

**Czech University of Life Sciences Prague**

Faculty of Economics and Management

Department of Economics



## **BACHELOR THESIS**

**ECONOMIC ANALYSIS OF NEW PRODUCT LINES OF COMPANY  
INTERSNACK**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Department of Economics

Faculty of Economics and Management

# BACHELOR THESIS ASSIGNMENT

Radek Zach

Economics and Management

Thesis title

Economic analysis of new product lines of company Intersnack

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## Objectives of thesis

Evaluate market and research of consumer's preferences.

Evaluate sale potential of certain commodity.

Evaluate steps of production process

## Methodology

Quantitative and qualitative methods, questionnaire, 5P marketing approach, swot analysis

**The proposed extent of the thesis**

35 pages

**Keywords**

market, consumer preferences, food industry, snack, market research

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**Recommended information sources**

Kvalitativní výzkum, Jan Hendl, 2008.

Marketing, Kotler, 2003

Marketing management, Heribert Meffert, 1996.

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STATUTORY DECLARATION

I, THE UNDERSIGNED, HEREBY DECLARE THAT THE THESIS „  
ECONOMIC ANALYSIS OF NEW PRODUCT LINES OF COMPANY  
INTERSNACK “ IS RESULT OF MY PERSONAL WORK AND ONLY  
SOURCES I USED ARE LISTED IN THE REFERENCES.

In Prague,

.....

Radek Zach

## **Acknowledgement**

I would like to thank to Ing. Petr Procházka MSc, Ph.D. for supervising my thesis. His advices and valuable comment helped me to successful accomplishment of thesis. I also thank to Intersnack company for providing me with proper internal data.

## **Economic analysis of new product lines of company Intersnack**

### **Ekonomická analýza nového produktu společnosti Intersnack**

#### **Summary**

The goal of thesis is to break down figures of marketing strategy of certain company (Intersnack a.s.) before the new product launch and appraise final economic result of new product after one year of sales. The key question is: “Will the proper strategy supported by good resulted analyse and promotion on the highest possible level lead to achieving set up goals?”

Theoretical part defines the terms about marketing and sales. Practical part contains analysis from internal data of Intersnack company, survey's made by author and comparison of certain variables according to investigated issue. The aim was to analyse market research and classify the consumer's preferences in order to launch new product to maximization the potential of sales.

#### **Souhrn**

Cílem této práce je specifikovat marketingovou strategii firmy Intersnack před začátkem prodeje nového produktu a zhodnotit konečné ekonomické výsledky po roce a půl produktu na trhu. Hlavní otázka zní následovně: „Povede správně zvolená strategie umocněná nadprůměrnými výsledky z analýz a následná promoce výrobku k splnění stanovených cílů?“

Teoretická část definuje odborné termíny týkající se marketingu a prodeje. Praktická část obsahuje interní data firmy Intersnack, dotazníky a tabulky zpracované autorem a porovnání konkrétních ukazatelů získaných na základě výše zmíněných dat. Záměrem práce je analyzovat trh a zhodnotit zákaznickovy preference, které povedou k maximalizaci prodeje zmiňovaného produktu.

**Key words:** market, consumer preferences, food industry, snack, market research

**Klíčová slova:** trh, preference spotřebitele, potravinářský průmysl, brambůrky, analýza trhu

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# **1 Introduction**

In 21<sup>th</sup> century, the demand is rapidly growing and companies have to set up strategy to react properly. The scale of consumer's sensitivity is high due to various options of product replacement. Old business techniques are not as effective as used to be, that is why new business and marketing techniques are designed.

The market environment is influenced by high competitiveness even between big companies. The key is to come up with break-through idea how to raise the customer's interest more than other company's strategy.

This thesis contains each step of marketing and sales strategy held by the biggest company named Intersnack a.s in Czech Republic for chips production.

Thesis is divided into five chapters. First chapter contains introduction, second is concerned about methodology and goals of thesis. Third chapter handle with theoretical part as useful tool for practical part. Practical part is concerned with analysing chips market according to author's survey and internal data of Intersnack. The purpose is to explain and clarify marketing and economic strategy on how to break through on high competitive and stagnant market with new product by the author's analysis and surveys. Last chapter is summarization of analysed data and obtained information from surveys.

This thesis should tend as a useful practical material about economic strategy and goals of one of the biggest company with significant market share on Czech potato chips market.

## **2 Objectives and methodology**

### **2.1 Objectives**

Intersnack a.s. is an international company with origin in Germany. In this thesis, the marketing and economic process will be shown from the very first idea until the merchandising to retail stores. The studying product is called FARMÁŘSKÉ CHIPSY.

The aim of the thesis is to go through all the necessary operations which lead to appearing final product at the store. There are two types of analysis which are needed to be achieved. First analyse is concerned with the company's decision making and second part gives the breakdown about the environment outside of the company, it means the situation at the market. The goal of thesis is to break down figures of marketing strategy of certain company (Intersnack a.s.) before the new product launch and appraise final economic result of new product after one year of sales. The key question is: "Will the proper strategy supported by good resulted analyse and promotion on the highest possible level leads to achieving set up goals?"

### **2.2 Methodology**

Theoretical part was done in order to explain and clarify all terms according to practical part.

The methodology to practical part consist of marketing analysis such as marketing mix, SWOT analysis, quantitative and qualitative research, market research, questionnaire and surveys.

The questionnaires were collected from respondents within Czech Republic under two conditions: age scale (18-45) and chips consumers. This selection and conditions were specified due to researched target group (potential consumers). Questionnaires were in printed form and some of questions were in form of dialog with consumer.

Afterwards, all questionnaires were collected and evaluated in form of comparison. Processed data were formulated and described in tables or graphs made by the author himself. The main point of graph or table is described under the respective graph or table.

## 3 Theoretical part

### 3.1 The definition of marketing

The aim of the first part is to define the marketing generally.

The American marketing association (further AMA) defined the marketing in 1948 as the activity, set of institutions and processes for creating, communicating, delivering, and exchanging offers that have value for customers, clients, partners, and society at large.<sup>1</sup>

Philip Kotler defined the marketing as a science discipline and the art of discovery to create and add a value, which satisfy the needs of the target market.<sup>2</sup>

Bouckova in her publication gives a following definition of marketing. Marketing can be described as a process, in which individuals and groups satisfy their needs with an exchange of products and values<sup>3</sup>.

#### 3.1.1 Marketing in 21<sup>th</sup> century

First 10 years of 21<sup>th</sup> century bring many break outs in marketing. As a main indicators of break out we can mention:

- Influence of globalization, unpredictable changes
- Development of techniques, technology or new materials
- Development of information systems (IS)
- Show up world wide net and creating customers communities<sup>4</sup>

Changes in marketing are characteristic as a replacement of tangible economics to information economics. To predict the future is becoming harder every single day.

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<sup>1</sup> About AMA: Definitions. [online]. [cit. 2015-02-10]. Dostupné z: <https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx>

<sup>2</sup> KOTLER, Philip. *Marketing v otázkách a odpovědích*. Vyd. 1. Překlad Jana Kalová. Brno: CP Books, 2005, iv, 130 s. ISBN 80-251-0518-0.

<sup>3</sup> BOUČKOVÁ, Jana. *Marketing*. Praha: C. H. Beck, 2003, xvii, 432 s. ISBN 80-717-9577-1. p.48

<sup>4</sup> KOZEL, Roman, Lenka MYNÁŘOVÁ a Hana SVOBODOVÁ. *Moderní metody a techniky marketingového výzkumu*. 1. vyd. Praha: Grada, 2011, 304 s. Expert (Grada). ISBN 978-80-247-3527-6. p. 12

The key process within the marketing

This is to summarise the five main process used within the companies to improve their marketing: such as identify the opportunities (the impact of the competition, to satisfy the costumers needs), the development of a new product (production costs, design of the product), to target potential customers (the direct marketing), to keep the customers (promotions, discounts), to accomplish the established contracts (retails contracts).<sup>5</sup>

### 3.2 Marketing mix

The marketing mix is the instrument of marketing. The literature shows different opinions on who first came up with the marketing mix. Philip Kotler in his publication claims that the first person who started to use the marketing mix was James Culliton in approximately 1950, however the scheme of 4P was presented by the professor Jerry McCarthy in the first addition of the book called Marketing in early 60<sup>th</sup>. What is more, Jerry McCarthy replaced the Distribution in the first marketing mix for Place, therefore the scheme 4P was established. The 4P scheme is versatile in numbers of P, depending on the company's marketing strategy.<sup>6</sup>

