



The Potential of DABBA products in Finland

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Abstract:	
<p>Expanding into a new market can be an efficient way to develop a business. Assessing if such a growth opportunity is feasible must be a meticulous and targeted process. The following thesis was created to help Dabba company from Latvia estimate the potential of its organic cosmetic products in the Finnish market. The empirical research was implemented via quantitative method in the form of online and location-specific questionnaires and a qualitative method in the form of interviews with Dabba.</p> <p>The main research question of the study was about defining a target population and a marketing strategy to reach it, taking into account the current market context and the psychological aspects of the consumer behavior. The answer to this research question was backed up by an ample theoretical study that discussed the subjective/emotional mechanisms that lead to a purchase. From recognizing the need for a product to the decision making process that ends up with buying it against the competition and to the possible marketing strategies, from a pricing point of view, that can be utilized to reach the targeted population.</p> <p>The theoretical discussion and conclusions were matched by the empirical research. The targeted population was determined to be females between 21 and 40 years old, a population segment that uses the internet to do their research and that are welcoming Dabba in a cosmetics market that already has established brands, also analyzed in the research body. The organic products of Dabba inspire great value and the price is just right for a very large segment of the active cosmetics buying population.</p>	
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Table of Content

- Table of Figures.....6
- Table of Tables 7
- 1 INTRODUCTION 8
 - 1.1 Purpose of the Thesis 8
 - 1.2 Research question.....9
- 2 Research methods and implementation.....9
 - 2.1 Research design..... 10
 - 2.1.1 Study Approach: 10
- 3 CASE COMPANY: SIA DABBA 12
 - 3.1 Company Introduction: 12
 - 3.2 Products description 13
- 4 MARKETING OPPORTUNITIES AND STRATEGIES 15
 - 4.1 Current Market Context 15
 - 4.1.1 Finnish Market Analysis 16
 - 4.2 VRIO Analysis 17
 - 4.3 Consumer Buying Behavior 19
 - 4.3.1 Consumer behavior 19
 - 4.3.2 Maslow’s Hierarchical Pyramid of needs 23
 - 4.3.3 Consumer Decision Making Process 24
 - 4.4 Marketing Discussion..... 25
 - 4.4.1 VRIO Applied to Dabba 25

4.4.2	The Finnish consumer.....	26
4.4.3	The Dabba customer	27
5	PRICING IN THE MARKETING MIX	30
5.1	Pricing strategies and structure	32
5.1.1	Skim pricing.....	33
5.1.2	Penetration pricing.....	35
5.1.3	Neutral pricing	36
5.1.4	The Role of Costs in Pricing.....	37
5.2	Price as a Promotional tool.....	38
5.3	Summary	39
5.4	Breakeven analysis.....	41
6	COMPETITORS	45
6.1	Major competitors description	46
6.1.1	Logona	46
6.1.2	Madara	48
6.1.3	Lumene	50
6.2	DABBA external Major Players / Competitors.....	51
7	DABBA CUSTOMER SURVEY.....	53
7.1	Survey design and structure	53
7.2	Data collection.....	54
7.3	Demographic of the respondents.....	55
8	COOPERATION WITH DABBA.....	67
8.1	Conclusion and recommendations	67

8.2	Key findings	68
8.3	Recommendations	70
•	Company feedback.....	72
9	References:.....	73
10	Apendices:.....	78

Table of Figures

<i>Figure 1. Thesis structure</i>	10
<i>Figure 2. Statistics of Finland GDP Annual Growth Rate 2012-2015</i>	16
<i>Figure 3. Statistics of Finland Imports 2014-2015</i>	17
<i>Figure 4. Finland Consumer Spending Forecast 2012-2015</i>	27
<i>Figure 5. Maslow Pyramid of Needs</i>	28
<i>Figure 6. (Kotler,2001) Decision Making Process</i>	29
<i>Figure 7. Logona public logo</i>	46
<i>Figure 8. Madara Public Logo</i>	48
<i>Figure 9. Lumene Public Logo</i>	50
<i>Figure 10. Competitors price chart (for 100ml)</i>	52
<i>Figure 11. Purchase Location preference</i>	55
<i>Figure 12. Frequency of Purchase</i>	56
<i>Figure 13. Age of Respondents</i>	56
<i>Figure 14. Reasons for buying organic by age</i>	58
<i>Figure 15. Evaluative criteria of 21-30 year-old women (n=60)</i>	59
<i>Figure 16. Evaluative criteria of 31-40 year-old women (n=15)</i>	59
<i>Figure 17. Product awareness among respondents</i>	60
<i>Figure 18. Competing Brands Familiarity</i>	61
<i>Figure 19. Evaluative criteria of 21-30 year-old women (n=57)</i>	61
<i>Figure 20. Evaluative criteria of 31-40 year-old women (n=9)</i>	62
<i>Figure 21. Influence factor of peers</i>	62
<i>Figure 22. Pre-Purchase Online Research</i>	63
<i>Figure 23. Price sensitivity relative to organic products</i>	64
<i>Figure 24. Evaluative criteria of 21-30 year-old women (n=50)</i>	65
<i>Figure 25. Evaluative criteria of 31-40 year-old women (n=14)</i>	66
<i>Figure 26. Occupation Status or Respondents</i>	66

Table of Tables

Table 1: VRIO Analysis25

Table 2: Dabba Breakeven Input values.....42

Table 3: Respondents split by Age Group.....57

Table 4: Product awareness split by age groups60

Table 5: Influence factor by age group.....63

Table 6: Research for product information split by age group64

1 INTRODUCTION

1.1 Purpose of the Thesis

The purpose of the present thesis is creating a valuable analysis of the major markers that define the Dabba customer in Finland, what is the market context, what is the profile of the potential Dabba customer and how can Dabba efficiently reach to this target consumers from a marketing point of view.

Because the relationship between the author and DABBA has been exercised in the past via a similar project where the feasibility of selling DABBA's products in the Finnish market has been briefly studied. The assignment, Export plan for DABBA, was a result of the NOBANET initiative, of which Arcada is a member. NOBANET (Nordic-Baltic Network) wants to identify best practices in the cooperation between small and medium enterprises in the Nordic and Baltic countries. The present work has been an extension to the conclusions drawn in the former study. Having a successful collaboration during the university year laid a solid basis to dive deeper into the company's marketing plans, financial plans and exporting plans, areas of interest where they have gladly and professionally provided support.

The thesis direction has been decided together with the Latvian company so that it could assist them in approaching a new market, Finland in this case, offering comprehensive and specific theory material and outlining how the theory applies to Dabba's situation, while still fitting within the boundaries of the International Business faculty curricula. The whole package - the close collaboration, the repeated interviews and the study of the material needed to address Dabba's intentions - will deepen the author's firsthand experience of the International Business as it happens in real life and potentially have an impact on the career orientation from a strategic and managerial point of view. It will develop the ability of the author to think globally, to encompass the big picture and to choose the right strategic moves that would help ensure a business financial success.

1.2 Research question

The topic of the thesis emerged from the two interviews with Dabba, combined with the author's interests in consumer behavior and strategic management from the financial point of view. It does not try to go very deep into decision matrix analyses of the pricing strategies nor does it turn the thesis into a psychological case study paper because all the discussed topics are far more complex than any such paper could include.

The specific trigger for deciding on the research question for the present paper was Dabba's expressed uneasiness regarding their challenges for the delivery of information to the end consumer. This matched the author's interest in consumer profiling and the management side of strategic decisions that influence the financial results, which are consequences of correctly identifying and reaching the target market with correct pricing policies.

Having the above in mind, the research question for the current thesis is: **“Who is the Dabba customer in Finland and what pricing strategies can spark his/hers interest so that Dabba can effectively deliver its high-value and correct price message?”**

2 Research methods and implementation

A hybrid research method was used to construct the present study. A qualitative method was basically required due to the very nature of the thesis, which is the collaboration between the author and Dabba company from Latvia, so that a series of direct interviews were designed and executed to obtain firsthand information that was valuable both for the development of the study and for the development of the author's real-life experience with the International aspect of the International Business that was theoretically studied in school. A quantitative approach was decided to complement the theory that has been assembled as a consequence of the interviews and the author's personal interests and the chosen directions.

2.1 Research design

A quantitative research method was used in the form of a questionnaire. Based on the research questions formulated in the beginning of the thesis, the quantitative method was selected as the best choice to put the theory in practice.

Consumer surveys are a form of sampling which produces findings that can be expressed numerically, making the data easy to manipulate mathematically. This translation to mathematical expressions allows the researcher to forecast possible outcomes or quantities.

Statistics based on quantitative research are able to maintain objectivity, filtering out any subjective conclusions derived from own values, personal feelings and experiences. The survey can also be viewed as an experimental study that tests the consumer behavior, as expressed in the theory part of the thesis.

2.1.1 Study Approach:

The research model that was chosen to best serve the analysis of the potential of Dabba products in the Finnish market is a funnel approach model, where a systematic flow of ever more specific questions led to a comprehensive study providing both the theory required by the question and the next question as a natural outcome of the analyzed theory, as illustrated in the below figure

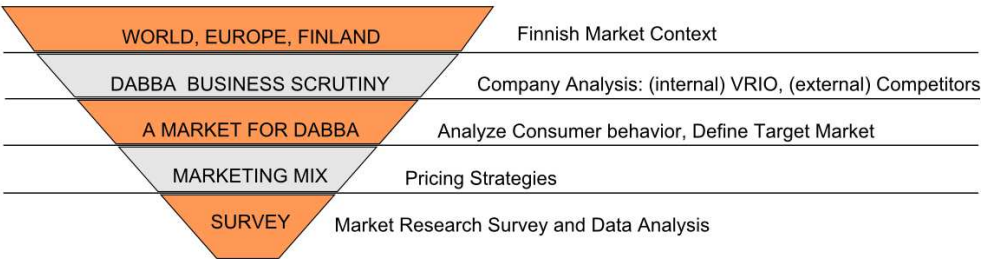


Figure 1. Thesis structure

The first question that arose from the several interviews with Dabba was what is about the International Markets that makes their export plan feasible. From the International context down to the European and Finnish context, the statistic data was gathered and analyzed.

Now that a context for Dabba's business in Finland has been laid as a foundation, the reverse analysis would scrutinize the Dabba's business against this opportunity, both from within the organization and the outside competition. This chapter provides a real analysis and up to date data for the major competitors.

When the two analyses matched the next question was natural: What are the factors that influence buying behavior and how do they apply to the Finnish consumer; who is the Dabba customer in Finland? People are complex beings and their personalities are formed since childhood as reactions to various factors that they learn about the environment they live in. It is no small task to create the profile of the Dabba customer in Finland but the author outlined in this section of the thesis the major aspects that are important with regard to the psychological profiling of a target market and, based on this detailed approach, offered a potential profile based on the presented theory.

With a buyer profile on the table it is only natural that now Dabba wants to reach this market with strategic marketing, one essential aspect of which being the price and its relation to the production costs and other aspects that facilitate a smooth entering in the market with great profitability and good prospects for the long term viability of the business. A pricing strategy is analyzed and exemplified.

The thesis wraps up the theory chapters and the short analysis of each chapter with a market research survey that would offer Dabba a glimpse into the reality of the market, the analysis of the survey data and the conclusions.

3 CASE COMPANY: SIA DABBA

3.1 Company Introduction:

DABBA is a brand of organic cosmetics which embrace the colorful essence of the Northern nature. The company is located in Latvia and produces floral waters in the most environmentally-friendly way, with fresh plants and pure spring water used in the distillation process. All the plants are sourced from organic farming and returned to the farmers so they can compost them and use as fertilizer later on.

This adds a new dimension of value to the beauty market. It is also important to note that people react differently to different chemicals. Knowing your products are chemical free can ease worries of allergic and chemical reactions. Floral waters of DABBA are 100% natural and certified organic by ECOCERT Greenlife.

The company was founded in 2011 and has a small crew of passionate people that have built up a knowhow in the field of floral waters that allows them to expand their production facilities as well as their targeted market. In a few years they have become the market leader in Latvia in its field, only last year having had grown more than 3 times as a business and now they have gained so much popularity abroad – especially in Germany, their biggest market at the moment - that they are thinking into expanding in other markets that have shown interest. The great interest for Dabba's offering is especially due to its high quality products and the affordable price. One such market is Finland, where they are trying to establish a presence.

Dabba's biggest plus has one downside though. Where there is freshest, purest material that goes into products destined to gather the appreciations of even the fiercest purists, there is also the downside of seasonal production. But Dabba plans to overcome this hurdle by designing products that will be offered and produced year round, which is probably the wisest direction from a business continuity point of view and one that will get Dabba the attention of investors should it need large amounts of money to grow. The production

capacity is high enough to satisfy its current resellers' forecasts and offers room for some more, in order to slowly grow as a business.

As stressed in the interview the author has requested from Dabba, its biggest challenge at this moment is related to Development of new product lines, which will solve the seasonality issue as well as prepare it for exponential growth generated by the demand in the foreign markets where its products are sold and Delivery of information to the end consumer, which is in line with the present paper's research, more exactly who is the consumer of Dabba products in Finland, how can Dabba recognize them and reach them and how to appeal to these consumers from a pricing point of view.

3.2 Products description

Dabba offers an assortment of floral water variations in single 100ml bottles and also in sets of carefully matched products for general consumers and 1000ml and 5000ml bottles for professional use only. The professional formulas are 100% organic with no added preservatives while the consumer grade products are still more than 99% organic but a natural preservative made of radish root is added, which is 100% natural and approved by ECOCERT.

The bottle itself shows high class for the range of products as it is actually made of glass and not plastic, a choice that proves the high-quality nature of Dabba's offering. There are several advantages of using a glass bottle, from less reactivity of the recipient with the so delicate essence via cross contamination of chemical particles between packaging and product to protection from spoiling by UV light which can't penetrate the amber colored glass. One other aspect of the packaging choice is it is high class image despite the very affordable price.

According to company description, Dabba Floral Waters are targeting customers with different skin types, and they are very exact with their suggestions. From chamomile floral water to rehydrate and soften the sensitive and dry skin, to birch leaf water that cleanses greasy and tired skin, also having an astringent effect, to peppermint floral water to refresh

and rejuvenate the tired and mature skin. For normal skins they advise on using apple water as well as wild raspberry leaf water when the skin still has mixed skin characteristics; these waters will cleanse and refresh while the normal skin without any other type characteristics will benefit from meadowsweet and heather floral waters which also calm the skin besides cleansing it.

