Marketing Strategies during Financial Crisis

A case study of ICA, Coop & Axfood

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Abstract

The current financial crisis has spread around the world and no business sector has stayed untouched. While companies in some sectors have been forced to close down or lay off employees, companies in the food retail sector mainly have to adapt to their customers’ preferences, which according to Ang, Leong & Kotler (2000) change in times of financial crisis. The purpose of this dissertation was therefore to examine how Swedish food retailers adapt their marketing strategies to the changing consumer buying behavior during the financial crisis.

A qualitative method with an abductive approach was chosen for this research, and the empirical data was gathered from three companies in the Swedish food retail sector; ICA, Coop and Axfood. Primary data was collected through phone interviews and was supported by annual information from their websites, annual reports and different articles.

The findings show that all three companies have recognized a change in their consumers buying behavior and done several changes in their marketing strategies.

This research can be useful for every company in the same or similar situation, in order to see how important it is to have a flexible marketing strategy and be able to adapt to the changing environment in order to either survive or improve their position on the market.
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1. Introduction

In this first chapter the background of the problem will be introduced to the reader. Further a problem discussion will follow and emerge in a research question and purpose. The chapter will end with definitions and delimitations relevant for this research.

1.1 Background

What today has become a global financial crisis, affecting us all, has its origin in the American tech-bubble that took place in the end of the 1990’s (New York Times, 2009). As the American stocks started to decline in 2000, the Federal Reserve lowered the interest rates in order to limit what was going to become economical damage. Lower interest rates lead to a rising demand for homes and people taking new mortgages to pay off the old ones. More and more people were borrowing money, and at the same time as the industry grew, the mortgage quality went down. In 2006 the banks started to realize that the people cannot pay off their loans with anything else than their own houses and the default and delinquency rates began to rise. But the lending out still continued. Banks and investors started to sell these mortgage securities, not knowing that they were tainted with what nowadays is called toxic mortgages. The stock prices of large financial companies went down fast and these which did not sell themselves ended up in bankruptcy. The Federal Reserve tried to support Wall Street, but the domino effect was already on and the losses continued to grow (ibid). The resulting shock wave has been felt almost all around the world and people have seen their saved wealth to fall in value.

No business sector stayed untouched, but while it for example to the industrial sector, in particular the car industry means the end of their business, the retail sector, in particular the grocery store chains have to cope with the buyers changing behavior. According to Ang, Leong, & Kotler (2000); Shama (1978) people change their buying patterns during financial crisis and under stress. They start to worry about their jobs and do not anymore enjoy spending their money. Anyhow, referring to a research made by the Nielsen Company (2009), one thing that people will never completely stop buying is food. Consumers will think more carefully before buying and possibly switch to cheaper products, but will still continue to go to the shops for their esculent. Therefore, as the buyers change their buying behavior, as an
effect of the financial crisis, the companies have to change their strategies in order to meet the customers’ new preferences.

If companies want to reach their goals, they need to develop a plan or “road map” how to get there (Ferrell & Hartline, 2002). Marketing strategy is a plan for how to use the strengths and capabilities of the organization, in order to match the needs and wants of the market (ibid.). A marketing strategy can be put together of one or more marketing programs, each consisting of two elements; a target market(s) and a marketing mix (Ferrell & Hartline, 2002). In order to create competitive advantage, it is important that companies find the right combination of market(s) and marketing mix(es) when developing their strategies (ibid).

Nilson (1995) explains in his book Chaos Marketing how important it is that the marketing department of a company is aware of and understands how the marketplace, competition and society are changing. Further, the managers must know how to act in such an environment. When it comes to creating a strategy in a changing environment, Nilson (1995) differs between companies that are market leaders and those which are challenging the established brands. Leading organizations or brands basically have to go with the flow and slowly adapt to the new situation, whereas challenging companies should use their ability to change fast and thereby strengthen their position on the market. No matter if leading or challenging, according to Nielsen (1995) and Köksal and Özgül (2007), companies have to adapt their strategies and particularly the marketing mix in order to keep the present- or gain market share in changing environments like financial crisis. Moreover, it is important for companies to remember that the changes in marketing strategies should never include or mean cutting of marketing expenses. According to many researchers and studies as for example the PIMS (Profit Impact of Market Strategy) study presented by Kieth Roberts (2003), organizations that keep or even increase their marketing spending during an economic downturn do not make any significant loss during the crisis, on the contrary they make profit and gain market share much faster after the downturn than the companies that cut their costs.

As mentioned throughout the previous text; when a financial crisis occurs, customers change their buying behavior. When this happens, companies, in this case grocery store chains have to adapt their marketing strategies and particularly the marketing mix, to be able to satisfy the customers’ new needs and in this way keep them.
Concentrate on necessary products of cheaper brands or even private labels, decrease the prices and use informative marketing instead of imagery-based advertisements are some of the changes that according to Ang, Leong and Kotler (2000), has to be done in the marketing mix during financial crisis.

1.2 Problem discussion

Some general literature has been written about how marketers should behave in a changing environment, but very little research has been done in this area, especially when it comes to changes like financial crisis. At the moment there is a financial crisis going on, affecting basically the whole world and all business sectors. As a consequence, people are changing their buying preferences (Shama, 1978; Ang et al, 2000) and companies have to cope with this situation in one way or another. As mentioned earlier in the introduction, even when having little money, food will be the last thing that people will stop buying (The Nielsen Company, 2009) therefore it is important for the grocery store chains to find a way to meet the new preferences of the customers. Since the marketing strategy is the way for companies to match customers needs and wants (Ferrell & Hartline, 2002), it is here that the changes should be done. The marketing mix, or 4P’s, is the tool through which organizations operate their strategies and where the changes can be seen, therefore the focus of this research will lay on the marketing mix of the grocery stores and how this is changed during financial crisis.

This model shows how the financial crisis are connected to the changes in the 4P’s and thereby makes it easier to understand why these will be the focus of this study.

1.3 Research question

How do food retailers in Sweden adapt their marketing strategies to the changing consumer buying behavior during the financial crisis?
1.4 Purpose

The purpose of this study is to examine how food retailers in Sweden are changing their marketing strategies, in order to meet the customers changing buying behavior in these times of financial crises.

1.5 Definitions

- Recession- a widespread decline in GDP, employment and trade, lasting for more than 6 months (WordNet Search, 2009)
- Marketing strategy- marketing strategy is a plan for how the organization will use its strengths and capabilities to match the needs and wants of the market (Ferrell & Hartline, 2002).
- Consumer buying behavior- Process by which individuals search for, select, purchase, use, and dispose of goods and services, in satisfaction of their needs and wants (Business Dictionary, 2009).

1.6 Delimitations

Since this problem can be studied in different ways and from different angles, some limitations have been done to make it easier for the author to stay within the chosen frame and for the reader to understand why some parts are discussed less than other.

To start with, the consumer buying behavior is not the focus of this study, and will therefore not be deeply examined. Nevertheless, since the buying behavior and the way it changes is a reason to why the strategies are changed, it should be explained and discussed.

Further, when it comes to the marketing mix, only the factors that changes during the financial crisis will be used for the empirical studies and final analysis. The factors of each P (Product, Price, Place & Promotion) that will be used can be found in the methodology.
2. Theoretical framework

In this chapter the relevant theories to the research question will be presented. The chapter starts with a discussion about marketing strategy, continues with an explanation of consumer buying behavior, and ends up with the marketing mix.

2.1 Marketing strategy

When searching in the databases, many studies about management in recession can be found, but there is a lack of information when it comes to marketing and marketing strategies used during economic downturns.

Every company that has competitors must have a strategy. The purpose of the strategy is to create competitive advantage, if there is no good strategy, the company will not work well either (Liljedahl, 2001). A marketing strategy describes how the firm will fulfill the needs and wants of the customers. It could also include activities to maintain relationships with other stakeholders. In other words, marketing strategy is a plan for how the organization will use its strengths and capabilities to match the needs and wants of the market (Ferrell & Hartline, 2002). It could be said that strategy is about doing the right things, instead of doing what we are good at (Hooley et al., 2008).

