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Opportunity research for implementation of an innovative social community on the Chilean gastronomical market

Master of Science Thesis

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Abstract

The Ingeniería, Servicios y Comunicaciones S.A., furthermore mentioned as ISC Group consists of 3 different departments; Methodo, Mobile business and Colibri, where Methodo has the main responsibility of developing a new innovative online community suited for restaurants and their customers. ISC is planning to introduce the community in 20XX. This thesis provides prelaunch information and aims to answer the question: ***What markets should ISC try to implement their community towards and what are the best ways to achieve this implementation.*** This work is divided into three parts; an external analysis, internal analysis and strategy formulation.

The internal information was mainly gathered through interviews with project leaders, the ISC board and others that have insights about the community and company. The external analysis consisted of a market analysis, in which the attitude towards a new gastronomic community was investigated both from the restaurants viewpoint as well as their customers. 192 surveys were administered to potential users for the community, furthermore mentioned as "users" and interviews were conducted with 6 restaurant owners as well as 6 people with extensive industry knowledge.

The internal analysis brings fourth the strengths and weaknesses of the company. The major strengths included the commitment and entrepreneurship within the company, knowledge within all areas needed for the project, previous relationships to restaurant customers and being the first on the market to provide a restaurant community with mobile access and an appealing design. The weaknesses were identified as; lack of experience with non-company customers, the uniqueness of the product and having too many simultaneous projects, in which people were not committed to one project.

The external analysis revealed the possibilities and threats on the existing market. The major possibilities were the increasing target segment within restaurants as well as restaurant users and the willingness of the market as many seems very curious about the community. The threats were identified as the time for a new brand to reach a broad market, lack of knowledge within the non-company segment as well as that the community is planned to be launched in pieces.

The Chilean market was estimated to have ~ 1.73 million users and ~ 1500 restaurants. The users are mainly concerned with interest and benefits. There is not a major actor on the market but rather a spitted market where many actors has many actors with quite an equal share.

A SWOT (Strength, Weakness, Opportunity and Threat) analysis was performed. From this analysis, three alternative strategies that correspond to the main question for this work were determined. The main strategy involves exploiting the market alone and aiming for moderate cost restaurants. These restaurants are willing to spending resources on advertisements addressing the ABC1, C2 and C3 segments of the population in the age range from 20-40 and benefit from that spending because this population visits these restaurants most frequently. The marketing should be in person at key restaurants and should also include a well made website for all other restaurant customers. A well made search optimising campaign is necessary to attract users. The second strategy would be a strategic alliance with a well-known company (e.g., a well known restaurant chain or a recipe site), which would include access to an already existing user database respectively. The third strategy involves selling or franchising the platform of the community, since ISC has traditionally been a software developer and has not been running their business directly towards end consumers.

Preface

This Master Thesis was conducted in Santiago, Chile during the spring of 2012, it was done as a research project at the company Ingeniería, Servicios y Comunicaciones S.A (ISC) in order to investigate what the market would want from their upcoming community as they are about to launch. I would like to thank the department of Product and Production Development at Chalmers University of Technology as well as ISC to give me the opportunity and support for this thesis. Special thanks are directed to my supervisor at ISC Myriam Perez together with small development team for supplying me with useful insight regarding the Chilean population, market and the project. My thanks also to the whole development crew of the company for supporting me and giving me insights, both in the project as well as personal.

I would also like to direct my special thanks to Dr. Erik Hulthén, my supervisor at Chalmers for his feedback, support and to help me assure the academic and scientific content of this thesis.

A special thanks for all who have contributed to my surveys, both dear friend of mines and people who most probably never will discover this fine paper as well as the people who took their time for my in depth interviews and providing me such important knowledge. Without you there would be no valuable content of this thesis.

Last but not least I would like to direct my very special thanks to Catalina Beytia Auad for helping me translate where I failed to do so, and having the patience of sitting by my side at some of the interviews where English was not an option of communication.

The report has provided me with great insight on the pre-face development process in such an amazing and interesting country as Chile that I probably wouldn't get anywhere else in the world where they are all so passionate and proud of their food.

There is no sincerer love than the love of food (George Bernard Shaw)



Anders Nyberg

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1 Introduction

1.1 Background

The number of IT tools, such as Smartphone applications, is steadily increasing along with the number of corresponding users. Many companies have recognised this trend as an opportunity and have developed applications to reach both old and new customers.

Methodo has recognised an opportunity to develop an application for the people in Chile that share the growing interest for gastronomy with a service they call Community Methodo. It is a community specialized for every day restaurant visits as well as more special occasions, a community, in which the common Chilean can search for or publish reviews and find restaurant promotions. The community is initially intended to be web based with an Android application because the company only has experience with the Android platform. However, the company is planning to expand to Apple products using iOS after the release of the Android application.

The application is still in the development phase and there are thus still new ideas in development.

A complementing web based service (with monetary cost) for the restaurants to market themselves in the community is exclusively distributed to Methodo customers. With these two products, clients and vendors can communicate with each other.

The idea of the product came to life after discussion with customers that Methodo already supply with software for handling the cashiers, orders and bill. However, no studies have been performed to analyse the market share that Methodo does not possess. Additionally, little knowledge has been gathered regarding Methodo's competitors or possibilities to sell the products to others than the few customers that have requested the product.

1.2 Purpose

The study aims to conduct marketing research to determine the potential of ISC's restaurant community on the market in Chile. Such research has not yet been completed. This research will be performed after the initiation of product development to predict the most beneficial path for both marketing and further development.

It is also to uniform the company with a clear objective because many of the current ideas and reflections are not widely available within the company.

1.3 Problem formulation

Methodo is currently developing a community for the restaurant market in Chile while simultaneously conducting a marketing plan. The work was chosen to be done as a master thesis in order to get an external and different view than a usual marketing company or an internal investigation would provide.

The problem is described as follows:

What markets should ISC try to implement their community towards and what are the best ways to achieve this implementation.

1.4 Scope

This analysis consists of the Chilean gastronomic market although future products are intended for a larger market that includes the majority of the Spanish speaking countries in Latin America. These countries will be addressed after the release in Chile.

The scope of this project includes the Community Method concept only with its associated market. This project does not address the company as a whole, nor does it include the actual programming of the homepage for the community or the application for the mobile market but plainly input on how they should be compiled.

The business plan will give hints and information about that the customers may expect from the outcome of the products and how they want to be able to use them in their every day work. The information should be considered as guidelines only and not as final and definite decisions for the company.

2 Method

The following chapter describes the methods approaches that have been used during the research. The structure is presented, followed by the work process, subsequent to the significance of qualitative and quantitative methodology and data collection methods. Last, the implementation, method choice method, conduction and data collection are described and discussed.

The initial part of the report presents a theoretical framework which purpose is to guide the analysis and report. The collected information is presented in the results, followed by an analysis of these results. Subsequently, recommendations will be presented as a strategy formulation and an activity plan for the product. The project is finalised with a discussion and conclusions section.

This study is quite prescriptive since the report will result in a marketing plan for ISC's new community. This report provides a model describing how the marketing should be formulated. Normally, a prescriptive study provides a norm or an action proposal, in which the researcher pushes on different standpoints, action proposals and consequences for the involved parties. Therefore, three different action proposals will be presented in the report that presents different pathways the community might take when being introduced on the market based on the different interpretations of the result from the data. The needs of alternative marketing strategies are important, and an entrepreneur must be flexible for a changing market (Kottler, 2009).

The project will be an integration driven process, such that every part of the main question will be handled separately in a specific order. An approximate plan is elaborated in the beginning of the project. Then, every sub-question will be cultivated when that particular question is addressed. The focus has been on completing the data collection and analysis of the market since the company already is developing the product and needs guidance as early as possible in their work. Through continual communication with both supervisor and the company the possibility of changing the aim with the project has been given as in Figure 1.

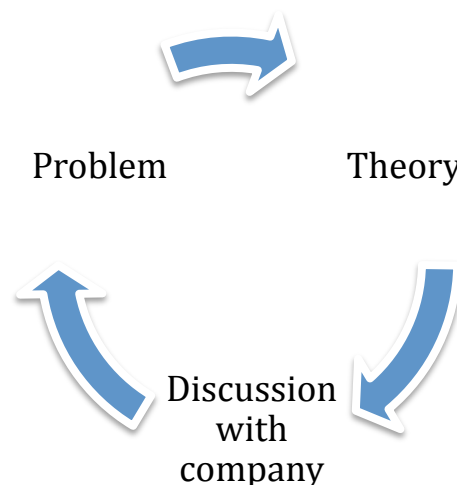


Figure 1 - Process iteration

The project has also been handled iteratively, such that when a part of the work has been completed, previous parts are reviewed again. The parts that are viewed as essential for potential customers and users are studied more thoroughly to provide more relevant questions.

2.1 Quantitative and qualitative methodology

Quantitative methods assume a clear structure and aim to reveal patterns among actions and behaviours through mass collection of data and to provide conclusions from these patterns. The results of a quantitative study are beneficially expressed as numbers and can be treated with statistical techniques and software. These approaches are especially interesting for large populations when a general view can be estimated. It is important that the sample size is large enough to provide accurate generalisations (Bjereld, 1999).

Qualitative methods mainly aim to improve understanding for the studied object through, e.g., interpretations, values, judgements or apprehensions of appraisements of the studied object or service as well as quality, which are harder to summarise in just numbers. A study with a qualitative approach often has a less formal structure (Bjereld, 1999). This type of study provides a more complete view of the studied object than quantitative approaches. A summary can be seen in Table 1.

Aim	Data	Purpose	Example	Collection
Quantitative	Numbers	Determined properties	Genus, Income, Habits	Surveys, Measurements, Databases
Qualitative	Expressions	Meanings, Patterns	Dilemmas, Decisions, Values	Interviews, Observations, Databases

Table 1 – Data collection (Eriksson & Weidersheim-Paul, 2008)

2.2 Data collection

Data collection is normally separated into two different types, primary and secondary information. Primary information demands active collection through e.g., interviews and surveys, while secondary information is information that has already been collected by a third party and can be found in databases, literature and statistical agencies etc. (Eriksson & Wiedersheim-Paul, 2008). The methods do not necessarily have to be considered separate but can preferably complement each other's disadvantages and advantages. This mix of methods to collect material is called "triangulation" and has been shown to be beneficial in case studies, in which numerous parts of the problem are deliberated, providing a rich and holistic view of the case. Other advantages of triangulation include that the validity of information is enhanced when information is controlled from different sources and a wider view of the information is provided (Denscombe, 2007).

In this paper, quantitative surveys and qualitative interviews were performed. A number of different sources of information were used to strengthen the validity of the results. The internal analysis consists of data from repeated interviews with 4 people

working at the company. The external analysis consists of interviews with 6 restaurant owners, 6 people with extensive industry knowledge and a survey with 192 correspondents. Upcoming section describes the methods for data collection from a primary and secondary collection perspective.

2.2.1 Primary information

The primary information in this study includes interviews with ISC representatives that started the project, knowledgeable people within the business and restaurant owners as well as a survey with potential customers to the community. Here are interview and survey methodology presented that has been used during the inquiry.

2.2.2 Interview methodology

When choosing the interview method, the presumptions must be carefully considered to acquire the desired outcome. To separate the different forms of interviews, the interview structure, which can be totally open and unstructured or the opposite, totally structured is considered. The interviewer controls the totally structured interview and the person interviewed answers questions with prepared alternatives, while the unstructured interview allows the interviewee to speak freely without the necessity to stay within the scope of the original question. A compromise of these strategies is called an aimed unstructured or half-structured interview. These interviews are stricter than the unstructured interview but less strict than the structured interview. The format chosen are dependant on the information sought and should clearly be defined and decided before the interview occurs (Fontana & Proks, 2007).

The choice of the interview technique is primarily guided by the size of the sample group and the level of previous knowledge in the subject. A large cluster is exceedingly resource demanding; consequently, a more structured interview is often more suitable, while with a small sample group the interview can be more in depth and aim to collect more than numerical statistics. From a practical point of view, the most critical question that has to be answered before making any decision about the technique utilize is: What is to be investigated? The choice of the interview technique reflects the view of the quantitative and qualitative data collection directly. If the sample group is large, the data processing will be substantial and of a more quantitative nature. If the group is small, the interview process and data processing will be less demanding so the interview can be more qualitative. Before the interview is performed, the purpose of the interview has to be defined. Then, the interviewer can prepare and perform the interview technique that is most suitable for the situation (Fontana & Proks, 2007).

2.2.3 Survey

At the conduction of a survey it is important to be clear about the purpose of the survey as well as the type of information that is of interest for the data outcome. In a survey, the questions are standardised for all respondents, which makes it of outmost importance that the questions are clearly formulated with out any room for interpretation errors in order to achieve an accurate data output. To conduct a survey, a sample is first chosen from the population. This process requires the selection of a population that is representative for the survey aim and questions. The people included in the sample should represent the whole population because unequal representation can delude the results and affect important decisions from the data. Due to lack of resources and other reasons, the whole population cannot typically be

sampled. If a survey is intended to be statistically representative, the sample must be representative of the whole population. When choosing the sample group, the differences between random and non-random samples are determined.

Non-random selection can be strategically achieved from a quote or the most convenient group. Strategic selection is used when a certain variation of the answers is expected, especially within a qualitative study. A quote represents a population with a determined aspect, such as sex, age, country or origin. A convenient selection is a study conducted on the most available sample group. For example, a teacher can conduct a study on his/her class as a sample group of a larger population.

Random selection is differed by the aimed random and non-aimed random selection of sample group. Aimed selection uses a structure to randomly select its population, for example, every 10th name in the yellow pages or every 5th man with a suit. Non-aimed selection is completely without structure and can be comparable to a lottery, with the only limitations being the numbers that can be drawn. To ensure survey quality and avoid the necessity of explaining questions at the survey, a test run is preferable. Possible defects can then be corrected and questions can be reformulated.

In order to conduct a survey, a number of methods can be used to reach the respondents. Table 2 aims to clarify the properties for five different forms of interviews.

Properties	Survey	Mail survey	Telephone survey	Internet survey	Experiment
Cost	+	-	+	-	+
Interactivity	-	+	+	-	-
Availability	+	-	+	-	+
Control	-	+	+	+	-
Social influence	+	-	+	+	+
Answering frequency	-	+	+	-	-

Table 2 - Interview properties (Eriksson & Wiedersheim-Paul, 2008)

2.2.4 Secondary information

The secondary information in this study comes from a continuous literature study throughout the process of this work. At first, the purpose of the literature study was to generate an image of the problem formulation and to formulate different models for the elaboration of a marketing plan. For every new sub question a theoretical framework has been created in order to bond the results with theory and allow for analysis and further define every question.

The secondary information in this study is mainly literature regarding strategic marketing decisions but also includes industry relative material, such as articles and statistical reports from the major banks and social organisations in Chile.

2.3 Source awareness

Criteria for a source critic discussion are presented below along with the definition of reliability and validity. From theory, these factors will influence the report and will be deliberated in the subsequent chapter.

The sources were selected and evaluated according to the following four criteria.

Authenticity

Authenticity verifies the background of the information in order to avoid fabrication and rumours.

Contemporary standards

Contemporary standards examines the recency of the source, *tendency criticism* questions the authors interests and *dependency criticism* determines the sources are dependence on each other and if the information has the same origin (Bjereld, 1999). Sources from the initial literature study include many scientific articles and books from well-known publishers, improving the perception of reliability. Older sources were studied in parallel to newer sources to ensure that the theories and models are not out of date. Independent sources were used to strengthen and verify the results.

Reliability

Reliability considers how the investigation occurred instead of what was investigated. To conduct incomplete or incorrectly handled measurements will result in invalid and untreatable results. For qualitative studies, reliability is important while in quantitative studies, it lacks significance. For qualitative studies, validity should be considered (Bjereld, 1999).

Validity

Validity addresses what is to be investigated, compared to what is intended. Therefore, a study with high validity investigates and focuses on the intended topic. The validity can be divided into *contented validity*, in which all aspects of a phenomenon are regarded, and *immediate validity*, in which the validity is impulsively judged by whether it is perceived to be low or high. The judgement of validity is considerably harder than that of reliability, especially if there are no other results for comparison (Bjereld, 1999).

2.4 Implementation

This study was initiated with a literature study with the purpose of getting an elevated knowledge base regarding the purpose of a market plan and how it should be deliberated. This study is separated into three parts; *Internal analysis*, *external analysis* and *strategy formulation*.

2.4.1 Internal analysis

The internal analysis aims to increase the understanding of the company's internal strengths and weaknesses and is a completely qualitative study for the basis for the SWOT analysis. The information comes from interviews and discussions with the board of the company and co-workers that conduct the development work. A purpose that a quantitative study would not fulfil due to limitations in the number of information sources as a result of a lack of documentation and the fact that the

product has not yet being entered into the market. Consequently, a general image of the product with the aid of figures and numbers would be inadequate.

The primary qualitative interview information comes from managers of the different project areas, including Rodrigo Lafuente (CEO), Myriam Pyrez (Head of the innovation department), Andres Sandoval (head of the mobile business group) and Sergio Chiffelle (executive manager). Each manager contributes to the project in their area of specialty. Interviewing multiple people reduces the risk from partial views of the project and is thereby strengthened through triangulation.

The purpose of the interviews was to obtain as much information as possible from a limited amount of information resources. The selection of the interviewees was only limited by not focusing on personnel with purely technical expertise within the project and the company. The previous understanding regarding the project has been quite good since communities are all around us wherever we are in today's modern society. However, an even deeper understanding of a community was needed and was sought in the literature studies. It was therefore appropriate to conduct an aimed unstructured interview, in which the interview was guided by relevant questions, but the interviewee was allowed the freedom to supply broad and appealing answers. The goal of the interviews was to create a uniform concept of the product for the company and to interpret with theory. The product is still in an early phase of development, and some of the information conclude of assumptions and estimations from the interviewees.

2.4.2 External analysis

The external analysis combines qualitative and quantitative studies as the population is less limited but as depth is still needed, the study was formulated according to the theories from the literature study. The study consists of an interview series with restaurant owners along with a survey of potential restaurant customers. The amalgamation is motivated by the fact that even though Methodo is planning to provide the community for free to users based on restaurant payments for advertisements and publicity, the community has to provide the gift with what the potential customers wants in order to get them to use the community. Indeed, they are not selling a community but access to potential customers to restaurants. To entice as many potential customers to become members and use the community as possible, the community must be attractive to the users. Input from users is thereby interesting because users indirectly pay for the service. However, the restaurants are supposed to be the first hand suppliers to the community, and such their input is also needed. The participating restaurants will be investigated with more qualitative interviews to further understand their demands and motivations for joining a community.

The access to current secondary market information is limited because rivals do not willingly spread information to competitors, except the huge number of users, which they willingly spread in order to attract sponsors, advertisers as well as other users since huge numbers implies confidence. The secondary information that has been studied includes reports from the *Banco de Chile* and the *Instituto Nacional de Estaticas Chile* organisation. Both reports have chapters regarding the economic situation of the market and the restaurant business. With the lack of sources, it is difficult to avoid depending on a dominant source, which has been addressed by widening the interview study to restaurants to include more market-specific question formulations.

An extensive survey was needed to achieve valuable results, which requires question formulated during the work process. People inside the company were consulted regarding the questionnaire and external resources included a management consultant with experience in marketing and a M.Sc. Student at the University of Gothenburg. The survey was primarily tested on a sample group of five people. Then, the survey was clarified and re-administered to another sample group of five people to eliminate flaws from the final edition. It is easy to get blinded when writing a survey since the subject is obvious for oneself. Feedback and experiences from a sample group are necessary in order to straight out these question marks that are easily achieved. The final survey can be found in appendix A.

The target segment was chosen from 5 identified segments with 6 sub segments on the user side and 3 identified segments in the restaurant segment (see target market).

2.4.3 Strategy formulation

The strategy formulation involves creating a framework for the formulation of the marketing strategy and is purely a literature study. This formulation often aims to find methods and models that can be used for a recommended strategy and activity plan. When inquiring the studied literature, it was most important to consider the contemporary standards since models and theories have changed over the years. With the increased number of products and the increased information exchange on the market, other demands are laid on product launch and marketing. The view of green marketing has developed and is more important today. Therefore, the study focuses on newly written material to maximise the scientific implications. The studied literature covers traditional marketing and also the launch of innovative products and green marketing.