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<sup>5</sup> KOTLER, Philip. *Moderní marketing: 4. evropské vydání* [online]. 1. vyd. Praha: Grada, 2007, 1041 s. [cit. 2015-03-10]. ISBN 978-80-247-1545-2. Dostupné z: [https://books.google.cz/books?id=T\\_--3\\_W9qD8C&printsec=frontcover&dq=marketing+kotler&hl=cs&sa=X&ei=nhz\\_VJ-GO6Xe7Aaw64D4Dg&sqj=2&ved=0CCIQ6AEwAA#v=onepage&q=marketing%20kotler&f=false](https://books.google.cz/books?id=T_--3_W9qD8C&printsec=frontcover&dq=marketing+kotler&hl=cs&sa=X&ei=nhz_VJ-GO6Xe7Aaw64D4Dg&sqj=2&ved=0CCIQ6AEwAA#v=onepage&q=marketing%20kotler&f=false), p.35

<sup>6</sup> BÁRTA, Vladimír a Ladislav PÁTÍK. *Retail marketing*. Vyd. 1. Praha: Management Press, 2009, 326 s. ISBN 978-80-7261-207-9. p.24

Figure 1: Marketing mix



Source: <http://kalyan-city.blogspot.com/2010/05/marketing-marketing-mix-4-ps-of.html>

### 3.2.1 Place

The first P (place) encompasses the process, how to get the product from producer to final customer and also how to effectively sell the product. This process contains transfer from manufacturer to stores, storage of products, environment to store the product.

The place strategy main aim is to catch the eye of a customer, in fact, the mantra of successful retail business is location. Hand in hand with location is additional cost (premium fee) for the right location.

Other important part of place is term called distribution channel. A distribution channel is defined by the sequence and flow of products from the site of manufacture to the point of sale. Company has to manage where to manufacture the product, how to deliver the

product which brings more additional costs for company. Every piece of the process must be calculated and involved in a final price estimation.<sup>7</sup>

### 3.2.2 Price

Price is the value of the product expressed in money. Price is one of the basic parameters of free economy. It reflects the relation between the demand and supply. The logical rule says that the seller is trying to get the price as high as possible and the customer has the opposite opinion. One of the hardest part of marketing and sales department is to set up a price, which is acceptable for both sides. There are various analyses (internal, external) to achieve the situation described above. It depends on factors that included: costs of production, demand and supply, ability of market to pay, pricing objective of the firm.<sup>8</sup>

Price is not only a decision of a company but dealer's and retailer's margin which summarize the final price for customers. Company has the right only to recommend the price, but it is choice of retail to set the selling price. There are several types of strategies how to estimate the final price, the useful tool is called 4C's pricing:

- Customer value – the value the customer perceives that the product delivers
- Competitor's prices – the price of competing product or substitutes
- Cost to the company – fixed and variables costs to the company related to the product
- Strategic and Pricing objectives of the company – the financial and marketing objectives that the organisation has decided to achieve from a product class.<sup>9</sup>

### 3.2.3 Promotion

Promotion says how consumers get to know about the product. Promotion includes all reachable communication sources. The objective of promotion is to present the meaning of brand or certain product and keep the partnership between the company and customer.

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<sup>7</sup> KOTLER, Philip. *Moderní marketing: 4. evropské vydání* [online]. 1. vyd. Praha: Grada, 2007, 1041 s. [cit. 2015-03-10]. ISBN 978-80-247-1545-2. Dostupné z: [https://books.google.cz/books?id=T\\_--3\\_W9qD8C&printsec=frontcover&dq=marketing+kotler&hl=cs&sa=X&ei=nhz\\_VJ-GO6Xe7Aaw64D4Dg&sqi=2&ved=0CCIQ6AEwAA#v=onepage&q=marketing%20kotler&f=false](https://books.google.cz/books?id=T_--3_W9qD8C&printsec=frontcover&dq=marketing+kotler&hl=cs&sa=X&ei=nhz_VJ-GO6Xe7Aaw64D4Dg&sqi=2&ved=0CCIQ6AEwAA#v=onepage&q=marketing%20kotler&f=false), p. 70

<sup>9</sup> DOGRA, Balgram. *Rural Marketing*. 2007. vyd. Tata McGraw-Hill Education, 2010. ISBN 9780070660007.

According to EACA (European Association of Communication Agencies) the promotion includes:

- Advertising
- Sales promotions
- Direct marketing
- Public relations
- Sponsoring
- On-line communication

Sales promotion is part and parcel of promotion. It refers to increasing the value provided by product by offering an extra incentive to purchase a product. Nowadays, the annual expenditures for sales promotion are raising rapidly<sup>10</sup>.

### 3.2.4 Product

Product refers to various factors, which resolves how does it satisfy the consumer. The consumer's choice depends on the core of a product, quality, design, image of company, brand, etc. There should be also mentioned other two components (brand, package). Brand is one of the key component for customer's decision making. The term "Brand" or "Building a brand" has very high priority for companies and in many cases, companies have special department for developing brand. Second component mentioned above has the similar priority for company as brand. The package tells customers important information about the product, brand or what the package involves<sup>11</sup>.

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<sup>10</sup> KOTLER, Philip. *Moderní marketing: 4. evropské vydání* [online]. 1. vyd. Praha: Grada, 2007, 1041 s. [cit. 2015-03-10]. ISBN 978-80-247-1545-2. Dostupné z: [https://books.google.cz/books?id=T\\_--3\\_W9qD8C&printsec=frontcover&dq=marketing+kotler&hl=cs&sa=X&ei=nhz\\_VJ-GO6Xe7Aaw64D4Dg&sqi=2&ved=0CCIQ6AEwAA#v=onepage&q=marketing%20kotler&f=false](https://books.google.cz/books?id=T_--3_W9qD8C&printsec=frontcover&dq=marketing+kotler&hl=cs&sa=X&ei=nhz_VJ-GO6Xe7Aaw64D4Dg&sqi=2&ved=0CCIQ6AEwAA#v=onepage&q=marketing%20kotler&f=false), p. 75

<sup>11</sup> KOTLER, Philip. *Marketing v otázkách a odpovědích*. Vyd. 1. Překlad Jana Kalová. Brno: CP Books, 2005, iv, 130 s. ISBN 80-251-0518-0. p. 45



## 3.3 Strategy planning

### 3.3.1 Swot analysis

SWOT analyse is a starting base for all other marketing analysis. SWOT is a short cut of connection first letters of every word included (strength, weaknesses, opportunities, threats). Analyse is divided into two branches. First one is internal – analyse inside the company, to point out about strong sides or weaknesses. Second one is called external – to describe the threats or opportunities of market environment (consumer, competitor, etc.). Most of companies have at least three Swot analyses (short term, middle term and long term) because each piece of analyse is changing during the specific interval. The key message of this study is to avoid mistakes which can suddenly appear, to maximize the potential opportunities.<sup>12</sup>

Strengths could be related with organisation, to the environment or to the public. As an organisation strength should be mentioned employees of company, who can improve/disprove the potential of company. On the other hand there are people outside the company (consumers), who influence the sales of company's product.

Weaknesses are not taken as a criticism of a company but honest description of things to improve. It is concerned mostly for internal disadvantages of company which should be eliminated, to obviate defects and maximize the potential.

Opportunities are list of potential benefits generated from internal analysis of company. There are factors which should influence/convince the customer in final decision making (new product, price, etc.). The opportunities don't last specific period of time, the company has to analyse the most proper time to gain the advantages.

Threats are list of opposites for opportunities. The list should contain all the potential problems which can appear. Organisations have preparation for the worst scenario and the plan how to solve the threats immediately.<sup>13</sup>

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<sup>12</sup> BÁRTA, Vladimír a Ladislav PÁTÍK. *Retail marketing*. Vyd. 1. Praha: Management Press, 2009, 326 s. ISBN 978-80-7261-207-9. p.37

<sup>13</sup> KOTLER, Philip a Kevin Lane KELLER. *Marketing management* [4. vyd.]. Překlad Tomáš Juppa, Martin Machek. Praha: Grada, 2013, 814 s. [cit. 2015-03-10]. ISBN 978-80-247-4150-5. p.101

### 3.3.2 Price policy

It is a decision making process of forming a product price according to cost of production, position of the company on the market, quality, demand and law prescription. There is a long process of negotiation before the final price is determined. This analyse involves a big scale of participants as marketing management, sale management or sample of consumer with their opinion about the price. The key is to find optimal price for company, retail and consumers.<sup>14</sup>

### 3.3.3 Market analysis

Market analyse is one of the key factors for future success/failure. Two parts of market analysis were mentioned above (SWOT analyse, Price policy, Marketing mix). Another needful part is to determine target group. Target group is a group of potential consumers with the greatest interest about the product (youth, middle age or elderly). According to market analyse the company should be able to answer questions like:

- Who are our competitors and what is their position on the market?
- What are the alternatives to our product?
- What is the target group?
- What price is the consumer able to pay?<sup>15</sup>

### 3.3.4 Questionnaire

The most widespread kind of collecting data is questionnaire. Organisation is deciding about type of collecting data due to research goal. Even questionnaire has set of unavoidable rules to honour.