During the years, different theories have been developed about which would be the best strategies. According to Porter (1980, 1985), to reach a successful strategy all focus should lie on the industry dynamics and characteristics. He meant that some industries were more attractive than others and that the factors driving the industry competition were crucial for profitability. Wernerfelt (1984) and Prahalad and Hamel (1990) on the other hand put the focus on the core competencies of the organization. According to them performance was mainly driven by the resource profile of the firm. Today’s researchers like Hooley, Piercy & Nicoulaud (2008), instead discuss the Resource-based marketing, being a good middle course between the two previously mentioned strategies. In this approach both requirements of the market and the company’s ability to serve it are taken into consideration, and the primer goal is a long-term fit between these two. By long-term it is not meant that the resources of the company should be fixed. On the contrary, the market requirements are constantly changing.
and the profiles and resources of the organizations have to be developed in order to stay competitive (ibid). But to be able to know what the market wants and what the company on the whole can offer them, they first of all have to analyze the current situation that they are in (Ferrell & Hartline, 2002). The issues to look at are; the Internal environment- including the organizational structure, resources and the company’s performance, further the Customer environment- including current- and potential customers, purchase of products etc., and finally the External environment- the competition, economic growth and stability, political trends etc.(ibid). When the situation is known and the strategy set, the company uses the marketing mix to operate their strategies in order to meet the customers’ needs.

2.2 Marketing strategies in changing environments

Especially important to look at when it comes to economic downturns is the previously mentioned external environment (Srinivasan, Rangaswamy and Lilien, 2005; Pettigrew & Whipp, 1993). According to Nilson (1995), and Ferrell & Hartline (2002), the external environment is constantly changing and it is important that the marketing function understands the changes and knows how to act in them. Also Hooley et al. (2008) say that the marketing strategy is supposed to develop effective responses to changing market environments by defining market segments and developing and positioning product offerings for those target markets. Further, to be successful on a market, especially a changing one, companies have to use proactive strategies (Nilson, 1995). They should not react on others events, but be the ones creating them. According to Srinivasan et al. (2008), proactive marketing can even be a way for companies to turn the adversity in a recession into advantage. Firms that view a recession as an opportunity perceive that they have control both over the situation and later outcome, and thereby continue investing. Organizations that instead see the recession as a threat have a lack of control over the situation and later outcome, and end up with conserving their resources (ibid.). Moreover, Nilson (1995) differs between brand leaders and challenging companies. Top consumer brands such as Nescafé and Heinz survive and prosper because they change, but they do not do this very fast. In this situation the challengers have a lot to gain if acting rapidly. If being flexible and fast enough, challengers have the chance to strengthen their position on the market place and even become one of the leaders, which will sustain even after the downturn (Srinivasan et al., 2005).
2.3 Consumer buying behavior

In 1963, Lazer introduced the consumer life-style analysis, which since then has been a very popular tool when it comes to marketing management decisions (Piirto, 1990). Consumer buying behavior can be defined as *Process by which individuals search for, select, purchase, use, and dispose of goods and services, in satisfaction of their needs and wants* (Business Dictionary, 2009). The buying behavior of people is especially interesting for people who for different reasons want to influence or change this behavior, for example those who work with marketing (Engel, Blackwell & Miniard, 1995). The main research perspective consists of two parts; to understand and predict consumer behavior, and to find out the cause-and-effect relationships (ibid). According to Ferrell & Hartline (2002), trying to understand buying behavior of consumers is a quite complex and difficult task. Nevertheless, it is worth the effort spent, through understanding the behavior companies will get an insight that will help them to develop products and marketing programs that will satisfy customers needs and wants in a better way (ibid).

Different stages in the consumer buying process can be identified; first the consumer understands that he or she needs or wants something. At the next stage the consumer searches for information and different alternative of the wanted/needed product, and finally the consumer decides to buy (Ferrell & Hartline, 2002). Engel et al. (1995) identify three different categories that influence the decision making of consumers; individual differences, environmental influences and psychological processes. Individual differences are e.g. knowledge, attitude, motivation and personal values. The environmental influences include e.g. culture, social class, family and situation. By situation for example the working- and financial situation is meant. Finally, the psychological processing is about how consumers process new information, how they learn and what attitude they have towards changes.

Important for this study will be the environmental influences where the financial crisis comes in as a “situation”.
2.4 Consumer buying behavior in economic downturns

To start with, the companies should never forget that the recipients of their actions, and the final decision makers, are human beings (Nilson, 1995). Therefore there will always be feelings, irrationality and unpredictability to cope with. The marketing actions of firms generate responses which the firms have to be aware of and act upon (ibid).

Financial crisis do not only hit the customers economically but also, and in the beginning mainly, psychologically (Köksal and Özgül, 2007). People start to worry about their future, and do not enjoy shopping anymore (Ang et al., 2000). It might be that they for example do not want to spend money on premium products anymore, even if they still could afford to do so (Ferrell & Hartline, 2002). Moreover, in their study, Ang et al. (2000) and Köksal and Özgül (2007), found out that customers during the financial crisis in general become more money-minded. They only buy necessities, switch to cheaper brands and have a more rational view on promotion.

As Kotler & Keller (2006), stated; a successful marketing requires that companies; understand customer value, create customer value, deliver customer value, capture customer value and sustain customer value. Thereby, as a consequence of the changes mentioned above, the companies have to reconsider their strategies that worked during good times and adapt them to the new situation.

2.5 Importance of Marketing during economic downturns

It is quite common that managers and company leaders think that if they cut the costs they can also cut the prices and thereby save the situation (Barwise and Styler, 2002). When thinking in this way they are completely forgetting about the long term relationship that is supposed to continue when the economy recovers again. According to Roberts (2003) and Hiller (1999), marketing is one of the things that companies should invest aggressively in during recession. Their articles refer to PIMS (Profit Impact of Market Study) studies that clearly show that businesses that continued investing in marketing and even increased their spending, did not make significantly less profit during recession. On the contrary, profits increased much faster after the recession by these companies, compared to the ones that cut their costs. Furthermore, companies that increased their marketing spending gained market share three times as quickly after the downturn.
Moreover, Srinivasan et al. (2005), explain in their work “Turning adversity into advantage”, how an economic downturn through proactive marketing can become an advantage for some firms. According to their study, firms that continue investing in marketing even during economic downturns are not only better off after the downturn, but there are immediate returns as well. As Mark Simpson, the marketing director of Ford of Britain mentioned in an interview made by Simms (2009), it is important to continue to invest in the future products. During a recession in 1990/91 they cut all marketing costs and ended up with poor products, being no real competitor after the recession.

2.6 The marketing mix

The marketing mix is a set of tools through which the companies put their plans of marketing strategies into practice. The marketing mix, also called 4P’s, and how it is changed during financial crisis is the focus of this study.

The principles of the mix are controllable variables, which have to be managed in the correct way, to meet the needs of the defined target group (Kotler, 1996).

In this research the factors of each P that, according to previous theory, change or are of importance during economical downturns will be highlighted.

2.6.1 Product

The product (or service) is the base in all business activities. Products can be divided into two categories; consumer products, these are for personal use or enjoyment, and business products, these have been bought for resale or use in a business (Ferrell & Hartline, 2002). Strategic decisions of companies differ, when it comes to for example pricing, distribution and promotion, depending on which of the categories the products belong to (ibid). Moreover, business products or, as Kotler & Armstrong (1996) define them, industrial products are often characterized by derived demand. This means that they are dependent upon the demand of other products e.g. the demand of steel, rubber and chrome is dependent on the demand of automobiles. The same can be recognized by some consumer products (Kotler & Armstrong, 1996). Most companies do not sell only one product, but one or several product lines. By doing this they can spread the risks among the different product lines (Ferrell & Hartline, 2002).
While companies are selling a product, consumers are buying a solution or value (Kotler, 1999). It is up to the company not only to offer this solution or value to the customer, but also to do it in a better way than the competitors (ibid). The company can differentiate the products in several ways; there can be physical differences, for example in the product design, there can be a difference in availability of products, in the prices, quality or also in branding.

Decisions about branding are some the most important that marketing managers can take. Brands have a great power; they convey a message of confidence, quality and reliability to the market (Kotler & Armstrong, 1996). Good brands are the ones that come to the costumers’ minds as a solution to their need or problem (Ferrell & Hartline, 2002).

As mentioned earlier, previous studies have shown that during a financial crisis, customers reduce their consumption of wastefulness and switch to cheaper and rather local brands (Ang et al., 2000). In the study made by Ang et al. (2000), it was shown that recession is not a good time for introducing new brands; on the other hand, strong businesses have the chance to fill the holes in their product lines, in order to block future competitors. This can be done with products of so called second line brands, assuring the customers of good quality at a lower price. When it comes to the wastefulness, Shama (1981), states that in bad economy, customers emphasize quality and durability; therefore this should be highly prioritized when introducing new lines.

