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Asian tea and coffee with healthy additives – will it work in Sweden?

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Preface

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Abstract

Asian wellness products and their potential market in Sweden have caught our interest. This thesis is based on Asian teas and coffees with healthy additives, which could possibly be classified as functional foods. The purpose of this thesis is to examine if there is a market for Asian tea and coffee with healthy additives in Sweden by analysing the market, the competitors and the consumers' attitudes. Due to the nature of the products, the thesis also focuses on the phenomenon functional foods and the health trend. The markets that are being analysed are the functional foods, functional beverage, and the tea and coffee markets. When conducting the analyses, theoretical frameworks were studied and put together into a theoretical model. The market and competitor analyses show that the functional foods market has reached the maturity stage and product development is the key to success, both for existing and new companies. Due to high barriers, entering this can be difficult for new companies. The functional beverage market, on the other hand, is growing. So is the tea market with many possibilities, especially for green and herbal tea. Finally, the growth rate on the coffee market suggests that the maturity stage has been reached. All markets are characterised by a few companies with large brand shares and many small companies that try to compete. The trend shows that customers demand quality when buying coffee and tea. Also, another reason for buying tea is its health benefits. Functional foods are not demanded to the same extent as before due to the trend of eating naturally healthy food, as well as organically and locally grown food. The source when conducting the consumer analysis is a survey that was completed by 200 respondents. The survey focuses on consumers' attitudes to functional foods and examines correlations between the questions and the factors, age, gender, occupation and education. The results show that most respondents have negative opinions of functional foods and Asian functional foods. Instead, they demand naturally healthy food, as the trend suggests. Many respondents are sceptical to the products' alleged benefits. However, several respondents may consider trying it out of curiosity. Our conclusion is that consumers in general have a negative attitude to these types of products because of their additives, which makes it a risky market. The potential target groups, as we see it, are women, those with a university education and young people.

Keywords: Market analysis, competitor analysis, consumer analysis, functional foods and beverages, coffee, tea, Asia

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1. Introduction

1.1 Background

Asian wellness products and their potential market in Sweden have caught our interest. Wellness products are popular in Sweden today and the interest is predicted to grow (Alltförhålsan). In addition, Asian products in general seem to be here to stay as new sushi restaurants and yoga-studios open constantly. We therefore see it as interesting to study whether these two, wellness and Asian products, can work together and be successful. Based on this, we believe there may be a potential market for Asian wellness products in Sweden. Functional foods are food that has been added to with healthy substances (NE 2011). A company that wants to introduce Asian tea and coffee with healthy additives to the Swedish market has contacted us. Their request was to get help with conducting a market analysis and a market plan.

1.1.1 The wellness boom: a megatrend

There are two things that drive the wellness boom; consumers' requests for products that make them feel healthier on a larger scale; society's aim to reduce costs, which arise due to health problems (The Economist 2007, pp. 51-52). Wellness is predicted to affect the people's lives to a greater extent during 2011. It is said that healthier people will be seen as more vital and have benefits compared to other people. Therefore, the companies who sell wellness products will be coveted and have great prospects for the future. (TechRepublic 2011)

1.1.2 Functional foods and functional beverages

Functional foods were first recognised in Japan in the 1980s and are today popular in the United States and Japan. It is food with healthy additives, such as vitamins, minerals, fibres and bacteria. (NE 2011) Functional beverages include both hot and cold drinks with healthy additives (Passport GMID¹ 2011). It is important to note that the substances have been actively added during production. If the substances are added because they have earlier been lost during production, then the product is not allowed to be classified as a functional food. (Passport GMID¹ 2011)(Passport GMID² 2011) Research has discovered that certain substances in food can have a positive effect on health, both physically and mentally, in combination with a healthy lifestyle. The healthy effects of these foods have gained credibility in research and thereby wider acceptance in Europe. Furthermore, trends towards longer life expectancy have made governments more interested in these kinds of foods since an increase in the number of elderly people means larger spending on healthcare for countries. (EUFIC 2006)

To be able to call products functional foods in Sweden they have to be accepted by the European Food Safety Authority (EFSA). This is due to an EU legislation introduced on July 1, 2007 that regulates nutrition and health claims when it comes to the marketing, labelling and presentation of functional foods. In Sweden, companies have to apply to Livsmedelsverket (*Eng. National Food Administration*) to get an approval to call their products functional foods. (Hemköp 2011) To be accepted as functional foods the products have to follow a few criteria that have been developed by the Swedish Nutrition Foundation together with organisations in the food industry. The criteria are the following; the health effect of the products has to be shown in two independent studies, proven by the company; the studies must also be conducted on people that are representative for the target group; finished products must be used in the study; Lastly, the study has to be reviewed by researchers that have expertise in the area. These researchers then determine whether the products can be classified as functional foods. (Proviva 2011) When the products are accepted as functional foods, the company is allowed to market the products together with a health claim. This regulation was applied in all EU countries in January 2010. EFSA has reviewed current health claims, introduced before the regulation was applied, and most of those were rejected. (Passport GMID³ 2010)

The functional foods market in Sweden is large and products were sold for 5646.3 million Swedish kronor (SEK) in 2010. (Passport GMID⁴ 2011) We therefore see it as an interesting market for this thesis since the products for which we have been assigned to do a market analysis fit the description of functional foods. The products come from the Asian company New Concept Products Co LTD (NCP) and are tea and coffee that have been supplemented with health promoting substances, such as vitamins and fibres. Consequently, we have chosen to categorise the products as functional foods throughout this thesis, even though the products are not approved as functional foods by EFSA.

1.1.3 The NCP products

The products belong to one of South-East Asia's largest brands, NCP, a Thai company that was founded in 1985. The products follow the old tradition and culture of Asian food and health. NCP has divided the products into four brands: Fitnè, Hotta, Ladina and TumTip. (NCP¹ 2011) All of the products have been awarded with International Quality Standards (Attachment 4). The products we examine come from the brands, TumTip and Fitnè.

Fitnè consists of several teas and instant coffees. There are five types of coffee which all have different benefits besides burning fat which is a shared characteristic by all of them. The extra effects come from added vitamins and extracts and are said to have a positive effect on the

digestive system and the skin, and to reduce sugar cravings. In this line of coffees there is also a series of two coffees especially developed for men. The men can choose from the “Mzel Brain Booster” formula that stimulates brain capacity, or the “Mzel Body Firming” formula that provides a slimmer and more muscular body. All of the coffees contain a sweetener. There are three types of herbal teas in Fitnè with different flavours but the same benefits. The teas are slimming since they help the body get rid of unnecessary fat and they all have a slight laxative effect. Besides these direct benefits, the teas are also said to help prevent haemorrhoids and cancer in the large intestine. The teabags are 100 % natural and do not contain any metal wires or glue which is beneficial to the environment. (Attachment 4)

The last product is an instant fruit drink with honey, from the group TumTip, which can be drunk both hot and cold. The main ingredients are herbs with an addition of the vitamins B1, B2 and B6. The drink is supposed to restore the fluid balance in the body. (NCP² 2011)

1.2 Problem discussion

Considering the background to this thesis, the potential introduction of Asian wellness products to the Swedish market and the wellness boom that has occurred, we see many possible research areas. Introducing new products from a foreign country to a market is always problematic. Before knowing if the products will be a success or not different, certain areas have to be examined. Areas we see as important to examine are the products’ adoption to the Swedish customers and market. When doing this it can be important to look at differences in culture and other aspects between the countries. A company entering a new market needs a strategy on how to do this and therefore, it is not only necessary to consider the most suitable introduction strategy, but the company’s general strategy and positioning also need to be planned. It is crucial for a company to know its customers. Before marketing products on a specific market, the company needs to know who their customers are, what their attitudes are, what their buying motives are, and when and where they are buying.

Distribution is something that has to be considered before importing products, both in terms of the distribution from the exporting country to the domestic country and the distribution in Sweden. Also legal aspects have to be examined to avoid problems. Food and beverages have to be accepted as functional foods by EFSA if the manufacturers want to market the products together with a health claim. Before importing products, where a health claim may be essential, it could be a good idea to analyse whether there is a possibility for the products to be accepted. Functional foods have proven to work well in countries such as Japan and the United States. These markets differ from the Swedish market in many aspects. One possible research area

could be to study what the key success factors are for the functional foods market or alternatively what the differences and similarities are to the Swedish market.

There may be a trust issue concerning Asian wellness products. Products coming from a foreign country can be seen as something unfamiliar and intimidating, and this has to be examined before introducing the products on the market. Is it possible to prevent or reduce this trust issue? We can observe that many people think of these products as something that does not work and many people describe them as a bluff. But why is this the case? By studying why people have this view of Asian wellness products, one can tackle the negative perceptions and thus prevent a failure.

Also, the megatrend is interesting. For many years, the United States has influenced Sweden and Europe to a great extent. However, today it seems that the influences are coming more and more from Asia, with popular items such as sushi, yoga and wellness products. For how long will this trend continue? Are products and influences from Asia a permanent trend or just a fad? An interesting aspect to study could be what it is that drives those different megatrends and why they come from those specific countries.

We have chosen to focus on the problem of understanding the consumers on the Swedish market. It is crucial for a company to know its customers, since they change their preferences rapidly (Aaker 2011, p. 42). As stated earlier, these types of products are often discredited and people either believe in their abilities or think they are meaningless. Therefore, we concentrate our focus on the customers in a consumer analysis. We conduct market and competitor analyses to develop an understanding of the condition of the market, and the players on it before analysing the consumers. Without these necessary analyses, it would be challenging for a company to introduce this type of products on the Swedish market since they would enter blindfolded and possibly lose invested capital.

This thesis is useful and interesting for those who may consider introducing Asian wellness products to the Swedish market, as well as for others that would like to get a good insight into the market for Asian wellness products in Sweden and the consumers' attitudes to these products.

1.3 Purpose

The purpose of this thesis is to examine if there is a market for Asian tea and coffee with healthy additives in Sweden by analysing the market, the competitors and the consumers' attitudes.

1.4 Limitations

The thesis is written from a marketing approach and we do not examine the problem from other approaches. We have chosen to concentrate on conducting a market, competitor and consumer analysis for the Swedish market. The products that the analyses are based on are teas and coffees with healthy additives from the company NCP. The focus lies on the parts of the analyses that are important for answering the research questions, that is, not all information from the theories is used in the *Results and Analysis* chapter. We do not set up a market plan, since we see it as being of greater importance to carry out a closer analysis of the market, competitors and consumers. These are factors that are needed when setting up a complete market plan.

The thesis does not only focus on the products themselves but also on the phenomenon, functional foods. This is to create an understanding for the environment the products would be sold in. The functional foods along with the functional beverage, and tea and coffee markets are examined in a market analysis. The functional beverage market is sometimes classified as an individual market and sometimes as a part of the functional foods market. Due to this, both markets are analysed to secure all necessary data on the subject is collected.

The NCP products can also be seen as health care products, but we have chosen to categorise them as functional foods to narrow down the research area and hopefully create a deeper understanding of the market.

1.5 Research questions

Based on the purpose for the thesis, we have developed two main research questions:

- 1. How does the potential market for Asian tea and coffee with healthy additives look like in Sweden?*
- 2. What characterises the potential consumers on the market and what are their attitudes to functional foods?*

To answer the first research question, we conduct a market and competitor analysis based on the NCP products. This is used to make recommendations to the company that wants to introduce the products to the Swedish market. Together with the information from the consumer analysis that is conducted to answer the second question, this will provide the company with good knowledge about the market.

2. Theoretical framework

In this section, we explain existing theories that are important for the construction of the thesis. These are market analysis, competitor analysis and consumer analysis. The first step in answering the research questions is to conduct a market analysis; this theory is therefore defined first. Secondly, we define the competitor analysis theory since this helps us understand the competitive environment on the market. These two theories help with answering research question one. To be able to answer the second question, the consumer analysis theory is needed and is therefore described thirdly. Finally, a theoretical model created to simplify the results and analysis section of the thesis is presented.

2.1 Market analysis

A market analysis has two objectives. The first objective is to help us understand how attractive a market is for stakeholders. The second objective is to establish the structure and dynamics of the market. (Aaker 2011, pp. 59-60) By knowing the attractiveness, structure and dynamics of the market, one can understand the threats and opportunities, and appropriate strategies can be chosen accordingly. (Aaker 2011, p. 11) A market analysis usually includes an analysis of the following steps: emerging sub-markets, market size, market growth, market profitability, cost structure, distribution systems, market trends and developments and key success factors. (Aaker 2011, pp. 59-60)

2.1.1 Emerging sub-markets

When conducting a market analysis, it is relevant to find emerging sub-markets. When the firm has found a market that is attractive they may have to change their brand portfolio in order to fit the market. (Aaker 2011, p. 60)

2.1.2 Market size

To know how big the potential market share for new products is, one step is to look at total market size and total sales. This information can be found in, for example, government data, trade magazines, associations and financial analyses of different firms. It could also be a good idea to look not only at the current market size, but also at the potential market size to spot new opportunities on the market. (Aaker 2011, p. 63)

2.1.3 Market growth

The next step in the market analysis process is to estimate the future growth rate. This will help the company choose the right strategy based on the prospects for the future. It can be a good idea to investigate driving forces, leading indicators and analogous industries, but when

predicting the market growth, it is important to be careful. Historical data can be examined, but this may not reveal everything. Trends and subsequent deviations can depend on other things such as random fluctuations and other unforeseen economic conditions. The focus should not be on historic development of a trend, but on the predictions of turning points and the expected timings of turning points of the trend. Forecasting market growth can be achieved by examining different leading indicators that influence market sales, such as demographic data. Regarding introducing products to new markets, it is prudent to examine analogous industries. To know as much as possible about the market and its growth, it is also crucial to be able to identify the maturity and decline of the market, since customers demand different things at different states of the product life cycle. (Aaker 2011, pp. 64-66)

2.1.4 Market profitability

When analysing market profitability, a model can be used that evaluates how profitable an average firm will be on the market. A company's profitability is measured as the long-run return on the invested capital. Five factors that all affect the company's profitability should be examined. The five factors are: existing competitors, potential competitors, substitute products, customer power and supplier power. By analysing how high the average profitability is, one can predict how difficult it will be to succeed on the market; a low average profitability will usually make it more difficult to be successful. The company should analyse the five factors to find a strategy to keep and strengthen their position on the market. (Porter 2004, pp. 3-4)

The aim when analysing the existing competitors, is to understand the intensity of competition among them. The first factor to analyse is how many competitors there currently are and the prospects for the future. More competitors on the market will mean a higher level of competition. The level of competition will also be contingent on whether the players are large and strong, or small and vulnerable. Another factor to look at is their level of differentiation and how high the switching costs are for changing from one company to another. A third factor to analyse is the level of fixed costs. High fixed costs mean that the profitability on the market will be lower. Lastly, the size of exit barriers should be analysed. Exit barriers are factors that keep companies on the market even though their profitability is low. When the exit barriers are high, this leads to a low profitability for all the companies on the market. (Porter 2004, pp. 17-21)

