Module 1 b – E-business

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Preface:

This is a mini-project written on the base of Module 1b on IBE/IM, 1st semester. The project has been prepared by group number seven at Aalborg University.

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2. Introduction

In November 2005, Nils and Kristian, had the idea to develop the concept of selling online products "24-hours-per-day", related to health-care.

Today, approximately 3.000 products are available on the website, divided into five main products groups: beauty-care, nutritional supplements, medicine, medicare and slim and fitness.

In general, some of these products are asking for discretion and anonymity, and that is one of the things Med24 can assure to its customers.

Med24 is doing well in their area, being the leader of its market, with a great increase of the turnover each year. Moreover, a part of the turnover is spent on the search marketing and promotional campaigns.

As Med24 has understood how much the e-consumer is price-sensitive, they first try to propose cheap products compared to their competitors but mainly to develop the customer's loyalty.

Thanks to the cooperation between Med24 and students from Aalborg University, a survey has been sent in October 2010 to Med24's customers (Med24 case, 2010).

3. Assumptions, limitations and data collection

- 20.000 respondents of the questionnaire (panel members database of Med24) with 18 % of response (not much), resulting in an un-cleaned sample size of 3.528. Panel members were boosted to response by participation in the competition for ten gifts from Voucher on 200kr. It is also important to underline that the population were already in relation to Med24, so the costumers are not a completely random sample.
- The Danish language of the questionnaire determines the exclusive Danish sample.
- We could not create the final questionnaire, only a suggestion.
- In the benchmarking chapter, none of the online shops made large scales, so they were not included as big competitors, but it could have been appropriate to include an o*nly* online web shop.
- The last product category, healthy food and drink, is not counted in the project because there were no questions about it in the survey.

- In the “*Mapping the competitive terrain*” model, we only have decided to focus on direct competitors, to answer the question, and not on indirect competitors neither on potential competitors.

4. Methodology

In our project we have chosen to work with a linked-through approach towards the questions. We have chosen question 5a, 5b and 6b. This means that the next question will be based on the previous question. This will give the project a common thread through all the questions.

All the theories and models come from literature presented when participating in the module 1b. Some of the theories and different ways of approaching have been deselected and some other has been selected. In the next paragraphs, we will explain how we approach it.

Regarding segmentation, we will firstly describe our segment and the characteristics about it. After finding the ideal segment we will profile it. Here will we use systems and analytical approaches.

The analytical approach will be used to analyze the questionnaires with the help of Microsoft Excel. After this process we will analyze *The Customer Lifecycle Segmentation Model*. We will use this model to gain additional characteristics of the key segment. A further definition and slight revised adaption of this model will be given in the segmentation part of the project.

Next in the project we will make a competitive benchmarking of the two biggest competitors to Med24. The chapter will first of all describe the five product categories, and then describe the two competitors and thereafter benchmark these towards Med24. With this in mind, it will be possible to explain which competitor of Med24 who has the strongest position to match the needs of Med24’s most important costumers. We will use the model *Mapping the competitive terrain* to select two of the direct competitors and then analyze *The Seven P’*s for each.

At the end of the project we will recommend a growth strategy based on an analysis of the *CRM model* and the model *Market and Product Development Strategies*. How to approach and implement the recommended strategies will be explained at the end in a business plan.

5. Segmentation and ideal group of Med24's customers

5.1. Typical customers profile based on surveys from last years

Results from previous questionnaires profiled the typical buyers of the Med24 brand products, which came out to be women between 25 and 50 years old (80% of all customers). Elderly people were also identified as a distinct segment of customers, who were mainly shopping for blood pressure monitors (Med24 case, 2010). Inherent customers analysis made by Med24 profiled the ideal buyers as older people, especially women above 50, who are the most loyal, do repetitive purchases (have already bought from Med24 more than one time) and are active in responding newsletter. In 2010, 25 % of the customers bought from Med24 more than one time, contrary to 2009, when repetitive purchases revealed in less than 20 % of fleet buyers. Also the majority of women in the whole customers representation declined from 80 % in 2009 to 71 % in 2010 (Træholt, 2010).

Being conscious of all these customer profiling features and analyzing them more deeply can help Med24 to focus more efficiently on its key buyers.

5.2. Ways to segment the current and potential customers

There are plenty of particular ways, how to segment the customers, it depends on the exact business features or on subjective business decisions. Obviously, in all cases they are used demographic, psychographic and more detailed attributes. In the case file of Med24, we contemplated basically two segmentation ways that we considered most reasonable. Either to find out more typical segments, to learn about them and based on this knowledge to adjust the marketing tools for each segment separately (for example to focus on two known segments that were outlined by Nils Træholt; segment of men and key segment of women over 50 years) or to find out one prospective narrow segment, to profile it and to market towards these favorable customers. We choose the late concept with the aim to increase "Share of wallet" or "Share of customers". Share of wallet, in short, refers to the proportion of customer expenditure dedicated to buying products and services from a particular company (Chaffey, D., 2009, p.540).

5.3. Reason to search for ideal customer segments

When we look for a main profile of current and potential customers, it can be very helpful to make clear, what the main reason of the segmentation and profiling of Med24 is. By increasing the “share of the wallet“, in an Internet context, companies need to target those segments with the highest propensity to access, choose and buy online. In other words companies target the groupings that are most attractive in terms of growth and profitability. Focusing on the top percent of customers by profit may result in more repeat business and cross-sales (Chaffey, D., homepage, 2010).

Seth Godin suggest: “Focus on share of customer, not market share – fire 70 % of your customers and watch your profits go up” (Chaffey, D., 2009, p.540). And that is the reason of this ideal customer segmentation

5.4. Cleaning the whole sample

In the very beginning of our segmentation process we have to clean the whole sample. Results of the survey from 2010 comprised of 3.528 respondents at first sight. We were conscious about that there could be respondents involved with blank fields in the questionnaire. After this cleaning, the number of respondents declined was 2.665.

5.5. Setting up the key variables

The next step we intended to do was to point out the right key variables that could select the ideal group. These key variables could point out who fell into the top customer segment and how large this segment was. The sought variables became: approximate amount of each online expenditure on health-care products and simultaneously the frequency of making these expenditures.

5.6. Approximate amount of each expenditure

In the case of Med24, we asked the customers what total amount they spend on Med24. The reason was to found out how large their consumptions of Med24’s health-care products were. We were interested in consumers whose regularly expenditures were the highest ones. The exact question within the survey 2010 was: *How much do you use in average when shopping online?*

We could not ascertain the approximate amount of health-care expenditure per each online purchasing process. But it enabled us to find the amount of expenditures for all products per each online purchasing process. To assume the approximate amount of health-care expenditures we considered inevitable to utilize “the additional key question“ from the survey 2010:

How much does your household spend monthly within the following product categories?

We concerned with these two intervals in determining the segment:

- 251-500 DKK
- Over 500 DKK

5.7. The frequency of expenditures

This key variable sorted the sample by frequency of purchasing online. Obviously, we concentrated on those, who are used to shop online more often. The exact question within the survey 2010 was:

How often do you shop online?

5.8. Finding out the key segment

To become aware of the approximate amount of Med24‘s customers online expenditures, it was crucial to find out how many respondents are customers and to ask this question only to them. From the total amount of 2.665 cleaned questionnaires we utilized 2.402 regarding only customers of Med24.

The next step was to apply our key criteria in the data and here we found the most ideal segment. Within processing the data, we could subsequently delineate following figures and discovered the sought segment.

How much the costumer are use to purchase online?

Almost 90 % of the customers are use to spend from 200 to 1.000 DKK in each purchasing process online.

How often the costumers are use to purchase online?

Only 7 % are use to purchase online every week, 40 % every month and regarding a couple of times a year, the frequency purchase is 53 %.

The following figure differentiates customers; who are used to purchase online every week and every month. The last group of customers, who purchase online only a couple of times a year, are refused.

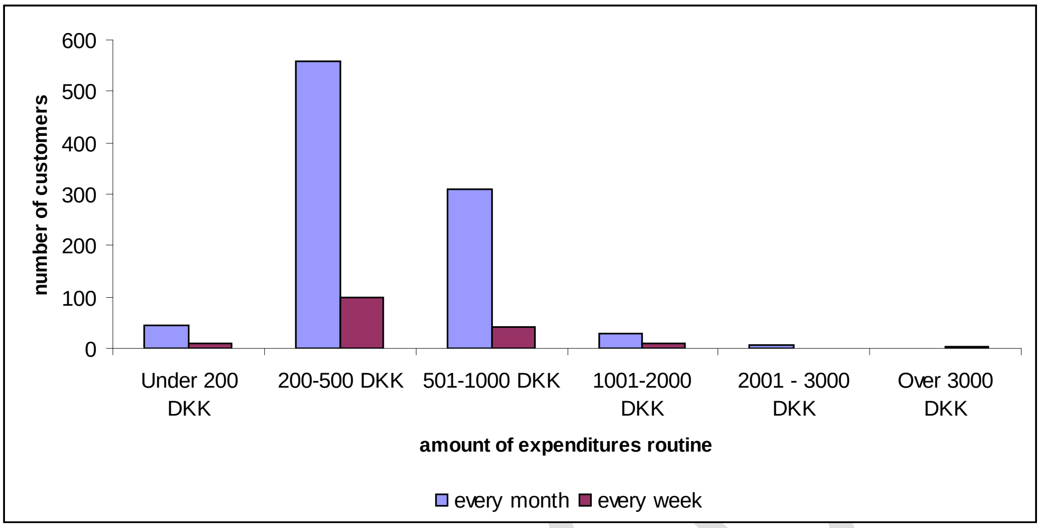


Figure 1, Customers who are used to purchase online every week and every month (own creation)

Based on the previous figure we estimated that the most profitable customers are used to purchase from 200 to 1.000 DKK every week or every month. To ascertain exactly, who belongs to the most profitable segment we had to compare the customers' profitability.

