

# **RESEARCH ON PRODUCT VALUE ADDED BASED ON VALUES AND INTERESTS OF STAKEHOLDERS: CASE OF MILZU!**

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**Abstract.** At a time when the tendency to consume organic products increases, the segment of breakfast cereals, particularly for children, mainly consists of over-sweet breakfast cereals which contain taste and aroma flavourings and colour additives. Subject of this research is to create value added for an organic product. Objective of the study – to ascertain the most effective manner to address children. Methodology/methods: In order to achieve the objective of the study, literature study and analysis are applied to find out theoretical aspects of the research subject. Both in-depth interviews are conducted to identify the interests and demand of stakeholders, as well as quantitative surveys and focus groups organized with stakeholders. Stakeholders: children, their parents. Scientific aim of the research is to determine the criteria that increase loyalty and value based stakeholder retention in long term, while providing sensory education, education and promoting creative thinking. Innovative constructor system is put forward as a solution for retention of stakeholders in long term. The created prototypes provide possibility to start innovative constructor system development (Research “Research and development of children’s toy ecosystem in MILZU! cereal flakes packaging to increase the value added of food products”, project No. 1.2.1.1/16/A/004). The value added of the product attracts attention of additionally involved parties. Creating value added of a product, it is necessary to respond to values and on interests based stakeholders’ needs and interests in order to encourage repeat purchase.

**Keywords:** Loyalty Building, Marketing, Positioning, Re-Purchase Strategy, Values

**JEL Classification:** M30, O22

## **INTRODUCTION**

In the industry, turnover of sales in Europe in 2018 was 7.8 billion USD. The segment of breakfast cereals tends to increase. Euromonitor forecasts an increase in breakfast cereals segment in 2023 by 4,7% compared to 2017. Research trends in Europe indicate the tendency to consume increasingly natural and healthy products. Such tendency is a challenge for breakfast cereals segment since it requires to change how breakfast cereals are perceived by revising the composition of products.

In 2014 brand *MILZU!* was made, creating innovative products in breakfast cereals market including in their composition rye and significantly reducing sugar amount, thereby forming a healthy alternative compared to current supply. In order to increase *MILZU!* market share, a research was done with an objective to determine how to build positioning of *MILZU!* products and brands for children, creating value added of the

products, while converting children to healthy alimentation without changing customers' habits.

Object of the study: *MILZU!* products and brand.

Subject of the study: identification of consumer values and creation of value added of *MILZU!* products and brand.

Period of research: 2016–2018. Within the research the most effective way how to achieve the objective in a broad competitive environment was searched and the emotional attraction through values of directly involved stakeholders is defined as a key factor in long-term consumer loyalty.

## 1. THEORETICAL BACKGROUND

Well known research methods are used in this research – systematic review of the literature, empirical research etc. The theoretical basis of the research is focused on three main components of marketing theory – positioning, identifying needs, creating value.

*Positioning.* Reviewing positioning concept theories (Ph.Kotler , K.L.Keller, J.Trout, J.Wind), we must conclude that one of the most important questions in marketing strategy is particularly company's positioning in market. The amount of information a person faces in everyday life is too overwhelming, thus impossible to comprehend. Person's consciousness selects and accepts only the information that meets his or her current experience and knowledge. J.Trout determines the essence of positioning: positioning is what we do with human's mind. Positioning is essential to a company in order to self-differentiate in consumers' minds. Positioning's purpose is not to create something new but to manipulate with what is already in people's minds using existing responses, besides that, to change existing things in people's minds is particularly difficult. That is a system organized by companies which allows to find the way to person's consciousness (J.Trout). J.Wind names 6 alternative brand positioning forms: positioning based on product's different quality; advantage or problem solution; specific way of use; specific category of customers; positioning in relation to a competitor's brand and positioning based on the limits of a specific product group. *MILZU!* has strengthened its position in the existing market, yet it is necessary to focus on positioning for specific stakeholders. Scientific aim is to determine the criteria that increase loyalty and value based stakeholder retention in long term and how to address children more precisely through children's values and interests.

*Needs of stakeholders.* Marketing Professor Dr.McNeal from Texas A&M University (USA) has widely studied children and parents' needs as well as children behaviour in shops. According to J.U. McNeal's theory in order to achieve successful communication towards children, it is necessary to satisfy both the essential needs of children, and the needs of parents, concurrently satisfying children's time perspectives and identifying activity with the brand (see Table 1).