The company stresses that its floral waters, being 100% natural, need not only be used for toning the facial skin, their area of effectiveness being much larger than that. Birch leaf water, meadowsweet floral water, chamomile floral water have a softening effect on the hair, yarrow floral water stimulates circulation (in the scalp for example). After shaving or depilation Birch leaf water or wild raspberry leaf water can be used for its antiseptic and anti-inflammatory effects, while chamomile reduces redness, soothes and calms skin; yarrow floral water is suitable for problematic skin and reduces inflammation. But the uses of the Dabba floral waters also go beyond the treatments and into more specific activities that relate to different rituals like the use of floral water in sauna sessions, sprinkling it on the hot stones to get vapors infused with the preferred aroma and you will still get the benefits of skin care as the pores are open wide in hot temperatures.

With such a rich offering, it is the market that chooses the winners and in Dabba's case, the big performers are Peppermint Floral Water, seconded by Meadowsweet and Birch Leaf water, this latest one being the most popular among male customers. Coming fast from behind, mostly because it has previously only been available in a set is Wild Raspberry Leaf Water, highly demanded by the customers to be offered in a single unit package.

As stated by company, the professional products front the offering is better suited for being used as a base for different skin or hair care products. The anti-inflammatory and calming effect of the Hop Floral Water is suggested for procedures intended for men, due to the beer type aroma, while the mild and refreshing water with anti-inflammatory and antiseptic effect of Wild Raspberry Leaf Water are suited for normal and mixed skin care products or as a part of SPA rituals. Last but not least, Plantain Leaf Water can be included in procedures to stimulate the regeneration of tissues, including scars.

4 MARKETING OPPORTUNITIES AND STRATEGIES

4.1 Current Market Context

Nowadays the market demand for greener products is increasing at a tremendous rate. Starting from food industry to construction and aviation industries, the greatest concerns are related to the loss of bio-diversity and the finite nature of the earth's resources. The cosmetics industry has an important impact as both the sourcing and processing of the raw materials haven't been as friendly to the environment as they could have been and also the impact on the end consumer's health has been questioned. With the synthetic substances being easier to create and cheaper to produce in large quantities, there has been a lot of turmoil within the industry itself and friction with the environmental organizations to the point where the companies that were advertising more natural products, lacking potentially toxic chemicals started to gain market share and were able to reduce costs and prices as demand increased.

The world-wide health-conscious movement didn't spare the cosmetic industry. End-users started to look into the ingredients lists in their favorite products and ask companies about the manufacturing process and how their purchase might end up affecting the environment. Social Responsibility started to be embraced by many companies and the ever more educated customers, favoring these greener brands, ended up shifting the whole industry's focus on the natural, toxic-free, environmentally-friendly, socially responsible products.

In such a competitive environment marketing a product plays a crucial role. But it is not the classic marketing. As the consumer behavior has changed from being influenced in the purchase decision by the packaging, advertising and fashion trends and even price. The more health oriented and environmental conscious factors, the marketing had to adjust accordingly, pointing out the exact values the consumers were looking after and had to do it diligently, so that the statements in the product's label were easy to follow, track and decode. Transparency and ethics are now more sought for than ever before.

4.1.1 Finnish Market Analysis

Finland has a progressive business environment where everything seems to fit together. Practically nonexistent corruption and minimal red tape are supplemental reasons for establishing a business in Finland. It has been ranked as one of the least corrupt countries in the world.

Finland has a solid society with an advanced and modern economy and a world recognized business environment that is highly conducive to foreign investment. In 1995, when Finland joined European Union, the economy experienced a sustainable growth and the stability of the political environment made the country one of the most open, competitive and successful markets in Europe. The country scored well in the Global Competitiveness Report 2014-2015, by the World Economic forum as one of the fastest developing countries in the EU and with the highest government surplus, being ranked on the 4th place out of 144 economies. (Source: World Economic Forum)

According to Trading Economics (www.tradingeconomics.com/finland) GDP Annual Growth Rate in Finland is expected to increase to 0.34 percent in the first quarter of 2015 from 0.10 percent in the third quarter of 2014. In 2016, the GDP Annual Growth Rate is expected to increase to 0.19 percent.

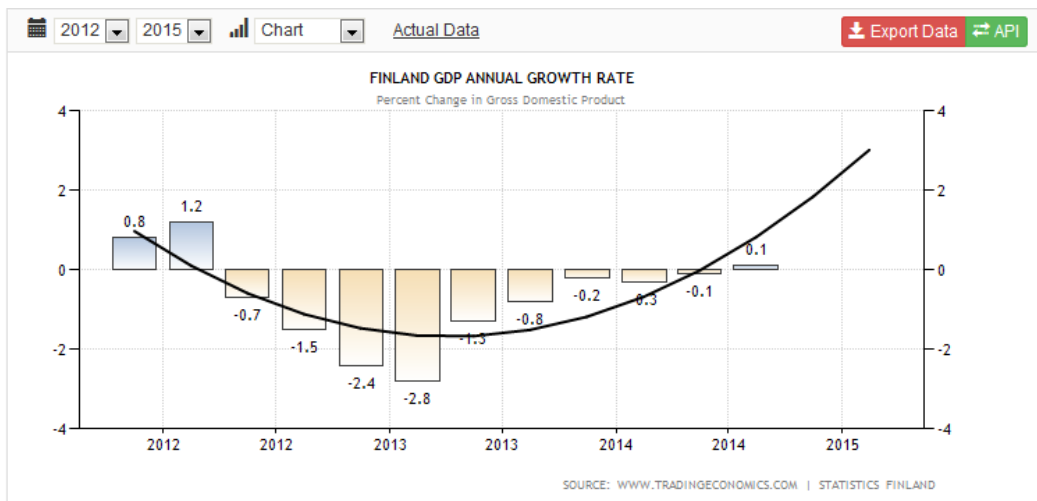


Figure 2. Statistics of Finland GDP Annual Growth Rate 2012-2015 (Copyright ©2015 TRADING ECONOMICS)

Imports in Finland increased to 4630 EUR Million in December of 2014 from 4615 EUR Million in November of 2014. Imports in Finland averaged 2323.70 EUR Million from 1975 until 2014, reaching an all-time high of 5877.90 EUR Million in March of 2011 and a record low of 311.30 EUR Million in April of 1976. Imports in Finland is reported by the Statistics Finland.

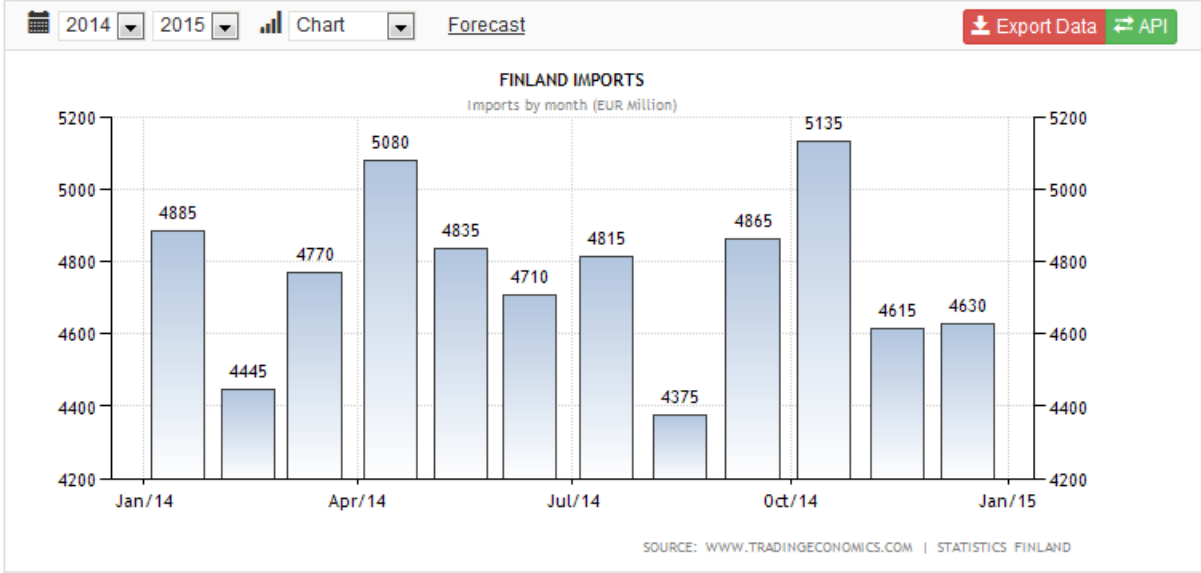


Figure 3. Statistics of Finland Imports 2014-2015 (Copyright ©2015 TRADING ECONOMICS)

Considering all the above markers it is clear that the Finnish economy is rock-solid and the year of 2015 is one of the best years to enter the Finnish market, as the economy’s growth starts to speed up and the population spending increases at tremendous differences compared to the previous years.

4.2 VRIO Analysis

As stated by Barney & Hesterly (2011) deciding what foreign market is worth approaching, another key factor in giving the green light to effectively enter that market is analyzing a business’ products from the resources classification point of view and exploring how these resources can contribute in the most efficient manner to achieving a great return on capital.

In these regard, the resources themselves can become a competitive advantage if the competitors are not able to duplicate or substitute the resources employed by a particular business. The question that needs to be answered is what do we have that competitors do not have and cannot duplicate?

The competitive advantage theory is used in most of the business strategies when analyzing a new market. It is the business's ability to offer its services or products at a lower cost than rivals, or to perform some activities in unique ways that creates buyer value. This is commonly done via the VRIO analysis.

According to Barney & Hesterly (2011 p.50) VRIO is an abbreviation for the questions of **Value**, **Rarity** and **Imitability** difficulty to reproduce and whether the **Organization** is taking or not advantage of the resource or capability.

A resource is valuable if it can be taken advantage of to increase the market share, achieve a cost advantage, charge a premium price or mitigate a threat in the marketplace. This is the first answer that has to be answered because a valueless or irrelevant resource cannot be a source of competitive advantage. A great way to identify possibly valuable resources or capabilities is by looking into the company's value chain.

Rarity is important because if competitors lack the same resource or capability there is essential competitive advantage. To ensure a sustained competitive advantage, a firm's resources and capabilities must be both short in supply and persist over time.

It must be difficult or expensive for competitors to reverse-engineer, duplicate or substitute the resource. This is the case for patents and copyrighted material, but also other forms of resources such as brand perception are covered by this characteristic. It is possible to renew a brand and the perception of it, rebranding is expensive. If a resource is easy to imitate it confers only temporary competitive advantage, not a sustainable one.

A business must be capable of taking advantage of the resource that is valuable, rare and imitable. There are many components to the question of business organization. They range from the management control systems that ensure that managers' decisions align with a firm's strategies to the reporting structure and compensation schemes. If even partially failing in the proper organization of the different components of the business, even firms

with valuable, rare and costly to imitate resources and capabilities can suffer competitive disadvantage (Barney & Hesterly, 2011) so restructuring is necessary to maintain relevance in the business.

4.3 Consumer Buying Behavior

4.3.1 Consumer behavior

Consumers' behavior related to the buying process is important for understanding who the final consumer individuals and households who buy goods and services for personal consumption are. All of these final consumers will make up the consumer market that will help making correct business decisions.

According to Solomon the age, education level, income and preferences of the consumers around the globe vary in a great way. Due to the tremendous variety in goods and services, these consumers have a large pool from which to choose what they will buy. The way in which these diverse consumers interact with each other and with the elements comprising the world they live in influences their choices of products, services and businesses. Consumers have to make many buying decision every day. Most of the large businesses focus very carefully on the consumer buying decisions research to answer questions about what consumers purchase, where they purchase from, what quantities they purchase, when and why. The decision making process of the consumer will always be influenced by these four factors: product, price, place and promotion.

Kotler says that consumer behavior regarding acquisitions is known to be shaped by an assortment of aspects but there are four big ones that no business should neglect. These are psychological, personal, cultural and social aspects. In their vast majority, these aspects can't be controlled by marketers but they can be taken into account. The buying behavior of a company's target consumers determines the process of searching, choosing, buying and

using a product according to their perceived needs, needs that are shaped by culture and trends.

Market-defining cultural factors are crucial for figuring out the needs and the reaction of an individual to these needs based on the cultural heritage of his surroundings. Religions, nationalities, ethnic groups, social hierarchies, age groups, gender and trends are cultural aspects that greatly contribute to shaping an individual's identity. Breaking down all the identified aspects to their most basic components, selecting and analyzing only the relevant ones and constructing the resulted model gives a business the profile of the potential customer.

As stated by Kotler human behavior is largely a learned trait, culture, as the building block of one's identity, is the most basic cause of a person's wants, needs and actions. Growing up in a society, the child learns values, behaviors, viewpoints, desires and ways of solving his wants from the family and other important institutions. From small social groups up to countries as societies and beyond, every such society has a specific culture, and cultural impact on buying behavior may vary between them but the greatest variation seem to come from country to country differences. Global marketing needs to factor in the culture in each international market and adapt the marketing strategies accordingly. As a consequence, marketers are continuously trying to identify cultural shifts as they happen to be able to create new products that might address the new needs that are emerging.

Another aspect of great importance is the social aspect, where family, entourage and social status reflect the individual's need for social interaction, for expressing one's own way of being and discuss ideas in order to reach to better solutions. The social characteristic, embedded in humans' psychology, makes people want to adhere to the laws and social regulations within a community and they tend to create cohesive groups sharing the same interests, vision or habits.

Virtually every society has some form of social class hierarchy. The social class an individual is making part of is not determined by a single factor, such as income but is decided by combination of education, profession, income, wealth and other variables. In some societies, members of some classes have fixed social positions and they are not able to move to higher level, while in others the upper classes prohibit social mobility for their

own interest. Marketers are interested to understand the social classes and their dynamics because people that identify themselves with a certain social class tend to exhibit comparable buying preferences. Social class determines specific product and brand inclinations in areas such as fashion, housing, interior design, automobiles and vacation choices and effective marketers will understand that and be able to tailor their approach accordingly.

According to Kotler and Armstrong (2004) there are seven accepted major social classes that define a modern society:

The elite, living on inherited wealth and who have well-established family backgrounds. As a class-specific behavior, they often buy and dress very conservatively as a way to avoid showing off their wealth or as a peer conforming trait.

Lower uppers emerge from the middle class individuals who have managed to move up through exceptional skills. They want to be accepted in the elite stratum and often ostentatiously display their newly acquired status by expensive purchases.

Upper middles have attained the good life level by moving to the highest positions of businesses leadership. They are ambitious, future-oriented, believe in education and want their children to develop professional or administrative skills.

Middle class is composed of white and blue-collar employees who live in the better neighborhoods and try to keep up with the trends, often buying popular products, especially in aspects that can be displayed in public like fashion and cars.

Working is defined by the working-class lifestyle, placing a strong emphasis on personal relationships. They buy with less pre-purchase deliberation, are much more likely to use in-store information sources or friends and family advice and are a prime target for discount houses.

Upper lowers are working individuals whose living standard is just above poverty line. They strive to move to a higher class but often lack education and therefore perform routine and unskilled work that doesn't offer many chances for promotion.