When analysing potential competitors, barriers to entry and reactions of existing competitors should be examined, since these will influence whether new companies enter the market or not. In the case of new competitors entering the market, the profitability for all competitors will be pushed down. (Porter 2004, pp. 7-13)

Substitute products should be analysed because if the prices of the company's and its competitors' products increase, customers may choose substitutes instead. In this sense, the substitute products create a price ceiling for the companies on the market. Substitute products have the same function as the primary competitors' products and reduce the profitability for the existing competitors on the market. (Porter 2004, p. 23)

Customers can influence profitability if they have a great bargaining power by pushing down prices or making other demands, regardless if they are final consumers, industrial or commercial buyers. Customers have great bargaining power when they buy a great amount of the company's products and when the products they buy represent a large amount of the total costs. The customers' bargaining power also increases when the products are standardised because the customer can then choose between many alternative suppliers. Switching costs, how profitable the buyer is, how important the product's quality is for the buyer's product and how much information the buyer has about important factors also influence the buyers' bargaining power. (Porter 2004, pp. 24-26)

The suppliers' bargaining power will also influence the profitability: if the suppliers have more power than the companies they will be able to influence prices. The suppliers will have a greater power if they are few, substitute products are few, their products are important for the buyer's final products and they sell to a great amount of customers in different industries. The cost of switching supplier also affects the suppliers' bargaining power. (Porter 2004, pp. 27-28)

2.1.5 Cost structure

To understand the cost structure, the first step is to analyse the value chain and then examine each production stage and see where value is being added. When the fundamental stages in the value chain have been found, these can be used to identify the key success factors. (Aaker 2011, p. 69)

2.1.6 Distribution system

Factors such as different alternatives of distribution channels and trends should be examined when analysing the distribution system of the market. Also, which new types of channels there are, which channels that are essential and who decides what system is used are factors that should be analysed. Could the power shift, and if this is the case, how will this happen. (Aaker 2011, p. 70)

2.1.7 Market trends and developments

Which changes are happening or will happen in the near future must be analysed and then identify those that are important. It is a good idea to identify the trends of the market at the end of the market analysis as it works as a summary of the analysis. When analysing the trends, it is important to make a distinction between trends and fads. Trends are more long-term and will lead to growth, while fads are more short-term and only attract investments before they disappear again. (Aaker 2011, pp. 70-71)

2.1.8 Key success factors

The key success factors are assets and knowledge that the company chooses to compete with. The last step in the market analysis is to identify the key success factors to help the company be successful. There are two types of key success factors: strategic necessities and strategic strengths. Strategic necessities are assets and knowledge that other companies on the market also have and something that the company needs in order to stay on the market and compete. It could be seen as a kind of minimum requirement. Strategic strengths, on the other hand, are the company's assets and knowledge that are superior to other companies. The company should not only look at which key success factors that is crucial today, but also which ones that will be important in the future. The company should focus on different key success factors during the different phases of the product life cycle. When analysing consumer' products, the focus should be on marketing and distribution during the introduction and growth phases, and operations and manufacturing during the maturity and decline phases. (Aaker 2011, p. 72)

2.2 Competitor analysis

A competitor analysis should focus on eight factors (Aaker 2011, p. 47) and provides companies with information about the competitors and helps them make advantageous strategic decisions. The focus should be on discovering strengths, weaknesses, opportunities and threats. The first step is to map existing competitors. This can be done either by looking at the competitors from a consumer perspective, and dividing them into groups depending on customers' preferences, or by dividing the competitors into groups depending on the competitive strategy they have decided to follow. (Aaker 2011, pp. 40-41)

2.2.1 Eight factors that affects the competitor analysis

When examining the competitors, there are eight factors that the analysis should focus on: size, growth and profitability, image and positioning strategy, objectives and commitment, current and past strategies, organisation and culture, cost structure, exit barriers and assessing strengths and weaknesses. (Aaker 2011, p. 47)

The size, growth and profitability of competitors are great indicators of how successful they are. Competitors that have a large market share and have been able to maintain it for a long time most certainly have functional strategies. The same applies to profitability and the degree of profit the competitors generate. (Aaker 2011, p. 47)

The next factor that should be analysed is the competitors' image and positioning strategy. By examining this, the company can exploit possible errors in the competitors' supply of properties surrounding the products, such as quality and brand personality, and by doing so create an advantage. (Aaker 2011, p. 47)

Mapping the competitors' objectives and commitment is a way of examining if their present result is in line with their long-term plans. If they are, it might suggest that the competitors will stick to the present strategy and vice-versa. Knowing the competitors current and past strategies provides the company with a picture of strategies the competitors might and might not use in the future due to past experience. It can also help with giving a pattern of their plans for growth in the future. This is also the reason why the analysis should look at the organisation and culture of the competitor. Depending on the background of the managers, it is possible to predict the competitors' next move. (Aaker 2011, pp. 47-48)

If the competitors rely on price, their cost structure should be examined. Also, the exit barriers on the market should be studied since it might be difficult to leave a market due to, for example, governmental barriers or managerial pride. (Aaker 2011, pp. 48-49)

The last factor that should be examined in a competitor analysis is the competitors' strengths and weaknesses, also known as their level of knowledge and assets. The goal is to use this information for own benefit. (Aaker 2011, pp. 50-51)

The easiest way of finding information about the competitors is to browse their websites. They generally contain useful information about their strategic choices. The information that cannot be obtained from there might be found by searching the web for articles and journals and looking at annual reports. Also, contacts with the competitors' stakeholders or to conduct a market research might provide the company with useful information. (Aaker 2011, p. 57)

2.2.2 Customer-based approach

The approach focuses on customer demands and how they group different brands. An analysis can be conducted by asking customers about the circumstances around their purchase. For

example if there is something they wish would be available on the market that is not, and another question could be if they immediately decided to buy the product or if there were other products involved in the thinking process. The company can also decide to focus the analysis on the brand by asking customers to come up with several situations that can occur and then name brands they think would be suitable to use in these situations. (Aaker 2011, pp. 41-42)

The indirect competitors, companies that sell products with the same function as the company's products, should also be mapped. They might be harder to track than direct competitors. Though, it is very important that this kind of analysis is conducted since customers continuously change their wants and an indirect competitor might become a direct competitor in the future. By including them in the analysis it becomes more realistic since it then includes all customer options. When conducting the analysis the indirect competitors can be grouped based on how similar they are to the company's business and positioning. The analysis can focus on the firm as a whole or on different parts or products and it might be necessary to conduct several analyses. (Aaker 2011, pp. 42-43)

2.2.3 Strategic groups

Companies belong to the same strategic group if they adopt the same strategy or are equal in characteristics and knowledge. They compete by developing skills that the competitors lack. When a company has been placed in a group, it is difficult for it to move to another. Therefore, the analysis gives the best result if it is done within a group. If the competitor analysis is conducted by looking at the strategic groups, the result will differ from that achieved in an analysis conducted by examining the competitors from a customer-based approach. (Aaker 2011, 43-44)

Dividing competitors into strategic groups, instead of looking at them from a customer-based approach, makes the analysis easier to conduct. A few strategic groups are easier to analyse than many individual firms. Also, firms in the same strategic group often have similar strategies and act in similar ways. The company that want to enter the market can examine in which group it is most profitable to invest. If a new strategic group is created on a market, it might have implications for the other groups for a long time ahead. (Aaker 2011, pp. 44-45)

2.2.4 Potential competitors

After having analysed the existing competitors, it is also necessary to analyse potential competitors. The analysis can focus on competitors that might want to enter the market in the future, or the existing competitors' plans on developing their products or expanding their control of the production chain. The analysis can also contain a part where the focus lies on

potential mergers that might be unfavourable for the company, and potential counterattacks by other competitors. (Aaker 2011, pp. 45-46)

2.3 Consumer analysis

The analysis can be conducted by examining different ways of segmenting the customers, studying the customers' motivations and also asking if there are any needs customers cannot fulfil from the existing range of products. (Aaker 2011, p. 26)

2.3.1 The different parts of consumer analysis

Since all customers have different needs, they also act differently to offers. It can be profitable for companies to segment them into groups and then evolve a strategy that focuses the offers to attractive groups. If a company is successful, it gives them an advantage compared to their competitors. There are many ways of dividing customers into segments, and there is no straightforward way of saying which way is wrong and which is right. Two ways can be used to simplify the segmentation. Either the focus can be on customer characteristics that are unrelated to the products, such as gender, age and geography, or the focus can be on product-related characteristics, such as usage, price sensitivity or user types. Factors that affect the customer directly, so-called demographic factors, are more important to look at since they closely affect what kind of decisions a customer makes. (Aaker 2011, pp. 26-28)

Motivation between customers varies, and it is not always easy to determine what is motivating to an individual. One option is to interview customers to get information and then group the motivations to get a better understanding. The motivations for the customers in the company's segment should also be determined so the right strategy is implemented. Customers today are changing individuals, and it is crucial for companies to engage them in the brands on a personal level. (Aaker 2011, pp. 32-35) Motivation will be described more under the headline 2.3.3, where consumers' buying behaviour is defined.

Customers have needs that are not being met by the existing companies. Those unmet needs represent an opportunity for the company. They can be identified by using information from sources such as the Internet, observing customers when they are not aware and let the customers describe their ideal contact with the company. (Aaker 2011, pp. 35-38)

2.3.2 Consumers' buying behaviour

Consumers' buying behaviour is an important part to examine, because understanding the customers has a great part in conducting the consumer analysis. Consumers' buying behaviour is

defined as “the buying behaviour of final consumers - individuals and households who buy goods and services for personal consumption” (Kotler et al. 2008, p. 238).

2.3.3 Analysing consumers’ buying behaviour

When analysing consumers’ buying behaviour, six questions need to be considered: What? Where? When? Why? How? Who? These questions constitute a first step in understanding consumers’ buying behaviour. People are affected by stimuli such as the four P’s of marketing: price, product, place and promotion, as well as other stimuli in the buyers’ surroundings. They then process and revalue this information individually according to their preferences before the purchase takes place. (Kotler et al. 2008, pp. 238-239) Consumers’ buying behaviour depends on cultural, social, personal and psychological factors. Marketers need to build a strong understanding for these factors in order to be successful. (Kotler & Keller 2006, p. 174) Culture and the environment in which people are brought up lay the foundation for their future consumer behaviour. This factor therefore has a prominent role in customers’ buying behaviour. Also sub-cultures can have a deep effect on individuals’ brand selection since members identify themselves with the people in the sub-culture. (Kotler & Keller 2006, pp. 174-176) Social classes divide people in groups depending on their income and work. What group they are member of affects their spending possibilities and also their wants and needs. (Kotler et al. 2008, pp. 242-244)

Another deep influence to consumers’ buying behaviour is social factors such as family and other groups. Groups often contain an opinion leader whom it is important for marketers to reach since, by doing so, their message also gets across to other members of the group. The role a person is playing in a group or a family often affects their buying behaviour. (Kotler & Keller 2006, pp. 176-180)

Also, personal factors such as age, gender, income and lifestyle are important for marketers to understand since they affect brand selection directly. Together, they form the person, which means that they have an immediate effect on brand selection. (Kotler & Keller 2006, pp. 180-184) People are, by nature, different and what stage in life they are in affects what products they demand. (Solomon et al. 2006, p. 10)

Psychological factors such as motivation, perception, attitudes, learning and beliefs also affect the product purchase. Motivation arises when people have a want or need that is so strong that it leads the person to take actions to fulfil the need. (Kotler et al. 2008, p. 255) The level of motivation and personal preferences tend to decide what information a person takes in and

which is ruled out; this is known as perception. People only pay attention to information that is in line with their goals. Through past purchases people learn and develop new understandings. This in turn changes their existing beliefs and attitudes, that is, the opinion a person holds about a brand or a product, and the way a person evaluates a brand or a product. (Kotler et al. 2008, pp. 258-260)

2.4 Summary of theoretical framework

The theories explained in this section are market, competitor and consumer analyses. The market analysis is conducted to determine the attractiveness, and to establish the structure and dynamics of the market. It includes eight steps that should be examined: emerging sub-markets, market size, market growth, market profitability, cost structure, distribution systems, market trends and developments, and key success factors.

The competitor analysis examines eight factors: size, growth and profitability, image and positioning strategy, objectives and commitment, current and past strategies, organisation and culture, cost structure, exit barriers, and assessing strengths and weaknesses. The analysis can be conducted either from a customer-based approach or by examining the strategic groups on the market. The focus should always be on finding the competitors' strengths and weaknesses.

The factors that have to be analysed when conducting a consumer analysis are: different ways of segmenting the customers, examining the customers' motivations and discovering their unmet needs. Understanding consumers' buying behaviour is an important part of the analysis.

Cultural, social, personal and psychological factors all help answer the questions What? Where? When? Why? How? Who? which constitute the first step in understanding consumers behaviour.

2.5 The theoretical model

Based on the theoretical framework, we have created a theoretical model to support the following research. The model is divided into four steps.

Step 1: The first step is size, growth and profitability. This section includes information about the market, and existing and potential competitors. The competitors are analysed based on the strategic group they belong to because the products tea and coffee are fairly standardised. Selected competitors' strengths and weaknesses are examined, as well as the state of the market as a whole. This step also includes information about substitute products, customers' power and suppliers' power in order to get an understanding of the profitability and opportunities on the market.

When analysing the market's profitability, we have chosen to use Michel Porter's model described under headline 2.1.4. The five factors to analyse, according to Porter, are: existing competitors, potential competitors, substitute products, customer power and supplier power. We have chosen to integrate this part with the competitors' analysis to avoid repetition. Therefore, the competitors are analysed under sections 4.1.3.1 and 4.1.3.2. However, future prospects are not analysed in this step, even though they are a part of the customer analysis. They are described in step 2 of the model.

Step 2: The second step in the model concerns market trends and developments. It is important since it provides us with an indication of what will happen in the future and thus, helps us spot the opportunities and threats on the market.

Step 3: The consumer analysis is based on the results from the survey. The consumers are divided according to characteristics that are unrelated to the product that is age, gender, occupation and education.

Step 4: The last step in the market analysis is to identify the key success factors that will make the company successful. Instead of identifying these we make recommendations that will help companies to succeed on the analysed markets.

3. Method

3.1 The approach of the thesis

After completing the fundamental information in chapter one, we finished the theoretical framework necessary for the following research. The theory presented in chapter two describes how to conduct market, competitor and consumer analyses. In addition, theory about consumer behaviour used in the final analysis is described.

