



FOODNET

Food in Eco Network

Food in Eco Network – internationalization
and global competitiveness of European SMEs
in Food and Eco Logistics Sector

Grant Agreement: 783395

D2.3 Plan for joint branding and marketing strategy statement

Version number: 1.0

Dissemination Level: Public

Lead Partner: LLA

Type of deliverable: Report

Status: FINAL



This report was funded by the European Union's COSME Programme (2014-2020)

Published in the framework of:

Food in Eco Network – internationalization and competitiveness of European SMEs in Food and Eco Logistics sector.

FoodNet website: www.foodnet-project.eu

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Revision and history chart

Version	Date	Editors	Comment
0.1	15.10.2019	Guna Miskarova	The first draft created
0.2	28.10.2019.	Jānis Baltačš, LLA	Reviewed and delivered to other partners for reading
0.3	10.12.2019	Jānis Baltačš, LLA	Final edition prepared
1.0	14.12.2019	Aleksandra Oleksik, LODZ	Submitted to EC

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Explanation of Abbreviations and Terms Used

<i>4 P's</i>	Product, price, place, promotion - tool used for marketing analyses
<i>ATC</i>	AgroTransilvania Cluster
<i>CAGR</i>	Compound annual growth rate
<i>COEX</i>	Coexphal - Association of Fruit and Vegetable Producer Organisations of Almeria
<i>DHA</i>	Docosahexaenoic Acid, type of Omega 3-fat
<i>EU</i>	European Union
<i>EU COSME Programme</i>	the EU programme for the Competitiveness of Enterprises and SMEs, running from 2014 to 2020
<i>FoodNet</i>	The project "Food in Eco Network – internationalization and global competitiveness of European SMEs in Food and Eco Logistics Sector", funded by EU COSME Programme
<i>FoodNet Meta-cluster associated members</i>	Organisations and individuals such as R&D organisations, universities, public organisations, policy makers, experts, individual SMEs and large companies which are not members of the particular cluster but clearly support its mission and objectives.
<i>FoodNet Meta-cluster partners (full members)</i>	Clusters represented in the meta cluster through cluster organizations, food, logistics and other industry clusters or similar business network organizations. Partners have an own legal entity or can be represented by authorised cluster member. Full members have similar rights with funding members.
<i>Funding members</i>	Clusters that will have set up the meta-cluster and as the first signed the Food in Eco Network Partnership Agreement
<i>GCC countries</i>	Gulf Cooperation Council
<i>HS code</i>	The Harmonized Commodity Description and Coding System is a multipurpose international product nomenclature developed by the World Customs Organization http://www.wcoomd.org/en/topics/nomenclature/instrument-and-tools/tools-to-assist-with-the-classification-in-the-hs/hs-online.aspx
<i>JIS</i>	Joint internationalisation strategy
<i>LIW</i>	Association "Logistics in Wallonia"
<i>LLA</i>	Latvian Logistics Association
<i>LODZ</i>	LODZistics Logistics Business Network of Central Poland
<i>ME</i>	Middle East
<i>MENA</i>	Middle East and North Africa
<i>Organic products</i>	According to definition used in COUNCIL REGULATION (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91 (O.J. L 189, 20.07.2007, p. 1) https://webgate.ec.europa.eu/agriportal/angebleu/pdf.download?docNum=32007r0834&lg=EN
<i>Porter's 5 forces</i>	Model for analysing competitive forces used for strategy of particular segment
<i>R&D</i>	Research and development
<i>RDI</i>	Research, development and innovation
<i>RTD</i>	Research and technological development
<i>SCN</i>	Supply Chain Network
<i>SMEs</i>	Small and medium enterprises according to the definition stated in the European Union recommendation No. 2003/361
<i>SWOT</i>	Strengths, weaknesses, opportunities and threats
<i>UAE</i>	United Arab Emirates
<i>USP</i>	Unique Sales Proposition

1. Introduction

The FoodNet Joint Internationalisation Strategy (further named - FoodNet JIS) was developed within the project “Food in Eco Network – internationalization and global competitiveness of European SMEs in Food and Eco Logistics Sector” (further in this document named - FoodNet), funded by EU COSME Programme.

The initial FoodNet network was established by five partners from five EU Member States. They represent food and logistics sectors and are as follows:

- LODZistics Logistics Business Network of Central Poland (LODZ)
- LOGISTICS IN WALLONIA, Belgium (LIW)
- AgroTransilvania Cluster, Romania (ATC)
- Coexphal - Association of Fruit and Vegetable Producer Organisations of Almeria, Spain (COEX)
- Latvian Logistics Association, Latvia (LLA)

FoodNet JIS focuses on the food (fresh and organic products) and logistics and is open to the participation of *customers, distributors, suppliers, competitors, non-profit organizations, research institutions and public administration*. In autumn 2018 the partnership agreement was signed for reinforcement of the collaboration among partners and involvement of new actors.