The poor are the visible. They are mostly uneducated or poorly educated and work as unskilled laborers. However, they are often out of work and some depend on public assistance, living a day-to-day existence.

As stated by Kotler and Armstrong (2004) cultural and social factors family is the group that can strongly influence buyer's behavior, especially in the early ages, when the education that comes from family takes precedence to almost everything else. The most important buying organization in society is family, for which reason it has been researched extensively. Marketers are interested in the decision making process that undergoes family scrutiny and the roles and influences of the family members on the purchase of the products and services that are marketed to them. Husband-wife involvement in purchase decision varies lot depending on the product category and the stage in the buying process. Buying roles change with the continuous transformation of the lifestyle and career of the parents. The wife has been the principal purchaser for the family in terms of food, household goods and clothing. But with more and more women having jobs outside the home, the willingness of husbands to do more of the family purchasing has also been on the rise. All these have to be carefully considered when marketing a product.

One of the most volatile factors that influence the buying process is the personal factor. These things that cannot be predicted with an established model based on the longer-lasting behavior factors. These are things like employment status, an accident, dietary changes based on a sudden medical condition, a new child in the family, etc. Also during the life of a family, tastes in food, fashion, furniture, housing and location change. Traditionally the family life-cycles include young singles and married with children, while recently, marketers have to consider nontraditional families such as unmarried couples, single parents, recently divorced, re-marrying singles, couples with no children, homosexual couples or extended parents.

Psychological factors are the ones most subtle but still very important for an individual's buying choices. They can be divided into 4 categories: motivation, perception, learning and the beliefs and attitudes.

4.3.2 Maslow's Hierarchical Pyramid of needs

While Sigmund Freud debated that people's motivation is something they are largely unconscious of, the motivation research emerging as a scientific approach to qualitatively probe consumers' hidden, subconscious motivations, Abraham Maslow attempts to explain why people are driven by certain needs at certain times by proposing that needs are arranged in hierarchy.

Maslow's theory, (The hierarchy chart of needs 1954), reveals people's behavior based on a 5-stage, priority-based, pyramid of needs. According to Maslow, the most important needs are fulfilled initially, the other needs being tackled subsequently. This model is customarily used to explain the process of fulfilling one's needs - prioritization of needs from the most important to the least important, as they are perceived by the individual.

1) Physiological: this crucial need has to be satisfied first, according to Maslow, because one's own and his family's survival depends on food, water, breathing, sleeping and mating. A person cannot commit to higher goals and deeds before his basic, primitive, needs of hunger and thirst are satisfied.

2) Safety: safety and security are the next most important needs to be provided, that is, ensuring shelter, security, order, law, family, employment and property.

3) Social: in the third place there are the social needs - socializing with others, love, friendship, comradeship, acceptance, belonging to a group and finding a partner.

4) Esteem: on this level, people act based on their ego needs. They want to gain confidence, respect of others, autonomy, achievements in order to believe in themselves.

5) Self-actualization is the rare level where people seek purpose, focusing on their personal development and the realization of their full potential. Expressing one's creativity, quest for spiritual enlightenment, accumulating knowledge and the desire to contribute beyond oneself are attributes of a self-actualized person.

Maslow's theory of needs is a cornerstone in defining the profile of the target market for any company. The reason is that the consumer behavior is analyzed from the perspective of

prioritizing the needs and it is helpful to construct the marketing strategy that will drive the customer towards the buying decision.

4.3.3 Consumer Decision Making Process

The consumer decision-making process is vital to creating a successful marketing strategy as it helps the marketer define the plan for attracting the customers belonging to the target market that has been defined studying the Maslow's pyramid of needs.

As stated by Kotler (2009), the consumer decision-making is a five stages process. Every consumer goes through those stages consciously or unconsciously. The five stages are:

1. Need Recognition. Marketers want to create a disproportion in consumers between their current status and their preferred one, which can be educated via effective advertising for example. This imbalance will create a need which, once recognized, will cause the individual to take action towards satisfying it.
2. The second stage is Information Search and represents the buyer's effort of finding sources/alternatives and gathering information about the wanted product. In this stage, the consumer is likely to ask around, check different stores, websites, but also marketing-controlled sources such as advertising brochures, radio and TV ads in order to gather sufficient data.
3. Kotler (2009) defines the third step in the decision-making process to be the evaluation of alternatives. Consumers are now comparing the data obtained in the previous step and assessing if those products meet their criteria.
4. Purchase decision is the fourth step in this process. According to Kotler, Keller, Koshy and Jha (2009), the purchase can be facilitated by a positive review and prevented by a negative feedback from another customer or due to unforeseen circumstances such as market unavailability.

5. On the last position of the decision making process that leads to purchase is the “Post purchase behavior”, according to Blythe (2008).

4.4 Marketing Discussion

4.4.1 VRIO Applied to Dabba

According to Barney & Hesterly (2011) internal analysis from the resources point of view is an important step that offers valuable insight for the upcoming decisions and strategies.

Being a small company, DABBA uses a clever approach to Valuable, Rare and difficult to Imitate resources that especially apply to the Finnish market in their overall picture and the table below captures some of the key resources that have been found to be worth mentioning. Having a complete image from all possible angles is essential. An evaluation of the Dabba business could look similar to the table below:

Table 1: VRIO Analysis

DABBA Resource	Resource characteristics compared to Finnish conditions			
	Valuable	Rare	Costly to imitate	Organization exploits it
Knowhow and innovation	Yes	Yes	Yes	Yes
Work force	Yes	Yes	Yes	Yes
ECOCERT Certified Raw Material	Yes	No	No	Yes
Geographic Location	Yes	Yes	Yes	Yes

Source: Based on Barney, J.B., Gaining and Sustaining a Competitive Advantage, Addison-Wesley, 1996

They have valuable, rare and somewhat costly to imitate resources in their acquired knowledge to manufacture their product, in the R&D that went into achieving the desired quality and in the innovative minds that constantly re-invent the products. They also have cheaper labor than Finland, which is costly to imitate and also rare in Finland. They have a better geographical location which translates to a more opportune climate to grow their crops. They are sufficiently close to Finland to have a cheaper transport costs compared to other EU countries that might be direct competitors. One of DABBA's main differentiator is their ECOCERT certification, which is rare among direct competitors in Finland, thus valuable, rare and costly to imitate. The organizational capability of DABBA is one of its strong points mainly because they are a small company and an element to carefully watch as the company grows, to be able to maintain the competitive advantage.

4.4.2 The Finnish consumer

The US Census Bureau counts the Finnish population at 5.4 million in 2014 and growing. The total labor force in Finland was 2.68 million (52% men and 48% women). Moreover, when compared with the other EU countries, women are actively in work, using the public child care service most often than not and benefit of a legal right to work shorter days. This is to ensure that women can still pursue a career without sacrificing their family life.

The common business language in Finland is English and there is a numerous business community that is highly international. English is also more popular than Swedish despite the latter being the second official language. Finland is recognized for its educated and trained workforce that is considered to be one of the best in the world thanks to massive investment and in these sectors.

Consumer Spending in Finland increased to 25559 EUR Million in the third quarter of 2014 from 25378 EUR Million in the second quarter of 2014. Consumer Spending in Finland averaged 15243.79 EUR Million from 1975 until 2014, reaching an all-time high of 25559 EUR Million in the third quarter of 2014 and a record low of 8859 EUR Million

in the first quarter of 1975. Consumer Spending in Finland is reported by the Statistics Finland.

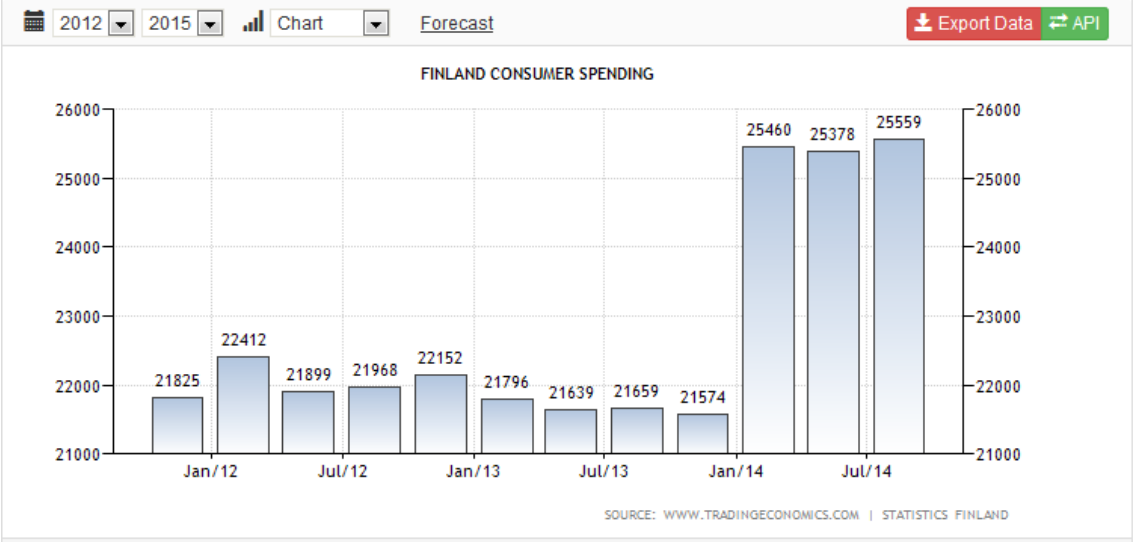


Figure 4. Finland Consumer Spending Forecast 2012-2015 (Copyright ©2015 TRADING ECONOMICS)

4.4.3 The Dabba customer

To determine the profile of the DABBA customer in Finland and assess whether he/she will buy DABBA products we need to approach the study from a psychological angle. We will discuss where this customer stands in his life so that he/she is inclined to think of organic cosmetics and how does he reach out to DABBA to fulfill his need.

The first analysis will be based on the Maslow’s hierarchy chart of needs and the second analysis will further drive the completion of the DABBA customer's profile via the Consumer decision-making process as described by Kotler (2009).

One other advantage of using Maslow's pyramid of needs is that the marketing strategy of a product and even the development of the product itself can be adjusted in such a way that it reaches back to the previous needs and has hooks in different such needs so that the person feels they need the product even without reaching to the upper levels where the need for the

product would have happened naturally. For example an organic and chemical-free product taps to a certain degree in the Safety level, which is way lower than the Esteem level where cosmetics normally fall into.

Analyzing the DABBA products against the Maslow’s pyramid of needs, we can decide where do these products stand from a human needs point of view as well as extract valuable information about the possibilities to tailor the branding of the products so that they appeal to a larger group than initially covered. Taking into account what the hierarchy of needs provides us we can see that our product is classified in the fourth level of the pyramid because those consumers are driven by the need of increased self-esteem and confidence. When the whole branding of the product and the company presentation via the website are put together we can clearly see hooks that target customers from a level as low as the Safety level, where the non-toxic, natural and organic nature of the product provides the customer the liberating feeling of being cared for and caring for his health, while the socially responsible action of only using certified organic raw material and returning it to the farmers to be composted appeals to the upmost level of self-actualization, where people care about altruistic actions, contributing beyond themselves to society and environment. The following is a good representation on what level does DABBA currently fit on the Maslow’s pyramid of needs and will be a basis for developing the marketing strategy:

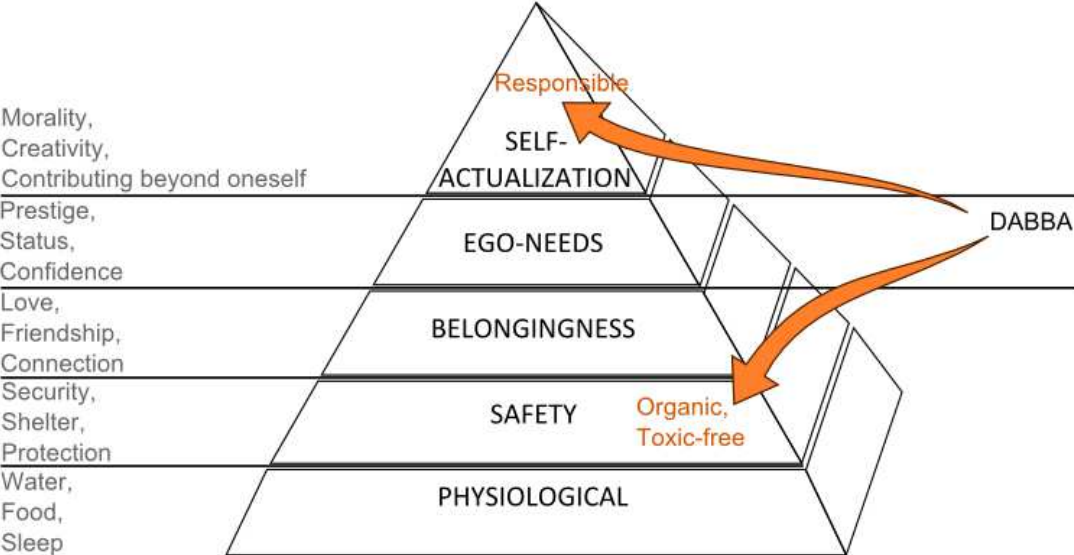


Figure 5. Maslow Pyramid of Needs

Wherever the consumer places a product among his needs, it is only when the previous needs are fulfilled that the next one is on the table and the purchase decision making process can begin.

Based on the Maslow’s Pyramid of Needs, the DABBA customer in Finland is a person that fits in the Ego-Needs category but also seeks the Safety at the second level while appreciating the Eco-Friendly and Socially responsible nature of the company/product. The suggested target group for DABBA is 21-40 years old, mostly women.

According to TNS Atlas cited by tns-gallup.fi, one out of five women chooses natural instead of traditional cosmetics. Younger women are more conscious as buyers; especially women under 30 years of age favor natural cosmetics.

The following is the Decision Making Process that a customer would follow to reach a Dabba product. All the resulting keywords must be taken into consideration when developing the marketing mix.



Figure 6. (Kotler,2001) Decision Making Process

5 PRICING IN THE MARKETING MIX

Businesses nowadays recognize that they cannot reach all buyers in the market or at least all buyers with the same strategy. Buyers are too many, too widely scattered and their needs are very different as well as their buying habits. Moreover, the businesses themselves are very different in their abilities to reach to the different layers of the market. Because trying to compete in an entire market, many times against larger or better competitors, is not wise, companies must determine the segments of the market that they can serve best and obtain most profit from.

A marketer needs to try different segmentation strategies, analyzing them in isolation besides analyzing them as a system, to get the clearest picture of the market structure.