Based on the theory presented in chapter two, we created a theoretical model that is used to enable a good structure when writing the results and analysis in chapter four. The model is presented under headline 2.5, and helps us answer the research questions in an effective and straightforward way. Also, many steps in the market and competitor analyses are alike, so by creating a model, we avoid repetition.

When gathering data for the market and competitor analyses, we analyse both the functional foods and beverage market, but also the tea and coffee markets. We do this because it is difficult to classify the products in one specific market. Due to the legislation that regulates which products are allowed to be called functional foods, described under headline 1.1.2, it is complicated to know whether the NCP products can be classified as functional foods. Even if the products are accepted as functional foods or beverages by EFSA, they also belong to the tea and coffee markets. Therefore, we analyse all four to find opportunities and threats for new products.

In chapter four, empirical evidence from the market and competitor analyses is described. The work is structured according to the theoretical model and it is complemented with our own analysis. The results from the survey, made to execute the consumer analysis and understand consumer attitude, are described in detail together with our analysis. We have chosen to combine the results and the analysis in one chapter for a better structure.

3.2 Data collection

3.2.1 Primary data

The primary data used is a survey on the Internet. This was our source when conducting the consumer analysis.

3.2.1.1 The survey

The purpose of the survey on the Internet was to analyse what attitudes consumers have about functional foods. The questions What? Where? When? Why? How? Who? from the consumers' buying behaviour theory were used as inspiration when we compiled the questions.

We chose to use a survey as our research method because it is relatively cheap and gives the respondents time to consider their answers. This, combined with the fact that there is no interviewer present, might contribute to honest answers. (Ejlertsson 2005, pp. 11-12) A survey contains standardised questions in a one-way communication from the questioner to the respondent. The purpose of a survey is to examine the frequency of different answers by reaching out to many people. A sample is drawn from the population and the hope is that this can be used to generalise the whole population. Therefore, it is important that the respondents represent the whole population. (Esaiasson et al. 2007, pp. 258-260)

A survey has to be short to maintain interest. Other disadvantages with a survey are that it is hard to obtain answers with a lot of information and that it is not possible to ask the respondents follow-up questions if their answers are unclear. Furthermore, the respondents do not have the possibility to have a question explained by an interviewer and have to draw their own conclusions. (Ejlertsson 2005, pp. 12-13) Due to these problems, we have asked short questions that are easy to understand. Before conducting the survey, we made sure the questions were easily understood by asking them to a few test persons.

The survey was made on the website Qualtrics. Between May 2 and May 8, 2011, the survey was put on Facebook, where 600 people were invited to answer the survey. Our goal was to get 200 responses and once 200 answers were collected, we closed the survey. The original questionnaire was in Swedish (see Attachment 1) but a translated version into English can be found in attachment 2.

In the survey, we investigated what characterises a typical consumer on the functional foods market and what their attitudes to functional foods are. Since functional foods may not be a well-known term in Sweden, we chose to explain the term before asking any questions about it and gave a few examples. The explanation was taken from the Swedish National Encyclopedia.

To spot any trends, we chose to use a number of questions from a survey conducted in a thesis about people's attitude to functional foods written in 2001. The survey was conducted at two different malls outside Stockholm. (Jälminger 2001, p 18) These questions are numbers 1, 3, 4

and 5 in our questionnaire and are questions about the consumers' attitudes towards functional foods. These questions were used to help us spot trends and to see what has happened during the last ten years. We have taken into consideration that both surveys were not performed in the same way and in the same place.

We asked several personal questions about the respondents, regarding age, gender, municipality of residence, occupation and their educational level at the end of the survey, since these are questions that can be sensitive. These factors can influence how people think about health and functional foods.

After the answers were collected, the data was used in cross tabulations on the website Qualtrics to spot correlations. An advantage with doing the survey on this website, and with surveys on the Internet in general, is that when respondents gave a certain answer only the follow-up question related to that answer was shown next. The results are presented in chapter four together with an analysis of the material.

3.2.2 Secondary data

For the construction of chapters one and two, books and articles have been used. For chapter four, the database Passport GMID, competitors' websites and articles have been used. The data collection for chapter four is explained further in the two following subheadings.

Passport GMID is a database that has been used as the main source throughout the construction of chapter four. It can be accessed through the University of Gothenburg and contains helpful information about functional foods and beverages, and the tea and coffee markets. The data on Passport GMID is collected by the world-leading company in strategy research for consumer markets, Euromonitor International (Euromonitor¹ 2011). Industry specialists, and country and regional analysts collect the data from trade surveys, desk research, store checks, company and market analyses. They also make their own estimations and observations based on these sources. (Euromonitor² 2011)

3.2.2.1 The market analysis

In order to conduct the market analysis, we collected information about functional foods and beverages, and the tea and coffee markets to get an understanding of their most important aspects. The information needed to conduct the analysis was collected from the database Passport GMID, websites and articles that concern the subject. We have tried to estimate the size, growth and profitability of the market to get a good understanding of how a new company will operate. As a second part of the market analysis, we found information that indicates trends

in the functional foods market. We know that trends are something one can only estimate, so to add more credibility, we have only looked at trends that can be supported by information from Passport GMID.

3.2.2.2 The competitor analysis

The products we have conducted the market analysis for are divided into two groups; tea and coffee with added nutrients and weight-control benefits. Similar products were searched for on the websites lifebutiken.se, halsokraft.se, svenskhalsokost.se, bodystore.com and vitapost.se, and in health-food stores in central Gothenburg. The products most similar to the NCP products were chosen and segmented into groups; one group of competitors for tea and one for coffee. Two competitors from each group were chosen and are described in chapter four. Besides these individual companies, the competitive tea and coffee markets as a whole and the market leaders in each market are described. This data has been found on the database Passport GMID. We chose to put most of our focus on the tea and coffee markets because the functional food and beverage markets contain products from many different categories. This makes it more appropriate to examine the tea and coffee markets where the products are fairly standardised. However, a brief analysis of the competitors on the functional foods and beverage markets was completed.

3.3 Criticism of the sources

We have been critical in our collection of the data. We understand that websites are not always up-to-date and that companies might manipulate the information on their websites to their benefit. Therefore, we have been critical when collecting information from these sources. To strengthen the credibility, we have tried to complement this data with information from other sources. Moreover, we have evaluated whether the primary and secondary data are relevant and credible by being critical and observant of the sources.

We suppose that health can be a sensitive subject and that people sometimes answer questions in a way that is in line with how they wish to be perceived, rather than the way they are. The survey was anonymous which we hope has helped to avoid this problem. We are aware of the fact that a survey on the Internet might not represent the whole population of Sweden. To secure a geographical spread we asked the respondents in the survey about their municipality of residence. We have put a lot of effort into formulating the questions, since this might influence the answers. However, sometimes it was difficult to analyse the answers for the open questions and we are aware that our own interpretations might have influenced the results since we cannot ask the respondents follow-up questions.

After examining the result of the survey, we could see that most of the respondents were in the age category 18-29 years. This was expected since the survey was performed on the Internet, but we do not see this as negative. It is better for a company to reach out to younger people because they probably will stay customers for a longer time and thus give a higher lifetime value (Mårtenson 2009, pp. 548-549). However, the result of the survey may have been different if there had been a larger spread in the age of the respondents.

The age category 0-17 years in the survey is not analysed, since companies cannot direct their marketing towards them, but we still decided to include them in the questionnaire. If we had not included the age category our concern is that these respondents would have provided a false age. We cannot be completely sure that the respondents have answered truthfully but by adding this age category we have reduced the likelihood for a misleading result.

The calculations from the survey have been rounded to the closest integer and sometimes Qualtrics have rounded the numbers in a way that makes it impossible to summarise the answers to 100 %. We are aware of the problem this brings, but prefer this approach since it simplifies the reading.

4. Results and analysis

4.1 Size, growth and profitability

4.1.1 Size

The functional foods market in Sweden mainly consists of milk, breakfast cereals and yoghurt. Products were sold for 5646.3 million SEK in 2010. (Passport GMID³ 2010)(Passport GMID⁴ 2011) On the functional beverage market, on the other hand, products were sold for 1537.8 million SEK in 2010. (Passport GMID⁵ 2010) This market mainly consists of energy drinks, fruit and vegetable juices, and sport drinks. (Passport GMID⁶ 2010)

The tea manufacturers in Sweden sold 3465.2 tonnes of tea in 2010 worth 776.6 million SEK. Even though this seems to be a lot of tea, the Swedish population drinks less tea per capita than in many other countries. Women and young people in Sweden are the consumers that are most interested in tea and its health effects. (Passport GMID⁷ 2010)(Passport GMID⁸ 2011)

The most common tea in Sweden is black tea. In 2010, 2962.3 tonnes of black tea were sold at a value of 603 billion SEK. The second most popular tea is green tea, of which 320.2 tonnes were sold in 2010. Regarding the category fruit and herbal tea, the most popular types are mixed fruit and mixed herbs. In 2010, these types of fruit and herbal tea constituted 71 % of retail volume sales in this category. Mixed herbs were the type that had the highest volume in 2010, while mixed fruit had the greatest volume growth between 2005 and 2010. (Passport GMID⁷ 2010)

The Swedish population consumed 58118.9 tonnes of coffee in 2010. This gives a per capita consumption of 7.9 kg, which is described as a high per capita consumption compared to other countries. In sales during 2010, this corresponds to a retail value of 4334.7 million SEK. Fresh ground coffee is most popular and accounted for 94 % of the total coffee consumption in 2010. 2064.7 (3.55 %) tonnes of the sold coffee in 2010 was instant coffee with a retail value of 514 million SEK. (Passport GMID⁹ 2011)(Passport GMID¹⁰ 2010)

4.1.2 Growth

Growth is something that has to be estimated. Therefore, we assume that the market for functional foods is growing due to the wellness boom and health trends that are currently in motion. We discuss the supposed trends later in this thesis to build an understanding for the growth on the market.

The sales of functional foods decreased by 1 % in 2009, and the forecast growth for functional foods are now lower than 1 % per year. The decrease in 2009 is due to the customers' changed preferences; natural products before products with additives are in greater demand than ever before. The decrease in 2009 was also a reaction to the new EU legislation that regulates health claims. The growth rate for functional foods in 2009 was negative, -2 %, a sign that the functional food market has reached the maturity stage. (Passport GMID³ 2010) This is a result of many producers on the market with numerous products. Hence, this means that there is a great degree of competition on the market. A good idea for both new and existing companies to be successful is to focus on market or product development. (Kotler et al. 2008, pp. 571-582) However, when focusing on functional beverages, sales grew by 8 % in 2009, which shows that this market is still growing. There are no statistics for coffee and tea in the functional foods or beverage categories. (Passport GMID⁶ 2010) This would seem to indicate that there are not any coffees and teas that are currently classified as functional foods or beverages.

The new EU-legislation will have an impact on the growth of the functional foods market. In the near future, the growth will be small due to the new regulations that will make it harder to classify products as functional foods. It may also lead to fewer product developments since it is now harder to prove the health claims of the products, which is required in order to be able to call them functional foods. (Passport GMID³ 2010) This makes it more difficult for companies to succeed, since the market is in maturity stage and product developments are necessary to be successful. The new regulations will also force many companies to rephrase the health claims on their packages and in their marketing. (Passport GMID¹¹ 2010)

The sale of tea, measured in volume, increased by 4 % in 2010, and the market is forecast to continue to grow. However, there was a decrease in sales in the period 2004-2006, but since 2007, the sales have increased every year. The projected growth in sales for 2010-2015 is 10 %.(Passport GMID⁷ 2010)

During the studied period, 2005-2010, the compound annual growth rate (CAGR) for tea was around 4 %, but in the forecast period, 2010-2015, it is only 2 %. This is explained by the maturity that will occur on the market after the forecast period, along with the decline of popularity for black tea. Instead, green tea and other tea are predicted to see an increase in growth with a CAGR of 5 % and 9 % respectively. This is due to health awareness, first and foremost from women and the younger population, and also to new flavours of green tea that are being developed. Also, fruit and herbal teas will increase their CAGR by 3%, which is due to wider interest in teas with health benefits. (Passport GMID⁷ 2010)

The sales of coffee increased by 0.3 % in 2010. The growth, and sometimes decline, has been this low for years, which suggests that the market has reached the maturity stage. The price of coffee rose by 3 % in 2010, which was a result of increased global prices of coffee beans. It is hard to predict future coffee prices since this depends on harvest and weather conditions. A solution to this problem that retailers and grocery chains often use is discounting. (Passport GMID⁹ 2011)

The sale of instant coffee increased by 3 % in 2010, which is a result of an incremental increase in single person households in Sweden. They, together with the two person households, consume most instant coffee. Instant coffee with added ingredients accounted for 20 % of the instant coffee market in 2010. (Passport GMID⁹ 2011)

One possible threat to the growth of the market is if the coffee companies cannot attract the young Swedish demographic, and if they prefer other hot drinks instead. However, there is currently no indication that this will happen. (Passport GMID⁹ 2011)

4.1.3 Profitability

4.1.3.1 Existing competitors

On the functional foods market in Sweden there is one major brand, Arla, which had 45.4 % of the market share in 2009. The two second largest brands, Milko and Skånemejerier, are considerably smaller, with shares of 7.9 % and 7.3 % respectively. The next seven brands on the list all have a market share ranging from 4.6 % to 1.3 %. These are, starting with the highest market share: Vicks, Extra, V6, Norrmejerier, Fisherman's Friend, Kellogg's All Bran and Verum. The remaining competitors had a brand market share lower than 1 % and together they constituted 18.3 % of the market. (Passport GMID³ 2010) On the market for functional beverage, there is also one major brand, Proviva, with a market share of 38.6 %. The second largest brand was Red Bull with a market share of 20.7 %, and Powerade was third with 8.2 % of the market. There were nine brands with a market share between 3.3 % and 1.2 %. These were, starting with the highest market share: Gainomax, Proviva Active, Burn, Vitamin Well, Pripps, Ramlösa, Body Check, God Morgon and Bonaqua. The remaining competitors had a market share lower than 1 % and together they constituted 14.1 %. (Passport GMID⁶ 2010) Products and brands that are classified as functional foods and functional beverages are mainly owned by large food businesses, such as Arla, Milko, Skånemejerier, Procter and Gamble, and Coca-Cola, but none of them sell coffee and tea that are categorised as functional foods. (Passport GMID³ 2010)(Passport GMID⁶ 2010) Hence, if it is possible to get the products accepted as functional foods, and thus be able to market the products with a health claim, the competition on the market will be low.

There are no switching costs for consumers to change to another brand of coffee, tea or other functional foods. The low switching costs are pushing down the profitability on the market. However, people often prefer a specific brand, which makes it more unusual for people to change brand, which on the other hand suggests that few people actually switch.