2.5 Discussion

The main purpose of this report and discussion is to help the ISC improve their product through a customers view, and also to get an external analysis on how to handle the project. For a company with limited resources and many projects, there are abundant threats and problems; some are more self-evident. It is therefore important not to focus only on finding new problems, at the same time that it does not benefit the ISC to present the impression as of an advertisement leaflet where everything is perfect.

In the initial state, the discussion regarding the method of analysis took place and it was on the walls if the internal and external analysis of the company should have been included a SOAR analysis (Strengths, Opportunities, Aspirations and Results) instead of the chosen SWOT analysis. It was concluded that the threats of the product should be highlighted and that a SOAR analysis would have been overly focused on its positive aspects of the product. The SWOT analysis was chosen to provide a neutral focus with positive and negative aspects can be weighted for comparison.

The SWOT analysis provides a realistic perspective, providing ISC an objective view of the situation. This was particularly important since one of the customer segments were completely unknown and that with a lot of work with previous projects has gone a bit blind about these problems within the company and the product.

The most important work involved identifying target segments to concentrate the company resources in both the user and restaurant segments. This concentration had not been previously considered. The outcomes of these segments were important for fulfilling the purpose of the study.

3 Theory

The following chapter attend the theory that has been used as a basis for this study. The most relevant theoretical approaches, methods and models from the literature study have been chosen for this report. First, theories for internal resources, the environment and market analysis are presented. Then, the results from the internal and external analysis and a theoretical point of view of the strategy formulation is presented.

3.1 *Internal analysis*

To develop a marketing strategy, it is important to be aware of the strengths and weaknesses of the organisation. The goal is to identify aspects that can be developed into competitive advantages for the company while addressing and improving weaknesses. An internal analysis can be conducted from three different perspectives; recourse-based, competence-based and dynamical-competence-based perspectives (Kottler, 2009).

From a resource-based perspective, the company can define a briefcase with different resources that can be used for the development. Maintaining a competitive advantage depends as much on these resources as the possibilities of the surroundings and how they are used (Kottler, 2009).

The competence-based perspective continues the analysis. The analysis not only attends to the company's resources but also addresses how the resources are used and combined with processes, routines and experience to provide a framework of competences that defines the company and its competition assets (Hutt & Speh, 2009).

The dynamical-competence-based perspective adds even more factors to the previous two, and considers the organisation as a collection of recourses and competences. The ability to integrate and configure competences is addressed, in which the company's ability to conform to the surrounding market to maintain its competition assets is analysed.

For smaller innovative companies, the resource-based perspective is of specific interest because those companies lack established processes and experiences. The resources constitute the base of the company's competitive advantages and therefore the analysis should focus on how the resources can be developed into unique market strengths for the current situation (Hadjimanolis, 2000).

3.1.1 *The resource based perspective*

The company's resources and use of resources are of great importance for its survival. There are a number of scenarios in which poor use of resources contributes to product failure in the build up process. Some of these are too little invested means, number of staff members and the company's domestic and international strategies. These are so called *liability of smallness*, which is a weakness that occurs when an organisation is too small.

A single company resource is seldom the reason for the success of the whole company. The combination of resources creates possibilities for competitive advantages. The access to resources describes the strengths of the organisation and is therefore a good starting point for the company's development direction (Hadjimanolis, 2000).

An internal analysis with a starting point in the resource based perspective aims to identify and examine the company's resources that can fulfil the following aspects (Hadjimanolis, 2000):

- Uniqueness
- Available resources that complement each other
- Resources that are hard to imitate
- Learning effects of resources
- Interactions between resources

The resources of the company can be divided into *human, information, financial* and *supply* resources. In this analysis, a fifth resource category has been added, *product-specific resources*, to improve comparison with established competitors in the market (Kottler, 2009).

3.2 External analysis

The value of the company's resources completely depends if the market is asking for and rates its services highly. The purpose of the external analysis is to identify needs, demands and other aspects of the market to be able to estimate what resources that are needed to succeed on the market and within the different segments on the market. The external analysis alludes also to investigate what segments that might be of interest in terms of profitability, size and competition.

An organisation interacts with their surroundings through the exchange of information and resources and can thereby be considered an open system. The participant that controls most of the qualitative information encompasses the best basis to make the most preeminent decision, and through that gaining a market advantage. This theory also applies to scarce and necessary resources that are required by competitors and is the reason that it is important to consider the external environment is so important to examine, not only to detect threats from competitors but also to examine the own organisations footprint on the market.

The external market can be divided into two sections, which are referred as to as the micro and macro environments. The microenvironment refers to the forces that directly affect the company and its capability to serve its customers. These forces include the following:

Company

The groups within the company must be considered since all the groups within the company are dependent on each other, it is important that they cooperate and work in a customer-focused manner.

Suppliers

The companies and individuals that deliver the resources needed for the production of services or products provided by the company.

Middlemen

The institutions that help the company to promote, sell and distribute their goods to the end customers.

Customers

The company must determine their market and desired segment.

Competitors

For marketing, to be successful, the company must deliver more value and customer satisfaction than their competitors. Contenders must therefore be studied carefully so that necessary interventions can be achieved.

General public

The general public includes any arbitrary group that is of potential or actual interest to the company's ability to reach its goals. This group includes financial institutes, the media, the government, citizens and employees.

The macro environment consists of forces that indirectly affect the organisation, creating possibilities and threats for the company. The macro environment can be divided into the following areas;

Demographical strengths

This area includes the changes in age group distribution, family appearance, geographical changes in the population, sex, race, living situation etc.

Economical strengths

This group includes factors that affect the customer's purchasing power and purchasing pattern. These factors can include distribution of income, changes in purchasing power, changed purchasing patterns e.g. Engels law show how individuals change their purchasing behaviour according to food, living, transports, health care and other services according to the increased income of the family.

Natural strengths

This area includes natural resources that the company needs, or that affects the marketing activities. These resources can be a lack of raw materials, increased energy costs, increased emissions and government intervention of natural resources (laws and regulations etc.)

Technical strengths

This area includes forces that create new technology, products and possibilities. Quick technical changes, increased investment costs and new regulations can quickly change the profitability for a company and must be tracked regularly.

Political strengths

This environment consists of laws, governmental committees and other ginger groups that influence or limit organisations and individuals in a society.

Cultural strengths

The cultural environment consists of institutions and other forces that affect the society's fundamental values, preferences and behaviours and can affect the company's sales of products or services.

3.2.1 Industry analysis

Before the market analysis can be initiated, a general analysis of the industry is needed to get a birds view. An industry analysis contributes to the foundation when to define the segments of the market as well as the target market.

The initial phase of the industry analysis involves defining the industry. Unfortunately, this definition can be challenging, and it is essential to choose the correct industry width for the company. The width differs by case, but it is often more suitable to define a smaller branch while simultaneously analysing the wider industry for general trends and patterns. When it comes to new products, there may not be an appropriate branch that fits the description. In this case, it is often easier to choose a similar branch to analyse and then to extend the analysis to be more definite. Information is more easily gathered from those branches and the risk that stakeholders lose interest for a “made up” branch is reduced (Kotler, 2009).

Industry trends are also included to improve understanding of the development. Understanding is essential for success in the business segment, especially for unknown areas within a company, in which possible growth is completely irrelevant if there is no way to break into the market (Kotler, 2009).

3.2.2 Target market

Needs and preferences differ between customers within the industry forming a need for a defined target market. The customers should therefore be divided into different segments. From this segmentation, the customers that are of most interest based on the prerequisites should be considered.

At first consideration, it is easy to assume that all customers on the market also are potential customers. However, this assumption is seldom valid. Customers are sensitive to different factors and search for different attributes in a product. If the segmentation is not well performed, the expected sale runs an extended risk of being too large or too small (Kotler, 2009).

Through segmentation, the customers are divided into groups that have similar demands and behaviours and a better point of view of the possibilities arise after which positioning with special offers and advertising can be aimed towards the different segments. Below follows an example of different segments (Hutt & Speh, 2009);

- Geography – Continent, country, municipality
- Demography – Sex, age, religion, education, marital status
- Behaviour – Volume, frequency, distribution channel
- Needs and preferences – Service, brand, quality

It is not unusual for multiple segments to be of interest for a company. Thus, the company should decide whether to target various segments or not. Without an analysis to aid the decision, companies increase the risk of failure at the market introduction (Hutt & Speh, 2009).

3.2.3 Market analysis

Many factors interact to describe the how attractive the market is, some of these basic factors are size, growth, profitability, and competitiveness. It is also important to create an image of the key success factors as well as the key success qualifiers for the

different customer segments in order to understand the buying behaviour of the customers and how to reach out to them (Hutt & Speh, 2009).

3.2.3.1 Market size

The market size is often measured in number of units sold, turnover or number of customers, and it can be difficult to estimate these factors for a new product. Marketing research is required from which conclusions can be made. Triangulation can be used to obtain more accurate data, which uses data from many different sources to estimate size, compare outcomes and determine approximate probable market size. These factors are often approximated using similar reference products, the capacity in distribution channels or a comparison of the sales of competitors (McKinsey & Company., 2008).

Care has to be taken when estimating the market, the market size is often overestimated based on beliefs about and positive attitudes towards the product. It can also be the opposite and lead to an under estimation of the market when unidentified markets are attracted by the product.

3.2.3.2 Market profitability and growth

Profitability and growth analysis examines the current market situations and trends on the market in order to achieve correct conclusions. General trends are important and shall provide support for a solid market analysis. The financial statuses of similar markets are also of great importance and should be analysed. It is often easier to obtain information from major market players. These results can be good guidelines but the company's should focus on obtaining information from competitors of equal size.

The market can sometimes be defined according to existing standards and statistics can be found at reliable statistics databases, in which it is important to present the numbers in a relevant manner. Statistics from a relevant numbers of past years should be presented to present the trends more clearly. If possible, the differences between sources should be considered, and statistics regarding smaller segments should also be presented. Statistics and data from competitive markets can provide hints towards whether the market is growing more rapid or not, as well has better or worse profitability.

3.2.3.3 Competitor situation

Competitors are a perfect initial stage where to start an analysis in order not to completely misjudge the market position. The initial stage involves identifying the main market players on the market to compare their strengths and weaknesses with those of the company. If a larger part of the market is controlled by a few competitors, it can be considerably more difficult for a new company to penetrate the market. It is important to consider how other new actors has been taken care of on the market previously helps to understand how the market in general reacts. It is also important to evaluate the company's offer with regards to quality and uniqueness and thereby also the possibility of duplicate such an offer from a competitors view. Additionally, product substitutes can also exist; these are different products that offer the same or similar solutions to the customers and therefore compete in the same segment of consumers as well as currently advancing technology that could claim market shares in the future. The company's introduction into the market can also trigger the development of technology that did not exist before the launch, thereby altering the prerequisites on the market (McKinsey & Company., 2008).

The optimal approach is to identify, list and analyse all indirect, direct and future competitors, but this goal is difficult, if not impossible to achieve; therefore, main groups are studied instead. *Indirect competitors* are the rivals that offer a substitute for the company's product that do not directly aim for the same customers but offer a solution to the same problem. *Direct competitors* offer similar products as the own company and therefore directly compete with the same segment of customers. *Future customers* are potential future rivals that might constitute a threat in the forthcoming.

3.2.4 Buying behaviour

Customer understanding is vital for the ability to effectively mediate a clear message to customers on the market. Depending on the type of organisation, the user culture, the influence of particular individuals influence etc. can drive the current situation. It is important to understand these factors that motivate customers.

Customer motivation analysis

Customer motivation analysis (CMA) is a model that determines the factors that motivates a segment of customer's decision to buy a product according to the product's specifications and the prerequisites of the company. The purpose of this analysis is to identify key success factors and key success qualifiers for the different segments and to create materials describing how the different segments should be treated with the largest possible penetration power. *Key success factors* are the factors that are most important for the customers, such as for example; quality, price or diversity and are directly essential for the customers when purchasing. *Key success qualifiers* are the essential properties that have to be fulfilled by the product or the company in order to be of any interest at all from the customer's point of view. (Bättre produktivitet, 2005)

CMA consists of four general stages where the first stage consists of compiling all possible factors that could motivate the customer with regards to customer's behaviours, use and goals for their use of the product or service. This stage can include a brainstorming session, bottom up or top down session or any other idea generation technique, in which the participants are the co-workers, consultants or other people with knowledge regarding the project (Hutt & Speh, 2009).

The next stage also includes idea generating techniques as well as some research on the market structure and gathers the motivation factors. This stage involves the creation of a solid foundation for the forthcoming market research (A. Aker & McLoughlin, 2010).

The third stage includes extensive analysis of the market, aimed mainly towards the end customer but also considers other actors in the distribution chain. Data are gathered through for example interviews and surveys and are compiled for use in the last stage. The final stage involves marketing characteristics and is integrated in the upcoming work regarding marketing. The factors that has been identified as key success factors as well as key success qualifiers for the segments suggest the segments that are particularly profitable, as well as how they should be addressed by marketing wise (A. Aker & McLoughlin, 2010). An overview of all stages can be seen in Figure 2.



Figure 2 - Customer motivation analysis (A. Aker & McLoughlin, 2010)

3.2.5 PEST analysis

Political, Economical, Social and Technological (PEST) sector analysis investigates the factors within each area that affect the organisation. Below is a description of the most common factors within each of the sectors respectively. Different companies can be affected by these factors differently, so these are only mentioned as examples in this chapter. When conducting this analysis, it is important to determine how the factors influence the competitors and other surrounding actors to identify possibilities and threats (Hutt & Speh, 2009).

Political sector

This sector concerns laws, rules and other political forces. It can include special demands that must be met within the business segment or new laws and/or rules that are added and/or changed, producing new pre-requisites. A large part of this sector includes tax rules, environmental laws, minimum wage laws and others. These laws can change quickly, especially in the case of a government alteration (Kottler, 2009).

Economical sector

Multiple factors affect the economical sector, these are for example the current interest levels, import-export weight, GDP, unemployment ratio and purchasing power of consumers. Through studies of the current situation and future trends, the effect on an organisation can be approximated. Trends that are perceived as negative can result in new opportunities. That is why it is important to ponder how the organisation and surroundings are affected by the trends (Kottler, 2009).

Sociocultural sector

The sociocultural sector incorporates both cultural as well as demographical aspects. This sector confers for example traditions, value assessments, attitudes, behaviours and beliefs among the inhabitants. This type of data is significantly more difficult to collect and analyse because besides the demographical data all the factors are highly individual and not as quantifiable as the other segments. Attitude within the different demographical groups differs highly as for example young people generally have a more positive and open mind towards using the internet while other groups are more or less concerned with the increased global energy usage in the world. Both of these concerns presents' opportunities for some industries and organisations but constitute a threat for others (Kottler, 2009).

Technical sector

Scientific and technological advancements contribute to both possibilities and threats, especially if they relate to the company's industry, product or process. The largest effect has those advantages that consider the products or process, but even other advantages as for example use of Internet as marketing channel or e-mail is used to communicate (Kotler, 2009).

3.3 SWOT analysis

SWOT analysis maps and sums the most important factors from the surrounding market and the strategic possibilities of the company. This analysis can be used to create strategic alternatives and be prepared for events based on the outcome of the results. If strategic resources within a business are to be valued, they must be put in relationship with the market and competitors.

SWOT analysis also plots the company's strengths, weaknesses, possibilities and threats with respect to the surrounding markets. The analysis can be used for short or long terms and can function as a foundation for the creation of a marketing strategy. Among others, this analysis fulfils the following functions:

- It can provide an information and discussion foundation that can be used to perform tasks within the company.
- It can provide a foundation for the company's communication message.
- It can help the company to predict questions and needs from financiers and other target groups.

From the criteria above, the company can formulate a marketing strategy that can be used to develop the business. The SWOT analysis provides information that helps a company to understand possibilities and obstacles that might be in the way to success within their market segment (Kotler, 2009).

The advantages of this analysis are that it is easy to use as well as flexible, according to the area of use and provides a structured analysis. A disadvantage on the other hand is that the result is presented in an unsorted list in which the important components are mixed with the less important components. This analysis also has high demands for the analyser, as he/she have to provide relevant variables regarding the organisation and the surroundings. The results can be structured in a matrix model, which provides a clearer picture of the most important factors for the strategic development work (Ekberg, 2009).

3.4 Strategy formulation

When using a resource-based perspective as a starting point for the internal analysis, it is assumed that the resources are not valuable until they are used to fulfil the needs that the market offers, which is identified in the external analysis. It is the market strategists' task to optimise usage of the provided resources provided in the best possible way and to create support to recruit additional resources when needed (Kotler, 2009).

A market strategy proclaims how a company should reach its goal and describes the interventions needed to reach these goals, which are formulated in the marketing plan based on the internal and external analysis. A well-formulated strategy acts as a map

for the company so that its resources are distributed in an efficient manner, according to the prerequisites of the company. One of the most important aspects of marketing for a company is exploring new ground to create awareness for potential customer and knowledge while surmounting the scepticism towards the new product (Hutt & Speh, 2009).

The following chapter addresses the theoretical framework that explains the different tools and viewpoints pertaining to strategies for the differentiation, positioning and marketing mix.

3.4.1 Positioning

The position of the company in the market follows just after interesting segments have been identified and chosen. Positioning implies that the competing products are identified and the critical factors among the customers are identified to differ and create value for the company's alternative. Through that, a view of the own product image can be created and from that, a positioning strategy can be developed (Hutt & Speh, 2009).

By highlighting the strengths and the specific properties within the product that possesses these strengths and then comparing these with the demands of the market and competitors' solutions, market advantages can be achieved. One of the most important aspects is to be able to understand the customer's view of the product to maximise customer benefits. Marketers should not focus on offering new product properties, but rather to satisfy needs (Hutt & Speh, 2009).

According to the McKinsey & Company consulting firm (McKinsey & Company., 2008), the following basis has been stated for a successful positioning.

- Define relevant customer needs or problems.
- Define clear and adequate sizes of customer segments.
- Create an attractive customer offer.
- Define what is unique with the product.
- Take advantage of the customers' emotional comprehension.
- Assure that the customers are satisfied after a seized purchase.

The company should not focus on making a product easy to sell but rather easy to buy for the ideal customer and the segment they appertain. One method for positioning strategy is to frame bundles to satisfy these needs. At this stage, it is possible to concentrate the offer towards the desired customer (Hutt & Speh, 2009).

With the aid of information from the customers and resellers, knowledge of the product value is increased. The positioning strategy must be seen as a dynamic process that is refined and optimised according to the latest information available. The marketing department then provides the desired image of the product to the target group (McKinsey & Company., 2008).

3.5 Differentiation

Almost all products have competitors on the market. Through differentiation, the company can distinguish their products from the competitor products. The objective of differentiation is to create a unique product from the company's unique strengths. A successful differentiation should increase product value as well as customers' willingness to pay a higher price (Hutt & Speh, 2009).

A differentiated marketing strategy usually results in a higher degree of sales, while the cost for marketing increases; this balance is vague. It is therefore unclear if differentiation guarantees higher profits. Companies should be careful with “over segmentation” and “over differentiation” since it can limit a product to excessively small potential customer groups (Kotler, 2009).

The following four different dimensions of differentiation can be used alone or combined to create an attractive offer (Kotler, 2009).

- **Product**; performance, attribute, quality, reliability and design.
- **Service**; delivery, installation, education to customers and repair.
- **Employee**; Competence, consistency, responsibility and communication skills.
- **Image**; Brands, media image and impression from events and business materials.

3.5.1 Adaptation of new technology

A new and innovative product will be accepted differently by various customers, depending of their personal impression of the product’s advantages and disadvantages. Innovators typically find new solutions to current problems, which results in an uncertainty among the customers if the new solution really is better than the older proven solution. An innovation’s possibility to be accepted and spread is according to (Hutt & Speh, 2009) the following five criteria’s.

- **Relative advantages**; The benefits of the new product compared to the previous solutions for the same problem. For the customers, these can result in performance as well as economical benefits.
- **Compatibility**; How good use has the customers from previous knowledge and experience with similar products.
- **Complexity**; How complex does the customers perceive the product and how simple is it for them to start using it.
- **Testability**; To what extension can the customers try, familiarity and experience the product before a purchase.
- **Observability**; Customer’s observations of advantages through observations of other users.