Pricing is definitely one of the decisive components of the marketing mix because it is the only one that produces a turnover for the business. Pricing contains the value that is put into a product or service and it is the outcome of complex calculations, extensive research and careful pondering and risk taking skills. There is a cost in designing and manufacturing a product and there is a cost in distributing and promoting it. Cost must include all these elements of the mix. It is not an easy task to decide the pricing especially that it must reflect supply and demand correlation. Setting a price too high or too low could determine lost opportunities for the organization that will dent the profits.

Price is the single component in the marketing mix that generates revenue - all others are costs. Costs determine the baseline for the price that can be asked by a business. A price that covers all its costs for developing, producing, transporting and selling the product and that offers an equitable rate of return for its effort and risk. Because costs are such an important element in any organization's pricing strategy, reducing costs is always pursued to increase competitiveness.

Costs are fixed and variable. Fixed costs are costs that are always occurring, regardless of production or sales. Paying each month's bills for production space, offices rent, heating/cooling, interest, and executive salaries will always happen as long as the organization is functioning properly. Variable costs and the level of production are always in close correlation. They are called variable because their sum is dependent on the number

of units that are manufactured. The sum of the fixed and variable costs makes the total costs. The company must carefully administer its costs. If competitors find a way to produce and sell their products at lower costs, the business will lose potential profit by charging a higher price, losing sales, all of which are placing it at a competitive disadvantage.

It is the job of the management to nominate who within the company is allowed and has the competence to set prices. In small companies, price handling are often set by top management, who, because of the size of the company, have visibility and thus can keep a better control, while in larger companies, setting prices is generally the job of the marketing, sales or product line managers, often times in close collaboration with finance managers or accountants.

Price is also one of the most easy to change component of the marketing mix. While product features or contracts with distributors or suppliers are pretty difficult to quickly change, price can be changed immediately. Therefore price competition is the primary issue many marketing executives are facing and handling it well is done by very few companies. One common trap is trying too quickly to offer better prices than the competition in order to get a sale instead of convincing consumers of the company's products worth by emphasizing the quality, the robustness, the history and other attributes that command a higher price. Focusing too much on price rather than bringing value to the customers is another pitfall many companies fall into. Also prices that are not mirroring the market changes often enough, pricing that don't reflect a careful consideration of the rest of the marketing mix or prices that don't cover various market segments for the same category of products are also detrimental to a business.

Before venturing into a new market, a wise strategy is to build an outside in plan: starting with a competitiveness analysis, advancing to value-based marketing, and wrapping it up by deciding on pricing and establishing process to make it all work. The inside-out strategy of revising prices is usually considered when the company is already present in the analyzed market. Even if a company's outside-in strategy is improper, gaining as much profit as possible by marketing the values it is creating in the economy is still a doable endeavor. But, while impacting sales volumes, none of these strategies can improve margins unless value capturing is at the core of the price structure and the processes. The

good part is that, in companies that offer value to at least a market segment that recognizes it, adjusting pricing in a more proactive way and focusing on values can quickly up the profits, building organizational support that can be leveraged to address other pressing issues in the outer layers.

5.1 Pricing strategies and structure

Having a viable strategy for the services or the products a company sells comes before deciding on a price. This strategy, which includes the marketing mix and price, will be straight-forward and very easy to implement if the company knows its target market and has carefully implemented its positioning plan. Meanwhile, the company may develop side strategies concerning additional objectives. Usually these additional objectives are business continuous viability, boosting profits, and market share and product quality. According to Thomas T. Nagle and Reed K Holden organizations have market viability as the primary target when they have too much production capacity, strong competition, or a very dynamic consumer wants. To keep a production line viable, a business can play with low pricing looking to increase demand, but on the long term, it must get proficient in adding value that buyers will pay for or face elimination.

Thomas and Holden say it is a most targeted goal for most companies to maximize profit. They assess the demand and the costs that will happen for each price ranges and decide the price that will produce the most profit, the most cash flow, or the best return on investment.

Pricing for different market segments based on potential profitability of each of the targeted segments is fundamental to the success of the company's pricing strategy. There are three pricing strategies that are used to grow a business. Profiting by securing notably high margins from a segment of enthusiastic buyers who don't show interest in less differentiated (by price) alternatives is a strategy commonly labeled skim. Winning market share from the competitors unwilling or unable to defend is called penetration strategy. The third one is neutral pricing strategy, when companies profit by building operational advantages, lacking aggressive pricing or product advantage but still winning clients. The

product's price relative to the rival companies' pricing is not representative for these three strategies but rather the use of the price to increase sales.

5.1.1 Skim pricing

Skimming is intended for high margins but will also result in low sales volumes as a consequence. Skim prices are high compared to what most buyers would be willing to offer under most situations. Therefore the strategy is only feasible when profits gained from this price-insensitive category of buyers are higher than the potential profits from a larger number of price-sensitive buyers that would be offered a more aggressive price.

According to accountingtools.com, skimming works for a period of time after which the company that must drop its prices, as more competitors enter the market and use aggressive pricing strategies to steal market share. In conclusion, price skimming is a short-term strategy used to maximize profits in an unsaturated market that.

When the market size is small and only idealist buyers are willing to pay the high price, skimming is a good first step. Having saturated this early adopters segment of the market, sales volumes typically drop, a sign that the other segments are being reached, the ones unwilling to pay the price set by the seller. To extend price skimming, the seller has to take advantage of other collateral strategies that he has implemented like building a strong brand image, succeeding in attracting loyal returning customers who advertise the products to others or even buying another competitor.

Some advantages of using the price skimming strategy are:

- High profit margin, exactly the point of price skimming, namely to force an oversized profit margin.
- With high margins dealers also profit as the cut earned by distributors will also be high, which only encourages them to carry the product.
- Strong brand recognition by quality of the products: a company can leverage this strategy to build a high-quality image for its products; this will succeed only if the

perceived image mirrors in real quality products that support the perceived image created by the price.

The disadvantages of using price skimming are the following:

- Competition: the rivalry in the business arena will only rise thus challenging the companies that ask extreme prices with lower-priced offerings that are close in quality.
- Consumer acceptance: not all buyers are early adopters and even for early adopters the fulfillment of being the first ones to explore the new products or services will fade as more of them share the same crowded segment so if the price point remains very high for too long, it may miss tapping the general market, which are not offered a change to accept the product.
- Dissatisfied early adopters: the enthusiastic crowd can get pretty annoyed when the company drops its price to gain access to the masses and this bad publicity is bad for brand loyalty when the company introduces the next new products at high prices.
- Cost inefficiency: the high-profile image created around the very high margins may cause a company to fall victim of its own success and forget to make the cost cuts required to be competitive by eventually lowering its prices.

Evaluation of Price Skimming

Price skimming is useful for an accelerated return on investment, but does not place a business in a competitive advantage within the industry in the long run, since it never reduces costs by scaling up in unit volume. Therefore, this approach fits best the pioneering companies that have the resources for research and development, creating a constant flow of innovative products that appeal to a large enough market segment to stay profitable even without any intention to enter the low-cost market.

5.1.2 Penetration pricing

Penetration pricing means establishing a low enough price to appeal to a large customer base during the initial offering, to attract them from competitors and bet on loyalty when they become aware of the quality of the products and prices go up. Penetration prices are not necessarily cheap, just lower than the perceived value in the market.

According to accountingtools.com it is common place for a new competitor trying to gain share into a market to leverage penetration pricing. If the new entrant has difficulty differentiating its product from those already established it is even more likely to use the lower pricing strategy. Considerable amounts of financial resources are needed to undercut competitors as most likely the losses associated to penetration pricing must be covered without a long-term negative impact on the company's stability.

If the approach generates enough sales volume that costs per unit can be optimized for profits, the price can become the new norm and this outcome makes it easier to protect the position in the market.

Using penetration pricing has the following advantages:

- Timing of entry: if enough sales are generated to enable costs optimization via high production volumes and reducing the cost per unit, the company can maintain penetration pricing strategy longer, deterring possible new competitors to enter the market, being unable to compete.
- Diminishes competition: competitors with weak financial resources will be forced off the market or sent into smaller niches.

Penetration testing also has some disadvantages:

- Branding weakness: competitors might have products or services so well positioned that customers might not be willing to migrate to a lower priced alternative.

- Customer retention issues: penetration pricing usually leaves little room for product improvement, service quality or customer service and this will most likely lead to customer loss as soon as prices are increased to reflect the real costs.
- Price war risk: financially strong competitors may reply with even lower prices, causing the strategy to be ineffective for gaining any market share.

Evaluation of Penetration Pricing

Large companies will have the most advantage from this strategy as they have sufficient resources to sustain longer price wars and fight off competitors' efforts to reply the same way. Smaller, resource-poor companies have little chance surviving with the minuscule margins required by penetration pricing, unless they have access to a technology that enables them to radically lower production costs.

5.1.3 Neutral pricing

Neutral pricing represent the strategy where the business chooses not to pursue pricing techniques to gain market share, the prices being set by the market and in line with those of the competitors. Neutral pricing reduces the importance of the price in the marketing mix while maximizing other tools that are believed to be more powerful or more cost-effective. One could conclude that the neutral pricing is an easier strategy but in reality it is more difficult to set a price high enough to leverage skimming or low enough to disrupt and force one's way into a new market than to balance the price to perfection.

According to Nagle and Holden (2002) adopting a neutral pricing strategy by default is counterintuitive based on the difficulty in achieving a perfectly balanced price but companies choose it because they are not in a good position to support either skimming or penetration strategies. One strong reason to embrace a neutral pricing strategy is to stimulate a product line based on other, more conservative and long-lasting attributes or values. Because of its low emphasis on price, this strategy is less proactive than the other

two but the execution takes more finesse and skills from the company's management, while being as important to profitability. The profitability can still be achieved even though it is a harder task as the company will not maximize profits but neutral prices are not necessarily in the middle of the range used by the competition. In theory, a neutral price can match either the highest or lowest price in the market and still be neutral.

In conclusion the strategy of pricing has to be a well-developed plan, seamlessly integrated with marketing and competitive analysis; it must establish the goals and objectives of those strategies. Although pricing is implemented last in a marketing strategy development, it must be the one everything else is planned for.

5.1.4 The Role of Costs in Pricing

The price that an organization can ask for its products depends tremendously on costs. The costs for producing, distributing, marketing and selling a product must be included in the final price and the difference is the profit, a fair rate of return for the company's effort and risk. Depending on the product specifics, costs may be an influential factor in its pricing strategy, especially in the low-margins businesses. Because costs are such an important element in any organization's pricing strategy, reducing costs is always pursued to increase competitiveness.

Costs are fixed and variable. Fixed costs are costs that are always occurring, regardless of production or sales. Paying each month's bills for production space, offices rent, heating/cooling, interest, and executive salaries will always happen as long as the organization is functioning properly. Variable costs and the level of production are always in close correlation. They are called variable because their sum is dependent on the number of units that are manufactured. The sum of the fixed and variable costs makes the total costs. The company must carefully administer its costs. If competitors find a way to produce and sell their products at lower costs, the business will lose potential profit by charging a higher price, losing sales, all of which are placing it at a competitive disadvantage.

5.2 Price as a Promotional tool

Promotion is a company's battle to educate buyers about its products and influence them to better appreciate them. Adequate pricing goes hand in hand with the most efficient forms of promotion: advertising and personal selling. Depending on the market segment a product is addressed to, the price itself often becomes the main promotional tool, all advertising circling around it.

According to Nagle and Holden the proper interrelation between pricing and advertising is necessary because advertising can alter the way buyers react to price differences. A long debated subject is the influence of advertising on price sensitivity, with conclusions ranging from the stereotype that advertising unnaturally reduces price sensitivity through a false value effect by individualizing otherwise comparable products in market segments where consumers are easily influenced, to recent views that are more tolerant towards advertising's effect on consumers. Today advertising is simply viewed as communication, the effect of which depends on the essence of the communicated message.

Most professionals agree that advertising inflates price sensitivity when price becomes the sole promotional strategy. For example supermarket ads inform shoppers the prices of promoted items before they even decide where to shop. Consumers are more price-sensitive when they have a better knowledge of the alternatives. These penetration policies use advertising to affirm that they offer the same value at a better price, thus negatively impacting the perception of value. Such campaigns which predicate that price should be the decisive factor in the purchase decision. If price is the factor differentiating a company's product then paying attention to increasing the price sensitivity of buyers is a survival strategy. Counteracting as a competition strategy has become more frequent too. Companies that offer high quality products at high prices or their specific is to rapidly introduce new and innovative products try to minimize price sensitivity in their advertising campaigns.

Timing a new product introduction into the market is a strategic endeavor for the business. Not only that it must recuperate the investments in its development and promotion and also generate profit from the new product but new products can be planned to refresh customers'

interest in the company. In the case of missing the most opportune timing the company faces negative repercussions on its reputation that will be costly to overcome. The theory of product launches is in its infancy but it is becoming of an ever increasing importance due to competition from startups and fast economic cycles specific to these times.

Several elements have influenced the accelerating growth of sales promotion. They are generated both within a company environment, where product managers, pressed to constantly up their sales, resort to promotion as a potent short-term sales tool, and outside the company, in the global market where it faces increasing competition blurring the boundaries of product differentiation. Another factor is advertising's declining efficiency due to high costs of media exposure, media clutter, legal restraints, etc. Finally, buyers are nowadays more deal oriented, and the mega-retailers that are successful today put pressure on manufacturers for better deals. A recent example is Amazon's fight with publisher Hachette over the correct price of the digital versions of books, called e-books (Thomas T. Nagle, Reed K Holden, *The Strategy and Tactics of Pricing*, 2002).

Another method of promoting a product launch is buying media space on TV, radio or on web, while some businesses bet on viral marketing, where stimulated interest in a product on web social networks spirals out and individual customers end up promoting the product through positive feedback and conversation. The correct timing of the different elements of promotional advertising and the strategy used to have a consistent and predictable model are the deciding factors that contribute to the success of a product launch campaign.

5.3 Summary

Both penetration strategies and skimming strategies for pricing can be used in different market segments. Most successful businesses are creating themselves the circumstances that allow them to simultaneously demand higher prices in price-insensitive market segments and offer affordable prices to elastic sectors. Categorizing the market by segments that differ in price sensitivity and in competitiveness can have a positive outcome on the profits and a faster cost-compression for a new product.

As stated by Thomas and Holden, deciding prices for perishable products, the management must analyze and forecast the weakening in competitiveness in order to figure its principal causes, its plausible evolution speed, and the factors that can help slowing it down. Pricing just after the launching phase of the product life-cycle means solving challenging problems like anticipating potential demand and guessing the price to sales relation.

To get an approximate idea of whether demand will justify spending additional time for exploring the possibilities for a product the first step in this process must be assessing consumer preferences and calculating the suitability of introducing the product. The second step is to define boundaries for pricing so that the product maintains economical attractiveness to potential buyers. The third step is to forecast a feasible number regarding sales that will come from other pricing levels.