We chose the comparison based on approximate spending per year and recalculated the quated expenditures into expenditures made in one year. We calculated with the lower amount of each interval. Next figure pins this down more precisely.

	Under 200 kr.	200-500 kr.	501-1000 kr.	1001-2000 kr.	2001-3000 kr.	Over3000 kr.
weekly	113 828	**1 040 000**	**1 042 080**	416 416	104 052	312 000
monthly	107 460	**1 344 000**	**1 857 708**	348 348	168 084	36 012

Figure 2, Table of approximate annual expenditures (Own creation)

Figure 2 demonstrates the total sums of what customers are used to spend in one year in average in order to weekly or monthly purchasing routines. We found out, that the most profitable segment could take place within customers, who are used to purchase monthly and usually spend the amount from 200 to 1.000 DKK.

5.9. Expenditures on health-care products

To be more accurate and uncover the most profitable segment we analysed "the additional key question" on how much customer households spend monthly within the health-care products, which were divided into these categories: Beauty care, nutritional supplements, medicine, medicare and slim & fitness.

We found out that the most perspective segment for Med24 consists of those, who are used to spend 200 - 1000 DKK online per one purchasing process and usually are used to purchase online every month. This segment is approximately 17 % from Med24's current customers.

5.10.Profiling the key segment

By analyzing the data of the survey 2010 we found out following features regarding the most profitable segment.

5.10.1. Gender

Next figure proofs results of gender representation with strong female prevalence: two thirds of the most prospective segment is female.

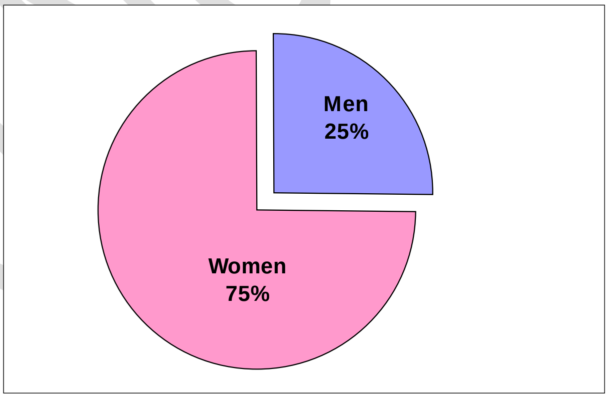


Figure 3, Percentage representation female and male gender (own creation)

The female customers are in majority, but 25 % of the segment, which produce most profit, are not neglectable.

5.10.2. *Age*

In case of this profit favorable segment, we couldn't find out the most predominant age classes in the age-class composition. We can clearly observe that fact in the following figure.

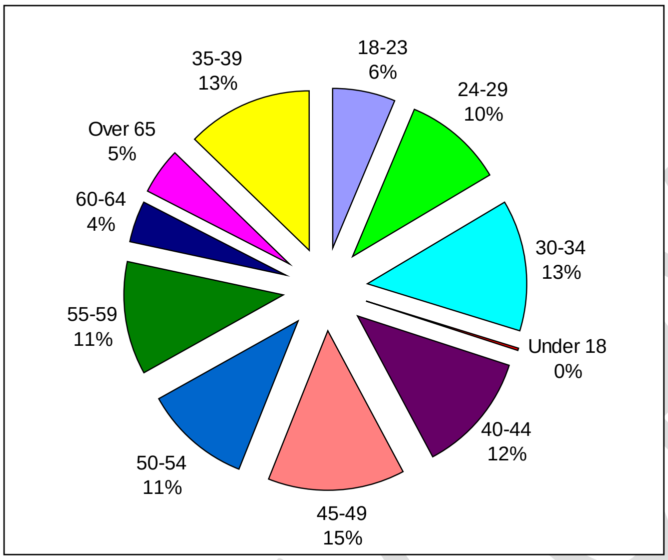


Figure 4, The age-class composition (own creation)

If we compare this feature of our segment with the age assumption, we had at the very beginning of the project, we find the assumption and our new findings are not equal.

5.10.3. *Last completed education*

According to data of the survey 2010, education on the level of college and graduate prevailed with almost 60 % in the chosen segment. It is demonstrated by figure 5.

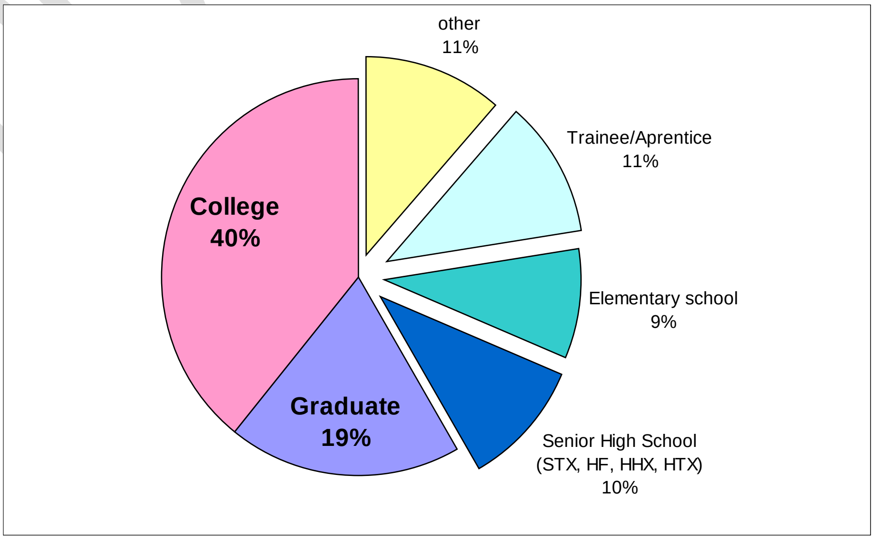


Figure 5, Last completed education (own creation)

5.10.4. *Allocation and living conditions*

The following two figures refer to parts of Denmark and to size of towns, where the chosen customers live.

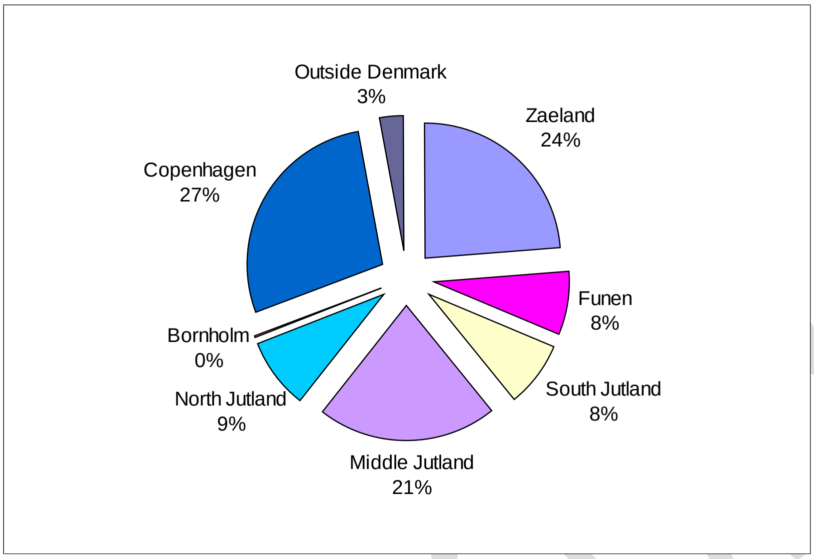


Figure 6, Where the key customers live 1 (own creation)

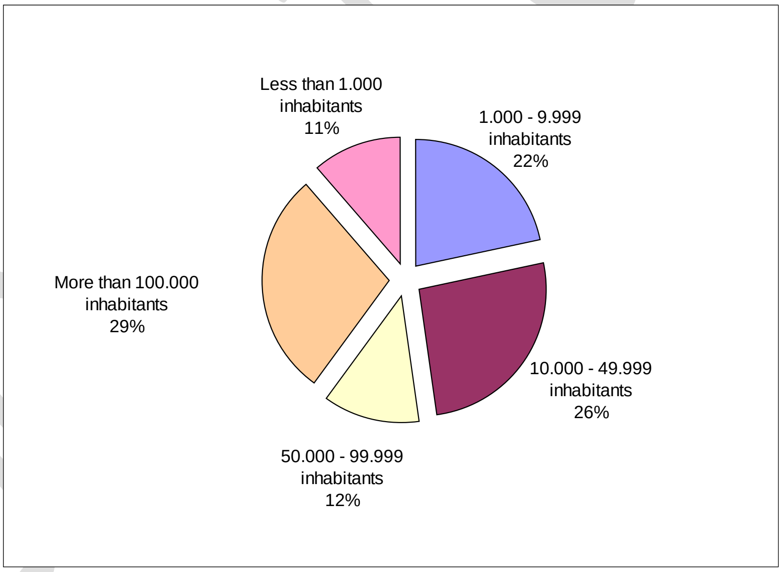


Figure 7, Where the key customers live 2 (own creation)

As we can assume from the last two figures, these customers are uniform split around Denmark into both small and big towns.

About 44 % of the segment is customers who live two people in a household, 18 % live alone, 18 % live four people together in a household and 15 % live together three people in a household.