The will to adopt a new product or innovation follows the lifecycle of the product, and marketing should consider this factor. The customer adaption process can be divided into the following sections depending on during which state they are willing to adapt (Hutt & Speh, 2009).

- **Innovators**; This group is characterised by a strong will to try new ideas and solutions. They are willing to handle the complexity and uncertainty of products that are not completely finished and tested. Partially due to economical resources,, but a motivator can also be the image they wish to maintain.
- **Early adopters**; This group are visionaries that create trends and lead the innovative group. They are willing to try new ideas and products but with more vigilance.
- **Early Majority**; This group is a more precautionous group that is interested in innovations but prefers to evaluate the risks and changes that the new technology presents before it is accepted among the group.

- **Late majority;** This group will adopt an innovation later than the majority of the society. They also approach an innovation with a higher degree of scepticism. The late majority typically are in a below average social status, have low financial liquidity and are in contact with other members of the late majority and early majority segments.
- **Laggards;** This is the last group to adopt an innovation. These individuals typically loathe new ideas and are typically older. Laggards characteristically tend to be fixed on “traditions”, have the lowest social status and lowest financial fluidity and are often the oldest of all the adopters. This group is typically only in contact with family and their closest friends.

3.6 Marketing/Promotion

At a new technology launch that demands a customer behaviour change, the entrepreneurial marketing contains many of the same ideas and concepts as traditional marketing. The centre of attention is mainly to increase customers’ awareness about the product and its ability to fulfil their needs.

3.6.1 Marketing mix

The marketing mix perspective emanates from what **product** that is offered to the customers, what **price** that is set, what kind of **promotion** that is offered and how it shall be distributed (**place**). Together, these forms the four P’s of marketing strategy (Kotler, 2009).

Product

The foundation of a successful marketing strategy is awareness that the product has multiple denotations for the customer. The product itself can be divided into three levels; the *core product*, *actual product*, and *add on* that is identified as *Extended product* in the figure, see Figure 3.

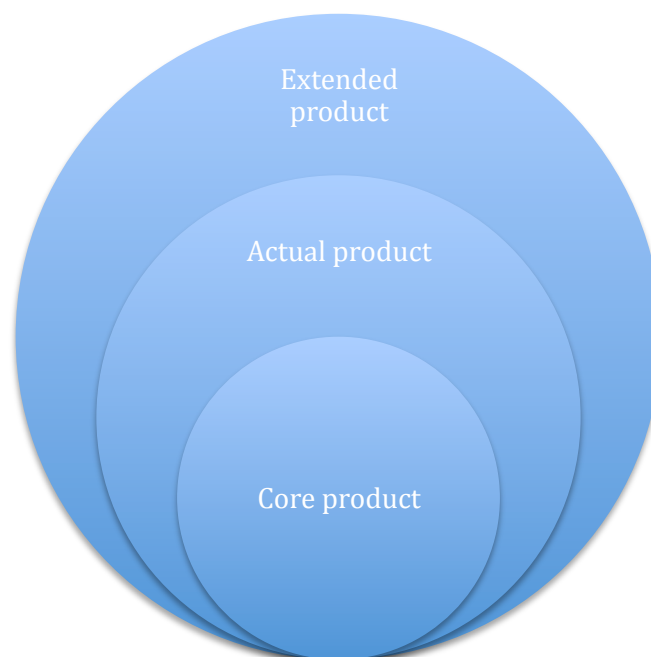


Figure 3 - Levels of the product (Hutt & Speh, 2009)

When a new product is launched on the market, the inner circle is of great importance, and with the increasing maturity of the market and the adaption of the new technique, the importance of the outer circles increases (Kotler, 2009).

The first level describes the main purpose of the product and the need that it fulfils for the customers by its existence. There is a risk in defining the core product too narrowly, since it can contain the company from finding better alternative solutions to the customer's problem, and can result in a decreased development potential for the product, and can create an opening for competitors with alternative solutions.

The second level is the actual product and the solution to the customer's problem. An offer should be formulated so that a combination of appearance, brand and quality arbitrates an image of the product that matches its strengths and primary properties. By increasing the perceived customer benefits, the possibilities to charge more for the product are increased as well as their competitive power. When launching highly technical products, a common problem is that the products include too many functions, which leads to a higher sales price than necessary (Hutt & Speh, 2009).

The third and last layer is the crust of the product, the augmented product that includes all that is offered, in addition to the genuine product. This layer can include complementary products that extend the area of use or service. For innovative and highly technical products that are constantly changing, service is one of the most important factors in the form of installation, maintenance, warranty and support. A lot of highly technical products are hard to be taken in to use of the customers, it is therefore necessary to educate possible users in the benefits of the product and how to use it (Hutt & Speh, 2009).

Price

The pricing can be seen as a part of the positioning and can also be a way of defining the product and differentiating it from competitors. More traditional cost-based pricing has more and more been replaced with the more modern value based model. Through understanding of the customers and the amount they are willing to pay, it is possible to add or remove attributes depending on their value for the customers (Kotler, 2009).

When introducing a new product, what price to set is a major concern. Price is directed by the customer's view of uncertainty about the quality and performance of the product. One method to address this uncertainty is to offer customers a guarantee that the product fulfils certain specifications and offer discounts if the product fails to achieve these. The pricing of a new product is based on assumptions. To achieve as accurate suppositions as possible, a dialogue with customers is preferable to understand how they value the product and its uncertainties (Kotler, 2009).

However, the most essential factor is not the actual price but rather the company's ability to provide a relationship between price and quality that is consistent with the view of the customer. The price cannot be considered alone but must be treated as a part of the whole product where price is set to a level that encourages a purchase. The lack of competition allows a higher price to be charged, while having in mind that there is a limit to the amount that customers are willing to pay. It is important to be aware of the competitor's pricing to understand the amount that the customers are willing to pay and also because the customers are often aware of the different services offered by different companies and compare them in order to obtain the most value for their money (Hutt & Speh, 2009) (Kotler, 2009).

For new products, there are two main strategies for entering the market.

Penetration pricing

Implies that the company implements a low price to quickly claim a large part of the market. It is convenient to use this method if there is a chance to create a new market standard through a fast establishment within the market to build up and spread the firm trademark. If the business has high initial costs and/or fixed costs, which demands a large patronage and high sales to achieve profitability, or when competitors are large, penetration pricing tends to quickly claim a sufficient part of the market (Kotler, 2009).

Price skimming

This strategy involves setting a high initial price to achieve the highest possible gross profit on the investment. The price skimming strategy, which is most common for smaller companies, has three main advantages; (Kotler, 2009)

- Customers will perceive a new product as better than the previous alternative and therefore be willing to pay more.
- A higher initial payback reduces the need for external investments to accomplish financial growth.
- Initially demands lower investments, as there usually is a high degree of uncertainty regarding a new product.

Promotion

Promotion includes Public Relations (PR), commercials, sales promotions and personal selling. Through marketing, the needs of the product must be communicated and delivered, including the areas of use and problems the product can solve. The use of multiple methods is often efficient when it is possible to reach the potential customers with one message but in different disguises and from additional angles. For a new company or a company that enters a completely new market where it was previously unknown, it is important that the marketing creates knowledge about the trademark (Hutt & Speh, 2009) (Kotler, 2009).

Marketing is a costly need, which increases the importance for an elaborated strategy. With a more determined strategy, the communication will be more efficient and the message to the customers is clearer. To achieve cost efficient and effective marketing, the focus should be on the people in the segment of customers that make the actual decisions when buying the product (Kotler, 2009).

Public Relations (PR)

PR is a cost-efficient type of marketing in which the media mediates the message to the customers. To reach journalists, a news value must exist or be created. This value can be accomplished, for example, through a revolutionary product or a stunning event. The final output message is however hard to control since an outsider provides their personal impression of the information (Hutt & Speh, 2009).

Commercial

Marketing through radio, TV, newspapers etc. are still the most common means for a company to reach their potential customers. But the main problem with this technique is that the information flow is massive; consequently, the message is easily lost in the large amount of other information, or it reaches

people that are not interested in the product or service. Generally, a number of ads in a smaller medium that is aimed towards the desired customer segment is a more efficient method than having a few large ads in a broader medium (Hutt & Speh, 2009).

Sales promotion

Alludes to create interest to buy under a short period of time, for example, through campaigns. This method can be implemented through discounts, competitions, promotions, offers about trying products etc. The technique of sales promotion is effective at, for example, fairs, where valuable future contacts can be established with customers by providing product trials (Hutt & Speh, 2009).

Personal selling

Personal selling is probably the most effective form of marketing, but it is also the most costly, even though the sales cost is considered. Through discussions with the customer, a salesman can mediate the message of the company and find a solution to the problem for the customer. For new products, this technique is particularly difficult but of great importance. A customer that buys a completely new product is subjected to a particular uncertainty since others have not extensively tested the alternative. Personal selling pertains to marketing and selling to the final customer, but it is also important when it comes to induce distributors to carry the product in their range of products and exposing it to potential customers (Hutt & Speh, 2009).

Place

Place refers to the distribution channels used to get the product out on the market. The choice of marketing strategy is one of the factors that most affects the choice for the distribution channels. There are several important strategic questions that must be considered before making a decision. The customers of the company, if such are common individuals or other companies, buying behaviour, and price segment are all factors that are important for selecting the place (Kotler, 2009).

It is also important to know where the customers prefer to buy the product. The customer's habits and interests are important factors for understand their behaviour (Kotler, 2009).

The choice of distribution channel should also be chosen so that it aligns with the general lines of the company and their other offerings. It is important that the customers can take advantage of the complete product, consisting of the core product, actual product and add-ons. However, the number of variations must be carefully chosen because greater variety increases demands on the distribution channels that has to inform and support the customers, which reduces the resources that can be spent on selling larger volumes (Kotler, 2009).

There is a clear advantage to use a distribution channel that already has established contact with the targeted segment or has strong prerequisites to create such relationships. If these relationships are absent, although it is preferred to distribute the product to the customers, alternatives should be evaluated according to the following two considerations. If it is possible to establish a sufficient contact network over a short or moderate period of time, the profit can be maximised (Kotler, 2009).

3.6.2 Green marketing

Although it has the same goal as traditional marketing (to ease exchange between the seller and buyer), green marketing attempts to minimise environmental impacts. This marketing also involves achieving the goals of the company with the limited resources that is at hand. There are many reasons to apply green marketing; (Ottoman, 2004)

- The company opines to have ethical obligations to take on bigger social responsibility.
- Laws and directives can force companies to have increased responsibility of their environmental impacts.
- The cost for wastes and materials forces the companies to change their behaviour.
- Competitor marketing pressures the company to ameliorate their own marketing to remain competitive.
- The company believes that green marketing will help them achieve their goals.

Many companies understand that they must act in an environmentally responsible manner. It is therefore common that companies raise their environmental goals as well as financial and strategically goals. To successfully implement an environmental thinking into the company culture is something that often is observed and appreciated by all stakeholders. Within many markets, select companies have increased their market shares by adopting a green profile and has succeeded to increase their market shares through that, competitors often follow after since they realise the value the green factor brings (Ottoman, 2004).

By providing green products with the same quality, performance and price as the traditional products are more appealing to the customer. The environmental friendly properties of the product contribute to the increased value of the product when compared to the competitor but should not be seen as the most important factor. If the environmental aspect is used as the main pillar for marketing, there is a large risk that the product will only attract a small niche segment of the market (Ottoman, 2004).

Products that are marketed as environmental friendly must fulfil two criteria; they must provide improved environmental properties while fulfilling the needs of the customer. Failure to meet these criteria is *green marketing myopia*, which affects companies that focus on the attributes of the product rather than the needs of the customers. These companies will fail since the customers buy the product due to its advantages and what they can benefit from it, nothing else (Ottoman, 2004).

For a company to use green marketing, it is important for them to make sure that activities and communication with customers are not misleading and do not violate any marketing laws or regulations. All asserts regarding green products should clearly describe the environmental gains and how these are achieved, explain all environmental properties and motivate all statements and environmental claims (Ottoman, 2004).

Products that will be marketed as green must consider environmental thinking in all parts of the process. Development, distribution and contingent recycling must occur with minimal environmental affects or customer reliance will most likely be negatively impacted. When a company with a green deficiency profile markets an

environmentally friendly product, they are said to engage in *green washing* (Ottoman, 2004).

3.7 Competitor strategies

Knowledge regarding competitors and their strategies is used to obtain advantages on the targeted market and segment. After an analysis of the market that identifies interesting and potential market segments, one should consider how to emphasize the strengths of the product. The following classical starting points, described by Porter, can be used when formulating a marketing strategy (Kotler, 2009):

Cost leadership involves the company striving to offer the lowest price possible to the customers through lowering production and distribution costs.

Differentiation strategy, aims to create a unique and leading product on the market.

Focused strategy, involves the company aiming for a narrower market segment.

The problem with strategies that focus on a narrow marketing segment is however, that the size of the segment can be difficult to estimate. Thus, there is a risk that the company is building its strategy on top of a too small customer group in which the profits are too low to support the cost of the product. However, it is often a hard but necessary decision to aim for a narrower market. For entrepreneurs, it can be difficult to determine potential customers, and it is at the same time important to remain flexible in such a decision with respect to changing markets and/or situations (Hutt & Speh, 2009).

Competitors will most certainly enter a market where a successful company is generating profit, tempted by the “easy” profits and want to mimic the current strategy and success. It is important to protect the company’s position to avoid losing market shares to competitors. (Kotler, 2009) describes two main strategies for maintaining the market position.

Keep information secret

Keeping the information a secret works well when the product or service is based on a high-tech foundation. However, this secrecy can be an issue for the company as information and ideas must be communicated to customers, suppliers, wholesalers and other stakeholders.

Create barriers

An alternative strategy is to create barriers to prevent competitors from entering the market or select segments. Usually, such barriers consist of knowledge regarding how and to whom the product should be sold and marketed (marketing plan). There are five commonly used methods to create barriers; (Kotler, 2009)

- *Innovation* – Remaining ahead of the competitors through enforcing the product position while focusing on continual product development allows the company to maintain a continual advantage over competitors now as well as in the future.

- *Trust and reputation* – A strong reputation crafts dedicated customers that become doubtful towards new companies and products.
- *Economies of scale* – Economies of scale is a fast exploration of the market that leads to lower production and development costs and aggravates competitors from entering the market as a large part of the market needs are already fulfilled.
- *Control resources* – Long-term contracts with suppliers can ensure control over the resources that are necessarily to compete on the market.
- *Jurisdiction barriers* – Non-material protection, for example patents, branding protection etc., can prevent competitors from entering the market or claiming market shares.

3.7.1 Strategic alliances

A strategic alliance occurs when two or more organisations form an agreement to share resources, assets and/or competences to achieve mutual business goals.

The cooperating organisations remain autonomous from each other while supplying each other with resources, such as technology, distribution channels, intellectual capital and manufacturing resources. They share profits, risks and control over the expenses from the common operation.

When introducing a new product to a new market, strategic alliances can be an important part of the marketing strategy. Alliances can allow entrepreneurs possibility to accelerate their marketing introduction through access to already existing resources and thereby avoid expensive investments in new technology and/or knowledge (that otherwise would be a necessary start up cost for exploiting the market possibilities). Convincing the market that the new product or service has a high value is also challenging. Alliances gives the company a possibility to ease this issue through franchising under an already established brand or by close cooperation and relation to an already established brand. The uncertainty and information asymmetry that follows with new products has been proven to diminish with a strong strategic partner that has faith in the product. The customers interpret this relationship as proof that the product is valuable; however, while the customer's uncertainty might be diminished, it is not completely eliminated (Kotler, 2009).

Studies have been shown that companies in strategic alliances increase the alliance utilisation factor. It has also been proven that a partner with technical and commercial market experience leads to quicker and more profitable establishment on the market (Hutt & Speh, 2009).

Strategic alliances are a powerful tool that has one purpose only; to boost the formation of a product's infrastructure within a specific market segment. Thus, a product is presented and marketed together. These alliances arise from the needs of the product and favour both partners through increased customer satisfaction and access to sales possibilities that were previously difficult or unavailable to achieve (Hutt & Speh, 2009).

Strategic alliances also include many challenges for all participating partners including coordination, trust and changing conditions both of the market and within the companies, which make them difficult to maintain over long time periods. Profit and risk sharing should also be considered (Hutt & Speh, 2009).

4 Results

In this chapter, the results are stated that has been emerged from the interviews as well as from the studies of the empirical materials are presented. The empirical materials and results are presented in the internal and external analysis sections, respectively, and they and will form the foundation for the SWOT analysis.

4.1 Internal analysis

The empirical material below that is essential for Methodo's internal prerequisites is presented below. This material includes knowledge and experiences from this study of the current situation for the company. This information is mainly based on the Methodo's internal information and dialogue with people involved in the project.

4.1.1 Business idea

Every day, thousands of people eat lunch and/or dinner at a restaurant. They often select a restaurant they know from previous knowledge or from the suggestion of a friend. For selecting an unfamiliar restaurant, the type of food and price are the major factors.

Methodo wants to create an online community with restaurants so that the common person can acquire reviews and tips for restaurants to select those that are having good reviews and offers. This community can substitute a friend's recommendation when unavailable, or provide new liable tips for places to eat that are not obvious from other sources of commercials.

4.1.2 Human resources

Although ISC group is an established company, it is yet small and has limited resources. The company is run by Rodrigo Lafuente and divided into three departments: Methodo, MobileBusiness and Colibri, which handle software development, mobile applications and graphical design, respectively. The group responsible for the development of the service is a branch of Methodo called Innovation that consists of 5 people. The rest of the recourses needed for the project are borrowed from the other departments and projects when needed.

4.1.3 Information resources

ISC has not created a community previously; therefore, there is a big lack of internal knowledge and information. However, Methodo has worked with restaurants before, and has previously sold software for cashier machines creating contacts with restaurants in the market.

4.1.4 Financial resources

The financial resources are currently stabile as ISC has products on the market that supply the organisation with funds. Thus, the company is stabile but still limits the resources strictly with all simultaneous projects that require continual operation and development.

As today, ISC will develop the product using their own resources only, resulting in a longer development cycle. Thus, they are not pressured from external interests or stress from a strained release date. Most resources are used to provide basic services for all three platforms that are going to be served during the launch, namely the WWW, Android and IOS to initially provide the user with basic usability and to attract users as early as possible. More advanced usability will be available as the community grows and provides revenue to boost development further.

4.1.5 Supply resources

ISC has a sales force that provides the products they offer at the moment to other enterprises and has good relationships since products are sold through personal selling. The community will however handle two very different segments of customers: partly enterprises (restaurants) and partly the private sector (community users), which they lack previous experience from.

4.1.6 Product specific resources

The developed idea is based on requests from a few restaurants that are already customers to Methodo, and the concept has then been evolved within the company. From the business idea, the food community will be unique by fulfilling the following needs:

- Easy access to locations of restaurants
- Reviews written by users, not made up by restaurants
- Easy search engine for the type of restaurant desired
- Discounts on selected restaurants
- Visual experience when browsing restaurants
- Increasing customer flow into restaurants

There are currently multiple websites that offer lists of restaurants in Chile, but they do not offer the complete functionality of the new community that Methodo is going to offer. This work will be the only site that combines all the functionality of the other websites with more benefits and in a neither package. Methodo is continually improving their idea as the project continues to further satisfy their customers.

4.2 External analysis

The external analysis regards collected data pertaining to the market environment for Methodo, to determine the prerequisites of the industry. These results are based on qualitative interviews with restaurant owners and skilled industry workers, together with an extensive survey with answers from 192 potential restaurant customers in the age range from 18-70.

4.2.1 Industry analysis

The Industry analysis is a general analysis that describes the development and trends of the gastronomic market. Methodo wants to encourage gastronomy, “the art or science of good eating” (Merriam-Webster), by benefiting those restaurants that generate high-value food.

The restaurant market is in direct correlation with the possibilities of a launch of the community. This launch requires a strong profitable market that invests in marketing.

As population, urbanisation and stress increase, restaurant eating for recreational purposes or due to time constraints increases. This increase has led to the steady increase of consumption from the Chilean households over recent years (Guerrero, Luengo, Pozo, & Rébora) (Fernández). Thus, the number of restaurants is increasing. This development has led to a jungle of restaurants, and a huge variety to choose from. As today's fashion continues to change at a faster rate than before (this includes the whole restaurant business), leading to corresponding changes in restaurant style and food people eat changes continuously. Therefore, expert advice is crucial for finding good restaurants when the selection is so big.

