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*Title:* Organic labelled foodstuff on the Swedish market – KRAV's work with segmentation, positioning, brand and credibility.

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<b>Title</b>	Organic labelled foodstuff on the Swedish market - KRAV's work with segmentation, positioning, brand and credibility.
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<b>Abstract</b>	<p><b>Aim:</b> The aim of this study is to investigate how an organization which is based on ethic and social responsibility works with segmentation, positioning and brand. Do their specific need of credibility have any impact on how they work with segmentation, positioning and brand? How do they work with credibility? KRAV is an ingredient brand based on ethic and social responsibility, they operate in the Swedish organic foodstuff market offering organic standards, certification and inspections according to these standards and a KRAV-label. In other words, credibility is the base for KRAV's operations. KRAV is also receiving national grants to finance information material/marketing material.</p> <p><b>Research questions:</b> How does KRAV work with segmentation, positioning and brand? How does KRAV work with credibility?</p> <p><b>Method:</b> I have chosen to do this study by studying documents published by KRAV; the main source has been KRAV's annual reports from 1999-2006, the second source has been KRAV's homepage and the third source has been folders published by KRAV. The analysis was done by combining findings about KRAV with theories about segmentation, positioning, brand and credibility to see how KRAV works with these areas.</p>

	<p><b>Result &amp; Conclusions:</b> By summarization, my study shows that KRAV both is adopting and actively working with segmentation, positioning and brand which may be business driven and at the same time trying to tone done the business incentive on how they formulate goals and missions. Marketing theories are getting more and visible over the years. KRAV has formulated its' vision and mission based on four principals; Good environment, Animal welfare, Good health and Social responsibility but they also include inspected organic products with high credibility and they try to position itself not only as an eco-label but also with added value in the areas of the four principals.</p> <p><b>Suggestions for future research:</b> One limitation in this study is that I have not studied competitors on the Swedish foodstuff market. Or the actual impact of the fact that KRAV receives national grants, does this disturb the competition? One interesting aspect is if an ingredient brand based on ethic and social responsibility can work with segmentation, positioning and brand without loosing any credibility? May this cause a conflict in the long run? One may also look at the fact that KRAV, by far the dominating label on the Swedish organic foodstuff market, is financing most of its information material/marketing material by national grants. Is it better for the increase of organic foodstuff market to support one large player (KRAV) or should national grants be used to increase knowledge of organic foodstuff and sustainability in general not supporting one specific actor? Which way would maximum the use of the tax money? Or is both needed?</p> <p><b>Contribution of the thesis:</b> This study has shown that KRAV, which is based on ethics and social responsibility, has adopted theories such as segmentation, positioning and brand.</p>
<p><b>Keywords</b></p>	<p>KRAV, Swedish organic foodstuff market, segmentation, positioning, brand, credibility, ethics and Social responsibility.</p>

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# 1. Introduction

## 1.1. Background

Kotler and Keller (2006) state that “a core set of concepts creates a foundation for marketing management” (p.24) Some of these core concepts are needs, wants and demands. This can be considered as a base to marketing, if there don't exist any need for a product no one will purchase it. But no marketer can satisfy all needs, wants and demands. They need to focus. Therefore, they segment markets in order to get distinct groups of buyer based on either demographic, psychographic and/or behavioural differences. They select target markets, develop a market offering and try to positioning the offering “in the minds of the target buyers as delivering some central benefit(s)” (Ibid, p.24). Furthermore, if I continue to read Kotler and Keller, brand is an offering from a known source and all companies strive to build brand strength. Segmentation, positioning and brand are all well-known concepts used within marketing. Concepts used in most competitive market places. Credibility is an other important concept for most companies and for some companies credibility is the foundation for their operation, without credibility they don't have any offer. Today there exist several organizations offering some assurance to the customers; a product can be labelled in different ways. Some of these labels are based on ethic and social responsibility and one example may be “Fair Trade” which aim is to increase corporate social responsibility. Some of these labels have similar purpose and compete in the same market but the basic conditions are not always the same since some of the organizations receive national grants.

KRAV is an organization operating on the Swedish organic foodstuff market offering organic standards, certification and inspections according to these standards and a KRAV-label. The KRAV-label is signalling that the host product is organic produced. KRAV was formed in 1985 and is organized as an incorporated association. In 2007 KRAV had 28 members representing farmers, food processors, trade, consumers and environmental and animal welfare organisations. KRAV have two types of customers; they need to attract farmers, food processors and stores to operate according to KRAV's organic standards and offer organic produced foodstuff and furthermore they need consumers to choose KRAV labelled foodstuff. KRAV is offering a label with the assurance that the labelled product is organic produced. With other words, credibility is important for KRAV, all stakeholders need to trust the label. KRAV has received and still receives national grants to finance information

material/marketing material. KRAV's purpose is to increase the share of foodstuff produced organic and contribute to a more sustainable development. KRAV is an ingredient brand based on ethic and social responsibility, they have a purpose and a message rather than a function. How does KRAV work with segmentation, positioning, brand and credibility?

## **1.2. The aim of the study and limitations**

The aim of this study is to investigate how an organization which is based on ethic and social responsibility work with traditionally marketing theories such as segmentation, positioning and brand. Do their specific need of credibility have any impact on how they work with segmentation, positioning and brand? How do they work with credibility?

One limitation of this study is that I have not studied the competitors to KRAV on the Swedish organic foodstuff market.

## **1.3. Research questions**

How does KRAV work with segmentation, positioning and brand? How does KRAV work with credibility?

## **1.4. Disposition**

- Chapter 1* Introduction to the study with the aim of the study and research question.
- Chapter 2* Here the used theories are presented. The theories are the base which I have used to understand and work up the collected data. The theories in this study is based on segmentation, positioning, brand, credibility and organic foodstuff.
- Chapter 3* Here I present how I have collected the empirical data, what method I have used.
- Chapter 4* The collected empiric data is presented in this chapter.
- Chapter 5* The analysis is the combination of used theories and collected empirical data.
- Chapter 6* Final discussions and conclusions are performed and also a suggestion of future studies is presented.

### **1.5. Definitions**

**Social responsibility** is when people are proactive towards problem and react to eliminate problem that may be harmful for the society or the environment before they occur.