If these preliminary explorations are promising, the following step is to decide on marketing strategies and distribution channels. Asking rather steep prices during market introduction if sales seem to be quite unresponsive to price but responsive to educational promotion is a wise decision and a right way to profits during all stages of a product life-cycle.

Nagle and Holden says similarly, strategies of somewhat low prices in the beginning, betting on cost savings coming from high production volumes and reducing the cost per unit or from an expanding market, have been highly fruitful providing the management recognized and reacted to the right conditions. Low prices can secure long-term competitiveness and a steady profit rather than short-run profits of the high prices and in the same time they have a discouraging effect on potential competitors. Recognizing when a product has reached maturity is also an important aspect of pricing as it can extend the long-term profitability of the line.

5.4 Breakeven analysis

In most organizations the financial aspects are viewed in opposition: the internal financial aspects are almost in all cases clashing with those that are market-specific in setting the price for a product.

As stated by Thomas Nagle, Reed Holden financial decision-makers run complex forecasting systems to calculate the level for prices so that all the costs are covered and a satisfactory profit is achieved. On the other hand the marketing department and the sales department and are trying to figure out the minimum price for the products to achieve maximum sales. The fundamental tool used for consolidating costs and determine quantitatively the effects of price dynamics is the incremental breakeven analysis. Incremental breakeven analysis focuses on the incremental profitability of price changes.

According to Nagle the questions that help managers to see if a modification in price could improve the profitability are:

- What quantity of products has to be sold in order to profit from a lower price?
- How much of a drop in sales can be tolerated before the company decides that a price increase is not profitable anymore?

The margin is the key to the above questions and it dictates the pricing policy to a great degree. Hereinafter the four equations involved in performing such an analysis will be introduced and illustrated. They are based on the experience of Dabba.

Let's assume Dabba is thinking of a 10 percent price reduction which they consider will competitively position them better than alternative suppliers, allowing them to additionally boost their sales. They also believe that the company will not suffer from added fixed costs. The question is how much would sales have to go up so they keep a good profit in spite of a 10 percent drop in price?

To answer this question, the breakeven sales change will be calculated. For a certain price drop, this means the minimum increase in sales volume that is needed so the outcome of the price drop is an increase in contribution relative to the baseline. Making this

calculation is very simple and will be presented in the following paragraphs. However, illustrating it with a table will make it more intuitive.

Table 2: Dabba Breakeven Input values

Sales	400 units
Wholesale price	14.00 € per unit
Revenue	5.600 €
Variable costs	5.5 € per unit
Fixed costs	1.500 €

Contribution Before Price Change

Contribution After Price Change

		Price1=14.00€	Contribution Lost	
			Due to Price	
Price1=14.00€	Contribution	Price2=12.60€	Unaffected Contribution	Contribution Gained Due to Volume
Variable Cost =5.5€	Variable cost	Variable Cost =5.5€	Variable cost	Additional Variable Costs

Before the price drop, the company demands a warehouse price of 14 euros per unit and sells 400 units, resulting 5.600 € in total revenues. From this value the company pays 5.5€ per unit as variable costs, for a total of 2.200€. Therefore, before the price change, the total contribution is 5.600 euros minus 2.200€, or 3.400€. To make a profit out of the suggested price cut, the contribution after the price cut must be more than 3.400€.

With 10 percent price drop, the product sells for only 12.6€ per unit, or 1.40€ less contribution per unit. Since it typically sells 400 units, the company loses 560€ in total contribution, a value that a higher price would have guaranteed. This is called price effect. But the price cut should increase sales volumes if the company has evaluated correctly the

market situation. This price drop will, however, only be profitable when the volume effect exceeds the price effect.

This is exactly the purpose of the breakeven analysis: to determine the smallest sales volume that will cause the volume effect to balance the price effect. Above this line sales start generating a profit in spite of the price drop, proving the competence of the company.

Because the missed contribution due to the price effect is 560€ we know that the gain in contribution due to the volume effect has to exceed this value so that the price cut would make sense. Going on with the calculation, each new unit sold at the lower price results in 7.1€ in contribution (12.6€-5.5€=7.1€), so the company must achieve selling an additional 79 units (560€ divided by 7.1€) to make the price drop profitable.

$$\% \text{Breakeven sales change} = \frac{-\text{Pricechange}}{\text{Contributionmargin} + \text{pricechange}}$$

$$\text{Contribution margin} = \text{Price} - \text{Variable costs}$$

Using the contribution margin equation, we derive the following:

$$\text{Contribution margin} = 14€ - 5.5€ = 8.5€$$

Given this we can easily calculate the breakeven sales change as follows:

$$\% \text{ Breakeven sales change} = \frac{-(-1.4€)}{8.5€+(-1.4€)} = 0.197 \text{ or } 19.1 \%$$

In the above formula, the price change and contribution margin can be expressed in euros, percent, or decimals. The result is a decimal ratio that, after being multiplied by 100, gives the percent change in unit sales that would keep the level of contribution after the price change constant.

In conclusion, applying the new price will be profitable for the company only if sales volume goes up more than 19.1 percent. In comparison with its current sales volumes, the company will have to outsell by at least 79 units to maintain the same level of profitability it had before a drop in price was decided:

$$\text{Unit breakeven sales change} = 0.197 \times 400 = 79 \text{ units}$$

If the sales exceed the breakeven sales change, the price drop will be profitable. If the price drop doesn't generate enough new sales to reach the breakeven sales change, the strategy will prove unprofitable. "Until the loss in contribution due to reduced sales volume is exactly offset by the gain in contribution due to the price increase." (The Strategy and Tactics of Pricing, Thomas T. Nagle, 2002, p.39)

Assuming that Dabba's goal is to increase its current profits in a very favorable Finnish market, the management should decide drop in price only if their analysis shows that sales will go up by more than 19.1 percent, or 79 units, as a result. If sales generated by the price drop are up by more than the breakeven amount - say, by 109 units - Dabba will realize a gain in profit contribution. If, on the other hand, Dabba only sells an additional 49 units out of the 79 necessary to hit the breakeven, it will suffer a loss in contribution. Having had calculated the breakeven sales change and the profit contribution the exact change in contribution associated with any change in volume is very simple to calculate: by subtracting the breakeven sales volume from the actual sales volume and multiplying the result with the new contribution margin as calculated after the price drop.

For Dabba's assumed 109-unit and 49-unit volume sales from the two situations exemplified above, the change in contribution equals the following:

$$(109 - 79) \times 7.1\text{€} = 213 \text{€}$$

$$(49 - 79) \times 7.1\text{€} = - 213\text{€}$$

In the Unit breakeven sales change formula above you can see the same number of the new contribution margin in the denominator of the percent.

6 COMPETITORS

In the economic environmental of an organization, a continuous battle is knowing well your competitors so you can predict their likely actions and responses to your own moves but also the market shifts and include them in the organization's competitive strategy. From a functional point of view, a strategy planner needs to be able to see the market through the strategic eyes of his competition. The strategy planner does not only need to understand the situation the same way as his competitors do but also to assess it as a whole so as to know what impact would his competitors' actions have on their business in their struggle to maximize their profits and sketch a strategy that would allow his business to make a move that would turn the competitors' actions in better wins for his company.

A competitor analysis must provide: the nature and the success rate of the predicted moves that a competitor is likely to take, predict each competitor's likely reactions to important strategic moves of the other peer players in the market and understand competitors' probable answers to changes in key industry and environmental parameters.

Nagle and Holden says in a perfectly balanced situation where a direct competitor fights for exactly the same clients in exactly the same way as your own organization, producing the same products with the same technology and distributes and sells them through identical marketing channels, you have to ask yourself where would your company stay with regard to success?. If your organization places second despite everything else being equal then it is improbable to do any better with regard to its less direct competitors. The reason is simple and it is the opposite of your situation: if your identical competitor scores better than your organization then it is logical that he has substantially better chances to win over the indirect competitors.

6.1 Major competitors description

6.1.1 Logona



Figure 7. Logona public logo

LOGONA is the continuation of the Lorien Goods GmbH which was founded by Hans Hansel. He decided to develop high-quality and fully natural cosmetics in 1987.

Logona Naturkosmetik (roughly translated as Logona Natural Cosmetics) is a skin care line from Hanover, Germany. It was developed in the 1970s for natural products inclined Europeans that had few alternatives. Logona's representatives claim that the entire ingredient list is natural and doesn't contain dangerous fragrances. Because these products are sold throughout Europe, it is a good example and I will focus this review on Logona's anti-aging skin care line.

As the market looks today, Logona Naturkosmetik is just another skin care producer creating natural alternatives to the highly chemical ones people usually find on shelves. It is unusually though that such a brand is still very affordable, competing with the normal skin care lines. Most creams are priced lower than €15.00, a very affordable option even for people interested in all-natural products but who are driven away by the high prices. This brand is not available outside Europe, especially in US, where high scrutiny goes into every claim a company asserts. Logona claims to reduce all signs of aging and promote radiant skin that is healthier and so on but it offers little clinical proof which is why their spread is mostly localized around some parts of Europe.

Product Details

Logona Naturkosmetik does not offer an official ingredient list for any of their products and key ingredients that would help their claims are nowhere to be found on their website. One can only make a guess based on hints of what is contained in their products. This

strategy doesn't win them any customer that knows what a natural product is, maybe only those sold on price. Especially the chemically sensitive crowd, that has to have the ingredient list available, seems to be totally overlooked. This is quite strange as these people make a good portion of the natural products seeking persons.

One of Logona Naturkosmetik's products that lists some of its ingredients is its Age Protection Day Cream (also one of their most popular products). They divulge that it contains these key ingredients: Shea butter, argan oil, broccoli seed oil, samphire, white tea, argan oil, aloe vera and vitamin E. The manufacturer claims that the mentioned constituents protect the skin from damage, improve the softness of the skin and promote a young and vibrant look. These claims are backed up by some studies. Vitamin E is an important element for a healthier skin, white tea's powerful antioxidants help with aging, slowing down the degradation of the skin. But, according to these same studies, most of these ingredients are much more potent when ingested, acting from the inside out rather than the common misconception that applying a substance on the skin is the best way of nurturing it.

The Good:

- Contains powerful antioxidants and vitamins, which help reversing the aging of the skin. It is extremely affordable.

The Bad:

- Having no means of getting an ingredient list, Logona Naturkosmetik's potential clients might be taking a too high risk of provoking allergies or other symptoms that can be experienced by the chemically sensitive. It is a Europe only brand. The rest of the world needs to purchase it online. There is no satisfactory information on the website about how its products work to improve the skin's appearance and health, offering little credibility.

Conclusion:

This product line definitely has potential, and they make use of great ingredients. But a competitor that offers more information about its products, listing all ingredients, their

source and at least some statistical information if not clinical data about their effectiveness will better succeed in the market.

6.1.2 Madara



Figure 8. Madara Public Logo

MADARA Cosmetics, in short MADARA, as it is known around Europe, is a Latvian producer of organic skin care products. The company was created in Riga in 2006.

Motto: Deeper than skin

Designed and produced in Latvia, also the Northern Europe home of Dabba, MADARA is exporting its products to 25 countries around the world. Due to its success, MADARA Cosmetics has become one of the country's business emblems.

They express high pride that their natural cosmetics are popular and greatly appreciated their unique ingredients that are highly effective, but also due to the brand image of being created in Latvia. MADARA is banking on the abundance and well-known properties of a plant growing in Latvia that they used right for their company's name: Madara (wild madder). This was a clever marketing strategy, as now if this plant is mentioned in another company's portfolio, they are simply getting free advertising.

Export countries are: Czech Republic, Estonia, Slovakia, Iceland, Lithuania, Belgium, France, Germany, Moldova, Netherlands, Romania, Russia, Singapore and United Kingdom.

The reviews for Madara are nothing short of enthusiastic, even by some more technically inclined publications:

“Madara Cosmetics managed to enter more than 30 markets in a relatively short period of time, the first being in England and Lithuania, and achieved remarkable financial growth indicators.

Indeed, with a solid turnover of €170.000 in 2007 and €550.000 in 2008, the company reached €2.1 million in 2010, increased turnover by 60% in 2011 (approximately €3.3 million) and has been growing in 2012 and 2013 as well” (Internationalization of Firms from Economies in Transition; Mai ThiThanh Thai, Ekaterina Turnika; Edward Elgar Publishing 2014; p117)

Product coverage: Baby and Child-specific Products, Bath and Shower, Colour Cosmetics, Deodorants, Depilatories, Fragrances, Hair Care, Mass Beauty and Personal Care, Men's Grooming, Oral Care, Oral Care Excl Power Toothbrushes, Premium Beauty and Personal Care, Sets/Kits, Skin Care, Sun Care.

First Madara products appeared on the shelves in beauty shops in 2006, before Christmas. It was a perfect timing as people were looking for something new and fresh for presents. The first product – calming body lotion – failed, and after some time they stopped its production. Now they have variations of 22 products and 4 product collections. They export Madara's products to 12 countries both in Europe and Asia. In 2009 they started to export the products to Japan, Denmark and Switzerland. At the time being 50% out of their revenues comes from export. This year they have received 600,000 EUR as an investment to further develop new eco products.

The founder of Madara is a woman named LotteTisenkopfa-Iltner, a very young entrepreneur at 27 now. She was born in 1982 in Riga. Her own experience of having allergic reactions to one of the cosmetic products she was using at that time was the drive to dive in this endeavor. She researched the ingredients that the respective product contained and she found out that there were many ingredients potentially carcinogenic. She decided to never ever use that product again. She learned that a good friend of hers was

experiencing the same sensitiveness. They decided to start producing ecological cosmetics from greens and plants native to Latvia and started the company with their own funds as the banks refused to lend them money. As a consequence of the financial situation, they started with only 4 products instead of 20 they planned in the beginning. The initial investment was quite large, at 100,000 EUR equivalents. Now in Madara there are 40 people permanently employed, including the founders.

6.1.3 Lumene



Figure 9. Lumene Public Logo

Initially a branch of a pharmaceutical company of the late 40s, the brand Lumene has been created in Finland in 1970 and in only 3 years became the market leading skincare and cosmetic brand in Finland. The success story has much to do with Lumene's naturally potent ingredients used in their products, being the first cosmetics company in the world to use handpicked, wild Arctic berries refined by scientific methods. The company uses both the natural and the scientific, combining Arctic nature's finest ingredients with the Finland's world renowned petite and competency in groundbreaking technology to create bioactive skincare and cosmetics.

The company's motto – The Power of Arctic Nature – expresses its ideology that natural plants contain a substantially greater amount of nutriments and antioxidants than the cultivated varieties grown further south on managed soil.

As their brand name suggests, their view and strategy paid off both at home and in international markets. The company's products are present on the shelves of 12 major retail chains in US alone, the number of retail outlets including their products being around

14,000. In Russia alone, the brand can be seen in more than 3,000 stores. Lumen products are also sold in Sweden, Estonia, Ukraine and Chile, among many other countries.

