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BRANDING PLAN FOR ARCTIC WELL SPRING WATER

Establishing a Premium Brand in China

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ABSTRACT

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The Chinese middle class has been growing at a fast pace during the past years and they have more purchasing power than ever. The growing middle class is also concerned about their health and safety and they are willing to spend money on premium international water.

The idea for this thesis came from a group of people in Finland and China who are interested in exporting spring water from the Finnish Lapland to China. The reason for choosing China was the enormity and potential of the market. The thesis serves as a branding guideline for the founders of Arctic Well and helps them to determine what things need to be considered before establishing the company. Creating a strong brand right from the start is important when entering such a vast market as a small business.

The thesis is purely functional and information and data was gathered from different sources as well as from the author's own experiences while living in China.

The outcome of this thesis is a guide for Arctic Well on how to start building a brand before it has been established and during the early growth stages. It also explains about the target market and gives advice about positioning and differentiating themselves in the market.

Keywords: Branding, SME, China, target market, segmentation, value proposition, positioning

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1 INTRODUCTION

The purpose of this thesis is to serve as a branding guideline for the case company Arctic Well Spring Water, which has not been established yet. It is important to have a clear idea and a plan for the brand before establishing the company. With a clear concept in mind right from the start, the company can reduce its costs and make branding more efficient when it is time to launch. Companies have different life cycles and the branding strategy varies with these cycles. (Sandbacka 2010, 18.) This thesis will focus on the time before the company exists and the early growth stages of the company and give ideas, tools and suggestions for the people behind Arctic Well. This thesis will also serve as a general guide for the founders of the company about creating and planning a brand and how to incorporate the branding plan in the business plan.

Arctic Well is going to export fresh spring water from Lapland, Finland to China. The company name has a philosophy and a word play in it: *arctic* meaning it comes from the arctic climate, and *well* means the physical place where the water comes from and also the health benefits and the good qualities fresh spring water has. The company wants to present itself as a premium health water company from the arctic climate of Lapland in Finland. The reason for choosing the Chinese market was the enormity and potential of the market.

The research questions this thesis is going to answer are:

- How to start building the brand?
- How to brand premium bottled water from Finland to the Chinese market?
- Who are the target customers?

The thesis is functional and information has been gathered from different sources, as well as from the author's own experiences and conversations with locals while living in Shanghai, China. Everything that is included in the thesis is what the author thinks is important for the founders of Arctic Well and what will be useful for them to develop a premium water brand.

2 BACKGROUND

This chapter talks about the reason for making this thesis and also about the processes when establishing a company and building the brand simultaneously. The whole idea for Arctic Well came from entrepreneurs and other people in Finland and China. One of the people behind the product has acquired a well in Lapland and is thinking about ways to utilise it. This person already has connections and logistics channels in China and that is why China was chosen as the target market. The people in China are working on the legal side of selling a consumer product and creating connections to retailers and handling other important and necessary operations. All the people behind this idea and product come from engineering and technical background. They have great knowledge of the practical side of getting the product from Finland to the Chinese market and their strength lies in the business side and connections.

The author's job is to help the people behind Arctic Well with the brand. The author has received free hands to suggest anything and everything that is suitable for the creation of the Arctic Well brand. Brand is the combination of verbal and visual aspects, but due to the limited time and length restrictions, this thesis will only focus on the verbal side. However, this thesis will help the company owners and other stakeholders to create a strong visual side for the product. The creators of Arctic Well want to establish a premium product to the Chinese market. The author of this thesis will examine the target market for the product and also how to communicate Arctic Well to the possible customers. Author's own interests are in branding and marketing. The author has also lived in Shanghai, China and has gained information and experiences regarding the Chinese market and the lifestyles that can be found in China.

2.1 Why branding is important

Brand is what separates the product from its competitors. It creates value for both, the company and the customers. Branding does not mean expensive and vast marketing campaigns. Branding is what the employees and owners of the company do every day, how they communicate with their customers and how they can use their connections and resources to their advantage. Branding has been overlooked for a long time, but during the past decade or so it has become

one of the most important assets a company can have. (Laakso 2003, 19-24.) For a strong brand it is important to start thinking about it even before the company has been established and continue working on the brand as the company grows. A good brand brings extra value for the product and the company. Without a strong brand the product is just a commodity among others, and its pricing is defined by the market price. But a strong brand that has clearly separated itself from the other similar products bring more value to the customer, thus the customers are willing to pay more than they would pay for a simple commodity product. (Sandbacka 2010, 4; Laakso 2003, 19-35.)

A strong brand helps customers to make buying decisions, it is a proof of good and consistent quality, and shows the status of the buyer. For a company a strong brand helps to increase revenue and customers become more brand loyal, thus decreasing the competition and making it more difficult for new brands to enter the market. Also, a strong brand makes it easier for the company to introduce new brands or brand extensions. (Sandbacka 2010, 6.)

A small business might face some problems when it comes to branding. When the company is just starting out they do not usually have a lot of resources of money, time and personnel. The people in the company might not have enough knowledge about branding and they do not know how to brand, or think that it is not important. Also, there is not a lot of information about branding small and medium sized companies. Most of the branding information and guides are aimed at large companies who already have established a brand. (Sandbacka 2010, 6.)