In a first phase it is needed to specify the questions to confirm the internal hypothesis made by the company on their own. It is necessary to put the questions with the easy way to respond or to interpret them. Second part is concerned by finding the proper procedure of

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<sup>14</sup> SEKHAR, G.V.Satya. Business policy and strategic management [online]. S.l.: I K International Publi, 2009 [cit. 2015-03-10]. ISBN 81-907-7707-6. Dostupné z: [https://books.google.cz/books?id=nYNPtZNX9YC&dq=price+policy+kotler&hl=cs&source=gbs\\_navlinks\\_](https://books.google.cz/books?id=nYNPtZNX9YC&dq=price+policy+kotler&hl=cs&source=gbs_navlinks_) s, p. 140

<sup>15</sup> KOZEL, Roman, Lenka MYNÁŘOVÁ a Hana SVOBODOVÁ. *Moderní metody a techniky marketingového výzkumu*. 1. vyd. Praha: Grada, 2011, 304 s. Expert (Grada). ISBN 978-80-247-3527-6. p. 45

questionnaire (speech, question form or both). Next step regards on focus group of respondents (optimize language, difficulty of questions, question type). The final version is reviewed by trial group of few people before mass questionnaire.<sup>16</sup>

## **3.4 Marketing communication**

### **3.4.1 Advertisement**

Advertisement is one of the most powerful tool to build consciousness about the company or product.

Due to a regulation law about commercial, the definition is framed as announcement or presentation spread out via mass media. The goal is to find support for business activity.<sup>17</sup>

### **3.4.2 Sales promotion**

The definition of sales promotion is described as a process focused on communication and to attract the customer. Communication is meant as any randomly chosen form of persuasion (depend on type of product). The final effect should led the customer to buy a product.<sup>18</sup>

There are various forms of sales promotion. Each form is used for different goal of company (for example discounts force the customer to immediate buy of product but billboards/floor stickers should build the company's brand power).

### **3.4.3 Public relations**

Also used in a form PR. Institute Public Relations (further IPR) defined public relations as *“Organisations, companies and individuals communicate with the public and media. A PR specialist communicates with the target audience directly or indirectly through media with*

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<sup>16</sup> Ibid, p. 199

<sup>17</sup> Česká republika. Zákon o regulaci reklamy a o změně a doplnění zákona č. 468/1991 Sb., o provozování rozhlasového a televizního vysílání, ve znění pozdějších předpisů: Předpis č. 40/1995 Sb. In: 09.02.1995. Dostupné z: <http://www.zakonyprolidi.cz/cs/1995-40>

<sup>18</sup> BÁRTA, Vladimír a Ladislav PÁTÍK. *Retail marketing*. Vyd. 1. Praha: Management Press, 2009, 326 s. ISBN 978-80-7261-207-9. p.201

*an aim to create and maintain a positive image and create a strong relationship with the audience. Examples include press releases, newsletters, public appearances, etc. as well as utilisation of the world wide web.*"<sup>19</sup>

Philip Kotler shows following opinion on PR: PR goes hand in hand with several programs focused on a promotion of a company, on a trustworthy image or the image of certain products.<sup>20</sup>

It is assumed that the easiest way to become successful in setting long term goals is with the support from consumers, rather than without PR. The key factors in order to use PR communication efficiently are for example reputation, trustworthiness, and seeking the mutual understanding based on truthful and complete information.<sup>21</sup>

### **3.5 Advertisement**

This part is to give a breakdown of types of advertisement, which was used when the product Farmařské brambůrky was launched.

Company has to decide what kind of advertisement will be best for product promotion. It is very sensitive process because there are many obstacles to solve (limited budget for advertisement, expensive way of promotion, to find right communication channel).

Regarding to growing competitive environment, organisations are pushing to promote their product as much as possible. Even in Otto's dictionary from 1888 is written definition of advertisement as "*Commercial is publicly complementation of trading goods.*"

AIDA is considered as a useful tool in communication theory (also the oldest one). Each letter represents first letter of the word.

A – Attention (to attract the customer)

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<sup>19</sup> Institut Public Relations (IPR). *IPR* [online]. [cit. 2015-02-11]. Dostupné z: <http://www.ipr.org.uk/>

<sup>20</sup>KOTLER, Philip. *Marketing management: analysis, planning, implementation, and control*. 9th ed. Upper Saddle River, NJ: Prentice Hall, c1997, 1 v. (various pagings). ISBN 01-324-3510-1. Dostupné z: [http://books.google.cz/books/about/Marketing\\_Management.html?id=r5duSQAACAAJ&redir\\_esc=y](http://books.google.cz/books/about/Marketing_Management.html?id=r5duSQAACAAJ&redir_esc=y)

<sup>21</sup>KOPECKÝ, Ladislav. *Public relations: dějiny - teorie - praxe* [online]. Vyd. 1. Praha: Grada, 2013, 238 s. [cit. 2015-03-10]. *Žurnalistika a komunikace*. ISBN 978-80-247-4229-8. Dostupné z: [https://books.google.cz/books?id=gqLrqhriHtAC&printsec=frontcover&dq=public+relations&hl=cs&sa=X&ei=Rh7\\_VMOTNtKv7AbL6IDoCg&sqi=2&ved=0CDQQ6AEwAg#v=onepage&q=public%20relations&f=false](https://books.google.cz/books?id=gqLrqhriHtAC&printsec=frontcover&dq=public+relations&hl=cs&sa=X&ei=Rh7_VMOTNtKv7AbL6IDoCg&sqi=2&ved=0CDQQ6AEwAg#v=onepage&q=public%20relations&f=false), p. 21

I – Interest (to induce interest)

D – Desire (to raise desire)

A – Action (force the customer to buy a product)<sup>22</sup>

### 3.5.1 TV

Television still belongs among media with strongest communication and commercial impact. Regarding human emotions, TV takes part in so called hot media and also in mass media. One of the biggest advantage is that TV spreads image and voice information. TV spot mostly appears in 30 second period).<sup>23</sup>

The new way how to advertise company's products in previously chosen TV shows is called product placement. Basically, the products are used either actively (by actors) or passively (the audience can see a logo of the company/ product within the TV show).

Table 1: Pros and cons of TV commercial

<b>Pros</b>	<b>Cons</b>
Highly convincing media	High costs for TV time
High rating	High production costs (spots)
Suitable for product presentation	So called passive media
Good for trigger emotional values	Hard to target the audience demographically
Brand building	Long delivery date
High status	Limited time for certain messages

Source: BĀRTA, Vladimír a Ladislav PĀTÍK. *Retail marketing*. Vyd. 1. Praha: Management Press, 2009, 326 s. ISBN 978-80-7261-207-9. str.174, adjusted by the author

### 3.5.2 Out of home

Out of home takes significant part of the advertisement market, it is considered to be very variable as for the creativity and the possibilities of accomplishment. Among mostly used types of OOH are billboards and so called CLV (city light vitrines). The biggest advantage of this marketing tool is the opportunity to target potential customers demographically (meaning in places most relevant for our marketing strategy). The OOH can be used effectively for building the image of the company and it is also suitable for product

<sup>22</sup> BĀRTA, Vladimír a Ladislav PĀTÍK. *Retail marketing*. Vyd. 1. Praha: Management Press, 2009, 326 s. ISBN 978-80-7261-207-9. p.174

<sup>23</sup> Ibid, p.174

launching. Stating the fact that OOH is significantly cheaper than the TV spot, it is very popular among companies<sup>24</sup>.

### 3.5.3 Cinema

Specific way how to promote the product is the commercial at the cinema. The company has to notice, that cinema has the focus group limited. It is useful tool to raise the interest between young people but elderly are not interested at all.

The brand's image is the most influencing attribute to present during commercial before movie. There are other ways how to propagate brand in the cinema. Banners, brochures or ticket print are different ways how to promote the product or brand<sup>25</sup>.

