their entrance strategies so far are very different. They choose an appropriate strategy and thereby distribution channels according to how the market structure is (Søvik 2009). In practice, that means Millba operates without representation where they have enough information about the market, consumer behaviour, and where direct sales are a common practice. In addition, the market has to be structured in a way that direct sales are possible. In other words, it is important that one can communicative in English. It is advantageous for Millba if preferences for national products are not of great presence. This strategy can be found in both stage one and two where the most common form of organization is wholesaler.

Another sub-category is marketing mix. So far, Millba have chosen a differentiation strategy. According to Michael Porter and his generic strategies, a company and its strengths usually fall under the area cost-advantage or differentiation. In Millba’s case, they have not focused on price but more on quality and uniqueness and attributes on their products. Thereby they fall under the category of differentiation. (Kotler & Keller 2006) They have not adapted their products to their different exporting markets to a large extent. More specifically, the product itself and its flavours have not been changed, yet the size has and today they have a many sizes. Their market communication so far has to
a large extent been done through in-store promotions, participation in big bakery fairs and word of mouth. In other words the needs for adapation may be seen as somewhat lower than for a company which advertises on TV, in magazines etc. One of the reasons behind this may be that the advertising Millba has so far is not as direct and oriented towards the target group, but focuses more on the products and quality. However they have adapted the placement of products due to the most appropriate retailers. The price of Aunt Mabels muffins can be seen as being in the medium range. This is based upon the fact that the products are not fresh and have been frozen and may in some countries be highly priced as freshly baked products. These facts results in Millba being placed between stage two and three.

Concerning the last sub-category which is their financial result. Millba AS have had a high growth rate and has today a healthy financial result, as seen under the financial analysis. (Millba 2009) The contributions from abroad are mainly positive contributions to their healthy situation. The features of stage three are here appropriate to Millba’s situation with a positive financial result.

To conclude the Bakka model and the internationalization process Millba AS can be placed in stage two out of five. As in all stages the second stage represents challenges for Millba. What can be mentioned is that the competition that they will face abroad may in many cases be harder than expected because the competitors are sometimes bigger and more concious than in Millba’s domestic market. This may be a particular challenge for Millba since they are used to being market leaders and does not have a great amount of competitors in the American style cake field in Norway. Also it is difficult to obtain customer loyalty partly because of the relatively low market share and because of the sometimes unclear objective with the export that companies have in stage two. (Solberg 2006)
Part two: External analysis

PEST analysis

In the macro environment there are always many factors that might be helpful to consider for a manager and his company. These factors may be political, economic, social and technological, which all affects and might change the macro environment of a country. By using the PEST analysis one can analyze each factor to obtain a deeper understanding of the country one may be exporting to. In the case of Millba and France a PEST is used since the legal factors and political factors can be seen together, and the environmental factors in the case of the French market for muffins are not very prominent.

Political factors

The French Republic is, as the name suggests, a republic where Nicolas Sarkozy has been the elected head of state since 2007. Merriam – Webster dictionary gives the following definition of a republic: ”A government having a chief of state who is not a monarch and who in modern times is usually a president” (…) A nation having this type of Government (…) Where “the supreme power resides in a body of citizens entitled to vote and is exercised by elected officers and representatives responsible to them and governing according to law ”. Sarkozy represents the UMP party (Union pour un Mouvement Populaire) which is a union of three right-wing parties in France. UMP today represents centre – right political values and campaigned in 2007 for social and economic reforms that would lead the republic in a more market – oriented direction.

EU and the EEA

France is one of the main players and driving forces in the European Union which includes 27 countries. Together with Germany they have been crucial in the work with the political and economic integration of Europe. (CIA World Factbook 2009) The EU is both a free trade area and a customs union, which means that trade is neither restricted nor subdued to customs duties. The European Union also has a common duty to third non-member countries. Norway is not a member of the European Union but is through their membership in EFTA, guaranteed the
privileges of a free trade union that the EEA free trade agreement provide. It is important to remember that the EEA agreement between the EU and the EFTA countries is not a customs union, only a free trade area that secure the 4 freedoms of labour, goods, capital and people that applies to the rest of the European Union. (EFTA 2009)

Customs and Value Added Tax (VAT)
The normal procedure when exporting goods from Norway is that goods always should go through customs control. Goods need to be declared through customs when entering the EU custom area, but whether or not it needs pay any custom tariffs depends on the type of product. To ease the process of custom declaration for importers, it has been created a suspension procedure which allows the importer to let the goods arrive on the final destination before taking it through customs declaration. When there customs must be paid, the exporting company and the importer can between them agree on who is going to pay the customs and fees. However it is always the importer that will be held responsible and it is up to them to see that the customs are being paid and to ensure the necessary permits. Concerning food products, paying customs duties or not depends on the bilateral agreements between the EU and Norway. Some products are without customs, some have discounted customs and some have full customs. These are determined by the EU’s customs tariff and the free trade agreement between the EU and Norway. (Senior Officer - Goods Division office for European Free Trade Association 2009)

The system of VAT also exists in Norway and when products are exported to France they are subdued to the current VAT legislation in France. It is the EU’s customs authorities responsibility to collect the VAT. When the importer is a registered business, the import VAT is deductible when the company has its settlement with the country’s tax authorities. (Enterprise Europe Network 2009)

Labour regulations
The labour regulations are many in France, and the society emphasizes the well – being of the workers. The French “work to live” and appreciate time to spend with their family. They have a legal system set forth by the French labour code (Code du Travail) that is built to protect the workforce rather than the enterprises. A
business that decides to hire French workers needs to be aware of certain realities. It is expensive to hire French workers as the government levies heavy tax on employers. There are extensive collective agreements that are negotiated between workers and employers organizations in the industry, the abideness by employers is closely watched by work inspectors and all in all – French labour laws cannot be made inferior to private agreements. Workers should be treated equally in france no matter sex, religion, race, age, sexual preference, physical appearance or name. (Global Politics 2009)

Despite this noble idea, the French society has been haunted by successive riots and demonstrations against the perceived inequality in society and employment, especially among second generation immigrants. Unemployment statistics can be found in appendicies. (The Economist 2006) It seems like riots are driven by a sense of economic hopelessness and a feeling of differential treatment of people on an unjust basis. (Vikki 2005)

In addition to this civil unrest, there are the endless demonstrations that seem like a necessity to many French who are accused of treating the regulations in society as something that needs to be constantly challenged. Put humouristically by David Hampshire; “France always seem to be teetering on the edge of anarchy and revolution, and mass demonstrations have a special place in French political culture (Just Landed 2009) This however, does not seem to represent a serious threat to political stability and there is little reason to believe that Sarkozy will not remain in power considering his substantial parliamentary support. It is argued that he is a man of reforms and capitalistic beliefs with a strong relationship to the US. (Time 2007) It is likely to assume that the political will to facilitate business expansion may increase in France. (Economist 2009) The risk that political upheaval will jeopardize investments in France is rather small, especially with the membership in the European Union and the European Monteary Union that will ensure that actions taken by French politicians must be rational and in accordance with EU legislation. It is also helpful for Mr Sarkozy that his opponents in the Socialist party are in minority in both houses of parliament and is divided rather than strong and united. (U.S. Department of State 2009)
Expected development of consumer spending

Consumer spending was declining even before the financial crisis escalated as increasing prices of raw materials in the beginning of 2008 resulted in higher food prices and an inflation that was above normal. (Euromonitor 2007)

It is visible how the President has tried to make the French economy more competitive by increasing effectiveness in the labour market. He has for example removed tax on overtime that tops the current 35 hour workweek and increased the period one has to work to receive full pension. (U.S. Department of State 2009) When these measures were introduced by parliament in 2008 the LME as they called the law, (Loi de la Modernisation de l’Economie) was expected to create 140 000 jobs and decrease unit price of goods by 1.6% over three years. For the retail industry, LME in 2009 stated that suppliers should receive their money from retailers withing 60 days compared to the former 90. This might crate difficulties when it comes to making payments in time for some retailers, but is seen as necessary as the recession introduces a global credit crunch. In addition, it has been made easier to set up grocery stores under 1000 sq meters. This is hoped to facilitate competition between different retailers along with the fact that retailers are free to agree on prices with suppliers that will hopefully lead to lower consumer prices. (Euromonitor 2007) It means that discounters and supermarkets will be able to negotiate lower prices than small shops and some fear that it could represent the end to the local and personal grocery stores that characterize France. It is still seen by the Sarkozy administration as necessary. As finance ministry official Marc Mortureux puts it : "It will encourage more competition, and purchasing power will go up, as prices go down." (BBC News 2008)

These are a valuable changes to try to counter effect that sales are expected to decrease for grocery retailers in the forecasted period of 2009 – 2013. (Ibid) The expected increased power of big retailers like supermarkets and discounters, could make the entry barriers in France higher. These retailers often wish to take in profiled brands and have high cost for the producer to enter. These capitalistic reforms to increase effectivity and productivity obviously brings about changes to the French lifestyle as they spend increasingly more time working. (Ibid)

Sarkozys reforms are maybe not so popular amongst certain political groups, but are definitely necessary. It seems that people tend to forget that to be able to spend...
money a country has to make money. The prospects for France suggest that it will be vital for them (like for many other western countries) to find a way to cope with the increasingly large group of future pensioners while the economy is in a down-turn. Plausible coping strategy includes stimulating growth by reducing tax related to business and labour. (U.S. Department of State 2009) The President is still expected to introduce reforms as gently as possible to prevent massive social upheaval, but it is beyond any doubt that much work is needed for the French economy to recover as the budget deficit is projected to increase while GDP is expected to decrease during 2009-10. (The Economist 2009) A key success factor in Europe will be to get the economy back on its feet by stimulating business establishment and consumer spending. Especially in France where high unemployment is a serious problem and where this to a large extent is seen as the reason for the frustration and aggression among certain groups in society. (Businessweek 2005) Even though it is likely that Sarkozy will stay in power and that the risk of political disturbance hurting investments is small- there is still a fair chance that the recession will fuel further civil unrest. This could not only manifest itself in violence, but mass demonstrations and strikes that could create problems for business when it comes to production and distribution of products in France. (France 24 2009) The link between the current financial crisis and political instability is also supported by The Economist Intelligence unit. (The Economist 2009) It is however judged as not political instability in the way that investments will be in endangered because of unfavourable political decisions.

Infrastructure
For exporters that wish to sell their products to France, it is useful to know that France has a highly developed transportation infrastructure that is strongly prioritized by the government. There are three main airports, two of them situated in the Paris area; Charles de Gaulle and Orly and one in Lyon; Saint Exupéry. For those that wish to reach France by sea, there are numerous ports that are equipped for container ships. Within Europe, railways and highways are often used for transportation. The French highway system is extensive and makes it possible to reach all the larger cities of the country fast. The same goes for the railway system. One should however remember that there are road tolls along the highway that could make a trip across the country expensive. This could be more important for leisure travel than business transportaion.
telephone lines and the internet has a high standard in France and makes business 
communication easy. (United States Department of Agriculture. 2008)

Transparency
The U.S Country Commercial Guide for doing Business in France from 2009 
reports that there are little worries of corruption when entering France. The Legal 
system to prevent such actions is extensive and France has also ratified the 
OECD Anti-Bribery Conventions. The French judiciary is working hard to keep 
France climbing up the ranking of Transparency Internationals Corruption 
Perceptions Index where they currently reside as number 23. (Transparency 
International 2008)

However, in an article published on the 13th of May this year, Transparency 
International raised concerns about some issues in the late political development 
in France, arguing that work against corruption in the country is not going as 
smoothly as planned by the Sarkozy government, and proposed different actions 
that will help the government reach its goals. (Ibid)

Commercial and health regulations
A reasonable fear for producers of food products that contain sugar, should be the 
increased global focus on health and obesity. The substantial cost such a health 
condition represents to society, is likely to raise the question of means to fight it. 
In the future, campaigns and advertisements are expected by Euromontiors 
research to become more strict, but might also be seen as insufficient, and the 
French government could introduce a so called sugar tax to try to reduce 
consumption of unhealthy food. Currently, all advertisements for unhealthy in 
France has to include a reference to the website mangerbouger.fr that is trying to 
influence people to lead a healthy life. While many companies try to stay ahead of 
the governments legislation and in the front of the development of consumer 
preferences, a key success factor in the foodservice industry will be to adapt 
products to meet these standards. Legislation within the free market can not be a 
barrier to trade and must therefore treat countries the same. A legislation that 
represents a tougher competitive environment for businesses, should mean so to 
every business in every country in the single market. (Euromonitor 2007)
Relationship between a company /agent

Facilitation of the business environment in the EU is at the top of the European commissions agenda. It therefore provides certain regulations for how a relationship between a company and a “self-employed commercial agent” should be organized. It is vital to adhere to the articles put forth in Directive 86/653/EEC. It presents both the rights and the obligations for both the company and its agent. (Europa EU 2009) France has chosen to go further than the EU directive to protect the agent, and this protection has more similarities with the treatment of an employer than a self employed, especially when it comes to the agents right when termination of contract. It is important to regulate the different responsibilities of the agent in a contract. The International Chamber of Commerce and Orgalime has developed standard agreements that can be used and if necessary altered to meet individual preferences. (Innovasjon Norge 2006)