2.2 Branding a SME business – things to consider

Since this thesis is aimed at a SME business, it is important to look at the branding process from that point of view. This part gives suggestions and things to consider when building a brand for a SME company. There are currently less than ten people working in Arctic Well and according to the European Commission (2006, 14) it is defined as a micro business. Micro businesses have very limited resources contrary to large companies that can spend a significant amount of finances to extensive marketing campaigns (Sandbacka 2010, 12). Figure 1 shows the European Commission's SME definition.

Enterprise category	Headcount: Annual Work Unit (AWU)	Annual turnover	Annual balance sheet total
Medium-sized	< 250	≤ €50 million (in 1996 € 40 million)	≤ €43 million (in 1996 € 27 million)
Small	< 50	≤ €10 million (in 1996 € 7 million)	≤ €10 million (in 1996 € 5 million)
Micro	< 10	≤ €2 million (previously not defined)	≤ €2 million (previously not defined)

Figure 1, SME Definition. European Commission (2006, 14)

Branding a micro business has its own challenges and there are five major functions that are essential for keeping the brand image consistent. These functions are defining the values and the business idea, planning, controlling and productisation of the service process, comprehensive utilisation of the business communications, networking and activating and making stakeholders committed, and utilising feedback.

Defining the values and the business idea function means that the values and the business idea will tell the stakeholders what the company represents and what they can expect from the company. The values have to be something that all the people in the company can follow and implement in their daily functions. The whole business culture has to be based on these values and it is important that all the employees are following them. The values also differentiate the business from its competitors. The business idea should be based on supply and demand and it should also define the core of the business. The business has to make sure that there is demand

for its product or that there is a possible market for the product. The business idea is flexible and it can be modified later.

Planning, controlling and productisation of the service process means that service is not only for service businesses, but product businesses also serve the customers. That is why it is important to consider the service aspect for businesses that mainly make and sell products. Service is part of the communication and whole experience for the customer and it is also one of the ways to differentiate the business from its competitors. Service supports the brand and customers mainly form the image of the brand through the service they received.

Comprehensive utilisation of the business communications means that everything the company does, says or what others talk about it affects the brand. Communication is important to the company and it is important that the message that goes out stays consistent. The employees of the company play a big part in the communication. It is important that they all have understood the messages the company wants to give.

What the company does	What the company tells about itself	What others are saying about the company
The behaviour of the management and the employees	Targeted marketing communications	What people are discussing about the company; praises, criticism, word-of-mouth
Company's operating principles (for example the handling of reclamations)	Personal sales	Social media, different forums online
Service encounters	Company's webpage, blogs	The customers who are taking part in the service
The performance of the products and services	Company's materials, such as brochures	Publicity

Figure 2. Different sections of communications. (Sandbacka 2010, 15).

Networking is one of the most important and cheapest ways of building brand awareness. Networking with a bigger company that has a strong brand can benefit SMEs tremendously. Also,

networking with customers is another great way of creating brand awareness. When customers are speaking and writing about the brand in a positive way it creates more value for the brand.

Activating and making stakeholders committed, and utilising feedback means that branding never stops and the company should keep the brand up to date at all times. SMEs have the advantage of being small and usually with less bureaucracy which helps them react and adapt quickly to different situations. It is important to receive continuous feedback from all the stakeholders and then adjust the brand and business according to the feedback. (Sandbacka 2010, 12-17.)

2.2.1 Business model canvas

The business model canvas is included in this thesis because the author feels that it will help the founders of Arctic Well to define their business idea, value proposition and target customer. The business model canvas is a tool for businesses for developing new products or services and analysing, explaining and visualising the business model. The Business Model Canvas was first introduced by Alexander Osterwalder in his PhD thesis in 2004. It is a great tool when establishing a new company and involves everyone in the company to think about the business model. The business model canvas contains nine different blocks that assess all the different activities of a company. These block have been divided into four different pillars, according to what aspect and function they have; product, customer interface, infrastructure management and financial. (Osterwalder 2004, 42-44.)

Pillar	Building Block of Business Model	Description
Product	Value Proposition	A Value Proposition is an overall view of a company's bundle of products and services that are of value to the customer.
Customer Interface	Target Customer	The Target Customer is a segment of customers a company wants to offer value to.
	Distribution Channel	A Distribution Channel is a means of getting in touch with the customer.
	Relationship	The Relationship describes the kind of link a company establishes between itself and the customer.
Infrastructure Management	Value Configuration	The Value Configuration describes the arrangement of activities and resources that are necessary to create value for the customer.
	Capability	A capability is the ability to execute a repeatable pattern of actions that is necessary in order to create value for the customer.
	Partnership	A Partnership is a voluntarily initiated cooperative agreement between two or more companies in order to create value for the customer.
Financial Aspects	Cost Structure	The Cost Structure is the representation in money of all the means employed in the business model.
	Revenue Model	The Revenue Model describes the way a company makes money through a variety of revenue flows.

Figure 3, The nine business model building blocks (Osterwalder, A. 2004. 43).

Value proposition is the first building block of the nine blocks and it is located in the product pillar. Value proposition is the bundle of products and services that brings value to its customers and also what separates the business from its competitors. Elements such as uniqueness, design, brand, price, performance and usability provides value for the business. (Osterwalder 2004, 49-59.)

The second pillar, customer interface, consists of the next three building blocks. To have an effective business model, the business must decide what customers it wants to serve. The company has to identify their *target customer*. After identifying the target customer, the company has to deliver their value proposition to their different *distribution channels*. The company can reach their customers either directly, for example using websites or stores, or by using intermediaries, for example resellers. The company can also use both of these channels, but they must decide what channels are most effective and efficient. The fourth block is the *relationship* element between the company and the customer. The company has to decide what kind of relationship they want to have with the customer. (Osterwalder 2004, 58-77.)