2.6.2 Price

Price differs from the other three principles in the matter that it is the only P that generates direct turnover. Managers have to find a point where they pay the costs and make the highest revenue, but still do not influence the volume (Kotler, 1999). The price must reflect the supply and demand relationship (Kotler & Armstrong, 1996). Further, pricing is the marketing variable that is the easiest to change (Ferrell & Hartline, 2002). While the product or promotion can take months to change, the price can be changed directly. Except from being the easiest and fastest to change, pricing is also the cheapest to change. While changing promotion, products or distribution usually is quite costly, to change the price does not cost much more then the time it takes to enter the change in a stores point-of-sale system (ibid).

When setting the prices, an organization can adopt a number of pricing strategies. The pricing strategies that are based on what objectives the company wants to achieve. E.g. Penetration pricing; Low prices to increase sales, Skimming pricing; high price in the beginning and then
slow lowering to reach a wider market, and Competition pricing; Price in comparison with competitors

The price is an important factor that consumers look at, especially during economical downturns; in such times, companies are forced to do radical changes in their price decisions (Shama, 1978). The most common decision is to increase sales volume in a short time, through price cuts. This could on the other hand lead to problems in the long run, by lowered profitability (ibid). Bennett (2005) on the opposite found in his work about cyclical fluctuations in the UK construction industry, that price stability did not have any effect on the company performance. Ang et al. (2000) suggests two different pricing strategies during recession; Charge the same price for a higher quality, or charge a lower price for the same quality. The first strategy is concentrating on maintaining product quality, even if it would mean a loss of poorer customers to competitors during the recession. After the economy has recovered, it will on the other hand be easier to extend the product line and increase the prices. The second strategy instead helps the company to keep, or even extend their market share during an economic downturn. To gain market share after a recession can be quite difficult. What has to be kept in mind is that it is always easier to decrease the prices than increasing them again. Therefore businesses should concentrate on different offerings and discounts instead of permanent price cuts (Ang et al, 2000). The businesses should further use discounts and premiums as allures, instead of for example free gifts, since the price is more important during these times than getting something extra (ibid). Finally, Ferrell & Hartline (2002), talk about promotional discounting called “high-low pricing” that can be used to occasionally increase the store traffic. The strategy is to have a bit higher normal prices and then through frequent promotions and sales, attract the customers.

2.6.3 Place

Place, also called location, is the least changing marketing principle and also the key to retailers ability to attract customers (Kotler & Armstrong, 1996). To choose the right location can be very costly, but large retailers prefer to invest in this and employ specialists to find them the ultimate place (ibid). Moreover, this “P” includes all kinds of ways and activities such as distribution, transport and store-keeping that companies use to make their products available to the customers (Kotler, 1999).
Many different kinds of retailers can be identified, e.g. specialty store, department store, supermarket and hypermarket, which all have their different characteristics to be classified after. Examples of these characteristics are; the amount of service they give, the length and width of product assortment, and the relative prices and types of store cluster (Kotler & Armstrong, 1996). When it comes to the smaller retailers, like for example the specialty stores, they usually have a narrow but deep assortment and a large focus on high quality and excellent service. Large stores, like supermarkets, instead bet on a wide assortment with many different product lines and have a very limited service; some even adopt the concept of self-service (ibid).

During the depression of the 1930’s in the United States, self-service retailers increased a lot. People were willing to do their “locate-compare selection” on their own, in order to save money (Kotler, 1999). Today we can see this change towards self-service also in Sweden. Moreover, nowadays more and more non-store retailing (mail, telephone, door-to-door) is operated (Kotler & Armstrong, 1996). Sometimes these are more suitable, but very often they come in a combination with store retailing. Non-store retailing can often be a cheaper way to reach out to many customers (ibid). Marketing over Internet for example is a very simple and cost-effective way to reach out to many customers at the same time (Pallab, 1996). This communication tool is nowadays used by all kinds of companies all around the world, no less the retailers.

2.6.4 Promotion

A successful product or service does not mean anything unless the benefits can be clearly communicated to the target market (Kotler, 1999), therefore, when companies are choosing their media strategy they have to consider who their target customers are and what their general behavior is (Kotler & Armstrong, 1996). When the target group is defined, an effective message should be formulated. This message should to start with get the customers attention, further make them interested and feel that they want this product, and finally make them buy (ibid). An organizations promotional strategy can consist of: Advertising; any non personal paid form of communication using any form of mass media, Sales promotion; personal selling and developing relations with the organization media public to be able to get positive publicity and handle negative attention in a good way, and finally Direct Mail; sending publicity material to a named person, this allows the company to use their resources
more effectively etc (ibid). The media strategy refers to the way a company is going to deliver their message.

When it comes to promotion in an economic downturn, one important fact has to be remembered; do not cut the costs. As mentioned before, keeping or even increasing the marketing spending is an investment for a future higher turnover. By maintaining or increasing the level and amount of advertising, the market share, sales and income during and especially after a recession will increase (Werner, 1991).

Köksal and Özgul’s (2007) study of the relationship of marketing strategies and performance in an economic crisis also shows that constant communication with customers is of great importance. Since customers, during crisis, tend to change their preferences when it comes to products and brands, it is important for the companies to be flexible, in order to be able not only to keep the old customers, but also use the possibility to attract some new (ibid). Especially in this part it is important to remember what was discussed earlier, that it is people that we are handling with. People have feelings, opinions, and minds, which have to be convinced in the right way (Marconi, 1997). Customers in an economic downturn prefer information instead of commercial; therefore companies should provide them with clear information including motives as safety, durability and overall quality insurance, in order to gain their trust (Shrager, 1991). Trust is a very important factor in marketing and then especially in times of an economic downturn (Marconi, 1997). If the firms can convince the customers that they are trustworthy and understanding, people will decide to go to them even if they will not be the cheapest (ibid). Thereby, media such as print becomes more relevant in times of recession. This is a cheaper way to reach out to a larger population, and is seen as more trustful by the customers in economic downturns (Ang et al, 2000). The customers get the opportunity to read about their products on their own and consider the benefits of buying the products.

Anyhow, according to Ferrell & Hartline (2002), all customers love sales. This is strengthened by the research made by the Nielsen Company (2009), that shows that customers prefer different campaigns and becoming members of shops to get discount, instead of switching to discount chains. Especially retailers very often offer customer sales promotions in form of coupons, rebates, loyalty programs, premiums etc (Ferrell & Hartline, 2002).
3. Methodology

This chapter starts with an explanation of the chosen method for this research. Different approaches of this method are outlined, and followed by an explanation of the data collection. Finally the factors of the marketing mix that will be focused are presented in a table.

3.1 Research method

There are two different methods to use when doing a scientific research, qualitative and quantitative. The main difference between the two methods is that the data in a quantitative method usually consist of a large amount of numbers, whereas qualitative data is expressed in words (Bryman & Bell, 2007; Jacobsen, 2002). For this dissertation a qualitative research method has been chosen. The qualitative method is very open and interactive which means that the researcher usually has no clear vision about what the outcome of the study will be, and is open for all input from the interviewee. The data is analyzed gradually and it is possible to go back and reformulate the research question after gaining more knowledge about the topic (Jacobsen, 2002). A qualitative method is used when the purpose is to go deeper into a subject and get the interviewees point of view of a subject and it is possible to get back to the interviewee for further information if needed (Bryman & Bell, 2007). Since this research was supposed to generate more knowledge about how the grocery stores change their marketing strategies in order to cope with the changing buying behavior, which is an effect of the financial crisis, the writer decided to conduct only a few but deeper interviews. According to Jacobsen (2002), during a research with a qualitative method a closer relationship develops between the researcher and the interviewee, which leads to openness and possibility to gain deeper and more specific information than what would be possible by using a quantitative approach (Jacobsen, 2002).

There are on the other hand a few disadvantages with the qualitative method. Since the interviews usually are very time consuming when going deep into a subject, and the researchers have a lack of resources, only a few interviews can be conducted. This leads to a problem with the matter of generalizability, with other words, the external validity (Jacobsen, 2002; Bryman & Bell, 2007). Another problem can emerge when analyzing the data. Since the interviews are very open, also the gathered data may vary a lot and it is important to have
a structure in it and also to understand and capture the interviewees’ point of view without involving our own opinion (Jacobsen, 2002).

Further different approaches have to be chosen for the research. When doing a qualitative research, an inductive approach is usually used. This means that a theory is developed to explain already existing information (Bryman & Bell, 2007, pp.14). The weakness in this approach is that it does not generate any deep theory, but only empirical summaries (Alvesson & Sköldberg, 1994). When using a quantitative method on the other hand, a deductive approach is often the choice. The weakness in this case is that the background knowledge in many cases only is a guess which easily could make the structure abstract and not very connected to the theory (ibid).