Bureaucracy

French businessmen have complained about the extensive French bureaucracy that makes it difficult to start up business. (BBC News 2008) Foreigners have undoubtedly experienced the same. Not only does it take a lot of time for exporters and businessmen in general to complete the necessary paperwork, studies also find that it is extremely expensive for French taxpayers. Public service salary costs, per taxpayers is the highest among France, the U.K, Spain Italy and Germany. (French Property 2009) Trying to enforce “lean management” on a national level, Sarkozy is expected to continue his previously mentioned reforms to facilitate entrepreneurship and growth in business. With this in mind, and the notion that the single market effectiveness relies on easy flow of goods and services, the prospects for the future looks bright for business in France. Yet for the moment, one should be prepared to face numerous documents. (Just Landed 2009)

Economic factors

France with its population of nearly 65 million people has like the rest of the world, suffered from the current global recession. Real GDP growth has been diminishing the last years and was in 2008 at only 0.7 %. Unemployment rate for the same year was 7.4% (whereas it in Norway was only 2.8). (CIA The World
Factbook 2009) a 2% increase from 2007. (European Comission 2009) Estimates for 2009 suggest a further 1% increase in unemployment and continued disinflation. In 2010 the unemployment rate is forecasted to rise to 11%. It is also reported that private consumption in France will experience a dramatic slow-down in 2009 and 2010, but still remain positive at a minimum level. Reasoning is that consumers will have less money to spend because of unemployment and its effect on lower wages, but still be stimulated to very cautious spending by the low inflation, low interest rates and stimulus packages that is intended to increase spending and growth globally. Business investments in France is expected to experience the same blues as the other sectors of the economy. Exports of French goods will not have good times either, and even though foreign imports to France will suffer in accordance to the crisis-effects are not so negative as French private and public consumption remains slightly positive. Exporters to France has to be aware that they will face lower profits as French distributors operates in a tougher competitive environment. Domestic demand is as mentioned on a return, but the reforms introduced by Sarkozy intended to lower consumer prices is starting to give desired effects in the forecasted period of 2009 – 2010. (See appendicies) (European Commission 2009)

France with a trade deficit
European countries like Germany, Belgium and Italy are Frances major import partners of commodities like machinery, equipment and crude oil. The same countries plusSpain are its export partners, but France enjoyed a negative current account balance in 2008 as imports ($833 billion f.o.b. (2008 est.) ) were greater than exports ($761 billion f.o.b. (2008 est.) (CIA World Factbook 2009)
To Norway, France is the 5th most important trade partner and from 2007 to 2008, exports to France increased with 37,23 %. Imports from France also increased although less, and Norway is currently enjoying a trade surplus with France because of extensive oil and gas exports. (Norway 2009)

In addition , Prices of food raw material have increased for a while that will also squeeze profit for producers and distributors when consumers are not ready to pay as much for products. (Euromonitor 2007) These prices are expected to stabilize and so, in the future, be a positive factor for food producers. (See appendicies)
France is in addition to be a member of the European Union, also a member of the European Monetary Union which means that they share a common currency, the Euro with 16 other EU countries. (European Central Bank 2009) The economic policy within the EU is governed by one single Central bank, the ECB which has as a primary goal to maintain price stability. It does this by targeting inflation rates “below, but close to 2% over the medium term”. (European Central Bank 2009) The ECB lowered their key interest rate on the main refinancing operations of the Eurosystem to 1 % on June 7th to stimulate growth and consumer spending in the Euro area. In addition, it announced to continue with the credit support to the financial market by liquidity-providing measures. This because the Euro area is expected to continue its recession. Inflationary prospects are diminishing and turning into a deflationary outlook. Falling commodity prices, especially oil, continue to keep consumer prices low and therefore boost consumption but the general credit crunch influences consumer spending negatively. Prospects for 2010 is not so gloomy; consumption is expected to be facilitated by Sarkozy’s economic reform as mentioned earlier, lowered interest rates and stimulus packages discussed by the ECB and other incentives by other governments and central banks like the European Economic Recovery Plan. (Ibid) Show chart from IMF. In addition inflation is expected to crawl back up to the comfortable area of “positive and below 2%. (See appendicies) Jean-Claude Trichet, President of the ECB, Lucas Papademos, Vice President of the ECB, Frankfurt am Main, 7 May 2009 (Ibid) For retailers in France, the future looks positive even though we are currently in a dark period when it comes to consumer spending as we see that the ECBs forecast are positive. (Euromonitor 2007)

The relationship NOK/Euro
Since Norway is not a member of the EU and especially not of the EMU, it is important to look at the relationship between the two currencies two determine the attractiveness of the Euro for Norwegian exporters now and ahead. As many other central banks, “Norges Bank” has lowered the key interest rate to fight the current recession and decreasing inflation in Norway. At a current rate of 1.50%, “Norges Bank” has taken into consideration that the International Monetary Fund has adjusted down its prognosis for the world economy in the short run. Decreasing Norwegian export, rising unemployment and flatteting rise in prices which increase the risk that Norwegian inflation will go below the intended level...
of 2.5% spurred the central bank to lower the key interest rate. (Norges Bank 2009) It is also, according to Professor Patrick O’Sullivan with GGSB, important for the central banks of smaller economies like Norway to follow the actions of the ECB closely as to keep their inflations in line with that of the euro area. This lowered interest rate was intended to influence the NOK as to stimulate exports by making Norwegian goods cheaper. It is the Governments objective to facilitate Norwegian exports but as the Central bank is politically independent its decisions is not influenced by political will. (E24 2009) The NOK managed to appreciate against important currencies in the short run, even though the interest rate was adjusted down. It is however anticipated that we will se the expected depreciation of the NOK as the central bank is expected to lower the interest rate even 0.5 percentage points on their next meeting. The current relationship between the Krone/ Euro, as of June 2nd 2009, is 8,9 (DN 2009) When the ECB has price stability as its main objective and that it wants to create confidence in the euro, it is likely to assume that it will try what it can to keep the Euro stable. Taking into consideration that it is wise of the Norwegian central bank to keep its actions in line of the ECB, we can assume that we will see a somewhat stable relationship between the Euro and the NOK. In the long run, the NOK will appreciate again somewhere in 2010 when it is assumed that the interest rate will be raised to avoid procyclical measures. (See appendicies) (Norges Bank 2009)

Risk of payment in the EU

The EU realizes that delayed payment of business transactions is extremely costly to the industry. Neither does it facilitate growth in the single market which is supposed to boost euro area economy. Therefore, the EU introduced Directive 2000/35/EC to fight the problem of businesspartners that do not pay their bills on time. (USDA 2008) In addtion, it is assumed that it is very unfortunate to get ones reputation blackpainted in the European Union as that represents a vast marked for most companies. (Ibid)

In terms of the competition of Norwegian labour compared to France – a great disadvantage for Norway is the strong growth in real wages compared to trade partners. Production in Norway is therefore generally costly and will result in pricy products. This affects Norwegian exports negatively. A counter effect will be the current appreciation of the Kroner which is assumed to have a positive
impact on exports, but the strengthened Kroner is not likely to last in the short run. (NHO 2009) In conclusion, it looks like the global recession represents significant risk for exporters to France. This risk is however visible throughout the global economy. The business environment is also heavily influenced by the way Sarkozy is trying to revitalise the French economy. Even though estimates from the European Commision and the IMF exist, these are not truths and can easily change in size and expected impact. The future may turn out more negative than expected, or end up brighter than anticipated. Economic and fiscal measures taken by financial institutions and governments may bring about change and recovery sooner than expected. (European Commission 2009)

Social factors

Concerning how to do business in France it is quite different than Norway and the Scandinavian countries. The French see relationships and getting to know their counterparts as relatively important, whereas Norwegians are more deal-focused and like getting down to business very quickly. (Gesteland, 2002) Furthermore the French management style is in big contrast to the Scandinavian which tend to be very egalitarian. This means that in France companies are run mostly in an authoritarian style whereas in Norway the employer and the employees are seen as equals and the relationship between them is very informal. Another point that is worth mentioning is the fact that Norway has a very low-context way of communicating meaning that the communication style is very indirect and straight forward. On the contrary the French dislike getting straight to the point and are more indirect. (Ibid)

The French view time as more fluid, and it is not uncommon for people to arrive late for a meeting or for business meetings to take more time than scheduled. (Ibid) This is then important for a Norwegian company to take in concideration when doing business in France so that they set aside enough time. According to Stanford World Association of International Studies in 2005 a survey showed that 16 out of the 26 largest companies in France used English as their corporate language. However from observations and experience, the number of people speaking English has not been a positive surprise. A humble attitude for not knowing the French language may affect the working relationship positively
Furthermore a study by the Educational Service says that “Not being able to speak English today is the Equivalent of not knowing how to read 50 years ago”. (Stanford 2005) One may question why Sarkozy and the French government did not put more political focus on optimizing the English language, especially now that the world is going through a recession. These are all factors that are very important to keep in mind because these are some of the areas where one can find the biggest difference amongst the cultures.

In addition, it is also important to consider the French eating habits as they are quite dissimilar to those of Norwegians. This is because French people in general eat more cakes, desserts and sweet breakfasts etc. than people in Norway. This can be seen as a great opportunity for Millba where they can become a part of the French people’s everyday eating habits. In France they usually eat three meals a day, breakfast lunch and dinner. A typical French breakfast consists of a coffee and a “croissant” or “pain au chocolat” which are both butter-based pastry. They may also have a toast or “brioche” which is a sweet type of bread or cake with jam. (French eating habits 2005) This might be a meal where Millba can introduce their muffins as a substitute for the other sweet alternatives the French have for breakfast. This especially because they are handy to carry around as they are individually packed and because they come in different sizes such as 35 grams or 100 grams etc. (Millba 2009) Moreover the two remaining meals also consists in many cases of a dessert or something sweet after the main course. On the other hand, the well established French marked for cakes and pastry may represent a barrier for muffins. The French love their “croissant” ,their “pain au chocolat” and their “madeleines” for breakfast and gôtiers, and it could be a resistance towards changing these preferences. Not necessarily because it is an American product, just because it represents something new, different and non-traditional. One possibility is that the new French generation embrace it and love it, the other is a more reluctant attitude. From what we can see from our focus groups, muffins exists in France, the French like it, but it is not what comes first to their minds when they want something sweet.

The student generation represent an attractive consumer group in Norway based on their relative high income because of part time job besides their studies and their consumption which is focused on “luxury items.” In France, these part time
jobs are rare, and students disposable income is therefore much lower. They are more price conscious than their colleagues in the North, and prefer to save the little they have during the studies for later when they wish to settle down. However they are willing to try new products and in similarity with many other groups appreciate and values not only well tasting products but their appearance (USDA 2008). Like in many European countries, the consumer group with the most disposable income are in their 50s and more. They are almost retired, but they do not feel as old as they are. They are up to date on trends, want to travel and want to stay young. They also have the most time to spend on such pleasure activities. (Euromonitor 2007)

An important development to consider for potential new entrants in the French market is the migrational development of the population. There has been a rapid shift in location to more urban city areas from the rural areas in France. (USDA 2008) The French are increasingly gathering in the big cities in the country. Currently, 77% of the population live in urban areas, which is about the same as Norway, though more than Germany. The U.K has one of the largest urbanization rates of 90%. The speed of urbanisation in France is at 0.8% per Annum which means that the outlook is large population clusters around big cities. (CIA The World Factbook 2009)

In general, the French food market with traditional food products can be characterized as a mature market. However, according to the U.S exporter guide, there exists a niche in the food market for American products. This will also include products that to the consumer, appear to be American. Such an interest is indeed fuelled by the young generation that are more and more interested in the American culture and lifestyle and that do not, to the same extent, share the rigid national preference that has characterized earlier generations. (Ibid) They also highly appreciate products that are well designed and that offer premium taste and quality. Not to mention food that is safe. In that aspect, goods produced in countries that are often associated with purity and cleanliness might have an advantage. Domestic migration from rural to urban areas also influences the demand for international food. (France Exporter Guide 2008)
There is also an increasing focus in France on convenient food that can be consumed “on-the-go”, as the economic reforms encourage longer working days that give less time to prepare home cooked meals. Fast food chains have not yet set as deep roots in the French market as it has in other countries. France has been a bit more lukewarm in its attitude to these shops, and has tried to combine them with traditional French culture. The common consumer trend in Europe is in the direction of healthy food and sustainable production methods. This can also be seen in France, especially in economically strong areas. (Euromonitor 2007) Not only is there a development towards more concious consumers concerning nutrition and origin but the brands are becoming less important as a result. (Ibid).

The consequences of more pressure on personal finances will also most likely spur the growth of private labels. Retailers have improved the quality of such labels and the the consumption experienced a growth in 2008. If quality is the same, as retailers are continuosly trying to achieve, French consumers prefer these labels over branded ones. (Euromonitor 2008)

The economic recession will also influence consumer spending by turning it towards “value–for money”, make them more picky about what to spend their money on. They will have many possibilities to choose from as the competition among businesses for consumers money will become more fierce. (Euronmonitor 2007) The questions is how profound a healthy attitude towards food, will change the French consumers love for cakes and chocolate products. One forecast might be that French consumers will demand tasty and healthy food, but that producers of cakes and pastry can keep their sales high by offering healthy alternatives of their existing products.