The third pillar is infrastructure management and it consists of three building blocks. The infrastructure management answers the question about *how* the company is going to create value. *Value configuration* shows the activities and links, which are needed to create customer value, between inside and outside processes. *Capability* is the implementation of the company's assets to create, produce and offer their products and services to the market. The capabilities depend on the resources of the firm and they can be outsourced, if the company does not have the resources or abilities or they want to focus on their strengths. *Partnerships* enable the companies to focus on their core activities. The business can create alliances with other businesses and thus reduce the risks of the business model. (Osterwalder 2004, 79-98.)

The fourth pillar, financial aspects consists of the last two building blocks. *Cost structure* is what measures all the costs the company will have when creating, marketing and delivering value. It measures all the exchanges that cost the company money. *Revenue model* is the way a company can earn money from variety of sources. For example, the company can license, rent or collect usage fees. (Osterwalder 2004, 95-102.)

Osterwalder created a visual board, through his company Strategyzer, with these different blocks to help to visualise the whole process of creating the business model. This is a great tool for businesses when starting out or when they already have established the company but want to assess their functions. This thesis will help Arctic Well to fill in the value proposition, customer relationships and customer segments blocks.

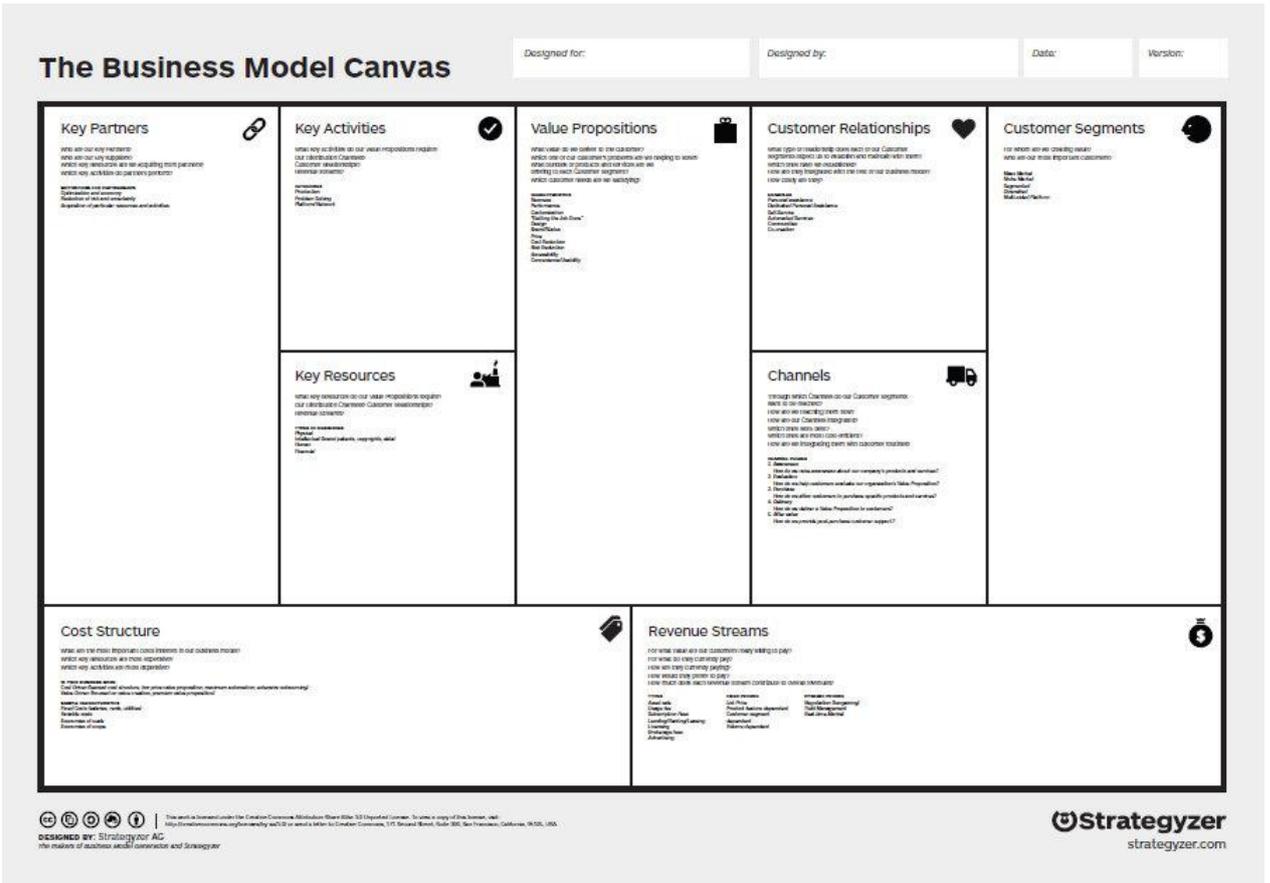


Figure 4, The Business Model Canvas (Strategyzer 2015).

This thesis will explain the value proposition and customer segments for Arctic Well, but before going deeper in the theories and explanations, these building blocks for Arctic Well will be shortly explained here.

The value proposition of Arctic Well is that they give more for more. Meaning that they deliver the value of being healthy and pure natural water from Finland. They are giving the customer a promise of good quality water and the customers can drink it with a peace of mind, knowing that they are not putting any toxins in their bodies. Arctic Well satisfies the need of having access to pure and healthy water.