**Corporate social responsibility** is when organizations are proactive and are taking a large responsibility of the impact of their operations in all aspects like environmental or conditions for employees.

**Credibility** is when something is trustworthiness and in this study this is based on the receiver's subjective judgement.

**Sustainable development** means that today's consumption should not undermine the next generation possibilities to satisfy their need.

**Organic foodstuff** is produced without the use of synthetic pesticide or fertilizes or other synthetic chemicals, instead they use natural processes. These methods are internationally regulated and by many countries enforced by law.

## 2. Theoretical background

### 2.1. Marketing

Kotler and Keller (2006) have two definitions of marketing. One really short: “marketing is meeting needs profitably” and a second longer one: “Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stake holders.” (p. 5-6) The range of what can be marketed is quite wide; goods, services, experience, events, persons, places, properties, organizations, information and ideas. (p. 8) And the key is “being more effective than competitors in creating, delivering, and communicating superior customer value to its chosen target market.” (p. 16)

Urban (2004) describes marketing as “the great matchmaker between the company and its customers, matching customers needs with company products and services” (p. 1) And Urban is also stressing the importance to do this without overspending company resources. It is a balance. Marketing stretches “from understanding needs and behavior to building a relationship based on trust and customer satisfaction”. (p.1)

In most markets there are some sort of competition. “Competition includes all the actual and potential rivals offerings and substitutes that a buyer might consider.” (Kotler and Keller, 2006, p 26) But the degree of competition may vary from pure competition to pure monopoly, where in a pure competition many competitors offer the same product and in pure monopoly only one firm provides a certain product.

“Business is about creating values.” (Grant, 2005, p. 40) And Kotler and Keller (2006) write : “Value reflects the perceived tangible and intangible benefits and costs to customers.” (p. 25) In other words, value to a customer may be both something concrete but also something not visible on the product. Value can be added to a product in different ways both by the producer of a specific product but also by cooperation between different brands.

## 2.2. Segmentation

On one hand you have mass marketing where you address a whole market with one marketing program and one product. The other extreme is where you handle every customer individually and customize both the product and the marketing message. Segmentation is something in between.

“Segmentation involves dividing the market into parts and devising alternative strategies for some or all of these parts. Differences in consumer preferences and needs are the primary reason for segmentation. Consumers are willing to pay more for a product tailored to their specific needs than for one designed to fit the average preference.”  
(Urban, 2004, p. 68)

So a segment is a group of customers with something in common in a market. But it is not the marketer who creates the segment by creating the preferences or needs. The marketers can only identify the segments. (Kotler & Keller, 2006)

You may group the customers in a market in different ways. One aim is to find the lowest common denominator among a group of customers. Kotler and Keller (2006) describe following groups of variables to form a segment: geographic (nations, states, neighborhoods), demographic (gender, income, education, religion), psychographic (lifestyle, values) and behavioral considerations (consumers responses to benefits, use occasions). The benefit with segmentation is that marketers have knowledge of what different customers want and therefore may be able to offer different products and services designed to fulfill different needs in different groups of customers. Furthermore, marketers may design different marketing programs depending on the preferred “receivers”. One challenge for a company is to divide/segment the market in an optimal way. It adds cost to develop, maintain and deliver too many different products/services and it costs to address too many different segments with different marketing programs.

Urban (2004) describes one more advantage with segmentation “it may reduce competitive pressure when competitors do not have a product tailored to a particular segment’s need.” (p.68) I believe this show one connection between segmentation and positioning but also competition. You position your product (tailor it/design it) to fulfill a specific group of customer’s need- the segment’s need- and hopefully the competitors won’t fulfill this need as good as you.

### 2.3. Positioning

“Product positioning takes place within a target market segment and tells us how we can compete most effectively within that market segment.” (Urban, 2004, p.74) With product positioning you decide what kind of product you should offer. If you are in the consumer chocolate-business you may select to offer a premium chocolate with quality ingredients. You may need to design an “exclusive” wrapping which communicate your message and by selecting a higher price indicate quality (=more expensive) ingredients. You may select to offer your chocolate only in selected “exclusive” stores to further improve the image.

Points-of-difference (POD) and points-of-parity (POP) are expressions closely connected to product positioning. PODs are attributes that are unique for a specific brand. Some positive benefits that can be a competitive advantage for a brand. The POD should be i.e. not too easy to copy and relevant to the target customer. If you look at the chocolate above it could be the exclusive and high quality ingredients. POPs on the other hand are necessary attributes that consumers take for granted for a specific product. These may change over time depending on technological advances or consumer trends. They may also be attributes designed to negate competitor’s PODs. (Kotler & Keller, 2006)

Kotler and Keller (2006) describe “**Positioning** is the act of designing the company’s offering and image to occupy a distinctive place in the mind of target market.” (p. 310) In my mind, an important part in positioning is to create a *perception* in the customer’s mind, get the customers to associate different things/feelings with a specific brand. It might be actual “things”, like high quality or low cost, but also feelings like cool or sporty. Sometimes companies try to re-position the brand. It may occur when the customers taste changes over time.

### 2.4. Brand

Brands fulfill multiple roles. First it identifies the producer of the product. Brand also represents an investment which creates an incentive to maintain quality and customer satisfaction. (Grant, 2005, p 288-289) This may give the potential customer some assurance when selecting a product. Furthermore “Brand image is the perceptions and beliefs held by consumers, as reflected in the associations held by consumer memory”. (Kotler & Keller, 2006, p. 286)

A company can manage its' brand in many ways. One way is co-branding when two or more existing brands are combined like McDonalds and Walt Disney Pictures, when a Happy Meal at McDonalds includes small dolls from the latest Walt Disney Picture. One special form of co-branding is ingredient branding. Here you try to create brand equity for material or parts that are contained within an other branded product. In this case "A distinctive symbol or logo must clearly signal to consumers that the host product contains the ingredient." (Kotler & Keller, p. 392)

These brands/labels signalling something to a potential buyer of an other product. They are an ingredient brand adding some value to the host brand and they can not exist without a "host product". One success story in ingredient branding is Intel's consumer campaign "Intel inside" convincing computer buyers to only buy computers with chips from Intel. (Kotler & Keller, p. 391)

But one other kind of ingredient branding is based on ethic and social responsibility, they have a purpose and a message rather than a function. One example is "Fair Trade" (Rättvisemarkt) which aim is to increase corporate social responsibility and focus on the ethical aspect of the trade between the industrialized countries and the developing countries but they also support organic production of foodstuff. ([www.rattvisemarkt.se](http://www.rattvisemarkt.se)) In this case the host products need to fulfill Fair Trade's rules and regulations on how it has been traded before they can be labeled with Fair Trade's brand.