### 3.5.4 Print

Print is the oldest method of media with mass range. The focus group is unlimited. The print is divided into several branches:

- Periodicity: Daily news, weekly news, monthly news, etc
- Region: National, regional, special distribution
- Technology used: black and white, full-colour
- Focus of newspaper: news, section specialization, lifestyle
- Distribution: overpayment, free buy, direct mail (print advertisement Retail marketing)

The company specify the focus group and then select the proper media for the commercial. The lane between successful/failure of print commercial is thin. Factors as type of font, font size, the picture or questions as “Does the reading worth it?” and “Is the message clear?”<sup>26</sup>

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<sup>24</sup> BÁRTA, Vladimír a Ladislav PÁTÍK. *Retail marketing*. Vyd. 1. Praha: Management Press, 2009, 326 s. ISBN 978-80-7261-207-9. p.184

<sup>25</sup> Ibid, p. 188

<sup>26</sup> BÁRTA, Vladimír a Ladislav PÁTÍK. *Retail marketing*. Vyd. 1. Praha: Management Press, 2009, 326 s. ISBN 978-80-7261-207-9. p.179

## **3.6 New trends in marketing**

### **3.6.1 In-store media**

Direct promotion inside retail store is quite new type of promotion (instead of print or TV), that is way In-store media arise under new trends in marketing. Nowadays in marketing management portfolio, share of in-store media is 80% (in Czech Republic)

In-store communication is not only part of marketing management but also sales department. Due to wide scale of In-store media opportunities, collaboration between the departments is unavoidable. In-store media means any promotion within the retail store.

First refer about in-store media was in 1992 called “consumer promotion” (tasting of products, mostly new ones). Consumer promotion is the most frequent way how to influence shopping behaviour of costumer.<sup>27</sup>

Basic goal of the process is short-term maximization of sale with opportunity to increase the long-term sales. We can mention another purpose of consumer promotion for example launch of new product, increase the brand reputation, acceptability of brand from consumers, increase a demand, brand’s loyalty.

In-store media is suitable for FMCG (fast moving consumer goods) because of opportunity of tasting goods. There are other types of promotion within store. We can mention billboards next to stores (not Out of home) as a last attraction before consumer’s shopping. Floor stickers have the similar characteristics as billboards. One of the most effective “commercial” is brochure with actual discount on particular good (awakes desire to customer).<sup>28</sup>

### **3.6.2 E-Marketing**

On-line communication comes under new media status, mostly used form of on-line communication is internet. Internet offers wide scale of communication types, it is also connected with direct sale. The term interactive media shields every E-marketing with

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<sup>27</sup> Ibid, p. 201

<sup>28</sup> KOTLER, Philip. Marketing [online]. 9th ed. Frenchs Forest, N.S.W: Pearson Australia, 2012 [cit. 2015-03-10]. ISBN 14-425-4942-4. p. 556

feed-back from the user (dated at the end of 20<sup>th</sup> century). Here are examples of interactive media:

- Internet (web page, e-shop)
- Teletext
- Digital TV (wide scale of marketing opportunities)
- Mobile communication (SMS)
- Mobile communication (MMS)
- Social network (Facebook, Twitter, Instagram etc.)<sup>29</sup>

The relationship between internet and marketing is getting wider due to growing opportunities of information technologies. Companies have many options how to present the brand or product via internet.

Let's start with the oldest one – e-mail address. Although nowadays problems with virus or spams are limiting the progress, e-mail commercial is constantly the widest on-line promotion via internet. Newsletter is a mix of information about current actions, new products or many other useful information for users (customers). It effectively strikes to the customer's needs or wishes, it is cheaper than other commercials.

Other type is called Graphical commercial or let's say banners. The internet allows (due to IT technologies) add the voice message or animation within the graphical banner. It is very similar to TV commercial but cheaper.

Interested kind of promotion via internet is viral marketing. It is named viral because it is spreading as a virus (uncontrolled sending from one to each other). Viral promotion moves away from typical presentation of brand (building an image) for example commercial with famous people or recording the spot on unusual place. Best channels for spreading the viral are social networks such as Facebook or Twitter.<sup>30</sup>

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<sup>29</sup> BÁRTA, Vladimír a Ladislav PÁTÍK. *Retail marketing*. Vyd. 1. Praha: Management Press, 2009, 326 s. ISBN 978-80-7261-207-9. p.287

<sup>30</sup> Ibid, p.130



### **3.7 Customer marketing/Sales**

The final piece of launch the product to customers is dealing with retailers about contracts. It is not work of marketing management anymore but sales department. Sales department are familiar with the product from the beginning, they are cooperating with marketing but their job started with the final procedure – get the product to customers.

#### **3.7.1 Sales**

*“Selling is a market development tool employed by a company. Along with documentation, advertising, sales promotion, telephone marketing, trade fairs, direct marketing, internet, etc., it is used to provide effective support for information gathering, decision-making and service processes for targeted customers. Sales is an interpersonal process and incorporates one or more decision makers and influencers among the suppliers and customers.”*

*“Sales management refers to the control and form of the personal sales contacts, the sales system (sales structures, processes and channels) and distribution in national and international markets.”<sup>31</sup>*

#### **3.7.2 Merchandising**

Merchandising should be involved also in marketing process same as customer marketing. The purpose of merchandising is to find proper place/to deal with retailer which will be the most suitable for certain product (one of the sales job is to deal this process). There are analysis about customer’s way of behaviour while shopping. Properly shown products have high influence to final sale of product to customer and to maximize the profit of company.

Merchandising includes the full care about place and product in a shop (clean environment, availability of product, banners, posters, correction of price, etc.) that is way there is a

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<sup>31</sup> DANNENBER, Holger. *Excellence in Sales: Optimising Customer and Sales Management* [online]. Springer Science & Business Media, 2010 [cit. 2015-02-17]. ISBN 978-3-8349-8782-2, p. 4,5

possibility to hire another company (merchandising company) who take care about all these staff.<sup>32</sup>

There are basic rule of merchandising:

- Take place in a place, where customer´s desire started
- Optimal place in shelf is at 150 cm (the most lucrative places-eye level)
- Goods next to cash desk rises sales even four times
- Secondary placement rises sales up to 60%
- Rule of vertical placement
- Goods are sorted from more expensive to cheaper ones<sup>33</sup>

### 3.7.3 CRM

“Customer relation management means proactive control of relationships with each customer in every point of mutual contact.”<sup>34</sup>

The goal of CRM is to fasten a long term relationship with customer. The high priority customers are not the short term customers with occasional buy. CRM job is to convince the short term buyers to become a long term ones and the long term ones to stay loyal to their brand.

CRM is an information system (IS) which allows to collect data about all relations between customer and company to generate best solution for following sales. CRM takes part more likely in sales department rather than marketing because it is concerned with last contact with costumer and sales improving.<sup>35</sup>

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<sup>32</sup> KOTLER, Philip. Principles of marketing [online]. 10th ed. Upper Saddle River: Pearson Prentice Hall, c2004, xxix, 661, [77] s. [cit. 2015-03-10]. ISBN 01-310-1861-2. Dostupné z: [https://books.google.cz/books?id=\\_g\\_XBAAAQBAJ&pg=PA352&dq=merchandising+kotler&hl=cs&sa=X&ei=nR\\_\\_VOPHEeeuygPL\\_IDwAw&ved=0CDIQ6AEwAQ#v=onepage&q=merchandising%20kotler&f=false](https://books.google.cz/books?id=_g_XBAAAQBAJ&pg=PA352&dq=merchandising+kotler&hl=cs&sa=X&ei=nR__VOPHEeeuygPL_IDwAw&ved=0CDIQ6AEwAQ#v=onepage&q=merchandising%20kotler&f=false), p. 352

<sup>33</sup> BÁRTA, Vladimír a Ladislav PÁTÍK. *Retail marketing*. Vyd. 1. Praha: Management Press, 2009, 326 s. ISBN 978-80-7261-207-9. p.215

<sup>34</sup> Ibid p. 83

<sup>35</sup> Ibid, p.75

### **3.8 Manufacture**

Intersnack company has their own factory to production of potato chips in Czech Republic, more accurately in Choustník. Majority of employees have office directly in Choustnik, only small amount of employees is held in Prague, mainly marketing department and sales department.

Potato chips are made up from 3 raw materials:

1) Potatoes – basic commodity for preparation chips. Intersnack produce chips exclusively from Czech potatoes. There are about 120 species of potatoes but only 12 of them can be used for chips production. Chips have two requirements on potato: big volume of amyl and minimal volume of sugar. Company by themselves controls and provides seeding to Czech farmers and then buys back raised potatoes. 5 % of all Czech potato production goes to chips manufacture.

2) Oil – Until 2012, Intersnack used palm oil to manufacture as well as every chips company. Nowadays, Intersnack is only organisation, who use HOSO (high oleic sunflower oil). Sunflower oil has many advantages to consumer, the product is tastier, healthier and more organic. The only one disadvantage is price, which brings higher production costs to company. Chips are fried in fryer for 3 minutes.