The customer segments they serve are the middle and upper-middle class in China and those who are aware of health and safety issues concerning the water in China.

2.3 Vision and mission

Vision and mission statements are part of the company's communication tools for its employees, customers and other stakeholders. It helps to understand, communicate and clarify the purpose of the business. (Community Tool Box, University of Kansas 2014. Cited 21.5.2015.) Vision statement is a short explanation of the dream of the company. It explains the believes of the company in a few words. Mission statement explains what the company is going to do and how it is going to do it. It is a more accurate explanation than vision, but both of these statements support one another and are important for the company's communications. (Community Tool Box, University of Kansas 2014. Cited 21.5.2015.)

3 CREATING A BRAND

There are many different ways to interpret and define a brand (De Chernatony 2006, 26-27). This chapter focuses on creating the brand for Arctic Well, based on theories about branding and implementing them to the Chinese premium bottled water market. American Marketing Association defines a brand in their web dictionary like this: “A brand is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers.” (American Marketing Association 2015, cited 10.4.2015.) The author of this thesis has chosen to use the theories that are suitable for this case. Sandbacka's theories about branding before establishing the company and during the early growth stages of the company were valuable resources, since most branding theories are aimed at already existing companies. However, the author felt that there was missing something valuable considering this case, thus audience definition section was added to complement Sandbacka's theories. The creative and visual side will not be discussed, as this thesis will focus on the other aspects of branding.

3.1 Creating a Brand Before Establishing the Company

It saves a lot of time and money for the company when the branding is consistent and planned from the beginning, even before establishing the company. So that is why it is important to think about the brand also when developing the business idea. All the people who are associated with the company should be involved in the creation of the brand from the beginning. When all the stakeholders are involved it makes them more committed to the company and to the brand. (Sandbacka 2010, 18.) Figure 5 shows the steps the company should take before establishing the company. The first step is to develop the business idea. It is the responsibility of the owners but if they have already hired some employees, these employees should be involved in the process too. The next step is to plan the business structure and all the features. The internal stakeholders take part in this process. The third and final step before establishing the company is to decide on the company name. All the stakeholders take part in this and the company name should describe what the company is and what it does. Three simple steps, but it is important to have a clear idea about the business idea, structure and features, so branding from the beginning is easier and consistent.

SME growth stage	Company branding functions	Stakeholders
Before establishing the company	Developing the business idea	The owners/management, possible employees
	Planning the business structure and features	Internal stakeholders
	Deciding the company name	All stakeholders

Figure 5, Building the company brand before establishing the company (Sandbacka 2010, 18).

Arctic Well is currently on this process and they are planning and developing the business idea, structure and features. Name has already been decided. The author thinks that it is important to address the next step, which is building the brand during the early stages of growth. Knowing what needs to be considered when taking the next step in the branding process helps the company keep on track with their branding.

3.2 Building the Brand During the Early Stages of Growth

After the company has been established it starts the early growth stages. At this point of the growth stage the company should really start to build the brand. The brand should reflect the strategic decisions the company makes. It should also be implemented in the way the company works. (Sandbacka 2010, 19.)

SME growth stage	Company branding functions	Stakeholders
Early growth stages	Defining the core values	All stakeholders
	Brand oriented strategic planning	Internal stakeholders
	Creating and clarifying the company brand identity	Internal stakeholders
	Emphasizing the role of	Personnel and external

	personnel	stakeholders
	Creating a strong company brand image	All stakeholders
	Keeping the communication consistent	Clients, suppliers, investors, employees, owners, other stakeholders
	Controlling the core values and strategy	All stakeholders

Figure 6, Building the brand during the early stages of growth (Sandbacka 2010, 19).

Figure 6 indicates the different steps the company should take in the brand building process during the early growth. Core values should be defined in way that they represent the company brand as well as possible. It is important that the whole company from management to employees have assimilated the core values of the company. When they are living and breathing the core values it helps to keep the brand consistent and communicate the brand and the core values to other stakeholders. Sometimes the different stakeholders overlap and they might receive information about the brand from communication aimed at other stakeholders. Keeping this in mind, it is crucial to keep the brand vision and communication consistent to all stakeholders and make sure that all the people in the company have understood it. Collecting and analysing feedback helps the company to assess their brand and develop it further. (Sandbacka 2010, 19-20.)

3.3 Defining the Audience

This part is about defining the audience that the product should reach. Segmentation, target market and positioning will be discussed and the concepts explained in this chapter.

Defining the audience for the product is important, since it will tell to whom the product should be branded and marketed at (Kotler 1996, 550-551).