30 % in the chosen segment decides not to say what their monthly income is, after taxes, in their household. The rest of the customers answered this question but we did not find the most predominant income range.

5.10.5. Benefit attributes

We elaborated the degree of importance of benefit attributes within shopping online and the performance of Med24 regarding these factors. We contemplated following factors (benefit attributes): different payment options, security, product range, price on product, product quality, refund policy, privacy, delivery time and cost of delivery.

We found that the following factors: different payment options, refund policy, privacy and delivery time, are not considerably important for the focal segment, hence we did not analyze them in further steps. Crucial attributes when shopping online became unambiguously: product range, price on product, product quality and cost of delivery. According to the key customers, Med24 perform well within all these important attributes.

5.10.6. Lifestyle attributes

The most popular products marketed by Med24 are Beauty care, Nutritional supplements, Medicine and Medicare. The purchase of these products was declared by more than 50 % of customers. 17 % of the customers indicated Slim and Fitness as products which they also acquire, and only 6 % indicate Healthy food and drink.

94 % of the key segment pointed at themselves as the person for whom they purchase products, 37 % of customers also bought products to someone from their household, 11 % of the customers have purchased the product as a gift for someone and 7 % of the cases mentioned other reasons.

The following figure shows how often customers from our segment are reading newsletters.

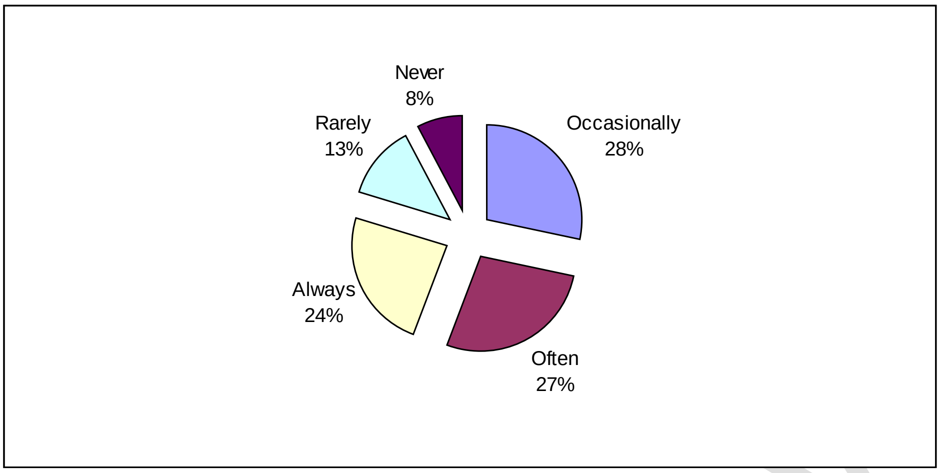


Figure 8, Frequency of reading the newsletter (own creation)

The figure shows that the majority of the focal segment is used to read the newsletter.

5.11. The CSLM features of the focal segment

The customer lifecycle is a term used to define stages through which a customer goes when considering purchasing, using, and maintaining loyalty to a service or product. According to the CSLM there is seven stages through which a customer can pass. When using this model it is possible not only to search for the target group but also get information on how to reach these groups. When a company will define their customers groups and the relationships between the company and the customers, it is possible to deliver targeted messages using either personalized on-site messaging or emails which are triggered automatically. (Chaffey, D., homepage, 2010)

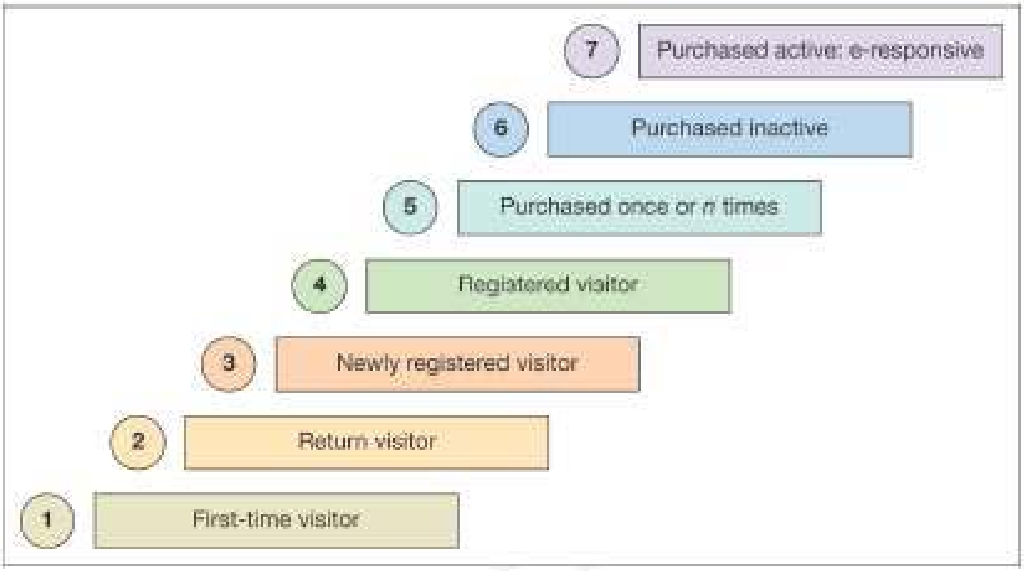


Figure 9, Customer Lifecycle Segmentation Model (Chaffey, D., 2010, p.541)

When talking about the CLSM regarding our segment we are limited. Two questions from the survey 2010, which we could exploit, concerned only the costumers who have already purchased from Med24. This is why the first three stages of CSLM: first-time visitor, return visitor and newly registered visitor, were excluded, and we begin the analysis in step four. To implement our segment into the CSLM we availed answers on two questions from the questionnaire.

How many times have you purchased from Med24?

Thanks to this question we could assess if the most profitable customers bought products from Med24 only one time, or they were satisfied enough and became active customers, who purchase more than on time.

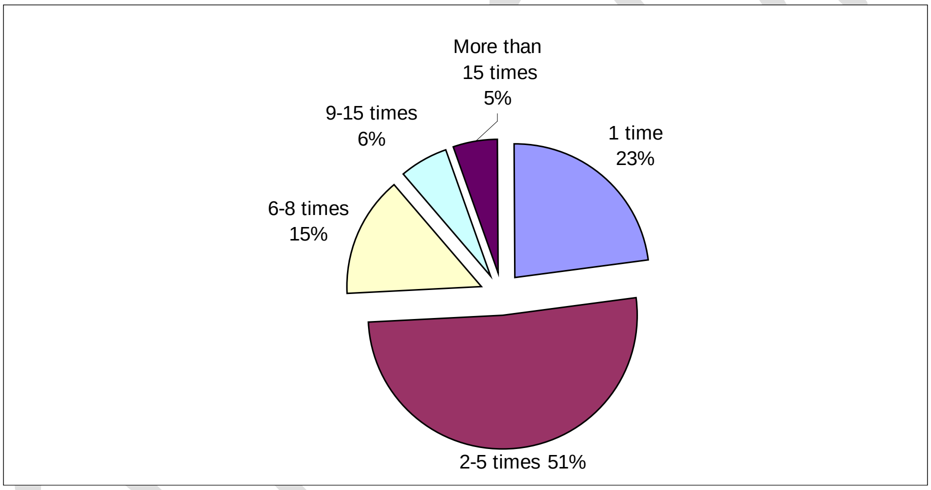


Figure 10, Number of purchases in the key segment (own creation)

Figure 10 demonstrates that one half of the key segment consists of fleet buyers, who have already purchased from Med24 2-5 times. The group with one time purchasers is also important. Hence, we assumed almost 75 % of the most profitable segment is “1–5 times buyers”. This information is not very detailed and it is necessary to know more, to analyze the following question.

When did you make your first purchase from Med24?

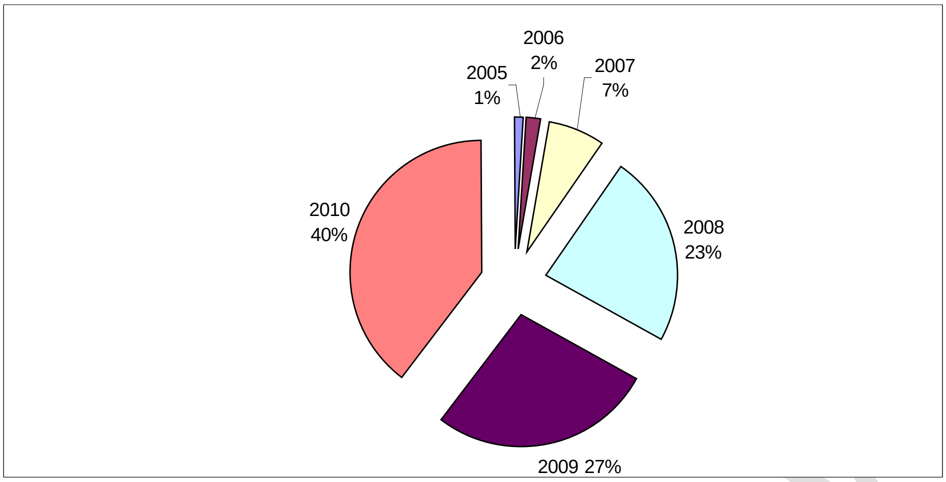


Figure 11, Year of first purchase in the key segment (own creation)

Figure 11 shows that 40 % of the focal customers made their first purchase in 2010, 27 % in 2009 and 23 % in 2008.