3) Flavour – Sub-brand Bohemia chips developed more than 130 flavours which covers potatoes. There are 3 basic flavours of chips (salty, bacon and pepper), others are seasonally produced (Wasabi, Meat, BBQ, Spring onion). There is a flavour drum, which provides the certain amount of flavour on a potato. Flavour or salt brings the crispness and longer durability to chips.

Due to European Union controls, potatoes have to be properly washed up after every procedure (peeling, slicing). There is also a controlling machine for defective chips to dispose them (machine is run on radiation and air).

The factory in Choustnik produce 450 thousand of chips packages every day (for one package of chips is needed 3.5 – 4 kilograms of potatoes)

### 3.8.1 Food safety policy

Food quality is a key factor not only for consumers but also for producer or retailer. The issue about food safety is quite frequent but the controls are on high level at least in European Union countries.

The desire to limit the risks and to control safety of food has led to the development of various food safety concepts. The purpose of these concepts is to reduce the risk of unsafe food products and to assure both processors and consumers that product supplied are safe and of high quality.

*“The basic requirement of safe food production is the consideration of generally accepted principles and procedure. Without these the production of defect-free with consistent quality is nearly impossible. On the level of processing these requirements are described as “Good Manufacturing Practice”. Less well established are “Good Agricultural Practice” and “Good Distribution Practice”.*<sup>36</sup>

There are three branches of product control:

- Good manufacturing practice (GMP) – describes the basic requirements in food processing
- Good agricultural practices (GAP) – principles applied to on-farm production and post-production processes
- Good distribution practices (GDP) – ensures that product are consistently stored, transported and handled under suitable conditions

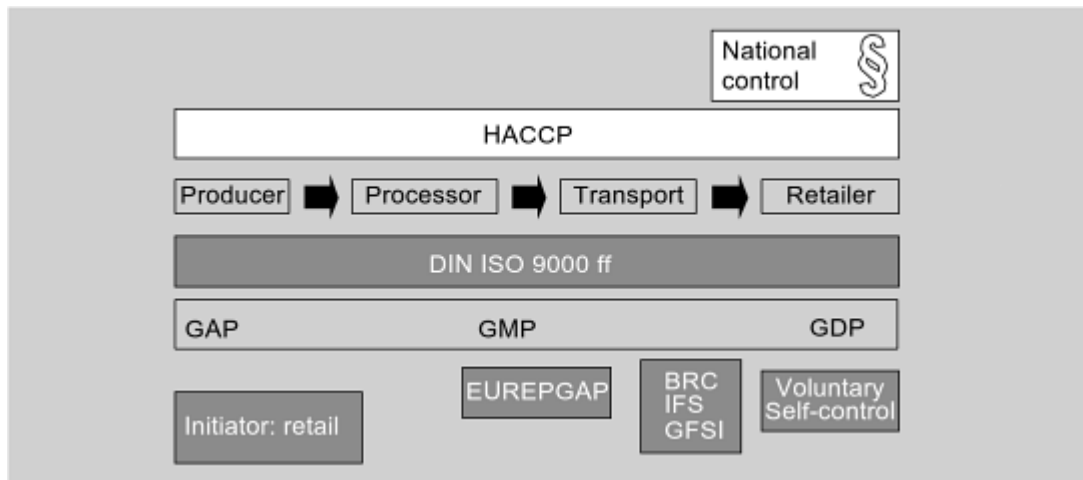
The most important food safety standards are described in EUro-REtailer Produce working group (EUREP-GAP), European Food safety Inspection Service (EFSA), International Food standards (IFS) or Global Food Safety Initiative (GFSI).<sup>37</sup>

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<sup>36</sup> SOMMER, Heiner, Brigitte PETERSEN a P WITTKÉ. *Safeguarding food quality*, New York: Springer-Verlag, c1993, xii, 159 p. [cit. 2015-03-10]. ISBN 03-875-6368-7., p. 27

<sup>37</sup> SOMMER, Heiner, Brigitte PETERSEN a P WITTKÉ. *Safeguarding food quality* [online]. New York: Springer-Verlag, c1993, xii, 159 p. [cit. 2015-03-10]. ISBN 03-875-6368-7. Dostupné z: <https://books.google.cz/books?id=S1i6nSVK4cEC&printsec=frontcover&dq=agri+food&hl=cs&sa=X&ei=P Pn1VKuSOcHRYgOTvoLACg&ved=0CCYQ6AEwAQ#v=onepage&q=agri%20food&f=false>, p. 27

Figure 2: Food safety chain



Source: SOMMER, Heiner, Brigitte PETERSEN a P WITTKÉ. *Safeguarding food quality* [online]. New York: Springer-Verlag, c1993, xii, 159 p. [cit. 2015-03-10]. ISBN 03-875-6368-7. Dostupné z: <https://books.google.cz/books?id=S1i6nSVK4cEC&printsec=frontcover&dq=agri+food&hl=cs&sa=X&ei=PPn1VKuSOCHRygOTvoLACg&ved=0CCYQ6AEwAQ#v=onepage&q=agri%20food&f=false>, p. 27

## **4 Practical part**

### **4.1 Introduction of the company**

Intersnack a.s is an international company with origin in Germany, Dusseldorf. The company expanded into more than 70 countries, owns 26 manufactories and employs more than 6000 people with annual turnover of 2 billion euros.

The brand in Czech Republic is mostly known as Bohemia chips but it is a type in Intersnack's portfolio. The portfolio also includes sub-brands as Canto, CHIO, Pom-Bar but Bohemia chips has the biggest market share.

#### **4.1.1 Hierarchy of product development**

As every company, Intersnack has hierarchy of company which covers the responsibility for each decision making (brand manager, sales manager, marketing manager, chairman of board etc.). This is a brief introduction of processes needed before product launch followed by responsible person for accept/reject each procedure:

- 1) An idea to create a new product
- 2) Judgement about realization (If the idea is rejected by marketing manager, it means end of the process)
- 3) Build up a concept to be confirmed (If the idea is rejected by marketing manager, it is end of development)
- 4) Build up a timing of new product launch (marketing manager, sales manager)
- 5) A) Completely new product – Brand Manager collaborates with development department in terms of a new flavour (this process could last from 9 to 12 months)  
B) The product comes already from existing one (production of various samples for deeper analyse)
- 6) Internal tasting of samples (minimum of 10 people). Tasting continues with homologation by chairman of the board, marketing director, sales director and producer director (If the concept is disapproved, development goes back to number 5)
- 7) Industrial test is run in order to prove quality of product and new flavours

- 8) Industrial test which leads to
  - A) Quantity of flavour (production manager)
  - B) Sample production for sales department and retailer
  - C) Laboratory test of quality and durability
- 9) Launch procedure (If the procedure is disapproved back to number 5 or terminate the whole process)
- 10) Design of the new product
- 11) Confirmation of new product design by chairman of the board, marketing director, sales direct, produce director, director of technical department, passing the test of quality, retail director, logistic director
- 12) First production

## **4.2 Project background**

Intersnack is a clear market leader in salty snacks, having the biggest umbrella brand Bohemia offering products and sub-brand across different sub-categories (Bohemia chips, Bohemia Lupeto, Bohemia salty sticks, Bohemia rolls etc.)

Bohemia chips is a market leader in the sub-category of potato chips with 45.7% value share, having only one competitive brand – Lay's.

To keep its dominant position, the Client wants to bring further innovation to the chips category.

The intended innovation is inspired by currently trendy farm markets – chips done in 'kettles', fried longer at lower temperature, therefore done properly, resulting in different taste and texture experience. The inspiration came from Great Britain where kettles chips became very popular. The goal is to present properly new product to Czech customer – the biggest attraction should be the farm concept. Nowadays, Czech market becomes popular with organic food, place of origin and product quality. Each element can be connected with farm – trustful environment, guarantee of quality of raw material and origin in Czech Republic.

### **4.2.1 Concepts**

Therefore the marketing department developed four concepts of new product. First concept is called “Small Farmers”. Small farmers are a symbol of genuine approach to ingredients. They process them according to well-proven traditional methods and do not add any preservatives. The result of their work is real taste of original ingredients. They are made of thoroughly selected potatoes from local farmers.

Second concepts is called “Slow down” because of traditional way of preparation – unpeeled, more slowly and at the lower temperature. The motto is “If we want to enjoy things in life to the full, we must take enough time to do so. Because only if we slow down, are we able to relish and perceive things by all senses.”