## **2.5. Do consumers buy environmental arguments?**

The Nordic Council of Ministry (2006) is writing in its' folder *Environmental communication to consumers, a Nordic manual* "However, the clean environment arguments are rarely enough to reach others than consumers who are already environmentally aware." ( p.10)

Many studies show that even if consumers have knowledge and positive attitudes of ecological produced products this doesn't automatically reflects in habits and behavior in choosing these products in the actual shopping moment. (Nordic Council of Ministry, 2006, p.14 ; Biel & Magnusson, 2005, p.10)

But what has impact in the actual shopping moment? Wrangé (2001) is writing in her article that studies have shown that old habits have a major impact on the actual shopping moment. Consumers don't really reflect on why they choose a specific product, they buy what they usually buy, and it takes time to change habits. Important parameters are good taste, durability and price. Whether a product is ecological has less impact in the actual shopping moment.

Kotler & Keller (2006) are also discussing this "Research studies have shown that consumers as a whole may not be willing to pay a premium for environmental benefits, although certain market segments will be." (p. 91)

The strongest motive to buy ecological products is that the consumers believe that ecological products are healthier than conventional produced products. But there are not yet any scientific reports that unambiguously support that ecological produced products are healthier. It seems like if the product is ecological produced or conventional produced have a low impact on whether the final product will be healthier or not. (Biel & Magnusson, 2005, p.6-7)

Ekelund (2003) has studied 25 consumer surveys in order to *find the ecological consumer*. In some of these surveys KRAV has been a part. KRAV is by far the dominating label for ecological foodstuff in Sweden. One trend is that recognition of ecological labels has increased in general and as an example the KRAV label had 20 % recognition in one survey from 1991 but in all surveys conducted 2001 the recognition were above 90 %. (p. 14) Only a minor part of the surveys look at the question where the consumers have got the knowledge about ecological labels. The confidence in ecological labels has also increased. In above survey from 1991 only 55 % believed they could trust the KRAV label while in the studies from 2001 only 25 % were suspicious. (p.15) Consumers have similar associations for the KRAV label as for the word "ecological" and the associations are no poison or no use of pesticide. "No poison" and "no use of pesticide" are expressions strongly connected to environment and health which are the two strongest motives to buy ecological produced foodstuff. (p.14) A majority of the consumers are positive to ecological foodstuff but choose conventional produced foodstuff since they are cheaper. Even those consumers who actually looking for ecological produced foodstuff compare prices with conventional produced foodstuff and will most likely choose the cheapest one. (p. 16) Some of the surveys have been studied segmentation. One important result is that a small group of consumers stand for a large part of the market share but that the ecological consumer is complex and no clear picture

appears except that the consumer is most likely a woman, which in my mind, is not so specific. (p. 26)

## **2.6. Credibility**

Since 1992 there exist common laws within the European Union about ecological production. These laws include detailed regulations which should be fulfilled if a product is called “ecological”. These regulations are one tool to create credibility for ecological products. In Sweden the Swedish Board of Agriculture and the National Food Administration are responsible for the ecological production and via SWEDAC, the national accreditation body, dispense authorization to do inspections. Inspections of every single producer should be done at least once a year and the producer should also document every step in the production. These documents should be reviewed by the inspection authority. SWEDAC has appointed Arena Certifiering and SMAK to be inspection authorities in Sweden. The inspections and reviews are needed as an assurance for the consumer that the rules and regulations are followed. (Gunnarsson, 2007)

One way to work with credibility for a company is to tone down the business incentive and instead push ethics and competence. These companies/organizations strive to be more connected to i.e. social responsibility, safety and justice. To get the sense of integrity some organizations insinuate that they act within the public sector. To act as an authorization unit may also create status and credibility. (Arvidsson, 2003, p. 366)

## **2.7. Reflection on the theory**

I have six parts in the theory part; marketing, segmentation, positioning, brand, do consumers buy environmental arguments and credibility. I have followed this separation when doing the analysis later in my work but with two exceptions, there are no chapters “marketing” or “do consumers buy environmental arguments” only: segmentation, positioning, brand and credibility. This is not because its’ less important, rather the opposite. I am using the theories from “do consumers buy environmental arguments” and “marketing” in the other chapters. In the analysis I combine “environmental arguments” and findings from document published by KRAV with theories about segmentation, positioning or brand. And when it comes to the credibility-part I include theories and findings from all six chapters. The theories about

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marketing, segmentation, positioning and brand are general. What I have tried to do later in my work is to look at segmentation, positioning and brand from different angles, through different eye glasses, and the angles/eye glasses are environmental arguments and credibility.

### **3. Method**

#### **3.1. Procedure**

I have chosen to do this investigation by studying documents published by KRAV. The main source has been eight years of KRAV's annual reports, I have studied annual reports from 1999 to 2006. One second source has been KRAV's homepage. Furthermore, I have studied folders published by KRAV in 2006.

The procedure for the study has been the same as the disposition of the paper. First I did a literature study. In this I tried to focus in two areas; the first area was literature handling the concepts segmentation, positioning and brand and the second area was literature handling environmental foodstuff. The second part of the literature study has been done mainly on the Internet and I have tried to use reliable sources such as reports published by Nordic Council of Ministry or Swedish Universities. Parts of the literature study can be found in Chapter 2, *Theoretical background*. The second part of this investigation has been the study of documents published by KRAV and the findings are presented in Chapter 4, *Presentation of the empirical work*, Next step was to combine the theories and the findings and this is done in Chapter 5, *Analysis*.

KRAV has two types of customers, the farmers, food processors and stores who operate according to KRAV's organic standards and the consumers. These two stakeholders form two different perspectives for KRAV. My main perspective in this work has been to look at KRAV from the consumer point of view but I have also sometimes changed the perspective and discussed from the other perspective.