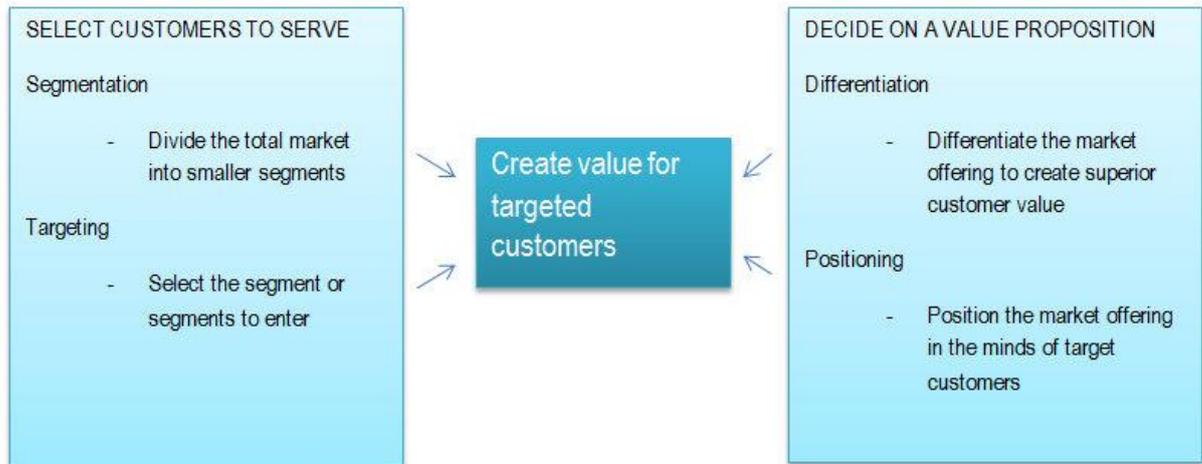


Figure 7, Designing a Customer-Driven Marketing Strategy (Kotler et al. 2010, 216).

3.3.1 Target Market

China's economy has been growing at a fast pace during the past decades and this has enabled the growth of the middle class and the upper-middle class (McKinsey & Company 2013, cited 21.4.2015). The total amount of wealth of China's richest people in 2006 was 1590 billion USD. It is estimated that by 2025 the upper-middle class will have a population of 520 million. As the population grows the consumption will rise up to 20 trillion RMB per year. (Kotler et al 2009, 87-88.) Gordon Orr, the director and chairman of McKinsey Asia, divides the middle class into two segments. Upper-middle class earns between 106 000 RMB and 229 000 RMB annually (equivalent of 16 000 USD and 34 000 USD), and the mass-middle class earns between 60 000 RMB and 106 000 RMB annually (equivalent of 9 000 USD and 16 000 USD). The mass-middle class accounts for 54% of the market and the upper-middle class accounts for 14% of the market in 2012. (Orr 2014, cited 1.6.2015.)

The upper middle class becomes the new mainstream



Figure 8, McKinsey Insights China – Macroeconomic Model Update, April 2012 (Orr 2014, cited 1.6.2015).

Before the market in China was aimed at masses, but nowadays the middle class demands a more specific market and products, meaning that there is more demand for niche products. The new generation of consumers in China, born in the 80's and 90's, have always lived in abundance and they already have all the basic necessities in their life. These consumers have more purchasing power than ever and they are focusing more on the niche products and are more conscious about quality, health and safety issues than ever. China's one child policy enhances this behaviour even more, since the parents want to spoil their only child and give the child everything they need and more. This younger generation of consumers is more concerned about the quality and how the product caters to their needs, rather than the price. This is why brand is more important than ever. Brands need to have new innovations in their products and also in their way of communicating with the consumers. (Chen 2013 video interview, cited 29.4.2015.)

While China's middle and upper middle class have been growing, so has the bottled water industry. China's bottled water consumption has been rising on a fast pace and in 2012 alone it rose 14%. The value of the bottled water business in 2012 was over 16 billion US dollars and it is estimated that it will grow even further 73% in 2017. (Zenith International 2013, cited 30.4.2015.) Tap water in major cities is poor quality and in 2013 dead pigs were found in the Huangpu river in Shanghai, which provides the tap water to most parts of the city. This is only one of the many incidents and companies have been polluting the water in other cities as well. The middle and

upper middle class is becoming more health conscious, thus buying more bottled water and especially well known premium brands. China's water market has not been regulated properly and for example bacteria and other unhealthy substances have been found in the cheapest local brands. The government has finally taken action and will present a national standard for all bottled water providers. Consumers' health worries, rising income, big city life, size of the market, future prospects and problems with local water brands are what makes China's middle and upper middle class and big cities a good target market. (The Economist 2015, cited 5.5.2015.)

3.3.2 Segmentation

Segmentation is about dividing the markets into smaller and more manageable groups which makes branding and marketing the product easier. Different segments have different needs, characteristics and behaviour and these segments need to be approached differently. Who are the customers? What customers is the brand trying to reach? Who will buy the product? Segmentation can be done from the consumer market view or the business market view (Armstrong & Kotler 2010, 216.) This thesis will focus on the customer market view, since the brand will be directed to consumers, rather than businesses.

The market can be segmented roughly in four different segments. These segments are: geographic, demographic, psychographic and behavioural. These segments have smaller segments in them. Geographic segmentation is when market is divided into different geographical areas. These areas can be everything from countries to small neighbourhoods. Many companies are using geographical segmentation in their marketing and branding strategies. (Armstrong et al 2010, 217-218.) Demographic segmentation is the most popular way to segment the consumers. Demographic segmentation includes age, income, occupation education, religion, gender, family, race, nationality, generation and family life cycle. One of the reasons for favouring this type of segmentation is that it is easier to measure. (Armstrong et al 2010, 218.) Psychographic segmentation is dividing the potential consumers into social class, lifestyle and personality. Social class can be anything from lower class to upper class. Lifestyle is about the way the consumers like to spend their life. For example, some are more adventurous, and some are more relaxed. The fourth way of segmenting, behavioural, is about dividing consumers into different categories based on their attitude, knowledge, use or response to the product. (Armstrong et al 2010, 218-

220.) Since the plan is to brand Arctic Well water to wealthy Chinese consumers, this will be the starting point for the segmentation. There are four major variables that need to be considered in this case. These variables are: country, city, income and social class. In this case the country is China and the cities are the major cities in China, such as Shanghai and Beijing. Income and social class are also important, because the product is aimed at wealthier middle class to upper class consumers who have more disposable income and are willing and able to spend it on luxury products. (Armstrong et al 2010, 217-220.)