Lumene is a brand of Lumene Group that focuses on beauty products. Lumene Group is a Finnish company based in Kauklahti, Espoo, Finland which has been in business since 1948. The actual Lumene brand began its own life in 1970. The whole lines of products were designed for women living in the Northern hemisphere. Combining natural ingredients and a scientific approach Lumene Group's mission is to create high end cosmetics and hygiene products designed to enrich the lives of its customers.

The Lumene cosmetic lines include anti-aging products, skin cleansers and toners. Nowadays they have a special section dedicated to men, showing a mature company that adapts to the market trends.

The net sales of LUMENE Oy in 2013 were of approx. EUR 90 million, more than half of which was recorded in the international markets - Russia, Scandinavia and USA. The number of employees is around 530, 330 being based in Finland. (<https://www.capman.com>)

Below are some of the more interesting marketing details:

- Direct advertising: Press and online
- PR : Beauty magazines and beauty blogs
- Social Media Marketing : Vkontakte, Facebook
- Retail: Brand's own beauty advisors, Individual trade equipment projects, customized promo-campaigns for key clients with in-store.

6.2 DABBA external Major Players / Competitors

There are quite a lot of organic/ecological brands available in the Finnish market. Some of the biggest players are Flow-kosmetiikka, Frantsila, Acorelle, Madara, Weleda, Dr. Hauschka, Lavera and Sante.

Market observation was executed on Dabba’s potential competitors at an organic shop Ruohonjuuri in Kamppi, Helsinki.

- There is a Finnish brand called Flow-kosmetiikka and they produce organic rose water and facial mist 17.5€ per bottle of 100ml.
- Logona brand from Germany has facial toner priced 14.65€ per bottle of 125ml.
- Lavera brand from Germany has facial toner priced 12.85€ per bottle of 125ml (organic certificate).
- Madara brand from Latvia comes with a facial toner on Finnish market ranked at 13.95€ per bottle of 200ml.
- Pur Aloe from France has the aloe vera mist (bio certificate) which is priced 22.79€ per bottle of 250ml.
- A large Finnish organic cosmetic brand Frantsila offers rose water for 19.95€ per bottle of 110ml.
- Lumene is a huge brand from Finland and they offer several facial toner priced between 3.45e and 4.45e per 100ml. The product chosen as close to Dabba’s product is a facial toner for sensitive skin.
-

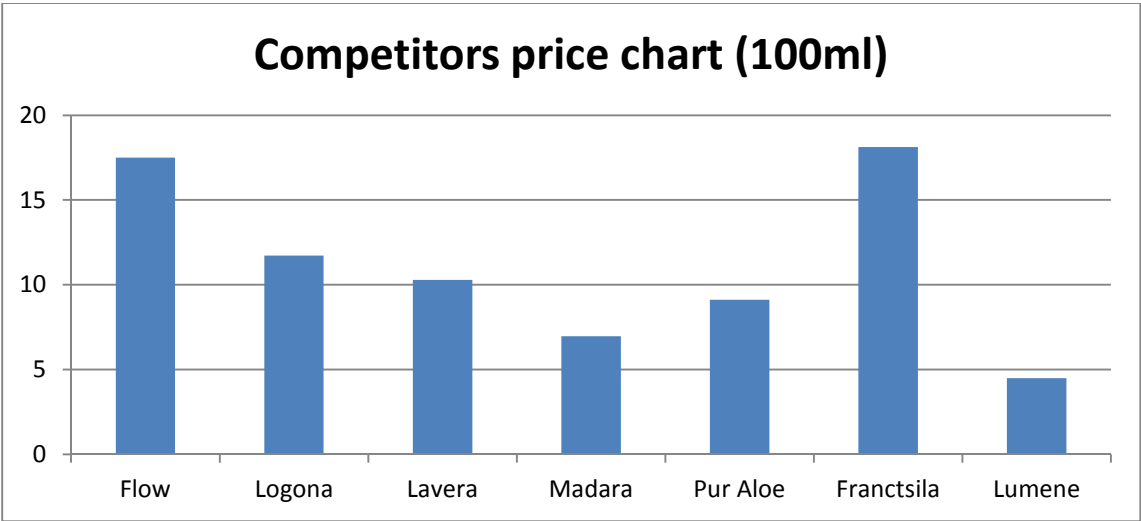


Figure 10. Competitors price chart (for 100ml)

The calculation for Figure 10 was made by cross-multiplication formula. Taking the example of Logona the price is 14.65€ per 125ml.

Therefore $\frac{125ml}{100ml} = \frac{14.65\text{€}}{x}$

$$x = \frac{14.65\text{€} * 1}{1.25} = 11.72\text{€ per 100ml.}$$

The price results for 100 ml are related in Figure 10. For Lavera the price for 100 ml is 10.28€. Madara gets to 6.97€ per 100 ml. Pur Aloe from France 9.12€ for 100ml, and Frantsila that reach the 18.14€ per 100 ml.

Competitor's price chart is calculated taking into account 100 ml of the product so that the price will be more accurate for Dabba's products sizes.

7 DABBA CUSTOMER SURVEY

7.1 Survey design and structure

“Survey research, the most widely used method for primary data collection, is the approach best suited for gathering descriptive information. A company that wants to know about people knowledge, attitudes, preferences, or buying behavior can often find out by asking them directly.” (Principles of marketing Tenth Edition, Philip Kotler, 2003,p. 648).

The survey was designed in such a way to gather as many answers as possible in a limited time. Only women were chosen to be represented in the study for several reasons, the most important being: women are earning, spending, and being the household responsible for spending at a greater rate than ever before. As a worldwide trend, women dominate purchasing decisions in the fields commonly attributed to women and have a huge influence on male purchase decisions for products that are commonly attributed to men, like automobiles, home renovation products and home appliances. In Finland, where women influence is even more pregnant than the average country, this trend is certain to grow.

The questionnaire was first created in an A4 paper form and afterwards translated to google docs. The language used in the survey was English. The questions in the survey were based on the theoretical chapters from the thesis. The first 3 questions were designed in such a way as to point out the activity of women in Finland in the cosmetic market. The next 3 questions were focused on price, to understand how much the consumer is willing to pay for an organic product. The 3 questions that followed were about the respondent's knowledge of the product area and how the information is spread after testing a similar product. The last question was for statistical purposes to be used in conjunction with the statistic data provided by statistics.fi.

7.2 Data collection

The data in the current research has been gathered in different stages. First a less time consuming questionnaire was created in order to gather as many answers as possible, covering larger areas where the respondents could answer almost instinctively. The purpose was to discover consumer buying behavior for different age groups.

The first data collection took place in 11.04.2015, Saturday, in front of Kamppi shopping center in central Helsinki. The data collection started at 12:30 and ended at 14:20, during the peak traffic. The main purpose of this first data collection was to gather specific age groups data for people between 31 and 50 years old. Unfortunately, because of the local culture, people were circumspect and unwilling to stop for a 2 minutes discussion that was held in English. There were 14 answers collected from people of ages between 31-40 years old. The second phase of the data collection was started on 13.04.2015. A google Docs questionnaire was used to build an online form and it was launched via internet and spread through social media –Facebook and emails. The responses were very quick to come. Because of the high response rate of women between 21 and 30 years, the researcher decided to try another physical location. This was a very crowded public space outside of the Helsinki Railway station, on 17.04.2014, a Friday afternoon between 16:00 and 17:30, when people were heading home, having a good mood in anticipation of the upcoming weekend and therefore being more willing to cooperate. The approach was different, this

time the researcher tried to stop people by taking them in their native language. The data collection has ended with a satisfactory number of 19 answers, from age groups between 41 and 50 years old. After gathering all the responses the total number of people approached on the street and via internet was 93.

7.3 Demographic of the respondents



Figure 11. Purchase Location preference

The majority of the respondents prefer to purchase cosmetic products from cosmetics stores. One of the psychological aspects of shopping is instant gratification. In economic terms, Instant Gratification is called Transaction Utility, which means in simple terms that modern consumers buy a product in search of an emotional fulfillment rather than a real need. Clicking on a pair of online stilettos doesn't feel the same with trying them on, holding them in front of you, imagining how would they look and what venues would they be appropriate for, carrying the shoes in a shopping bag.

From 93 respondents in the study 60 said they would be willing to buy directly from cosmetics stores, followed up by the manufacture's website via internet. From the second

option we can easily draw the conclusion that consumers are increasingly active in online purchasing

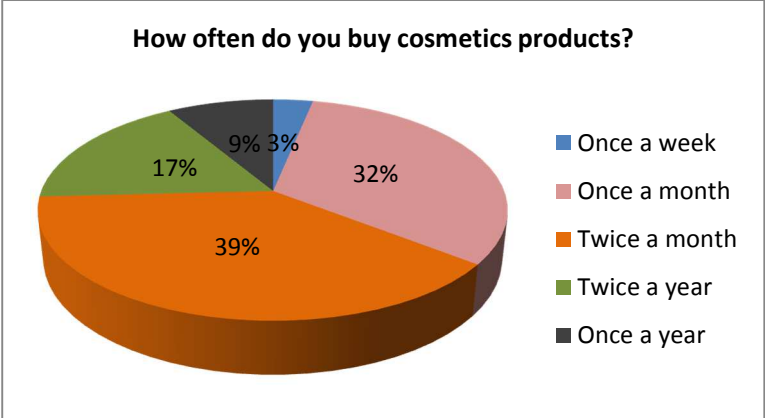


Figure 12. Frequency of Purchase

The activity of women in purchasing cosmetics products is still profitable for the cosmetic industry. As we see in the pie chart 39 percent, which means 36 out of 93, are buying twice a month and 32 percent, 30 out of 93, are buying once a month. The trend has become a constant as today cosmetics are not any more a luxury; they have been transformed in a daily necessity similar to food products. Moreover, buying cosmetics is not a typical female activity anymore, men are increasingly buying facial, hair and body care products. Cosmetics ceased to be a luxury product selected only by high class shoppers.

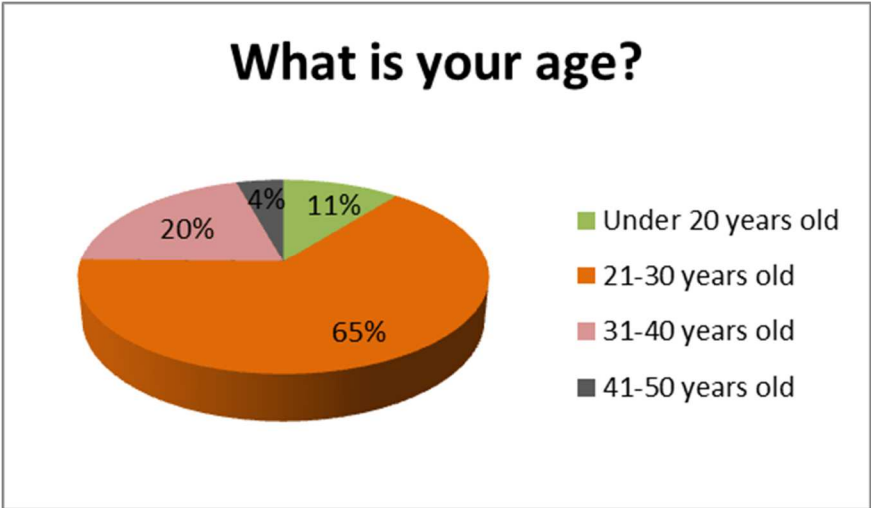


Figure 13. Age of Respondents

Table 3: Respondents split by Age Group

Under 20 years old	21-30 years old	31-40 years old	41-50 years old
10	60	19	4

Among the 92 respondents 65 percent of the answers were given by the age group of 21-30 years old. The second age group that showed great interest and could become a good target group is 31-40 years old, followed by the age group of under 20 years old. Despite the researcher efforts to engage the age group of 41-50, they were the least interested in taking part of research. There are still chances to have this age group as potential customers though, because the latest studies show that nowadays more and more mothers try the cosmetics of their adolescent girls instead of the old-style reversed situations when girls would sneak and use their mother's cosmetics. With the expansion of cosmetic knowledge the new generations are raised with an increased education level on this subject and this change in social perception of cosmetics is only increasing the demand for better, higher quality products and this way its consumption value also grows up continuously. There is the high probability that older age people are more reluctant to accept being engaged on the street, especially in a foreign language, but even in the native language the success rate was very low. This can happen due to a lot of factors from culture to difference in age between the researcher and these older women.

Because the young adolescent were the most responsive group age, it is important to note that it is believed that the youth of this generation are one of the most persuasive groups of consumers in all trends including fashion. Adolescents are less preoccupied with money problems and are comfortable spending lots of money on items that would appear to raise their social perception among their peers. Their lifestyle is also more about experimenting with products and this is the foundation for their future habits as they will be comfortable to doing this even when they will grow older. On the other hand the age group between 31-40 years old could be a loyal customer base in the long run because of their settled habits. So, recognizing this age group's choices is a staple for marketers, decision-makers and strategists for a successful product development.

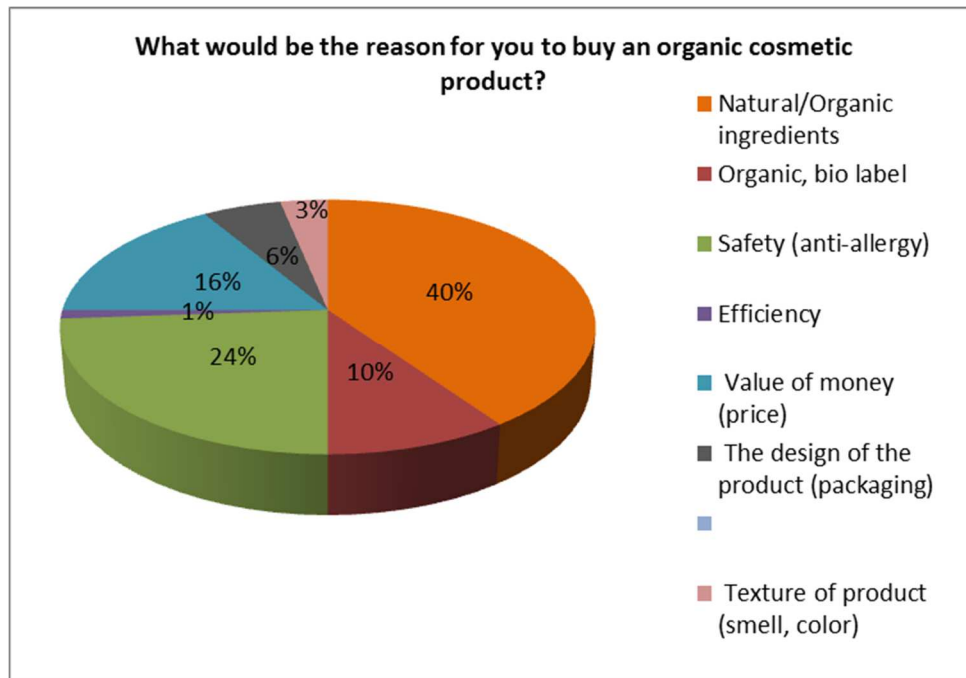


Figure 14. Reasons for buying organic by age

The perceived value of the product is the one that dictates the price sensitivity of the consumer. Expensive products are often considered as of a higher quality, many times being even considered a luxury and even less wealthy customers become willing to pay a premium for that. The purpose of the question above was to distinguish the consumers' attitude towards organic cosmetic products and to test how willing is the consumer to pay for these natural properties of the beauty products. Responses are reassuring for the cosmetic industry as they show once again the importance of the natural ingredients in every cosmetic product. As we can see there are 37 positive answers from 93 towards natural and organic ingredients. Synthetic chemicals that are considered carcinogenic or simply highly toxic are the biggest problem for the cosmetic industry today, so naturally more and more customers hone a keen eye in reading product labels and the legislation is stricter when it comes to passing the whole list of ingredients so that everybody knows what they are buying. The second reason for buying Organic cosmetics products is Safety, most respondents being aware or looking for the anti-allergenic properties of the natural products. The sensitive skin crowd will continue to be loyal to organic cosmetics. Consumers do care about the affordability of the natural products, and the responses where

value is considered carefully makes up 16% from the pie chart. The organic bio label is preferred by 9 women out of 93, not a feeble percent for a market that is in its infancy.