Looking at the detailed diagram with data almost 55 % of Med24's customers from 2010 are customers who purchased by Med24 at least twice, in other words these are active customers. In the case of inactive customers we could find only those who bought by Med24 one time in the interval from 2005 to 2009.

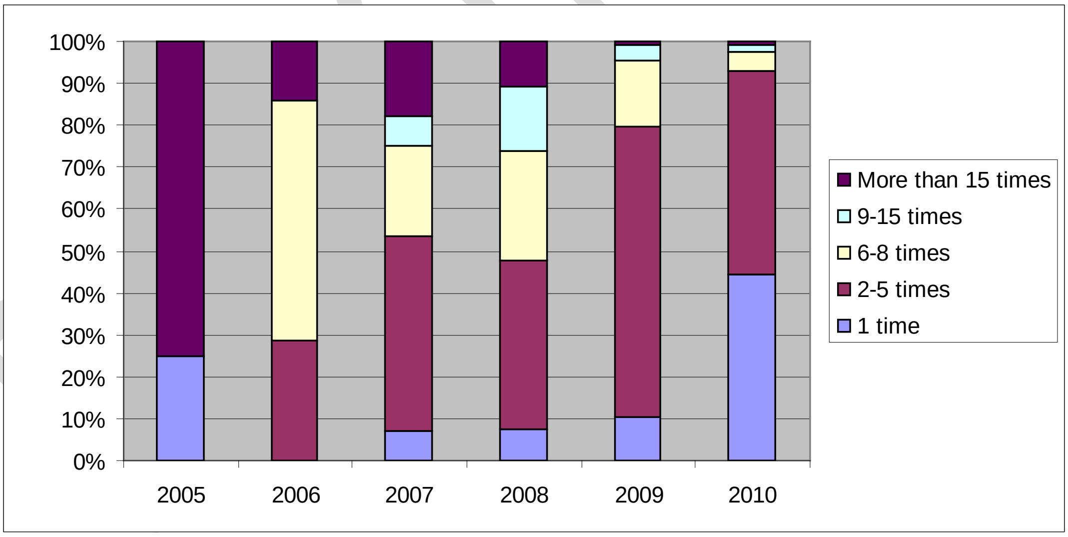


Figure 12, Active and inactive customers of the key segment (own creation)

When summing all purchasers, who have bought only one time in the interval from 2005 to 2009, we found that 5 % of the key customers to be inactive.

5.12.Summary of the most profitable customers segment

As a sub conclusion of our segmentation and profiling analysis we highlighted common features of the focal most profitable segment:

- 17 % of all customers of Med24.
- They are used to purchase online every month around 200 – 1000 DKK in general.
- They are used to spend 500 DKK monthly in health-care products.
- 75 % are women.
- No predominant age class (contrary to given typical segment).
- Education on the level of college and graduate prevailed with almost 60 %.
- Customers are split around the entire country and live in both large cities and small towns.
- Almost 60 % have two-three people in their household.
- More than 50 % are used to purchase products from categories like Beauty care, Nutritional supplements, Medicine and Medicare.
- 94 % bought the products for themselves.
- The majority is used to reading the newsletter.
- More than 50 % have bought from Med24 between two and five times.
- 40 % have been customers of Med24 since this 2010.

6. Benchmarking of Med24 and the chosen competitors

The competitive benchmarking in this chapter will be done accordingly to the segments chosen in the first question, this means that the competitive benchmark is being done with the ideal types described in question one. Therefore one of the aims of this chapter will be to determine what competitor of Med24 meets the needs of the important costumers and in which parameters Med24 and the competitors are alike. Another aim is to conclude who has the most importance when dealing with the segment chosen.

6.1. The five product categories

In this survey the products that Med24 sells were split up in five product categories (Questionnaire, 2010, Q.6). In each product category there are different competitors, therefore a short exposition have been made to find out where the biggest competitors are.

6.1.1. Beauty-care

In the product category Beauty-care there is many different competitors (Appendix 1.1 and appendix 1.2). If we start with where the respondents buy beauty-care you can see from the figure 13, that Matas is the biggest competitor with about 43 %.

Other online shops	I don't buy it	Local pharmacy	Local shops	Local Matas
23,99%	4,80%	3,54%	24,49%	43,18%

Figure 13, Percent of where the respondents buy their beauty-care products (own creation)

If we look at the other online shops there are quite many different websites both Danish and non Danish. If we only look at where most respondents purchase, then we get 11 competitors (Appendix 1.1). If we look at the rest of the online competitors there are quite a few but in most of them there are only one or two respondents who are using these (Appendix 1.2). Therefore we have left these competitors out and focused on the competitors where the biggest groups of the respondents purchase from.

The biggest online competitor is Oriflame with about 11 % out of 66 answers (Appendix 1.1). Oriflame is a company who only sells beauty-care products (Oriflame, 2010) and is therefore a big online competitor in this product category.

6.1.2. Nutritional supplements

When the respondents buy nutritional supplements they often buy them in their local shops (Appendix 2.1). In this product category the statistics are more equally divided and therefore it is difficult to say, which is the biggest competitor in this product category. About 26 % buy their products in local shops, almost 24 % buy them in the local Matas and almost 28 % buy them in other online shops. If you only look at the online shops, Med24 has about 47 % (Appendix 2.2) of the market share.

Online shops	Other	JALA-helsekost	kamille.dk	med24	Netspiren	naturoghelse.dk
8,33%	5,00%	8,33%	3,33%	46,67%	6,67%	6,67%

Figure 14, Percent of where the respondents buy their nutritional supplements products online (own creation) *"Other" is defined as answers where the respondents answered "differ", "using Google", the cheapest website e.g.

Generally there have been made many new websites where you can purchase nutritional supplements, ecological products e.g. (Træholt, 2010). These websites are big competitors to Med24 (Træholt, 2010).

6.1.3. Medicine

When the respondents buy medicine products, they often buy them from the local pharmacy. The pharmacy has a share of the offline market at 80.30 %. This means that the local pharmacies are one of the biggest players in this product category.

Other online shops	I don't buy it	Local pharmacy	Local shops	Local Matas
6,57%	2,27%	80,30%	7,32%	3,54%

Figure 15, Percent of where the respondents buy their medicine products (own creation)

There is also a tendency to buy medicine products in a physical shop. This is proven by the fact that besides the 80.30 % who buy medicine products in the local pharmacy, almost 8 % also buy their medicine products in a physical shop. If you look at the competition in online shops, the questionnaire shows different types of competitors (Appendix 3.1). But none of them have a high percentage of the costumers, so this gives an idea that the biggest and most important competitor in this product category is the pharmacies.

6.1.4. Medicare

In this product category the competitors are divided more equally between different shops. The questionnaire shows that 43.43 % buy their medicare products in the local pharmacy, 22.22 %, in local shops and 13.38 % in Matas (Appendix 4.1). But once again, it is still the pharmacy that has the biggest market share in this product category.

Other	billigeteste.dk	førstehjælpskassen.dk	JALA-helsekosten	Matas	Med24	netspiren.dk	Tiger
19,23%	3,85%	3,85%	3,85%	3,85%	57,69%	3,85%	3,85%

Figure 16 – Percent of where the respondents buy their medicare products (own creation)

If you look at the above figure concerning the online shops, you can see that Med24 has 57.69 % of the market share in this product category.

6.1.5. Slim & Fitness

In the product category slim and fitness the type "other online shops" seem to be the biggest competitor with 19.40 % of the total market share. In this category the local pharmacy and Matas are not that large, they only have a market share of 2.02 % and 7.05 %. The eye-catching moment in this category is that 57.43 % of the costumers do not buy these types of products at all.

Other online shops	I don't buy it	Local pharmacy	Local shops	Local Matas
19,40%	57,43%	2,02%	14,11%	7,05%

Table 17, Percent of where the respondents buy their slim and fitness products (own creation)

The survey reveals that customers who buy this product category mostly buy them online. This is proven, by the fact that other online shops have a big part of the market segment, and the local pharmacy, Matas and other local shops have not got as big a market share (Appendix 5.1).

6.2. The selection of the three direct competitors

To select two of the direct competitors we use "*Mapping the competitive terrain*" model (Bergen, M et al., 2002, p. 160). To be a direct competitor you have to have high terms in both resource similarity and market commonality. In Med24's situation the pharmacy and the local Matas are the two competitors where the market is almost the same and where the products/resources are nearly identical. This observation is made from the analysis of the five product categories. In the survey Matas and the pharmacies made large scales, and therefore revealed themselves as big competitors towards Med24. Here they see Matas and the pharmacy as big players in the entire market (Træholt, 2010).

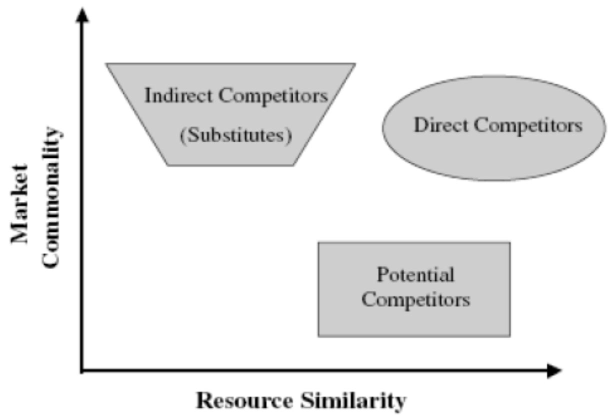


Figure 18, Mapping the competitive terrain (Bergen, M et al., 2002, p. 160)

6.3. Pharmacy

The local pharmacy is a big direct competitor to Med24. In many of the product categories the pharmacy is where the respondents buy many of their products. Maybe it is because that many trusts the pharmacy, a whole of 97% of the Danish people trust the Danish pharmacies (Danmarks apotekerforening, 2010).