On the coffee and tea markets in Sweden, companies import tealeaves and coffee beans, which are essential to the products, from other countries. Due to this, the assumption can be made that the level of fixed costs on these markets is relatively low compared to manufacturing industries.

Large companies that manufacture many different kinds of products may stay on the market even though the profitability of their product is low in order to keep their range of products. This is an exit barrier for these companies, which lowers the profitability on the market. These exit barriers do not apply to smaller companies since they need all of their products to be profitable in order to stay on the market.

For the teas and coffees, a few competitors are described in detail in the following paragraphs. These are competitors found when browsing websites that sell health care products and when visiting health-food stores in Gothenburg. Also, the state of the market as a whole is examined together with the market leaders who run the market and may have a great impact on the smaller companies and their opportunities.

There are many companies that sell tea with health promotion benefits on the Swedish market. In this thesis, only Forsman Oy and Yogi Tea are examined. They are great competitors to the NCP products because they have similar products in their portfolios.

The Finnish teahouse Aaro Forsman Oy is well known around the world and has more than 300 tea types in its portfolio, which they import straight from the producers. (Forsman-tea¹ 2011) In 2008, the brand Forsman had 0.3 % of the Swedish market measured in brand shares by retail value. The brand share maintained the same in 2009 but increased to 0.6 % in 2010. (Passport GMID⁷ 2010) One of their blends is China Pu-Erh Oolong, which consists of a mix of black and green tea that originally comes from countries such as China and Taiwan (Forsman-tea² 2011). Oolong is known for lowering cholesterol and is a good supplement when on a diet (Hälsokraft 2011).

Golden Temple Natural Products is the creator of Yogi Tea, which has been in production since 1972. The company wants to be associated with responsibility and environmental care. (Yogi Tea¹ 2010) The Yogi Tea Philosophy has the base in the Indian tradition Ayurveda, and is meant to provide wellbeing and pleasure. (Yogi Tea² 2010) Their teas are certified organic in the EU and they believe it is worth the work necessary to keep the certifications to be able to offer quality teas to their customers (Amcham 2010) People who care for the environment and their own individual health are the company's primary target customers. (Yogi Tea¹ 2010) One of their blends, The Ayurvedic' tea Yogi Tea Stomach Ease is made of herbs and other ingredients, such as fennel and peppermint leaf, to support the stomach after eating and help digestion. (Yogi Tea³ 2010)

Scandinavia is one of Golden Temple Natural Products most important markets, together with Germany, the UK, Switzerland and the Benelux. (Yogi Tea¹ 2010) The company Kung Markatta has been the distributor of Yogi Tea to the Swedish market since 2004. Kung Markatta does not import all flavours of Yogi Tea, but the brand has still contributed to increase Kung Markatta's value share of fruit/herbal tea from 2 % in 2004 to 11 % in 2010. (Passport GMID¹² 2011) The individual brand Yogi Tea's share by retail value was 0.4 % in 2007 and increased to 0.7 % in 2010 (Passport GMID⁷ 2010). Yogi Tea wants to be associated with quality and is therefore positioned as a premium product (Passport GMID¹² 2011).

The largest tea brand in Sweden by far, measured in shares by retail value, is Unilever Sverige AB's brand Lipton. The key to Lipton's great market share is described as the ability to be visible to the customers. However, the brand's market share has declined during the last four years from 49.7 % in 2007 to 48.1 % in 2010. (Passport GMID⁷ 2010) This might be due to the fact that customers now demand premium teas to a larger extent than before. In addition, consumers want quality teas, which many people presumably equate with loose tea, which is not Lipton's strongest area. Lipton has replied by introducing pyramid bags with loose tea (Passport GMID⁷ 2010).

The second largest tea brand in Sweden is Twinings, whose Swedish distributor is Haugen-Gruppen Sweden AB. It had a brand share by retail value of 19.8 % in 2010, which is not that different to the brand shares for the previous four years. (Passport GMID⁷ 2010)

Friggs, a tea brand manufactured by the Swedish company Friggs AB, which is a part of Midsona, is the third largest brand in Sweden, although, it remains a considerable leap behind the leader and the runner-up. Measured in shares by retail value, the brand has climbed from 5.7 % in 2007

to 6.4 % in 2010. (Passport GMID⁷ 2010) Friggs' main advantage lies in their fruit/herbal tea and green tea assortments and the company is positioned as a health-oriented company. One of their strengths is that they are innovative and launches new blends of fruit and herbal tea, teas that are growing in popularity. (Passport GMID¹³ 2011)

The last brand that stands out on the Swedish market is Kobbs, from the domestic company Kobbs & Söner AB, owned by Löfbergs Lila AB. The brand had 3.5 % of the value share in 2007, which increased to 4.7 % in 2010. The company focuses on selling loose tea. (Passport GMID⁷ 2010) (Passport GMID¹⁴ 2011) The company's growing brand share might be due to the fact that consumers now demand more quality teas such as loose tea, which is what Kobbs offer.

The following seven brands had a market share between 3.4% and 1.0 %. In the order of market share these were: Tetley, Tower, Kung Markatta, Coop, Willy's, Lord Nelson and X-tra. The remaining brands had less than 1.0 % of the market share and together constituted 9.2 % of the market. (Passport GMID⁷ 2010)

The coffee line from NCP consists of instant coffee with weight-control benefits. The competitors that are being examined are "Coffee Coach" and "Coffee Slender" since they are similar to the NCP products.

Coffee coach is manufactured by Nanox Nutraceuticals whose head office is located in Belgium where the company develops and tests new products. Their philosophy consists of ideals such as "honesty, value, innovation and excellence" and their goal is "to produce the best products at the best price available on the market". (Nanox Nutraceuticals¹ 2010) Coffee coach is said to have a positive effect on weight and the appetite when used together with a healthy diet. The coffee contains guarana and bitter orange, which are known for their slimming effects. (Nanox Nutraceuticals² 2010)

Coffee Slender is an instant coffee that is produced by the Norwegian company Med-Eq Gaia Pharma. Med-Eq tests their products thoroughly and they are all produced in line with current laws and recommendations. (Med-Eq¹ 2011) The coffee is added with chlorogenic acid from a green coffee bean that has shown to have a weight-reducing effect. (Med-Eq² 2011) The company EdeMerum is the Swedish distributor. (Bodystore 2010)

Fresh coffee must also be considered as a competitor since it accounts for the largest share on the Swedish market. The market leader measured in brand shares by retail value is Gevalia, a brand manufactured by Kraft Foods Sverige AB. It had 36.1 % in 2010, which is similar to the brand's share during the last four years. (Passport GMID⁹ 2011)

The second largest brand is Nestlé Sverige AB's Zoégas. In 2007, it had 18.4 % of the brand shares by retail value, which increased to 19.9 % in 2010, which might be attributed to the brand being the leader in selling the popular fresh coffee beans. (Passport GMID⁹ 2011)
(Passport GMID¹⁵ 2011)

The third largest brand measured by retail value is the fully domestic brand, Löfbergs Lila. They accounted for 13.2 % of the share in 2007, which fell to 11.8 % in 2010. (Passport GMID⁹ 2011) (Passport GMID¹⁴ 2011) They have positioned themselves as a fair-trade company, and they were first in Sweden to introduce organic coffee. Their prices are in the intermediate class but they also sell some premium products with higher prices. The company Löfbergs Lila AB is also the Swedish distributor of the Italian brand Lavazza, also popular in Sweden. (Passport GMID¹⁴ 2011)

The Swedish company Arvid Nordquist HAB's brand Classic is the fourth largest brand measured by retail value. In 2007, it had 7.7 % of the share and the brand made a small increase to 8.8 % in 2010. (Passport GMID⁹ 2011)

In fifth place is the best selling instant coffee brand, Nescafé that is manufactured by Nestlé Sverige AB. They had 6.3 % of the brand shares by retail value in 2010, which is similar to the brand's position for the previous four years. (Passport GMID⁹ 2011)

The next six brands on the list all have a market share in the range of 3.6 % to 1.0 %. In order of market share, starting with the largest market share, the brands are: ICA, Coop, Lavazza, Blå Mocca, X-tra and Lindvalls. The remaining brands had less than 1.0 % of the market share and together they constitute 5.6 % of the market. (Passport GMID⁹ 2011)

Fortified/functional instant coffee is popular in Eastern Europe where 67 % of the coffee sold in 2005 was instant. This can be compared with Western Europe, where 29 % was instant coffee. Instant coffee is especially popular in Poland, where the manufacturer Mokate earned market shares after introducing a coffee with added magnesium. Due to its success, the company introduced more coffees with different additives in 2004. But, because they did not advertise or

communicate enough with consumers, the products were a failure. In Japan, however, customers have been informed of the benefits of these products and sales are predicted to grow. Also, in Indonesia, the sale of instant coffee is growing. Especially popular is coffee with added ginseng since this is a product that people normally use. The instant coffee market is predicted to continue to grow in Asia-Pacific region and Eastern Europe, areas where people have not been drinking coffee for such a long time and appreciate the additives. Also, instant coffee has a lower price, which is well received in these areas. Conversely, people who have been drinking coffee for a long time might not be open for the idea of fortified/functional instant coffee. (Passport GMID¹⁶ 2006) This implies that instant coffee with additives may not be well received in Sweden, where people have been drinking fresh coffee for a long time and have established preferences about, for example, taste.

4.1.3.2 Potential competitors

It is hard to get products approved as functional foods by EFSA. In 2010, they received 416 applications whereof eight were approved. EFSA's argument was that the products' health claims were not scientifically proven. (Björkqvist 2010) This can be seen as a barrier to enter the functional foods market. Due to the new legislation that makes it harder to get the products approved as functional foods, it is now harder for new potential competitors to enter the market. This means that the profitability for the existing competitors will be higher.

It is probably easier for new potential competitors to enter the tea market than the coffee market, since the later has reached the maturity stage. The tea market is still growing and is therefore more open for new brands and competitors. The profitability for existing competitors will, because of this, be higher for companies operating on the coffee market than those on the tea market.

4.1.3.3 Substitute products

A substitute product to tea can be coffee, and a substitute product to coffee can be tea. They are both hot drinks with the same function, albeit with different tastes. Due to this, it is a good idea for a company to sell both tea and coffee, since if the price of tea rises, the customers may buy coffee from the same company instead, and vice versa.

Substitutes to tea and coffee products with health effects can be other products that are good for one's health and can help consumers with problems such as weight-control. When it comes to this, Life, one of the biggest health-food stores in Sweden, sells meal replacements, diet powder, bars and different kinds of detox cures (Lifebutiken 2011). The market for weight-control products is large and differentiated. This probably makes the company more profitable if it

markets its products as tea and coffee with a health claim, instead of marketing them as products for weight-control, since the competition is greater on this market.

Due to the health trend, the Swedish population prefers naturally healthy products before functional foods and additives. Instead of eating and drinking functional foods and beverages, people choose to eat regular food and have a varied diet. (Passport GMID³ 2010) This was also something we could see in our survey that will be presented under headline 4.3.

4.1.3.4 Customer power

Although customers can be both the final consumers and the distributors, we have chosen to focus only on the final consumers. A final consumer does not buy a great amount of products; they only buy tea, coffee and other functional foods products for their own consumption. Neither do their purchases represent a large amount of the total cost. Instead, many customers buy small amounts. This implies that the individual consumer power on these markets is low. It also means that the profitability on the markets is high.

There are many different products with health claims on the market. This may be due to the wellness boom and that companies today market products with different health claims to attract customers. However, very few products are approved as functional foods by EFSA. Health is becoming a niche on the market, which means that companies can price the products with premium prices, only because the company claims it is good for the health. (Björkqvist 2010) Even if the companies that sell functional foods and other health care products charge a premium price, food in general is relatively cheap. This means that the cost for switching to another competitor's products is low, which lowers the profitability on the market.

As described before, the tea market is growing, with new, innovative tea selections. This means that the market is not standardised and customers will have different preferences, which makes it harder for them to switch to another competitor. This increases the profitability for the companies on the market. The coffee market, on the other hand, is not experiencing the same growth, which is due to the fact that consumers are loyal to one brand. The brand preference of coffee is often due to quality and taste, which is discussed further later in this chapter.

The unit price for functional foods has continued to increase, even during the last recession. This is an indication that customers need this type of product. (Passport GMID³ 2010) The price of tea increased by 1 % in 2010, which is due to rising world prices and because consumers now prefer premium brands before other teas. The rising prices of tea are not seen as a threat to the

market, since tea is relatively cheap and consumers will continue to buy tea even if it becomes slightly more expensive. (Passport GMID⁷ 2010)

4.1.3.5 Supplier power

The suppliers' power differs between different companies. As described earlier, the functional food and beverage, and the tea and coffee markets consist of one or two larger competitors and many small ones. The large companies usually have power over their suppliers since they often have many suppliers. Regarding the small competitors, their suppliers have great bargaining power since they often are few. Another aspect that increases the suppliers' bargaining power is that the suppliers' products, tealeaves and coffee beans, are important to the companies since they are often the same as the final products the companies sells. This means that the suppliers in the described markets have more power than the companies, which pushes down the profitability.

4.2 Market trends and developments

The health trend in Sweden has a negative impact on the sales of functional foods since consumers would rather buy food without additives. The trend is indicating that the functional foods market will continue to see competition from the naturally healthy food in the future. (Passport GMID³ 2010) Consumers in Sweden avoid products with additives such as artificial sweeteners, hydrogenated fats and monosodium glutamate. A survey, conducted by the Swedish retail chain Coop showed that 80 % of consumers have been influenced by the debate about additives in the media. The growing demand for naturally healthy products is predicted to continue for five more years. Despite this, products with sweeteners in them, such as the coffees from NCP, are still expected to experience an increase in demand because of people with diabetes using them. (Passport GMID¹¹ 2010)

In Sweden, the low-carb high-fat (LCHF) diet is very popular, which means that you lose weight by eating fat and avoiding carbohydrates. This trend can have a negative impact on, for example, weight-control products, since consumers are choosing the LCHF diet instead. The high-fat trend is predicted to continue until 2015. (Passport GMID¹¹ 2010)

Since 2007, the sales of tea have, after a few years of stagnation, increased. This is, among other things, due to more attention being paid to the health effects of tea in the media and by the companies. Other factors that have influenced the growing interest for tea is that both consumers and companies are more interested in quality, and that the companies have more knowledge today and can therefore offer higher quality products. New products are not very likely to come from the leaders on the market, Unilever and Twinings, since they mostly have the

same type of products, but instead from small importers of premium teas that are gaining in popularity. (Passport GMID⁷ 2010)

Also on the coffee market one can see influences of the trend for quality, which has resulted in consumers demanding fresh coffee beans. The retail volume of fresh coffee beans grew by 10 % in 2010. This is a threat to the instant coffee market since consumers believe instant coffee is coffee of lower quality. (Passport GMID⁹ 2011)

4.3 The survey – Consumer analysis

4.3.1 Personal factors

All the data in this section has been compiled on the website Qualtrics. The calculations have been rounded to the closest integer and the numbers sometimes do not add up to 100 %. For the original questionnaire in Swedish and a translated version in English, see attachments 1 and 2.