Figure 15. Evaluative criteria of 21-30 year-old women (n=60)

45% of 21-30 years old group are interested in Natural/Organic cosmetics followed by those looking specifically for Organic, bio label. Comparing the percentage of Organic, bio label with Value of money (price) is easy to understand that most of the young women are willing to pay a higher price for these requirements.



Figure 16. Evaluative criteria of 31-40 year-old women (n=15)

Natural and organic components add value in the eyes of the consumers in the 31-40 years old age group. 75% of the women from this age group believe that is important that the product is made of natural/organic ingredients only.

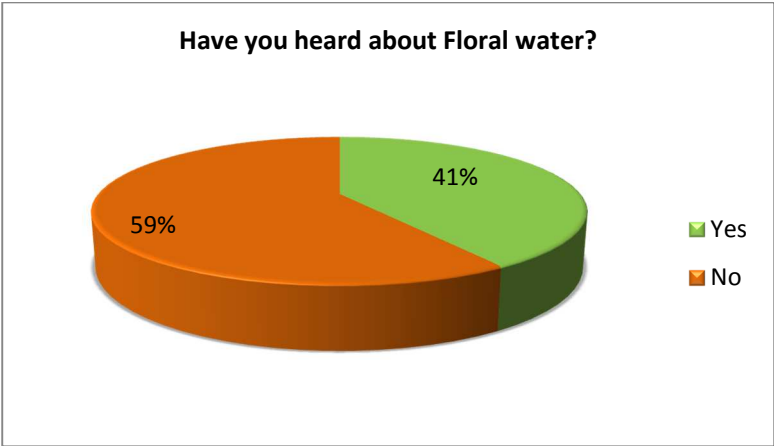


Figure 17. Product awareness among respondents

Table 4: Product awareness split by age groups

	Under 20 years old	21-30 years old	31-40 years old	41-50 years old
Yes	5	17	14	3
No	6	42	0	5

Despite the amount of information and advertisement towards green cosmetics, there is a big gap between people who have heard about floral water and people who have not heard about it or don't remember hearing about it. The table above splits the answers by age group and is highlighting that the 21-30 years old group has a very high percentage of consumers where information and advertising has not been very effective or some other reasons exist so that from 59 women 42 did not hear or knew about the floral water.

On the other hand it is easily to see that group age between 31 and 40 years old have heard about this type of product. Taking into account the trends in green cosmetics industry, the women will be more and more interested about every product from this area.

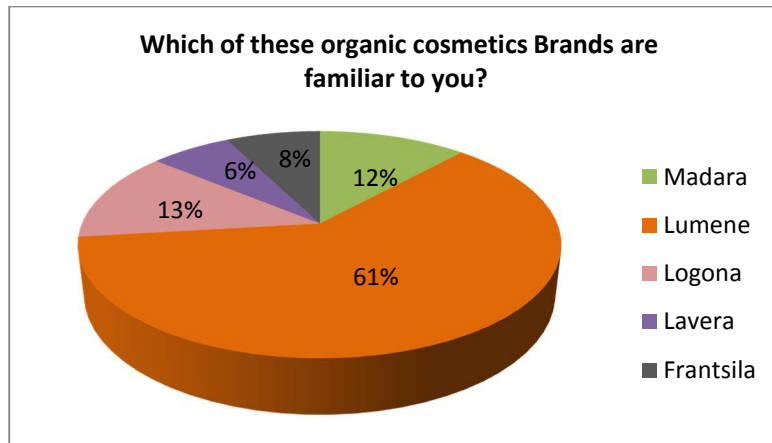


Figure 18. Competing Brands Familiarity

This section reveals consumers' habits and preferences related to certain natural cosmetic brands. The chart makes it very clear that that all group ages have a cultural devotement towards their local brand called Lumene. Logona and Madara are brands that have also managed to create an image around them. Local consumers were well aware of the brand names and their products.

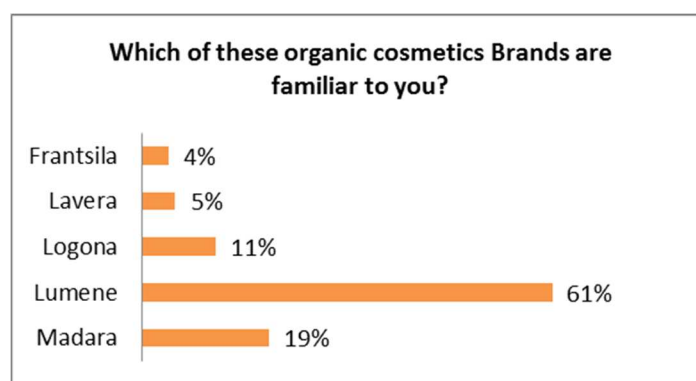


Figure 19. Evaluative criteria of 21-30 year-old women (n=57)

The chart above shows that the most active age group in the study, the 21-30 years old respondents, has heard about all the brands mentioned above. We can unmistakably conclude that this age group is always looking for more competitors in this area and have a larger offer to choose from and that they are very attentive to brands in the green cosmetic market. From the answers gathered one can see that the main competitors for Dabba are: Lumene, Logona, and Madara. Based on this outcome of the questionnaire these brands will be analyzed in the current research on how they compare to Dabba’s offering.

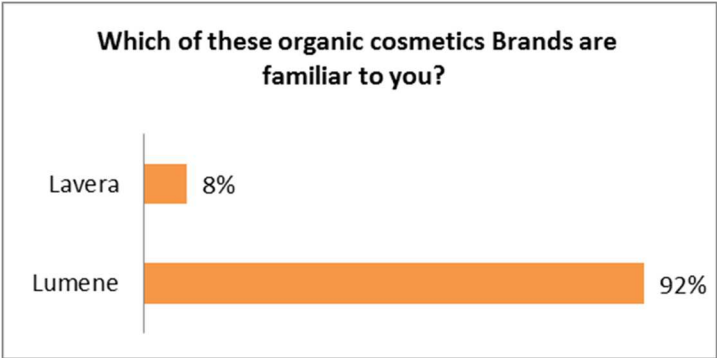


Figure 20. Evaluative criteria of 31-40 year-old women (n=9)

The majority of women between 31-40 years old use organic cosmetics from local brand Lumene. The brand is described in the Major Competitors chapter of the thesis.

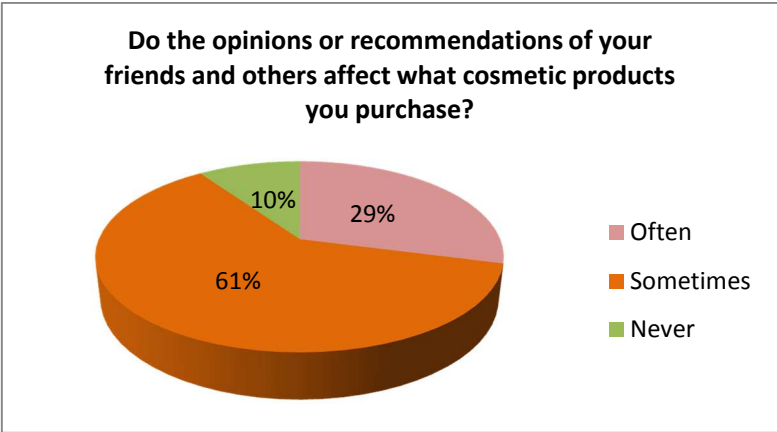


Figure 21. Influence factor of peers

Table 5: Influence factor by age group

	Under 20 years old	21-30 years old	31-40 years old	41-50 years old
Never	0	0	4	5
Sometimes	6	42	5	3
Often	4	18	5	0

The influence of the reference groups on the consumer purchasing behavior was one of the topics covered in the theoretical background of the thesis. In the current survey, it was learned that the influence of the reference group affects to a high degree the women's purchasing decisions. Figure 21 illustrates the result in the survey. From 93 persons 67 are sometimes influenced by friends or other recommendations, a quite large percentage (over 60%). By age groups the 21-30 years old group is most often influenced by exterior factors. Women talk about cosmetics brands and beauty products on social networks and doing so they influence and are being influenced in the purchase decisions and, by this logic, the power of blogs, message boards and social networks like Facebook, Twitter, Pinterest and Instagram is a really important one.

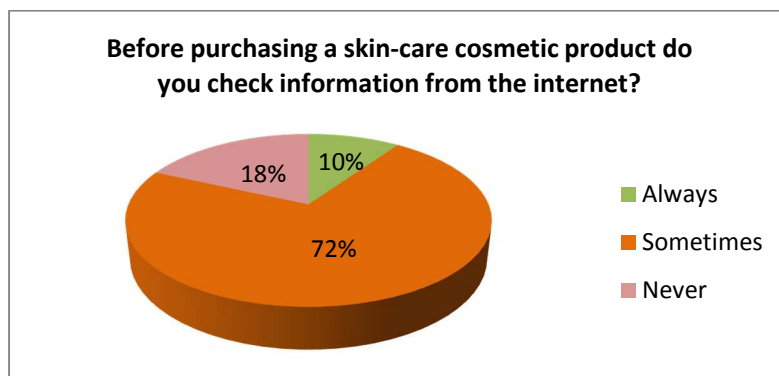


Figure 22. Pre-Purchase Online Research

Most consumers also set aside time for doing the research and learn about a product before purchasing it.

Table 6: Research for product information split by age group

	Under 20 years old	21-30 years old	31-40 years old	41-50 years old
Never	5	9	0	6
Sometimes	5	48	9	3
Always	0	4	5	0

The numbers above show that the search for information is an important component of the decision-making process. Before purchasing items that are considered of high value, it is likely that consumers are searching on internet reviews of the desired products, list of ingredients and price to be convinced of the reality of the high value that is associated with the product. Figure 20 shows the respondents' behavior according to checking information about the product prior to purchasing. As the Table 6 demonstrates, the majority of the consumers always searching for information are in the age group between 21 and 40 years old. The women between 31-40 years old are doing more research regarding to product information. This behavior goes in line with the consumer behavior theory that states that for more complex or riskier decisions, such as pioneering products that are being advertised as revolutionary people will likely look for advice, for example on social media, or do some research about available alternatives. For simpler decisions, we rely on whatever past experiences, stories, and recommendations we can remember.

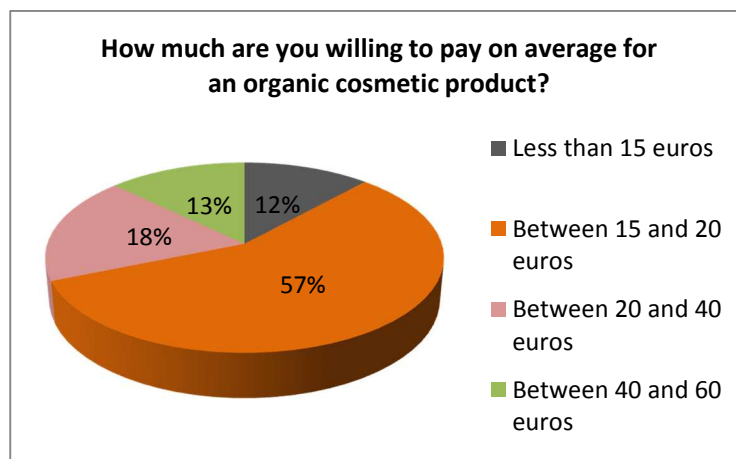


Figure 23. Price sensitivity relative to organic products

The theory on pricing strategies was quite substantial and the response to the above question emphasizes once more how crucial a good pricing strategy can be for a product's success. Price has an impact on consumer buying decisions and it may be perceived very differently by the various consumers, being determined by their income level, personal budget and other statistical variables from the demographic and psychographic areas.

In one of the previous questions it has been showed that value of money is a sought for aspect when purchasing organic cosmetics but it wasn't more important that the safety aspect related to organic ingredients, therefore most of the women are willing to pay between 15 and 20 euros for their beauty care and the majority is giving this amount twice a month. It can be concluded that women are still looking for better prices, promotions or cheaper alternatives that offer the same perceived benefits of the higher value products.



Figure 24. Evaluative criteria of 21-30 year-old women (n=50)

The results indicate that most of women in the study have an acceptance price of between 15 and 20 euros. The 21-30 years old group respondents were the most vocal in expressing what price they consider fair for an organic cosmetic product. From 50 respondents 68% are determined to pay between 15 and 20 euros, followed by 20% that are willing to pay between 20 and 40 euros.

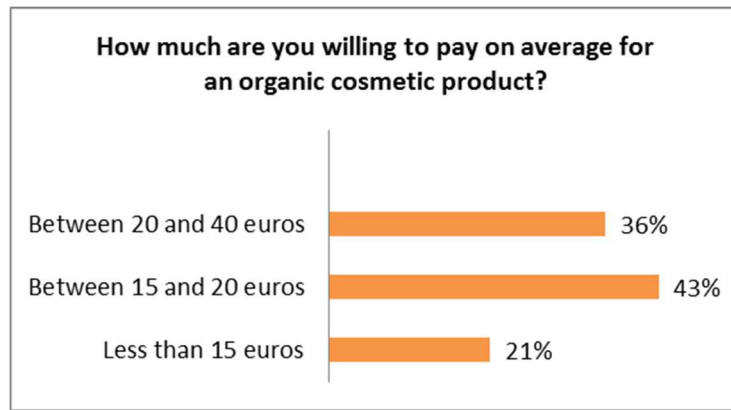


Figure 25. Evaluative criteria of 31-40 year-old women (n=14)

In the mature women category, from 54 women 41 were more dedicated to buy for the higher price. Comparing the targeted age groups one can see that women above 31 put more accent on the quality of the products and commit to pay more than 20 euros.