6.3.1. Product

At the pharmacies you can buy your prescription medicine. They have products for; pain, skin care, vitamins, minerals, nutritional supplements, e.g.. You can buy all you need for your health and for your skin. The pharmacies were established on the basis that it should provide the Danish people with medicinal products to cure, relieve or to avoid illnesses (Apotekerforeningen, 2010).

6.3.2. Place

The pharmacies have been in Denmark in more than 400 years (Apotekerforeningen, 2010), to be more exactly they were registered in the year 1465(Apotekerforeningen, 2010). The Danish pharmacy organization were established in the year 1546 and since the organization has grown (Apotekerforeningen, 2010). Today there are 318 pharmacies in Denmark and they are situated all over the country (Apotekerforeningen, 2010).

6.3.3. *Price*

We assume, the prices in the pharmacies shops and the prices on their websites are basically the same. The pharmacy has a rule, they only sale the cheapest pack to the consumers. In addition to that, the pharmacies prices on medicine have dropped 5 % in 2009 (Danmarks apotekerforening, 2010). In average the medicine prices have dropped with 31 % since 2000. This means that the Danish people save a lot of money on their medicine (Danmarks apotekerforening, 2010). The reason why there have been such large drops in the prices is because of the increasing competition in Denmark on medicine (Danmarks apotekerforening, 2010).

6.3.4. *Promotion*

The pharmacies promote themselves all the time through TV commercials and through their own catalogue which are distributed every month to every household that receive the shops catalogues (Minreklame.dk, 2010). In the catalogues there are small articles about different health problems and the pharmacy recommends products for exactly that health problem (Minreklame.dk, 2010). Their TV commercials do more or less the same; they give some good advices and create awareness about the products.

6.3.5. *People*

The employees at the pharmacies are educated pharmacists (Danmarks apotekerforening, 2010). One of the reasons for this is to give the customers the best guideline when they buy medicine. The pharmacies get more and more technical, almost every third pharmacy have robots to get the medicine faster. This gives also a better service to the customers (Danmarks apotekerforening, 2010). Not only have the employees many health professional educations but the pharmacies are in an innovative time where waiting time systems, sms-services and e-business are standard (Danmarks apotekerforening, 2010). This also means that the employees have to be familiar with all this technology. (Danmarks apotekerforening, 2010).

6.3.6. *Physical evidence*

The people who shop at the pharmacies are people who know that they can get what they need. They do not have to go to more than one place to get everything they need for their health and illnesses. It is easy for them to shop there and they do not have to wait for their products compared to online shops. They also know that they get a good service and if they want they can get good guidance about which products they should buy for exactly their problem (Danmarks apotekerforening, 2010). In a survey accomplished by the medical association, the costumer trust the pharmacies guidance with 96 % and the Danish people are very satisfied with the pharmacy, 83 % are satisfied or very satisfied with it (Danmarks apotekerforening, 2010).

6.3.7. Process

As mentioned earlier, many of the pharmacies have their own robots to make the waiting time smaller and to make the pharmacists jobs easier (Danmarks apotekerforening, 2010). As mentioned, the pharmacies also have sms-services and e-shops to ease the buying process. As the innovation is growing, you can now also buy your prescription medicine on the Internet, the only thing you have to have is a NemID, so the pharmacy can see if you got an electronic prescription and in that way you do not need to go down to the pharmacy, but you can buy it online (Apoteket, 2010). This means that the buying process is getting easier both for the customer but also for the pharmacist.

6.4. Matas

Matas is a Danish chain store, which was founded in 1949. The chain is being run after the franchise law and the single store is owned by an independent materialist. In 2007 almost all the shops transferred to a capital chain where CVC Capital Partners has a majority holding and where the old owners through the company Materialist Invest ApS have a significant minority stake. The rest of the stores are independent and work together with Matas A/S about products. Approximately there are about 2500 employees in all of Matas' shops (Matas – service, 2010).

6.4.1. Product

Matas has many different products and it has products in many categories. They have products in makeup, skin care, medicare, men, hair care, perfumes, sex and relationship and products for pregnancy and kids (Matas, 2010).

Matas has products for every family member and Matas has many kinds of brands especially in the makeup category. There are both products in the lower price end and products which brand is much known all over the world. They have products like Chanel, Dior and Lancôme but they also have products like Gosh and Rimmel which cost less (Matas, 2010).

Matas do also have their own brand called "*Striberne – 100% omtanke*" (Matas, 2010) (The stripes – 100% thoughtfulness) where they are very concerned about that the products are without any additives and also without any perfumes (Matas, 2010).

6.4.2. Place

Matas is all over the country with several shops in the big cities. In the cities such as Aalborg, Århus and Copenhagen, there are more than one store for example there are about six stores in Aalborg (Matas –service, 2010). They have 292 shops and there are also three shops in Sweden (Matas –service, 2010). The head quarter is in Allerød were the central warehouse is also situated (Matas –service, 2010).

6.4.3. Price

We assume the prices in Matas' physical shops and the prices on their website are basically the same except when dealing with special offers. If you are a member of the Matas Club it will be possible to save up scores, which you can use the next time you shop at Matas. The membership will also provide you with information around new products and competitions (ClubMatas, 2010).

6.4.4. Promotion

Matas has an online catalogue where customers can sign up and then get it on mail. They also have a catalogue which gets around to every house hold with the best offers. The catalogue is sent around every two weeks (Viewer, 2010). Matas uses TV commercials for their marketing (Tv2media, 2008). They use these commercials to create awareness about their products especially if there are any new products, any special offers and also about their own brand – the strips. As mentioned earlier, Matas has a club where you can get some different advantages (ClubMatas, 2010). If you are a member of this club you also get a newsletter every month where you get information about new products, tips and good advices e.g. (ClubMatas, 2010).

6.4.5. People

Matas has 2500 employees in its organization. The employees at Matas are educated as materialist, which is a shop education. The number of employees is high, because of the large number of physical shops. The personnel in the head quarter are divided into eight categories; sales, marketing, IT, HR, accounting, administration, logistics and storage (Matas, 2010). It is important for Matas that their employees make further studies and take several courses to improve their skills. One of the reasons for this is to give the customers the best guideline when they buy especially beauty products (Matas, 2010).

6.4.6. Physical evidence

Many of the products in Matas' portfolio are well-known brands and therefore it is easy for the customer to recognize the product. Matas' costumers do not have to go to more than one place to get everything they need especially within the beauty care category, because of the wide portfolio. When you shop at Matas you get the opportunity to interactive with the employees and to get help if needed.

6.4.7. Process

As a costumer you are protected by returns and warranty, so it is possible to send something back and to complain if something is incorrect (Matas, 2010). When shopping in Matas you get the personal service and the contact with the employees that you do not get when you are shopping online.

6.5. Competitive benchmarking of Med24 towards the competitors

When dealing with the different types of product categories, none of the mentioned competitors have exactly the same product portfolio as Med24, so the different competitors meet different part of the customers. You can say when dealing with beauty care products, that Matas is one of the biggest competitors to Med24, and when dealing with medicine products, the pharmacy is one of the biggest competitors towards Med24.

When dealing with the place where the shops are situated, Matas and the pharmacies are physical shops where the highest percent of costumers shop, if they do not shop at Med24, this proves that these physical stores are big competitors towards Med24. Their online shops are also crucial towards Med24, because their product portfolio is growing every day and they are becoming more and more similar to the physical stores. If you compare the prices at the pharmacies with Med24, the pharmacy prices are generally lower than Med24 (Apoteket, 2010: Med24, 2010). If you compare the prices at Matas to Med24, Matas is more expensive in many of the famous, luxurious brands, and in categories like medicine and medicare the prices are more alike, and here Matas' stripes is in the cheaper end (Med24, 2010: Matas, 2010). But to get the delivery for free, you need to spend more money on Med24 then in Matas online. When dealing with promotion it is obvious that the three different stores have different ways of promoting themselves. It is obvious that Med24 uses emails, banners, online catalogues/newsletters, other websites e.g., and the shops, who both are online and have physical shops use the same as the online shops, but also TV commercials and physical catalogues. The people and employees in an organization are crucial for the success of the company. In this case, once again, there is a similarity between the online shop and the shop with both online and physical shops. When analyzing the online shop, the number of employees is much lower than in the physical shops. Here it is also important to notice that the amount of education is different in the shops, for example some of the employees at Med24 have a long, university education or a general education as a nurse, doctor or physiotherapist. In contrast to that the employees in Matas and in the pharmacy are educated within their organization. When concerning the physical evidence and the process it is important to determine what type of people who shop in the three different stores and how do they shop. Here the essential thing is to keep in mind the slow versus faster obtaining of the products and the fact that some people prefer the interaction with the sales personnel in the physical shops and others like the fact that they can surf around finding the exact product to a reasonable price leisurely. According to the segments chosen in this project and the above comparison of some of the most important areas of running a business, the competitor who will meet the needs of the ideal costumers in the best possible way are the pharmacies. The reasons for this are as follows:

- The pharmacies are in the drugstore category and Med24 sees themselves as an online drugstore, therefore they have to share the same market or costumers.
- Both Med24 and the pharmacies have educated people regarding health, such as nurses, doctors e.g., this means that the guidance and customer service are similar.
- As analyzed in the segmentation part health-care products are one of the most popular product categories both in Med24 and in the pharmacies, and it is also the most profitable products for Med24.
- Med24 hope that the law will change, so it will be possible for them to sell prescription products also.
- Med24's product portfolio can be compared to the pharmacies. They do not sell the same brands, but they have products for approximately the same problems. In this comparison Med24's portfolio and the pharmacies are in some ways similar, but Med24 focuses on products that bring more profit and the pharmacies need to have a wide portfolio.