3.3.3 Targeting

After going through all the different segments, the segment variables need to be examined and choose the ones that are the most suitable for the company (Armstrong et al 2010, 225). There are four factors that need to be considered before the company chooses the segments it wishes to target. The company has to think about the size and the growth potential, attractiveness and stability of the segments. Also, the resources of the company need to be assessed and taken into consideration. (De Pelsmacker, Geuens & Van Den Bergh 2013, 137.) With limited resources it makes more sense to target specific niche groups. (Armstrong et al 2010, 231.) Concentrated or niche marketing and branding targets the product to a large part of one or few segments. This way a company with limited resources can target its product or products more effectively to the specific groups and having to deal with smaller segments it is easier to examine them and adjust the product or products accordingly to the selected segment. This it is easier for the company to gain stronger market position, than if it tries to approach as many segments as possible. (Armstrong et al 2010, 228.)

There are five targeting strategies that the company can consider. *Concentrating on one segment* means that the company has one product for one target segment. This strategy allows the company to fully concentrate their marketing and branding efforts to that segment and allows it to be the expert in that chosen segment. However, relying only on one segment is risky and the company is also more vulnerable to competitors. In *selective specialisation* the company chooses different segments that might not be related to each other at all. This is suitable for businesses that have already acquired a good amount of funds so that they can concentrate on all these different segments. *Product specialisation* means that the company puts all its focus on one

product and sells it to different segments. *Market specialisation* is the same as product specialisation, but the other way around. Meaning that the company puts all its focus on one segment but they offer a variety of products. *Full market coverage* means that the company targets all segments with different products. (De Pelsmacker et al 2013, 136.)

3.4 Positioning and Differentiation

Positioning is a way to communicate the brand to its target markets. It is about distinguishing the brand from the competitors and making it appealing to the possible customers. (Kapferer 2004, 99.) Kapferer (2004, 99-101) explains that there are four major questions a brand has to ask itself before positioning:

1. *Why?* What are the benefits the customer receives and what is the brand promise?
2. *For whom?* What is the target market for the product?
3. *When?* When will the customers use the product?
4. *Against whom?* Who are the main competitors?

Positioning the brand in the right category and what separates it from the competitors in the same category is crucial to obtain the customers' attention (Kapferer 2004, 100).

For Arctic Well Spring Water the positioning would look like this:

1. *Why?* Arctic Well Spring Water is pure and natural water from Lapland, Finland. It is safe to drink and it has been bottled according to the Finnish regulations. When drinking Arctic Well Spring Water, the customers can have a peace of mind knowing that the water is premium quality Finnish water and safe to drink.
2. *For whom?* The target market for the product is mass-middle to upper-middle class Chinese living in big cities, such as Shanghai and Beijing, who are health conscious.
3. *When?* Fine restaurants, clubs, events, luxury hotels, or on the move.
4. *Against whom?* The competitors for Arctic Well are other international premium water brands.

Consumers receive information about different products all the time and they will position them in their mind, even if the company has not positioned itself at all. Positioning in the consumers' minds is a very complex and complicated process which involves everything from perception to

feelings. A brand will have a better chance if it positions the product to its target market and plans it carefully. (Kotler & Armstrong 2010, 233-234.) Usually there are more than one company targeting the same customers and the companies must differentiate themselves from the competitors. A company has to show the possible customers what makes them different from the other similar companies. First a company has to identify the competitive advantage, what makes the company better than the other companies. Then the company has to choose the way they want to position themselves and after these steps have been done, it is time to deliver the information to the target market. (Kotler et al. 2010. 233-234.)

The company can use different positioning strategies and these strategies are shown on table 6. Positioning by product attributes or benefits means that the company's brand is unique and it is special for the target market. Positioning by price and quality is offering the brand or product same or lower price than competitors. Positioning by use or application is highlighting that the product is meant for specific use. Positioning by product class means that the product is not positioned against a competitor. Product user positioning strategy is that the product is directed at a specific group of people. Competitor positioning strategy often involves comparing the competitors' brands and products in the same category. Cultural symbols refer to the brand personality and usually involves a strong visual side. The visual side represents the key attribute of the brand or product. (De Pelsmacker et al 2013, 138-139.)

Table 1, Positioning strategies (De Pelsmacker et al 2013, 139).

Product attributes or benefits	Product user
Price/quality	Competitor
Use or application	Cultural symbols
Product class	

When developing the positioning strategy there are seven different steps the company should take in order to succeed. First step is identifying the competitors and making a competitor analysis. All possible competitors should be identified and analysed thoroughly. The second step is to assess the perception the consumers have about the competitors. The company should think about how the competitors have succeeded in that target market and what attributes are important to the target market. The third step is to analyse the positions of the competitors. To find out the consumers' perception of competitors an in-depth consumer research should be carried out. The fourth step is to analysing the consumers' preferences. Analysing the position of

the competitor is not enough but the company has to also study the consumers' preferences, as different target groups have different motives and reasons to buy a product. The fifth step is to decide what position the company wants to defend. It is best to choose the position that the company has at least as strong position as the competitor. When the position has been decided the company has to implement it with appropriate marketing and communication, which is the sixth step. The seventh and final step is to monitor the position and also track the position of competitors and continually assess the customers. If necessary the company can change or alter its positioning strategy to keep up with the consumers' preferences.