First and foremost the marketing activities for children must be based on the need to play (for instance, McDonald's focuses on the first 3 needs: fun, food, family, thus defining essential role of toys and game approach although the core business is fast food), yet the marketing activity will not be successful if it will not satisfy parents' needs. Accordingly to J.U. McNeal's theory parents care about needs mentioned above (happy and healthy child who can cope with tasks of life), for instance, parents most likely will choose more expensive products if they provide extra valuable nutrients so their child would be healthy, likewise it is important to ensure education for their

children. Children perceive time differently as adults, they need immediate response, therefore this must be taken into account in marketing activities.

**Table 1.** Interests of stakeholders (based on the theory by J.U. McNeal)

Needs	Description
Satisfy children's needs	<ul style="list-style-type: none"> <li>• Need for play,</li> <li>• Need for sensory perception,</li> <li>• Need for belonging and cooperation with others</li> <li>• Need for achievement, overcoming obstacles.</li> </ul>
Satisfy parents' needs	<ul style="list-style-type: none"> <li>• Happy children,</li> <li>• Healthy children,</li> <li>• Children can cope with the tasks of life.</li> </ul>
Satisfy children's time perspectives	<ul style="list-style-type: none"> <li>• Clear long-term target,</li> <li>• Immediate benefit.</li> </ul>
Identify activity with the brand	<ul style="list-style-type: none"> <li>• Clear connection with brand,</li> <li>• Brand attributes involved.</li> </ul>

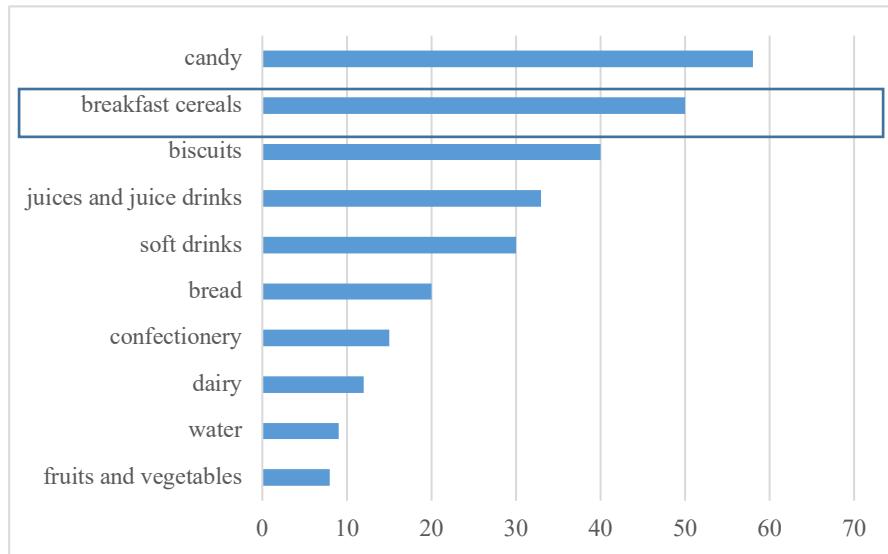
*Values of parties involved.* Making systematic review of the literature, authors conclude that, developing marketing strategy, it is essential to know the stakeholders, their values and significances which stakeholders would like to receive along with the product (Ph.Kotler, G. McCracken, J.U. McNeal, J.Trout, J.Wind, K.L.Keller, C.Lury A.Arvidsson). Values and their priorities determine the choice of consumer. Regardless of the consumer's choice motives – self or social identity driven choice, identification with culture or nation – they are based on consumer's values which define belonging and “my” or “unknown” feeling. Analyzing the importance of values in brand development, authors ascertain that values which customer and brand have in common create emotional attraction of customers and positive emotional attraction to brand leads to loyalty which means long-term relationship. (A.Wheeler, J.Aaker).

Any *values* express one of three fundamental needs of a human: biological needs, social interaction needs, survival and welfare needs, while all these three fundamental needs can be satisfied, implementing principles and forms of behaviour combined in value types (S.H.Schwartz). Customers use significance of consumer goods also to express cultural categories and principles, to create and maintain lifestyle and to build a self-concept in society (G.McCracken). The emotional attraction through values of parties involved determine strong brand and loyalty (A.Wheeler, J.Aaker), therefore *MILZU!* focusses on interests of stakeholders, creating value added of products.

*The influence of children stakeholders on purchase and choice in the shop.* Research results on children's influence on product purchase in various segments (J.U. McNeal) show, that children influence 50% of purchases in breakfast cereals segment (Figure 1). For comparison – in the case of milk products (including yoghurts) children influence only 12% of purchases, whereas only 8% of fruit and vegetable purchases are influenced by children.