7. Growth strategy recommendation for Med24 to pursue

As we speak, one of the most important things for Med24 is to implement a strategy with the chosen segment in mind, to develop and optimize their activity. The selection of the data is crucial for establishing a strategy. Indeed, in order to be as efficient as possible, it is necessary to adapt the strategy to the customer.

First, we will thereby see a sum up of the different stages of customers a company can meet. It is very important to know them, their needs, how they react, or how often they purchase from Med24's website, because the strategy will depend on it.

We can then distinguish between different strategies, answering to short-term or long-term challenges. The CRM model will help us to target the customer, from the first contact to its loyalty (Chaffey, D., 2009).

7.1. Types of customers that Med24 has to handle

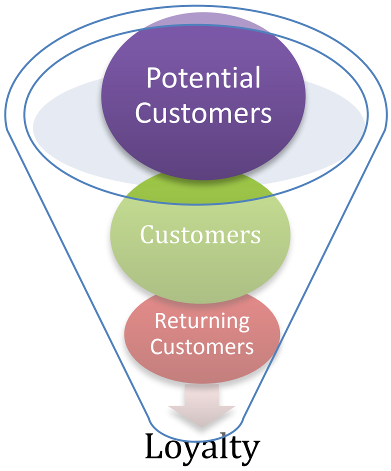


Figure 19, the different steps of the customer in a company (own creation, inspired from Reimer Ivang)

The scheme above deals with all the stages a customer takes before becoming a loyal customer. First there are all the customers on the different markets.

Then, potential customers, those who may be interested in Med24 markets and products: their needs can lead them to Med24 website or Med24's competitors. After testing or making a comparison between all of the companies' offers available, the customer chooses where to buy for the first time.

Afterwards, we have Med24's customers: those ones who are buying sometimes. They are numerous, but they do not buy every time on Med24's website. It depends on the products, and on the prices: indeed, on the internet, it is really important to know that one of the most important things a company has to pay attention to is the fact that the customer is above all a price-oriented consumer (Ivang, R., 2010). It is easier on the Internet, to switch and click between the different websites.

And finally, the last stage is when the customer is loyal, that is to say that the customer comes back to buy the same product or different products available on the website: the costumer has made Med24 the first option for that kind of products. The costumer is satisfied and is looking for taking orders again. An adapted strategy has to be done towards the costumers to encourage them to buy more often and in bigger quantity.

7.2. *Choosing directions and terms for the growth strategy*

In order to make a complete and an efficient growth strategy it is important to focus on which directions to take and to choose a term for the strategies, a deadline.

Strategy aimed at winning larger market share, even at the expense of short-term earnings. Four broad growth strategies are diversification, product development, market penetration, and market development (Business, 2010)

In the table below there are presented two directions for a growth vision. These are market and product development and how to make a strategy for existing products and markets and also for new ones.

To make short-term growth strategies we will focus on the existing markets and products and also in new products.

For the long-term strategy we will take into consideration “developing new markets” and develop both new and existing products.

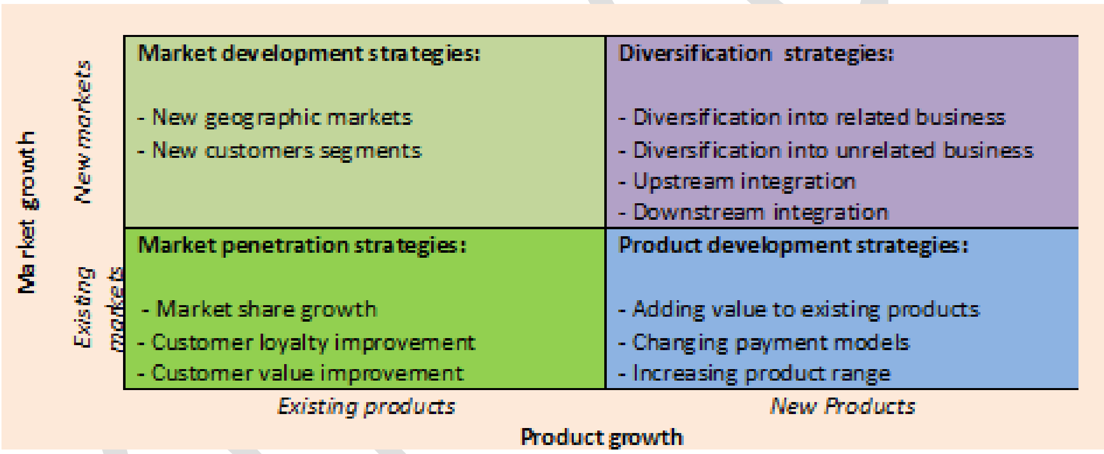


Figure 20, Market and product development strategies. (Chaffey, D., 2009, p.300)

7.2.1. *Short-term strategies*

When dealing with short-term challenges, Med24 has to focus on their own markets and both their existing products and new ones. New products, for adding value to the website and give the costumers more choices, for the type of products they need and to meet the needs of ideal type of customers. Moreover the main goal is to bring new customers and to develop the relationship between Med24 and their customers, and therefore try to improve the volume of customers’ orders.

We will develop the short-term strategy focusing on the CRM business model. We analyze every part of the model: select, acquire, retain and extend and we will develop strategies for each part of the process according to the customer behavior.

The CRM model is proper for Med24 because it is focusing on how to increase customer loyalty in order to increase profitability. CRM tactics can be based around the acquisition-retention-extension model of the ideal relationship between a company and a costumer (Chaffey, D., 2009, chap. 9).

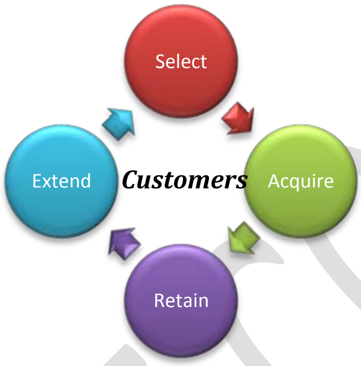


Figure 21, The four classic activities of customer relationship management (Chaffey, D., 2009, p.483)

7.2.1.1. How to define the type of costumers that Med24 wants to market (selection)

According to the segmentation, the ideal segment for Med24 to market is the segments of people that usually buys products monthly from the internet and spends between 251 – over 500kr. in one purchase and which are focused on health care products.

The customer selection means the types of customers that Med24 will market to. It implies identifying different groups of customers for developing offerings during the three next steps: acquisition, retention and extension. A company has to wonder about their value, their lifecycle, and the main questions are where to reach them, and how to promote Med24, taking into consideration the segmentation.

Thereby, seeing their main types of customers, Med24 may communicate thanks to different means, such as through the local press (in "printed media") or local radio. (Med24 case, 2010)

Moreover, they also should use specialized magazines who could write about health care, beauty care, e.g. such as "Alt For Damerne" and "Femina", for women who would be able to read that kind of magazines, that is to say between 30 and 60 year old women.

And try to send another kind of message in younger magazines where young women would see the advertising.

The other main media is Facebook, this social network whom more than 60 % of Med24's customers are present. A campaign, links, or events should perhaps be created for improving the knowledge of news on Med24's website, temporary discounts, new topics of discussion on the forum, e.g.

7.2.1.2. How to begin and consolidate a relationship between a company and potential customers (acquisition)

A company has to choose the right channels to get to the high value customers and to make the right strategies to convince them to visit the website, to give you the opportunity to present the products and to present the advantages for choosing Med24.

Below are presented some examples of marketing strategy initiative implementation according to customer acquisition:

- SEO (Search Engines Optimization). A company has to make sure that they can be found by customers very easily. For improving search engines the company has to get active in online discussions groups concerning health care, to write relevant articles about products that they sell or about topics that might concern their customers. Also search engines may concern images and videos; the company also has to take this into consideration and to optimize the search engines.
- Web affiliates marketing.
- Create a company blog where to write articles about health, make a forum, and propose topic discussions. For improving the search engines Med24 can offer free content to other sites.
- To make a contest or to offer free gifts if the customers recommend the website (for example if they recommend the website to 10 friends they receive a free product. They have to introduce email addresses and the addresses have to be valid)

7.2.1.3. *How to convert website visitors into customers (retention)*

After choosing the right channels to get to the costumers, a company has to attract the visitors and to encourage them to make a purchase and also to make them feel like it is the best deal. The customers have to feel reworded for becoming a customer.

A marketing strategy initiative concerning acquisition can refer to think about what will attract a potential customer to stay on the website and what will convert this person into a customer.

Ideas about how to implement this strategy:

- To make discounts for the most popular products according to the season or based on orders of others customers. To make this work, a company has to make the announcement with the discount as visible as possible on the website.
- To offer free gifts for the first purchase. The messages about the free gifts have to be in the bottom of the page as visible as possible.
- Others are attracted by participating in contests. There can be more than one prize to increase the chances to win and to make the costumers participate. The prize has to be attractive and have to be something that all the costumers might need or there can be more prizes for each segment of customers.

7.2.1.4. *How to increase the loyalty (extension)*

When building a strategy for increasing the loyalty the company has to take into consideration the customers' perspective about relationship between them and the company. Customers do not consider the relationship as being driven by trust, commitment, communication and values but driven by convenience and self-interest from both parts. (Chaffey, D., 2009, chap. 9)

In this case a company has to make the relationship with the customer a win-win situation. A company has to make the costumers to fell like choosing them is the best deal.