#	Age		%
1	0-17 years		5%
2	18-29 years		65%
3	30-44 years		15%
4	45-64 years		13%
5	65 years or older		3%
	Total		100%

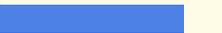
The respondents are divided by age; 65 % are between 18-29 years, 15 % are between 30-44 years, 13 % are between 45-64 years, 5 % of the respondents are between 0-17 years, and 3 % are 65 years and older.

It was hypothesised that people mostly in the category 18-29 years would respond, since it is better for a company to reach out to younger people because they probably stay customers for a longer time than older people. (Mårtenson 2009, pp. 548-549) This was indeed the result, with 65 % of the respondents being in this age category.

#	Gender		%
1	Female		67%
2	Male		33%
	Total		100%

67 % of the respondents are female and 33 % are male.

The most common municipality of residence is Helsingborg, where 59 respondents live. Other common municipalities of residence are Göteborg where 44 respondents live, Motala where 16 respondents live and Stockholm where 9 respondents live. For the complete result, see attachment 3. We do not analyse the municipalities of residence, this question being added to secure a geographical spread. The majority of the respondents come from the middle and the south of Sweden.

#	Occupation		%
1	Working		40%
2	Studying		49%
3	Unemployed		3%
4	Retired		5%
5	Other		5%
	Total		100%

The most common occupation among the respondents is studying, selected by 49 % of the respondents. 40 % of the respondents are employed, 5 % retired and 3 % of the respondents unemployed. 5 % of the respondents answered “other”. Since this is a small category and they all have different occupations, this category is not analysed.

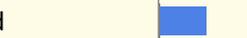
#	Educational level		%
1	Elementary school or comparable		9%
2	Upper secondary school or comparable		52%
3	University/higher education or comparable		38%
4	Other		2%
	Total		100%

Of the total respondents, 52 % have upper secondary school education or comparable, 38 % have university/higher education or comparable and 9 % of the respondents have elementary school education or comparable. “Or comparable” is not printed in the rest of the chapter to simplify the reading. 2 % of the respondents said “other”. This category is not analysed since it is a small category.

For each question, the factors age, gender, occupation and education are cross-referenced to the question and presented in that order. Also, for some questions further cross tabulations are presented last in that section.

4.3.2 How would you rate your health?

We assumed that people who see health as something important and make conscious choices to stay healthy also prioritise and are interested in functional foods. We wanted to study if this is the case and asked how important health is for the respondents and what they are doing to stay healthy. Later in the chapter, we see whether the following two questions have any correlation with the questions about functional foods.

1	How would you rate your health?		%
1	Very good		19%
2	Good		65%
3	Neither good nor bad		10%
4	Bad		6%
5	Very Bad		1%
6	No answer		0%
	Total		100%

65 % rank their health as “good”, 19 % of the respondents rank their health as “very good”, 10 % think their health is “neither good nor bad”, 6 % rank their health as “bad” and 1 % as “very bad”.

When dividing the respondents by age, the result is quite similar to the result for the whole population. In all the age categories, “good” is the most common answer. People between 18-29 years rate their health better than all the other categories as 88 % of them rate their health as “very good” or “good”. The age category 45-64 years is the category where the respondents rate their health worst, 17 % of them consider their health as “bad”. However, this may not mean that they feel worse than the respondents in the other categories because 79 % of them rate their health as either “very good” or “good”. The percentages for those two answers for the other age categories are between 76 % and 88 %. However, according to Socialstyrelsen¹ (*Eng. The National Board of Health and Welfare*) (2009, p. 32) people are considering their health worse as they get older, except retired that are considering their health as slightly better, which we can observe in this survey. That older people rate their health better than the younger age category 45-64 years may be due to that they retire. People in the age category 45-64 years seem to be stressed and feel worse because they have worked for many years.

Men rate their health better than women. 94 % of the men answer that they rate their health as “very good” or “good”, compared to women where only 79 % answer the same. If this is due to

that men and women estimate health in different ways or if men actually have better health than women is hard to say based on this survey. However, according to Socialstyrelsen¹ (2009, p. 31) men are feeling better than women. Even though women are getting older than men they suffer from more health problems. The most common health problems for women are poorer mental health and pain.

People that work or study rate their health better than the unemployed and retired. 89 % of those who work and 85 % of those who study rate their health as “very good” or “good”, compared to 75 % of the unemployed and 67 % of the retired. This is interesting since those 65 years and older seem to rate their health better than the younger age category 45-64 years and one can therefore assume that those retired feel better than those working. However, of those working the majority is between 18-29 years, which can be the reason that this assumption does not hold.

In the survey, it can be observed that people with a higher educational level rate their health slightly better than other categories. 87 % of those with a university education rate their health as “very good” or “good” compared to 83 % of those with upper secondary school education and 75 % of those with elementary education. It is hard to know if this means that people with higher education have better health, since it is a small difference from the other educational levels. Socialstyrelsen¹ (2009, p. 34) is, however, indicating that people with a higher education do consider their health as better than those with an elementary education.

In the earlier survey from 2001, the same question with the same answering alternatives was asked, but the result presented shows only the alternatives “good”, “neither good nor bad” and “bad”. 80 % of the respondents answered “good”, 17 % “neither good nor bad” and 3 % “bad”. (Jälminger 2001, p. 22) To be able to compare our survey with these numbers we have assumed that the answer “good” includes both “very good” and “good” and that the answer “bad” includes both “very bad” and “bad”. Comparable numbers from our survey will then be 84 % for the answer “good”, 10 % for “neither good nor bad” and 7 % for “bad”. According to this result there is no considerable difference from ten years ago. We also assume that the different methods that have been used have affected the outcome.

4.3.3 What are you doing to stay healthy?

2.	What are you doing to stay healthy?	%
1	Perform physical activity	75%
2	Meditation/Yoga etc.	5%
3	Enough of sleep/rest	56%
4	Eat healthy	58%
5	Use diet supplements	21%
6	Other	9%
7	No answer	5%

75 % of the respondents perform physical activity, 58 % eat healthy food, 56 % get enough of sleep/rest, 21 % use diet supplements and 5 % exercise meditation/yoga. 9 % chose “other”, where the most common answers are taking medication and having fun.

The result of the survey shows that more people perform physical activity the younger they are. 81 % of those between 18-29 years perform physical activity. This can be compared to 69 % of those between 30-44 years, 56 % of those 45-64 years and 17 % of those 65 years or older. Meditation/yoga, on the other hand, is more popular the older the respondents get, except for the oldest age category. The result shows that 12 % of those between 45-64 years exercise meditation/yoga, 7 % of those 30-44 years and 4 % of those 18-29 years. No one say they exercise yoga and meditation in the remaining age categories. Regarding to get enough sleep or rest and to eat healthy, there are not much difference between the age categories. However, people that are 65 years or older seem to be the age category where most people prioritise to get enough sleep/rest and to eat healthy. According to the survey, it seems that younger people prioritise to perform physical activity and older people prioritise enough of sleep/rest and healthy food. Diet supplements are most popular in the age category 18-29 years where 24 % of them use it to stay healthy. The percentage decreases with age.

Women prioritise sleep and healthy food more than men do. 60 % of the women answer they eat healthy and 59 % of the women say they get enough of sleep/rest. The percentages for men are 54 % for healthy food and 49 % for enough of sleep/rest. The percentage for the remaining answers: perform physical activity, meditation/yoga and diet supplements, are rather similar between the two categories.

The respondents in the categories studying and working perform physical activity more than the people who are unemployed or retired. 82 % of those that study and 72 % of those that work perform physical activity, compared to 60 % of the unemployed and 22 % of the retired. All the occupation categories prioritise sleep, healthy food and diet supplements to approximately the same extent, except the unemployed, who do not prioritise it as much as the respondents in the other categories.

It seems like people with a higher education perform physical activity more often. 77 % of those with university education perform physical activity, 74 % of those with upper secondary school education and 71 % of the people with elementary education. People with university education do not prioritise sleep/rest to stay healthy as much as the other categories. However, eating healthy seems to correlate with higher education as 68 % of those with university education say they eat healthy, compared to 53 % of those with upper secondary school education and 47 % of those with elementary education. Use of diet supplements also increase together with educational level.

People that do conscious choices to stay healthy also feel healthier. 93 % of those that eat healthy, 91 % of those that perform physical activity, 90 % of those that meditate or exercise yoga, 88 % of those that get enough of sleep and 86 % of those that use diet supplements rate their health as “very good” or “good”. Healthy food seems to be important for nearly everyone, which is beneficial for the launch of the NCP products and a potential introduction on the Swedish market. The problem though is that the customers need to perceive the products as healthy, which will be analysed in the following questions.

4.3.4 Have you heard the term *functional foods*?

We asked the consumers if they have heard the term functional foods before. This question is coming directly after the explanation of the term, which was not the case in the earlier survey from 2001. We will take this into account when we analyse the results.

3.	Have you heard the term <i>functional foods</i> ?		%
1	Yes		46%
2	No		51%
3	Do not know		4%
4	No answer		0%
	Total		100%

51 % have not heard about the term before and 46 % have heard it before. 4 % do not know if they have heard it before. In the survey from 2001, 60 % of the respondents said that they have heard the term functional foods before (Jälminger 2001, p. 22). Since 46 % of the respondents in our survey say they have heard it before it does not seem like functional foods have increased in popularity, rather decreased.

The age category where most people have heard about functional foods was 30-44 years where 66 % have heard the term before. The percentages for the remaining age categories are 56 % for those between 45-64 years, 50 % for those 65 years or older and 43 % for those 18-29 years.

There are more women than men that have heard about the term functional foods before, 52 % of the women compared to 35 % of the men. This is probably because it is women that, most often, do the grocery shopping in families (Forskning&Framsteg 2009), which can make it a good idea to choose women as a target group when marketing functional foods. Women are also those that prioritise healthy food to a greater extent than men as shown in the survey, which can be another reason why they have heard the term to a greater extent. Though, this does not have to mean that women are more positive to functional foods, which will be studied later.

If people have heard about functional foods before or not do not seem to depend on what occupation they have. All the occupation categories have a percentage between 42 % and 56 %, except the unemployed where no one have heard about it before.

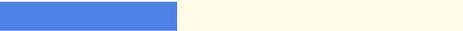
If people have heard the term functional foods before depend on their educational level. The higher education, the more people have heard about it. 58 % of those with a university education have heard the term before, compared to 41 % of those with an upper secondary education and 18 % of those with an elementary education. This, and that people with higher education prioritise healthy food to a greater extent than others, seems to be correlated.

How healthy people consider themselves to be and if they have heard the term functional foods do not seem to be correlated. 86 % of those that have never heard about it consider their health as “very good” or “good” compared to 81 % of those that have heard the term. Of those who consider their health as “very good” the majority have heard about it before, but of those who consider their health as “good” the majority have not heard about it before. This could mean that people who consider themselves healthier also have more knowledge about functional foods, but it can also depend on that it is hard for people to differ between “very good” and “good”.

Among those that do conscious choices (meditation/yoga, get enough of sleep/rest, eat healthy or use diet supplement) to stay healthy, the respondents have heard about functional foods to a greater extent than those that do nothing to stay healthy. An exception is the respondents that perform physical activity where it is equally many that have heard about it that have not. When only looking at people that prioritise healthy food, we can see that the majority of those have heard the term functional foods before. In this category, 59 % answer that they have heard the term before compared to 39 % that say they have never heard the term before. A great difference from when studying the whole population as seen above. A conclusion to this is that using healthy food to feel better and knowledge about functional foods seems to correlate.

4.3.5 Do you think there is a need for functional foods?

We asked the respondents if they think there is a need for functional foods. We assumed that people who agree also are positive to the products.

4.	Do you think there is a need for functional foods?		%
1	Yes		38%
2	No		30%
3	Do not know		32%
4	No answer		0%
	Total		100%

38 % of the respondents say they think there is a need for functional foods and 30 % say they do not think there is a need. 32 % do not know if there is a need and we therefore see them as potential customers since they have not decided on their opinion. It is probably easier to get those people positive than converting those that do not think there is a need.

In the earlier survey, 75 % said that they think there is a need for functional foods and 22 % did not think there was a need (Jälminger 2001, p. 22). These numbers demonstrate a great difference from our survey, which are 38 % and 30 % respectively. Since the results from our survey also indicates that less people have heard about functional foods, 46 %, it is possible that less people think there is a need, but it can also be due to the naturally healthy trend that is in motion, or that the term was explained in different ways in the two surveys.

People between 45-64 years are most positive to functional foods, 56 % of them think there is a need for the products. The age categories 18-29 years and 30-44 years are those that are most negative, 34 % respectively 31 % of those answer they do not think there is a need for the

products. However, about the same amount of people in those age categories are positive, 38 % of those 30-44 years and 35 % of those 18-29 years. The most common answer, among the people that are 65 years or older, is that they do not know if there is a need or not. This is probably due to that they do not have enough information about what functional foods is or that they have not heard about it before. According to our survey, 50 % of the respondents that are 65 years or older answer that they have not heard about functional foods before, which makes this assumption possible.

Women are the most positive to functional foods and 42 % of them say they think there is a need for the products, 31 % of the men answer the same. Men are a bit more negative than women, 38 % of them say there is no need for the products, compared to the women where 25 % answer the same. Since women also are the category where most people have heard about functional foods before it will be a good idea to market the products to women since they seem to be positive to the products.

Unemployed is the category where most people are positive to functional foods, 60 % of them answer that they think there is a need for the products. Among the retired, 67 % do not know if there is a need for the products. This is also the most common answer for those that are 65 years or older, which is due to that most people retire when they turn 65, hence this relationship. Among those that work or study the answers are similar, the percentage is approximately 33 % for all three answers, which probably mean that if people are positive or negative to the products, is uncorrelated with their occupation.

People with a lower educational level answer, to a greater extent than others, that they do not know if there is a need for the products, 59 % of those with an elementary education compared to 27 % for those with a university education. This necessarily does not mean that people with a higher education are more positive or negative, only that they have stronger opinions.