This document – Marketing Strategy Statement along with Roadmap of further actions are key elements to successful implementation of the Strategy.

The FoodNet meta-cluster’s strategic objective is *to support the European food sector companies market development and especially internationalisation*, what includes identification of external markets, creating favourable paths, and provision of knowledge and skills necessary to become globally competitive and perform successfully in the international arena. The strategy is focused on three geographic regions. They are: 1. North America: Canada, USA. 2. China. 3. Middle East: United Arab Emirates, Saudi Arabia, Kuwait, Oman and Iraq. This document - Marketing statement indicates different approaches to be used in different markets as well as emphasizes common values that have to be maintained in all markets.

The JIS is addressed to a wide range of stakeholders, primary to companies in the food sector (especially fresh and organic producers), companies of the logistics, non-profit and sectorial organisations (e.g. food producer groups, clusters). This section should be noted as a crucial in order to **identify the product groups and manufacturers, Stage 1**.

Participation of public and private business support institutions is foreseen in a form of development and provision of support measures, necessary to build up capacity of companies for internationalisation. Possible input of other stakeholders, such as **research organisations** or public administration is indicated as well and will be playing important part at the **Stage 2, when potential buyers of particular products will be identified**.

After Stage 2 will be completed, Marketing statement has to be reviewed and message fine-tuned for target audience accordingly.

2. Brand development statement

Analysis, comments and suggestions described in this document have been received from the external expert Guna Miskarova, experienced in the marketing of food products in the Middle East countries. Recommendations were received also from Philippe Mairlot, representing Magemar-Magestra Group and experienced in marketing in China market, and Pierre Heymans, representing Wallonia Agrofood Cluster and experienced in marketing in all selected target markets.

Comments and suggestions described in this document are addressed to the selected markets:

1. **Middle East (ME)** market: Gulf Cooperation Council (GCC) countries, particularly the United Arab Emirates (UAE) and Kingdom of Saudi Arabia (KSA);
2. **North America:** USA and Canada;
3. **China.**

In all three market areas, especially in the Middle East and China market, EU products and services have a high profile and reputation for **quality, trust, security and business ethics**.

There are several campaigns and projects already launched in the UAE market or measures representing EU products, marketed by different regions of EU, in autumn 2019 are at the development stage. However, it should be emphasised that most of these activities are focused on Middle East markets.

Examples:

- **Great Flavours** - products from Greece: feta cheese, cheese, olive oil, currants, pistachios
- **European Currants** - agro cooperative from Greece
- **Fresh cherry** - Bulgarian horticulture association
- **Peach Garden** - fresh peaches from Greece
- **EU Organic juices - Drink Organic Super Juices** - Romania, Greece, Bulgaria
- **Fruit Life** - fresh apples, peaches, cherries
- **I love European fine food** - Greece, Romania
- Other projects (dairy)

Based on the FoodNet members and external experts experience, primarily experience in the UAE market, there are following alternatives identified for the Meta-Cluster brand development:

- Incorporating the current logo « **Enjoy It's from Europe** » (*Picture 1*), especially marketed in the GCC countries
- Development of the **New Meta-Cluster Brand** according to the product identified and unifying common value& USP (*Picture 1*)
- Joining projects already going on in the selected markets, especially in the Middle East market

In addition to above mentioned, there are few key words for the FoodNet Meta-Cluster to be considered and discussed by the members, which may affect the BRAND development:

- EU Brand
- Product - preferably describing nutritional and health benefits
- Country of origin, attractiveness of the product origin and development history
- Story of the product from nowadays perspective: carbon footprint, food safety issues, belonging to quality chains, such as organic food labels, etc
- Uniqueness, associated with the brand, innovation, awards, patents, success story
- Attractiveness - well visible, sight attracting packaging (especially for China market)

Core Strategy is to reach a customer:

- in UAE market - by differentiation as competitive advantage and focusing on the niche market, differentiated / premium products;
- in Canada - by differentiation offer per province, in USA – by using proper distribution networks in each of the states;
- in China market – by adaptation of the products to China customers’ demands, creating trust in the products and offering them via e-commerce tools and superstores.

Health requirements have been considered as aspects to be considered and to be demonstrated as fulfilled to customers in all selected markets.

Visibility and communication about the BRAND through the seminars, flyers, information in websites, social networks and other channels Creating BRAND visibility will increase interest, which will then lead to sales.



Picture 1 Examples of the BRAND logos

3. Building blocks of the brand development

FoodNet Meta-Cluster (company) shall create a logo which covers name of the company giving a strong message to the potential buyer, describing the product benefits and value proposition.