Third concept is named “Simpler preparation”, the chips are made thoroughly selected potatoes that are left unpeeled and simply seasoned. The main sneak is that less is sometimes more. The simpler the meal preparation, the more tasty the result can be. It is enough to have the right base – a few natural ingredients.

The last concept is called “From kettle”. These chips are made of the best potatoes, cut in genuine slices and left unpeeled. They are roasted in a special kettle long enough to achieve a golden shade and special crispiness. This method of preparation gives them typical characteristics and taste.

## **4.3 Research**

Research was held by external company called TNS aisa to evaluate the potential of four concepts. The main purpose is to recommend the best concept of chips to launch.

### **4.3.1 Research objectives**

TNS aisa with help of Intersnack came up with a questionnaire to evaluate each concept separately to generate consumer’s thoughts about a new product. There were seven equal questions for each concept. The highest priority is to find weaknesses of product from consumer’s point of view, to test potential price or test the most suitable flavour. Brief description of questions are introduced underneath.



- Overall evaluation of products
- Un-priced and priced evaluation of product (potential consumer with un-known price and known price)
- Relevance, uniqueness and excitement about the product
- Fits to Bohemia brand portfolio

### 4.3.2 Research design

Research had 7 days duration with nationwide scope. Analyse included 221 respondents picked according to target group conditions. Product is targeting to young people and middle age people thus the target group is divided this way: age 18 – 45 (53 % younger aged 18 – 30 years and 47 % older aged 31 – 45 years), which was represented by 48 % male and 52 % female. The research was run under two other conditions, first was that the researcher had to be chips consumer (eat chips at least once per two weeks) and second was national representative sample (Czech citizen).

### 4.3.3 Survey conclusion

Table2: Survey results

	Small farmers	Slow down	Simpler preparation	From kettle
<b>Overall evaluation (%)</b>	67	61	63	65
<b>Un-priced evaluation (%)</b>	72	62	62	56
<b>Price evaluation (price24,9 CZK) (%)</b>	41	31	33	31
<b>Relevance (%)</b>	77	66	63	67
<b>Uniqueness (%)</b>	51	43	42	50
<b>Excitement (%)</b>	83	78	73	73
<b>Fits to Bohemia brand (%)</b>	96	94	92	88

Source: Questionnaires, issued by the author

Green colour represents the comparison with respected benchmark, black colour is an average benchmark, red is below benchmark. None of tested concept had fatal weakness or defect, results were mostly in average or beyond benchmark. The biggest problem for

respondents was the price (24,9 CZK). The inadequate price of the product is reflected in significant decrease of people willing to buy the product after finding the price compared to their previous unpriced purchase intention.

Final recommendation from TNS aisa is that small farmers are the best solution for Intersnack to launch. The respondents were significantly excited. They considered the new described product as unique and relevant; and they were willing to buy it before finding out the price. The only weakness should be the price but from all concepts obtained the most satisfying result (average benchmark) which is regarding to other results potentially break-through new product.

#### **4.4 Internal analysis**

Regarding to research, marketing department is able to build a report about new product and describe the detailed process of every step before launch. There are other researches but for specific parts or correction on chosen product.

##### **4.4.1 Product**

The concept is already confirmed (Farnářské chipsy), next step includes developing flavours and a package. In this case, important factor is also potato. Regarding to farm, Intersnack co-operate with small farmers in Czech Republic. Every package of chips contains the name of farmer on the cover, from whom the potatoes are picked.

Flavours were selected by internal analyse and following external analyse but with limited number of respondents (usually from 6-8). First flavour contains salt, it is almost impossible to develop new type of chips without salty flavour (due to high demand and tradition). Second flavour is called barbecue as a substitute for bacon, another is cheese and last one is rosemary flavour as a reference to farmers (nature, herbs).

Package facelift is sensitive process developed both externally and internally. Concepts are developed by external design company based on Intersnack requirements. Organisation choose one most suitable concept and put it to qualitative analyse between 8 people maximum. Qualitative research is based on green/red colour marks on any package place. Green colour represents positive feelings for consumers and red colour represents opposite

feelings. There is no scale of likes/dislikes, the respondents can point out on whatever he/she wants (coverage colours, picture, text etc.). The results are progressed internally and continues with final output.

As for package itself, there are plenty of issues to solve. Company has to consider type of package material (paper package, plastic, foil). This process is consulted between marketing and manufactory. The sensitive questions as costs, fragility or consumer's first touch feelings plays important role for the whole process. The complete procedure of product design takes from 2-5 months.

Figure 3: Design of Farmářské chipsy cover



Source: internal presentation of Intersnack

#### 4.4.2 Price

From theoretical background, set up a most suitable price is one of the hardest part. Analyse pointed out that consumers had accepted the price but with un-known price, the desire increased by 30 % which is not insignificant value. Price of Farmářské chipsy is not over-priced only for the uniqueness or because the sub-brand is Bohemia chips, but because of higher production costs.

Higher production costs are caused by usage of potatoes with higher quality (Lady Claire species). The quality is fundamental part of Farmářské chipsy that's why the production has higher costs of ingredients. Production costs differ on flavour basis. To produce 70 grams of salty chips (we are talking about Farmářské chipsy and 70 grams volume in every concept) costs 5.63CZK, cheese flavour costs 6.25 CZK, barbeque chips costs 6.67 CZK

and rosemary flavour production costs are 6.2 CZK. Every price includes price of potatoes, price of flavour and package. Price to retail includes Intersnack's marge, costs to employees, costs to marketing and fees for controlling company. Price to retail is same for every supermarket or hypermarket, but every retail company has different discount for product, it means generally, that for example Billa pays different price than Kaufland. These discounts influences several factors.

Table 3: Price chain

Product	Production Cost (CZK)	Price to retail (CZK)	Price to consumer (CZK)
Farmářské chipsy barbecue	6,67	17,7	25,9
Farmářské chipsy rosemary	6,2	17,7	25,9
Farmářské chipsy salty	5,64	17,7	25,9
Farmářské chipsy cheese	6,25	17,7	25,9

Source: Intersnack internal data

Price to consumer is without VAT, therefore retail has to pay 21 % from the price it means that their marge gets lower.

Price to consumer had the worst result from survey, suggested price 24.9 CZK from Intersnack was in average but reduces potential consumer's desire about 30 %. Consumer's price grows about 7.8 % in comparison with traditional Czech Bohemia chips (due to potato cost, as it was mentioned). 24.9 CZK is a suggested price from marketing department of Intersnack, but the last decision about price is the choice of retail, thus the price 25.9 CZK.

Due to average result of price in survey, marketing department developed another survey targeting only the price. Research design was similar to previous one. The expectation from survey was to identify the most ideal and most usual price of product. The ideal price point is ideal in the buyer's mind and would garner minimum rejection for being "too cheap" or "too expensive". The most usual price is the price buyers would consider reasonable, neither too cheap nor too expensive.

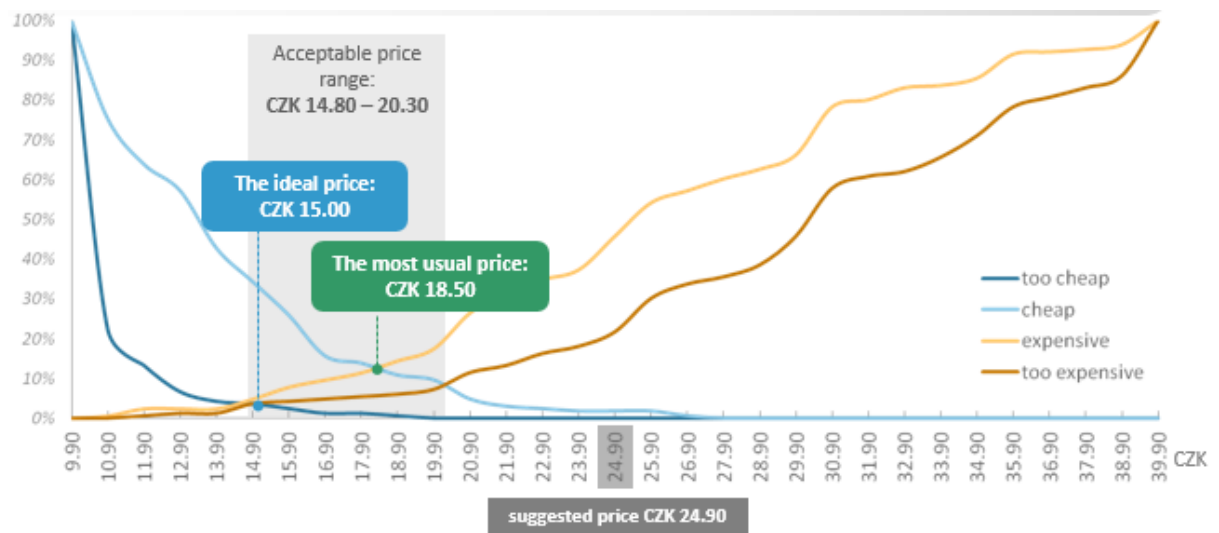
Table 4: Price survey

Acceptable price range In CZK	14.80 - 20.30	13.60 - 19.90	13.80 - 19.90	13.90 - 19.90
the most usual price In CZK	18.50	17.70	17.90	17.90

Source: Intersnack internal data

According to price survey result, the author made up a curve referring to consumer's opinions.