The last years, the trend of cooperation and advertisement with digital media has increased, and it is more common to receive discounts when purchasing with a specific credit card or having a membership card from e.g., a newspaper.

4.2.2 Target market

Target markets are identified through a demographic and economic segmentation to provide a scope for the upcoming marketing analysis. A market analysis was conducted among customers within the different segments to find correlations and differences between the different groups, particularly for the parameters *behaviour, preference and needs*.

Since Methodo targets two distinctive types of segments, first of all the restaurants that will participate in the community, as well as the potential restaurant customers that are an equally essential, part of the community. The segmentation was therefore divided into two parts, *Restaurants customers* and *Restaurants*.

Restaurant customers:

The market was divided into age segments to determine the part of the population that is most interested in gastronomy and would be most willing to join a gastronomic community. However, this segmentation was not enough to be able to do a deep penetrative analysis and additional segmentation was performed. The different age segments were therefore identified as well as geographical segments of the population as follows:

- Age less than 20
- Age 21-30
- Age 31-40
- Age 41-50
- Age 51-60
- Age above 60

And:

- Socio economic class ABC1, C2, C3
- Socio economic class D and E

Which are illustrated in Figure 4.

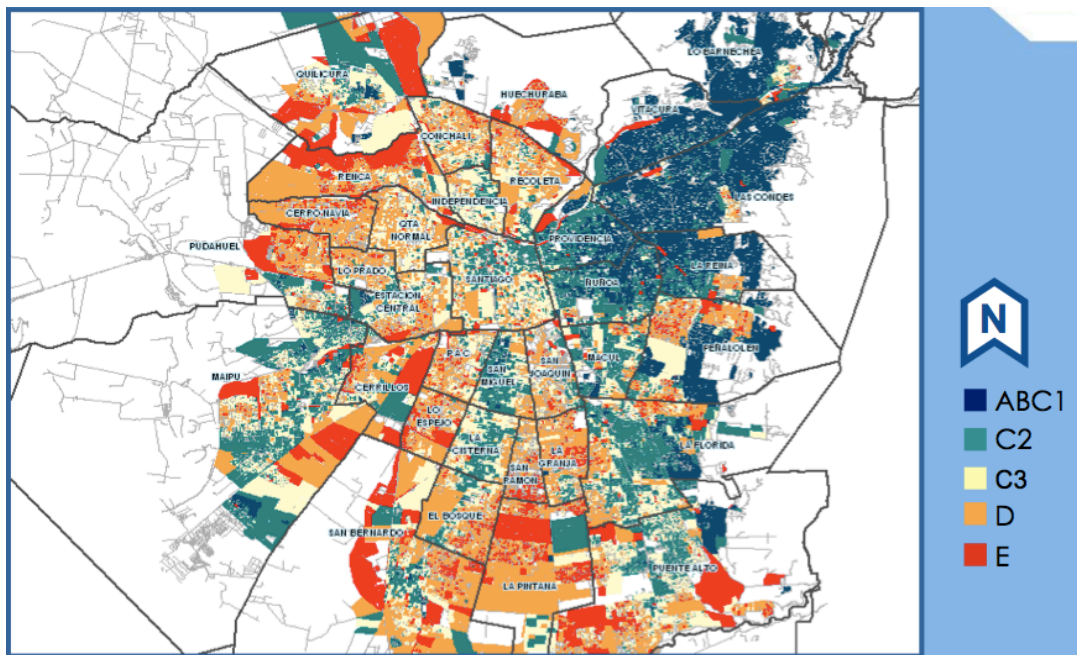


Figure 4 — Communes by Socio economic class in Santiago (ABC1 - highest to E - lowest), (Ministerio de Desarrollo Social)

Chile is a diverse country when compared with many western countries, but it is far less diverse than many of its closest neighbours. However, Chile still has a large divergence between the rich and the poor, and many groups are oppressed. It is therefore interesting to take this into consideration when doing the segmentation.

Restaurants:

Due to the inequality within the population, a major part of the population visits restaurants in the lower price segment. These restaurants do not have extra resources or are in general not interested in spending resources on costly advertisements. The restaurant business has therefore been divided into three segments depending on the average cost per visit.

These segments are:

- Low cost (Less than 5000 pesos (≈10 USD) for lunch or dinner)
- Medium cost (Between 5000 and 15000 pesos (≈10 - 30 USD) for lunch or dinner)
- High cost (More than 15000 pesos (≈30 USD) for lunch or dinner)

4.2.3 Market analysis

In this chapter, the results from the external analysis are presented, and aim's to provide a solid foundation for discovering the possibilities and treats for the restaurant business. This result will be the basis for the upcoming SWOT–analysis.

Market Size

The restaurant business is huge globally, and not the least in Chile, that together with the hotel business have an annual turnover of 2.4 Billion USD (Fernández) with a total of 3218 restaurants in 2009 (Instituto Nacional de Estadísticas Chile) in Chile.

Interviews and market surveys show that the restaurants that can afford advertisements either advertise or have an established brand such that advertising is not needed. These restaurants are most common in the higher price segment, in which

the number of restaurants is limited. This structure can be compared with the car industry, in which the premium brands are known to those that are interested, regardless of advertisements.

The interviews indicate that restaurants are not loyal to their current publishing supplier and are interested in changing their distribution channels in order to reach more customers if the ratio “cost/increased customer flow” can be improved. The market success of a new community is questionable, and customers should be given the opportunity to try out the product before making an investment in order to ease any doubts.

However, the restaurant clients seem positive and give the impression that they are interested in ways to save money. Being able to search for a type of restaurant, both for location and type of food, is an attractive feature and motivator for many people. Many of the potential restaurant visitors are also members of other online communities from before, and use the Internet regularly, which reduces the product vagueness.

Interviews combined with information from existing web based services for restaurants have provided the following estimation for the market as seen in Figure 5.

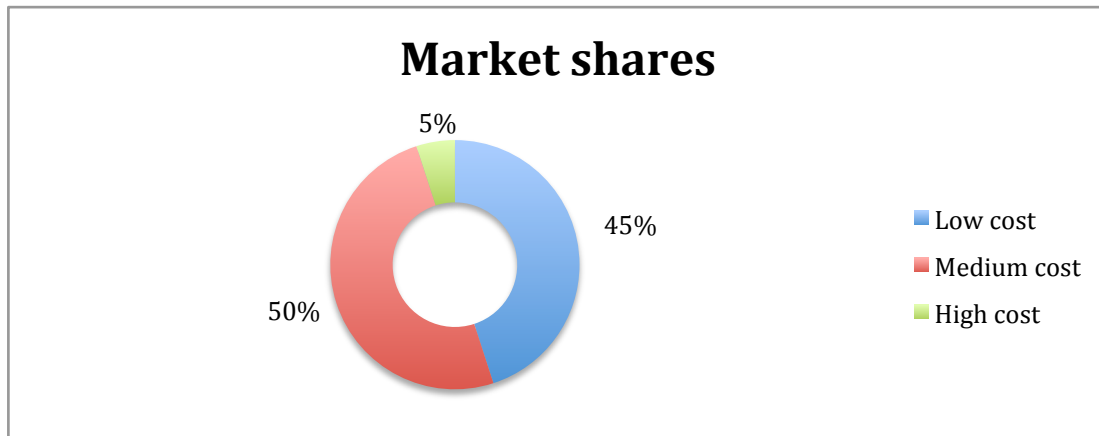


Figure 5 – Market shares

Market profitability and growth

No available information has been found regarding the profitability of similar online communities nor any information on how profitable alternative more conventional publicity services are has been found.

The profitability of the general restaurant business is available and is in direct correlation with the strength of the publicity industry for this service, which has increased 20% from 2003-2007 (Fernández) while the Chilean population has increased 4% (Instituto Nacional de Estadísticas Chile).

The interviews show good profitability with a continuously hardened competition on the market. The profitability varies massively depending on the type of restaurant. Restaurants in the lower-cost segment can have a margin of approximately 20%, while restaurants in the higher-cost segment can have a margin of approximately 70% with regards to the actual food cost. However, the higher-cost-segment restaurants have significantly lower customer flow-through ratios and greater business expenses.

The market for restaurant communities are previously explored, and mature and new market actors contributes to increased competition on the market.

Competitor situation

The subsequent chapter provides an overview of the competitor situation within the target market in order to visualize possibilities and threats regarding Methodo's online community. Primarily, the competitors that offer similar features in the gastronomic industry will be investigated. These features are of interest because they may look and operate similarly to Methodo's community.

There are also non-restaurant business market actors that are seen as competitors and create footprints on the market with a wider, less specific type of commercial. These actors provide information and offer for anything under the sun, including restaurants. Major competitors can be seen in figure 6.



Figure 6 – Competitor examples (Year established)

Commercials for restaurants in an online community are a relatively unexplored branch because this business is conservative and often advertises in more traditional locations such as newspapers or with credit card holders where they feel more comfortable. Restaurant owners, even those of smaller restaurants, are starting to understand the benefits of advertising online.

From the quantitative and qualitative interviews with customers and through discussions with ISC, direct and indirect competitors were identified. The indirect competitors can be divided into two different types. One group includes communities, however they do not have restaurants as their prime group of customers but target a wider segment, and the other group is the more traditional media that supplies information to restaurant customers.

Many of the competitors are newcomers on the market that have already claimed a significant share of the market (Woorank, 2012). These newcomers recently entered the market as a response to the increasing number of restaurants (or other products) because people often trust the opinions of other consumers more than the selling companies commercials

Within the Chilean restaurant community market, two of the products that challenge Methodo are Degusta.cl and Santiago Gourmet, which has the majority market share in the segment, according to customers and internet statistics (Woorank, 2012).

Other products that still remains strong and constitute threats due to their proved efficiency and market tradition include newspapers, such as El Mercurio, which is the biggest and most popular newspaper in Chile, and credit card companies, such as American Express. The tradition of these advertisement techniques allows them to be considered safe and a proven source of advertisement for a business that is conservative but is interested in new ways to reach customers due to rougher competition.

Facebook and Foursquare are two other communities that have a strong hold of Chile. These services are used frequently by customers with computers and Smartphones. Although they are not communities with a food alignment, but are more universal and attract people with all kinds of interests, which among them could be food and restaurants. These communities have their strength in versatility and numbers, and that is also the biggest attractors for new users to join these huge communities when they discover that everyone around them has it to.

Distribution channels

Interviews have shown that restaurants often use direct contact with the company that offers the advertisements instead of a middleman. Depending on the type of advertisement, the initiator towards the business relationship differs.

The more traditional sources of advertisement often require no introduction to the customer's searching a publicity channel. Their potential customers are aware of their service, and it is usually the customer that makes the contact asking for advertisement services. They handle in general the larger actors on the market since investments for advertisements in a major newspaper that reaches a wide population can be large. However, this is usually the goal of the larger chain restaurants, to reach the wider population.

Younger social communities receive a more sceptical response from the customer. These communities must actively obtain customers and prove themselves by offering sample periods to convince the customers of their product. The restaurant business is a market where small and large actors flourish and the scheme to approach clients depending on the size has to be considered. Small customers that cannot spend much money cannot obtain the same attention as large customers. Additionally, the bigger players actors are quite few and knows that they are attractive and can therefore pressure prices.

Results from the interviews and surveys show that recommendations from friends and advice from fellow colleagues are the most important sources of information when it comes to finding a new restaurant as well as deciding if to eat there or not.

4.2.4 Buying behaviour

In order to know how to affect the customers most effectively, it is important to have insight regarding the buying behaviour of the customer groups. Additionally, in this case, because one of the segments will not pay directly for the service, it is important to understand why they would want to join the service.

Customer motivation analysis

The two first stages of the Customer motivation analysis (CMA) involved gathering, analysing and grouping the factors that can affect the customers. This process was done by brainstorming with colleagues within the project group. Competitors were also analyzed to ensure relevant factors were identified, as well as knowledgeable individuals within the business that was interviewed.

The first two stages resulted in a survey that was administered to 192 people. The results below regard the factors that are important for the users when joining a community and for the customers when finding an established and newly opened restaurant. The factors were chosen to represent the strengths and weaknesses of the company in the internal analysis, as well as those factors that are important for the business in general. The complete results concluding all factors are included in Appendix B.

The results from the user survey serve as the foundation for the third stage of the CMA, which involves the market strategic elements in the report. The fourth stage involves delivering strategic roles to the motivation factors and is included in these chapters.

The survey results show that interest and benefits are critical factors when deciding to join a community. Interest is a broad factor and includes both interest for the actual subject that the community handles, as well as participation in the network. By contrast, benefits are narrower and include aspects that can save money for entering members, see Figure 7.

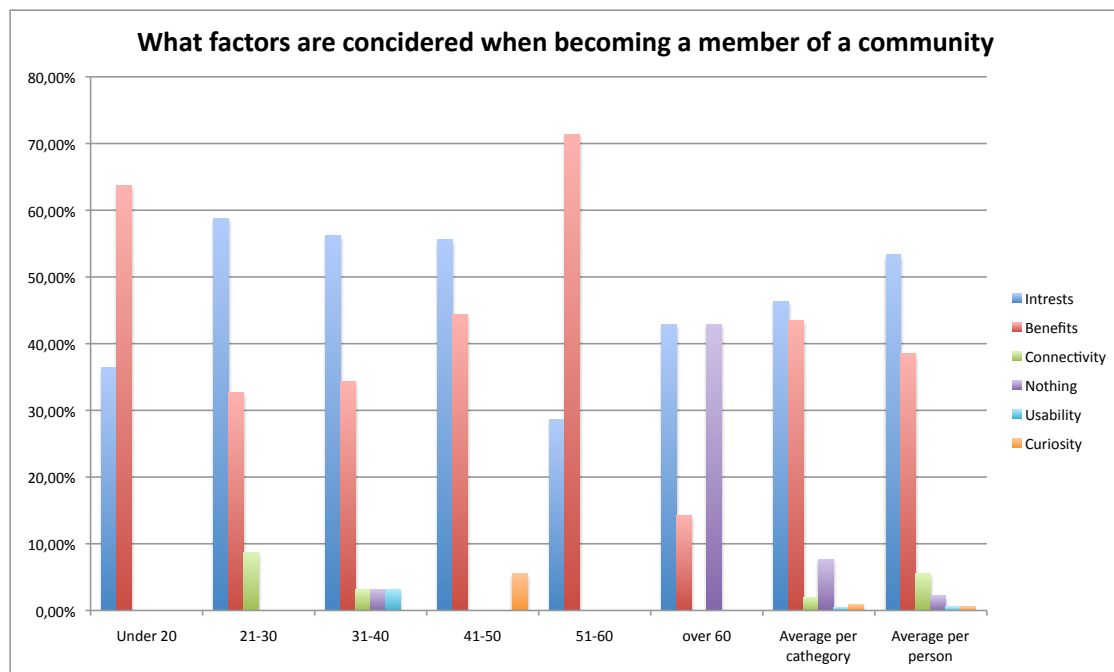


Figure 7 – Considered factors by users when joining a food community

These results show that friends' suggestions and price are the most important factors for most age segments. Thus, for the community, it is beneficial to create a friend-to-friend experience between the users so that the users deliver the message to each other as "friends" instead of as strangers. Reduction of prices, for example, through discounts and offers from restaurants, is almost equally important and is one of the key factors for the community, as determined by the board, see Figure 8.

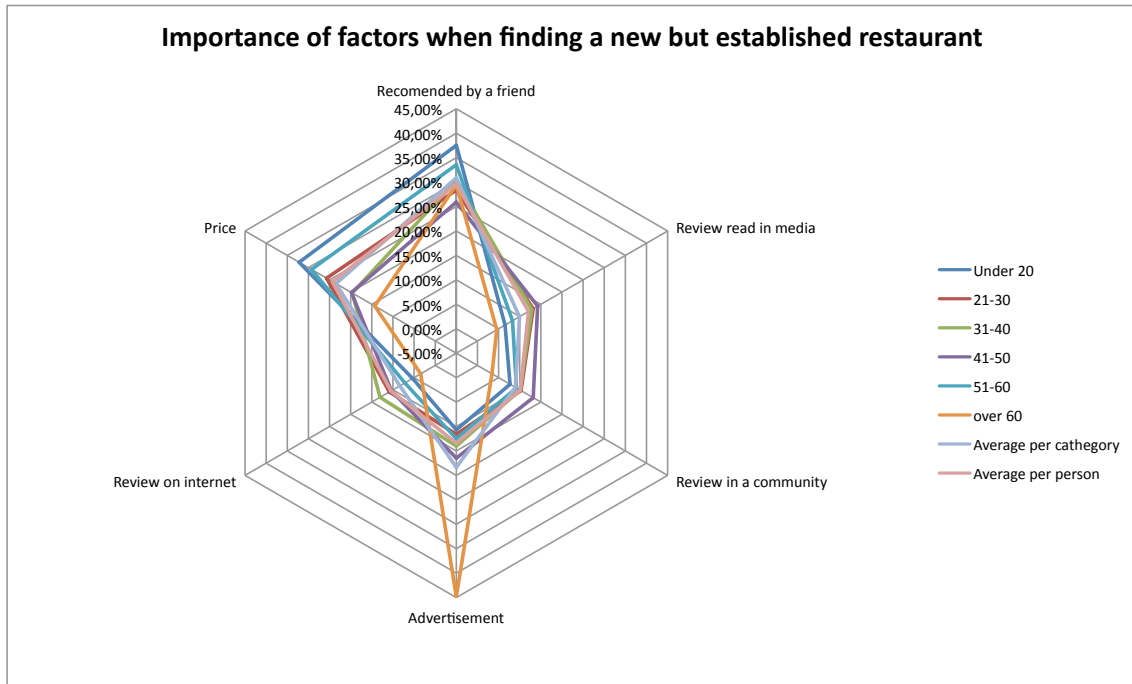


Figure 8 – Factor importance when finding a new but established restaurant

An investigation was also performed to determine if newly opened restaurants can be a lucrative market and if the important factors were different for these restaurants. On the contrary it was found out that there were almost no difference based on newness of the restaurant compared to older, except that restaurants initially advertise more often in the beginning and are interesting to the community, see Figure 9.

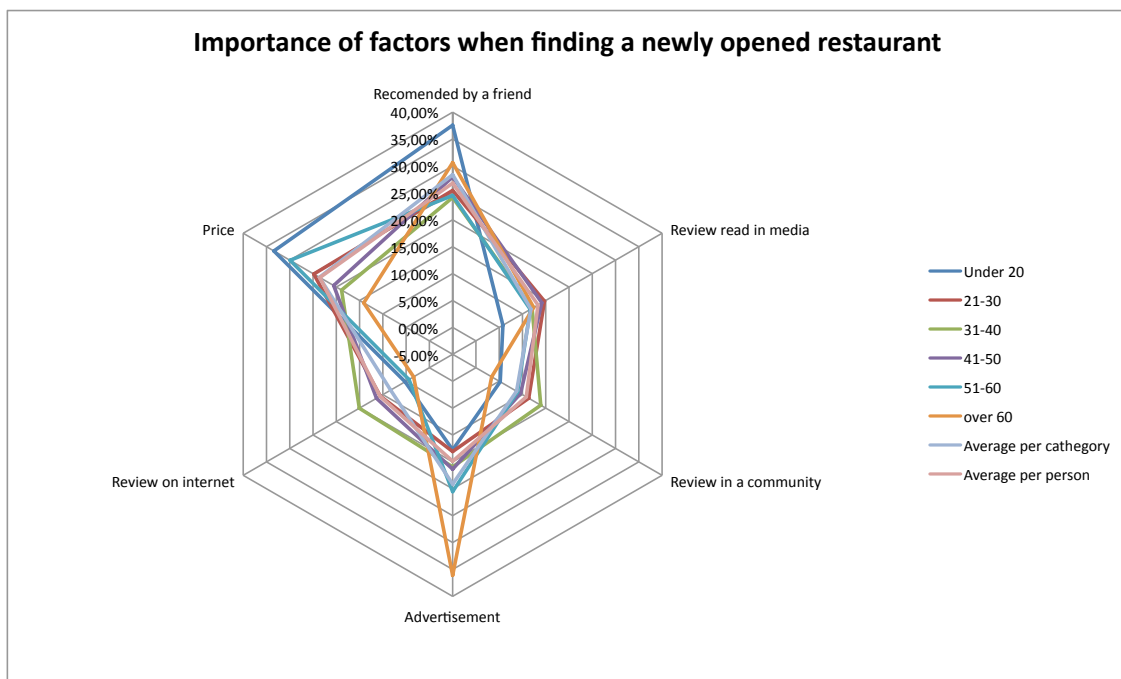


Figure 9 - Factor importance when finding a newly opened restaurant

An investigation was also performed to determine if newly opened restaurants can be a lucrative market and if the important factors were different for these restaurants. On the contrary it was found out that there were almost no difference based on newness of the restaurant compared to older, except that restaurants initially advertise more often in the beginning and are interesting to the community.