I made one separate study of the annual reports. In this I studied the front page of the reports. By this, I could compare what KRAV had high-lighted each year. Was there any visible trend in the front page message? This study is also presented in Chapter 4.

#### **3.2 Replication and evaluation of chosen method**

My method has been to study documents published by KRAV. I have read all material twice and making notes in parallel. I focus my notes in areas which I believe are relevant for the study and my aim have not being to make a general summary of the annual reports. Even thou, it is feasible for anyone to repeat the study. But still, this might not be any guarantee

that everyone will come to the same conclusions as I did. I read the material based on my experience, “coloured with my glasses”. All research theories don’t support knowledge “coloured by my glasses”. In some theories all information should be interpreted the same way by different observers. All should be replicable. (Sohlberg, 2001, p.62)

Backman (1998) describe one way to evaluate the empirical procedure; the question is if the method corresponds with the formulated questions, the analysis and the final discussion? (p.38) This can always be discussed. One weakness in my procedure may be that I only studied document published by KRAV. Optimal would had been to study sources from different perspectives but in this case I made the decision that that would have been to time-consuming, so this delimitation is mainly based on the size of this work. On the other hand, I have studied annual reports from 8 years and I believe these reports give a good picture of how KRAV works with segmentation, positioning, brand and credibility. I believe it takes time to work with areas such as positioning, segmentation, brand and credibility and by studying several years in a row one can see how a company handles these areas, one can see if the message is consistent.

## **4. Presentation of the empirical work**

### **4.1. KRAV Annual Report 2006**

KRAV is offering organic standards, inspection and certification according to these standards and a KRAV-label.

KRAV's vision is that all production and consumption of foodstuffs are sustainable and organic production dominates. We make it possible for our operators to market inspected organic products with high credibility that stand for a good environment, good animal husbandry, good health and social responsibility. (KRAV annual report 2006, p 22)

KRAV has formed the following objectives to fulfil the vision:

- The contributions of organic production to sustainable development are an important public issue.
- Consumption of organic foodstuffs increases by at least 30 percent per year. The KRAV label is the natural choice for all in Sweden who produce, market or consume organic products.
- KRAV labelling is one of the food businesses' tools for environmentally-driven business development. (KRAV annual report 2006, p 1)

In the turn of 2006 KRAV re-organized and a subsidiary, Aranea Certifiering AB, took over the responsibility for inspection and certification. In parallel, the organic standards were transformed into an open standard making it possible for other certification companies to certify according to KRAV's standards. In line with the re-organization KRAV changed its charging system from having a combined prize tag to separate the prize for certification/inspection and for the KRAV licence i.e. the right to use the KRAV's standards and label. KRAV is using the term "operator" on the farmers, food processors etc. whom operate according to the KRAV standards and possess a valid KRAV licence.

The KRAV label has a high recognition in Sweden. The label had 96 % recognition in an opinion measurement published in October 2006. (KRAV annual report 2006, p 6) KRAV is working with marketing the KRAV label together with its' operators but they also actively work to build opinion for organic production. Furthermore, they try to influence international

and national laws and sets of rules and regulations. EU will launch an EU logo for organic production by 2009 and KRAV is actively trying to influence the regulations.

#### **4.2. Study of the front-page Annual reports 1999-2006**

One approach to determine the trend for KRAV is to compare the introduction of the annual reports. What message have they printed on the front pages?

##### *Annual report 1999*

KRAV made over 7000 inspections during the year. The careful inspection is the foundation for the credibility professionals and consumers assign KRAV. (My translation from the annual report in Swedish)

##### *Annual report 2000*

The year has been characterized by the discussion in media about if organic foodstuff is healthy, GMO and ethic animal husbandry. (My translation from the annual report in Swedish, GMO- genetic modified organism)

##### *Annual report 2001*

Good environment, Animal welfare, Good health and Social responsibility

##### *Annual report 2002*

“Our most important resource [label] One of the most important resources of KRAV Incorporated Association that never is accounted for in the balance sheet is the KRAV label.”

##### *Annual report 2003, 2004 and 2005*

“The label with added value [label] The KRAV label is not purely an eco-label. It gives value to the operator’s production in four areas: Good environment, Animal welfare, Good health and Social responsibility.”

##### *Annual report 2006*

“Continued growth for KRAV during 2006.”

#### **4.3. Annual reports 1999 to 2006 General findings**

Most of the annual reports contain similar information but the focus of the reports is quite different and I believe that above sentences are representative for the shifting in focus.

In the first reports from 1999 and 2000 the focus is the standards and how to attract new operators. I can’t find any clearly stated vision or mission but the operation is well described and the benefits for the operators. In 2000 they had a section almost in the end of the report

with the heading “information” where they discussed that they have high brand recognition but few knew the meaning of the brand. Based on this they started to plan how they should work with the KRAV label in the future.

In the annual report 2001 KRAV introduced that KRAV stands on four principals: Good environment, Animal welfare, Good health and Social responsibility. These principals are still to be found on i.e. KRAV’s homepage in August 2007 and are in focus in all annual reports from 2001 to 2006.

In 2002 KRAV formulated its’ mission and vision which were based on the four principals from 2001 but also focused on information about the KRAV label. The focus in the annual report started to shift towards the importance of the KRAV label even if inspections and standards still are the foundation for the credibility.

In annual report 2006 one can read about KRAV’s folder directed to the food industry in the autumn of 2006. The folder was decorated with a goldbrick symbolising that the KRAV label is a trademark with high recognition “worth its weight in gold.” (p. 6)

I notice one small change in how KRAV formulate its work with the KRAV label in the annual report 2006 compared with the earlier once. In 2006 “KRAV promotes and protects the KRAV label. We work with marketing the KRAV label in close connection with our KRAV operators”. (p.1) Before they more have used the formulation like “....carrying out inspections for standard compliance and informing about the KRAV label. We make it possible for our operators to market their products credibly as inspected organic products....” (Annual Report 2005, p. 4) The formulation goes from *informing* about the KRAV label to *promote*.