A marketing strategy initiative that a company can use in this phase is customer development and growth that refers to improving the experience and the delivery of offers to existing customers (Chaffey, D., 2009, chap. 9).

Suggestions about how to implement this strategy:

- The first strategy to implement, is to include in the package of their first order, a catalogue with the products and samples of the products that might interest the costumer. In this way the customer can look at other products, and even try the samples of products and in this way a need for another product can be created.
- When the customers come back and make a second order, it is a good idea to send a personal welcoming e-mail and maybe a discount.
- To offer free gifts if the costumer subscribe at membership.
- To make them feel that their opinion matters for Med24 and to encourage them to leave a comment.
- To make events with themes and to invite a specialized person to speak about a issues that the customers might be interested in, to invite a person or to show a movie about how a product worked for others and also how a testing product work (to make real demonstrations on customers from the public).
- Also in this case it can be useful to use the contest strategy. Med24 can make a contest for those who write the most interesting and honest article about their opinion about Med24 and to publish the article on their blogs, health forums e.g.

7.3. Long-term strategies

When we are talking about long-term strategy, the vision of the company has to be larger than its own markets and products (as we can see above, in figure 19: both existing products and new products in new markets). As a consequence, a firm focuses here on new markets by existing products (market development strategy) or by new products (diversification strategy).

For Med24, with their existing products, Nils and Kristian have the possibility to go abroad. They already have a handful of customers abroad, in Germany, UK or France for example, but we can guess that they are Danish emigrants (Træholt 2010). The first major thing to do would be to propose other languages than Danish on the homepage. English obviously, or German since the German market is very close with a huge potential of costumers. Those initiatives combined to the one seen before about SEO would increase “click-consumers” and maybe real customers later.

7.3.1. *E2E (end-to-end) integration*

This strategy focuses on cutting down the costs and increasing product quality, and reducing the delivery times and costs (Chaffey, D., 2010, p.306). The latter is the Achilles heel of Med24 according to Nils Træholt.

It also means to move towards an automated supply chain and then determining which should be done internally, which should be done by a partnership or if it should be outsourced.

Therefore, according to what Nils Træholt could tell about the market and its own issues with Med24, the alternative could be to internalize the process more.

7.3.2. *Summary of the growth strategy*

To summarize the growth strategy for both short and long term strategies for Med24, the recommendation for the short term strategy is to focus on acquisition, conversion and experience strategy and value development strategy. For the long term strategy the recommendations are to focus on a step strategy of internationalization and E2E strategy. These recommendations will provide Med24 with solutions to some of the short and long term challenges that Nils Træholt has mentioned (Træholt, 2010).

7.4. *Short business plan proposal focused on growth*

Vision	Within 5-10 years Med24 will go abroad by selling their products outside Denmark, in Northern Europe.
Mission	To sell the broadest possible range of pharmacy products at the lowest possible prices.
Objectives	To increase the average purchase to 800kr. in the next three years (now 450kr.); To increase the number of new potential customers; To increase the number of visitors and also the number of items bought in one hour to 10 items/hour in the next three years (now 4 items/hour); To increase the number of customers that returns after first purchase to 70% in the next three years (now 25%); To maintain or increase the position according to search engines; To reduce the cost by reducing distribution costs in the next five years; To go abroad (Germany, Sweden, UK) in the next seven years.
Values	Discretion, Trust/Loyalty, Diversity, Friendliness, Service.
Strategies	Short term strategy (three years): - Customer acquisition strategy; - Customer conversion and customers experience strategy; - Costumer value development strategy. Long term strategy (seven years): - Step strategy of internationalization; - E2E strategy.
Goals	In the next six months: To implement the short term strategies, for covering all the life-cycle stages of the customers. Stay more focused on customer conversion and development of customer value; To focus more on building traffic and attracting new visitors. In the next four years: To continue with the short term strategies focusing on the volume of the purchases for reducing the cost per distribution; After growing and gaining sufficient experience in the local market then they need to go abroad in Germany, Sweden or/and UK.
Human means	How many people for the new strategies? Do we need to recruit some other employees?
Recommendations	Special place and offers for young people. Write at the order “people who have bought this have already bought…” To increase the activity of special offers (example: free delivery during ten days). Work on the design of the website. To attract people to the website and get more focus on the product categories that is not so profitable: invitation of specialists to make advices in the forum of discussion. Furthermore, it could also increase the trust and loyalty in Med24.

8. Conclusion

In the first question it was stated that the chosen segment is people who are used to purchase from Med24 every month and spend at least 250kr. doing so. This segment was chosen because these costumers bring most profit to the company. Based on the founded segment the two biggest competitors are Matas and the pharmacies. When doing the competitive benchmarking it was stated that the competitive actor, who currently is in the biggest position to match the needs of Med24 most important costumers, are the pharmacies. When choosing the pharmacy as the biggest competitor the strategy also needs to include trust, loyalty and awareness.

The recommended growth strategies for Med24, both short and long term, will give the company an opportunity to increase the level of profit. To give an overview for the strategies a business plan has been made. This shows how to implement the strategies mentioned.

9. Appendix

Appendix 1.1

Beauty-cares biggest online competitors

Online competitors	Total number	Percent
Online shops	5	7,58%
Feelunique.com	3	4,55%
Netspiren.dk	2	3,03%
Other*	5	7,58%
Lookfantastic.com	5	7,58%
Med24	15	22,73%
Oriflame	7	10,61%
YvesRocher	6	9,09%
Menscare	2	3,03%
Strawberrynet.com	2	3,03%
Total	**52**	**78,79%**

*Is the answers where the respondents answered "differ", "using Google", the cheapest website e.g.

Appendix 1.2

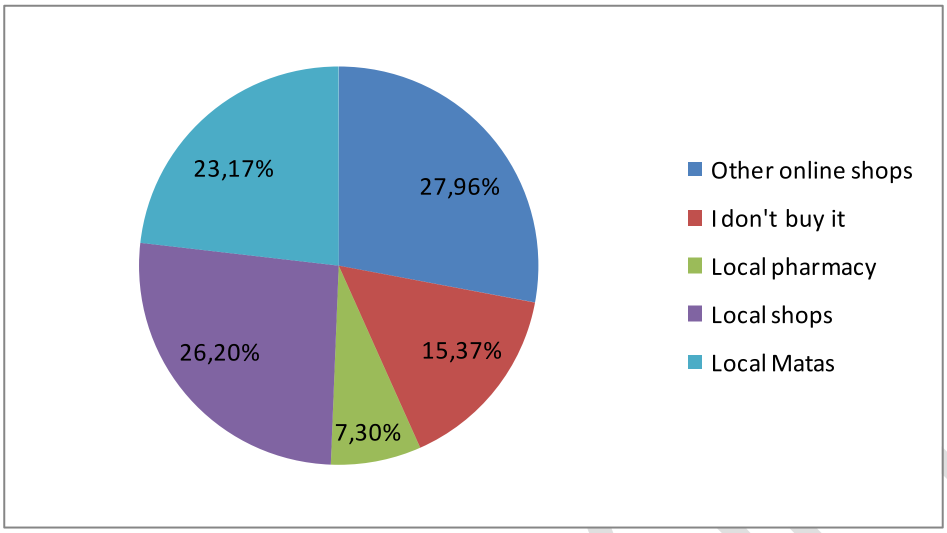
Beauty-cares online competitors – the rest

Aloeverano1.dk	1
Beautyflash	1
Ebay	1
Forever	1
greenskin.dk	1
Matas	1
Pureshop	1
made4men	1
zirh	1
shopping4net	1
Airports	1
Trendsales	1
www.elf.dk	1
Øko shop	1
Total	**14**

Appendix 2

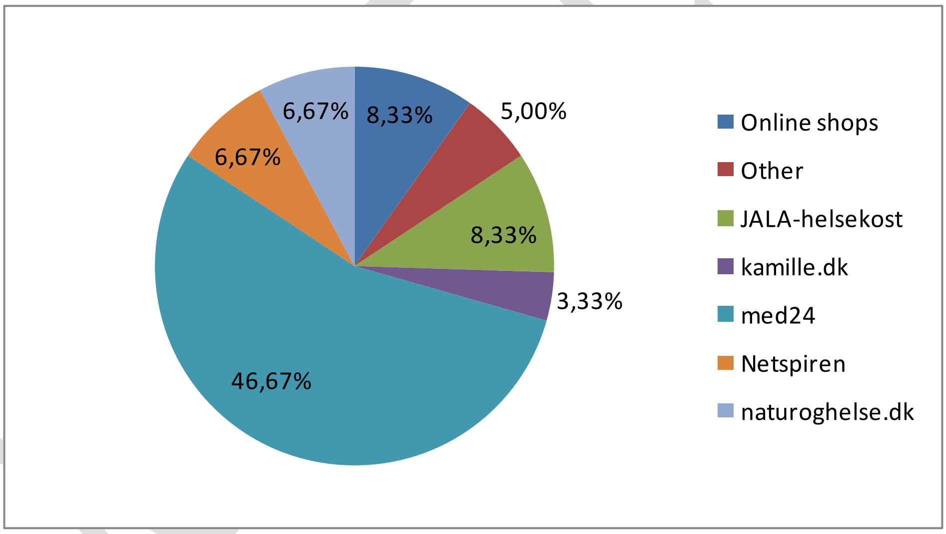
Appendix 2.1

Percent of where the respondents buy their nutritional supplements.