Another development in France is the growth of the tourism industry which again affects consumer spending. France is one of the worlds most popular tourist destinations and drives growth in kiosks and vending machines, especially in large cities and around tourist hotspots like the Riviera. Food that the tourists can take with them and consume while they are exploring France is valuable because they do not have to waste time sitting down and eating during the day. This trend is likely to increase with the growth of low cost airlines and the fact that France offers tourist attractions all year round. (Euromonitor 2007)
Consumers health awareness

The way that French consumers are more and more concerned with health and wellness may represent an obstacle to growth for snack bars. The French population has for long escaped the weight gain that characterizes developed countries, but are now facing increased obesity among its people. Even though many consumers will continue to eat snacks occasionally and others might disregard the health risks completely, unhealthy food will suffer to a minor extent in the future. It is forecasted by Euromonitor that that producers of snack will try to adapt their product assortment to satisfy those consumers who want a healthy alternative to unhealthy snack. This will harden the competition in this area and consumers will benefit from more product variety in packaging that states nutritional value. (Euromonitor 2007) Snack bars may stay if they focus on healthier products.

Single households affects consumer trends

The size of a family normally affects their consumption pattern. The large family tends to do weekly shopping at hard-discounts to behave economically. When the French wait longer than ever to have children and the birth rate is in decline, more households are constituted of one or two people. This trend is likely to continue, and may support the growth of so-called “impulse food and drink channels” that among others include kiosk, convenience stores and vending machines. Such one or two person households are less likely to prepare dinner at home every day and spend more time “on-the-go”. (Euromonitor 2007)

Technical factors

These barriers will include product standards that apply to products that are exported to France or produced in France for sale such as language on labels, message communicated on labels and expiration date.

Food labelling France

For general requirements when it comes to the standard of food, France has a law called “Code de la Consommation.” This regulation ensures that all product labels are written in French no matter where it comes from, but opens up to labels with several languages. The European Union has a common set of laws and regulations concerning ingredients and product labelling for imported products, but there can
be differences from state to state. France has tough requirements that can be hard
to fulfil. When the EU Directive 2000/13/EC was introduced, this was
incorporated into the Code de la Consommation”. To protect consumers from
being confused by misleading product labels they have prohibitions against using
strong superlatives, such as “great” and “natural” on food labels. In other words,
the label is there to describe the product, not promote it. (USDA 2007)

The French are very conscious about their language and try very hard to preserve
it and protect it from foreign influence. Documents that are used in trade and other
transactions has to be in French, including labels as mentioned and the general
packaging. A product would be able to keep its foreign name but descriptions
need to be in French. In addition, the country of origin must be indicated both on
the box and the product itself and the name and address of the manufacturer or
vendor in the EU. Labels also have to contain a best before date for non-
perishable products, or as in Millba’s case as a perishable product a final date for
consumption. For frozen food products, maximum storage temperature should be
specified which it is not on the Aunt Mabel’s muffins. (USDA 2007)

Table 76 Consumer Expenditure on Food and Non-alcoholic Drinks (% analysis

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<td>92.6</td>
<td>92.4</td>
<td>16.4</td>
<td>10.0</td>
<td></td>
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<tr>
<td>Bread and cereals</td>
<td>13.9</td>
<td>13.9</td>
<td>13.5</td>
<td>13.9</td>
<td>7.0</td>
<td></td>
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<td>27.9</td>
<td>27.1</td>
<td>26.9</td>
<td>12.4</td>
<td>9.2</td>
<td></td>
</tr>
<tr>
<td>Fish and seafood</td>
<td>7.1</td>
<td>7.9</td>
<td>7.8</td>
<td>28.0</td>
<td>9.3</td>
<td></td>
</tr>
<tr>
<td>Milk, cheese and eggs</td>
<td>14.3</td>
<td>14.1</td>
<td>13.8</td>
<td>12.7</td>
<td>8.4</td>
<td></td>
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<td>Oils and fats</td>
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<td>2.7</td>
<td>2.4</td>
<td>-2.3</td>
<td>-4.3</td>
<td></td>
</tr>
<tr>
<td>Fruit</td>
<td>6.5</td>
<td>6.3</td>
<td>7.2</td>
<td>30.0</td>
<td>25.8</td>
<td></td>
</tr>
<tr>
<td>Vegetables</td>
<td>10.1</td>
<td>9.9</td>
<td>9.6</td>
<td>10.5</td>
<td>6.4</td>
<td></td>
</tr>
<tr>
<td>Sugar and confectionery</td>
<td>7.0</td>
<td>7.1</td>
<td>7.6</td>
<td>26.5</td>
<td>16.8</td>
<td></td>
</tr>
<tr>
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<td>3.5</td>
<td>3.7</td>
<td>37.7</td>
<td>16.0</td>
<td></td>
</tr>
<tr>
<td>Non-alcoholic drinks</td>
<td>7.1</td>
<td>7.4</td>
<td>7.6</td>
<td>25.5</td>
<td>13.9</td>
<td></td>
</tr>
<tr>
<td>Coffee, tea and cocoa</td>
<td>2.7</td>
<td>2.5</td>
<td>2.1</td>
<td>-8.8</td>
<td>-5.6</td>
<td></td>
</tr>
<tr>
<td>Other soft drinks</td>
<td>4.4</td>
<td>4.9</td>
<td>5.5</td>
<td>46.4</td>
<td>23.7</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>17.0</td>
<td>10.3</td>
</tr>
</tbody>
</table>

Source: National statistical offices, OECD, Eurostat, Euromonitor International

Note: Constant value at 2007 prices

As a conclusion of the PEST analysis the chart below list a few examples to identify the degree of difficulty when exporting to France.

<table>
<thead>
<tr>
<th>Easy markets</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Difficult markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>High import/ - share</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Low import/ - share</td>
</tr>
<tr>
<td>Strong growth</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Weak growth</td>
</tr>
<tr>
<td>No or low custom</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>High custom</td>
</tr>
<tr>
<td>None or few others</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Many others</td>
</tr>
<tr>
<td>Few Trade barriers</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Trade barriers</td>
</tr>
<tr>
<td>Low transport cost</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>High transport cost</td>
</tr>
<tr>
<td>Small cultural distance</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Large cultural distance</td>
</tr>
<tr>
<td>Political stability</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Political instability</td>
</tr>
<tr>
<td>Little bureaucracy</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Much bureaucracy</td>
</tr>
<tr>
<td>Good payment ability</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Bad payment ability</td>
</tr>
<tr>
<td>Close relationship with Norway</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No relationship with Norway</td>
</tr>
</tbody>
</table>

Source: Nordblom 2008
Porter’s five forces

The Porter’s five forces model is used to determine the competitive structure within an industry. The model reveals the attractiveness of an industry through identifying the barriers and the difference in power within the players on the market. The industry that will be analysed here is the cake industry in France and after conducting such an analysis the information can be used to make a choice whether or not to penetrate the market.

The Likelihood Of New Entry:

After talking to French consumers and conducting a focus group the brand loyalty within the industry may be perceived as not very high. Especially the younger generation might be open to trying new pastry products since the PEST analysis shows that they are more inclined to alter their consumer habits. More specifically on the muffin market observations reveal that there are few strong brands and more private labels. The older generations may be harder to convince since they are more attached to the traditional French bakery products. The fact that supermarkets may imitate successful products on the markets through their private labels may represent a threat of new entrants. A growth in the industry may also
contribute to new entrants in the way that the market is more attractive. In the table on the last page one may see that there is a general growth in the market for Pâtisserie. On one hand differentiation on the muffin market is possible, since there are not many products that emphasize brand name on the packaging. Pursuing such a strategy by Millba could to a certain extent protect against new entrants. This because a first mover advantage that builds a strong brand name might make it difficult for new entrants to threaten their position. On the contrary differentiation may turn out difficult because products in some retailers are displayed without packaging.

Using cost leadership as a strategy is usually associated with a lot of uncertainty as you will almost always face competitors that can do what you do cheaper. Because muffins in France also compete on the larger cake market there are numerous competitors. For small manufacturers cost leadership might be a difficult strategy whereas for the large producers this might be easier since they enjoy economies of scale. The latter will be able to introduce new low-priced products because of their internal capabilities and marketing network. France’s EU membership with its product standards and regulations may make it difficult for non-member countries to enter the French market. Member countries have large possibilities because products can move freely within the member states. The free market does however not protect products from the psychological national preferences among certain consumers. Success in the market does not necessarily require heavy investments. Distribution of muffins does not rely on actual production in the country. To conclude the likelihood of new entrants can be termed as medium.

The Power Of Buyers:

Depending on the choice of entry strategy possible buyers can range from importers/distributors, retailers to end users. From the table with the overview of the players on the market one can see that the cake industry is fragmented which may lead to general high power of buyers. Importers and distributors can choose from a variety of suppliers, they offer a large assortment to retailers which are numerous and well represented in big cities. Since there are many providers in the the cake sector which may make it easier to switch to other providers that deliver
similar products. This gives the different buyers a strong hand when discussing price with the producers. In general when there is a big concentration of buyers, they are of significant size or have a high market share their power as buyers are higher. This might be the case for some of the bigger snackbars such as Brioche Dorée. (Oxford University Press 2007) The power of buyers within this industry is high.

*The Power Of Suppliers:*
Supply of ingredients is vital for the industry, but it is not the most influencing factor, because there is no scarcity of the ingredients needed to produce muffins or cakes in general. In addition the ingredients are not rare and they “serve the same purpose” which means that they can be acquired from numerous suppliers. The power relationship between Millba and its suppliers could be uneven because Millba desire premium products. It is however assumed that there are many possible suppliers of equivalent ingredients within different countries that Millba could easily import from. In conclusion the suppliers have little bargaining power.

*The Degree Of Rivalry:*
Millba’s direct competitors would be the other producers of muffins, but this only represent a small part of the entire market for Pâtisserie/Viennoiserie, which is their primary market. This market consists of the indirect competitors Millba has, “Brioche”, “Croissant” and “Madeleines”. The degree of rivalry here is high, mainly because there are many providers which make switching costs low for the consumers. Because of the lower consumer spending as a result of the recession more consumes may prefer private labels over existing brands. Therefore brand loyalty is expected to not be very high. Concerning the exit barriers, they may be perceived as generally low because heavy investments in fixed assets are not required. However this depends on the chosen entry strategy. More about this under “entry strategies” later in this project. Firms that have made investment will try stay in the market to protect their resources and position which may increase the degree of rivalry. Observations indicate that most of the largest players on the cake and the muffin market are French and have most of their production facilities located in France. This could mean that they have higher exit barriers and will
fight to keep their position in the market. One can however argue that in the case of fierce competition they will switch the production of muffins to the other cakes they have among their products. In this case the degree of rivalry is not expected to be as high and in conclusion the degree of rivalry can be viewed as medium.

*The Threat Of Substitutes:*

There is a big variety of products in the large Viennoiserie/Pâtisserie market and will probably be perceived as very similar both for the consumer and the different retailers. This means that it is easy for both parts to switch to substitute products because there is no high cost involved of doing so. As mentioned, there is low brand loyalty which is increasing the threat of substitutes. One could always do without e.g. cookies, and eat muffins instead. Within the substitutes those that offer products of a much lower price represent the biggest threat. In general the threat of substitutes can be seen as high.

As a conclusion for the Porter’s Five Forces one can see that the competitive structure in general can make it difficult to succeed. However Millba’s products could represent a niche in the more narrow muffin market based on descriptions of the internal resources.

*Solberg’s 9 Strategic Windows Framework*

To be able to assess the choice of the most optimal overall strategy for Millba there are several factors that are necessary to consider, however they can be divided in two categories. The *Industry Globality* and the *Preparedness For Internationalization*. Concerning the industry globality it is essential to identify 1. The competitive structure internationally and 2. The power of globalization. When considering the preparedness for internationalization you must assess the 1. international corporate culture, 2. the market share in their reference market and 3. The importance of the firms network. (Solberg 2006)

*Industry Globality:*

1. The Competitive Structure Internationally:
In France within the sector of Viennoiserie/Pâtisserie where one can find muffins, there are several local and international suppliers. According to BusinessDictionary a fragmented industry is where: “no single firm has large enough share of the market to be able to influence the industry’s direction.” In other words this industry in France can be termed as fragmented. The competition is relatively high and there are many players on the market. Penetration in these markets may therefore be very time consuming and may happen through acquisitions, to gain the market knowledge and the competitive position of existing companies. (Ibid) On the other hand as the market is characterized by many medium sized players rather than a few large, market access can be obtained by targeting certain niches. These observations have also been made by doing field trips to different outlets in Grenoble and Lyon. Furthermore, positive attitudes towards new products were present among retailers.

2. The Power of Globalization
When analysing the power of globalization there are three factors that should be emphasized.