Of the respondents that have heard about functional foods before, 48 % are positive and think there is a need, 32 % do not think there is a need and 20 % do not know. Among those that have not heard the term before, 29 % say they think there is a need, fewer than among those that have heard the term before. This implies that educating the customers about functional foods and its advantages creates a possibility to increase the number of customers. This has also been seen on the instant coffee market and is described under section 4.1.3.1. Further, 44 % of those that had not heard the term before say they do not know if there is a need and 27 % do not think there is a need. This high percentage of people that do not know confirms our theory about

educating people. If they have not heard about the term, it is hard for them to know if they consider it as something positive or negative, which the percentages also show. By studying those that do not know if there is a need or not for functional foods, we found more evidence for this theory as 69 % of those that do not know if there is a need answer that they have not heard the term before. Once again, by educating people about functional foods both those people that are positive and those that are negative will increase, at the expense of those that do not know. However, those positive will probably increase more, as the survey indicates.

We cannot find a relationship between those who think, or not think, that there is a need for functional foods products and how people rate their health.

The respondents that are most positive to functional foods were those that exercise meditation or yoga, 70 % of those answer that they think there is a need for the products. How positive the other respondents are to functional foods do not seem to depend on what they are doing to stay healthy.

4.3.6 Have you ever bought a functional foods product?

We wanted to know if the respondents have bought a functional foods product, and if they have, which one. As a follow up question, we asked the respondents what kind of functional foods products they have bought, both to know what kind of products that are common and well-known, but also to get an understanding for what the Swedes see as functional foods and if they have the right understanding for it or not. Due to our explanation and example of what functional foods are the respondents can be affected, which we will take into account.

5a.	Have you ever bought a functional foods product?		%
1	Yes		43%
2	No		39%
3	Do not know		18%
4	No answer		0%
	Total		100%

43 % of the respondents have bought functional foods products before, 39 % have not bought them before and 18 % do not know if they have bought them before. From the earlier survey, 70 % said they have bought functional foods before. (Jälminger 2001, p. 22) This is considerably more than the 43 % in our survey that say they have bought it. This can be due to that the two surveys were performed in different ways but it can also, more likely, be due to the naturally healthy food trend that is in motion. This trend is described under headline 4.2 and means in

short that people prefer natural food above food with additives. We can also spot this trend in our survey where many people say that the reason for being negative to functional foods is that they prefer food without additives.

30-44 years is the age category where the highest percentage say they have bought functional foods products, 59 % of those give this answer. This can be compared to 50 % of those 65 years or older, 48 % of those 45-65 years and 39 % of those between 18-29 years. According to question two in the survey, the age category 18-29 years prioritise to perform physical activity to stay healthy and those 65 or older prioritise enough of sleep/rest and healthy food. The result of this question strengthens this assumption, since less of those 18-29 years have bought functional foods compared to those 65 years or older. Healthy food does not appear to be important for the younger age category, which does not seem to be a potential target group for the products. The different views are not that surprising since the capacity to perform physical activity decline with age and it is possible that older people use healthy food as a substitute to being able to perform physical activity.

More women than men buy functional foods products. 50 % of the women say they have bought functional foods, compared to men where only 29 % say they have bought it. This could be due to that women have a more positive attitude to functional foods. It can also be due to that women are doing the grocery shopping in the family to a greater extent than men and therefore have more knowledge about functional foods (Forskning&Framsteg 2009). It is a greater quota of men, 26 %, compared to women, 14 %, that do not know if they have bought functional foods or not. This is a sign that men, to a greater extent, do not know what functional foods are or that they have not bought the products because of their functional foods features. Instead they can have bought functional foods products because they prefer the product, which is probably a more common buying motive for men since they do not seem to prioritise healthy food. This may also be due to that women are doing most of the grocery shopping (Forskning&Framsteg 2009).

When studying the differences between occupations, people that work are those where most respondents say they have bought a functional foods product, 48 %. The categories where fewest people answer they have bought functional foods are students, 38 %, and unemployed, 20 %. This might mean that it is a question about money. The survey shows that many respondents equal functional foods with higher cost and maybe they do not buy it because they think it is too expensive. Students and unemployed often have a more limited budget than those who work and they may therefore neglect functional foods products when grocery shopping.

People with a higher education have bought functional foods products to a greater extent than those with elementary education. 45 % of those with a university education say they have bought it and 44 % of those with an upper secondary education, compared to 24 % of those with an elementary education. This is also correlated with if people have heard about functional foods, where respondents with a university education have heard about the term to a greater extent than those with a lower education. This suggests that people that have heard about functional foods before also buy it to a greater extent, by knowing about it they can also be more positive to it. In the same time, the percentage is also higher for people with a university education for those who answer that they have not bought functional foods, but the difference between the educational levels is not that great. A large quota, 41 %, of the people with elementary education answer that they do not know if they have bought functional foods or not. The percentages for the other categories are considerably lower. One can assume that this is because the people with lower education do not know what functional foods are and therefore do not know if they have bought it or not. This implies that they are not that well-read on the subject and therefore did not get any associations when we asked the question.

When asking the respondents what functional foods products they have bought, the most common answer is Proviva. Also, cholesterol-lowering butter, yogurt with added bacteria and fermented milk with added bacteria are common answers. Other answers are vitamin water, wholemeal pasta, aloe vera juice, egg with added omega-3 and soya milk. We assume that people may have been affected by our explanation of what functional foods are. (See attachment 1 and 2) We gave examples, to help the respondents understand the term better, which were yogurt with added bacteria and cholesterol lowering butter. This can be the reason why people answer these products to a greater extent than other products. Another interesting aspect is that people do not seem to know what functional foods actually are. Under headline 1.1.2 we explained that it is foods that are added with health promoting substances, such as vitamins, minerals, fibres and bacteria. A few of the products people say they have bought are not classified as functional foods, such as wholemeal pasta, which indicate that people do not know what it is. However, this may not be important. The market analysis shows that people buy a lot of functional foods. The survey, on the other hand, shows that only 43 % of the respondents have bought functional foods before, which is an indication that a great amount of people buy the products without knowing they are functional foods. The reasons the respondents give for buying functional foods products are because they are healthier, good for the stomach, taste better or that the products were on a special offer. Many respondents also say they tried it out of curiosity or that they were influenced by family members. That the product is classified as functional foods do not seem to be that important for the customers when they are grocery shopping. The products health effect

and taste seem to be stronger buying motives than the term functional foods.

When asking the respondents why they have not bought functional foods products the most common answer is that they have not heard the term functional foods before or that they do not know it exists at all. Another common answer is that they prefer natural products.

When looking at the earlier survey, no one answered that they do not buy functional foods because they prefer naturally healthy products (Jälminger 2001, p. 23), which is one of the most common answer in our survey. This is another sign that there is a naturally healthy trend in motion, and that functional foods is getting less popular. This is also implied in the other common reasons for not buying functional foods.

4.3.7 When did you last buy a functional foods product?

We wondered if the consumers buy functional foods often and what kind of people that are buying this type of products. We therefore asked when the consumers last bought a functional foods product. We are aware that this may not be the same as how often they buy functional foods, but we will do this generalisation. Mainly because it is easier for the respondents to appreciate when they last bought a product instead of asking them how often they buy it. For this reason, we will assume that people who say they buy functional foods this week also buy it every week, and so on.

6.	When did you last buy a functional foods product?		%
1	This week		12%
2	This month		14%
3	The last three months		10%
4	Last year		6%
5	More than a year ago		3%
6	Do not buy		41%
7	No answer		14%
	Total		100%

42 % of the respondents say they do not buy functional foods, 14 % have bought it this month, 12 % have bought it this week, 10 % have bought it the last three months, 6 % have bought it this year and 3 % less frequently than a year ago. 14 % chose “no answer”. Except those answering that they do not buy functional foods, the survey shows that people buy it more often than seldom. As the survey has earlier indicated, a large amount of people do not know what functional foods are, which can be a contributing factor to that 41 % answered that they do not

buy it. They probably buy it more often than they think, not knowing that it is functional food.

The age category where most people have bought functional foods this week and the last three months was 45-64 years, with 16 % respectively. The category where most respondents have bought functional foods this year was 65 years or older, where 17 % of the respondents give this answer. This category also has the highest percentage when it comes to buying functional foods this month, with 33 % of the respondents in the category. It seems more likely for people 45 and older to buy functional foods often. This might depend on that many people in the survey seem to believe functional foods are more expensive and therefore avoid buying them. One can assume that older people have a better financial situation than younger people. Once again the correlation between what people do to stay healthy and age can be spotted, as older people seem to buy functional foods more often than younger people. Also, as mentioned before, those 65 years and older is the age category that prioritise healthy food to a greater extent.

About half of the men, 51 %, answer that they do not buy functional foods products. This can be compared to the women, where 36 % say they do not buy functional foods products. Also, 17 % of the women say they have bought functional foods this month, but only 8 % of the men say the same, and 14 % of the women and 8 % of the men have bought it this week. Overall, the data from the survey shows a pattern that women buy functional foods more often than men and we can therefore assume that they are more open to it and have more knowledge about the products. According to the survey, women also prioritise healthy food more than the men do, even if the difference is not that great. Another possibility is that men and women have different views on what is healthy food.

In all the different occupation categories, the most common answer among the respondents is that they have not bought functional foods. By only studying those that have bought it, people that work are those that buy it most often and the unemployed are those that buy it most seldom. The correlation is reversed with those answering that they do not buy it, where the unemployed answer that they do not buy it to a greater extent than those working. Once again, the reason can be financial as we assume that unemployed have less money than those working. This assumption is strengthened since many students, a category with restricted financials, neither buy functional foods. Also, a correlation between what the respondents do to stay healthy and their occupation shows that 60 % of the unemployed say they perform physical activity, 40 % say they try to get enough sleep but only 20 % say they eat healthy, which strengthens the assumption further.

None of the respondents with elementary education have bought functional foods this week. 10 % of those with upper secondary school education have bought it this week and 19 % of those with university education. This suggests that how often a person buys functional foods is correlated with their educational level. People with university education also answer that they buy functional foods to a greater extent than other categories. It is also those that have heard about functional foods to a greater extent than people with another educational level. The survey also shows that people that have heard about functional foods buy it more often. By only studying those that have heard the term before, a considerably higher amount of people answer they have bought it often. 24 % answer that they buy it every week, 26 % answer they buy it every month and only 19 % answer they never buy it.

Among all different alternatives for what people do to stay healthy, except for meditation/yoga, it is most common that people do not buy functional foods. Among those that exercise meditation or yoga, buying functional foods once a month is the most common answer with 30 % of the respondents. Among the respondents that say they perform physical activity, get enough of sleep/rest and eat healthy, it is most common to buy functional foods often. The survey earlier showed that those prioritising sleep/rest and healthy food to stay healthy are those 65 years and older and they also buy functional foods more often. This is in line with this answer. Though, the survey also shows that those performing physical activity the most are those 18-29 years. This answer thus contradicts the previous result since those 18-29 years say they do not buy functional foods often.

We assumed that people who buy functional foods to a greater extent see themselves as healthy and therefore did a correlation between this question and question one. The result shows that the majority of people, regardless of how often they buy functional foods, rated their health as "very good" or "good". The assumed condition does not seem to hold. How good a person rate their health and how often they buy functional foods do not correlate. The result rather shows that those buying it less frequently rate their health better than those buying it often, which might imply that they do not see the need to buy functional foods.

4.3.8 Why do you buy functional foods?

To understand the consumers better, we wanted to know their motivation for buying functional foods so we asked them what is driving their purchase.

7.	Why do you buy functional foods?		%
1	Live longer		8%
2	Keep or lose weight		8%
3	Because other people buy it		0%
4	Because it tastes good		17%
5	Other		21%
6	Do not buy		46%
7	No answer		13%

46 % of the respondents say they do not buy functional foods products, 17 % say they buy it because it tastes good, 8 % say they buy it to live longer, 8 % say they buy it to lose or keep weight and 0 % buys it because other people do it. 21 % of the respondents chose “other” and 13 % chose “no answer”. Of the respondents choosing “other” the most common reasons are to feel better and because it is good for the stomach. Also, many people try it out of curiosity. No respondents say they buy functional foods because other people buy it. Maybe this is something sensitive that they do not want to believe or maybe they are not aware if other people are influencing them.

Of the alternatives given, most respondents, regardless of age, say they buy functional foods because it tastes good. The age category where most people buy functional foods for weight-control or weight-loss is the 45-64 years' category where 13 % give this answer. According to Socialstyrelsen² (2009, p. 209) the age categories 45-54 years and 55-64 years among men and 55-64 years and 65-74 years among women are those that have most problems with overweight. This may indicate a relationship between that the ones between 45-65 years are those that are most overweight and therefore buy functional foods for weight-control or weight-loss. They have a problem and functional foods may be the solution. Of those saying they buy functional foods to live longer, the highest percentages are in the categories 18-29 years and 45-64 years with 9 % and 8 % respectively.

There are more women than men who say they buy functional foods because it tastes good, 20 % of the women compared to the men where 11 % give the same answer. There are also about double the amount of women who say they buy the products to keep or lose weight, 10 % of the women and 5 % of the men. The same goes for the amount of women saying they buy functional foods to live longer, which is 9 % compared to the men where 5 % say the same. When observing the answers, it seems like women have more opinions than men do and that they seem to use food as a tool to reduce or eliminate problems they have. According to the results women see functional foods as a tool to lose or keep weight and to live longer, to a greater extent

than men do. According to Socialstyrelsen¹ (2009, p. 31) women also live longer than men do and feel worse than men do. This can explain why women buy functional foods for these reasons. Also, 74 % of the women and 26 % of the men believe this category of products is necessary. This implies that men do not believe in the products' abilities which is strengthened by that 45 % of the men say they have never tried a functional food product. Also, by not believing in the products, the likelihood for having a reason for using it is reduced. This is probably why men do not have as many opinions as women.

None of the retired buy functional food products to live longer, to lose weight or keep weight or because other people buy it, they only buy it because it tastes good. These answers imply that the retired are content with their situation and there seem to be no unmet need that functional foods can fill. Neither do any unemployed buy functional foods because they want to live longer, keep or lose weight, because other people buy it or because it tastes good. A whole of 80 % of the unemployed say they do not buy functional foods, which might be due to that they think it is more expensive than regular products. This can be compared with 56 % of the retired, who is the second highest percentage, who say they do not buy functional foods. Many retired answer that they cannot consider buying Asian functional foods, as an answer to a question presented later, because they do not like modified food. It might be the same reason for why they are not buying functional foods.

9 % of the respondents with university education and 8 % of the respondents with upper secondary school education buy functional foods to live longer. This can be compared to 0 % of the respondents with elementary education. In the result we have also spotted that people with a higher educational level are more positive to functional foods, which can be due to that they use it for a reason.

4.3.9 What is the first thing you think about when you hear the term *Asian functional foods*?

This question and the following focus on the NCP products, which can be classified as Asian functional foods.