#### **4.4. KRAV’s homepage August/September/October 2007**

KRAV is operating on the Swedish organic foodstuff market. They develop standards, regulations and inspection procedures mainly concentrating on how a product is produced not focusing on the actual product. KRAV’s regulation version July 2007 covered the following areas: agriculture, cultivation, breeding, bee keeping, aquaculture, wild production, food processing, slaughter, animal food processing, means of production/processing, raw material for textile, shop, restaurants, fishing, re-certification of products approved by other

certification units and KRAV approved ingredients (not allowed from Sept 1<sup>st</sup>). (downloaded 2007-08-05)

KRAV has 5 types of labels (downloaded 2007-08-05) :

- Basic label for 95-100 % organic production as shown in figure 1.
- B-label for restaurants and products with 70-95 % organic contents as shown in figure 2.
- Label for production inputs.
- Label for export.
- Label for wild production.



Figure 1: Basic label for 95-100 % organic production. Label downloaded 2008-01-26 from [www.KRAV.se](http://www.KRAV.se)



Figure 2: B-label. Label downloaded 2008-01-26 from [www.KRAV.se](http://www.KRAV.se)

KRAV is working actively with the credibility for the label and stress on their homepage the importance for credibility in connection with their regulations of the use of the label. The labels can be used on a product if the producer has a valid KRAV licence and should always be followed by the name of the producer or marketer of the product but the KRAV label

should not dominate the product's logotype. An EU unique number of the certification/inspection unit should, by law, be visible on the package and KRAV recommends its' operators to place this number close to the KRAV label. KRAV recommends that the KRAV label is placed on the product's front to increase the visibility of the label on the shelves. (downloaded 2007-08-05)

Most of the information published on KRAV's homepage addresses different stakeholders. KRAV has pages specially designed for i.e. consumers, farmers, restaurants or shops. Furthermore, KRAV issues regular newsletters, one addressing interested consumers and one addressing its' operators.

#### **4.5. KRAV's four principals**

KRAV is describing their interpretation of Good environment, Animal welfare, Good health and Social responsibility on their homepage.

##### *Good Health*

KRAV has chosen to look at Good Health from the perspective of the World Health Organization, WHO, definition of health; health is physic, mental and social wellbeing. It is not only connected to diseases and ailment. With this perspective the working environment for KRAV's operators are important, the operators should not be exposed to any i.e. poison pesticide. But also increased wellbeing for the consumer is in focus. Increased customer wellbeing is achieved by safety; KRAV's inspection in the whole food process chain, from farmer to shelf, but also by knowing that i.e. no chemical pesticide or fertilizes are used. KRAV doesn't want to discuss if a specific organic produced product is healthier than the corresponding conventional one since some studies say they are but other studies have made the opposite conclusion. KRAV stresses that if something is good for the environment then it is good for health. (Downloaded 2007-08-05)

##### *Good environment*

KRAV's vision is that all production and consumption of foodstuffs are sustainable. KRAV's regulations of organic production contribute to a sustainable development. Today's consumption should not undermine next generation possibilities to satisfy their need. Therefore, KRAV is using the principal of caution, they don't use GMO, chemical pesticide, chemical fertilizes or other synthetic chemicals, instead they use natural processes. (Downloaded 2007-10-21)

### *Animal welfare*

KRAV's regulations of animal husbandry is based on the principal of natural behaviour of the animals. No preventive routine medication of animals is allowed and all slaughter should be in a calm environment and with dignity. Cows should calve in privacy, pigs have the option to be outside all year around and there should be maximum 7 hence per square meter are other examples of rules. The consumers should know that the animals are treated with respect. (Downloaded 2007-10-21)

### *Social responsibility*

All operators need to take a social responsibility. One operator may lose the license if i.e. the working environment is inferior even though all other rules are fulfilled. One other goal is reasonable compensation for organic produced products. But it is not only social responsibility locally, KRAV is also looking globally. By the aim of creating rules and regulations which are suitable worldwide and supporting control of organic production in the third world KRAV believe they contribute to faster sustainable development in these countries. KRAV also stress the consumer's option to choose an alternative product produced with social responsibility. (Downloaded 2007-10-21)

## **4.6. Folder "Dags att plöja nya fåror" (Time to plough new furrows)**

(Folder KRAV published 2006, downloaded 2007-07-20)

In 2006 the rules for environmental subsidies were changed in Sweden so that only certified farmers will receive full environmental grants. In Sweden this means that the farmers can choose between KRAV certification or EU certification. In order to promote the KRAV certification KRAV made a 12 pages folder directed to farmers who obtained environmental subsidies but did not sell their products as organic produced. These farmers sold their products as conventionally produced with no "ecological" label. KRAV is pushing for the market segment organic foodstuff and the core message in the folder is the KRAV label's high recognition and strong brand compared with an "anonymous" EU certification in order to convince the farmers to choose KRAV certification. KRAV also adds that farmers working according to the KRAV standards have the possibility to influence the standards in regular reviews which is much more difficult within EU certification. KRAV has a procedure with regular reviews where the operators have the possibility to influence the standard.

#### **4.7. KRAV obtain national grants**

KRAV has received national grants all years from 1999 to 2006. Most of the grants have been assigned to produce information material about organic production and to promote the KRAV label. The receivers of the material have been all from potential farmers, information to existing operators and consumers. In 1999 7 % of the revenue came from national grants specially assigned to increase information about organic production. (Annual report 1999) In 2006 a project, KRAV Consumer, was started addressing consumers, students and opinion builders in order to boost the demand of KRAV labelled products. KRAV is financing 25 % and the rest comes from national grants. (Annual report 2006) The list of information material produced by KRAV financed by national grants is quite long i.e. KRAV has developed educational material for upper primary classes (Annual report 2002, p. 15) and made the folders “Organic crop production” and “Organic animal husbandry” addressing new potential farmers (Annual report 2003, p. 10) all financed by the Swedish Board of Agriculture.

#### **4.8. Reflections on findings about KRAV**

I have studied documents published by KRAV from 1999 to 2007. Most of the annual reports contain similar information but the focus in the reports has moved from standards, inspections and credibility in the first report to the added value and the four principals; Good environment, Animal welfare, Good health and Social responsibility after the four principals were introduced in 2001. I believe KRAV’s four principals are important and they can also be used when discussing segmentation, positioning, brand but also credibility. In 2002 KRAV formulated its’ vision and mission based on the four principals but also based on inspected organic products with high credibility. Even thou the focus may have been moved, KRAV still stress the importance of inspections and credibility.