The first factor is protectionism and regulations in the different countries. This can make certain industries more competitive concerning reduced costs due to for example subsidies. Regulations that may prevent access to certain markets does also play an important role. Typical examples of this are technical standards, procedures of approval etc. However, based on the PEST analysis this will not create great difficulties for Millba if entering the french market. Member countries of the EEA have in large part the same rules and regulations as EU member countries, and the EEA also have as a general rule to not approve of rules and schemes that can in any way be discriminating between member countries. (Ibid)

The second factor is nationalistic attitudes among buyers which should be considered when analysing how the power of globalization affects the structure of the industry (Ibid). France has for a long time been known for its great “cuisine” and pastry products and may affect Millba’s entrance in France. According to USDA France Retail Food Sector Annual Report from 2007 “Consumers generally prefer local, French food products to imports because of their freshness and high quality standards”. However, according to the findings in our Focus
group which can be found in appendicies, the origin of the product is not as important as the product itself and its quality. In addition the PEST analysis showed that increased cultural globalization leads to somewhat converging consumer preferences.

Lastly, consumers have different preferences when it comes to technical solutions and material/ingredients being used. Although this is a factor that may create a barrier to enter a new market, it is not relevant in the case of Milla. The production methods and ingredients that Millba uses are not new to the industry and does therfore not intervene with technical traditions or already existing preferences. To shortly sum up the power of globalization it affects Millba and their possible entry in France positively.

Preparedness For Internationalization:

1. International Corporate Culture

To be able to analyze or identify the international corporate culture there are two relations that might be natural to use as ones basis namely the corporate culture itself and the stage the company is placed in the internationalization process (Bakka model). When considering the corporate culture it is expedient and sufficient to use the information that was found when using the ACE-model in the internal analysis. According to the findings within the ACE-model, Millba score quite well on all three factors that are required for a company to be considered as a successful exporter, namely; attitudes, competence and embodiment. Millba AS have a strong corporate culture where many of the employees play an important role in the decision making and where the employees feel a strong connection and loyalty towards the company. This is partly because many of them have been a part of the development of Millba since the very beginning (Søvik 2009). In addition to this, one requirement from the management when hiring new people and in general to their employees, is that they are willing to not only work hard and be loyal, but are willing to adapt to changes they may arise. (Ibid) In other words, Millba has a strong and organized corporate culture that is ready to meet new challenges with an innovative mindset and adapt to the changes that will arise when exporting to new countries. On the other hand Millba is a small company
and may not have enough resources to follow up extensive expansions to new markets. Both in terms of human resources and financial resources if heavy investment are required in new markets, even though the financial situation today is healthy.

Furthermore, the placement of the company in the internationalization process or Bakka model that has been analyzed in the first part of this paper was the second stage, which indicates Extensive Export. The reasoning behind this has already been explained. However, it is appropriate to mention that even though they are only placed in stage 2 out of 5 they have many good qualities that might help them move to the next stage very quickly if it is in Millba’s interest to do so.

2. Market share in reference market

With reference market one means the market that it is natural for the company to turn to (Solberg, 2006). The reference market for Millba is then logically Norway where they established in 1999 and have their production facilities. (Millba 2009) Concerning Millba’s market share in their reference market they are market leaders within the field of American cakes. According to themselves they have a market share of approximately 95%. (Søvik 2009) In addition to this it is also worth mentioning that they have 70% brand recognition after just approximately 8 years on the market. (Baking & Snack International 2009)

3. The importance of the firms network

One of the qualifications that is almost essential to obtain a successful export, lies within a well established network (Solberg 2006) The information that one may find within a network of with loyalty, trust and shared norms can stimulate the company to develop global strategies and may motivate the company to engage heavily in international markets Therefore it is of great importance to assess the network to be able to determine the firms ability to internationalize (Solber 2006). According to Bernt Ove Søvik, they have a well established network and flow of information between Millba and their partners in all parts of the world. Having a well established network in international markets is truly essential for the company to develop further, initially its main function is to reduce uncertainty when trying to find a partner abroad. (Solberg 2006). The network is of exceptional importance to Millba and may give them many benefits for further
expansion. Besides the benefits from their network as mentioned above, one may also experience accumulation of knowledge through interaction as showed in the model below.

![Activities](Source: Solberg 2006: 128)

To conclude, the industry globality may be viewed as medium global. The preparedness for internationalization in the case of Millba and their preferred sector can be defined as medium, but these two factors need also to take macro characteristics in consideration. Millba AS should accordingly be placed in the very middle window, namely; *Consider Expansion In International Markets*. The recommendations that follows this placement will be identified in the third part of this thesis under strategy. The y-axis assess the preparedness for internationalization and the x-axis assess the industry globality.
**Enter new business** | **Prepare for globalization** | **Strengthen your global position**
---|---|---
**Consolidate your export markets** | **Consider expansion in international markets** | **Seek global alliances**
**Stay at home** | **Seek niches in international markets** | **Prepare for a buy out**

Low | Low | High | X

Source: Solberg’s nine strategic windows. Solberg 2006: 156

**SWOT analysis:**

For a company to be able to determine their strategy to penetrate a new market it is necessary to be aware of their company’s and products’ weaknesses and strengths. Furthermore these two factors should be compared with the external opportunities and threats in the market. These factors are all summarized in a SWOT analysis chart after considering the internal and external analysis. (Kotler & Keller 2006)

<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weaknesses</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Quality products and especially the ingredients</td>
<td>✓ Little experience in the french market</td>
</tr>
<tr>
<td>✓ Large production capacity</td>
<td>✓ Relatively few employees to be able to follow up the french market</td>
</tr>
<tr>
<td>✓ Low energy consumption</td>
<td>✓ Relatively expensive ingredients</td>
</tr>
<tr>
<td>✓ Automated large parts of the production</td>
<td>✓ May have difficulties competing on price</td>
</tr>
<tr>
<td>✓ Modern and effective production facilities</td>
<td>✓ May not have exactly the right flavours for the French market</td>
</tr>
<tr>
<td>✓ Good competences and equipment for freezing</td>
<td>✓ My not have the resources to</td>
</tr>
</tbody>
</table>
opportunities
- Healthy financial situation
- Increasing sales
- Well established network abroad
- Loyalty among employees
- Willing to adapt
- Motivated and efficient employees

fully adapt marketing mix

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muffins match traditional French consumer preferences</td>
<td>Well established players on the french market</td>
</tr>
<tr>
<td>Players on the French market have shown interest for Millba’s products</td>
<td>The brand “Aunt Mabel’s” is unfamiliar to the french market</td>
</tr>
<tr>
<td>Relatively low transport costs</td>
<td>High competition from similar products and substitutes</td>
</tr>
<tr>
<td>Sarkozy’s political reform</td>
<td>Different business cultures</td>
</tr>
<tr>
<td>Growth of the Viennoiserie/Pâtisserie market</td>
<td>The recession</td>
</tr>
<tr>
<td>Large market</td>
<td>Many substitutes</td>
</tr>
<tr>
<td>Willing to adapt to the healthy snack trend</td>
<td>The preferences for French products</td>
</tr>
<tr>
<td>Urbanization</td>
<td>Marketing costs to develop brand awareness are high</td>
</tr>
<tr>
<td>Anticipated growth of Snack Bars/Coffee Shops</td>
<td>Labour regulation</td>
</tr>
<tr>
<td>Converging consumer preferences</td>
<td>Language</td>
</tr>
<tr>
<td>Globalization</td>
<td></td>
</tr>
</tbody>
</table>

Based on the internal and external analysis, the preliminary conclusion is that Millba should enter the French market with their “Aunt Mabel’s” muffins. Hereby, the first part of the Strategic Problem Definition is answered.
Part three: Strategies

Key Success Factors

By key success factors it is here referred to what is required by Millba to do for them to develop their success further by being able to penetrate the French market and gain a beneficial position. Defining key success factors is also helpful to determine development and to be able to measure the progress of a company. (Reyna 2009)

- Find appropriate partners abroad for a stable and long term working relationship.

According to Bernt Ove Søvik this key success factor is also in compliance with their goals for the near future. After the analysis this has been identified as the most important next step and is crucial for their entrance in France. It may improve Millba’s market shares abroad which again improve their preparedness for internationalization.

Entry strategies:

The internal resources, goals and the external market structure have been used to identify the most appropriate entry strategy for Millba AS. (Solberg 2006) Below is a model that shows entry strategies based on the location of production and Foreign Direct Investements (FDI).

<table>
<thead>
<tr>
<th>Entry strategies in international markets:</th>
<th>Without Foreign Direct Investment</th>
<th>With Foreign Direct Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without local production</td>
<td>- Export- Distributor</td>
<td>- Sales office</td>
</tr>
<tr>
<td></td>
<td>- Importer /Distributor</td>
<td>- Warehouse</td>
</tr>
<tr>
<td></td>
<td>- Agent</td>
<td>- Service Unit</td>
</tr>
<tr>
<td></td>
<td>- Direct sales</td>
<td></td>
</tr>
<tr>
<td>With local production</td>
<td>- Licencing</td>
<td>- Production Facility</td>
</tr>
<tr>
<td></td>
<td>- Production Lease</td>
<td>- Strategic Alliances</td>
</tr>
<tr>
<td></td>
<td>- Management Contracts</td>
<td></td>
</tr>
</tbody>
</table>

Source: Solberg 2006:187
For Millba AS one of their biggest strengths is their production facilities, in particular their muffin line, which is effective and energy saving. According to Bernt Ove Søvik, the Managing Director of Millba they would not move their production elsewhere. Even though the salaries in Norway are high, the muffin line requires few employees and few shifts to produce a great amount of muffins a day, hence this is not a major cost.

Furthermore, it has been identified that the objective for Millba if penetrating the French market is mainly operational, or in other words financial. (Søvik 2009) Accordingly they would like to extract the remaining economic possibilities in the French Pâtisserie/Viennoiserie market. To conclude, the placement in the model above is without local production and without FDI. This gives Millba 4 remaining appropriate entry strategies; Exporting- Distributor, Importer/Distributor, Agent and Direct Sales. However, the Export-Distributor strategy can be categorized as a indirect export since the distributor is located in Millba’s domestic market. Direct export has the advantage that it has larger possibilities of return than indirect investment. Surely it also involves more risk, but when establishing a relationship with a knowledgeable and competent agent or distributor in the country of destination, it can be very useful. It is therefore viewed as the best mode of entry for Millba to use direct export. When decided on direct export, one faces only three remaining strategies; Importer/Distributor, Agent and Direct Sales. Each strategy will be analysed further to see what alternatives may be suitable for Millba.

There are two factors that affect the choice of entry strategy. The first factor to take into consideration is the degree of control and the costs that follow. The second factor is the ability of the company to develop market know-how through choice of entry strategy and partner. The more intermediaries, the less control and possibilities to obtain market know-how (Solberg 2009) However as direct sales to the end user is an uncommon practice in France, this is one of the reasons why Millba needs to find a partner. (US Commercial Service 2009) For firms choosing an entry strategy including distributors, franchising or agencies it is important to take into consideration the European Union and Member State National Laws. (Ibid)
Importer/Distributor

The importer is operating in the export market under his or her own name and is seen as a direct buyer of the product. Therefore he or she receives responsibility for the product and the further marketing and promotion of the product. On one hand this decreases the financial risk for Millba, but on the other hand there is a huge risk of potential lost profits. Millba is making itself financially dependent in France on just one distributor and there is risk related to his potential negligence of the contract. (Solberg 2006) Furthermore, the importer takes on important roles for the exporter which means that the exporter have little or no contact with the retailers or end users. In other words the learning curve for Millba is not very beneficial. Also the importer has the role of a wholesaler and thereby receives in many cases several products in the same category. This means that there are no relations obtained between the importer and the products. There is no favourization and “Aunt Mabel’s” can be viewed as not so important among the huge variety of products. Aside from, this the wholesaler has contacts and in many cases chooses the distribution channels for the exporter, which may not be in accordance with Millba’s preferences. (Ibid)

On the contrary, having an importer means getting access to clients and some important market information that might help to develop the ACE-model and the international corporate culture even further. Because of the asymmetric information between the importer and the company, the last mentioned has a strong position that may be taken advantage of and results in more risks for Millba since they are financially dependent on the importer. Another point worth mentioning is since Millba’s objective is operational and they just want to withdraw the remaining economic benefits that exists in the French market, the advantages of using an importer are many. In particular the fact that the importer take upon the responsibility of promotion, sales, storage and further transport in addition to the financial responsibility. (Solberg 2006)
Agent

In opposition to the importer, the agent does not take on as many responsibilities. The agents most important roles and tasks are to promote the sales and keep the exporter updated on market conditions. The agent just conveys the message to the end user under the exporters name, therefore Millba AS can obtain direct contact with end users through their marketing and promotion. (Solberg 2006) According to EU Directive 2000/35/EC Millba can start collecting an interest rate at 7% above the European Central Bank if payment for the goods has not been received after 30-60 days. (US Commercial Service 2009) Therefore another benefit of having a representative in the country, is if any problems arises concerning payment, it is easier for the agent to collect the money since he is operating in the market. In similarity with the case of the importer Millba can receive important market information and benefits from the agents network. In addition the development of market know-how is better since Millba get the chance to have direct contact with the end users.