Acceptance for a new community

There are many communities on the market. Most communities have a specific focus, but some large communities are more general and include all or most interests. Approximately 50% of all potential users believe that they are members of too many communities and that this membership occupies too much of their valuable time.

However, 65% of the interviewed subjects responded that they would be interested in joining a new community for restaurants, as long as they receive benefits from participating. 20% answered that they may join a new community for restaurants with no incentives. This percentage should be compared with the 10.29% of respondents that are members of any food community, of which 61% of the same group are members of a restaurant community.

The market has many communities, and most of them want to recruit as many users as possible. Users that tend to join communities most often spread their time across communities; thus, these users will not utilize more (at least significantly) community time. This pattern means that less time will be spent on each community if a new one is presented. It is therefore important that a newly introduced community is easy and fast to use, the setup time should be short and the benefits should be immediately apparent.

The community should be intuitive such that long explanations regarding functions should be avoided for the common user; however, complex functions should be available to those users that want to become advanced users of the community.

Importance of a good offer

One of the most important motivation factors for the community is the possibility of obtaining a good offer from a restaurant. It has also shown in the surveys to be important for the customers to the restaurants. A restaurant can obtain many new customers that can potentially becoming returning customers if they provide a good offer. This concept should be considered when marketing the community to the restaurants.

It has been shown that newly opened restaurants have a higher possibility of attracting first time customers if they supply offers for the youngest and the oldest populations, while offers can have equal or contrary effects on the population in between, see Figures 10 & 11.



Figure 10 – If to choose an established restaurant because of a good offer

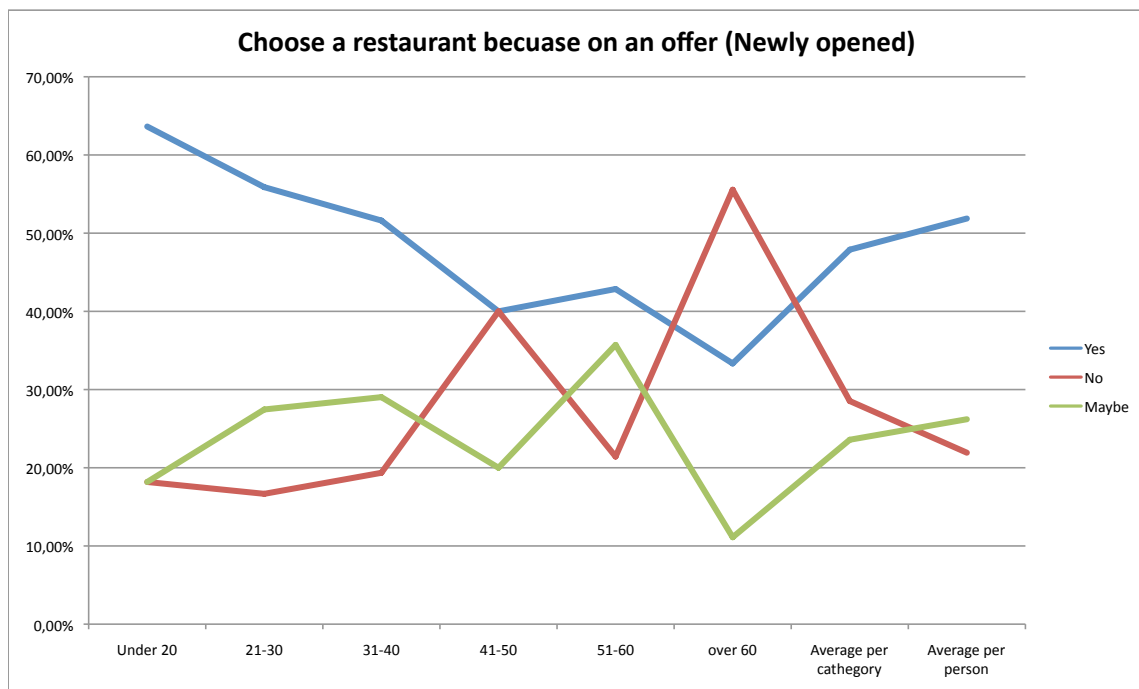


Figure 11 - If to choose a newly opened restaurant because of a good offer

The most interesting customers are therefore those from the counties with medium to high socio economic class in the lower half of the ages investigated. These customers are the citizens with the highest education and access and knowledge regarding new technology, such as Smartphones and Internet, which are essential components of the community.

PEST analysis

The PEST analysis emanates from the interests and factors that have been considered to be of interest to Methodo. The factors that are less interesting have consciously been excluded. The factors below are obtainable within the sectors that have been previously attended and are considered to have the greatest impact on Methodo.

Political factors

There have been significant changes for almost all restaurant owners since May 15th 2012 when a new stricter law regarding driving under the influence of alcohol (Law 20,580, Zero Tolerance) was enforced (Gobierno de Chile). Where the alcohol driving law was severely changed from the former quite tolerant 0.8 ppm to 0.3 ppm (Gobierno de Chile). This change led to a drastic reduction in alcohol sales on the day it was enforced, for some, as much as 70% of the turnover, while most were reduced by approximately 30%. It has led to that restaurants that were not prepared for this change, and very few were, has become a critical situation as some of the restaurants rely on most of their profits from alcohol sales. It is however still too early to determine the long term effects of this new law is going to be since after the law was introduced, the taxi network collapsed during weekend evenings; therefore, many people prefer to drive their own car and drive as the choice of public transport is out of the question. This collapse is a chance for both the taxi industry and public transport system to improve and to meet the need of the market in the near future.

Economic factors

The financial crisis that has struck the world during the last couple of years has set its footprint on the Chilean economy mostly due to decreased copper prices, which is the backbone of the Chilean economy. Chile produces over 1/3 of the global copper supply (Amcham Chile). Before the global economic crisis, copper was valued at a record high USD 8000 per ton. When the crisis struck in 2008 in mainly Europe and America, copper was devaluated to half that value but was back to its record level again by late 2010 (Karlberg, 2010). The state owned CODELCO, which is the world's largest copper producing company, contributed with 11% of the Chilean government's tax income in 2010 (Codelco, 2011).

The restaurant business is directly bonded to the local economy; thus, profits result from economic stability and growth, of which copper exports are an essential indicator (the majority). The Chilean economy is steadily advancing, largely due to the increased copper demand from fast growing countries, such as China, whom received 25% of all Chilean exported goods in 2010 (The Observatory of Economic Complexity).

Based on available statistics and the conducted interviews, the restaurant market is advancing, and has increased by 20% over the 4 years 2003-2007 (Fernández). More recent statistics were not found.

Trends indicate continual economical growth, not only in Chile, but in all of South America, with Brazil as the economic hub of the continent. Predicted increased demand for the main Chilean exports, including copper, wine and crops, that are the main exports from Chile, along with increased copper prices (Karlander, 2012) and a friendly attitude towards foreign investments, secures the Chilean economy for many years ahead (The world bank, 2010)(Banco Central de Chile, 2011).

Sociocultural factors

Globally, consumers are getting more aware about the environmental, social and economically related problems. In Chile, consumers have expressively announced that they are more willing to consume based on these standpoints. However, their standpoint is not as well reflected in how they actually act. Actions can depend on a number of factors such as solvency, comfort, scepticism, availability and habits.

Technical factors

Today, there are competitors that have comparable products on the market, creating competition within the community segment. Additionally, the technique for building online communities has been available for over 25 years (Bacon, 2009).

Current food communities however do not have the deeper aspects of a community, as intended by Methodo. These communities lack the interactive sharing between users in other forms than reviews, and although the technique is not unique, it has not yet been implemented on the Chilean market.

Online communities show a trend of having an increasing number of app's for mobile devices, which have become very popular in the past years as of Apple's launch of App Store and Google's' launch of Android Market (which is now called Google Play). The distribution among the main players in the application market, which include Apple, Google, Nokia and Blackberry, are quite uneven. Apple is the main player, but Android is close behind (Lunden, 2012). Currently, some applications are more frequently used than computers for visiting communities (Karlberg, 2010), see Table 3.

	Apple (App store)	Android (Google Play)	Nokia (Ovi Store)	Blackberry (App world)
Total numbers of apps	585 000 March, 2012	500 000 May, 2012	100 000	60 000
Downloads/day	42 millions	34 millions	13 millions	6 millions
Downloads to date	25 billions March, 2012	15 billions May, 2012	N/A	2 billions February, 2012

Table 3 – Number of applications on different platforms (Nokia, 2012) (Crackberry, 2012) (Lunden, 2012)

The total numbers of computers and people connected to the Internet has greatly increased over the last few years in Chile (Steubing, 2007), Latin America and globally. Of the Chilean population, 59.2% have Internet coverage, with a steadily increasing trend (Internet World stats, 2011), see Table 4.

WORLD INTERNET USAGE AND POPULATION STATISTICS						
December 31, 2011						
World Regions	Population (2011 Est.)	Internet Users Dec. 31, 2000	Internet Users Latest Data	Penetration (% Population)	Growth 2000-2011	Users % of Table
Africa	1,037,524,058	4,514,400	139,875,242	13.5 %	2,988.4 %	6.2 %
Asia	3,879,740,877	114,304,000	1,016,799,076	26.2 %	789.6 %	44.8 %
Europe	816,426,346	105,096,093	500,723,686	61.3 %	376.4 %	22.1 %
Middle East	216,258,843	3,284,800	77,020,995	35.6 %	2,244.8 %	3.4 %
North America	347,394,870	108,096,800	273,067,546	78.6 %	152.6 %	12.0 %
Latin America / Carib.	597,283,165	18,068,919	235,819,740	39.5 %	1,205.1 %	10.4 %
Oceania / Australia	35,426,995	7,620,480	23,927,457	67.5 %	214.0 %	1.1 %
WORLD TOTAL	6,930,055,154	360,985,492	2,267,233,742	32.7 %	528.1 %	100.0 %

Table 4 – Internet usage of the world population (Internet World stats, 2011)

4.3 Analysis – SWOT

In this section, the ISC situation will be presented with regards to the results. A SWOT analysis is used, in which the company's strengths and weaknesses are determined from the result in the internal analysis and the opportunities and threats are derived from the results of the external analysis. The results from the SWOT analysis constitute the foundation of the following strategy and program formulation.

4.3.1 Strengths

The strengths of the organisation are represented below with respect to the resources Methodo dispose of or lack.

Commitment and entrepreneurship

Devoted project management running the project is one of Methodo's most important resources. This operative administration comprised of Rodrigo, Myriam, Andres and Sergio drives the project forward with the important entrepreneurial devotion and skills that have been previously described and are important for a new product.

Knowledge

Within the company, there are specialised units with specific areas of expertise, such as programming, mobile business and graphic design. With these overlapping areas, the project has all components required to develop a high quality community for their purpose.

Methodo has during the beginning of 2012 collected extensive knowledge regarding their customers that can and should be used as a competitive advantage against competitors on the market.

ISC has other products on the market and thus possesses collected knowledge from previous launches. The community still has new components for ISC because it includes both private and occupational customers, whom only the latter mentioned has been handled before.

Relations

Methodo has previously created software for restaurants and therefore has an established network with restaurants. These restaurants can be important initial customers since they are already familiar with the company and certain restaurants have been part of the initial concept for the community. The established relationship from other products will also be an advantage if used cleverly since the company does not necessarily need to represent themselves as providing a new product. But rather as a product that can offer additional value to complementing the already established.

Product

Although the product is not unique, surveys have shown that there is still a significant part of the market to claim. The analysis has also shown that competitors lack select components that Methodo is about to implement. Methodo has distinct access to knowledge within the three critical areas needed, which include programming, mobile business and graphical design, while most competitors lack at least one of. The focus on an extensive product with a contracted specialisation aids to maintain customer focus and to offer an extraordinary product experience that is new to the gastronomic world, which will also contribute to important decision factors for choosing a food inspiration site based on the customer's perspective.

The consumer market welcomes new competitors since consumers believe increased competition provides better restaurant information and deals.

Contrary to more traditional media, a software product is much more easily modified and personalised. Thus, a user specific experience can be provided based on the customer's desires improving the impression of the product and customer satisfaction.

The final product will be complemented with an application for the mobile market, which only one competitor currently offers. With knowledge within graphical design, web and mobile application programming, the final result has the ability to be strong within all three areas, an attribute that today is unique to the current market.

Company stability

The concern ISC has many years of experience within the IT business. This experience contributes to a level of company stability that is not available for completely new companies. For example, there is not pressure from investor demands or monetary constraints for the quick launch of products. Methodo can thus perfect their products, reducing the risk of launching products that nearly immediately require updates, resulting in unsatisfied customers due to technical hassles and desired functions that the product does not include.

4.3.2 Major market strengths

Strength	Reason
Commitment and entrepreneurship	The board and project leaders are truly committed to the product and have experience from leading a company and groups.
Knowledge within the company	For this project, 3 different groups are involved. All of the co-workers has working experience within their area and are experts in what they do.
Relationships with customers	ISC already has customers within the restaurant business from previous products that can provide feedback and information.
Complete product	Although competitors already have a similar product on the market, the new community includes a broader concept with applications for the mobile market as well as specialised graphical designs.
Stable company	The company has a history within software development and are not dependant on a first product for their success.

Table 5 . Major market strengths

4.3.3 Weaknesses

The weaknesses of the organisation are represented below with respect to the resources they do not dispose.

Experiences

Although management of the company has a great desire for project success, their lack of experience with non-occupational clients must be considered. These customers are a completely new group for ISC and will have different responses, have other

desires and make other demands than occupational customers. The lack of these resources will affect the possibilities for marketing and selling the current product.

Knowledge

Methodo is planning to launch an application for Android and Apple OSX, but the company only has knowledge regarding Android as it is today. This lack of knowledge can delay the project since knowledge has to be gathered and the staff must either be educated in OSX programming or external resources will be required in the project.

Methodo has also never marketed a product for a broad market before and therefore lacks knowledge and experience within this area. The market can therefore be difficult to reach because previous experience and trials are lacking.

Product

Decisions have to be taken regarding the functionality of the community in order to differentiate the product from competitors in order to persuade customers. Since there are similar existing products on the market already, this concept is a critical contingency for the new product.

The restaurant market is harder to persuade than the consumer market as they are paying for the service and do not want to risk wasting money on advertisements and feel relatively safe with their current marketing investments. Restaurants are more hesitant towards unknown competitors than the consumer market and are unsure of the increased sales from advertisement when compared with the cost (the profit margin is quite low within the restaurant business).

Commitment

For being such a small company, ISC has many simultaneous large projects going on at the same time. The head of the company wants to be involved in all projects, but there may not be enough time for all of the project's demands.

These projects also demand a lot of company resources, which are limited. This lack of resources leads to time uncertainties since all resources are constantly occupied and there are none to spare if a project runs into problems and delays. This time uncertainty may delay of the launch of the community.

Major market weaknesses

Weakness	Reason
Experiences of the customer segment	ISC has had companies as clients, but non-occupational customers are however a new customer segment. Thus, ISC lacks experience for this segment.
Knowledge regarding mobile applications	An application for the phone is included in the project plans. The company has knowledge regarding Android but not IOS, which create an uncertainty.
Uniqueness of the product	The product is not unique, nor the first on the market.
Commitment to projects	The company has many simultaneous projects so it is difficult for the project leaders and members to commit to one project

Table 6 - Major market weaknesses

4.3.4 Opportunities

The opportunities for the organisation are represented below with respect to the prerequisites presented in the external analysis.

Positioning

From the survey, few people claimed they were currently using a community for food, however, these people still felt that select communities were more widely known than others. Secondary statistics confirm that there are three main players in Chile when it comes to finding a restaurant when searching online, namely 800.cl, Santiago gourmet and Degusta. Many potential customers that did not use any online food community were however positive to join one but lacked information that these communities existed. This situation supports the possibilities for claiming a strong position on the online food community market.

By being first on the market with a new concept, it is possible to claim a strong position within select market segments, especially if Methodo can raise customer awareness of their product while providing easily understandable information about how the service can help the customer. The concept must however satisfy the customer immediately or they will quickly lose interest. If the concept reaches the target segments and are being accepted by them, it may be able to later reach the entire market.

Environment

The possibility of labelling the community as environmentally friendly due to the reduction of paper from traditional restaurant advertisements, information brochures and reviews about them which today is the most common source of advertisement from restaurants is possible if such profile is wanted. The distribution of the information can also be differentiated from traditional media because it does not require physical transportation or distribution.

Segment

Since all restaurant attendees are possible users, and every restaurant or bar selling food is a possible customer, the market seems endless. Even when segmented, each market segment is large enough that in an initial state it will be sufficient to just aim

for a few of them. The segment with people from 20 and 40 years old in the lower-upper and middle classes are the most interesting since they have a positive attitude towards a new community and have the means and desire to eat at restaurants. This age segment comprises approximately 30% of the total population in Chile (5,19 million people), of which 45% are estimated to belong to the most desirable economical segment for the community (2,34 million people within the targeted segment). Of these people, based on the surveys, ~ 74% would join a food community if the benefits from joining would be satisfying enough, and ~ 70% would consider joining, which on the other hand sounds very optimistic. These results indicate that the estimated market has a population of 1,73 million people. Additionally, 0,16 million people would be more sceptical but would consider joining the community. This market is huge and would be attractive for restaurants to advertise within the community.

Along with such a wide market and also the need of such a wide market for the product to be competitive implies the fact, that also within the large segments there is a lot of different opinions on what is the most important aspects of a food community. A software-based product such as this, is easily modifiable with little effort from the company, which can allow for significantly increased satisfaction through micro segmentation and easy mass customization. There is a clear divergence within segments regarding whether it is more important to provide a “good offer” or “high quality”.

Target market

The continual growth of the Chilean economy contributes to the increased number of restaurants on the market and the increased competition is a historic trend that will most likely continue. This benefits restaurants when the common people have more money to fulfil their needs.

Chile, similar to all of Latin America, is very segmented between socio economical classes (compared to example Europe); however, the middle class has been growing over the last decades, and this trend is expected to continue. The restaurants that mostly serve customers from the middle class segments can afford marketing and also experience difficult market competition due to the increasing numbers of restaurants and restaurant chains within the segment.

Market

From the external analysis, the customer market appears to be willing, especially from the non-cooperative perspective, in which they were mostly unaware of similar products on the market. Even people that already were current members of restaurant communities were positive towards releasing another community with 16 of 17 people answering that they would join if the benefits were good.

Restaurants also are supportive of a new community, they understand that customers starts to prefer using the Internet to find restaurants over magazines and cardholder newspapers. Restaurants are however a bit sceptical due to the risks and do not want to lose the customers that find restaurants with more traditional media.

Growing economy

Chile has a constantly growing economy, which is predicted to continue to grow constantly for many years. Copper is the backbone of the economy, and Chile currently have a copper reserve to last for an estimated 200 years, which creates stability for the growing economy. With increasing global copper prices and demand

for copper just rising, the country and middle class have an opportunity to grow, such that more people can afford to eat at restaurants.

4.3.5 Major market opportunities

Opportunity	Reason
Market positioning	ISC possesses knowledge regarding the competitors on the market.
Environment	The possibility to highlight the absence of physical transport and distribution and the reduced paper usage as environmentally friendly aspects.
Customer segment	Possesses knowledge on the segment that is most likely to try the community and on the desires of this segment
Increasing target segment	The stable country and growing economy trends future increases in the middle class segment, which is the most attractive segment for this product.
Willing market	Surveys indicate users and restaurants are interested in joining the community if as long as they experience the benefits.
Growing economy	The middle class has grown over the last decades and is expected to continue to grow due to the strong economy.

Table 7 - Major market opportunities

4.3.6 Threats

The threats towards the organisation are represented below with respect to the prerequisites presented in the external analysis.