However, one method does not exclude the other and there is a third approach called abduction. This approach is based on empirical facts just like the inductive approach, but does not dismiss theoretical background, which again puts it closer to the deductive way (Alvesson & Sköldberg, 1994). An abductive approach has been chosen for this research. Data collected through interviews help to strengthen previous research on this field. The theory on the other hand helped to get more information about the subject before the interviews, in order to know how to approach this topic in the best way and get an idea about what kinds of questions to ask during the interviews.

3.2 Type of research

The researcher must further choose between an exploratory, a causal and a descriptive approach. Is the purpose to describe a phenomenon or situation, to explain it or to develop new and unknown knowledge (Jacobsen, 2002)? It can often be difficult to separate the last two since it can be argued that to be able to explain a phenomenon; we have to describe it first. Since the purpose of this study was to find out the changes that have been done with the marketing strategies, during these times of financial crisis, the descriptive approach was found to be the most suitable for this study. When using the descriptive approach, the writer usually wants to describe a certain situation that is just valid for a limited period of time, e.g. similarities or differences at a given time (ibid). Nevertheless, to be able to describe the situation, the researcher needed get a better understanding and knowledge about the studied area, and therefore started the work with an exploratory approach.
3.3 Population and Sample

According to Jacobsen (2002), a population is the whole group that the researcher through the study wants to say something about. In this study the population consists of all grocery store chains in Sweden. A sample is instead the part of the population that the researcher chooses to examine in the study. The sample can be picked randomly or systematically (ibid).

While Kvale (1997) states that the needed number of interviewees depends on the purpose of the study, Jacobsen (2002) instead states that it is about the chosen participants and how relevant they are for the study. The sample for this research was chosen systematically. Since the purpose of this research is to investigate on how grocery stores in Sweden change/adapt their marketing strategies, the three largest grocery store chains in Sweden have been chosen; ICA, COOP and Axfood. These together counts for 64% of the Swedish general dealers market, and are thereby seen as being representative for the whole country.

The aim was to interview the marketing managers or other responsible persons in the marketing departments of the companies. Nevertheless, due to their lack of time or interest this was not possible. Finally, Frida Strömval, campaign- and project leader at Coop, and Helene Hillarp, merchant of ICA Maxi Högskolan in Halmstad were interviewed. All information about Axfood was found from their website, annual reports and articles.

Since the researcher did not ask for any secret information, but for changes, that all in some way responsible for marketing should know about, the final interviewees were well suited to answer all the questions.

3.4 Primary data collection

In contrast to secondary data, primary data comes directly from the source. There are a few different ways to collect qualitative data, e.g. through interviews, observations, focus groups and documents studies (Bryman & Bell, 2007). For this research the open, semi-structured interview was found as the most suitable. In a semi-structured interview the researcher has an interview guide with prepared questions or topics to get answered. These do on the other hand not have to be followed in the exact order if it does not feel natural in the interview. New questions may be added and the interviewee is free to answer in his/her way to all the questions (ibid).
Due to the time limit and that the headquarters of the companies are quite far away, the interviews for this study were conducted by phone. During the interview the author took notes to remember exactly what was said.

A phone interview is not as personal as a face-to-face interview and the interviewee might not want to talk about sensitive topics on the phone (Jacobsen, 2002). Further, the interviewer cannot see the reactions and body language of the interviewee, which in a personal interview helps the interviewer to see how far he/she can go or how honest the answers might be (ibid). When it comes to the interviews in this study, the writer was in touch with the interviewees several times before the actual interview which contributed to a relation and that both parts could feel comfortable when the final interview took place. According to Holme & Solvang (1991), a close relationship between the researcher and the interviewee leads to a better knowledge and understanding of the problem. Moreover, no personal or really sensitive topics were discussed; thereby there was no reason for the interviewee to feel uncomfortable.

Except from the interviews, information from the companies’ websites and annual reports was used.

3.4.1 Interview guide

The interview guide was formed as a semi-structured interview guide and can be found in the appendix. The more structured a guide is, the easier it will be to analyze the collected data (Kvale, 1997). The interview guide consists of 15 open questions that should lead the interview in the right direction, but still let the respondent speak free and give as much information as possible, from his/her point of view. The 14 questions were based on the theoretical framework and structured in a way to be easy for the reader to follow and connect to theory and empirical findings. The interviews started with a small introduction and then a general very open question about the topic. Then more specific questions about the 4 P’s followed. Jacobsen (2002) states that when there are no fixed questions or answering alternatives, it is completely up to the interviewee what and how he wants to answer. This leads to a higher internal validity of the study.
3.5 Collection of secondary data

Secondary data is data that does not come directly from the source, but from previous researches on this field (Jacobsen, 2002). The secondary data for this research comes mainly from the Internet. Information for empirical findings was, except from through interviews, taken from the companies’ websites, annual reports and articles about them. For the theory, the database HULDA at Halmstad University and further relevant databases, found mainly through the Halmstad University library website were used. Examples of such are Emerald, ABI Inform, Science direct and EBSCO. Moreover, literature from Halmstad University was used for the theory.

3.6 Validity, Reliability and Generalizability

Validity determines if the research really measures what it intended to measure, and is strongly linked to the sources from which the data was collected (Jacobsen, 2002). For this reason it is important that the chosen sample is familiar with the studied area. With this in mind, the researcher tried to find the most suitable persons for the interviews. It was also possible to get back to the interviewees after the interviews if more information or any explanation was needed. This opportunity does according to Bryman & Bell (2007), increase the validity of a research.

Reliability measures how trustworthy the results and information found are (Jacobsen, 2000). As well as the literature for this research, also the respondents were picked carefully. Since the interviewees were not asked for any secret information, and the answers they gave were comparable with secondary data, there is no reason to think that they were not honest when answering the questions. Further, to be sure that everything was understood in the right way by the interviewer, and that the content was not influenced by her, the final text from the interviews was sent back for a check to the interviewees.

In a qualitative research it is normally very difficult to generalize the data since it is an intensive study of a small group; with certain people that have certain characteristics, and in a certain situation (Bryman & Bell, 2000). Nevertheless, according to Kvale (1997), it is possible to do an analytical generalization, which means that the results can serve as guidance if a similar situation occurs. For this, again the choice of sample is very important. The author
tried to find the companies that could best represent the market, and the people within them that could give good answers to the questions.

3.7 Focus of study

Loads of information can be found about the marketing mix and the different factors and aspects of the 4 P’s. Even though the writer in the theory tried to give a wider overview, only some of the factors will be in focus and finally used in the analysis, i.e. those that should be changed in an economic downturn. See table below.

<table>
<thead>
<tr>
<th>Product</th>
<th>Private label products, new preferences of products and/or brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Discounts, price cuts, price vs. quality</td>
</tr>
<tr>
<td>Place</td>
<td>Location of store, activity on Internet, Self service checkouts</td>
</tr>
<tr>
<td>Promotion</td>
<td>Amount of promotion, ways and media to promote, loyalty program, campaigns</td>
</tr>
</tbody>
</table>
4. Empirical data

In this chapter the studied grocery store chains will be presented, together with the empirical findings conducted through the interviews, from websites, annual reports and different articles. The information in this chapter will serve as a base for the analysis in the following chapter.

4.1 Axfood

Axfood is the youngest of the three studied grocery store chains, with a history dating back to 1999. Their business mission is to develop and run successful retail food concepts in the Nordic countries based on clear and attractive customer offerings.

Today, Axfood is the third largest grocery store chain in Sweden (www.largestcompanies.se), with about 17% market share (Axfood annual report, 2008). Axfood acts as a group, consisting of the wholly owned chains Willys, Hemköp and PrisXtra, which together have 225 grocery stores all around Sweden (www.axfood.se). Compared to for example Coop and Ica that have one central headquarter and marketing department for all their shops and supermarkets, even though they have different focus, in the Axfood group each chain has an own management that takes care of resp. marketing-, assortment and pricing strategies (Axfood annual report, 2008).

Willys was developed as a discount chain, with the purpose to offer “Sweden’s cheapest bag of groceries”. Hemköp instead focus on a wide assortment of fresh and healthy products, and a higher personal service. Finally, PrisXtra is, as they call themselves, a discount chain with a gourmet touch. So far there are six shops in Stockholm which, through their gourmet products at comparably low prices, compete with all the other gourmet shops in the Stockholm area. Axfood further has an online store, NetXtra, which provides online sales service to private and commercial customers in Stockholm. Moreover, Axfood collaborates with about 650 proprietor-run stores that are tied to them through different agreements (ibid).