The agents are in general cheaper than importers partly because the do not take on as much responsibility. Since as an agent works on a commission basis, most of the costs concerning hiring an agent does not start running until he or she actually create sales for Millba. (Solberg 2006) However, even though the commissions in some cases are proportional to the sales volume this is not always the case. It depends on the characteristics of the products and the market it is intended for. The questions to ask are whether the product is known and the market perceived
as easy, or if the market is more difficult and the product is new. (Innovasjon Norge 2006) In the case of Millba the muffins are not necessarily new, however the French market can be perceived as somewhat difficult based upon the PEST analysis. When writing a contract with an agent the exclusivity of the agent should be identified. In some cases the agents require from the company to be the sole intermediary working in the named market for the firm. This again emphasizes the importance of spending time on finding an appropriate partner for the company so you do not risk to hire an agent who does not perform as expected. You could also reserve the company the right to contact customers directly within the same area as the agent is operating, partly to reduce risks. (Ibid)

As with the other entry strategies there are some negative aspects with choosing an agent. Since the agent is working on a commission basis there is a risk of opportunistic behaviour which means that they may not prioritize what is best for the company in the long run, but focus on short term sales. With time, if an agent is the choice for Millba they have to keep in mind that the exit barriers are quite high. In other words to quit a contract with an agent is often very costly and they are well protected by different laws concerning agents in the agents domestic market. Lastly since they work very close with the exporter and get to know many trade secrets an agent might in the worst case develop to be one of Millba’s biggest competitors. (Solberg 2006)
**Direct Sales**

Direct sales gives Millba a chance to be even more in contact with the customers. By removing the representative or intermediary there is also a decrease in costs. This is a representation form that have certain requirements for it to be appropriate. Firstly the market should be geographically close, furthermore the company should only have a few customers, and it should have good knowledge and information about the market. Another aspect is that the exporter should have a market network in the exporting country to be more aware of the market structure, conditions and to get access to the market in the first place. (solberg 2006) This is also important because of the language, culture and business customs that are different. Lastly the French generally prefer to buy through an intermediary, hence direct sales are a uncommon practice. (USDA 2007)

**Further strategic discussion:**

*Solberg’s 9 Strategic Windows:*

The recommendations that follows the placement in Solberg’s 9 strategic windows are very well suited with Millba’s thoughts and development so far. Millba want to expand further and would like to penetrate the French market. (Søvik 2009) An expansion to the French market will require internal resources and organization. As discussed previously Millba do possess the neccessary capabilities although there exists certain limitation, such as potential lack of human and financial resources. The firms that are placed in the “window” Consider Expansion In International Markets, usually have obtained a position in international markets and have a developed corporate culture. Furthermore the companies and hereby Millba should develop their network and positions in the strategic markets even further to be able to reach the important customers and their main competitors. By doing so Millba will consolidate their position in case the industry develops in the direction of being more global. By strategic markets it is here referring to where Millba’s main competitors have their domestic or largest markets. (Solberg 2006)
Standardization Or Adaptation Of The Marketing Mix

When developing a marketing mix, a company needs to decide whether it wants to design a standardized or adapted marketing mix. Standardization may serve beneficial for companies if one assumes that the globalization of the world marketplace leads to converging consumer preferences that can be served in the same manner. This strategy also takes advantage of economies of scale because similar products can be produced cheaper in a larger quantity. Here it is also assumed that the cost savings from the mass marketing will be greater than what a company may earn from marketing mix adaptation. (Marketing Science Institute 1995)

On the other hand, it is argued that there is little evidence that support such a uniform consumer response to marketing efforts, but that there is an analysis that supports the notion of differing consumer response to price and distribution policies. This analysis has been performed across European countries. It advocates that consumers are more sensitive to price of a high quality variant of a product, if the country has much mass communication, is developed in terms of economy and has a lot of private labels that offer substitutes to established brands. It also clearly contradicts the previous statement and argues that what companies save in terms of cost and time on standardization, does not outweigh what they may earn if they design specific marketing policies to different markets. (Marketing Science Institute 1995) This is supported by the CEO and Chairman of Nestlé, Peter Brabeck who says that “There is no global consumer for the food-and-beverage business. This is a deep belief we have.” (College of Agricultural Sciences, penn State)

In addition to be aware of cross-cultural differences and taking these into marketing considerations, it is also important to identify the similarities that exist among consumers. By trying to combine both standardization and adaptation the company might be working more closely in-line with their profitability, as a marketing decision is also much a question of available resources, short term and long term company goals and the bottom line. This would be to pursue a modified standardized marketing mix. Such a marketing mix keeps certain aspects from the original marketing mix and adds others to adapt to the new market. (Erskine University)
It is considered as the best marketing mix strategy for Millba to keep the existing features of their marketing mix from the reference market that are applicable to France, while at the same time modify the strategy so as to more effectively target the French consumer. Level of modification of the marketing mix, depends on the analysis conducted the company was placed in Solbergs 9 strategic windows. The “multidomestic” industry together with the firms medium level of preparedness for internationalization, suggests two different product strategies. A “multidomestic” industry and few internationalization capabilities suggest a minimal level of modification. The same type of industry but highly developed internationalization capabilities recommends a higher level of product adaption. (kilde Internasjonal Markedsføring, (Nordblom 2008)) Millba would be in the middle of these two categories and it will therefore be wise to adapt the products to a certain extent. This will be discussed more in-depth in the following marketing mix.

**Product**

Aunt Mabels muffins come in different varieties as mentioned earlier. In their primary market they pursue a differentiation strategy because they focus on premium quality and excellent ingredients. Here they also enjoy a first mover advantage in the market for American cakes and give their communicated quality legitimacy by focusing on the existence of a real “Aunt Mabel” and her traditional recipes. The traditional aspect is clearly communicated in terms of packaging. They go a great length to acquire premium quality ingredients from their suppliers and are continuously developing their product range to meet changing consumer needs. The muffins are suggested to satisfy the need for an evening snack, a “quick fix” before dinner and something for the small hunger on the go. In terms of standardization of the product, Millba should continue to use Aunt Mabel recipes and the link to traditional American food on the French market. Trying to make this product more French like many companies do when entering the French market ( Euromonitor 2007) would remove the stand-out effect of the product. Also, as seen in the PEST analysis, American trends are coming to France as well, and this type of differentiation is important to stand out in competition with the vast number of traditional French Patisserie/Viennoiserie. As previously stated, the French muffin market is characterized by private brands in the supermarkets.
In Snack Bars the muffins are displayed without packaging and thereby without brand name. This suggest that there is a good opportunity for Millba to develop a strong brand name by focusing on their brand identity as typically American and premium quality. The cultivation of the differences such as which country it looks like it is from, together with the continuous innovation of tastes and sizes should prevail. That way it will stand out both to other cake products and other muffins. The premium and coffee shop muffin have the qualities that the focus group requested and are therefore wise to keep them unchanged on the French market. So far, standardization characterizes the product strategy.

When conducting a focus group it became clear that the participants had several recommendations for altering the packaging and the taste of the product. The dark chocolate muffin was perceived as having not strong enough chocolate taste for the chocolate indulging French. It is widely known that Norwegians to a large extent prefer milk chocolate. Even though Millba has a milk chocolate variant of their Aunt Mabels muffins, the Norwegian consumer preferences may have influenced the taste of the dark chocolate variant as well. It was also pointed out by the majority of the participants, that the blueberry variant should contain more berries. It was even suggested to fill the muffins with respectively chocolate and berries and to create a muffin half vanilla and half chocolate taste. This clearly shows that there are different consumer preferences from Norway to France. However since the Premium and Coffee Shop muffin already possess the desired characteristics, they should be kept as they are.

There was also raised an issue concerning the design of the packaging, which was perceived as too simplistic and not very appealing. We can only assume that the current packaging is based on tests on Norwegian consumers. Therefore it is likely to assume that what Norwegians perceive as appealing design, is not enough to draw the attention of French consumers. Especially if targeted towards a young consumer group in France, our participants felt that the packaging did not effectively enough communicate trendyness and was not perceived as “chic”. Despite this, they felt that the packaging signalized tradition and quality. The attractiveness of the product was also a concern for the contact person from one of the biggest vending-machine companies in France. She stressed the fact that consumers make their buying decision in a very short period of time when
standing in front of the vending machines. To stand out, especially for muffins, which are not traditional products in France, it is important that packaging is more distinct and eye-catching for example colourwise. This suggest that the products should be modified if sale through vending machines is desirable. In that case, the market strategy has to be differentiated for France in terms of taste and packaging, unless one finds it more beneficial to change taste and packaging of the single packed 100 grams muffins sold in other markets as well. In that case, the strategy would again be standardized. While the adaption of these muffins are deemed vital for the vending machine channel, they are not crucial for snack bars.

When conducting research about consumer preferences in France, it has become clear that they are increasingly focused on health, which was presented in the PEST analysis. In the long run, it therefore seems important that producers of snack food try to make their products as tasty as they are today, but with less undesirable ingredients. While some of the existing muffins that Millba produce have the possibility of succeeding on the French market, the outlook for a modified marketing mix with both regular and more healthy muffins, is even more positive. If such changes are made, it might also be beneficial, in the long run, to sell these improved products in all markets since health consciousness is a global phenomenon. (Euromonitor 2008)

Place

Millba has a well functioning logistics network as discussed in the internal analysis and should continue with this when they hire an agent in France.

The importance of big cities

The particular attractiveness of Paris is worth noticing as this represent a different market than the rest of France. Paris has more snack bars and café’s and is less traditional. Euromonitor characterizes Paris as a “global city” which means that it has more innovative companies with workers that are well educated and earn more than in the rest of the country. In addition, the population is usually trendsetting and is important to influence if one wants to succeed domestically, but also in terms of future brand recognition. Such cities participate strongly in world affairs and politics and are therefore more open to new trends. In addition,
they often share more similar characteristics with other global cities than cities in their own country. (Euromonitor 2007) This is valid for all the possible channels where the products can be sold because it suggest that for any channel – establishment in big cities is important.

Catering
The catering companies in France sell their services to businesses, schools, hospitals etc, and there are a few very large players on the market like Sodexho. Using this distribution channel may then mean that Millba’s products would gain broad market coverage. However according to Millba, they have received information about the strict and time consuming processes for producers that wish to introduce their products in the catering sector. Therefore, secondary research has not been conducted.

Gas stations
Gas stations along the highways in France are often located in combination with a cafeteria and a snack bar. For the purpose of this analysis, it will therefore not be focused specifically on gas stations. For those stations that are in connection with a snack bar, the findings for snack bars will apply to gas stations as well.

Supermarkets
Distribution through the big food stores in France makes the muffins available to many consumers. It is however high entry barriers in these stores. Both in terms of costs and because they prefer known-brand names. Millba will experience much pressure on their profit margins when negotiating with these type of outlets. (Søvik 2009) They could also run the risk of diluted image as many of these stores do not represent the quality standard that Millba pursues. Because of the wide variety of cakes in these stores, Aunt Mabels muffins will meet tough competition for the consumers attention. By observation, it has become clear that Casino and Carrefour also have private muffin brands that they prefer dominate sales. (Euromonitor 2007) When we in addition have identified a relatively small target group with more narrow preferences, distribution through such channels does not seem like the preferential/preferred one.
Snack bars

Snack bars in France are a combination of a sandwich house, a bakery and a coffee shop. It sells small meals for people on-the-go and has a variety of offers. It only sells food, and its opening hours are normally from around 9 in the morning until 8 in the evening. The PEST analysis pointed to the growth of food retailers that sell convenient food for people on-the-go. Consumers lead an increasingly busy life and appreciate convenience that facilitates this lifestyle. It also shed light on the way snack bars fulfill consumer needs regardless of personal situation and trends in society. In bad times consumers may be more inclined to buy comfort food, while they in good times have more money to spend and feel like they can splurge in snack bars, since are normally more expensive than ordinary grocery stores. (Euromonitor 2007) Tourism is also a key driving factor behind growth in kiosks that is likely to increase, especially in urban areas and around major tourist attractions. (Ibid) The big chains of snack bars in France are represented at several locations in the big cities around the country such as Paris, Lyon and Marseille.