Marketing

The most critical challenge for the launch of the community is to persuade people to talk about the community. It is critical to maximise the number of community users in order to have a sellable product towards the restaurants. A blasting start of the marketing is vital to reach out to the publicity and that they start to speaking about the community.

Slow initial marketing can threaten competitors and allow them adequate time to strengthen their marketing. The differentiation comes into place at this stage. Since ISC are not the first on the market, differentiation is necessary to meet customers additional requirements.

ISC has previously only worked with products targeted towards other companies and has little experience with large populations in the private sector, which does constitute an uncertainty for the company.

Sales and costs

Although the company is stable, there is a point at which a project must be profitable for the company. With many simultaneous projects at the company, they cannot all be in the development state

Launch

The success of the community is entirely dependent on user response. For the initial stage, the homepage will be released with basic functionalities to enter the market and build a name within the online restaurant communities. Later, when completed, the more advanced functionalities will be released together with an Android-based application for the mobile market and an application for iPhones.

ISC will need to determine when the product is ready for the market, which is difficult. The company desires an early release for additional feedback from the customers and to claim open market shares that has not yet been seized by competitors. If the community is released too early, the product will have more flaws and the users will most certainly be disappointed when the community is not as usable as they expected. A delayed release may delay the market claim (competitors have more time to establish themselves), result in a loss of income, and consume time in fixing the programming based on feedback from the users and restaurants.

Political

Chile has a winding political background with Augusto Pinochet taking power in 1973 and a democratic president was not elected until 1990. Aside from Pinochet, the Chilean government has been left wing since then. In 2010, however, Sebastián Piñera was elected as the first right-wing democratically elected president in 52 years. Piñera is known among the Chileans for being business-minded and has prior to the presidency been owner or part owner of some of the largest companies in Chile. Due to this political change, it is uncertain whether Chile will continue upward movement of the poorer population, increasing the targeted middle class segment or if it will benefit the already rich population even further and increase the social gap that already is big.

4.3.7 Major market threats

Threat	Reason
Branding	It requires time to build a new brand requires, especially for reaching a large market.
New customer group	The company has no previous experience targeting individuals since they previously exclusively have targeted companies.
High marketing costs	Marketing campaigns are costly, especially for previously completely unknown brands.
Launched in sections	The project will be launched in sections and it is uncertain how the customers will respond to the initial limited usability.
Time to market	Before the final product reaches the customers, other actors might have picked up the trail and settled actors could have updated their communities making it harder to penetrate the market.
Political change	Chile has a stable economy. A change from the left to right wing government has not happened in a long time and could imply changes for the targeted population.

Table 8 - Major market threats

4.3.8 Abstract – SWOT

Important strengths, weaknesses, possibilities and threats were identified with the SWOT analysis. However, these terms are not weighted regarding to each other. The analysis shows that ISC has many strengths but also weaknesses regarding their resources.

ISC’s biggest opportunity is that they are the first on the market with a new concept that includes both a web based and Smartphone based solution. The second largest opportunity involves the positive response from users within the targeted market segment, suggesting the community will grow and restaurants will be willing to invest advertisements. The third largest opportunity is the continually growing Chilean economy including the growth of the middle class, which could provide an even bigger market in Chile in the future.

The biggest threat is the new segment of customers that the company is facing, they are unknown for the company. Reaching this segment will require huge amount of resources due to the large segment size, however it is needed in order to be attractive to restaurants. Even when advertising to the broad masses, time is required to build brand strength, which is the second largest threat. The project will be launched in different stages, which constitute the third largest threat. If the broad masses do not initially feel satisfied with the product from the beginning it will be hard to make them try again, and they might be lost as users with reduced restaurant interest in the community as a result, an overview can be seen in Figure 12.

Currently, ISC’s opportunities and internal strengths are equal. The company is knowledgeable at solving technical issues. However, the marketing is of major concern and the leader’s commitment and energy can be used to obtain the necessary resources to solve issues.



Figure 12 - Abstract SWOT analysis

4.4 Recommendations – Strategy formulation

The results of the SWOT analysis are the foundation for the recommended marketing strategies that are presented below.

Three different marketing strategies are presented to provide multiple perspectives. These strategies comprise different weightings of the strengths, weaknesses, possibilities and threats. The main focus is aimed towards the first market strategy, to achieve the product goals. Beyond the main strategy, two alternative market strategies are presented as a compliment in case the prerequisites change.

To protect their position on the market, ISC will focus on to continually develop their product to be ahead of their competitors. The development process is a vital general goal regardless of which orientation the company will decide on. It is important to optimally use the market and the company strengths and to not be distracted with other projects. The product and the organisation must be developed with the identified possibilities and with an aim that secures the creation of a product that the market desires and will continue to desire in the future.

The strategy formulation will also focus on the community users since all three restaurant segments provide a uniform view that an increase in users will increase desire for advertising.

4.4.1 Market strategy A - Exploit the market alone

During product launch, it is important for smaller companies to focus on a specific customer segment, as previously mentioned in the theory part. With this focus, ICS can optimally use their limited resources. The alternative to focus on the whole market is possible but can reduce the inflow of users, which is the most important aspect in the initial state since the resources must be spread among the different segments of users.

With the chosen segment, an offer must be formulated that is as attractive as possible for the ideal customer. The age segment of people between 20 and 40 years old who goes to restaurants in the middle price segment is the best match according to the external analysis. The ideal customers are therefore the people responsible for the advertisements from the restaurants and men and women aged 20 and 40 years within ABC1, C2 and C3 segments. The segment however, do get involved in the community by different reasons and that has also to be taken into account. The external analysis shows that the owner of a restaurant generally selects the type of advertisement for stand-alone restaurants and smaller restaurant chains. For larger restaurant chains it's another matter, as they often have a separate department or person that is specifically designated for marketing decisions.

The offer should focus on the qualities that are unique and differentiate the product from others on the market and how the community has increased access through combining the web based community with the mobile applications for Android and IOS to fulfil customer needs. The 20- to 40-year-old users are less concerned with a good offer from a restaurant than the quality of the food. This segment is also more concerned with the restaurant having good reviews than other user segments.

It has been shown both in the external as well in theory, that the price is less important than the product fulfilling the needs of the user. Therefore, it should not be a first priority to offer customers minimal prices at restaurants. It is of much greater

importance to maintain better performance, usability and functionality of the product compared to the alternatives. Since the users will not pay for membership to the community, that would just not be accepted by the users, at least in an initial stage. It is therefore hard to specify the strategy used. The used strategy is price skimming in the sense of innovativeness; however, due to the lack of actual price, it is also penetration pricing because the number of users is of greatest importance for the restaurants to reach as many customers as possible.

The initial scepticism from the restaurants can be handled in two different ways. Restaurants can be offered to use the product for free during the initial trial period to determine if the product actually increases customer flow through. The product offer must also be formulated in a way that guarantees increased functionality for the restaurant, so that the restaurant only pays for the services that are used. For example, they only pay for offers used by customers or when customers find the restaurant through the community. It is important for the community to be easy to use and customisable with offers for specific customers with satisfactory service is also of great importance for the customers and has to be fulfilled through the services of the community in order to be able to be sold.

To find a key restaurant customer that can aid the development of the community and at the same time reduce the initial market scepticism. This technique has not been used before with similar products but has been used for many years in other businesses, which may be another way to differentiate the product. The key customer can provide customer specific input regarding the product and might be willing to share the community development costs in return for increased publicity.

ISC has a possibility to market their product as being environmentally friendly, which no other competitor is utilising as of today. However, all competitors have this possibility so it may not have a long lasting significant effect for ISC or may trigger the competitors to follow the same initiative. Environmental friendliness is one of the aspects that customers value the least and cannot compromise the functionality or performance of the product. To maximise the effect of green marketing, it should be ran throughout the whole company. However, presenting a partial green image can be a devastating liability for the company due to external views.

The research indicates certain specifically critical distribution channels for reaching the market. The market will demand personal selling to restaurants in the initial state before the community grows to a self-attracting size. The Internet will be the outmost important source for attracting users to the community. According to specialists within the company, 98% of all the search results for food reviews using the most common search engines do not lead to satisfying results for the user. Search engine optimisation is definitely one of the greatest point of improvement if the community is to be found and is what the major part of the targeted segment uses at the moment when finding reviews.

Corresponding with the current development work of the community, ISC should take more advantage of that they currently have products on the market, which are used by restaurants. There are established contacts that are not being used much at the moment, this is a large database of information, which cannot be afforded to lose with the contact already made, and that they have worked with before.

Market analysis also shows that interest is more important than benefits. It would therefore be beneficial to include other food related materials, such as recipes,

information regarding consumer products, health tips etc. not only to offer more interest for the users but also to differentiate and offer something more than competitors. This can increase market size and can be implemented at a later stage when the basic functionality has been completed.

4.4.2 Market strategy B - Strategic alliances

For a small business such as ISC, introduction into a broad market can cause problems. If there are barriers that prevent the current main alternative to market the product on their own, there are alternative strategies to leverage their situation. ISC has the possibility to ally with partners to increase market visibility and can offer complementary products to more extensively expose their product.

Two business types are particularly interesting on the market. For added customer value and the access to an already existing database of users a partner like *recetas.com* which is a community for recipes online could be considered since it would not cannibalise on their customer segment but rather, would achieve a stronger market position by offering additional services associated with food and eating.

Another potential partner would be a group that is not in the advertising market, such as one or a few restaurant chains. These chains can contribute their well-known names to gain initially valuable publicity in order to acquire users. This alliance would provide customers that are specifically interested in restaurants and goes out eating at restaurants as well as providing extra publicity for the chosen restaurant(s) as main partners on a well-visited restaurant community site and that the site would be visible in and around the restaurants for the customers.

4.4.3 Market strategy C - Sell/Franchise

For a smaller actor, such as ISC, specialising in software development as opposed to food, the company can find a product purchaser or franchise the product to a group that is passionate about restaurants and food. This scenario can boost the product inspiration and add spirit that may not be available to find within the company.

The possibility to selling the product as a technical solution can also provide an interesting alternative for other markets that has demand of similar services as an online food community. One of the advantages of software products is the simplicity of altering the interface while maintaining functionality. This freedom allows for selling or franchising the product to other business markets with only minor modifications and costs as well as managing other merchandise than food and restaurants (for example, travel industry, spare parts for cars, computer hardware and/or price comparisons etc.)

However, it is important to maintain an advantage compared to competitors on the market with other communities so that the clients receive superior value and usability from ISC's community and do not choose other market options or develop their own solution.

4.5 Program formulation

This chapter presents an activity plan for market strategy A, exploit the market alone. It contains the activities that ISC should heed to as well as when these activities should be performed to improve chances of a successful market introduction. The activity plan spans from 6 months before market introduction, the first quarter of 20XX, until two years after introduction has been made. It is worth having in mind that the plan has increasing uncertainty with time since much of which activities that should be prioritized depends on the outcome of previous activities and efforts on the market.

The most important activity at first is to attract users to the community and restaurants will follow with offers and special events if users are available. Good information regarding location and contact information of restaurants should be supplied for free for as many restaurants as possible, while extra services such as visibility and offers from restaurants should be another part of the service and be a “paid for service” Early establishment with restaurants is important to increase awareness; consequently, restaurants would be more willing to submit offers to increase the number of community users. A trial period would most likely be very popular among restaurants. It is important to focus on being visible in for users with an efficient marketing in, for the users and customers, important sources of information. Thus, advertising should occur in newspapers, gastronomic magazines and posters displayed in towns. The most important advertising element however, is to have the webpage that clearly describes the product for both segments, see Figure 9.

Year	Quarter	Activity	Comments
20XX	Q1	Establish relations with restaurants and formulate an initial offer or a trial period offer.	Use the established contacts within the company for ideas and feedback.
		Clearly determine how the community will function and what functions differentiate it from competitors.	A strongly represented target customer can act as a good reference for future sales.
		Have a prototype ready for the restaurants to view.	
		Decide on target customer/customers for the launch and try to close a deal with them.	
	Q2	Create a broadside for the community to deliver to companies. Encourage additional restaurants to participate in the community and push on the benefits.	Providing clear and efficient information to users is important to obtain their interest.
		Create a short introduction video for the homepage describing how the community works and to present the benefits.	
		Improve search optimisation.	
	Q3	Launch the community and begin a campaign to spread awareness. Have events that can be observed in the media that would be splendid publicity for the	Cooperation with key restaurants is beneficial as they can provide extra publicity and will be more

		<p>community and word of mouth to other users.</p> <p>Receive all feedback possible from restaurants and users to improve the community. Provide clear information regarding the community on the webpage.</p>	<p>willing to both provide the community with offers as well as feedback.</p>
	Q4	<p>Inform restaurants of the product's advancement on the market.</p> <p>Push on marketing to attract more users to the community.</p> <p>Keep obtaining initial feedback regarding the community and service.</p>	<p>Focus marketing on the versatility for the user and the easy accessibility.</p>
20YY	Q1	<p>Provide full focus on users and sales to restaurants.</p>	<p>Present improvements to existing and potential customers.</p>
	Q2	<p>Continue sales work and make sure to update existing customers about the work to keep up their interest and retain them.</p>	<p>Be honest with eventual problems to maintain trust.</p>
	Q3	<p>Arrange a try out activity.</p>	<p>Invite interested customers in the middle cost segment.</p>
	Q4	<p>Evaluate the launch in Chile for the upcoming launch abroad.</p> <p>Receive feedback from restaurants and users on ways to improve the offer.</p>	<p>Focus on improvements for the upcoming launch.</p>
20ZZ	Q1	<p>Launch the community in nearby countries, such as Argentina and Peru.</p>	<p>Important to Maintain relations with existing customers even though the focus is abroad.</p>
	Q2	<p>Start new campaign to attract users.</p> <p>Invite the restaurants that have been most active in the community to mingle and discuss the future of the community. For the discussion, also invite new restaurants that are more sceptical and may be persuaded by the more active members.</p>	<p>Word of mouth is the most powerful form of marketing. Recommendations from other customers are always more valuable than those from the company.</p>

Table 9 – Recommended program formulation

4.6 Discussion

Investigations and analyses were performed to determine how ISC should address the market when launching the community in the best way possible. It has been shown that the possibilities for this product are good, even though some obstacles might appear on the path they are walking down. In the *Conclusions*, a discussion is provided regarding the results, areas that could have been improved and areas for future studies. The discussions and conclusions in this section are based on this work and are outside the scope of the project.

The main strategy of the community involves targeting middle cost restaurants on the market and potentially also narrowing down even further to specific types of restaurants, such as Japanese, Peruvian, fast food, Chilean etc. This narrow market is an interesting alternative and could be proven to be even more effective when penetrating the market although some websites are already specialised for mainly sushi and delivery foods. Additionally, it may be difficult to widen the profile once specialised in one segment. This strategy also opposes the will of the general public since they desire a broad variety of restaurants.

This report also mentions (however not in the primary investigation) the possibility of claiming market shares from other consumer product communities, such as the travel industry, spare parts for cars, computer hardware and/or price comparisons etc. Thus, this community could act as a platform for other communities either driven by the company itself or sold as a stand-alone service. To reduce the risk of being surpassed by competitors, the user experience and functionality must be continually improved.

A recently growing phenomenon is the use of a status within the community, such that users achieve a higher status through use of the community. This technique can be highly motivating for certain individuals and does not necessarily require a reward with a physical value. Instead the reward can be the unlocking of a new function, a new title to the user's nickname or a virtual medal, each of which provides motivation and addictiveness.

4.7 Conclusions

The purpose of this report is to clarify the internal and external prerequisites of a new community and present a marketing plan for the ISC group. Approximately 250 people have participated in the analysis, contributing enough data to fulfil the purpose of the report and answer the following question: *What markets should ISC try to implement their community towards and what are the best ways to achieve this implementation?*

It is concluded that ISC should target themselves towards the segment “ABC1, C2 and C3 within the ages of 20-40” with regards to users and the “middle cost” segment of restaurants. These user segments are well suited to the theoretical definition of early adopters, they have the economic stability to go to the targeted restaurants, they have previous experience with using communities and they are aware of where and how they spend their money. Regarding the restaurant segment, the middle-cost restaurant segment is the most willing to spend money on advertisements. This segment has the margins to afford advertisements and realises the benefits, especially with the increasing market competition. The higher-cost segment showed less interest since there are fewer restaurants in that segment and most are already well known. The lower-cost segment lacks the funds to afford most advertisements because their margins are low.

Marketing to users should focus on the variety of restaurants, versatility of the service through the webpage and applications for the android and IOS, benefits and discounts for the restaurants and a supreme graphical interface. Marketing to the restaurants should focus on the access to potential customers that they are buying rather than advertisements in the form of offers and benefits.

The market has been shown to be positive towards the product for both users and restaurants; however, the restaurants are more sceptical because they must pay for the service, and they are unsure if the costs to be a member of the community are compensated by the increased income from customers. Therefore, a trial period is important to clearly prove the effect and demonstrate the necessity of the service to increase customer flow.

The recommended strategy suggests that ISC should exploit the market on their own and embrace the product as a part of the company. From this strategy, there is a high chance of achieving ISC’s goals for the community. If this strategy is not possible due to lack of resources and/or difficulties with mastering market scepticism, two alternative strategies are presented. The second strategy involves forming a strategic alliance with an established market actor to gain access to their user databases, contacts and trust on the market. The third strategy implies that ISC sells or franchises the developed software to an actor that wants to run a community service.

Finally, it is beneficial for ISC to be self critical when developing the product. Although it would be easy to change the product design by changing the web address (achieving a new market introduction), all of the initial efforts and spent resources would be wasted. Therefore, it is best to deliver the performance that the customers expect from the community with the initial product launch.

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6 Appendix

Appendix A – Interview and survey templates

Internal Analysis – Interview Template

Information about the company and how it is working with marketing and researching demands of their customers are vaguely documented and a first step is to get these ideas and goals on paper.

External Analysis – Interview Template Restaurants

The analysis will give input on the general view towards communities from restaurants and what previous experiences has been if there has been any. It will also give input on what restaurants do to market themselves at the moment, what distribution channels they use and how much money and effort it's behind.

General

- Annual turnover
- Number of customers per day
- Average price on a bill (per person)
- Is there anything similar to this community already?
- Who is the typical customer?

Trends

- Does the number of restaurants increase or decrease?
- Does the number of people going out eating increase or decrease?
 - More new people than new tables?
- How does the profitability look for you?
- Is there any particular segment that increases or decreases?
- Are the margins going to increase or decrease over a 5-year period?
- Are the customers usually returning?
 - What is the returning time of a usual customer?
- How are the restaurant business effected by the worldwide discussion about the environment?
- Have the customers compared with other restaurants before they come here?

Publishing

- How much of the turnover are spent on advertisement and publishing?
- What do you get out of it (payback)?
- How do you reach out to your customers?
- How do you choose your marketing channels?
- How does the different advertising agencies differentiate themselves?
- How has the trends been for integrating the restaurant business to Internet and online communities the last 5 years?
- Has there been anything revolutionary within the publicity business the last 10 years?
- How have things turned out for these?

Communities

- Have you had any cooperation with any community or discount supplier?
 - If yes, do you have some extra strong cooperation with a special partner?
 - How has that cooperation been?
- Do you participate actively in any communities?
 - What is the previous experience with participating in communities?
- How do you do it when new equipment or publicity is bought in to the restaurants?
- Have you used or considered using communities as a distribution channel for publicity?

When performing a sale (is it different when the restaurant is newly opened?)

How important are the following factors for your customers?

(Scale 1-50 where 1 is not important and 50 vital importance)

- Price
- Quality of the food
- Service
- Ecological footprint
- Cleanliness
- Short time to serve food
- Good offers (discounts etc)

Why does people choose your restaurant?

Distribute 100 points in total.

Friend's recommendation
Review read in media
Multiple reviews in a community
Advertisements
Review on the Internet.
Price
Other

External Analysis – Survey Template Restaurant Customers

The survey should provide input on the factors; how big is the market, what makes people choose a specific restaurant and why they become loyal to a restaurant, as well as why people choose a community and why they become loyal to it. It should also provide input that can be valuable for marketing purpose such as how many people there is eating out every day to perceive what difference good marketing can do with customer flow through, this will be appealing statistics when selling the community.

General

Sex.
Age span (under 20, 20-30, 30-40, 40-50. 50-60, over 60).
County of living?
Municipality of living?
How often do you eat out?