Even though the Axfood group in total increased their revenue to 31,663MSEK (29,189), the operating income 1,077MSEK was the lowest in three years (Axfood annual report, 2008).
4.1.1 Axfood marketing strategy during financial crisis

According to the information gathered, Axfood has understood that the buying behavior is changing and that, in order to stay competitive, it will mean changes for them as well (Axfood annual report, 2008). Except from the accumulated consumer buying behavior, with customers asking for premium products that are healthy and possibly also organic, at the same time as they are not too expensive, now the customers are also starting to ask more for discount products (ibid). This, nevertheless, the group tries to see as something positive, since it could lead to a raise in sales of their private label products.

Private label products are something that has a quite large focus by Axfood, and they consist mainly of the Willys and Hemköp house brands, these are; Willys, Hemköp, Hemköp Nyttiga (healthy) and Eldorado. During 2008 also a new organic brand called Garant Ekologiska varor was introduced. Willys products can be found in all departments of the Willys stores and account for about 23.4% of the total sales of the chain. These brands maintain the same standard of quality as the market-leading products in each category, but can due to few intermediaries be sold at a price that is 10-15% lower (www.willys.se). When it comes to the Hemköp brands, they stand for about 14.6% of Hemköps’ total sales. Hemköp is the brand that focuses on high quality products of all kinds, at lower prices. Same as by Willys, the Hemköp products have to go through strict tests and the quality has to be completely comparable to the quality of market-leading products (www.hemkop.se). Further, Eldorado is a food discount brand, sold within the whole group. Eldorado products are of a more simple quality at much lower prices. With simple quality it is meant e.g. that there are a bit less berries in the jam, that nuts do not have exactly the same size and that the packaging is simple. Finally, the newest brand Garant Ekologiska varor is also a group-wide brand, including about 64 organic products. Private label products already stand for about 20% of the group’s sales but are planned to be increased to 25% by 2010.

For the discount chain Willys this economical situation gives great chances to increased sales, 2008 was a great year for them and four new shops were opened. Hemköp on the other hand, have to adapt their assortment and prices to the customers changed behavior (ibid). Moreover, the Axfood group expects the sales of some premium products to increase this year since people will limit their restaurants visits and instead want to prepare something good at home, this change could instead be positive for Hemköp, but has so far not been seen.
When comparing the annual reports from 2007 and 2008, it can be seen that Hemköp, had lower revenue in 2008 and an operating income of -1%. Since the last quarter 2008, the Axfood group has tried to focus on the costs and how to minimize these. For 2009 the group has not only planned to continue minimizing the costs, but also to develop new product- and pricing strategies. Even though their plan is not to become another discount chain, they now see a great need to have competitive prices within their segments (Axfood annual report, 2008). Except from changes in their strategies, some organizational changes have taken place, with a new management and less people in the office.

Further, Axfood expects the supermarkets and discount chains to have the best conditions for keeping or even strengthening their positions on the market in these times. In the case of Axfood this means the Willys, and to some extent, the PrisXtra shops (Axfood annual report, 2009). Hereby it can be understood, that not the location, but the kind of stores matters more during the financial crisis.

When it comes to the usage of the web, the website is becoming a more and more important channel for communication with the customers. The Axfood website provides customers with information about the whole group including organization structure, management, financial information and contact information. The Willys and Hemköp sites on the other hand, serve as channels for promotion, information and inspiration. The customers can, among other, see the current offers and find the closest or most suitable shops. Nevertheless, this importance has been growing for several years and did not change because of the financial crisis. Moreover, NetXtra is the online store of the group. Customers can check the website, choose their products and finally order them. The ordered products can be picked up in the NetXtra shop in Stockholm, or delivered to the home. The deliveries are cost 99SEK when the amount bought for is less than 3000SEK. Anyhow, this online service is only usable for customers living in the Stockholm area and has also not been further developed or changed due to the financial crisis.

The changes that have been done, or are planned to be done regarding to the way and amount of promotion, differ among the Axfood chains. Willys, PrisXtra and NetXtra will keep their promotion channels and amount of adverts, but with a larger focus on the pricing in the messages (www.finanstidningen.biz). Hemköp, on the other hand, will make some changes in their promotion strategy this year. In an interview made by Dagens Media, Per Åkesson,
marketing manager of Hemköp said that customers have got the wrong price image of them and that this has to be changed (http://www.dagensmedia.se/mallar/dagensmedia_mall.asp?version=213823). According to him Hemköp is not as expensive as many people think. Last year the main media channels were TV and prints, but this year the focus will lie on in-store commercial, direct mail and campaigns for their loyalty program. The TV commercials last year helped them to spread knowledge about their brand, but this has to be cut down for this year (ibid).

They have further invested in Hemköp club cards and getting new members. Except from a normal bonus card which can be used in all Hemköp shops and gives up to 2% bonus of the bought amount every time the member uses it, they also offer free Visa cards through which the member not only gets the 2% at Hemköp, but also 0,5% when paying with it somewhere else. The bonus is paid out in form of bonus checks four times a year (www.hemkop.se). Except from the bonus and special offers, for every 100SEK that the member spends, 10 öre are sent to SOS-barnbyar. This is an organization helping orphans and other abandoned children around the world to get a home, education etc. In the end of 2008 there were 217.000 registered members; this was much earlier than they had planned to reach this number (ibid).

**4.2 Coop**

The history of Coop dates back to 1850 when the first consumer cooperative movement was started. They were the first ones to open self-service shops, and in the 60’s also supermarkets. In the 80’s when the environment started to be an important issue, Coop was the first to introduce an ecological product line in their shops (www.coop.se).

Today Coop has about 700 grocery stores and supermarkets all over Sweden. These are divided in five different profiles; 1. Coop Extra- these shops concentrate on low everyday prices and always have multi-buy offers. 2. Coop Konsum- with focus on high quality and always fresh products, they also have Sweden’s largest range of organic food. 3. Coop Nära (close) - the concept here is speed, convenience and simplicity. The Coop Nära shops have long opening hours and a good range of products. 4. Coop Forum- these are stores that offer everything under one roof, except from their main product food, also other products for both home and leisure are offered. 5. Coop Bygg (construction) – in these shops all kinds of equipment for home renovation and gardening can be found.
Coop Sweden accounts for 21.4% of the entire Swedish FMCG (fast moving consumer goods) and is the second largest grocery store chain in Sweden with about 18% market share (www.largestcompanies.se).

4.2.1 Coop marketing strategy during financial crisis

According to Ms Frida Strömvall, campaign- and project leader at Coop Sweden marketing department, so far no special differences have been recognized when it comes to sales of different brands or products. It might be that the different shops around Sweden have recognized some local changes, but in the general picture of whole Sweden, no changes have been seen yet. Nevertheless, since the annual report and results for 2008 are not available yet, it is possible that some changes will be shown there (ibid). “Anyhow, we have through different data understood that people in general are becoming more sensitive when it comes to price now, and have therefore put a bigger focus especially on that now” (Frida Strömvall, 2009). Consequently, private label products are something they bet more on now, and try to emphasize that these exist and are a cheaper alternative to other brands. Coop has developed three own brands; Coop, X-tra and Änglamark. The Coop brand includes a wide range of high quality products at comparably low prices. Everything from cereals to cleaning products and diapers can be found under this brand. X-tra is Coop’s own discount brand. These are the products to buy when there is a need of a large amount of one or a few products. Finally, Änglamark is the brand under which Coop sells their organic, ecological, fair-trade and allergy friendly products. A wide range of products with this brand can be found in the shops.

Even though Ms Strömvall agrees with that cheap prices and discounts attract people and she explains that it is something they use time to time, they do not necessarily use it more now than before the crisis. An exception is anyhow the discounts for members that will be explained later. Which products will be discounted depends on the customers and mainly members. Through online questionnaires they can regularly see what their customers’ wishes are.

According to Frida Strömvall, when it comes to choosing between lower prices or free gifts, lower prices drives the sales whereas free gifts demand some kind of counter performance. E.g. If you buy two you will get one for free. Which of these should be used always depends on the situation, but not whether they are in an economic downturn or not.
When it comes to the location of the stores, it is and has always been important, but they do not feel that the location of their stores is something that should be changed or focused on now. When looking at the next factor of “place”, the website, Coop uses it for promotion and information, but mainly as a food site where people can find interesting receipts and inspiration. There is of course a thought that the visitors of the website will buy the ingredients for the receipts at Coop, but no online sales are provided. This has nevertheless also not changed because of the crisis. Finally, when asking about self service checkouts, Ms Strömvall explains that these were installed already before the crisis and will also not be focused more now than before.