About a third of the respondents are sceptical to Asian functional foods or think it is something quite intimidating and some respondents say it is something the companies use when marketing the products to earn more money. However, some of the respondents think it is healthy and seem to be interested in trying it. About a third says they have not heard about it before or do not have an opinion. Many respondents do not get any associations when hearing the term. This

might imply that the term is not common in Sweden. Also, many respondents have not heard about functional foods, which lower the likelihood that they have heard about Asian functional foods. Functional foods products are not marketed as functional foods but as products with health benefits. Maybe we would have got another result if we had asked the question differently. Possibly, people would have been more positive to products with health benefits.

Most of the respondents in the category 18-29 years are sceptical to Asian functional foods and think it is quite intimidating. Also, many respondents do not get any associations when hearing the term. Of the respondents in the age category 30-44 years, most people do not get an association when hearing the term, and there seem to be equally many between those who want to try Asian functional foods and those who are sceptical. In the age category 45-64 years there are about the same amount of people that are sceptical as there are respondents curious about Asian functional foods. Of the respondents 65 years or older, none of the respondents have an opinion. The opinions about functional foods does not seem to be dependent of age, the only differences we can find between the age categories are that none of the respondents between 18-29 years can consider to try it. From this, the conclusion can be made that those are more sceptical to Asian functional foods than older people. They are also those most sceptical to functional foods.

Most women are sceptical to Asian functional foods and if it actually works. This is interesting since women seem to be positive to functional foods. Many women do not get any associations when hearing the term. Considering the men, a high share of the respondents is sceptical and also a lot of the men do not get any associations. More men than women seem willing to try Asian functional foods out of curiosity.

Most people are sceptical to Asian functional foods and mostly from the categories working and studying. Also, many respondents in the categories working and studying do not get any associations. Overall, people's thoughts about Asian functional foods do not seem to be dependent on occupation.

Most of the respondents with elementary education do not get any associations when hearing the term Asian functional foods. The most sceptical seem to be the respondents with upper secondary school education and university education. There were about the same percentage of people wanting to try Asian functional foods in the same categories. But the respondents wanting to try are nowhere close to the percentage saying they are sceptical.

4.3.10 Have you tried Asian functional foods?

9a.	Have you tried Asian functional foods?		%
1	Yes		7%
2	No, but could consider trying it		45%
3	No, and could not consider trying it		25%
4	Do not know		21%
5	No answer		1%
	Total		100%

45 % of the respondents answer they have not tried Asian functional foods, but that they can consider trying it, 25 % say they have not tried it, and that they cannot consider trying it, 21 % do not know if they have tried it or not, 7 % say they have tried it and 1 % chose “no answer”.

Most of the respondents, regardless of age category, have not tried Asian functional foods but can consider trying it. 67 % of those 65 years or older, 45 % of those between 30-44 years, 44 % of those between 18-29 years and 42 % of those between 45-64 years give this answer. The oldest in the survey are most open to try Asian functional foods. The age category where most people are negative and answer that they have not tried it and cannot consider trying are those between 18-29 years. This question, just as the earlier question, indicates that people between 18-29 years are those that are most sceptical to the products.

9 % of the women have tried Asian functional foods but only 3 % of the men. Of the ones that have not tried Asian functional foods but can consider trying, most are women with a percentage of 48 %, compared to the men where 42 % can consider trying. 20 % of the women and 34 % of the men say they have not tried Asian functional foods and cannot consider trying. Men seem to be very sceptical to functional foods in general, and many men have never tried the products, which might be correlated with that men cannot consider trying Asian functional foods. Women use functional foods to live longer, keep or lose weight and because they think it taste good; this might open up their minds for Asian functional foods.

Of the unemployed and the retired, none have tried Asian functional foods. This might be correlated with the fact that the respondents in these categories also have a negative view on functional foods and have never heard about it before. Though, 60 % of the unemployed and 44 % of the retired can consider trying. The category where most people have not tried and cannot consider trying is in the category working where 28 % give this answer.

58 % of those with elementary school who have not tried Asian functional foods say they can consider trying. The percentage for this answer then decrease together with increasing educational level. Respondents with upper secondary school education and university education answer that they have not tried it and cannot consider trying it to a greater extent than respondent with elementary school education. 29 % with upper secondary school education and 25 % with university education give this answer, compared to 9 % for those with elementary education. The highest percentage of those who do not know if they have tried Asian functional foods is found in the category with elementary education with 35 %, compared to 18 % for upper secondary school education and 23 % for university education.

We wanted to know what people who have tried this type of products think about them by asking the respondents about their opinion. The majority of the respondents saying that they have tried Asian functional foods are positive and think the products were satisfying and gave fast results but some say they could not notice any difference. We could not spot much differences in the answers based on age, gender, occupation and education level.

4.3.11 What are your thoughts about tea and coffee with healthy additives?

10a.	What are your thoughts about tea and coffee with healthy additives?		%
1	Already using it		2%
2	Can consider using it		55%
3	Cannot consider using it		26%
4	Do not know		16%
5	No answer		1%
	Total		100%

55 % of the respondents answer that they can consider using tea and coffee with healthy additives, 26 % cannot consider using it, 16 % do not know if they can consider using it or not and 2 % already use it. 1 % chose “no answer”.

All the respondents saying they already use tea and coffee with healthy additives are in the category 18-29 years and 30-44 years. In the age category 45-64 years 60 % say they have not tried such products but can consider trying, this was the age category where most people give this answer. 50 % of the respondents 65 years or older say they cannot consider trying tea and coffee with healthy additives, which is the most sceptical category. Habits and preferences might contribute to this opinion.

Only women say they already use tea and coffee with healthy additives. The survey shows that men are more sceptical to functional foods than women. 59 % of the women and 49 % of the men say they have not tried but can consider trying. Though, 20 % of the women and 37 % of the men say they cannot consider trying.

All of the respondents who answer that they use tea and coffee with healthy additives are working. Respondents see the products as more expensive and maybe that is why only those that are working already use the products because they consider themselves able to afford it. 40 % of the unemployed and 33 % of the retired cannot consider trying tea and coffee with healthy additives. These are the most negative categories to additives in tea and coffee.

Of the respondents already using tea and coffee with healthy additives, all of them have upper secondary school education or university education. 35 % of the respondents with elementary school education do not know whether they can consider using the products or not, which is a considerably higher percentage than for those with upper secondary school education and university education. This might correlate with that those with higher educational levels have heard about functional foods to a greater extent than the lower educational levels. It is easier to be positive to a product when having knowledge about it.

Also interesting, is that the majority of all the people that say they perform physical activity, exercise meditation/yoga, get enough sleep, eat healthy and use food supplements in question two, also are open to try tea and coffee with healthy additives. 70 % of those exercising meditation/yoga can consider trying this kind of products and presumably believes it is good for the health. Of the respondents saying they use tea and coffee with healthy additives, 100 % say they eat healthy and 75 % say they perform physical activity and use cost supplements. Also, 77 % of those positive to trying are performing physical activity.

Those that answer that they already use tea and coffee with healthy additives say they use it because it tastes good and it is good for the health. They also say they tried it out of curiosity. Further, of those saying they already use tea and coffee with healthy additives, 75 % rate their health as "very good" and 25 % rate it as "good".

Respondents between 18-29 years say they use it because it is fun to try something new, it tastes good and because it is good for the health. The respondents in the age category 30-44 years say

they use it because it has no caffeine, which has actually nothing to do with healthy additives, and they are probably therefore not using it because it is functional foods.

The respondents that can consider trying tea and coffee with healthy additives mostly say the reason they can consider it is that they do not see any harm in trying. Other common reasons for wanting to try tea and coffee with healthy additives are that they already drink a lot of the beverages and they see it as a plus if they can consume healthy substances at the same time. Many people think it would be less of a burden for the body and that they can consider trying it if the products taste good and are not more expensive than regular products.

The respondents between 18-29 years who say they can consider trying these products mostly say it is because they do not see any harm in trying. They seem to be more positive to tea and coffee with healthy additives than to the term Asian functional foods, which is interesting since, in this thesis, they are synonyms. This confirms that by explaining the term differently those will probably be more positive. Also, they see it as positive if they can get some extra nutrients since they already drink a lot of tea and coffee.

Women, more often than men, say they can consider trying tea and coffee with healthy additives because they want to be healthier. Men are more likely to try it out of curiosity. There is not much difference between occupational categories or educational levels, which imply there is no correlation between these categories and whether the respondents can consider trying tea and coffee with healthy additives.

Among those respondents that answer they cannot consider using tea and coffee with healthy additives the most common answer is because they rather eat naturally healthy food and that they are negative towards food with additives. People also say that they rather eat a varied diet, that they do not believe in the products and some say that it does not appeal to them. Other reasons are that tea is healthy as it is, coffee should taste and be as it always has been and that the products probably will taste worse and be more expensive than regular tea and coffee.

When dividing the respondents by age, gender, occupation and educational level we cannot find much difference. In all categories the majority answer is because they prefer naturally healthy food. People between 18-29 years answer, to a greater extent than others, that they do not believe in the products abilities and more women than men answer that they find the products intimidating.

4.4 Recommendations

Both the functional foods and coffee markets have reached the maturity stage, which means it will be harder to compete on these markets. The tea and functional beverage markets, on the other hand, are still growing, which will make it easier to enter these markets. Even though the coffee market has reached the maturity stage, we think it will be a good idea to sell both coffee and tea since these can be substitute products to each other. We think it would be a good idea to try to get the products approved as functional beverages. As mentioned before, it is hard to get the products approved by the EFSA, but since health is something that is a buying motive for many people today we believe it will help the introduction and marketing of the products. Though, a threat to functional foods and the NCP products is the naturally healthy food trend. According to the survey most people prefer food without additives and by marketing it as products with healthy additives many people will think of it as something unhealthy and intimidating. By proving that the products are healthy, people will hopefully believe in their abilities. This can be done by getting the products approved as functional beverages and thus be able to market the products with a health claim that has been proven in studies reviewed by researchers. It is essential to market the products' abilities and not that they are products with healthy additives, since this seem to be something that intimidate people.

Another threat to keep in mind is that people prefer quality tea and coffee to a greater extent today than before. This means that people are buying loose tea instead of tea bags and fresh coffee beans instead of instant coffee. However, the instant coffee is still popular among single and two person households, which can be a potential target group for the coffee products. Instant coffee is successful in Eastern Europe and Asia Pacific due to that they have not been drinking coffee there for a long time and the products features are communicated to the customers. In Sweden, the population has been drinking coffee for a long time and established preferences, which make them less open to try new products. According to our survey, it seems like older people are more determined on what kind of coffee they want and they seem unwilling to change to another coffee brand. The NCP coffees are sweet and have a mild taste, which may be more appealing to younger people, since older people said they prefer black fresh ground coffee to a greater extent. Therefore, we recommend that the marketing of the products is directed towards young people that have not yet established preferences about coffee. Assumable, young people belong to single or two persons' household, which strengthen that they could be a potential target group. Only respondents between 18-44 years said they already use tea and coffee with healthy additives, which probably mean that they are more open to this kind of products. However, those between 18-29 years were the most negative to functional foods and Asian functional foods, but we assume that they were negative to the term and not the

concept. Marketing the products features and not as products with additives will probably solve this problem.

In the survey we can observe that people think functional foods is more expensive and that tea and coffee with additives will not taste as good as regular tea and coffee. It is therefore important to convince the customers that it tastes good. Especially if the products are more expensive than regular products, the extra value needs to be explained.

Women have heard about functional foods to a greater extent than men. It is also women that seem to be more positive to the term and prioritise healthy food more. Based on this, we think the potential target group for the products is women. Their motives when buying food are, to a greater extent than men, that it is healthy and good for the stomach. This is good to keep in mind when marketing the products, since these buying motives will help women in their purchasing decision. It is also women that were most positive to tea and coffee with healthy additives. Most respondents that have heard about functional foods have a university education. The survey shows that this is the educational level where most respondents think functional foods are needed and that they eat healthier than others. This makes women and people with a university education suitable target groups.

People that exercise meditation or yoga seem to be those that were most positive to functional foods. Meditation and yoga have not been available in Sweden for that long and maybe this is a sign that these people are positive to new, unfamiliar things, and therefore also see functional foods as something interesting. People that do conscious choices to stay healthy had also heard about functional foods to a greater extent, which necessarily do not mean that they are positive to it, but it makes them an interesting target when marketing.

5. Conclusion and further research

5.1 Conclusion

The purpose of this thesis is to examine if there is a market for Asian tea and coffee with healthy additives in Sweden by analysing the market, the competitors and the consumers' attitudes. There are four potential markets for these kinds of products as we see it; the functional foods, functional beverages, tea, and coffee markets. The market and competitor analyses show that the functional foods and coffee markets have reached the maturity stage, whereas the functional beverage and tea markets are still growing. All the markets are characterised by a few companies with large brand shares together with a large number of smaller companies. We cannot find any teas and coffees that are accepted as functional beverages on the market, which we see as a future possibility. Though, it will probably be hard for new products to enter the market because of the new EU-legislation that regulates the possibility to market products as functional foods and beverages.

From the results of the survey, we can distinguish three distinct potential consumer demographics: women, people with a university education and young people. All of the potential consumer segments prioritise healthy food to a greater extent than others, and women and people with university education are most positive to functional foods and think there is a need for it. Young people, on the other hand, are relatively negative to functional foods, but it seems as though they are more negative to the term than to the individual products. Even though many 18-29 years are sceptical to functional foods and Asian functional foods, they are less reluctant towards teas and coffees with healthy additives. Therefore, we think they are a potential target group, as they have not yet established preferences about tea and coffee. However, they need to be educated about the products benefits.

Finally, the majority of the respondents are negative to these kinds of products. Traces of the natural health trend currently in vogue can be seen in their answers, as many say they like naturally healthy food without additives. This has also been spotted in secondary sources. Thus, people demand healthy, but not modified food. Many of the respondents react negatively to the term *Asian functional foods*, mostly due to the products' origin. However, some people claim they could consider trying Asian functional foods out of curiosity. Overall, there seems to be a negative attitude towards functional foods and Asian functional foods. Our conclusion is that introducing the products on the Swedish market is risky. But in doing so, we believe that educating the customers about the products benefits can be a winning concept.

5.2 Further research

Introducing new products from a foreign country to a new market is always problematic and by writing this thesis, we have made a small contribution towards solving the problem. But to be able to enter the market, without any problems, further research on the subject would be useful. By studying the success factors in Japan and the United States, where functional foods are popular, one could contribute further to the subject by analysing if they, based on differences and similarities between the countries, could be a success in Sweden.

We have noticed from our survey that Asian functional foods seem to be intimidating for many people. We think adapting the products and packages to Swedish conventions can prevent this and we consider it to be of interest as to how this should be done in the most appropriate way. When doing this, an interesting aspect could be to examine the differences in culture and other aspects between the countries.