Favourite restaurant?
Do you go to the same places most of the time?
What type of food do you mostly eat when you go out?
How much does a usual restaurant visit cost (per person)?

How do you choose a new restaurant?

Friend's recommendation
Review read in media
Multiple reviews in a community
Advertisements
Review on the Internet.
Price
Other

How do you get your eyes open for a new restaurant?

Friend's recommendation
Review read in media
Multiple reviews in a community
Advertisements
Review on the Internet
Walking around and discover
Other

Loyalty

Do you go to more or less the same restaurant the whole times?
How often do you choose a completely new restaurant?
Would you choose a new restaurant just because of a good offer?
If a new restaurant with equal properties as the usual restaurant you go to opens, would you go there?
 If not, if they would have a good offer?
Are you a member of any restaurant?

Offers

What do you look for in an offer from a restaurant?

Good discount
2 for one

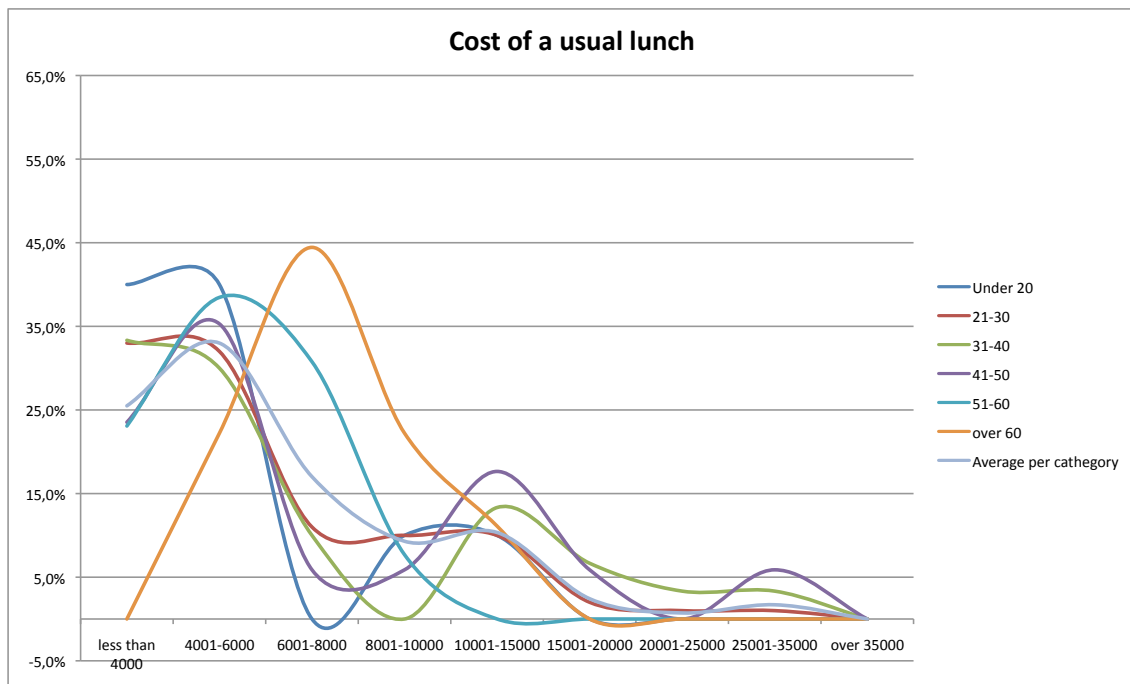
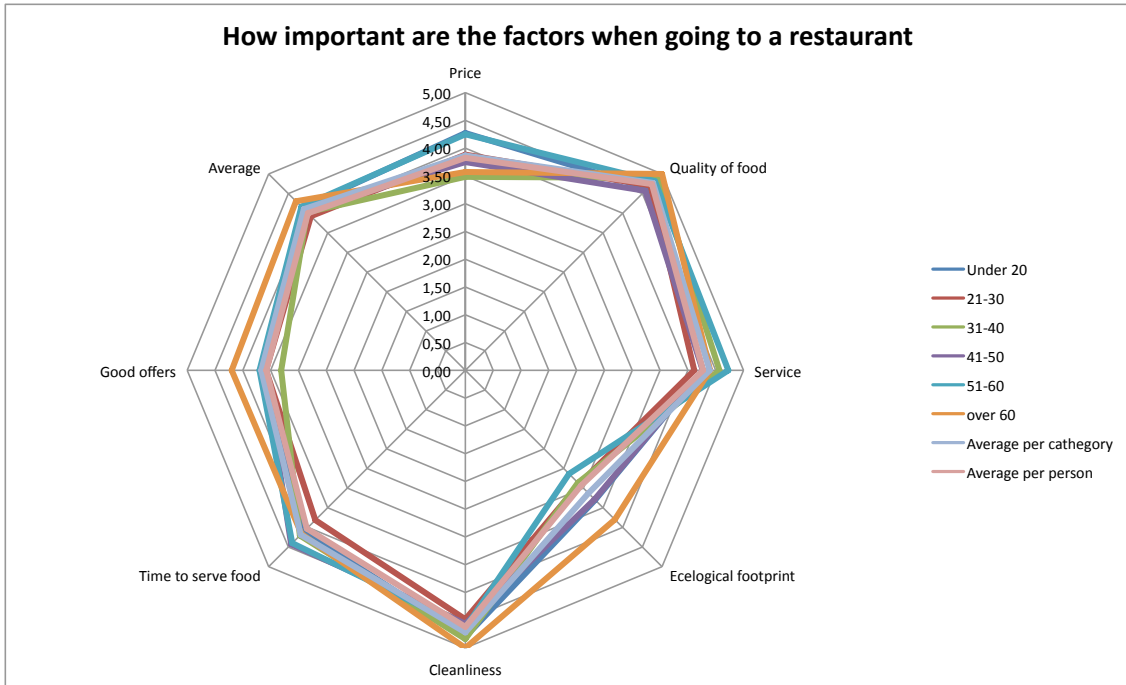
Community

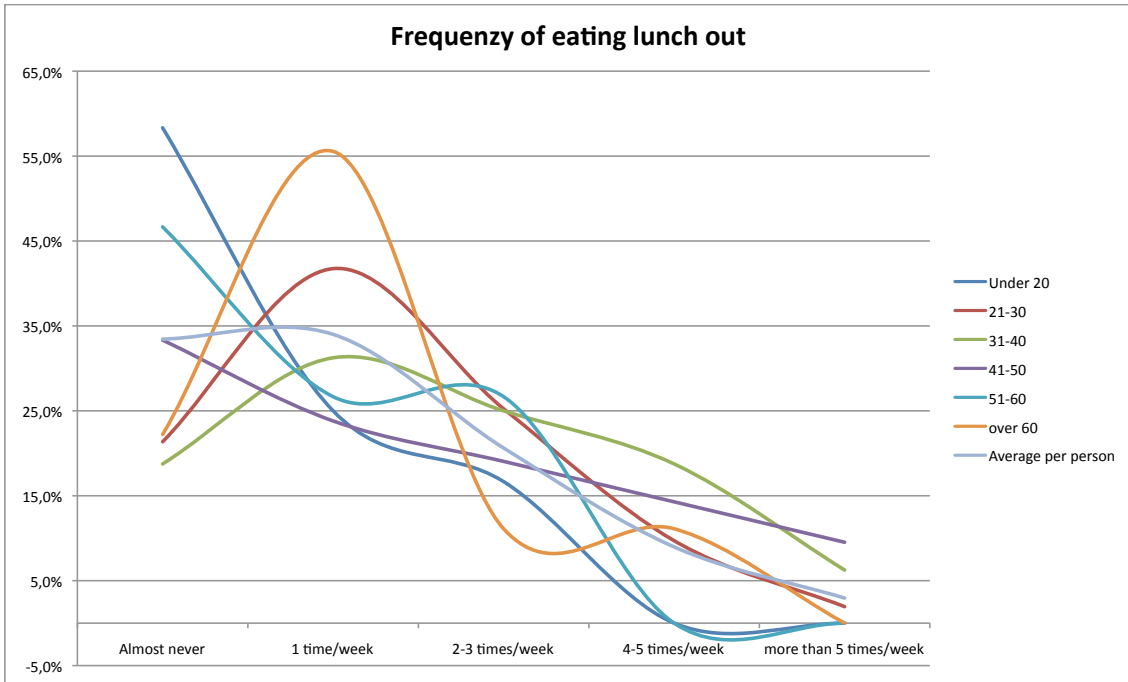
Are you a member of any community? (eg facebook, foursquare, twitter etc?)
 If yes, how many?
What appeal you to the community?
Why do you stay as a member in a community?
What is your favourite community and why?
Would you join a community for restaurants where you could get good discounts?

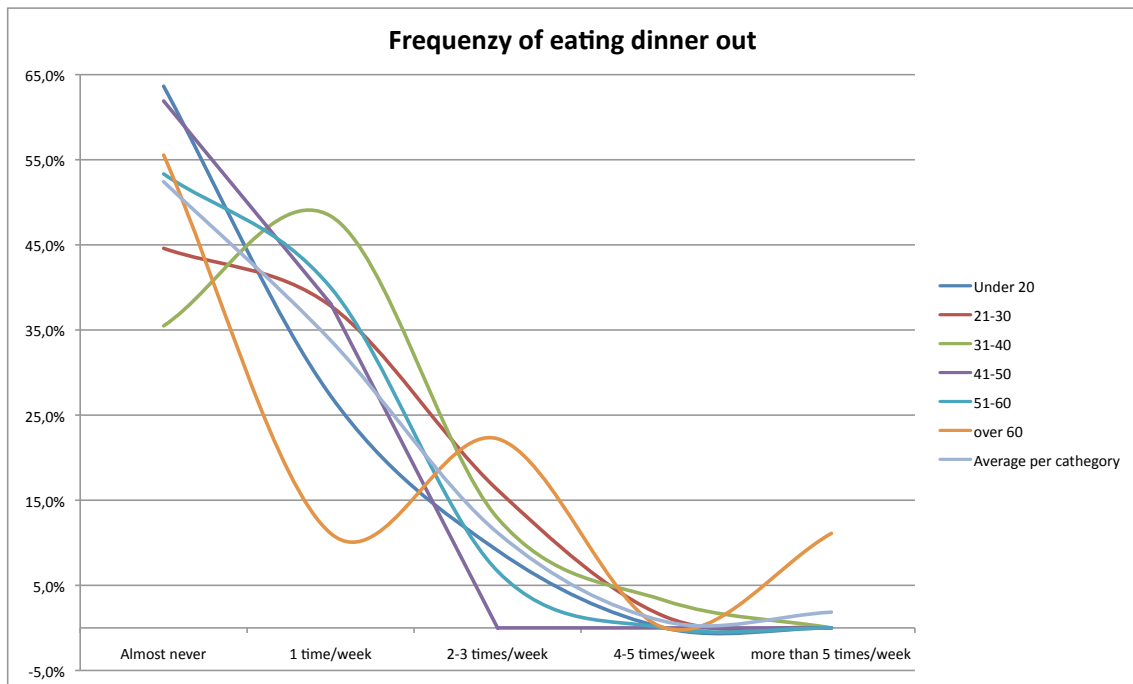
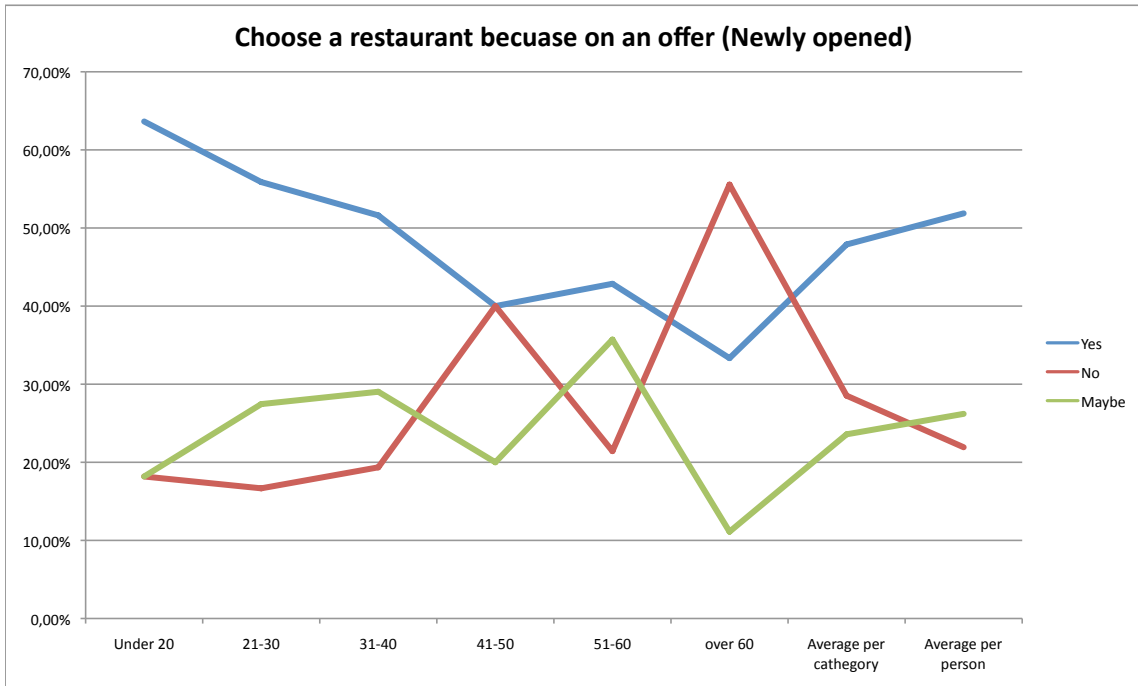
Of how great importance does the following factors have when going to a restaurant?
(1-5 Scale, 1 - no importance, 2 - little importance,
3 - medium importance, 4 high importance, 5 vital importance)

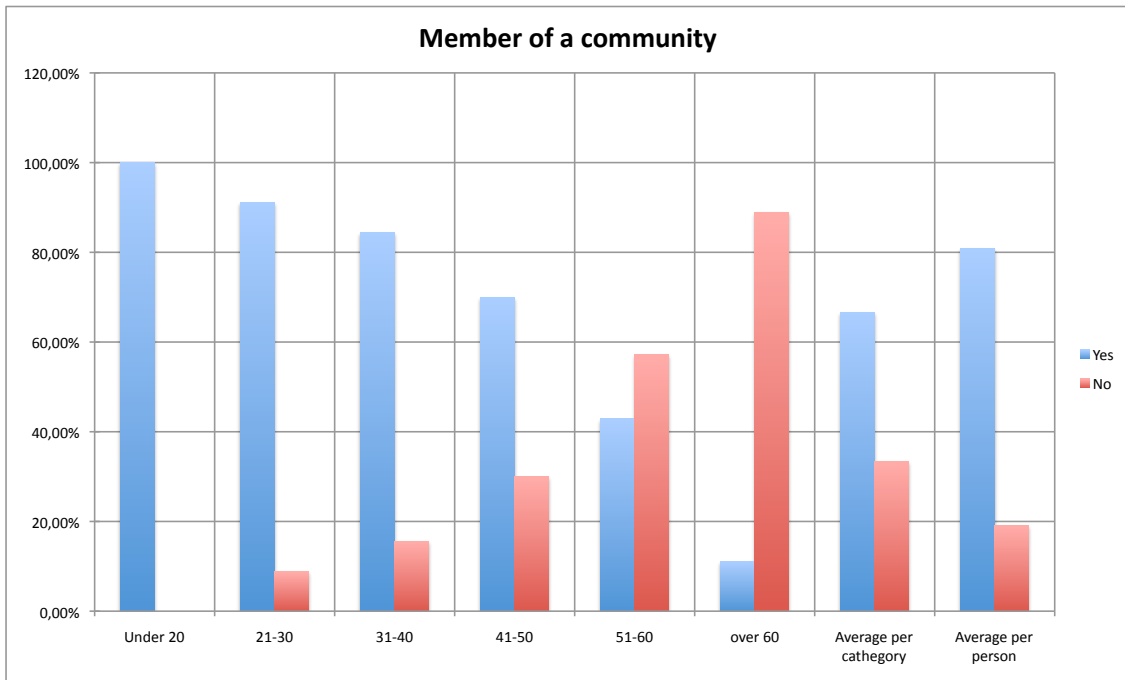
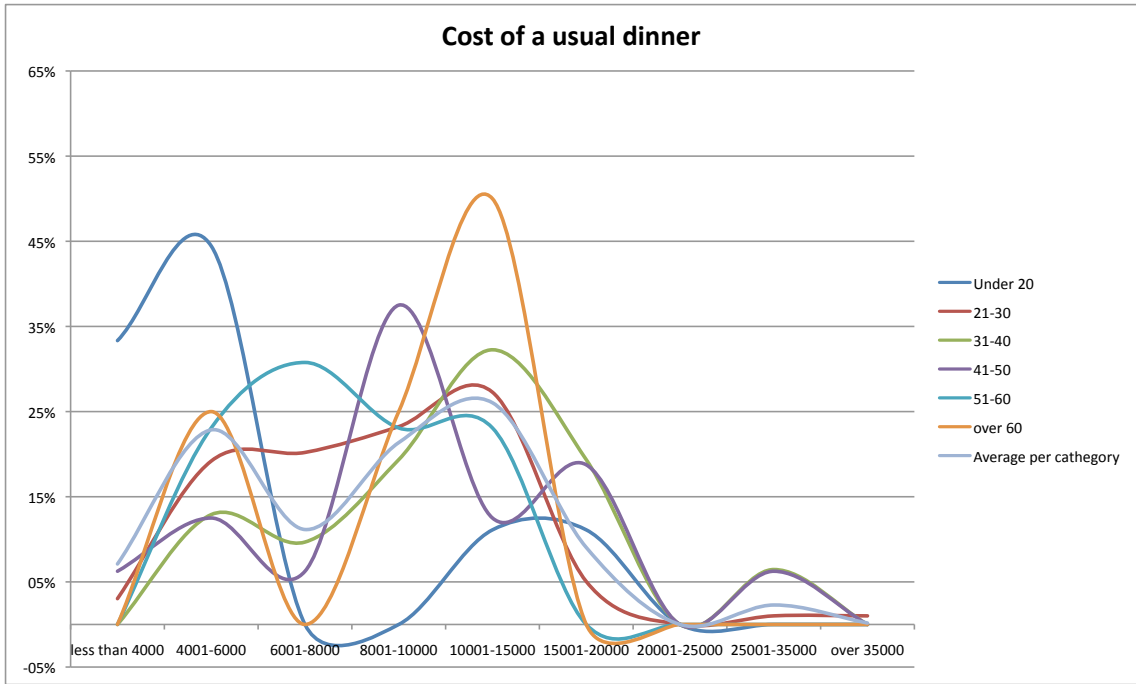
Price
Quality of the food
Service
Ecological footprint
Cleanliness
Short time to serve food
Good offers (discounts etc)