Further, when it comes to the ways and amounts of promotion, Coop promote themselves through TV commercials, local papers, their website, their in-store TV and radio, their members’ paper “Mersmak” and CRM. The themes in the papers are continuously being changed and they also differ between the different areas in Sweden, Ms Strömvall explains. As the marketing director of Coop Sweden, Ivar Fransson, stated in an article published by the Swedish paper Svenska Dagbladet; for this spring Coop has planned a new promotion strategy where the focus lays on the members and how to make them shop more. Further he explained that they will use more of their own media to reach out to the members, and use less TV and unaddressed direct mail. They want to offer a greater added value through their loyalty program and be better on communicating it. Now it is important to prioritize ways of communication that drives the sales. Thereby also the messages sent out through the promotion have been adjusted. After focusing a lot on environmental and organic products, now the main focus lays on affordableness (http://www.svd.se/naringsliv/nyheter/artikel_2269253.svd).

Moreover, Coop has a loyalty program where the members get different benefits when joining. For each krona spent at Coop, members get 1 point. When reaching 5000 points the customers get a check worth at least 50 SEK. During 2008, 450 million SEK were shared among the members. Further, special offers are continuously offered to the member customers, not only in the shops, but also when it comes to trips, hotels, amusement parks etc. Also here the better prices because of membership are emphasized, especially in these times of financial crisis. It is still too early to say if the number of members have increased or decreased since the crisis started, but at the moment Coop has 3millions members, which means that they reached the goal they had last year.
Finally, Coop has now started a campaign where they highlight their membership and the advantages of being a member. This campaign has been planned for a longer time and is not a cause of the financial crisis. Nevertheless, the message has been adjusted to these times of financial crisis and the customers’ new preferences. Thereby the economic benefits of being a member are being extremely emphasized.

4.3 ICA

The history of ICA dates back to 1917 when the first version of an ICA shop was opened. Today ICA Sweden is the largest and leading grocery store chain in Sweden, and a part of the ICA group that has totally 2.250 food shops and supermarkets in Sweden, Norway and the Baltic (www.ica.se). The 1.369 ICA shops and supermarkets in Sweden, act as independent with ICA as their only supplier. To meet the customers’ needs, ICA has developed four different profiles; 1. ICA Nåra (close) – are smaller shops that can be found in the cities as well as on the countryside. These shops are known for their high service and adapted assortment. In some cases ICA Nåra works as pick-up sites for the pharmacy and Systembolaget. 2. ICA Supermarket – these shops are situated in the cities, and sell all food for both everyday-life and weekend. ICA Supermarket puts special effort on food inspiration, health and quality. 3. ICA Kvantum – the shops have a wide range of products but focus on food. At ICA Kvantum the customers can find both necessities and specialties from local producers as well as from countries far away. These shops also have a wide assortment of healthy, allergy friendly and environmentally friendly products. 4. Maxi ICA Stormarknad- The Maxi stores are grocery stores where you except from food also can find books, clothes, household-, sport-, and gardening equipment. Some of these stores also have their own kitchen, bakery and babysitting.

Even if not with as much as the previous years, ICA Sweden increased both the revenue and operating income during 2008. The revenue increased by 10.6 percent to 56,706 MSEK, and the operating income was 2,644MSEK compared to 2,372MSEK in 2007 (ICA annual report 2008).

4.3.1 ICA marketing strategy during financial crisis
ICA is aware of that the global financial crisis will not directly affect them in the same way as it did with many other companies, for example within the car industry, nevertheless, they know that it will affect their customers and thereby indirectly also them. Since the shops and supermarkets work as independent actors on the market, they have a very good ability to change fast, and believe thereby that they will adapt to their customers changed preferences without problems (Ica annual report, 2008).

ICA was always trying to keep the prices down, but this never used to be their main focus. Instead they have always tried to concentrate on the customers’ wants and offering them special product ranges with for example organic and fresh ready-cooked food (ICA annual report, 2007). Even though the demand for organic and local products is still rising, the customers’ attention has now been more drawn to discount alternatives. Ica has understood how important the price has become for the customers and sees their private label products as very important (ICA annual report, 2008). These products will help ICA to position as offering value, quality, innovation and sustainability, at affordable prices, in these times of financial crises (ibid). All ICA products are strictly controlled and tested that they fulfill all the high standards concerning everything from way of production to taste and content. Except from the general ICA brand, there are also some specific subgroups as ICA I love eco, ICA Gott liv (good life), ICA Cook & Eat and ICA Home. ICA I love eco as it sounds is the organic brand. The products should be as natural as possible without any unnecessary additives as synthetic colors, flavors and sweeteners. ICA Gott liv offers tasty and at the same time healthy products for all meals of the day. Through this product line, ICA wants to inspire their customers to a good and healthy life. ICA Cook & Eat and Home are brands for products as pans, pots, storage jars, cloths, napkins etc. These are trustful products at lower prices (ibid).

According to Helene Hillarp, merchant at ICA Maxi högskolan in Halmstad, an increase in sales of discount products, including private label products, has been recognized. “People are not eating less, on the opposite they seem to have limited their restaurant visits and buy more in the shop” (Helene Hillarp, 2009). Even though this might lead to customers sometimes wanting to buy some premium products, generally they pay more attention to the price and prefer to buy the cheaper brand (ibid). The share of ICAs private label sales in Sweden rose from 17.4 percent to 18.2 percent in 2008 (ICA annual report, 2008).

To be able to offer their customers the best price, except from betting more on their own products, strong offerings and a good discount selection will be emphasized. Already during
2008 ICA’s sales increased by 10.6% due to, among other, strong offerings. Further, the chain will continue negotiating with their suppliers, and also try to become more efficient internally. By reducing the costs they hope to be able to decrease the prices and thereby increase the sales (ICA annual report, 2008).

When looking at the importance of location, this one of their main concerns when opening a shop, but does not change in any way because of the financial crisis. Something that on the other hand has been recognized by the chain is that discounters and hypermarkets attract the most new customers in these times (ibid). Thereby, a larger focus is now on the kind of shop than on the location.

Further, the website of Ica is used for inspiration, information and commercial. No online-sales are being provided, and this is also nothing that has changed due to the financial crisis. (www.ica.se). Self service checkouts on the other hand, and teaching customers how to use these has now become greater focus. According to Mrs Hillarp this is a way to strengthen the relationship to the customers, through doing their shopping a bit faster and thereby saving their time.

When it comes to the promotion channels used by ICA, since the chain consists of independent shops, the marketing can differ a bit between the different shops or areas in Sweden. These differences may be recognized in the local papers or particular stores. Nevertheless, promotion through TV, radio, Internet and their members paper Buffê is common. The TV commercials are something that ICA for many years has invested a lot in and also has been awarded for. A few years ago, three years in a row, ICA was announced as having best TV commercials in Sweden (www.di.se). Moreover, in a study about direct mail, made by the post here in Sweden, the former Creative director of ICA explained what a crucial role direct mail plays in ICA’s promotion mix (http://www.posten.se/img/cmt/PDF/drmonitorn_2008_2009.pdf). Especially in these times a direct contact to the customers and building up a relationship with them is very important. Also Mrs. Hillarp confirmed that the customer relationship is important and an important marketing channel in these times is their “KSM” which stands for customer specific marketing and means that letters are addressed and sent to specific and special customers.

Except from a loyalty program with different discounts and special offers to the members, ICA also offers banking services.
To become an ICA member is easy and free of charge. Every time the member uses the card in an ICA shop or at Statoil, he/she gets 1% bonus for each krona spent. When the amount of 2500SEK has been reached, the member gets a check worth 25SEK. Members who spend at least 1200SEK monthly get special offers on food, gas, trips, hotels, cinema visits etc. These members also get the members paper Buffé for free once in a month. If a member mainly shops in one particular grocery store or supermarket, he/she might get special offers from this particular store (www.ica.se). As Helene Hillarp stated, the number of customers is all the time increasing, nevertheless this could have been the case also under normal circumstances.