- Who is the target audience which more likely is going to buy a product - Fine dining& health and nutritional benefits concerned, living in Dubai, UAE, middle class customers in China, French population in province capital in Canada etc.

- Explaining, why our product is better than the competitors
- Describing USP or Unique selling proposition
- What message to send out? - natural, organic, straight from the forest. Message which stands out and easy to understand (existing traditions and values of targeted customers have to be considered while defining the message)
- Creating the image - font, design layout, colour of products, packaging
- Selecting and establishing the distribution channels

4. Marketing strategy statement

1. Collaborating on single product categories, regions - **finding the "connecting" element**, for example:
 - organic food, healthy products, functional food, infant/ baby food, natural juices, fresh vegetables/fruits, dairy products, meat products, premium products etc.
 - product shelf life and distribution conditions, cold chain is challenging.
2. Merging of EU products / manufacturers **already present** in the selected markets – **offering them appropriate and highly efficient logistics solutions.**
3. Involvement of universities and research institutes, being able to offer new knowledge and innovation for creation of innovative products, their marketing and delivery would play a significant role.

5. Marketing approach

Typically market plan shall identify **the products to be marketed** to the customers along with a description of **what makes them special or unique**. That description of product uniqueness is also sometimes referred to as “competitive positioning”. To put positioning strategy into perspective, there should also be an analysis of competing businesses, including the strengths and weaknesses of direct competitors product mix, pricing, place/location and positioning. There should also be information on products, services and businesses that may be indirect competition.

Target market - in this case the potential market to be served is ME & GCC&UAE, Canada, USA and China. There should be more analyses about the Potential customers in terms of demographics, such as income, age, gender etc. In addition, analysing the potential customer information allowing dividing into major segments so that Meta-Cluster can tailor marketing strategies to a particular segment’s problems, needs or wants. Finally, there should be some estimate of number of potential customers in the targeted markets.

According to the 4 P’s of the Marketing, there are four pillars correlated which needs to be clarified in order to proceed with the plan:

- Product - brand, packaging
- Price - discount, offer price, credit policy
- Place - market, channel, distribution

- Promotion - advertising, publicity, sales promotion

At this stage, marketing channels are identified within every country of the EU Member States, in UAE, serving GCC and ME market, as well in China, USA and Canada. There are partners identified who might be involved in every stage of the Marketing, according to the product mix selected. Management team and responsibilities, organizational plans details, investment plan and budget required, sales forecast and sales plan are not discussed at this stage of the Project.

6. Porters five force analyses of the Middle East Organic food market

Porters five force analyses is prepared for the Middle East Organic food market, because organic food is identified as one of the most promising in the UAE countries. Five forces to determine intensity of competition and market attraction are used in the analysis.

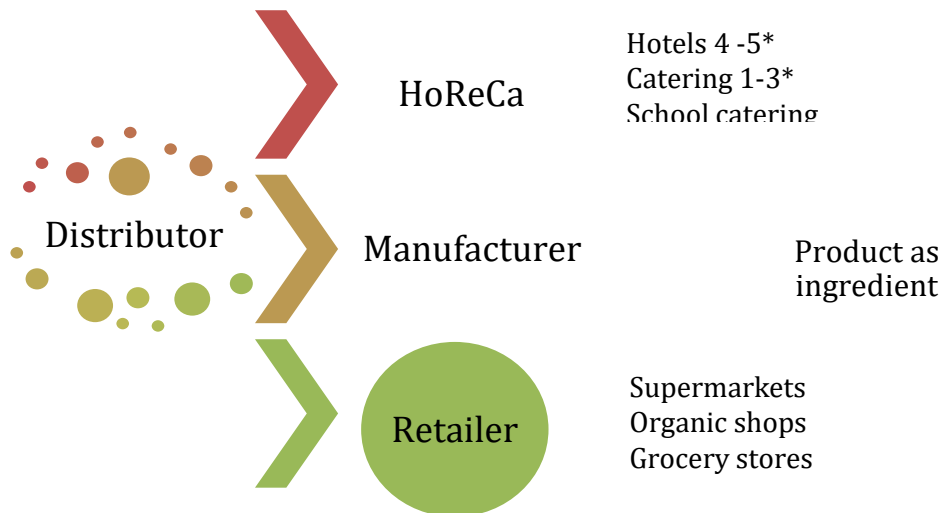
Three forces from horizontal competition include the threat of substitute, the rivalry among the existing competitors, the threat of new entrants and two forces from vertical competition include the bargaining power of suppliers and buyers