Appendix 2.2

Percent of where the respondents buy their nutritional supplements online.

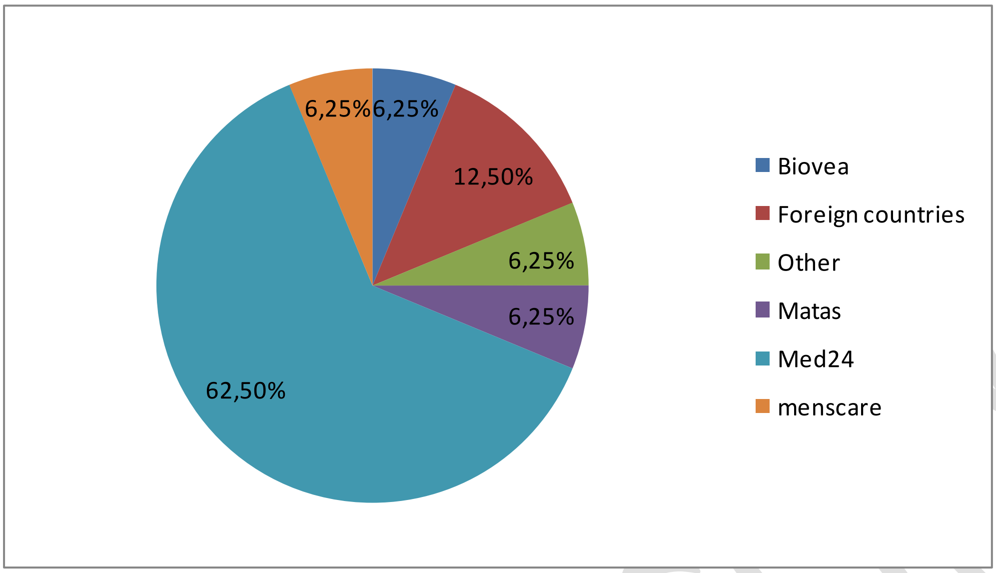


* for instance Helsemann, Helseboden, Helsebasen, Helsebixen, HelseHelse, Helsemin e.g.

Appendix 3

Appendix 3.1

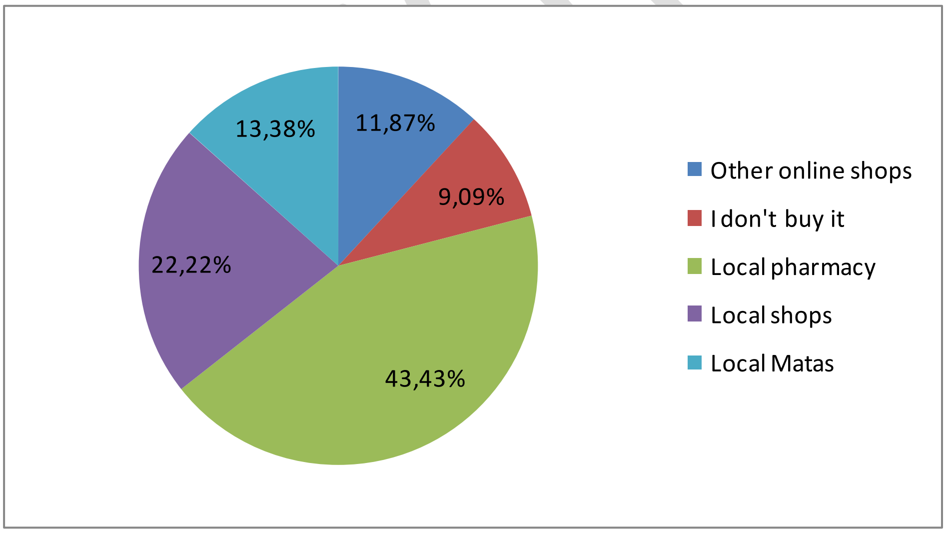
Percent of where the respondents buy their medicine products online.



Appendix 4

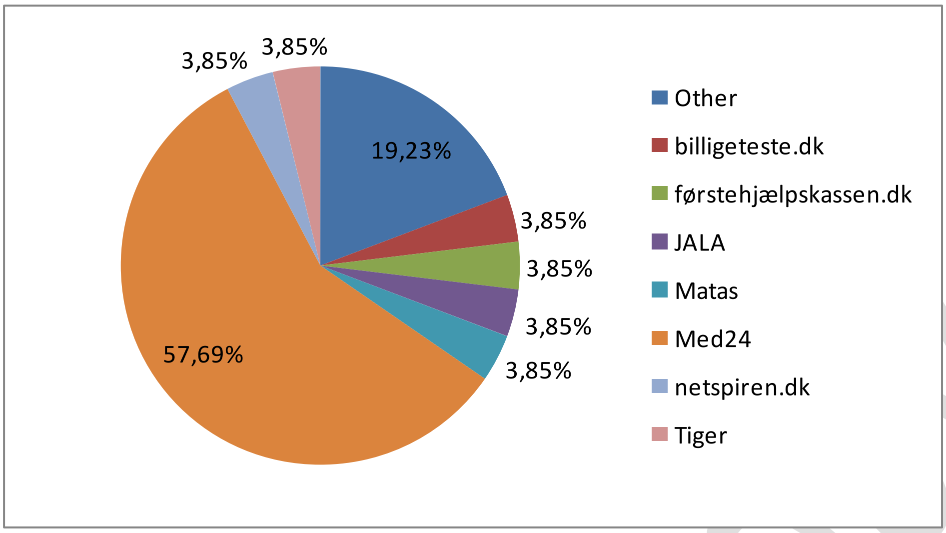
Appendix 4.1

Percent of where the respondents buy their medicare products.



Appendix 4.2

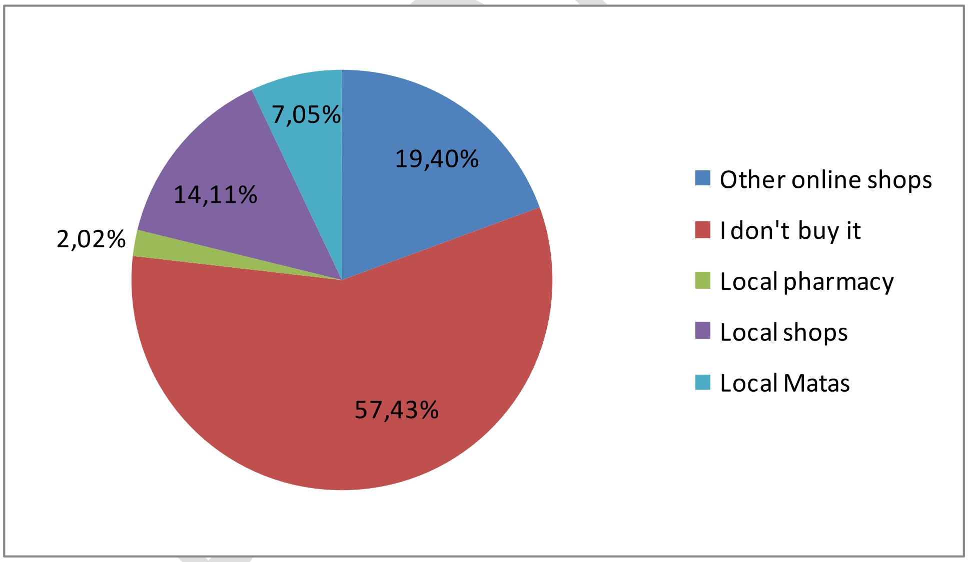
Percent of where the respondents buy their medicare products online.



Appendix 5

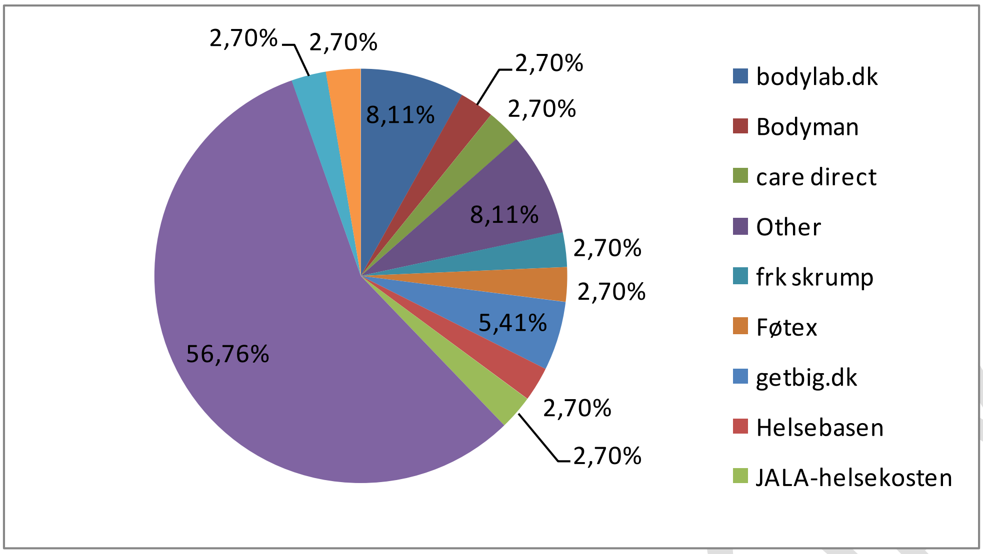
Appendix 5.1

Percent of where the respondents buy their slim and fitness products.



Appendix 5.2

Percent of where the respondents buy their slim and fitness products online.



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