As mentioned earlier, it is also possible for customers to get an ICA bank card. This is a service that has grown during the last year and is becoming more and more new members (Ica annual report, 2008). A campaign in 2008 attracted many new customers that felt secure having a small and innovative bank that focuses on simple solutions and products in the beginning of the economic downturn (ibid). Through the banking services, ICA helps their customers to handle their finances and thereby increase their loyalty to ICA. So far three different bank cards are offered to the customers; ICA Bankkort – a normal bank card but with a higher interest on the money, ICA Bankkort Plus – an account- and credit card with bonuses everywhere but no interest rate on the credit, and finally ICA Bankkort Online - a card very suitable for youths, the card does not work without money on it and the status can be checked by phone or over the Internet. Now ICA wants to broaden their bank´s offering, in order to strengthen the relationship with their current customers and attract new ones.

Most recently, ICA began their campaign of the year. The prices of in total 2000 articles, of as well their own - as other brands, were decreased by 2-10%. In each store, depending on what kind, 200-1000 articles have become cheaper (www.ica.se). In an interview with Svenska Dagbladet, the CEO of Ica Kenneth Bengtsson explains that the customers should feel a total decrease in prices when doing their regular shopping at ICA. Further he promises that these new prices will last at least until September 2009 (http://www.svd.se/naringsliv/nyheter/artikel_2765771.svd). Mrs. Hillarp confirmed this by explaining that the prices were lowered in order touch all the segments. A customer should find something cheap in all the segments from breakfast to desert.
5. Analysis

In this chapter an analysis of the empirical findings will be done, based on the theoretical framework. Primary and secondary data will be connected to the theory about changes of marketing strategies during financial crisis.

According to Ang et al. (2000) and Köksal and Özgül (2007), during financial crisis customers change their buying behavior. Axfood, Willys and ICA have all recognized and understood that there is a change in the buying behavior of their customers at the moment, and have come up with different solutions how to cope with these changes and meet their customers new preferences. Some changes in their strategies are similar or almost the same, but also a few differences can be seen.

5.1 Product

When a financial crisis occurs, no matter if the people can feel it physically, in form of less money, or psychically in form of worries about the future, they generally become more money-minded. When shopping, customers switch to cheaper brands and only buy necessities (Ang et al., 2000; Köksal and Özgül, 2007). Axfood, Coop and ICA have all either through data, or by sales numbers understood this change by their customers and begun to emphasize their private label products. They all have a wide range of products, including healthy, organic and environmental products and can thereby offer different customers cheaper alternatives to other brands in all segments. According to Shama (1981), customers in economical downturns further emphasize qualitative and durable products. The chains private label products are of the same quality as products of any other brand, Axfood even claim that their Willys products possess the same quality as the brand leaders, but can due to the few intermediaries be sold at a much lower price. Axfood is the one betting most on their private label products which already stand for 20% of groups’ sales. During this year Axfood wants to increase this number to 25%. 
5.2 Price

Pricing is the marketing variable that is the easiest to change, it can be done fast and does not cost much (Ferrell & Hartline, 2002). This is recognizable by the studied companies since they all, in one way or another, made some changes in the pricing. Further, Ang et al. (2000) explain in their literature, two different pricing strategies to use in recession. One is about maintaining quality through charging normal prices for products of higher quality. The second strategy should help the company to keep or increase their market share, through low prices on normal products. It cannot be said that any of these companies are following any of these strategies fully, but they have used some parts of them. To start with Axfood, they, as well as ICA, expect the supermarkets and discount chains to keep or even strengthen their positions. Thereby they expect good opportunities for Willys, being a discount chain. Consequently, their aim is to be the cheapest and not the most qualitative. Moreover Eldorado, Axfodds’ own discount brand that is sold within the whole group, offers products of a simple quality at very low prices. When it comes to their second chain Hemköp on the other hand, their main focus is to always offer their customers fresh products of good quality. Nevertheless, now also they are developing new pricing strategies in order to be able to survive. Their aim is nevertheless to become a discount brand, but to offer competitive prices in their segments. ICA did already in the end of 2008 increase their sales through different offerings and good discount selections, and will continue the same way in 2009. Through decreasing the prices of many- and all kinds of products, ICA reaches out to all kinds of customers, and except from making the old customers continue coming to them, they might also draw some new to their shops. Anyhow, since they reduced the prices on a mix of products, and also since their cheaper products like e.g. their private label products are of good quality, they will at same time as increasing their market share, also maintain the same quality.

When it comes to Coop, this is the chain, except from Willys, that has done and will do the least pricing changes. They are continuing with their time to time discounts, but do not necessarily have more of them now. Instead of decreasing the prices or having more discounts for everyone, they now focus on better prices and special discounts for their members, in order to get more members to their loyalty program.

Finally, Shama (1978) states that most companies in financial crisis try to increase sales volume fast through cutting the prices. Except from special offers, ICA is reducing their costs
in order to be able to decrease the prices and increase the sales. Also Axfood will focus on the costs this year and try to minimize these, in order to keep the prices down.

5.3 Place

The location of a store is very important for food retailers and many hire specialists to find them the ideal place (Kotler & Armstrong, 1996). To have the right spot is according to the studied grocery store chains always important and does not change in any way in times of financial crisis. What instead becomes more important during economic downturns is what kind of shop it is. Axfood as well as ICA have recognized an increased interest of discounters and supermarkets, which in all three cases will result in advantages for some of their shops, and disadvantages for other.

As Internet is a very simple and cost-effective way to reach out to many customers at the same time (Pallab, 1996), all three companies use it for information, promotion and inspiration to the customers. Through inspiring recipes and suggestions, the grocery store chains of course hope to draw the customers to their shops. Nevertheless, this way of using the Internet is the same as before the crisis. Except from NetXtra, the online shop of Axfood, no online sales are being provided. Since NetXtra only serves customers in Stockholm and did not start or change because of the crisis, it cannot really be said that it is an advantage of Axfood in these times of financial crises.

Moreover, during the depression of the 1930’s, people in the United States were willing to do their “locate-compare selection” on their own, in order to save money (Kotler, 1999). Today a similar change can be seen within the Swedish food retail. In all larger shops and supermarkets of ICA, as well as Coop and Axfood, so called self-service checkouts have been installed. These should save the customers’ time, and the stores money. At Ica the self-service checkout and teaching customers how to use these has gotten even more attention now. It is seen as a way to get closer to the customers, through doing them a favor.
5.4 Promotion

The most important to remember when it comes to promotion in financial crisis is to not cut the promotion costs (Köksal and Özgul’s, 2007). To start with Axfood, they as well as Coop want to cut down on the TV commercial and instead focus more on direct mail and their loyalty programs. Axfood further wants to use more in-store commercial for better communication with the customers. In-store commercial, as well as direct mail and loyalty programs are very good ways to keep and maybe even improve the contact with current customers. Nevertheless, it becomes more difficult to reach out to new customers by only using these communication channels. ICA is the only of the studied grocery store chains that will fully continue with their marketing as before. In order to get an even closer relationship with their members, extra focus will be laid on direct mail and their customer specific marketing. According to Marconi (1997), especially in economical downturns, a constant communication with the customers is very important. It is also important to communicate in the right way, in order to be able to convince the customers (ibid). In financial crisis, people generally prefer information about the products instead of imaginary commercial; they want to be able to trust the company and product before buying (Shrager, 1991). Through direct mail the three studied companies build a closer relationship to their customers and thereby also gain more trust from them. According to Ang et al. (2000), print becomes more relevant in these times. Customers can read about the offers and by the selves decide whether to buy or not, which makes them feel comfortable and trust the message, besides, prints are a cheap way to reach out to a large population at the same time. As mentioned earlier, all three companies do now focus more on adverts in paper form. Except from the direct mails, ICA and Coop also use local papers and their members’ papers to inform their customers about different offers and discounts etc.

Moreover, all customers love sales or some kinds of decrease in prices that might come with coupons, premiums etc. (Ferrell & Hartline, 2002). Further, according to a study made by the Nielsen Company (2009), customers prefer these offers and campaigns instead of switching to discount chains. Willys, that already is a discount chain of Axfood, is not having- and also not planning to have any special campaigns or unusual discounts. They will nevertheless stress in their adverts, how cheap they already are. Hemköp, the second chain of Axfood, is on the other hand planning some greater changes in their promotion strategy this year. Through focusing on the promotion channels; in-store commercial, direct marketing and their
loyalty programs, they want to change the wrong price image that their customers have of them, and try to get even more new members. Since, as mentioned earlier, discounters and supermarkets are becoming more popular by the customers now, shops like Hemköp have to find ways to draw them back. Further, Coop had for the spring also planned a new promotion strategy, where the main focus lays on the members and affordableness, and began recently a campaign with this theme. The aim is to keep the current members and make them shop more, at the same time as becoming more new members, through offering and communicating a grater added value to the members of their loyalty programs. Finally, ICA, even though continuously getting more members of their program, especially when it comes to their bank services that last year gained many new members, will this year focus on an overall decrease in prices, for both members and non members. The purpose is to offer all their customers a totally cheaper shopping. This is also the theme of their campaign of the year. Totally 2000 articles have become cheaper and will remain like that at least until September.