## 5. Analysis

### 5.1. Segmentation

As I understand it, KRAV needs to work on two fronts. They both need to attract farmers, food processors, retailers and shops to work according to KRAV standards and they also need a consumer demand for KRAV labeled products. So, they need the food industry, operators, to produce and market organic products and the consumers to buy organic. One can study how KRAV works with segmentation from both these two perspectives.

A segment is a group of customers with something in common in a market. KRAV is operating in the Swedish segment for organic foodstuff. This is applicable for both the consumers and operators. One can divide foodstuff in conventional produced and organic produced products and KRAV only has it's offers in the segment for organic produced products. They have the knowledge of what the customers want and therefore they can design an offer to fulfill specific preferences and needs. The need may be a wish to contribute to a more sustainable development. KRAV has developed rules, regulations and a control system assuring the consumer that the KRAV label product has lesser impact on the environment then corresponding conventional produced and by applying the KRAV rules and regulation the operators have a more sustainable operation.

When you analyze a segment you can look at many factors. I have chosen to look at the psychographic factor 'values' and also 'behavioral consideration', I'll start with values. Even thou many consumers have knowledge and positive attitudes of ecological produced products they often don't actually buy them. The Nordic Council of Ministry (2006) is writing in its' folder *Environmental communication to consumers, a Nordic manual* that clean "environmental argument" mostly only reach them whom already are environmental aware. So, it seems not to be enough if consumers have positive attitudes of ecological produced products they also need to be environmental aware. My conclusion is then that KRAV's segment contains of consumers with values in line with KRAV's principals. It may be consumers who care about animals, don't which to eat foodstuff produced by the use of fertilizer or are against GMO. This may also be applicable on the foodstuff producers, probably no one would argue against good environment or good animal husbandry, but still most producers use conventional methods. It is a big step to change all operations in a farm and the incentive is probably stronger if you share the same values as KRAV, as I see it.

Second, I would like to combine the behavioral consideration ‘consumers response to benefits’ and the health aspect when looking at segmentation. The strongest motive to buy ecological products is that consumers believe that ecological are healthier. Most likely there exist consumers with this believe in common, maybe enough consumers to form a significant segment. If the segment is too small it would be too costly to address these customers. One of KRAV’s principals is ‘Good health’. Since one of the strongest motive to buy ecological is *health* it seems reasonable to try to address the customers with this believe, there exist consumers who response positive to the benefit ‘healthier’. This segment has been a little bit tricky to address since there not yet exist any scientific reports that unambiguous support that ecological produced products really are healthier. KRAV is trying to “walk around” this by i.e. defining that if something is good for the environment then it is good for health see chapter 4.5 KRAV’s four principals.

The organic foodstuff market is still relative small in Sweden, one may consider it as a niche market. Many studies have shown that all consumers are not willing to pay premium for environmental benefits even if certain segments are. KRAV is operating in a segment which is willing to pay premium for organic produced products. “Consumers are willing to pay more for a product tailored to their specific needs than for one designed to fit the average preference.” (Urban, 2004, p. 68)

Urban’s (2004) discussions regarding segmentation as a help to reduce the competitive pressure may be applicable at the KRAV’s folder “*Dags att plöja nya fåror*” (*Time to plough new furrows*). In this case KRAV tries to convince farmers who use organic production, gain environmental subsidies but don’t have any KRAV license to continue to use organic production methods and sell the products in the organic foodstuff market. Instead of selling organic products in the whole market KRAV argues that by label/certify the product the farmers will have better access to the organic foodstuff market. The farmers will be able to offer something the competitors won’t. By choosing the segment “organic foodstuff market” the competitive pressure may be reduced for the farmer. In this case the KRAV label is a tool for the host product.

By segment a market it is possible to create different marketing program depending on preferred receivers. KRAV is packaging its’ message depending on receivers. The homepage

is divided and address different receivers i.e. farmers, food processors or consumers. But also KRAV's information material and folders are addressing different receivers i.e. the message and the receivers in the educational material for upper primary classes and the folder "Organic crop production" are quite different, as I see it. It is a strength to have the knowledge of the receivers and manage to design different marketing material but, as mentioned in chapter 2.2, it adds cost to address to many segments with different messages.

## 5.2. Positioning

By positioning a company tries to occupy a distinctive place and create a perception in the customers' minds.

In the folder "*Dags att plöja nya fåror*" (*Time to plough new furrows*) KRAV argue against the "anonymous" EU certification. EU certification and the future EU logo for organic products might be a threat for the KRAV label which is also mentioned in the 2006 annual report. One other way to deal with future competition is to open for other certification bodies. In order to attract them who already today use an other certification body in other areas and don't wish to conduct several certifications KRAV turned the standard into an open one. Now it is possible for other certification bodies to certify according to KRAV. This is one way to positioning KRAV on the producer side of the foodstuff market in order to meet expected future competition.

As most theories, the theory about Point-of-difference (POD) and Point-of-parity (POP) may be used from several stakeholders perspective. One perspective is KRAV, what PODs do they as a brand have, and one perspective is the food industry, what PODs do the KRAV label offer them. If I start with KRAV; there exist parallel standards of how to produce organic foodstuff. EU offers a certification and will launch an EU label for organic production by 2009. KRAV's core business has always been developing standards by, among others, regular review. KRAV's operators have the possibility to influence the standards and the standards can be specialized to fit the Swedish food industry's conditions. The standards need to fulfill Swedish and EU regulations but they still have the flexibility to for example go further. These PODs may be difficult for the EU standard to copy. But what PODs does the KRAV label offer the food industry? The purpose with a standard is that several operators may be able to apply it but, by definition, PODs should be difficult to copy. But on the other hand, even if everyone can read about the KRAV standards it is a big step connected with cost to switch all operations to organic production. This creates a POD for KRAV labeled products. But, in

theory, this POD may be turned into a POP, a necessary attribute for the food industry. Consumers preferences may change so they take organic produced foodstuff for granted in the future.

Also when looking at positioning also the health perspective is important.