Figure 4: Price sensitivity



Source: Intersnack internal presentation

#### 4.4.3 Place

Place of manufacture was mentioned in sub-chapter called product and manufactory. A distribution channel starts in Choustník, the place of manufacture. Choustník factory serves also as a storing place for Bohemia chips. Every product goes to store in Prague or directly to retail.

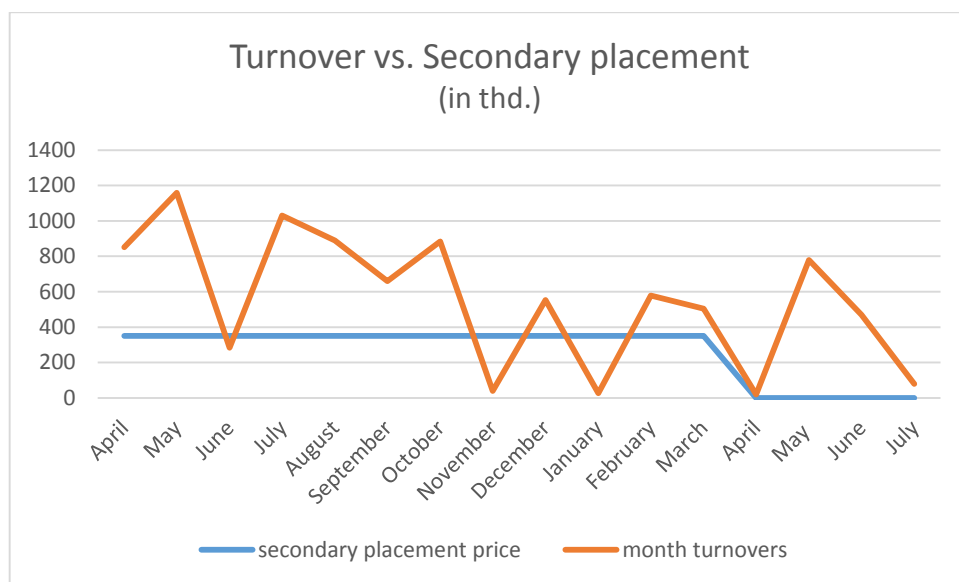
Retail is divided into several branches (Hypermarket, supermarket, discounters, independent stores). Hypermarket is defined as a bigger area store (2500m<sup>2</sup> at minimum) with wider scale of products. Hypermarket listed every flavour developed, it means salty,

BBQ, cheese and rosemary. Every supermarket retail also listed Farmářské chipsy but only two randomly selected flavours.

Due to originality, the product took place not only in salty department but also in a department of vegetables (reference to farm). The perfect place in shelves, as it was mentioned above in theoretical part, Farmářské chipsy took place above Bohemia chips, regarding to their uniqueness.

Secondary placement of product was also included in Farmářské chipsy concept. Secondary placement means different product placement than in shelves. On the basis of farm, Internack come up with original wooden steps referring to natural environment.

Figure 5: Turnover vs. secondary placement



Source: Intersnack internal data, done by author

As an example the author chooses the contract with Billa retail about secondary placement (wooden steps) in 100 Billa's stores (one wooden step is 3.500 CZK per month).

How secondary placement affects turnover is described above in a curve. This is to point out the difference between turnover in months with secondary placement (from April to March) and turnover without secondary placement support (from April to July). The curve shows that secondary placement affects the consumer's desire in a positive way (the turnover decreases without secondary placement promotion) but Intersnack has to consider carefully the costs which are in comparison to value of turnover unacceptable.

#### 4.4.4 Promotion

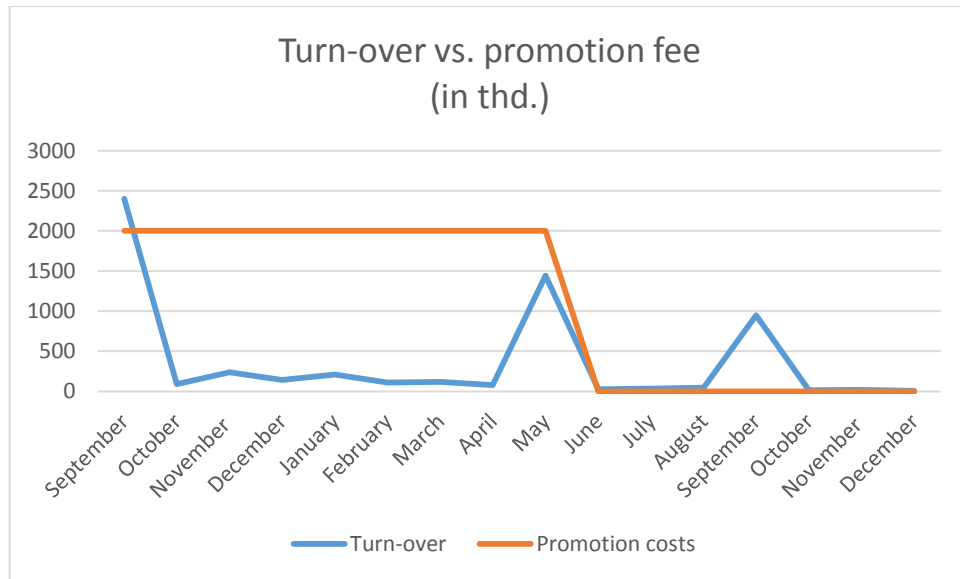
Whole promotion strategy needs to be released at the same time. It is not possible to start TV commercial in a different time then the radio promotion or the print commercial (billboard). Synchronization of all campaigns in every store took 2 months. Promotion strategy was based on marketing textbook example from AIDA. Firstly, the consumer saw commercial in television, commercial was held in farm environment (farmer rides tractor surrounded his family). Interest procedure was held by billboards and events pointing out about new Bohemia chips product. Now, when consumer knows the product (flavours, farm story) and goes to retail, there has to be some pushing factor, which is in-store media.

First contact is through billboards outside the retail market at the parking place. In every store, there were newsletters included Bohemia chips Farmářské with 10 % discount for a package. All these promotion strategies (television promotion, billboards, cutting the price) excites a desire for product.

In-store media, as a high potential promotion tool, Intersnack made a biggest product support through commercial within retail. The most frequent in-store media support was lined up with Kaufland (the biggest retail company in Czech Republic). Kaufland operates with 120 stores in the Czech Republic, Intersnack arranged in-store media promotion in the 60 biggest retail units (this half stores have 65 % of Kaufland's turnover). How the in-store media raise the volume of sold products according to promotion will be presented in following curve. It needs to be taken into consideration that in-store media costs play a significant role.

The price list (cost) of in-store media includes billboards, floor stickers or pallet tapes is following: billboard price next to 60 retails is 380.000 CZK per month, floor stickers are 370.000 CZK per 14 days and pallet tapes are 250.000 CZK per 14 days. In a first year of product in retail, half year was with support of in-store media (two billboards in front of every retail, two times higher presence of floor stickers and pallet tapes are the same case).

Figure 6: Turnover vs. promotion fee



Sources: Intersnack internal data, done by author

This graph declares both hypothesis. In-store promotion raises the Intersnack’s turn-over but the costs play more significant role which is almost unreachable with one product. This situation seems unreal but this graph describes real situation of first year launch process.

### 4.5 Competitors

There are many producers, who share the Czech market. The biggest producer is a company Intersnack, next significant player on market is Lays, covered by Pepsico (worldwide brand). Other important competitors are private brands of each retailer as Tesco, Kaufland etc. (they have a significant market share). There is a table underneath, which shows the Czech market share of potato chips.