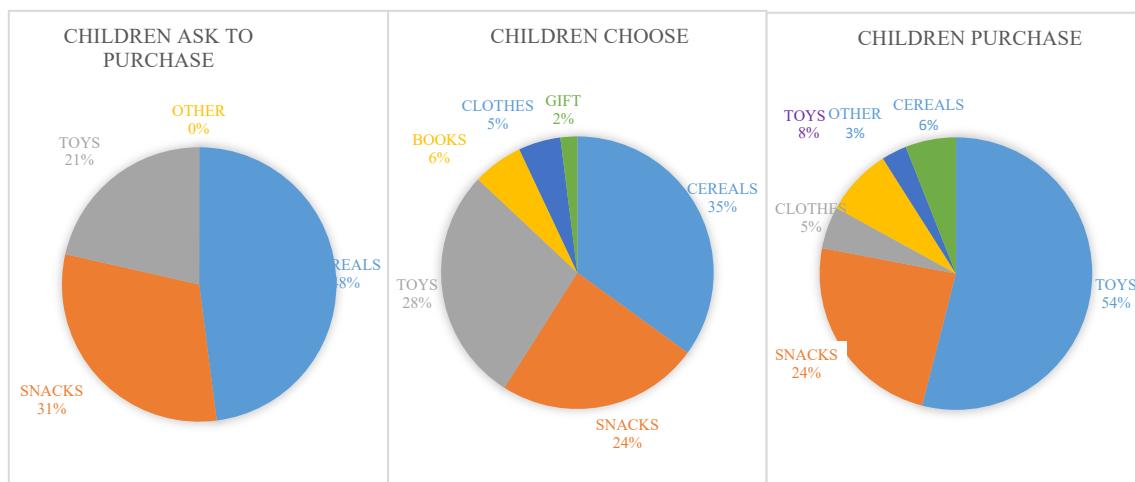
Research done by J.U. McNeal shows that in breakfast cereals segment it is important to take into account children's needs, values and interests in order to increase sales. The communication must be easily understandable for both children and mothers. Figure 2 shows J.U. McNeal research about children's choices in shops and the results show that changes in purchases within children stakeholders change accordingly to their role in shopping process. Researching children's choices within product categories, J.U.

McNeal made a conclusion that the first product asked by children in the shops is breakfast cereals (47%), snacks (30%) and toys (21%), yet, when children are given the choice the situation is slightly different – 35% choose breakfast cereals, 28% prefer toys



**Figure 1.** The influence of children on purchase making % (based on research by J.U. McNeal )

24% snacks, 6% books, 5% clothes un 2% presents. J.U. McNeal research indicates that children's wish to purchase breakfast cereals 75% results in choice, while, when making purchase themselves, only 6% children buy breakfast cereals, preferring toys (54%) (Figure 2).



**Figure 2.** Changes of product choices accordingly to children's role in purchase making (based on research by J.U. McNeal)

Authors conclude that children's role in purchase making determines the children's choice in the shop, dividing children choices within various categories and a toy added to breakfast cereal package with a clear indication would increase this proportion.

*Efficiency.* When creating marketing strategy in a company, the main target, obviously, is to increase income. Yet marketing results often can be measurable within long-term, besides financial figures are not the only indicators of marketing efficiency,

for it can be measured variously. The main differences of efficiency: efficiency as economy (*efficiency*) determines how to do things correctly. Effectiveness determines whether the correct things are done, therefore the essence of effectiveness is innovations on how to find new and better ways for customer needs (P.Drucker).

Offer will be effective if it will provide the value added and satisfaction for stakeholders. Customer makes choice between several offers and chooses the one that provides the biggest value. The value is a ratio between what is received in exchange of what is given. Consumer receives benefits and costs accordingly to formula (Ph.Kotler):

1

$$\text{Value} = \frac{\text{Benefits}}{\text{Costs}} = \frac{\text{Functional benefits} + \text{emotional benefits}}{\text{Monetary costs} + \text{time costs} + \text{energy costs} + \text{psychic costs}}$$

where **V** – value;