Table 2, Stages in the development of a positioning strategy (De Pelsmacker et al 2013, 140).

Identification of competitors
Assessment of the consumers' perception of competitors
Determination of positions of competitors
Analysis of consumers' preferences
The positioning decision
Implementation of the positioning
Monitoring the position

There are other water brands that are targeting the same segments with Arctic Well. So what needs to be considered, is what differentiates Arctic Well from its competitors. A great competitive advantage for Arctic Well would be that it is from Finnish Lapland. Tourism to Lapland from China has increased greatly during the past years, which makes the Lapland brand even stronger. What draws Chinese tourists to Lapland is the clean air and water. (Yle 2015. Cited 7.5.2015.) Arctic Well also benefits from the Lapland brand and should emphasise the origin of the spring water when positioning and differentiating the product to its target market.

3.4.1 Value Proposition

Value proposition means the full set of benefits the product will offer to its customers. When customers think about different products and why they should buy one over the other that is when value proposition answers to the customers' question. Why should a customer buy our brand?

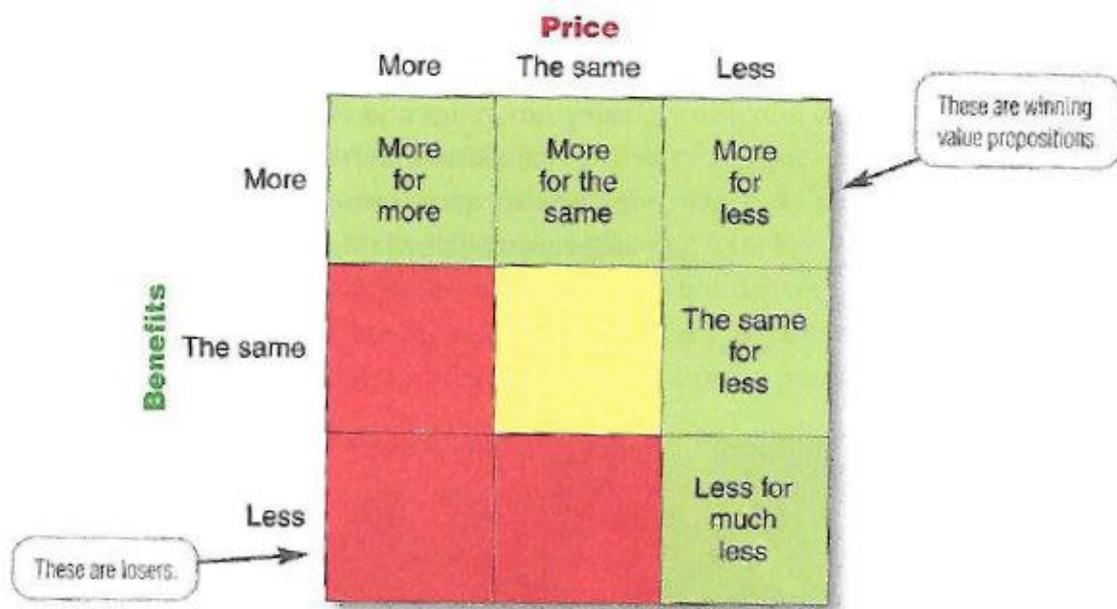


Figure 9, possible value propositions (Kotler & Armstrong 2010, 239)

Figure 2 presents the value propositions that the company can use. Colour green indicates the winning value propositions and the red one indicates the losing value propositions. The value proposition and positioning depends on the target market the company wants to reach. Different value propositions will attract different kinds of customers. Arctic Well wants to be a premium product with carefully selected target audience. Thus, *more for more* value proposition suits their needs the best. More for more is positioning upscale, premium and luxury products. The market offering for more for more products is high quality and the price matches the quality. There are luxury products and services in every category and the ones using them are the wealthier people who are after status and prestige. Introducing a new premium product to more for more category can be more beneficial in product categories that do not have many premium products. The risk associated with high end products is that during economic downturns customers are more aware of their spending and they cut the spending on luxury goods. (Kotler & Armstrong 2010, 239.)

More for the same can provide a challenge for the more for more brands. More for the same products are the type of products that can be classified as premium or luxury but these products are offered with more competitive prices. *More for less* is considered to be the best value proposition from the point of the customer. Its goal is to offer better quality with low prices. This tactic might seem like a good idea to attract customers but it is hard to sustain for a longer period of time. Good quality and service cost more so it is quite difficult to keep the low prices. *Same for*

less is aimed at customers looking for good deals. The products are the same but the prices have been reduced with cutting down operations costs or buying in bulks. *Less for much less* offers low quality with low prices. This category is for consumers who would rather pay less than have some extra features on a product. (Kotler & Armstrong 2010, 239-240.)

3.5 Customer Profile and Personality

As the income is higher, the Chinese middle class can afford a wider range of products at a higher price. The growing middle class is shifting to favouring foreign brands and 34% of upper-middle class prefers foreign brands. (Orr 2014, cited 1.6.2015.)