For an easier overview of the main changes done by the three studied grocery store chains, the table below was developed.

<table>
<thead>
<tr>
<th>Marketing Mix</th>
<th>Product</th>
<th>Price</th>
<th>Place</th>
<th>Promotion</th>
</tr>
</thead>
</table>
| **Axfood**    | -Focus more on private label products | - Willys: emphasize price  
- Hemköp: emphasize quality  
- cut costs=cut prices |       | -Focus on price  
- More in-store and direct marketing (less TV)  
- Hemköp: loyalty program | |
| **Coop**      | -Focus more on private label products | - Special offers for members of their loyalty program |       | -Focus on price  
- More in-store marketing and direct mail (less TV)  
- Campaign: loyalty program | |
| **ICA**       | -Focus more on private label products | - Strong offerings  
- Quality and price for everyone  
- Cut costs=cut prices | -Focus more on self service checkouts | -Focus on price  
- More customer specific mail (same TV etc)  
- Campaign: banking/cheaper total shopping |
6. Conclusion

In this chapter, the conclusions of this research, which are connected to the research purpose and question, will be drawn. Moreover, ideas for future studies connected to this topic will be presented, and the chapter will end with implications and limitations.

No business sector has gone untouched by the worldwide financial crisis, also not the Swedish food retail sector. Since a lot of literature can be found about buying behavior and how this changes in economical downturns, but not as much about how companies change in order to meet their customers new preferences, the following question was developed: How do food retailers in Sweden adapt their marketing strategies to the changing consumer buying behavior during the financial crisis?

The results of this study show that the companies have recognized and understood the changes in their customers buying behavior, and all made changes in the four variables of their marketing mixes:

- **Product**: The companies all began to emphasize their private label products. These products offer their customers durable and qualitative products, but thanks to the few intermediaries, at much lower prices.

- **Price**: Since the customers care more and more about price in these times, the studied grocery store chains have all put a much greater focus on their pricing. ICA and Axfood through discounts and offerings for all customers, and Coop through special offers for their members. ICA and Axfood are further trying to minimize their costs, in order to be able to keep offering their customers lower prices.

- **Place**: Self service checkouts have been installed by all studied grocery store chains and are now getting special attention by ICA. This is a way to get closer to the customers through doing them a favor.

- **Promotion**: The chains, except from ICA, have cut expensive promotion as TV and focus more on in-store commercial and prints. All chains further emphasize direct marketing, as a way to build a closer relationship with the customers and gain their trust in these times of financial crisis. Moreover, ICA and Coop have started campaigns, with messages that draw customers in these times.
6.1 Conclusion discussion

Before this research, being a person myself, it was not difficult to figure out that people would keep eating even though having a lack of money or being afraid of having less money in the future. At the same time, it was also quite clear that people would consider their shopping more carefully and change some of their shopping habits. What on the other hand was not as clear, was how all the competing shops and supermarkets would deal with these changes, and what they would do in order to keep their customers. As the result shows, the purpose of the study; to examine how the Swedish food retailers change their marketing strategies in order to meet the customers changing buying behavior in these times of financial crisis have been fulfilled. The conclusion drawn from this study shows, that all studied chains have done some changes in their marketing strategies to cope with the changes in their customers buying behavior. It was also shown that the main changes were common for them. Since this is a financial crisis, it is about money. People are either losing money, or being afraid of losing money anytime soon. Because all the studied grocery store chains were aware of this, they put their main focus on exactly this; the money. All are trying to show their customers that they have the best offers, if through huge price cuts or special offers for members. Except from showing their cheap alternatives, they also try to convince the customers about the quality and durability of their products. Of course, people that have little money do not want to spend it on something that is bad or has to be bought again earlier than necessary.

Nevertheless, there were some differences in their changes, and some things that were expected to be in some way, finally turned out differently. After reading the theory, I had some expectations that ICA, being a leader, would concentrate on keeping their position and not do any extraordinary changes. Axfood instead, being a challenger, was expected to take their chance to invest more and improve their position. Anyhow, this was not the case. Due to that their chain consists of independent shops, ICA was able to adapt very fast, and made sure that they will keep their leading position even in these times of financial crisis. They further used their money and power and continued investing a lot in their marketing. Axfood, instead of trying to improve their position, now have to work harder to keep their position and current customers. They also had to cut down expensive promotion channels like TV, which normally are good for getting attention of new customers. With the huge price campaign, ICA, which normally stood for good quality at normal prices, now threatens also the discount chains that have to decrease their prices even more to keep their customers. To compare the leaders and
challengers was nevertheless not the focus of this research, but can be an interesting topic for further research.

Another interesting fact was that while ICA Maxi in Halmstad had clearly recognized that their customers had switched to cheaper brands, by Coop this had not been seen in numbers but understood through databases. This might be because the interviewee at Coop was from the headquarters of the whole chain and only had general numbers. She mentioned that the local shops might have recognized some changes, but these were still not shown in the general picture. ICA Maxi on the other hand, is one of these local supermarkets and here the changes can be seen much clearer and sooner. A second topic for future research might thereby be to compare different local shops and supermarkets.

As mentioned earlier, the main differences done by the studied chains were common, nevertheless, there were some differences, thereby it could be interesting to look at how these chains will manage this time and continue after the crises. Further, if there are any differences in how grocery store chains and discount chains act in financial crisis.

Finally, the consumer buying behavior can be studied deeper. Local comparisons can be done and if there is a difference between people that actually have less money, and people that are just afraid of having less money in the future.

Except from being an up to date research, the amount of researches done on this field is limited. Thereby this research can contribute as a base for future research in this area. Especially companies on the food retail market, but also other companies can use this research to gain more knowledge about how to act in these times of financial crisis. It has been shown that the marketing strategies and how these are operated is very important. A flexibility and ability to adapt to the changing environment and in this case especially the customers is very important.
6.3 Limitations

Since the information gathered from the different companies showed many similarities, and the empirical findings accord with the theory, it is believed that the information gathered was truthful and good. Nevertheless, if the interviews would have been conducted with the marketing managers in each of the companies, the information might have been a bit wider and deeper. Further in the case of Axfood, information was only gathered from their website, annual reports and articles. Even though numbers talk for themselves and different sources were compared, there is a risk that the companies’ angle the written information in a way that make them look better. Moreover, because of a lack of time, from both my and the companies sides, phone interviews instead of personal interviews were conducted. Even though this has both negative and positive effects, a big loss is the gestures and body language that cannot be seen over the phone. Moreover, there is always a risk that the research gets influenced by the researcher and his/her way of seeing the problem. This would decrease the trustworthiness. This was tried to be prevented through getting back to the companies, checking that everything was understood in the right way and that the answers were not angled in the way of the researcher.

Finally, even though the financial crisis were felt already last year, the companies and also annual reports are still talking about plans and what will be changed this year. Therefore it might be that more changes would be recognized if the research would have been a few months later.
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Interviews

Frida Strömval, Campaign and project leader, Coop Sweden, phone interview (2009-04-15).

Appendix

Interview guide

Name:_______________________
Position:_____________________

1. How do you in general feel about the financial crisis?

Product
2. Have you seen any differences in sales, e.g. different products/brands have become more or less popular during the last year?
   a. Other changes you have recognized…
3. Have you taken any special actions because of these changes?
   a. If yes, what kind?
4. Are own-branded products something you bet on now?
   a. Why-explain more….

Price
5. Do you think that discounts attract more people?
6. Do you try to attract more people through discounts in these times of crisis?
7. Do you think that customers prefer lower prices or free gifts?

Place
8. Do you think that the location of the store plays any role now?
9. Do you use Internet-for promotion or selling?
10. Do you have Self service checkouts?
   a. If the answer is yes; do you focus them more now?

Promotion
11. In what ways do you promote yourself/which media do you use?
12. Do you try to do more promotion now compared to before the crisis? Or maybe in different ways/different media?
13. Do you have any membership or club that the customers can join?
   a. What benefits do the members have?
14. Are more people becoming members now?
15. If the answer is NO on the previous question, are people leaving?
16. Do you have more campaigns now than at this time previous years?
17. Is there anything else you would like to add?

Thank you for your taking your time!