**B** – benefits;

**C** – costs;

**F<sub>b</sub>** – functional benefits;

**E<sub>b</sub>** – emotional benefits;

**M<sub>c</sub>** – money costs;

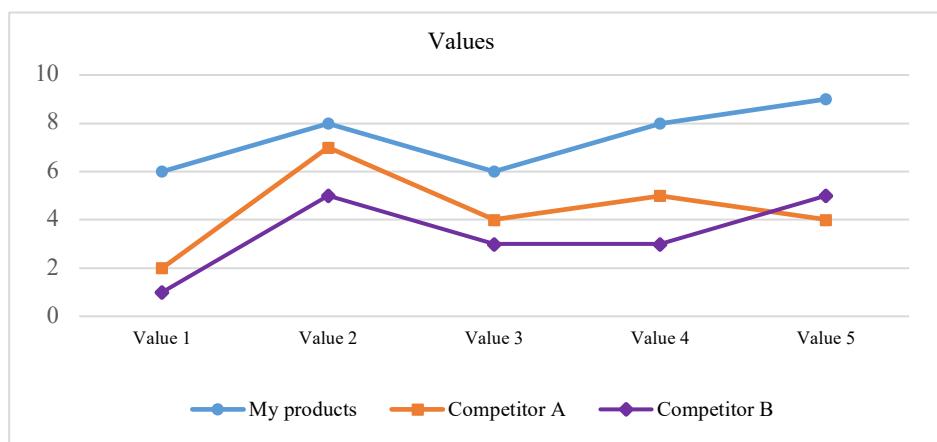
**T<sub>c</sub>** – time investment;

**E<sub>c</sub>** – energy investment;

**P<sub>c</sub>** – psychological investment.

Based on this equation, entrepreneur can increase the value of offer by increasing benefits and decreasing costs, increasing benefits more than increasing costs or decreasing benefits less than decreasing costs. Customer, choosing between offers A and B, rates value ratio between them. According to equation above, customer will choose offer A, if its value will be bigger than 1, and will choose offer B if the value will be less than 1. If the equation is equal to 1, in such case offers are equal accordingly to theory of Ph.Kotler.

Innovations more often are introduced looking for customer's benefits, yet one should consider that value without innovations is equal to changes in price, while innovations without value is equal to upgrade without demand, lack of consumer. Therefore it is important to estimate innovations return before their development, so that solution would be effective. A research must be done to find out which specific value plays importance in customer's choice.



**Figure 3. Curve of values (based on theory of C.Kim, R.Mauborgne)**

Curve of values (Figure 3) can be used to compare specific values in comparison to competitor and define those values which must be improved as well as competitive advantages defined (C.Kim, R.Mauborgne). Curve of values reflects.

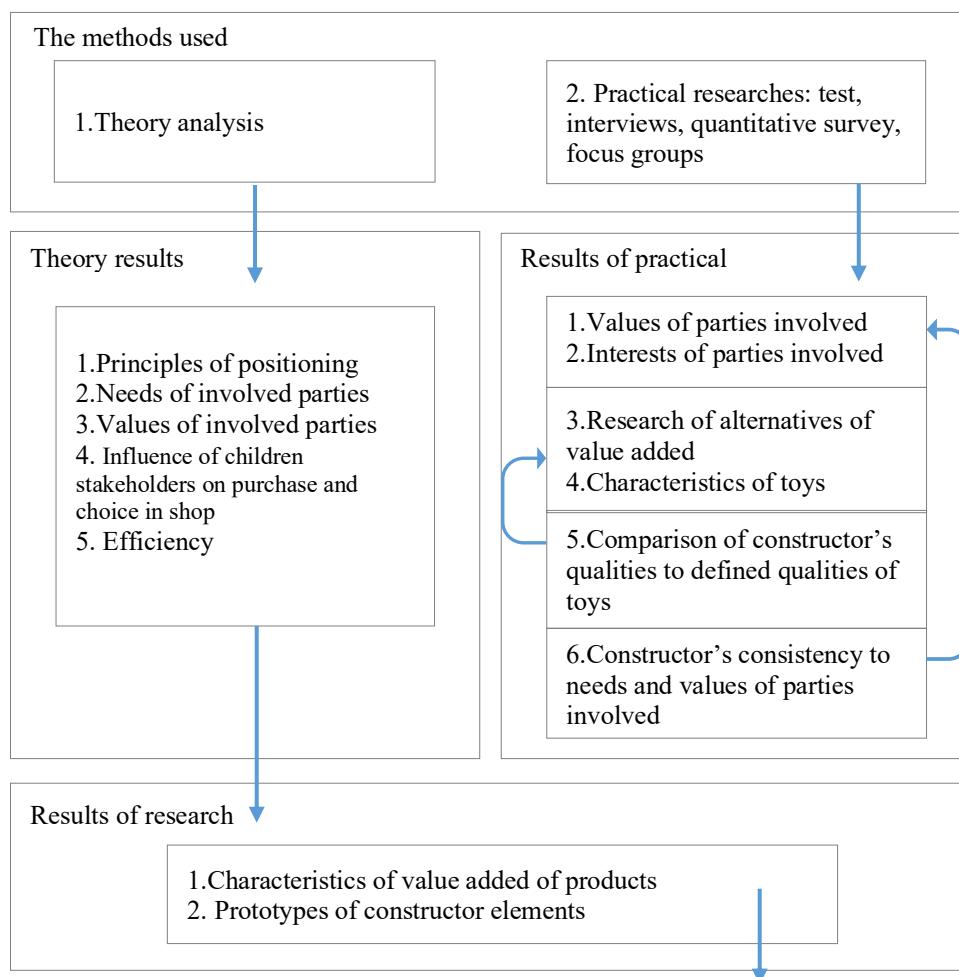
## 2. METHODOLOGY OF THE RESEARCH

To achieve the aim of the paper theoretical research and empiric research was done. Several research methods were used:

1. theoretical literature analysis;
2. test for determination of stakeholder values;
3. in-depth interviews are conducted to identify the interests and demand of stakeholders (children, their parents);
4. quantitative survey;
5. focus groups.

## 3. *MILZU!* CASE RESEARCH PROCESS AND RESULTS

Within the framework of the study, a complex of activities was conducted in order to achieve results of the research. After the analysis of theory an empiric research was done. Comparing results during the empiric research previously defined theoretical concepts were approved and results were compared in different stages of research in order to verify whether the final results correlate with results of tests, interviews and surveys (Figure 4).



**Figure 4. Process of research (authors' developed framework).**

To develop prototypes, focus groups for stakeholders were organized in November, 2017, so that the accordance of results with needs, values and interests would be confirmed.

Based on a study about women's values (determination of typology of values: adapted test version, S.H.Schwartz), priorities and interests of stakeholders (10 respondents – women in age group 25-34, with children) a study, using quantitative survey (78 respondents – women in age group 20-45), was conducted. Interviews within children were held, the total amount of respondents were 34 in age group 7-13. As a result of practical research, guidelines were proposed which are basis for MILZU! products' value added. Values and interests can be seen in Table 2.

Taking into account results of interviews and focus groups within children stakeholders (interviews mentioned above and 2 focus groups: 11 boys in age group 9-12 and 10 girls in age group 9-12), it was ascertained that particularly constructor most accurately meets the needs, values and characteristics of toys which are expected by stakeholders as value added of product. The evaluation of the constructor elements' prototypes generated within the study provided feedback on the interests, needs and values of the stakeholders (19 interviews with children in age group 7-13 and 10 interviews with women in age group 25-38).

**Table 2.** Values and interests of women and children (authors' developed framework)

Guidelines	Women	Children
Values	Family and children Health Welfare Love, peace, harmony  <i>Qualities:</i> Honesty and responsibility Helpfulness Security Harmony with nature	Family Love Friendship
Interests	<i>Women support children's interests:</i> Sport Creativity, arts Cognitive activities	Friends and playing Virtual environment Sports Learning, cognition Creative activities Surprise and adventure

Constructor system's description includes playground environmental objects, functional elements, details for toy making, characters, thematic series, option to complement the toy set, improvise. Constructor system includes variations of different levels for diverse stakeholders (gender, age, topics of interest, accessory options). It is intended to form the constructor system from separate elements, putting them in parts as product's value added.

## CONCLUSIONS

*The theoretical contributions.* The theoretical contributions in this research are: 1. Well considered brand and product positioning in market must meet the needs and values of parties involved. 2. Brand's and stakeholders common values create customer's emotional attraction, whereas emotional attraction more successfully forms stakeholders loyalty in long term. 3. Children significantly influence the choice of

breakfast cereals and their choice in the shop depends on their role in purchase making. By inserting toy in breakfast cereal pack as a gift, the choice of topicality is preserved for children who make purchase on their own. 4. Child's most essential needs are to play, need for sensory perception, need to cooperate with others, need to overcome obstacles and problem solving. Meantime adults need regarding children is happy and healthy child who can cope with the tasks of life. It is necessary to satisfy both needs of children and parents by creating value added of *MILZU!* products. 5. Offer will be efficient if it will provide added value and satisfaction for parties involved.

Authors' developed methodology (Figure 4) can be used in other enterprises.

*The practical contributions.* Analysing practical part of the research, the following conclusions can be drawn: 1. Values within women stakeholders are: family and children, health, welfare, peace, harmony, harmony with nature. Values within children stakeholders are: family, love, friendship. 2. Children interests are: friends, virtual environment, sport, playing, learning, cognition, creative activities, adventure. Mothers support: sport, creativity and arts, cognitive activities. 3. The most appropriate value added for *MILZU!* products is innovative constructor system. 4. For further development of constructor system it is necessary to conduct in-depth study about innovation implementation, which includes variations of different levels for diverse stakeholders (gender, age, topics of interest, accessory options).

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