It is also to Millba’s advantage that snack bars are an American phenomenon compared to the traditional French bakeries. Because of their location they will normally attract customers that satisfy many of the criteria’s in Millba’s suggested French target group. A disadvantage will be the fact that muffins are sold in most snack bars without packaging and it will be difficult for Millba to build a strong brand name. Although that might not be the current goal for Millba, brand name and brand recognition is always valuable to develop in case one wishes to focus more on this market in the future. It could be possible to negotiate an agreement with the specific snack bar chains that opens up for display of Aunt Mabel muffins with posters or other marketing material that clearly communicates producer and brand name, though this has not been discussed with any of the representatives of the snack bars. However, in order to gain market knowledge and establish a network of valuable contacts, or just to make use of economies of scale and excess production capacity, such a distribution channel may be very adequate. It is also important to remember that none of the muffins sold through snack bars are linked to a brand name, so in terms of competition with the other brands, this does not represent a disadvantage. The analysis suggests that Millba should choose from 3 different muffins to sell through snack bars.
Premium Muffins 120 grams:
- Flavours: caramel, chocolate & raspberry, wild berry and carrot
- The filling is a great advantage as it was requested by the focus group
- They resemble the muffins already sold through snack bars in terms of size
- More profitable for Millba than coffee shop muffins because they have a higher profit margin

Individually Wrapped Muffins 100 grams:
- Flavours: dark chocolate, milk chocolate, strawberry, blueberry
- This size is also represented in the snack bars
- Offers more traditional flavours and has longer shelf-life

Coffee Shop Muffins 160 grams:
- Flavours: triple chocolate, strawberry, blueberry, apple & Cinnamon
- With frosting
- Luxurious
- Similar kinds of muffins are also spotted in snack bars
- Value for money for consumers, same price as premium muffins but bigger

Coffee Shops
French consumers are increasingly catching up on the café trend that serves coffee in different varieties that are different than traditional French coffee. Starbucks have shops in Paris and Lyon, and the Chain Coffee shop is present in many French cities. Globalisation is indeed unifying consumer preferences to some extent, and it is likely to assume that such coffee shops will only become more and more popular. The growth of snack products and the preferences for these influenced the growth of coffee shops that was 77% in “value sales” in 2007. (Euromontior 2007) The coffee shop outlet in Grenoble sold muffins for 2,50€ in chocolate and blueberry flavours. Coffee Shops represent an increasing retail channel and it is therefore an opportunity for Millba to establish sales through these shops. Premium muffins and coffee shop muffins would match muffins already sold through these cafes in size and shape, but would be a better option. From the observations made, none of the existing muffins have filling. Aunt
Mabels will also stand out in terms of product variety because they offer so many flavours.

Vending machines
Vending machines are much more common in France than in Norway. Conversely they also have a wider selection of goods and are present in schools, office buildings, airports, train stations, bus stations, hospitals and more. In 2007 there was a growth of train passengers of 1.9% which proved beneficial for the vending machine industry as people buy snacks when they wait for their train at the station. Such a behavior also characterized consumers that are waiting at airports. This growth was and is in the future, likely to be influenced by the large group of tourists that come to France every year (Euromonitor 2007). In 2008, vending machines in France experienced increased sales of 5% also because the trend of grabbing a quick snack is growing. This is particularly because the younger generation skip breakfast and choose snacks from machines. Long days in school also boost sales from vending machines that increasingly offer more hot meals. (Euromonitor 2007) As discussed previously, packaging and design of the product are crucial when it comes to sale from vending machines. Even though it is most likely that “Aunt Millba’s” muffins will keep its shape when it falls off its shelf in the machine, it is less likely that it will gain the consumers attention. Millba should therefore redesign the packaging before entering the lucrative vending machine industry. Before the focus group was conducted, the assumption was that the French consumer preferred smaller muffins. However, the focus group expressed their content with the size of the 100 grams muffin that was presented to them.

Exclusive food stores
These food stores have customers that are more prepared to pay a higher price for quality products. Millba will therefore be able to sell their muffins and gain a better profit through this channel. They will be able to target their consumer group more effectively as these consumers are also in large the consumer group of the food store itself. Being represented in such stores will most likely be beneficial for their image as premium quality characterizes many of the other products in the store and the store as a whole. It is expected that some of these shoppers will use
word of mouth marketing to promote the product. This because consumption from such stores generally is seen as a status symbol.

Competition could turn out to be tough as there will be other high quality products sold through exclusive food stores, and they may face high entrance barriers in terms of costs which is also the case for supermarkets. (Søvik 2009) For those that visit this channel just to pick up something special for themselves, the single packed muffins of 100 grams will be an alternative. For those that need something to serve guests etc, the club muffins in packages of 12 muffins of 70 grams could be a substitute to a for example a cake.

Developing a target group
Segmentation is a way to divide the market into consumer groups that share similar needs and buying behaviour. One can divide buyers in groups in terms of geography, psychographic factors, social-cultural factors and demography. On the basis of the information about the French market presented in the PEST analysis and the internal capabilities that Millba has, the following descriptions of a target group of consumers in France is chosen:

- 20 – 40 years
- Men and women
- Urban and modern
- Open to exotic food
- Middle-class
- Conscious about quality

These factors became evident on the background of several things. In comparison with the target group that Millba addresses in its primary market (Norway), it is judged as starting to young for the French market. Considering the fact that French students have relatively low buying power and as seen from observation, view price as more important than premium quality, it was necessary to adjust the age range up a couple of years. The way that muffins represents an Americanization of the food culture may not be very welcomed by the rural population and was also taken into consideration. Therefore it was necessary to specify that the target consumer is interested in new trends and often reside in big cities. In addition they are more used to and open to different food cultures other than the original French cuisine. It is also taken into consideration what Millba
stated as their primary objective if entering the French market. Since the current goal for Millba is not to enter the French market based on strategic objective, it is appropriate with a more defined consumer group than the one already developed by Millba.

By the marketing efforts in France will have to be directed towards the specific target group that has been developed. The analysis in terms of positioning will, because of the close relationship between direct and indirect competition, be presented in two levels. The target consumer group is assumed to not only prefer muffins to other Pâtisserie/Viennoiserie in the specific buying situation, but also to prefer “Aunt Mabel” muffins to the other direct competitors within the submarket of muffins, provided that Millba positions “Aunt Mabel’s” muffins accordingly to the target consumer group.

Price

In order to keep their high quality image, it is recommend that they choose a price slightly higher than the competitors. However this depends on which distribution channels they choose, because they may have to price their products different according to where the products are sold. Also after talking to French consumers there were indications that price is very important, especially for the younger generations. In other words, this means that Millba would have pursue a multiple pricing strategy. After conducting the focus group it became clear that different prices were expected depending on where the product was to be sold. For example, it was said that if the product was sold in a vending machine, they would not pay more than 1,50 € for it, but they would probably be willing to pay between 2-3 € if it was sold in a coffee shop. This is in similarity with the observations that have been made concerning what competing products are sold for. Substitute products sold in vending machines are usually priced around 1 €, and muffins sold in coffee shops and snack bars are priced around 2,50 €.
Promotion

Promotion depends on which entry strategy they choose. When choosing an agent, it is the agent that will handle the promotion of the product. The promotion should always emphasize the freshness of the product and the use of high quality ingredients. Another aspect of promotion that Millba should consider is leaving promotion with the product itself, so called promotional products. This will of course result in some expenses for Millba because they would have to change their packaging, but it may give them an advantage in some sales areas. This could be the case for vending machines where the buying decision is made fast and the first impression of the product is very important. This strategy in combination with in-store promotions will help them in getting the French consumers to familiarize with their product. Also they should continue to participate on different trade shows as this is valuable exposure for the company and can be helpful in the process of gaining new contacts in the market. In Norway not much promotional campaigns have been needed to established their position in the market. Concerning France, and Millba’s operational objective promotions should be kept to a minimum. They should rely on word-of-mouth marketing and the promotional product mentioned earlier. This promotional strategy should be adapted to the French market in such a way that best meet the consumer needs. This would mean to make the alterations to the product, that was suggested by the focus group. Also it should be standarized so that the communication is the same for the whole market. It is important that all promotions are made in accordance with the way Millba wants to present its product.

Millba should also seek a differentiation strategy in the French market and position itself as delivering products with premium taste of premium quality. Like mentioned before, “Aunt Mabel’s” muffins need to be top-of-mind of the consumers both within the Pâtisserie/Viennoiserie and the muffin market. Players on these markets can be termed as both direct and indirect competitors, but may be met with the same marketing strategies from Millba. In other words even though Millba’s competitive arena can be described in this way, it does not change Millba’s strategies and positioning in the market and towards their competitors.
Part four: Final Recommendations

The Strategic Problem Definition was as follows:

Is it attractive and possible for Millba AS to introduce their “Aunt Mabel’s” muffins to the French market, and if so, what are the best entry strategies?

Millba AS should introduce “Aunt Mabel’s” muffins on the French market based on the findings from the market analysis and internal assessments. They must realize that they will compete against many other products and should therefore pursue a differentiation strategy to gain market shares. An agent is likely to be the most suitable representation form to introduce their products to the right sales channels.

The marketing mix should bear the characteristics of a “modified standardized mix” which advises the continuation of certain marketing strategies while adapting others to meet the needs of the new target consumer group. This group is more narrow and specified than the previously developed by Millba. The focus on the new consumer group is anticipated to increase the likelihood of success on the French Pâtisserie/Viennoiserie market. It is assumed that their French consumer group will be reached through the sales channels that this project suggests. In the short run, exclusive food stores and snack-bars are viewed as the most attractive sales channels.

If certain features of the packaging are changed, a goal in the broader time horizon should be to establish sales through vending-machines. Overall, it is vital to acquire market knowledge and to focus on developing brand recognition among consumers. This to facilitate possible future expansion in the market.


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Appendicies

Contract

Kontrakt

Sted og Dato: 1/4/09

Mellom:
Millba AS ved Bernt Ove Søvik og Erik Jacobsen, Ingeborg Skjerpe og Linn Langangen

Sak:
Bacheloroppgave /Markedsanalyse samarbeid vårsemester 2009


På vegne av Millba AS

På vegne av studentene

Linn Langangen
**The ACE-model**

- **Attitudes**
  - Market orientation
  - Risk assessment
  - Cultural
  - Opportunities

- **Competency**
  - Market
  - Customer-oriented product policy
  - High price
  - Close cooperation with partners outside

- **Embodiment**
  - Top managements involvement
  - Board’s support
The Bakka Model

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<td>Mutually dependent of domestic market</td>
<td>Price leader</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Main income source</td>
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</table>
Main Features of Country Forecasts – FRANCE

Main features of country forecast - FRANCE

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>Annual percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>bn Euros</td>
<td>2005</td>
</tr>
<tr>
<td>GDP at previous year prices</td>
<td>1982.2</td>
<td>190.9</td>
</tr>
<tr>
<td>Private consumption</td>
<td>1072.0</td>
<td>88.7</td>
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<tr>
<td>Public consumption</td>
<td>436.0</td>
<td>23.1</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>406.3</td>
<td>21.5</td>
</tr>
<tr>
<td>of which: equipment</td>
<td>113.4</td>
<td>9.0</td>
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<tr>
<td>Exports (goods and services)</td>
<td>591.9</td>
<td>26.5</td>
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<tr>
<td>Imports (goods and services)</td>
<td>538.3</td>
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<tr>
<td>GNI at previous year prices (GDP deflator)</td>
<td>1982.2</td>
<td>100.5</td>
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<tr>
<td>Contribution to GDP growth:</td>
<td>Domestic demand</td>
<td>1.6</td>
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<tr>
<td></td>
<td>Stocks(including)</td>
<td>0.0</td>
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<tr>
<td>Foreign balance</td>
<td>-0.1</td>
<td>-0.7</td>
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<tr>
<td>Employment</td>
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<td>0.6</td>
</tr>
<tr>
<td>Unemployment rate (a)</td>
<td>10.2</td>
<td>8.2</td>
</tr>
<tr>
<td>Compensation of employees(f.o.a)</td>
<td>2.6</td>
<td>3.1</td>
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<tr>
<td>Unit labour costs whole economy</td>
<td>1.2</td>
<td>1.8</td>
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<tr>
<td>Real unit labour costs</td>
<td>-6.3</td>
<td>-0.3</td>
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<tr>
<td>Savings rate of households (b)</td>
<td>-14.2</td>
<td>15.8</td>
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<tr>
<td>GDP deflator</td>
<td>1.5</td>
<td>2.0</td>
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<tr>
<td>Harmonised index of consumer prices</td>
<td>1.8</td>
<td>1.9</td>
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<tr>
<td>Terms of trade of goods</td>
<td>0.1</td>
<td>-1.3</td>
</tr>
<tr>
<td>Trade balance (c)</td>
<td>0.6</td>
<td>-1.3</td>
</tr>
<tr>
<td>Current account balance (c)</td>
<td>1.0</td>
<td>-1.8</td>
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<tr>
<td>Net lending (c) or borrowing (c) of the non-financial private sector</td>
<td>1.0</td>
<td>-1.8</td>
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<tr>
<td>General government balance (c)</td>
<td>-3.5</td>
<td>-2.9</td>
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<tr>
<td>Structurally-adjusted budget balance (c)</td>
<td>-3.2</td>
<td>-3.5</td>
</tr>
<tr>
<td>General government gross debt (c)</td>
<td>88.9</td>
<td>86.4</td>
</tr>
</tbody>
</table>

(a) European Union definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Real commodity prices:

World economic outlook April 2009

Global Indicators

(Annual percent change unless otherwise noted) by a massive financial crisis and an acute loss of

Source IMF 2009
### Main features of the spring 2009 forecast - euro area

<table>
<thead>
<tr>
<th></th>
<th>(Real annual percentage change unless otherwise stated)</th>
<th>Spring 2009 forecast</th>
<th>Difference vs January 2009 (a)</th>
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<tbody>
<tr>
<td>GDP</td>
<td>1.7</td>
<td>2.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Private consumption</td>
<td>1.6</td>
<td>2.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Public consumption</td>
<td>1.8</td>
<td>1.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Total investment</td>
<td>3.3</td>
<td>5.6</td>
<td>4.4</td>
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<tr>
<td>Employment</td>
<td>0.7</td>
<td>1.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Unemployment rate (b)</td>
<td>6.0</td>
<td>8.2</td>
<td>7.5</td>
</tr>
<tr>
<td>Inflation (c)</td>
<td>-2.2</td>
<td>-2.2</td>
<td>-2.1</td>
</tr>
<tr>
<td>Government balance (% GDP)</td>
<td>-2.5</td>
<td>-1.3</td>
<td>-0.8</td>
</tr>
<tr>
<td>Government debt (% GDP)</td>
<td>70.0</td>
<td>68.3</td>
<td>95.0</td>
</tr>
<tr>
<td>Adjusted current account balance (% GDP)</td>
<td>0.3</td>
<td>0.1</td>
<td>0.4</td>
</tr>
</tbody>
</table>

1. The Commission services' spring 2009 forecast is based on available data up to April 22, 2009.
2. Percentage of the labour force.
3. Harmonised index of consumer prices, nominal change.