Kotler and Keller (2006) are describing “**Positioning** is the act of designing the company’s offering and image to occupy a distinctive place in the mind of target market.” (p. 310) Many consumer *believe* that ecological produced are healthier (chapter 2.5.) so, as I understand it, “in the mind of target market” the ecological products are healthier even thou it may not be proved. KRAV is stressing Good Health as one of its’ principals and by this they position the KRAV label, as I see it. They send a message which correspond with a common believe and make it easier to occupy the distinctive place as “healthy”. The strongest motive for consumers to buy ecological produced products is the believe that these products are healthier than conventional produced products. Good health is one of KRAV’s principles and KRAV tries to widen the perspective of what health is (chapter 4.5.). They connect health to safe products, working environment for operators and what is good for environment is good for health. KRAV doesn’t want to discuss weather one specific product is healthier or not, since no proof exist yet but still they wish to use the word health.

### **5.3. Brand**

The KRAV label is an ingredient brand. They have a message based on ethic and social responsibility and they have a purpose rather than a function. In 2000, when KRAV realized that they had high brand recognition but few consumers knew the meaning of the brand, KRAV started the work to positioning the brand. They had a brand many recognized but they needed to fill the brand with some content. In 2001 they formulated four principals, Good environment, Animal welfare, Good health and Social responsibility, which since have been the message of what the KRAV label stands for, as I understand it. KRAV has been consistent, they have used the same formulations in all annual reports, on the home page and in all folders I have studied addressing operators, potential operators and consumers. In parallel with the increased recognition of the KRAV label KRAV increased the use of the trademark as an argument to attract new and keep old operators. The four principals formulated by KRAV are a message rather than a specific function, you may not actually see or taste the difference between a KRAV labelled tomato compared to a not labelled one.

KRAV is adding values to the host brand both as an organic produced product but also within the areas of the four principals. The front page message on three annual reports from 2003 to 2005 have been that KRAV is not only an eco-label, they add value to their operators' production in four areas; Good environment, Animal welfare, Good health and Social responsibility. By widen the scope of the brand KRAV's message may be similar not only to other eco-labels such as EU-logo for organic production but also to other ingredient brands based on ethics and social responsibility like Fare Trade.

Kotler & Keller (2006) is stressing the importance for an ingredient brand to have a distinctive symbol or logo clearly signalling to the consumer. KRAV has a clear label and is actively working with recommendations how to use the label on the product, in advertisement or in the shop among others they recommend their operators to place the KRAV label on the front of the product to increase the visibility (chapter 4.4.).

Grant's (2005) is discussing brands multiple roles. These roles may be applied on the KRAV label. First the brand needs to identify the producer of the product. Since KRAV is an ingredient brand they don't wish their logo dominate the host product's logotype. But still, the label helps consumers to identify organic produced products. Second, the brand represents an investment. KRAV has invested in credibility over a long period of time. They conduct yearly inspection to assure all KRAV labelled products to be organic produced. If consumers start to distrust the KRAV label they may choose products labelled with other eco-labels and the operators may choose other standards and eco-labels.

#### **5.4. Credibility**

The quotation from the front page of 1999 years annual report reflects well the backbone for how KRAV works with credibility; inspection is the foundation, in 1999 but also in 2006. In all annual reports KRAV presents statistics and descriptions of the year's inspections.

KRAV is also using the fact that their subsidiary, Arena Certifiering, has gained the status as an authorisation body by the Swedish Board of Agriculture and National Food Administration (chapter 2.6.). The following is picked from the annual report 2002:

We ensure credibility through systematic quality assurance, that is partially accredited by the IFOAM Accreditation Criteria, and partially by the supervision of

the Swedish Board of Agriculture and the National Food Administration. The Swedish Board of Agriculture and the National Food Administration dispense authorization to inspect organic production. (p.18)

KRAV is connecting its' credibility with the supervision of Swedish Board of Agriculture and National Food Administration but also with the accreditation from IFOAM, International Federation of Organic Agriculture Movements. This way, as I see it, KRAV receives the status to act as an authorization unit with the sense of high integrity.

They also seem to try to tone down the business incentive and instead push ethics and competence. Their mission, goals, vision and objectives are formulated as good *environment*, good *animal husbandry*, good *health*, *social responsibility*, the contributions of organic production to *sustainable* development are an *important public issue*. Even though, one objective from 2006 is "Consumption of organic foodstuffs increases by at least 30 percent per year. The KRAV label is the natural choice for all in Sweden who produce, market or consume organic products." (KRAV annual report 2006, p 1) I mean, they don't tie the growths of consumption of organic foodstuff directly to i.e. increased revenue for KRAV or other measurable variable connected to KRAV.

But still the marketing perspective has become more and more visible in the reports. In the beginning KRAV focused on the foodstuff industry, and the consumer market was not given the same attention. One way the consumer marketing perspective is more visible is by the change in how KRAV formulate their reports. In the earlier reports KRAV discussed how to *inform* about KRAV and organic production but in later, specially the one from 2006, they discuss *promote and protect* the KRAV label, they start a project, KRAV Consumer, in order to *boost the demand* of KRAV labelled products and so on. I think this is a major change which both can attract new consumers and operators but may as well frighten old ones. This also connects to credibility. If KRAV is too strong in positioning, segmentation and branding then the business incentive may dominate the marketing message instead of ethics and competence. This might be a threat to KRAV's credibility. One can use ethics and competence to create a message and position a brand, but, I think, this might cause a dilemma for a product which is based on ethics and social responsibility. KRAV's vision is that *all* production and consumption of foodstuffs are sustainable and organic production dominates and to reach this they take action to boost the demand. This doesn't have to be contradictory

but I think it has to be clear what the incentive is. In the objectives, vision and mission KRAV discusses organic foodstuff and sustainability but on the foodstuff market as a whole. The KRAV label is a tool for environmentally-driven business development and should be the natural choice for both producers and consumers. Is the main objective that the organic foodstuff market should grow or should KRAV labelled products increase? These two objectives don't need to be contradictory. But is the goal to increase the organic foodstuff market if the increased volume will be products labelled with the future EU logo for organic production? In 2006 the project, KRAV Consumer, was started addressing consumers, students and opinion builders in order to boost the demand of KRAV labelled products. Will this increase the organic foodstuff market or will it strengthen KRAV's position in the future battle with the EU logo for organic production? As I see it, this doesn't need to be contradictory, if the market for organic products increases. But if the future scenario is that the organic foodstuff market will keep its' market share and continues to be a niche market? If so, I believe, the EU logo will become a real threat for KRAV and may be able to reduce KRAV's market share.