The upper middle class is developing new behaviors

		Upper middle class	Mass middle class	
Who they are		Household income	106,000 to 229,000 renminbi	60,000 to 106,000 renminbi
		% of consumers below age 35	45%	38%
Where they live		% of households own digital camera	58%	40%
		% of households using laundry softener	56%	36%
What they are looking for		Durability ¹	36%	62%
		Emotional benefits ²	23%	16%
How they spend their money		Willingness to pay a premium ³	49%	40%
		Trading up ⁴	39%	24%

1 % of respondents who cited "durable" as one of the top five key buying factors in smartphone purchases
 2 % of respondents who felt emotional benefits (e.g., "shows my taste") were an important consideration in choosing a mobile phone
 3 % of respondents who say they "pay premium price for the best consumer electronic products, within bounds of affordability."
 4 % of respondents who spent more in real terms (i.e., for reasons other than inflation) by trading up for white home appliance

Figure 10, McKinsey Insights China - McKinsey Annual Chinese Consumer Survey 2012 (Orr 2014, cited 1.6.2015).

Figure 10 shows the average consumer in the upper-middle class and mass-middle class segments. From what has been explained earlier in the chapter and from this figure, we can come up with an average consumer:

- Mass-middle class earns between 60 000 RMB – 106 000 RMB and upper-middle class earns between 106 000 – 229 000 RMB annually.

- They live in the megacities of China: Beijing, Shanghai, Guangzhou and Shenzhen.
- They are health conscious, prefer international brands and are willing to spend money on premium products.

3.6 Competitor Analysis

This part will shortly discuss about the main competitors for Arctic Well. There will not be a thorough analysis of the competitors, since the focus of this thesis is about creating a brand. However, the author feels that it is important to know the major competitors with a similar business idea. This helps to find the factors which differentiates Arctic Well from its competitors.

There are many premium water brands in the market, but what the author thinks are the main competitors are the ones coming from Finland. There are two brands, Veen and Lumo, which both are exporting premium spring water from Finland to other countries.

Veen is bottled in the Finnish Lapland and its main customers are luxury hotels and restaurants. It has won many awards both from taste and the design of the water bottle. The bottle is made of glass and Veen also mentions in their website that it is recyclable, so they also have the ecological aspect in their brand. Currently Veen has two different types of water – still and sparkling. The name Veen (Veen Emonen = the mother of water) comes from the Finnish national epic *Kalevala*. Veen has also acquired another source of water from the Kingdom of Bhutan. This helps them to better serve the customers in Asia. (Veen Waters 2014, cited 25.5.2015.)

Lumo (=charm) is another brand from Finland, but they do not have their water source in Lapland. However, they do utilise Finland's brand in their marketin. Lumo's water bottle is also made of glass, and they also serve still and sparkling water options to their customers. (Lumo Water 2015, cited 24.5.2015.) Lumo's main market is currently in luxury hotels and restaurants in Egypt. According to the CEO Mika Merta, it is not easy to break into the Chinese market, because of all the regulations. However, it is possible and that is why Lumo is also considered as a competitor. Lumo is still a young company, established in 2012. (Yle 2013, cited 25.5.2015.)

4 CONCLUSIONS AND DISCUSSION

In today's market place it is important to think about the brand already when establishing the business. New businesses and products emerge all the time and a company has to position and differentiate themselves right from the beginning to gain competitive advantage. As we have discussed in this thesis, there are many tools to help the founders of a company to start building a strong company and brand right from the beginning. Everything begins with a solid business idea and structure and the company name plays a big role, too. The company name should reflect the business and their values and also what the company does. The brand is also flexible and it should reflect the current customer and market place. Water as a business is quite difficult and especially so when exporting it to China. However, the market potential there is huge with the ever growing upper-middle and middle class. The Chinese people have more purchasing power than ever and become increasingly aware of health and safety issues. There is a market for pure and natural water and some Finnish water brands have already noticed that and taking action. When there are similar products entering the market, a strong brand and positioning is very important.

For the future I recommend doing a thorough competitor analysis. The main competitors were only briefly mentioned in this thesis, because of the time and length restrictions. A thorough competitor analysis requires a thesis of its own. I gathered information and tools for the founders and also made some suggestions of my own. Also, when thinking about the future, I recommend using Lapland brand and Finland brand in general in the marketing for Arctic Well. There is also a chance of extending the water to different flavoured waters and collaborating with other brands in China.

I hope this thesis will help the founders of Arctic Well to design and plan their brand. The issue was that the company has not been established and there is no clear business plan yet. Also, as the thesis progressed I found out that it is difficult to find information about branding before the company has been established and even finding information about branding for SME's was limited. Most of the branding theories were designed for large companies and most of these theories do not apply for SME's or businesses that are just starting out. There is a lot of information available about the development of the middle class in China and also some information about the scope of the water market was available. However, I feel that there was not

enough practical information about the water market and it needs to be researched further in China.

I found the topic interesting but difficult. Marketing and branding as a subject is so vast and there is plenty of information available. The difficulty was to pick the right information for this case, and as I mentioned before, finding about branding for SME's proved to be quite challenging. But I feel like I managed to gather the most important things and tools about branding for a company that is just starting out. I hope it is useful and the founders realise the importance of branding right from the beginning, especially when we are talking about a market as vast as China. I also feel that the topics of the thesis are just briefly examined, but because of the limit of the thesis, I feel like I could not explore them further. The schedule was rescheduled so many times, that I have forgotten what the original schedule was. I was feeling the pressure towards the end but managed to stay calm and finish this thesis.

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