Source: European Commission 2009

### Expected development of the Norwegian interest rate

Source: Norges Bank 2009
**Segmentation de la Viennoiserie**

<table>
<thead>
<tr>
<th>“Viennoiserie” products</th>
<th>% In turnover</th>
<th>Development 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Pains au lait” Wheatcake</td>
<td>20.8%</td>
<td>- 3.7%</td>
</tr>
<tr>
<td>“Brioche tranchée” Wheatcake in slices</td>
<td>20.5%</td>
<td>- 3.7%</td>
</tr>
<tr>
<td>“Gôtiers enfants” Childrens snack</td>
<td>16.1%</td>
<td>- 8.6%</td>
</tr>
<tr>
<td>“Brioche à partager” Wheatcake that can be parted</td>
<td>15.4%</td>
<td>- 2.3%</td>
</tr>
<tr>
<td>“Pains au chocolat” Chocolate buttered pastry</td>
<td>13.4%</td>
<td>+ 2.6%</td>
</tr>
<tr>
<td>“Croissants” Buttered pastry</td>
<td>6.7%</td>
<td>- 2.4%</td>
</tr>
<tr>
<td>“Brioches individuelles” Individually wrapped wheatcake</td>
<td>6.0%</td>
<td>+ 13.0%</td>
</tr>
<tr>
<td>“Pains russes”</td>
<td>0.6%</td>
<td>- 3.5%</td>
</tr>
<tr>
<td>“Chausson”</td>
<td>0.6%</td>
<td>+++</td>
</tr>
</tbody>
</table>

Source: Lineaires 2007
Top 10 global cities by GDP (ranked by 2020): 2005 and 2020

Source: Euromonitor 2007

Focus groups:

Focus groups are a qualitative method where a group of people gather to discuss a certain topic. The advantages of a focus group are that the interview can be quite quickly done and you therefore get fast results. By doing this research you can reveal details about the consumers attitudes, experiences, perceptions and feelings towards different topics and/ or products. In this context it is important for the participants to feel that they can talk freely in the specific context without having an agenda with too many questions that is neccessary for them to answer. However certain topics with introductionary questions will be presented to get the discussion going. In addition to this the role of the moderator or group leader should be quite passive compared to the participants, but he or she is allowed to bring the group back to the topic if the discussion was leading elsewhere.

Introduction to the focus group:
Hello everyone

We are 3 students who are writing our bachelor thesis. We are writing about a norwegian company who are producing bakery products such as muffins and donuts. They are considering the possibilities of entering the french market and we would in this context like to analyse the consumer interest for their products.

We have some basic rules here today which consist of:
1: only one person is allowed to speak at the time.
2: Please state the reasons for your answers and include as much information as possible.
3: Make sure there is only one discussion going on around the table
4: Feel free to add information where it is relevant.

**Topic number one:** Norway and Scandinavia

**Question 1.1:** What associations do you have with Norway (Scandinavian) and Norwegian products.

*Ugo:* I associate Norwegian products with quality. Reliable in the way that you usually get high quality products and of the same standard each time.

*Marc:* I associate them with natural good products.

*Helene:* I think of fresh products with fresh ingredients.

*Marc:* I associate it with value for the money.

*Norman:* I do not associate these muffins with Norway. They look very american and it is even written in english.

**Second topic:** Bakery products – aesthetics

**Question 2.1:** What are your first impression of these products as presented?

*Ugo:* It does not look very appealing because the packaging looks a bit simple. However the muffin looks quite good. And I like that it has the little paper under and around the muffin because this makes it look easy to carry around.
Norman: It looks very american and it seems to me as it is easy to carry around and eat too. But how do they stay the same shape after shipping the packages? It must get squeezed.

Helene: The packaging looks very simple, maybe too simple. And it looks very industrial. But I still think the muffin itself looks tasty.

Alexia: The colour of the packaging matches the muffin, it looks clean and simple.

Marc: I agree that it looks appealing. But the colour of the blueberries have faded. Designwise I think more could have been done.

Kristine: I do not like the aesthetics, it looks too industrial and too simple to me.

Ugo: I believe we have similar products in France that do look more appealing, such as “Bon mama”

Marc: I would eat it!

The participants are now being given samples to taste the different products...

Question 2.2: What is your impression of the product now?

Question 2.3: Why or why not would you buy this product?

Question 2.4: In which occasions would you consume these products?

Dark chocolate:

Kristine: It is very soft and moist but concerning the taste I do not think it has enough taste of chocolate.

Ugo: The texture is amazing!! Nothing gets stuck on my fingers either. But the taste is a bit weird in the beginning, but it gets better after a while. Maybe the taste can seem a bit industrial.
Norman: I usually do not like the dark chocolate but I liked this muffin. So for me it was a nice surprise that the chocolate taste was not too dominating.

Helene: The texture is perfect and it is not too sweat which means that you can eat a lot. But I can’t taste the chocolate.

Alexia: I thought the taste was really good and it is not as bitter as dark chocolate tend to be.

Marc: I like that it has chunks of chocolate on the top. And the fact that it didn’t taste too much chocolate was to be positive, but for people who would want a dark chocolate muffin for its taste might get a bit disappointed. I love the moisture, but I agreee that it has a weird industrial-like taste.

Blueberry:
Marc: It has the same lovely moist to it, but not as much as the other.

Alexia: This muffin was good too, but it was oily! It was greasy in a negative matter because I do not associate muffins with the worst cakes one can have but now I keep reminded of how unhealthy it is.

Helene: Yes, I agree, there is too much grease and I love blueberries so for me I think the blueberries are way too small and that there is too little of them.

Norman: This muffin to me was very standard and had nothing special too it. Maybe if it had more blueberries.

Ugo: I loved it! The taste was more “real” and not as industrial. The texture I think was the same and is still amazing. So I disagree, I do not think it is too oily.

Kristine: I almost could not find any blueberries in mine, and therefore I think the muffin was too neutral. It did not have anything special or original and is very
similar to other muffins we have here in France. I do not think it would differentiate itself enough.

_Helena:_ Yes I agree, put more blueberries in!! I could not taste them even though I picked out one to even taste the blueberry in itself.

_Ugo:_ It looks like real berries but it does not taste like it.

_Marc:_ Here in France people are not as used to blueberries in muffins or cookies so maybe a blueberry muffin would not work as well as a more sweet muffin such as the chocolate muffins. What about putting some jam inside? And giving it other flavours for example like raspberry or strawberry.

_Milk chocolate:_

_Everyone:_ we could not tell that they have been frozen!

_Marc:_ Why did not I get a lot of chocolate? Helene did! I still have plenty of positive things to say. And this muffin even had a better aftertaste than the others.

_Alexia:_ I am not a big fan of this one. I disagree with Marc because I felt the industrial taste after more on this one. But it is okay, and it would make it better if they put on some more chocolate!

_Helene:_ The looks of this one was very very appealing to me with all the chocolate I had on mine. But when I looked inside I got so disappointed because there were only small dots of chocolate, no chunks. So my conclusion is that it looks better than it tastes.

_Norman:_ The chocolate should be inside, not all on top. The chocolate was good but not the taste I got in my mouth after tasting it.

_Ugo:_ I agree, put more chocolate inside!

_Kristine:_ I expected more chocolate inside, because there were so many on the top, so I got disappointed too.
Helene: After tasting them all I can not separate the three of them very well. They taste too similar. But the one thing I do keep in mind is the texture.

Marc: I would love to buy it at school, when I am in classes or during lunch break.

Helene: I would bring it to a picnic

Ugo: I would buy it at a café when I am having a coffee or something. My mum would love these.

Marc: I think women would love these in general because they could go for being homemade.

Helene: I would buy this product, but for me it would depend a lot on the price.

Kristine: I agree, depending on the price I would buy it.

Kristine: My impression of the product did not change much after tasting, but maybe it is now a bit better? I do think it would be able to compete with some of the high quality products.

Helene: I do not think it could compete with other snacks though, such as chocolates or chips.

**Third topic: Sales channels**

*Question 1.1*: Where would you picture this product being sold and why?

*Everyone*: Vending machines is a place I would buy this.

*Norman*: I would buy it instead of a chocolate.
Ugo: Also selling it in different companies in their cafeteria, or on different stops on the highway. But vending machines might be good for when you are travelling. You can also find vending machines all over the country.

Norman: Concerning price, I would not pay more than 1,50 euros for it. Maybe not even above 1,25 if it is sold in a vending machine. Depending on where it is sold the price can obviously be different.

Helene: In coffee shops it could probably be sold for between 2-3 Euros.

Everyone: Yeah we agree.
Products:

Source: Millba 2009
E-mail from Name of contact person at Name of company 2009-05-27

I agree to answer your questions; you can send me by mail.
I can already give you a few guidelines for a how a product would gain my interest I'm sorry, I speak very little English, so I answer in French.

- The selling price will be made to consumers:
  - It must correspond to market prices and prices of other products that are already sold in the vending machine

- “Round”, prices are preferred: 1 €, € 1.5, € 2 (it is difficult to have the sufficient change available for our consumers)

- The margin: Name of company standard margin level

- The attractiveness of the product:
  - The consumer can not take the product in their hands before buying it, he can not touch ... etc.. Therefore, it is important that the product is visible, as the consumer makes his buying decision quickly (in 2 seconds)

  - We prefer well-known brand products because they are easily recognizable for the consumer. If the product is not known, it must be even more attractive (to make the consumer choose this over well known brand)

  - Moreover, the inside of the machine is poorly lit, thus we prefer bright colours (product packaging)
- The constraints of the machine:
  - The products must fit the “corridors” where we place the products and be able to go through the channels of the machine to the consumers without being damaged when the machine falls down etc.

I hope these explanations will help you, you can send me your questions by mail.

Best regards,
Name of contact person
Contact persons work title
Interview Pomme de Pain

Do you agree that we can use the information provided by you in our bachelor thesis? Yes

What is your target consumer group?

Who is your main competitor? The biggest competitors we have are the other snack-bars like Brioche Dorée, La Croissanterie etc….

Do you sell muffins in the shops? Yes

If yes; a) What flavours do you sell? Which flavours are most successful? We have two different flavours. Muffin Pepite and Pomme Canel.

b) What size are they?

c) How much do they cost in the shop? 2,30€

d) Do you make them yourself or do you buy them? We buy them

e) Who do you buy them from? If you buy, do you buy directly from producer or do you buy from a grossist/importer? We buy them from a producer

f) What is the name of the producer of the muffins? What is the name of the grossist/importer? The name is Orlygel

g) What is the price of the muffins from either producer or grossist/importer?

h) Is the individual store that decides which products to take in or is the decision of the central office? The central office decide which products we buy
Is price or quality most important to you when you buy muffins to sell in your stores?

j) Does it matter to you where the products you sell come from?

Additional comment:
This Norwegian product sounds interesting; do you know when they are planning on entering the French market?
**Interview Brioche Dorée**

Do you agree that we can use the information provided by you in our bachelor thesis? Yes

What is your target consumer group?

Who is your main competitor? Other snack-bars

Do you sell muffins in the shops? Yes

If yes; a) What flavours do you sell? Which flavours are most successful? We have chocolate and vanilla with chocolate chunks

b) What size are they?

c) How much do they cost in the shop? 2,20€

d) Do you make them yourself or do you buy them? We buy them

e) Who do you buy them from? If you buy, do you buy directly from producer or do you buy from a grossist/importer? I think we buy them from a producer, but I’m not sure

f) What is the name of the producer of the muffins? What is the name of the grossist/importer? I don’t know

g) What is the price of the muffins from either producer or grossist/importer?

h) Is the individual store that decides which products to take in or is the decision of the central office? Everything is decided at the headquarters
Interview La Croissanterie

Do you agree that we can use the information provided by you in our bachelor thesis? Yes

What is your target consumer group? People that are active

Who is your main competitor? La Brioche Dorée, Paul

Do you sell muffins in the shops? Yes

If yes; a) What flavours do you sell? Which flavours are most successful? We have muffin Pépites, and raspberry muffin

b) What size are they?

c) How much do they cost in the shop?

d) Do you make them yourself or do you buy them?

e) Who do you buy them from? If you buy, do you buy directly from producer or do you buy from a grossist/importer

f) What is the name of the producer of the muffins? What is the name of the grossist/importer?

g) What is the price of the muffins from either producer or grossist/importer?

h) Is the individual store that decides which products to take in or is the decision of the central office? The main office decides which products we buy, but we decide how much we want to order in.