## 6. Conclusions and reflections

### 6.1. Final discussion and conclusions

Segmentation, positioning and brand are general theories applicable for most products. My conclusion is that KRAV works with segmentation, positioning and brand. They segment the market and use the different segments when creating different marketing material addressing selected receivers. KRAV is positioning as “healthier” with, as I see it, a consistent and often repeated message about Good Health and is actively trying to fill the brand with added value in the four areas: Good environment, Animal welfare, Good health and Social responsibility by a repeated and consistent message in all marketing material. At least when studying document published by KRAV in most recent years. It is however not so obvious when studying the earlier Annual reports from 1999 and 2000. I would like to draw a line in 2001 when KRAV formulated its’ four principals.

After 2001 and 2002, when KRAV had formulated its’ vision and mission based on the four principals; Good environment, Animal welfare, Good health and Social responsibility and inspected organic products with high credibility, one can see a clear pattern in all Annual reports, on the homepage and in all folders I have studied. KRAV is operating in the Swedish segment for organic foodstuff and they try to gain the position not only as an eco-label but also with added value in the areas of the four principals. The KRAV label is an ingredient brand. They have a message based on ethic and social responsibility, in other words they offer a purpose rather than a function. Since 2001 they have worked consistent with what the brand should stand for. They have based all messages on the four principals and inspections when addressing consumers and producers and the high brand recognition may be the receipt that a consistent message several years in a row may have been paid off. But on the other hand, the recognition of the KRAV label has increase from 20 % in 1991 to above 90 % in 2001. This actually means that the high increase in recognition took place before KRAV started to work so actively with segmentation, positioning and brand. But few knew what the label stood for in 2001. So, they have tried to fill the brand with content, based on the four principals and inspections.

KRAV seems to more and more actively manage the brand and the KRAV label and is trying to optimize its’ use. One general impression is that KRAV is switching from attracting new operators and consumers by *informing* about organic production and KRAV to *promote* and *marketing* the KRAV label to *boost* the demand. The tone and the language use are step by

step getting in line with marketing theories such as segmentation, positioning and brand. But there is one big difference when discussing marketing theories in general and that is the financing. Most of the information/marketing materials produced by KRAV are financed by national grants. And this is not in line with what how marketing is defined. (chapter 2.1.)

Before 2001 it is harder to find how or if KRAV actively worked with segmentation, positioning and brand. The annual reports mainly discussed inspections, how to develop standards and how to attract new operators.

The foundation for KRAV is credibility and the tool to gain this is inspections. In all annual reports KRAV presents statistics and a detailed description of the year's inspections. When it comes to credibility KRAV have been consistent. Inspected foodstuff was the base for KRAV's operation in 1999 and it still is. In 2006 KRAV made one fundamental change when it comes to inspections. They turned the standard into an open one and hereby it is possible for other certification companies to certify according to KRAV standard. But my impression is not that KRAV is losing focus or decrease the importance of inspection rather trying to strengthen its' position based on marketing decisions in the competition against specially the EU logo for organic production.

One way to work with credibility is to tone down the business incentive and by this gain integrity. In this perspective my picture of KRAV is divided. When I read the mission, vision and objectives my impression is that the message is toned down from a business perspective with formulations like "all production and consumption of foodstuffs are sustainable and organic production dominates" but this is not case in all parts of the Annual reports or other document published by KRAV in recent years. One example is in the folder "Dags att plöja nya fåror" (Time to plough new furrows) where KRAV is using i.e. its' high brand recognition as an argument against the EU certification of organic production and an other example is the project KRAV Consumer where KRAV tries to boost the demand on KRAV labelled products. I get the sense that KRAV both is adopting and actively working with marketing theories such as segmentation, positioning and brand with a business incentive and at the same time trying to tone down the business incentive in mission, vision and objectives. I'm not saying that a non-profit organisation can't or shouldn't work with segmentation, positioning or brand but, I mean, a conflict may come up if KRAV "should boost the demand on KRAV labelled products" and there exist competitive ingredient brands with similar

purpose especially if the market for organic produced products is not growing. As I see it, this conflict may occur if the message is not unified or rather if the marketing activities are not in line with the messages in the mission, vision and objectives.

## **6.2 Final reflection and suggestions for future studies**

By summarization, my study shows that KRAV works with segmentation, positioning, brand and credibility, but my interpretation of the credibility part is divided. The aim for this study was to establish how KRAV worked in each area and I believe this is accomplished. The main source for this study has been eighth years of KRAV's annual reports and maybe the picture would have become different if I had used other sources like interviews. Maybe my divided picture of the credibility could have been explained.

The result may be interesting for other similar brands not only acting on the organic foodstuff market. This may be applicable for all organisations which have ethics and social responsibility as base and is offering a purpose and a message rather than a function.

I think it would be even more interesting to go one step further and investigate whether this divided picture or "conflict" really is a problem. Can an ingredient brand based on ethic and social responsibility work with segmentation, positioning and brand without losing any credibility? In KRAV's case, is the credibility more connected to the fact that KRAV has gained the status as an authorisation body by the Swedish Board of Agriculture and National Food Administration and the impact from the "business incentive" is less? Or is it even so that this "conflict" is not connected to the fact that KRAV is based on ethics and social responsibility? Maybe this divided picture could occur for any product where the visible marketing activities and messages are not fully in line with the mission, vision and objectives?

I also think it would be interesting to look at the fact that KRAV has received and still receives national grants to produce information material/marketing material. KRAV is by far the dominating label for ecological produced foodstuff in Sweden. Is this dominating position a prerequisite for the customers to get the knowledge and by this increase the consumption of organic foodstuff? Or has the lack of competition and by this lack of options a negative impact on the consumption? Is it better for the increase of organic foodstuff market to support one large player (KRAV) or should national grants be used to increase knowledge of organic foodstuff and sustainability in general not supporting one specific

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actor? Which option will maximum the usage of the tax money? Or are both needed? And how does it look at other markets in other countries?

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