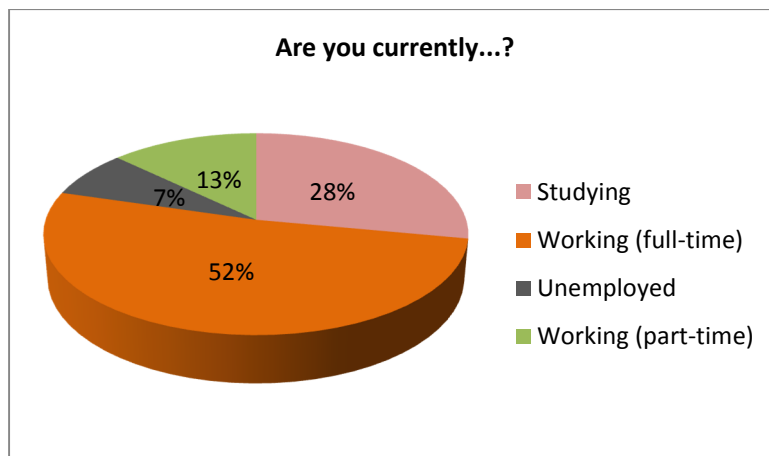


Figure 26. Occupation Status of Respondents

The demographic structure of the respondents, according to their age and occupation in Finnish society, is presented in the graphic above. The chart is showing that out of 93 respondents 52 percent are working full time. Most of the 31-40 years old respondents are employed full time while the 21-30 years old age group is more fractured between studying, working full time or part-time and unemployed. Still the majority are working

full time which means the steady income that they are earning gives them more ease of mind when favorably appreciating purchasing decisions. The under 20 years old age group were all students.

8 COOPERATION WITH DABBA

8.1 Conclusion and recommendations

Wrapping up the theory and the data analysis in the research, this section includes the key findings of the thesis and some final recommendations for Dabba. The feedback from Dabba on the thesis which was sent to them for review is also included in this chapter. The research plan was created using the knowledge and practical experience obtained from Arcada in the fields of finance and marketing.

The aim of this research was to reveal the consumer behavior of the Finnish market toward organic cosmetics. The initial aim was distilled further along the development of the research and the final goal was to compare the purchasing behavior of Finnish women based on their age, occupation and interests towards organic cosmetics. The background on which the researcher based her case was taken from consumer behavior and price marketing mix theories, having the most important ones selected to be broadly described and discussed. The company internal review based on the VRIO analysis and its comparison with the external Competitors have set the foundation for further analyzing the consumer buying behavior using Maslow's pyramid of needs and the Decision Making Process. An understanding of the consumer target market allows for a discussion about pricing strategies.

The theory about green cosmetic products and competitors was acquired mainly from online sources such as articles and market researches lead by private companies. The reason is that natural skin care cosmetics are very recent discovery and the literature on this subject is very limited. It has established as a trend in the past couple of years and Dabba is quite a pioneer in the field.

The empirical part of the research was done by choosing mixed research methods. A quantitative research method was used in order to reveal consumer attitude and behavior towards organic cosmetic products. This method was chosen due to the importance of tapping right into the public's opinion and analyzes the local market trends.

The survey was created in word documents and Google Docs format and was written in English language. In total 93 women answered the questionnaire.

On the other hand, a qualitative research method was used to gather information from the company. The aim of the interview research was to ensure the theoretical part and quantitative research.

8.2 Key findings

The vast majority of the literature that studied the parallels between young and middle-aged women that was encountered during the research was tackling the decision making process, the specifics of marketing to the two different groups and the influence of pricing on purchasing decisions.

The present study indicates that the younger women are influenced to a greater proportion by their friends in comparison to older women, who seem more confident on their purchase decision.

- When pricing was discussed, 31-40 years-old respondents considered expensive products to have a higher value than the cheaper alternatives while this was not much of an issue for 21-30 year-old group.
- In the decision making process the 31-40 years old group was in a much higher proportion searching the internet for relevant information prior to buying than the younger women, who were still using the internet but considering that they are more often influenced by friends in their decision making, this internet research is likely to come from social media reviews and recommendations.

- When evaluating alternatives, older women valued naturalness of the natural/organic products much more than the young group, while still looking in much more detail to find the value for their money. The anti-allergic advantage of the organic products is more sought for by the younger generation which positions well Dabba in achieving brand loyalty from a younger age. This also makes a clear indication for the way Dabba could capitalize with marketing campaigns, as the younger generation, being more exposed to dangerous chemicals from the womb of their mothers to their present age have developed chemical sensitivities which are lifetime conditions.

Overall, the research can be considered a success. One of the initial goals, that of discovering what kind of factors affect the purchasing behavior of Finnish women was achieved well. The connection between the theoretical and the observational parts of the study was accomplished and preserved all through the study.

- From the qualitative research based on the company interview it is quite clear that the company is ready for the next level of development. As Mr. Janis said, the products sales are going strong even without much marketing efforts and promotions to increase sales. The products are easily differentiating themselves from the ones of the competition due to their quality and price ratio that makes Dabba a leader in Latvia in its field. Because the business at the moment is seasonal the company can only rely on a relatively small but steady annually growth. Once this aspect of their business that is holding them back will be solved, something they are actively working to resolve, their growth can be exponential.
- The company's challenges, apart from the developing of new product lines to solve the seasonality issue, are related to the efficient delivery of information to the end consumer. With regard to this aspect the quantitative research showed a substantial proportion of the target groups unaware of floral water.

Because of a steady growth and little competition, the pricing policy for Dabba is to use a fixed price that is calculated after analyzing the Latvian market, the competing products and also taking into account the production costs. The retail price is suggested mostly by the company.

8.3 Recommendations

The research is a useful tool for analyzing consumer behavior towards organic cosmetic products. The data analysis from the present paper may be beneficial to Dabba and the recommendations are based on the author's analysis and view, as they developed during the university preparation.

After analyzing the consumer behavior in Finland, the market is clearly prepared for honest, high value and natural ingredients. Finns are strongly oriented towards organic cosmetics mostly due to their higher standard of life than most other parts of Europe and their deep connection with nature. In Finland the nature and the benefits of unaltered habitats and products are a requirement they have in their own culture. Because Latvia is not that far from Finland, if they manage to advertise themselves as from the same Baltic region, with the same beauty of the wilderness, this appreciation of the natural could be reflected on Dabba's products and they can benefit from a well-received product launch even without a strong brand. The thesis is proving that there is a great opportunity of opening a new market in Finland via a representative or even by contracting shelf space. Dabba must continue the started trend to put an emphasis on their affordable high quality products.

- As seen from the primary research, the targeted group should be women between 21 and 41 year old. The targeted consumers actively look for information on the internet, therefore Dabba should consider a Finnish language landing website for online visitors that come from Finland. They should also offer more detailed information to educate the public and they can also stress the sauna rituals use of the floral water. Sauna is a great weekend activity for many Finns and groups of young adults can use a high quantity of floral water during a sauna session. This might be one of the rare opportunities to also sell to men, especially when the Hop Floral water has been such a hit among men customers.

Because the young Finnish women take advice from friends a good opportunity is to have campaigns or competitions with prizes in Dabba products on the online social networks most popular in Finland.

- One of the reasons for which the Finnish consumers will feel more attracted to purchase Dabba products is the ECOCERT certification and the story behind the socially responsible handling of the organic ingredients and its waste and this would be a lost opportunity not to include on a special label in Finnish and Swedish, the second spoken language in Finland. Taking into account the company's challenge to deliver information to the end consumer they will have to serve information from every angle such as web pages or paper attached to products in Finnish language. Even though there are a lot of English speakers in Finland, it is more natural and even required by their own culture to be offered everything in their native language.
- The price theory, competitor price analysis and survey data analysis leads the researcher to advice a targeted retail price of 14€ As a society used to high quality lifestyle and devotement to nature, green products and high quality ingredients will determine the Finnish consumer to pay this price. Because the price can be used as a promotion tool, discounts will be well received by consumers during holidays. The advantage of the cheaper production in Latvia and a high quality product are allowing Dabba to enter the Finnish market with a Neutral Pricing strategy as seen from their own market perspective but also a Penetration Pricing strategy as seen by its more expensive competitors, minus the toll on the financial resources associated with penetration pricing. Two out of three Pricing Strategies accomplished with no effort on Dabba's financial resources can set them apart from the competition.
- After analyzing the main competitors and discovering that Madara is one of them, it can be used as a good example for Dabba's own steps into the Finnish market. One of the qualities of great businesses is their ability to know well their competition, so knowing how Madara succeeded in so many markets and using it to their own advantage will be a proof of their high expectations. Madara has already opened the markets in many countries and helped consumers have an idea about the natural beauty and richness of Latvia's nature. They don't offer floral water so this is a great chance for Dabba to differentiate themselves while also benefiting from Madara's success in green cosmetics.

The researcher has seen a great potential in Dabba right from the beginning of their fruitful collaboration and, being a consumer of organic and high quality cosmetics herself, is now certain that Dabba will have a successful Finnish market presence.

8.4 Company feedback

This was definitely a pleasure for us to work along with Elis Ali (Researcher) not only because of her work ethics and being interested in all aspects of DABBA as an emerging company but also because of her point of view that has showed us some aspects of our own business in a slightly different light.

We highly appreciate the work of researcher that has been done while doing a research and believe that it will serve as a practical guideline for doing business in Finland, which is a plan of a very near future. The research itself, even though it is an academic piece of work, can be easily read and understood by people in Company that may not have a similar academics background to the one that researcher has, so the research can be adapted to the needs of Company and some of its key conclusions brought into life by implementing them into our marketing/sales strategy in Finland.

We have found that researcher has used methods of research that we see as appropriate and trustworthy. Considering the fact that researcher did not have full access to the financial information of Company, we were positively surprised of her ability to do respectable calculations with having limited amount of financial data, which proves her competence, and ability to see the whole scene in a broader view. All the recommendations of the researcher that can be found in the research are worth taking into account and relevant to the company.

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10 Apendices:

Appendix 1 Questionnaire

Questionnaire - green cosmetic products

1. From where do you usually buy cosmetics products?

Several answers possible

- On the manufacture's website
- At the organic store
- From a beauty salon
- From a cosmeticstore
- I don't purchase any cosmetic products
- Other:

2. How often do you buy cosmetics products?

- Once a week
- Once a month
- Twice a month
- Once a year
- Twice a year
- Other:

3. What would be the reason for you to buy an organic cosmetic product?

Several answers possible

- Natural/Organic ingriends
- Organic, bio label
- Safety (anti-allergy)
- Efficiency
- Value of money (price)
- The design of the product (packaging)
- Domestic products (Finnish)
- Texture of product (smell, color)
- Other:

4. Have you heard about Floral water?

- Yes
- No

5. Which of these organic cosmetics Brands are familiar to you?

Several answers possible

- Madara
- Lumene
- Logona
- Lavera
- Frantsila
- Other:

6. Do the opinions or recommendations of your friends and others affect what cosmetic products you purchase?

- Often
- Sometimes
- Never

7. Before purchasing a skin-care cosmetic product do you check information from the internet?

(reviews, ingredients, etc.)

- Always
- Sometimes
- Never

8. How much are you willing to pay on average for a. organic cosmetic product?

- Less than 15 euros
- Between 15 and 20 euros
- Between 20 and 40 euros
- Between 40 and 60 euros

9. What is your age?

- Under 20 years old
- 21-30 years old
- 31-40 years old
- 41-50 years old
- Over 50 years old

10. Are you currently...?

- Studying
- Working (part-time)
- Working (full-time)
- Unemployed
- Retired

Appendix 2 Company Interview

<p>PRODUCTS</p>	<p>1. How well does your products perform in Latvian market? Good. Due to the market size and price sensibility we do not put too much effort in Latvian market, stressing on the export markets. Considering the fact that we do not use much of marketing instruments and sales promotions, performance can be described as good.</p> <p>2. How do the products perform in relation to competitors? We do not have much of competition, DABBA outperforms majority of similar products. We are not represented in discount stores and budget shopping sites, so there may be a gap in our customer reach. Anyhow, DABBA can be considered to be a market leader in Latvia in it's field. We are gaining popularity outside Latvia mostly because of high quality and price ratio.</p> <p>3. Taking into account that is a seasonal business are you currently managing to sell all your production and if not how what do you do about remaining stock? We are always producing a little more than we think is needed, and so far sales numbers have been close to the production numbers as we are experiencing some growth annually.</p>
<p>COMPANY DEVELOPMENT</p>	<p>4. Since is a seasonal business, how do you estimate the amount of products? Mostly it is a communication with existing distributors and sales points plus adding a space for a potential growth.</p> <p>5. What capabilities does the company have that will help extend and gain market share? We do have opportunities to produce higher amount of existing products, plus we are developing a range of new products that will solve the seasonality issue at some degree and will help to increase the sales of existing products.</p>

	<p>6. What are your biggest challenges that you face now? Development of new product lines and delivery of information to the end consumer.</p> <p>7. How do you keep track of developments in your industry? Attending professional trade fairs, reading relevant news-letters and following development of the other companies as well as producers of ingredients.</p>
<p>FINANCIAL DATA</p>	<p>8. How did you arrive at your asking price per product? Analyzing the market and competitors prices while considering our own costs that are related to production and other relevant activities.</p> <p>9. Since Latvia joined the Eurozone, the export area had more benefits when exporting to the euro zone, have you seen the same trend? Not much of it! But we cannot really comment on this as DABBA was not selling internationally before 2014.</p> <p>10. What are the sales figures for last year? Since I am not related to the finance of DABBA it is hard for me to answer, though it is clear that cosmetics sector (we do have some other activities too) has grown more than 3 times last year.</p> <p>11. How do you handle the negotiations with the eco-stores, what is the price offer that you are giving at the moment? It depends on the size and location of the store. In Latvia we have more or less the same price for every store (unless there is a special deal with a bigger department store). If the store is located in country where we have a representative, we do not</p>

	<p>sell products directly to the store. If there is no representative, we may sell the products for a re-sellers price if we feel like we are not entering that particular market with our own representative. If the store is located in a country where there is no DABBA re-seller but we feel like we will be “moving in soon”, we will sell the goods to the store for a price that shall be close to the price asked by re-seller. In both the situations, we will be setting our own suggested retail price.</p>
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