When introducing a product on a new market a company needs an introduction strategy. By studying other companies and similar products' successes and failures in this area, it is possible to identify how the products should be introduced in the best possible way. It could also be interesting to study these products' introduction strategies in other countries and analyse if the same strategies could work in Sweden. Distribution is also something we have overlooked in this thesis. Before a company chooses a suitable distribution system, a good idea could be to analyse the consumers and trends when it comes to distribution systems to be able to find the most appropriate system.

In this thesis we have assumed that the products will be classified as functional foods, to enable this approach to the thesis. However, it is impossible to know if the products will be accepted and we therefore see it as a good idea to examine the likelihood for the products to be accepted by the EFSA.

The megatrends could be analysed further. What is it that starts those megatrends that today mainly originate in the United States and Japan? Is it a good idea to take advantage of those and introduce products from countries, where it is successful, or will the trend only be a fad?

In the survey, we decided to ask people about their attitudes towards functional foods. If the questions would have asked about people's attitudes towards products with health benefits, which is a synonym to functional foods, it is possible that the result would have been different. We see this as an interesting subject for a thesis.

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Attachments

Attachment 1 – Original questionnaire in Swedish

Hälsointresset slog ner som en bomb och trenden pekar tydligt uppåt. Men fortsätter trenden uppåt även i framtiden? Finns det plats för nya produkter på marknaden? Och, vad efterfrågar konsumenterna för produkter?

Dessa frågor vill vi diskutera i en C-uppsats. Genom att svara på denna korta enkät som tar cirka 3-5 minuter att fylla i hjälper du oss med detta.

Tack för din tid!
Emelie och Frida

1. Hur skulle du betygsätta din hälsa? (ringa in ett alternativ)

Mycket bra Bra Varken bra eller dålig Dålig
Mycket dålig Ej svar

2. Vad gör du för din hälsa? (ringa in ett eller flera alternativ)

Tränar Meditation/Yoga etc. Tillräckligt med vila/sömn Äter sunt
Använder kosttillskott Övrigt: _____ Ej svar

Functional foods (sv. *mervärdesmat, funktionella livsmedel*) är enligt Ne.se "livsmedel som modifierats för att ge specifika positiva hälsoeffekter. Exempel är berikning med vitaminer, fibrer och nyttiga bakteriestammar"
Exempel på produkter är margarin som är kolesterolsänkande och viss yoghurt med nyttiga bakterier.

3. Har du hört talas om functional foods innan? (ringa in ett alternativ)

Ja Nej Vet ej Ej svar

4. Tror du att dessa livsmedel behövs? (ringa in ett alternativ)

Ja Nej Vet ej Ej svar

5a. Har du någon gång köpt en functional foods produkt? (ringa in ett alternativ)

Ja Nej Vet ej Ej svar

5b. Om ja, vilken? Varför? _____

Om nej, varför inte? _____

6. När köpte du senast en functional foods produkt? (ringa in ett alternativ)

Denna vecka Denna månad Detta kvartal
Senaste året Mer än ett år sedan Köper inte Ej svar

7. Varför köper du functional foods? (ringa in ett eller flera alternativ)

Leva längre Gå ner i vikt/behålla vikten För att andra gör det
Smakar gott Övrigt: _____ Köper inte Ej svar

Vår uppsats fokuserar på functional foods från Asien och består av te och kaffe med hälsosamma effekter. Följande frågor handlar om din inställning till detta.

8. Vad är det första du tänker på när du hör asiatisk functional foods?

9a. Har du testat asiatiska functional foods produkter? (ringa in ett alternativ)

Ja Nej, men kan tänka mig Nej, och kan **inte** tänka mig

Vet ej Ej svar

9b. Om ja, vad tyckte du? _____

10a. Hur ser du på kaffe/te som har berikats med hälsosamma tillsatser? (ringa in ett alternativ)

Använder Kan tänka mig använda Kan **inte** tänka mig använda

Vet ej Ej svar

10b. Varför? _____

Undersökningen är helt anonym och uppgifterna kommer enbart användas i arbetet med C-uppsatsen. För att svaren ovan ska få en mening i sammanställningen behöver vi slutligen ta del av några korta uppgifter om dig.

11. Ålder: 0-17 18-29 30-44 45-64 65+

12. Kön: Kvinna Man

13. Hemkommun: _____

14. Sysselsättning

Arbetar Studerar Arbetslös Pensionär Annat: _____

15. Högsta avslutade utbildning

Grundskola eller motsvarande Gymnasium eller motsvarande

Universitet/högskola eller motsvarande Annat: _____

Tack för din medverkan!

Attachment 2 – Questionnaire translated into English

Peoples' health interest suddenly increased and the trend is pointing upwards. But will it continue to rise in the future? Is there room for more products on the market? And, which products are demanded by the consumers?

These are questions we want to discuss in a Bachelor thesis. By answering this short survey, which takes approximately 3-5 minutes to complete, you help us with this.

Thank you for your time!

Emelie and Frida

1. How would you rate your health? (circle one alternative)

Very good Good Neither good nor bad Bad

Very bad No answer

2. What are you doing to stay healthy? (circle one or more alternatives)

Perform physical activity Meditation/Yoga etc. Enough of sleep/rest Eat healthy

Uses diet supplements Other: _____ No answer

Functional foods (*Sw. mervärdesmat, funktionella livsmedel*)

is according to Ne.se "food that has been modified to provide specific health benefits. Examples are enrichments with vitamins, fibres and healthy bacteria" (Translated from Swedish)

Product examples are cholesterol lowering margarine and certain yogurt with healthy bacteria.

3. Have you heard the term functional foods? (circle one alternative)

Yes No Do not know No answer

4. Do you think there is a need for functional foods? (circle one alternative)

Yes No Do not know No answer

5a. Have you ever bought a functional foods product? (circle one alternative)

Yes No Do not know No answer

5b. What functional foods product have you bought?

Why have you not bought a functional foods product? _____

6. When did you last buy a functional foods product? (circle one alternative)

This week This month The last three months
The last year More than a year ago Do not buy No answer

7. Why do you buy functional foods? (circle one or more alternatives)

Live longer Keep or lose weight Because other people buy it
Because it tastes good Other: _____ Do not buy No answer

The survey is anonymous and your answers will only be used in the work with the thesis.
Finally, we need some personal information.

11. Age: 0-17 18-29 30-44 45-64 65+

12. Gender: Female Male

13. Municipality of residence:_____

14. Occupation

Working Studying Unemployed
Retired Other:_____

15. Educational level

Elementary school or comparable Upper secondary school or comparable

University/higher education or comparable Other:_____

Thank you for participating!

Attachment 3 – Municipality of residence

Helsingborg	59 respondents
Göteborg	44 respondents
Motala	16 respondents
Stockholm	9 respondents
Örebro	7 respondents
Lund	6 respondents
Höganäs	5 respondents
Malmö	4 respondents
Linköping	3 respondents
Åstorp	3 respondents
Borås	2 respondents
Essunga	2 respondents
Karlskoga	2 respondents
Norrköping	2 respondents
Falkenberg	1 respondent
Halmstad	1 respondent
Huddinge	1 respondent
Karlskrona	1 respondent
Kristianstad	1 respondent
Kungsbacka	1 respondent
Lerum	1 respondent
Lindesberg	1 respondent
Lundby	1 respondent
Mjölby	1 respondent
Nacka	1 respondent
Nossebro	1 respondent
Sollentuna	1 respondent
Solna	1 respondent
Svalöv	1 respondent
Sverdersborg	1 respondent
Säffle	1 respondent
Valdemarsvik	1 respondent
Varberg	1 respondent
Västerås	1 respondent
Västra Götaland	1 respondent
Ängelholm	1 respondent
Total	186 respondents

Attachment 4 – Product sheets

In the following order:

- *Fitnè Herbal Infusion Tea*
- *Fitnè Coffee Premium Series*
- *Fitnè Coffee*
- *Mzel Coffee Series by Fitnè*

FITNĒ

FITNĒ Herbal Infusion Tea

is for purifying your body by getting rid of accumulated food, keeping fit and healthy figure. FITNĒ Herbal Tea is packed in 100% natural "Double Chamber" tea bag, which is the most advance technology of tea bag, ensuring the maximum dispersion of herbal active ingredients. FITNĒ Herbal Tea has been the best-seller in Thailand and worldwide for more than 20 years. The product is made from natural herbs and it is safe for use.

Benefits :

- ▶ Loosen the bowels by providing constipation relief and promoting regularity of motions.
- ▶ Prevent accumulation of fat and enhance slender body.
- ▶ Non side effects or unwanted stomach stimulation.
- ▶ Prevent hemorrhoids and cancer in large intestines.



- ◁ **FITNĒ Herbal Tea-Original Flavor,** the classic and unique natural herbal infusion, contains Senna leaves and pods.

- ▷ **FITNĒ Herbal Tea- Chrysanthemum Flavor,** the aromatherapy of scent and taste by offering mild and smooth feeling.



- ◁ **FITNĒ Heabal Tea-Green Tea Flavor,** the divisible combination of ingredients between Senna leaves and pods and Green tea leaves for purifying body and increasing antioxidant in body system.



Please contact our sales representative for further more information, regarding to available package size and price information.

Awarded by International Quality Standards



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NEW CONCEPT PRODUCT CO., LTD.

Manufactured and Distributed by New Concept Product Co., Ltd.
156 Soi Ladprao 107, Ladprao Rd., Klongchan, Bangkok, Bangkok 10240, THAILAND
Tel. +66-2731-1030 Fax. +66-2736-1326
Website : www.ncp.co.th, e-mail : inter@ncp.co.th



[Beyond Ordinary Slimming Coffee]

FITNÈ Coffee Premium Series, the latest in the line of slimming coffee from Thailand's No.1 weight-control expert, offer extra healthy benefits in addition to specific weight-control functions designed to suit your beauty needs. Unlike average functional coffee in the market, you can enjoy your FITNÈ Coffee Premium Series even more with the newly refined tastes that match even your finest coffee experience.

*It's time to expect more from your coffee.
Choose your choice of FITNÈ Coffee Premium Series now...*



FITNÈ Coffee Premium Series with Cereal & L-Carnitine, plus Multi-Vitamins

Latest coffee innovation that changes the way you drink coffee forever with the healthy benefits from cereal and multi-vitamins. Your coffee will never be the same again...

- ☞ More than ordinary coffee, with cereal to keep you full & healthy fit
- ☞ Reduce the appetite for high-calorie bakery to go with your coffee break
- ☞ Keep yourself healthy while diet with the benefits from multi-vitamins
- ☞ Stay firm by burning fat into body muscle and use them as all energy sources



FITNÈ Coffee Premium Series with Fiber (3,200 mg.) & Collagen

Love your health, love your coffee... with mega-rich in Fiber as much as 3,200 mg. (highest among similar products) that is essential for balancing your healthy body.

- ☞ Balance your digestive system & regular evacuation for effective weight loss
- ☞ Detox your body by absorbing all kinds of food toxics through the intestines
- ☞ Reduce calorie gained from ingested food
- ☞ Stay firm by burning fat into body muscle and use them as all energy sources



FITNÈ Coffee Premium Series with Apple Extract, Pomegranate Extract & Pine Bark Extract

"Beauty from Inside"... This unique double-functional coffee can help turning you into Good Shape and Great Look!

- ☞ Brightening & improve your skin radiance
- ☞ Improve blood circulation, results in healthy looks
- ☞ Rich source of Antioxidant – good for your health
- ☞ Block carbohydrate and fat absorption from food intake, helps control weight
- ☞ Stay firm by burning unused fat & carbohydrate

All of FITNÈ Coffee Premium Series also contain...

- ✓ NO Cholesterol (0%)
- ✓ NO Trans Fat (0%)

- ✓ Sweetened by FITNÈ Sweet Sucralose, a ZERO calorie sweetener



Please contact our sales representative for further information, regarding to available package size and price information.

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FITNÈ

FITNÈ Coffee

Diet your body with your favorite coffee

FITNÈ Coffee is the 4-in-1 Instant Diet Coffee. It perfectly combines the unforgettable smooth coffee taste and aroma from the finest coffee beans with the unique creation-formulas of weight-control functions. FITNÈ Coffee is also sweetened by Sucralose; a zero calorie sweetener.

Umm... FITNÈ Coffee-the perfect choice for the perfect figure of all coffee lovers.

● **FITNE 4-in-1 Diet Coffee is available in 2 blends;**



- ▶ **FITNÈ Coffee plus White Kidney Bean Extract & L-Lysine**
White Kidney Bean extract blocks carbohydrate absorption derived from coffee is mate such as bread. This unique weight-control blend of FITNE Coffee also contains L-Lysine, which helps stimulate better function of White Kidney Bean extract in capturing starch out of your body.



- ▶ **FITNÈ Coffee plus Collagen & Vitamin C**
Collagen promotes fat and carbohydrate burning metabolism as well as strengthening and repairing skin's cells. The unique weight-control blend of FITNE Coffee also contains Vitamin C, which is a critical factor of collagen formation.



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MZEL Coffee Series by FITNÈ

MZEL
COFFEE

An innovative Men's Coffee, truly designed for Men's Health.

MZEL Instant Coffee Mix by FITNÈ features the new revolution of coffee drinking experience specifically designed for men. Realizing the differences between men and their female counterpart, and even among men themselves, MZEL Coffee has been developed to suit today demanding lifestyle of men, offering great taste of coffee plus variety of functional benefits to match men's healthy needs. Available in 2 series to match your own personality, be it a smart man or a sport man, MZEL Coffee is all it takes to be a perfect man.



MZEL Coffee Series 1.0 "Brain Booster" Formula

Rich in Soy Peptide, Multi-Vitamins and Ginseng Extract

- ▶ Inspire **creativity** & Unleash the **thinking power** of your brain
- ▶ **Recharge your energy** after stressful & demanding day.
- ▶ **Ideal coffee for office executives**, college students, and **those who working in high-pressure** & competitive environment.



MZEL Coffee Series 2.0 "Body Firming" Formula

Rich in Whey Protein, L-Carnitine & L-Glutamine

- ▶ Increase **muscle growth**, keeping your **body fit & firm**
- ▶ Get **"Hot, Strong & Perfect" body**, just like the coffee itself.
- ▶ **Ideal for physical athletes**, fitness regulars, and **those who care about their appearance** while still enjoying good taste of coffee.

All of MZEL Coffee Series also contain...

- ✓ NO Cholesterol (0%)
- ✓ NO Trans Fat (0%)

- ✓ Sweetened by FITNÈ Sweet Sucralose, a ZERO calorie sweetener



✓ **A new innovation for men's health from** **FITNÈ**

Please contact our sales representative for further information, regarding to available package size and price information.

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