Is price or quality most important to you when you buy muffins to sell in your stores? Both
Is it difficult or easy for a new product to enter your shops? E.g a new muffin brand.

Please give a short reason behind your answer. With a good product we don’t have big problems selling a new product. The first impression of the product is important.

**Key players on the market**

**Supermarkets**

<table>
<thead>
<tr>
<th>Chain</th>
<th>Product</th>
<th>Price</th>
<th>Assortment</th>
<th>Weight</th>
<th>Supplier/producer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casino</td>
<td>Muffins</td>
<td>2,99€ - 4pack</td>
<td>Vanilla, Chocolate</td>
<td>Vanilla – 300 grams</td>
<td>Own producer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,58 – 12pack mini</td>
<td></td>
<td>Chocolate – 380 grams</td>
<td></td>
</tr>
<tr>
<td>Carrefour</td>
<td>Muffins</td>
<td>1,80€ - 4pack</td>
<td>Vanilla with chunks of chocolate</td>
<td>75 grams per muffin</td>
<td>Own producer</td>
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Source: Observations
## Snack Bars

<table>
<thead>
<tr>
<th>Chain</th>
<th>Product</th>
<th>Price</th>
<th>Assortment</th>
<th>Weight</th>
<th>Supplier/producer</th>
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<tbody>
<tr>
<td><strong>La Croissanterie</strong></td>
<td>Muffin</td>
<td></td>
<td>Pépites, raspberry</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pomme de Pain</strong></td>
<td>Muffin</td>
<td>2,30€</td>
<td>Pépites, apple and cinnamon</td>
<td></td>
<td>Orlygel</td>
</tr>
<tr>
<td><strong>La Brioche Dorée</strong></td>
<td>Muffin</td>
<td>2,20€</td>
<td>Chocolate, Vanilla with chocolate chunks</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cake Shop (Grenoble)</strong></td>
<td>Muffin</td>
<td>1,50€</td>
<td>Chocolate, carrot, lemon and banana</td>
<td></td>
<td>Bake everything in store</td>
</tr>
<tr>
<td><strong>Café Tempo (Grenoble)</strong></td>
<td>Muffins</td>
<td>1€</td>
<td>Vanilla chocolate chunks</td>
<td></td>
<td>Davigel</td>
</tr>
<tr>
<td><strong>Coffe Shop (Grenoble)</strong></td>
<td>Muffins</td>
<td>2,50€</td>
<td>Chocolate Blueberry</td>
<td></td>
<td>Distram</td>
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Source: Observations and interviews
### Distributors

<table>
<thead>
<tr>
<th>Distributor</th>
<th>Product</th>
<th>Weight</th>
<th>Price</th>
<th>Activities</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orlygel</td>
<td>Muffin</td>
<td></td>
<td></td>
<td>Distributor/logistics</td>
<td>Pomme de pain, La Brioche Dorée</td>
</tr>
<tr>
<td>Davigel</td>
<td>Muffin with chocolate chunks</td>
<td>75grams</td>
<td></td>
<td>Importer/Producer/Distributor</td>
<td>Café Tempo (Grenoble)</td>
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<tr>
<td>Distram</td>
<td>Mini muffin chocolate</td>
<td></td>
<td></td>
<td>Distributor</td>
<td>Coffé shop (Grenoble)</td>
</tr>
<tr>
<td></td>
<td>Mini muffin cassis</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Muffin double chocolate</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Muffin myrtille</td>
<td></td>
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Source: Distram adn Davigel (2009)
BAKING & SNACK INTERNATIONAL

January 2009

Trends and technology for the industrial baking market worldwide

Millba AS
Norwegian baker introduces consumers to new snack food category.

Regional Overview
Europe

Dough extrusion | Closures | Dough conditioners

www.bsimagazine.com
Creating a CATEGORY

Norwegian consumers didn’t realize what they had been missing before Millba introduced the market to a new variety of baked snack foods.

BY KIMBERLY CLYMA

Thirteen years ago, if Norwegian consumers wanted to buy an American-style cake or donut, they needed to journey to the UK, Spain or even the US. No such products were available in their area bakeries or supermarkets. The Norwegian cake category consisted of traditional cream cakes, which are typically eaten at family gatherings and for special occasions. Snack cakes didn’t exist.

Realizing young Norwegian consumers were looking for more snack food options and recognizing this void in the market, Stefan Kristiansen started baking snack cake products in his medium-sized bakery. Prior to adding American-style cakes (also called muffins) and yeast-raised donuts to his bakery selections, Mr. Kristiansen had sold mostly fresh bread and Nordic cream cakes. His new snacks were an instant hit.

After a few years, Mr. Kristiansen saw the opportunity for large-scale success with this newly developed product category, so he sold his fresh bakery, teamed up with some colleagues and founded Millba AS. The company, based in Skien, Norway, which solely produces American-style cakes and donuts, sold 450,000 cakes in 1999, its first year in business. Last year, the company sold 35 million cakes and generated sales of €160 million.

BUILDING A BRAND. Millba’s target consumers are 10- to 30-year-olds. “Younger people are heavy snackers, and we saw an opportunity to enter the snack market by producing our American-style cakes and donuts,” said Bernt Ove Sævik, managing director for Millba. “Cakes had never been eaten as snacks in this area, so we created the category by introducing our products. We compete with other snacks like chips, chocolate and ice cream.”

Not only did Millba create its own category, but it developed its own brand. Aunt Mabel’s, which the company considers to be similar to an authentic American brand. “American-style products are popular all over the world, so we decided to build a brand that had an authentic American feel,” Mr. Sævik said.

The Aunt Mabel’s brand is featured on all packaged products. An accompanying story to go with the brand name is featured in corporate literature and on the company’s website. Aunt Mabel, a fictional character created to help with product marketing in early 2000, is said to be a cake baker from Dexter, Maine.
USA. As the story is told, Aunt Mabel was known all over town for making the best cakes in the state of Maine. She often used wild Maine blueberries in her recipes and was known to invite the local children over to her house for a sample. “Aunt Mabel had many exciting recipes, and we feel lucky to be able to use them in our delicious cakes,” the Web page stated.

Thanks to the Aunt Mabel brand identity and the company’s marketing efforts including TV commercials, Aunt Mabel’s is the most well-known snack cake in Norway. “We have 70% brand recognition now after more than eight years on the market,” Mr. Savik said.

However, American-style cakes and yeast-raised donuts are no longer one-off-a-kind products in Norway. After years of success creating a new snacking category and carving out a niche in the market, Millha has direct competition with copycat products. “At first our biggest competitors were other types of snacks — cookies, chips, ice cream — but now other companies are starting to make American-style cakes and donuts, too,” Mr. Savik said. Millha combats this competition by continually expanding its product line. Plans are in the works to introduce more new flavors and sizes of muffins in 2010.

MAKING MUFFINS. The Millha plant houses two production lines — one for the American-style cakes or muffins and the other for the yeast-raised donuts. The muffin line turns out more than 2 million cakes weekly. Production consists of weighing, mixing, depositing, baking, filling, topping and decorating, freezing at -40°C for one hour and wrapping.

Three years ago, Millha invested in an Auto-Bake oven system for its muffin line. The 3-zone oven accommodates four different pan sets for various muffin sizes. Muffins are baked one size at a time in paper-lined pans — the system bakes approximately 11,700 muffins per hour. Millha also produces two varieties of 40- to 80-g cookies on the Auto-Bake line. The company launched its Double Choco and Milk Choco cookies in February.

Specifications regarding the rest of the company’s production processes and equipment are proprietary. “We have spent a lot of money to put together the best combination of processes and equipment for our line,” Mr. Savik said. “We are confident that we are producing the best American-style cakes in Norway.”

In the beginning, Aunt Mabel’s muffins were only available in 100-g sizes in basic flavors. Soon after, the product took off and demand increased, and the company came out with larger and smaller sizes.
Today three styles of muffins are available — individually wrapped, premium and coffee shop. In the single-pack category, there are chocolate muffins with chocolate chunks in 100- and 35-g sizes; traditional blueberry muffins in 100- and 35-g sizes; a strawberry muffin, a traditional 100-g muffin with strawberry filling; and a 100-g milk chocolate variety, a traditional muffin with chocolate chips inside and chocolate chunks on top. Wrapped muffins have a 2-week shelf life after thawing. Fresh unwrapped muffins have 2-day shelf life. All muffins are sold at ambient temperature.

Both the premium and coffee-shop muffins are sold unwrapped in convenience store and grocery bakery kiosks. The premium muffins weigh 120 g and come in four flavors — caramel, chocolate and raspberry, wild blueberry and carrot. The coffee-shop 160-g muffin flavors include Triple Chocolate, a chocolate muffin with chocolate chips inside, topped with chocolate icing and chocolate chunks; Strawberry, a yellow-cake muffin filled with strawberry filling and strawberry nuggets, topped with vanilla icing; Blueberry, a yellow-cake muffin filled with fresh blueberries and blueberry filling; and Apples and Cinnamon, a yellow-cake muffin filled with cinnamon nuggets and apple filling.

The most popular flavor today is the milk chocolate variety, introduced within the past three years. In fact, 50% of muffin turnover today is from varieties that were introduced within the past three years.

A NEW KIND OF DONUT. The donut category isn’t new to Norwegian consumers. They have enjoyed traditional cake-style donuts called smallings for years. However, Millba’s yeast-raised donuts were new to the marketplace when Mr. Kristiansen started production in 1999.

Millba produces six donut varieties — one is sugar covered.

Only half of Millba’s 4500 sq m plant is currently being used.

and the rest are topped with flavored icings. The varieties include vanilla iced, chocolate iced with chocolate shavings, strawberry iced with sprinkles, banana iced with chocolate shavings and what the company calls a vanilla coffee-shop variety, which is coated in vanilla icing and topped with chocolate sprinkles. Millba also makes a Berliner donut, a traditional German-style donut filled with raspberry jam and sprinkled with sugar.

The donut line is set up in a traditional manner, starting with a weighing station, then mixing, depositing, proofing, frying and coating. The coating system was developed in-house. After coating, the donuts are frozen at -40°C for one hour then wrapped. The freezing process helps extend the product’s shelf life. Frozen donuts will stay fresh for one year. After thawing, they have a 24-hour shelf life. The donuts are bulk packed in boxes — between 20 and 64 donuts per box — and then sold alongside the muffins at convenience store and grocery bakery kiosks. The company produces 1.1 million donuts per week.

ROOM FOR EXPANSION. Millba moved to its current bakery in Skien.
a former frozen cream cake facility, in 2001 after it outgrew its first plant. The 4,500-sq-m facility has plenty of room for future expansion — only 50% of the space is currently being used. Operations run five days a week from 0500 to 2000 (5 a.m. to 8 p.m.). There are two shifts operating the donut line and one shift for the muffin line.

The company employs 40 people in roles ranging from project management to sanitation. Ten people run the bakery department, 15 work in packaging, four are technicians and three are logistics personnel. There is also one employee charged with quality assurance and two working sanitation. The remaining five employees are in operations management roles — two in finance, one in sales and marketing and two for operating and project management.

Millba AS is owned by Nordbake AS, a holding company. Nordbake is made up of five separate corporate entities — United Bakeries AS, owned by Remi Gouilhan; Valtermo AS, owned by Mr. Kristiansen; BRED AS, owned by Finn Carlsson; Dolce AS, owned by Bernt Ove Sovik; and Hegna AS, owned by Tore Hegn. Nordbake AS also owns Bakeverket AS in Fornebu in Norway. This newly opened bakery produces bake-off breads and rolls.

A Millba operates two production lines — one for muffins and the other for donuts. The donut line produces 1.1 million donuts per week.

In its first year of production, Millba baked 450,000 muffins; in its second year, it sold 35 million.

SUPPLY AND DEMAND. The company maintains a frozen inventory of more than 1,000 pallets of product, each containing approximately 1,560 frozen cakes or donuts. The facility has available freezer space to store 300 pallets on-site. Millba rents space off-site in what’s referred to as a “frozen hotel” to store the remaining 700 pallets. Wholesale distributors pick up Millba product at the plant on weekdays and deliver it to various retail outlets. Using an electronic data interchange (EDI) system, customers order the muffins and donuts before 0900 (9 a.m.) each day. The product is then available for pickup and delivery by 0700 (7 a.m.) the following day.

Keeping the product frozen helps with logistics of distributing throughout Norway and to other countries. Millba started exporting in July 2003, almost immediately after bakery production began. The company now exports its products on a weekly basis to Sweden, Finland, Germany, The Netherlands, Belgium, Lithuania, Latvia, Estonia and Saudi Arabia. “We are looking for new exporting opportunities every day,” Mr. Sovik said.

Now approaching its 10-year anniversary, Millba has come a long way from introducing a product category into the Norwegian snack market to now having the most recognized snack cake brand in the country. Millba sells 77 times more American-style cakes than it did after its first year of production. With new product selections on the horizon in 2010, room for expansion in its production plant and copycat competitors keeping the company on its toes, the next 10 years for Millba AS should be as fast paced as the first.