Table 5: Market share

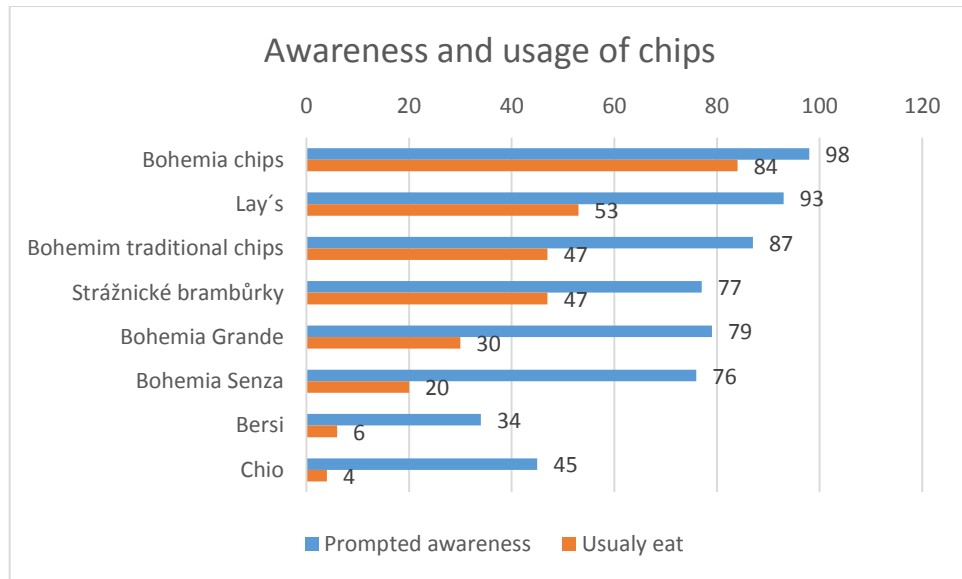
Company	Volume share
Intersnack	35.70 %
Pepsico	8.90 %
Hobža Petr	9.90 %
Kelloggs	1.10 %
Manufacture private label	34.80 %
Manufacturers chips	9.60 %

Source: Intersnack internal data, done by author

Obviously, the two main producers are Intersnack and private label of certain retail. Their significant position in market share is caused by low price. The reason of lower price in comparison to Intersnack is that there is only one marge (retail's marge). Of course, Intersnack has also advantages from private labour, the retail use Intersnack's manufactory in Choustník for production their products for a specific price. In order to clarify, the chips from Intersnack and private labour (produced in same factory) have not the same quality. These potato chips differ in many key factors as the quality of potatoes, the flavour or the preparation itself.

To confirm the market share statement of chips products, there is a survey in dependence on consumer's knowledge of chips. 221 respondents were asked to name as many chips as they possibly recalled in that moment and their usage.

Figure 7: Awareness and usage of chips

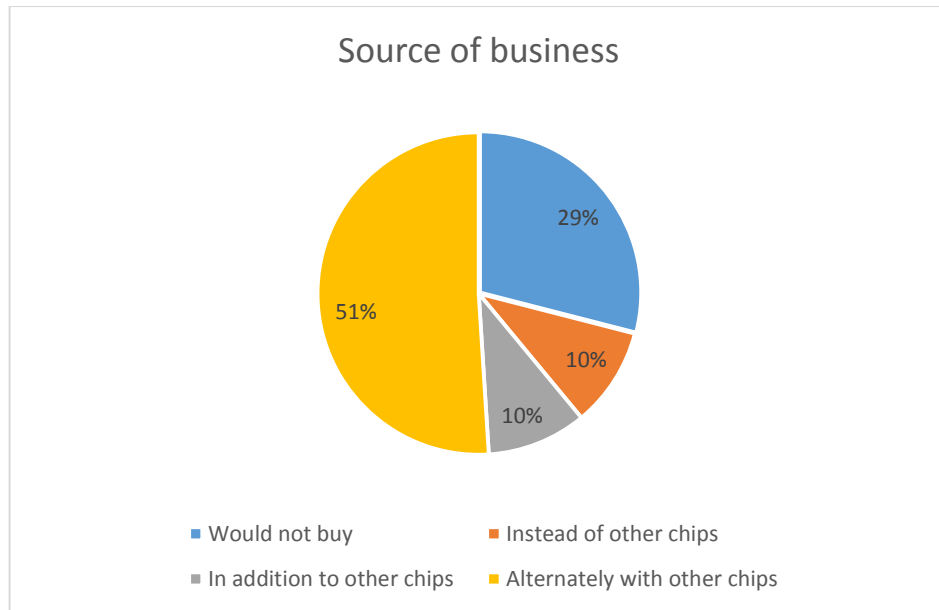


Source: done by author

As described, the Intersnack's sub-brands have significant representation between respondents. Connection between market share and awareness of brands disapprove the private labels products with zero knowledge of respondents. This survey is pointing out the importance of product price, which is for most people more important than quality.

Furthermore, an important research by the company is concerning about source of business. It means, how the consumer will react on new product. There are two researching questions regarding the source of business: "Would you buy the product in addition, along with or instead of some chips, which you buy now? And second question is: "Alternately or instead with which particular chips would you buy this product?"

Figure 8: Source of business



Source: Intersnack internal presentation

This survey was made by 166 respondents (51 % male, 49 % female from age 18 to 45 year old) under one condition – every respondent had to be chips consumer at least once per two weeks. The majority of respondents who were willing to buy the described product would buy it along with other chips. The biggest part would cannibalize Bohemia chips, but significant part of respondents would buy it along with (or instead of) competitive brands (mainly Lay’s and Strážnické brambůrky).

Table 6: Product cannibalize

Alternative	Amount
Bohemia chips	26%
Lay’s	22%
Strážnické brambůrky	17%
Bohemia tradiční brambůrky	12%
Bohemi Grande	10%
Bohemia Senza	6%
Bersi	2%

Source: done by author

The term cannibalize has high influence not on specific product but on a whole company. This survey shows how much the new product affects other products of Intersnack company or competitor’s brand. The best conclusion is to cannibalize others company product but in this case, Farmářské chipsy reduces sales of their own sub-brands/products.

However, the marge of Farmářské chipsy is increasing both in Intersnack and in retailers, that is why cannibalize does not have completely wrong effects further the potential of product is on high level.

## **4.6 Sales**

Content of sales department is to negotiate all necessary agreement with retailers. Concrete goals of Intersnack's sales department are to negotiate listing of every flavour to every hypermarket, two random flavours to every supermarket and in out promotion on every discount (in out means that the product is available to consumers during TV commercial period). All in-store promotions are in responsibility of sales department too. The main goal is to fulfil established goal bear on total turnover. Total turnover is made up by marketing management and sales department together followed by final approval by chairman of the board.

The most influencing factor about success or failure is concerned by achieving established goals in case of turnover.

Following graph describes established goal of turnover and real turnover. This graph was made in order to present results of high potential product supported by all reachable promotions and significant demand discovered from consumer's researches. The data was used for year 2013 (the product was launched in April).

Figure 9: Goals vs. real turnover



Source: Intersnack internal data, done by author

There are two possible explanations of bad results of Farmářské chipsy. First, the expectation from product was too high, which leads to unreal goals established by Intersnack. Second explanation is that the expectations were properly estimated but the positively resulted research did not fulfil the prognoses.

## 5 Conclusion

The subject of the thesis was to analyse and research the market/consumer behaviour on new product in FMCG (Fast-moving consumer goods) environment. As a concrete good, the author has chosen product Farmářské chipsy from Intrersnack company.

Intrersnack came up with a new product due to stagnancy of salty snacks in general. Farmářské chipsy supposed to be perceived as a new dimension of chips potatoes (farm connection, healthy environment or good quality). After good resulted surveys and analysis the product was classified into high potential department of goods.

The product had all available promotion support to attract as many potential consumers as possible. As the most forcible tool for promotion was selected In-store media. First measurable comparison was concerned with In-store promotion in retail Kaufland and month turnovers within the store. Detailed analyse shows that it is not possible to finance promotion of one product hand in hand with purpose of generate a profit. As a conclusion of promotion strategy, the main object of advertisement within the store is to build an awareness of certain product for the sake of future increase of product sold which leads to higher profit.

According to consumer behaviour the author set up a curve which deals with effect of secondary placement (different places of product placement than shelves) to consumer's desire of buying a product. The result proved that secondary placement highly influence the consumer's desire for a product, when secondary placement was shut down, it has immediate effect on consumers and product sell went down rapidly.

Estimated goals by the company and real situation of product sold differ significantly in certain months which led to budget cuts on product promotion (marketing budget) and afterwards the product sale was too low to cover at least production costs. In a nut shell, it is almost impossible to launch new product and expect immediate profit in high competitive environment without support.

To summarize, the main mistake of company was to shut down the production after one and half year of launch. New product almost never fulfils his potential in first year of launch, consumer needs to get used to the change (especially in FMCG) and in consideration of product promotion it was waste of money.

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