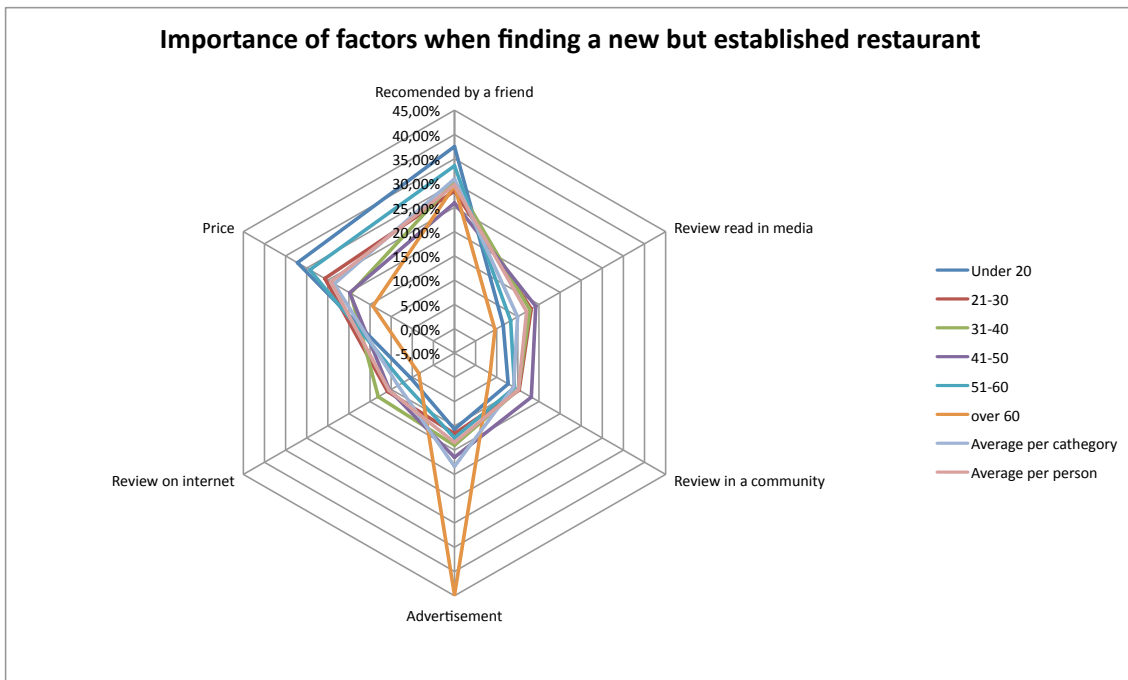
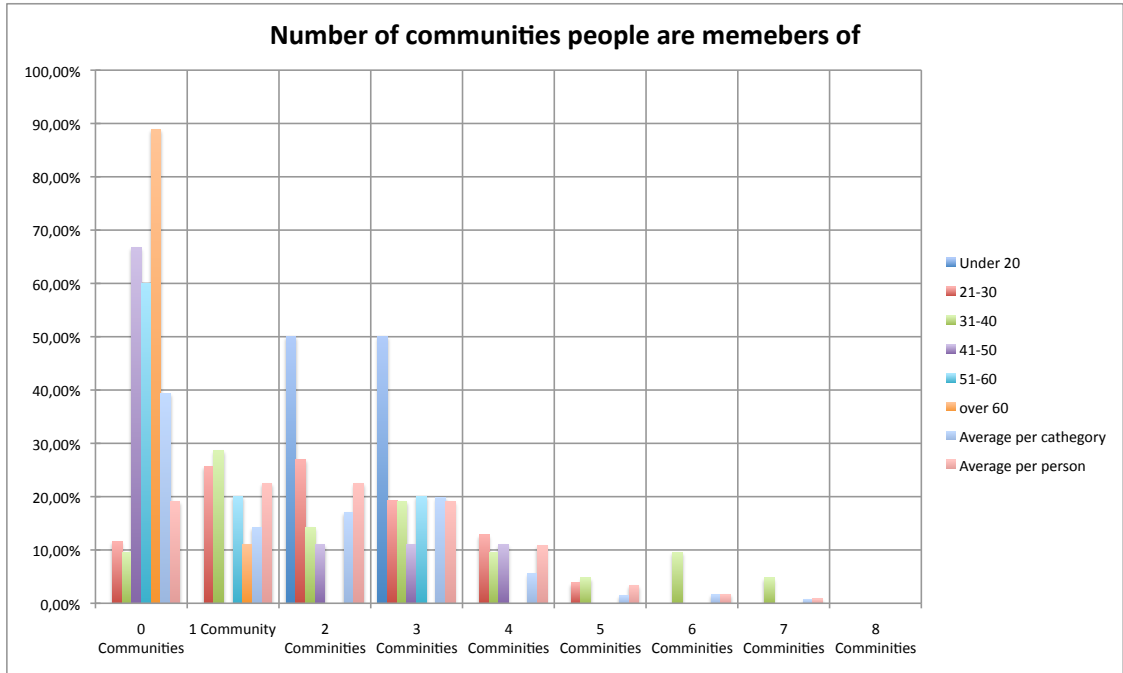
Appendix B – Market analysis diagrams



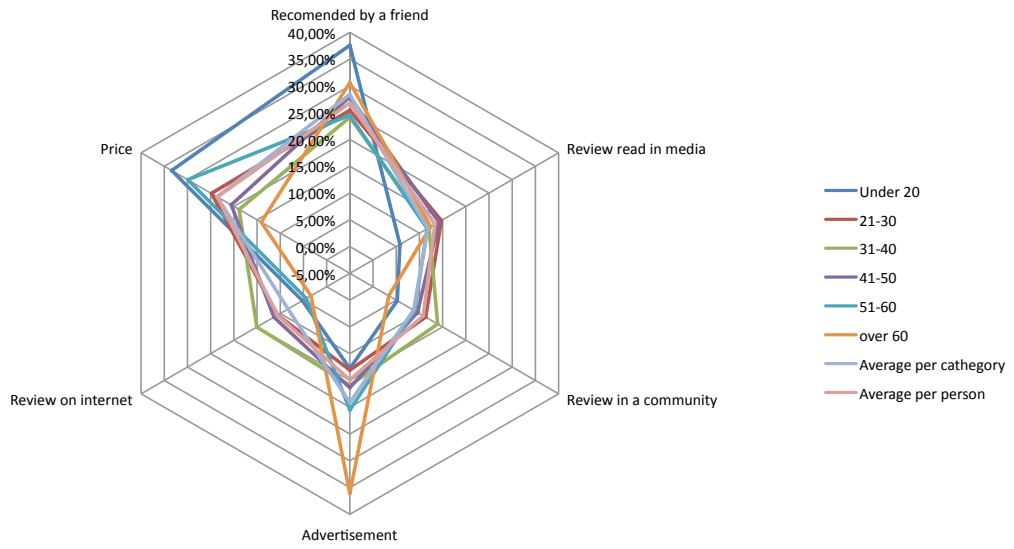




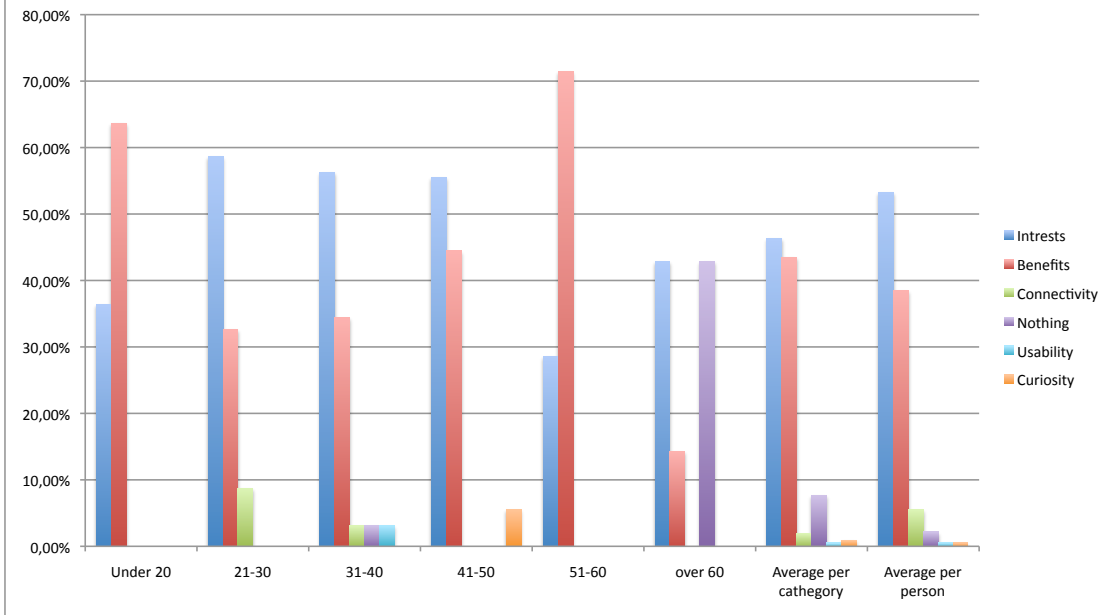


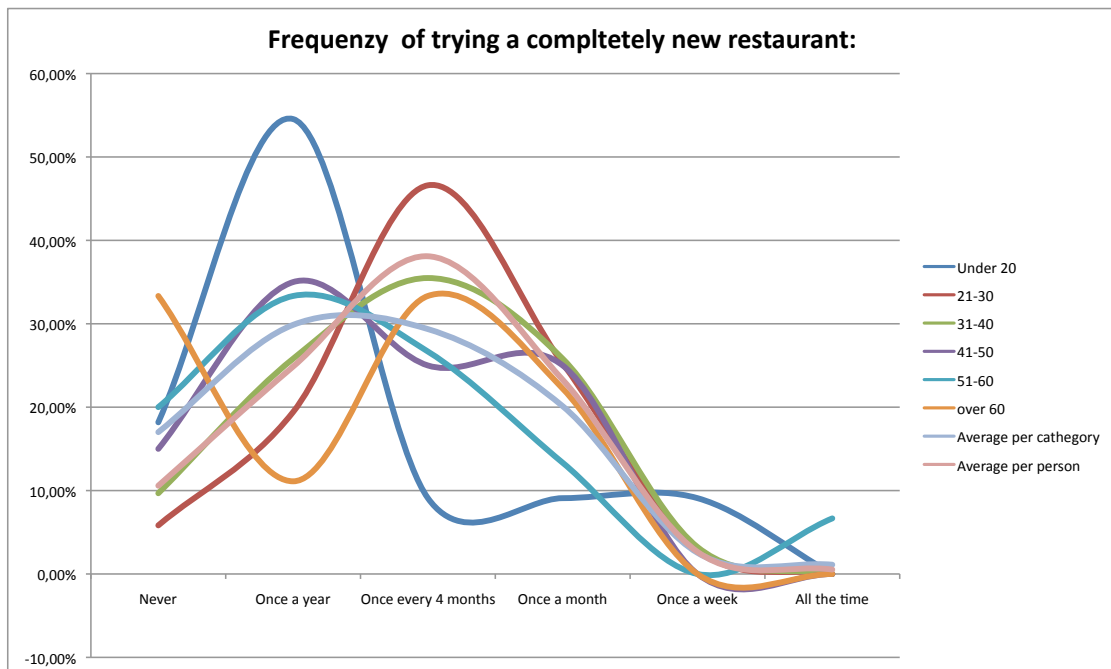
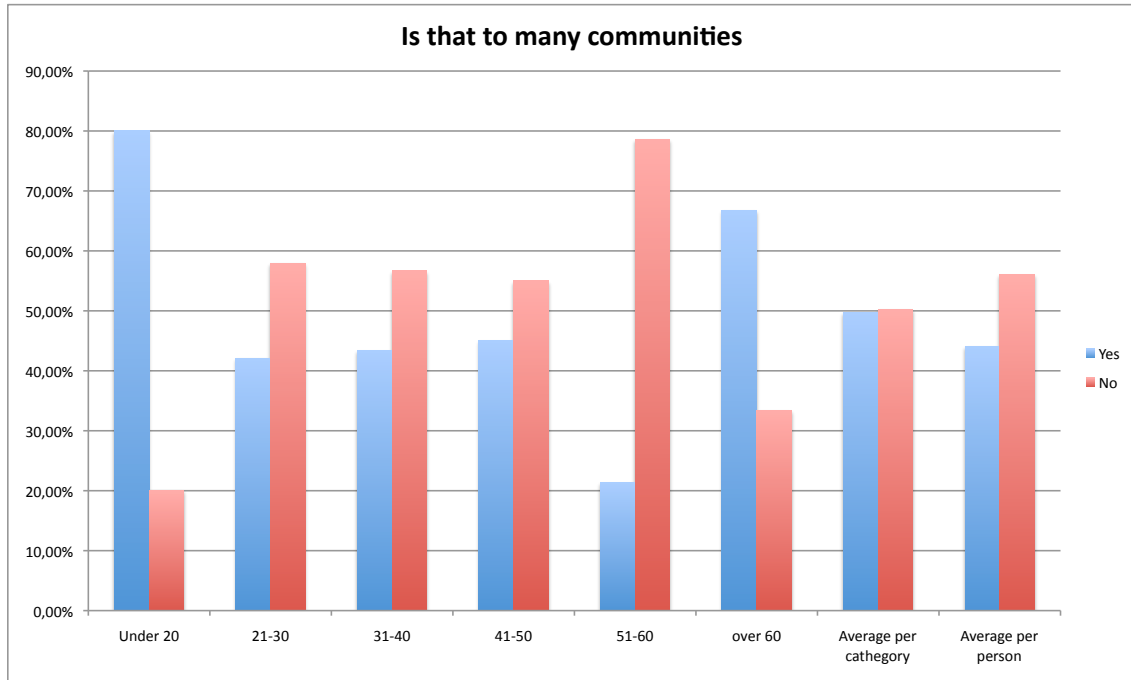


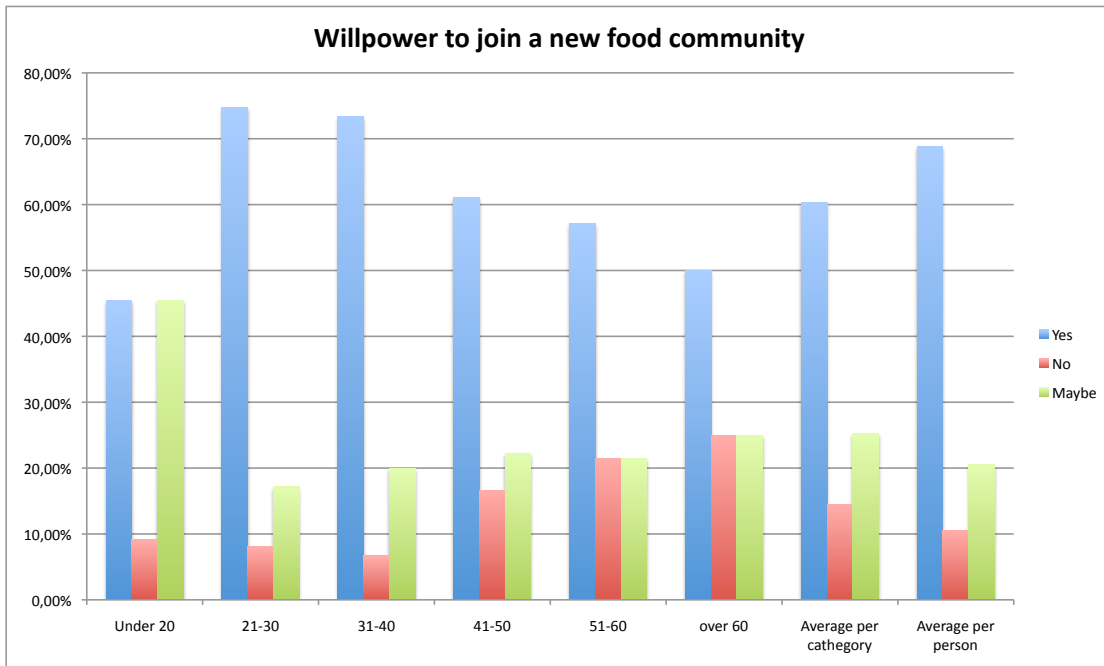
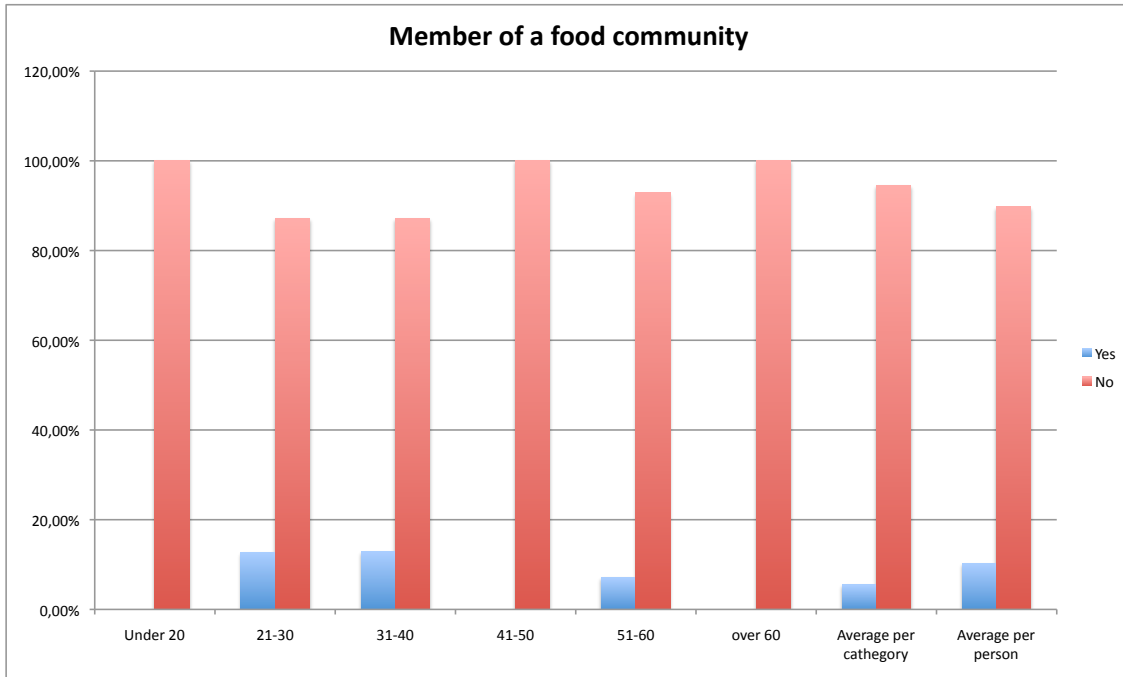
Importance of factors when finding a newly opened restaurant



What factors are considered when becoming a member of a community







Appendix C – Sales prognosis

Table 3

Year	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Visitors/month	-	-	5 000	7 500	11 250	16 875	20 250	24 300	29 160	34 992	41 990	50 388
Premium restaurants	0	0	15	25	35	45	55	65	75	85	95	105
										Month 10	Month 11	Month 12
Publicity	\$-	\$-	\$142 500	\$213 750	\$320 625	\$480 938	\$577 125	\$692 550	\$831 060	\$997 272	\$1 196 726	\$1 436 072
Rest. Premium	\$-	\$-	\$149 850	\$249 750	\$349 650	\$449 550	\$549 450	\$649 350	\$749 250	\$849 150	\$949 050	\$1 048 950
TOTAL INCOME	\$-	\$-	\$292 350	\$463 500	\$670 275	\$930 488	5	0	0	2	6	2

Table 4

Year 2	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Visitors/month	55 427	60 970	67 067	73 774	81 151	89 266	98 193	108 012	118 813	130 695	143 764	158 141
Premium restaurants	115	125	135	145	155	165	175	185	195	205	215	225
										Month 10	Month 11	Month 12
Publicity	\$1 579 679	\$1 737 647	\$1 911 411	\$2 102 553	\$2 312 808	\$2 544 089	\$2 798 497	\$3 078 347	\$3 386 187	\$3 724 802	\$4 097 280	\$4 507 008
Rest. Premium	\$1 148 850	\$1 248 750	\$1 348 650	\$1 448 550	\$1 548 450	\$1 648 350	\$1 748 250	\$1 848 150	\$1 948 050	\$2 047 950	\$2 147 850	\$2 247 750
TOTAL INCOME	\$2 728 529	\$2 986 397	\$3 260 061	\$3 551 103	\$3 861 258	\$4 192 439	\$4 546 747	\$4 926 497	\$5 334 237	\$5 772 752	\$6 245 130	\$6 754 758

Appendix D – Competitor Analysis

Competitor	Santiago gourmet	Degusta.cl	800.cl	La buena vida	El Mercurio (Club de Lectores)	Facebook
Type:	Online community	Online community	Online portal	Blog	Online portal	Online community
Speciality:	Restaurants	Restaurants	Consumer products	Consumer products	Consumer products	Networking
Traffic estimation (Woorank)	Medium	Low	Medium	Medium	Medium	High
Number of restaurants in database	4392	1324	2364	0	91	N/A
Woorank score	65.5	60.0	66.4	54.6	43.4	76.6
Properties:						
Wall:	Yes	Yes	No	Yes	No	Yes
Search function for restaurants:	Yes	Yes	Yes	Yes	Yes	No
Location indicator:	Yes	Yes	Yes	No	Yes	No
Mobile application:	No	Yes	No	No	No	Yes
Discount	No	No	No	No	Yes	Yes
Popularity in social media (facebook)	3636	403	9127	1747	839	2446612

Woorank is an online service that monitors webpage's on the internet with respect to popularity in social media, how the webpage is built up and rendered etc. It has been used to roughly estimate the popularity of the webpage.

Appendix E – Model for marketing plan