- **Bargaining power of suppliers** for the ME market is medium. Customers are free to choose any organic food retailer based on better products or lower prices without incurring any additional costs. There are limited suppliers for certain innovative products for which the bargaining power of the suppliers might be high.
- **Bargaining power of buyers** - raw materials are easily obtained and there are a number of substitute inputs are available. Consumers can easily shift from one firm to another. In addition, consumers have extensive information for them to easily make choices between competing products. The high availability of suppliers and existing substitute products, easy cost switching poses a scope for high bargain by buyers. At the same time bargaining power decreases depending on the uniqueness of the product and its availability. So considering all these factors there will be medium to high bargaining power of buyers.
- **Threat of substitutes** - there are many substitutes, such as non-organic foods or products that are cheaper than organic options. Consumers, in general, have become health conscious in recent years, and there has been an increasing shift toward organic and natural food products rather than away from it. Thus, the threat of the substitute products is moderate.
- **The threat of new entrants** is medium high as the entry barrier is low. Since the demand for organic food items has increased, new entrants have increased as well. Raw materials required are accessible easily. Even small retailers can compete within this industry

Despite the high competition, demand for organic produce in the ME is high, therefore barriers to entry for new products is low. Retailers in the region are always looking out for new and innovative organic products to sell. Product differentiation is highly valued in ME market.

Conclusions regarding the Middle East Organic food market

So far there is neither product, nor price identified; therefore, the conclusion is based on assumptions, that there is a POTENTIAL buyer of the Organic, unique PRODUCT which shall be introduced through the typical channels in UAE&GCC, described below (Picture 2).



Picture 2 Product distribution channels, UAE&GCC

There is a Network of the Partners in UAE with required competence and expertise available to initiate and support the market entrance through the right distribution channels:

- **Partner A** identified in UAE focusing on Promotion of EU Brand products offering following **product& product mix introduction activities** described in the Phase 1&2. Partner A has experience dealing with the projects and campaigns with EU brands and products since the year, mentioned in the Section 1.
 - Phase 1- Introduction to market activities:
 - B2B meetings organised in Dubai, UAE
 - Business events for European products& Promotions
 - Exhibition stands, booths- UAE, KSA
 - Phase 2- Product launches
 - Retail promotions/Product sampling in supermarkets
 - Staffing/promoters
 - In-store branding
 - Graphic designing
 - Brochures
- **Partner B** is an International, leading **Logistic** Company in the ME, with the required competence in the customs and product registration legislation requirements of the ME market as well.

Partner B will be taking care of the product at the arrival in the port of destination, custom clearance, registering the items (bar code) with Dubai Municipality first and get it cleared from the port as it

arrives. Product registration requirements are well described in the guidance document provided by the Dubai Municipality (Picture 3).



Picture 3 Food import requirements Dubai, UAE

- **Partner C** - Leading Gourmet food **distributor& storage service provider** in the UAE&GCC, dealing with a chains and caterers within the region, and have always been the preferred trusted source for restaurant chefs. The repertoire of products comprise of fresh seafood and shellfish, meats, game and poultry, an extensive selection of cheeses, pork, and gourmet ingredients - all sourced from across the globe including EU.

No.	Product /Activity	Partner A	Partner B	Partner C
1	Introduction & promotion to market	x		
2	Logistics& customs& regulations		x	
3	Storage& Distribution to client			x

Table 1 Responsibilities of the UAE Partners*, covering the GCC market

*Note - all mentioned Partners have been contacted during the development of the current document.

There are two options as a Conclusion of the Branding and Marketing statement for the Meta-Cluster:

1. Collaboration with the current campaign and brand management leaders already established in GCC market (less resources required for the Activity 1, Table 1).
2. Development of the own Meta-Cluster brand identifying unique and niche product& product mixes (the unifying uniqueness that is common to products, regions, production methods must be found).

7. Recommendations & ideas for a unique, niche products and BRAND proposition

Providing, that Meta-Cluster is focused to Natural and Organic product market, most typical product categories /groups to be considered are suggested as follows:

- Dairy products: perishable products such as milk, yogurt, cheese, butter and ice cream
- Fruits& vegetables: fresh, dry, frozen and processed
- Meat, fish & poultry: fresh, frozen and processed products
- Honey, nuts, seeds
- Beverages- juices, tea, coffee, beer, wine etc.
- Products for infants, babies
- Other products- fresh& frozen game meat, forest mushrooms fresh& dried

There are products available in the countries represented in the Meta-Cluster, in addition to the Organic Product groups (described in the “FoodNet JIS comments” document) that might be attractive to the selected target market customers, for example:

- Porchini, Boletus, chanterelle and other wild mushrooms –frozen, fresh, dry etc. Delivered from the forests of Green Europe, 100% European origin etc.
- Wild Forest berries - fresh, powders, dry, frozen. Delivered from the Nordic forests
- Natural, wild herbal teas - dry, powder, drinks &infusions



Picture 4 Food sample tests will be made irrespective of provided certificates.