

BUSINESS PLAN OF VEGETARIAN LIFESTYLE ONLINE SHOP *GREEN BEAN* IN LATVIA

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Abstract

The purpose of this document is to present innovative business plan in the field of vegetarianism which is rapidly growing and currently underdeveloped market in Latvia. The idea of family business is to create vegetarian lifestyle online shop with the goal to provide wide range of vegetarian products, inspire in vegetarian cooking, help in meeting other vegetarians as well as inform and give advices about vegetarian lifestyle in Latvia.

The methodology used in development of this business plan is the analysis of historical roots of vegetarianism, research about latest trends in customers' lifestyles and eating and shopping habits under the influence of current economic crisis situation. Research also explores main reasons for people becoming vegetarian. For acquiring more specific and local trends about vegetarianism - online survey was performed with more than 350 vegetarian respondents. The analysis of data and the conclusions drawn about eating and shopping habits of Latvian vegetarians were applied in different business development tools – PESTS, TOWS, IFE, EFE matrixes as well as 7P's marketing mix – in order to determine main target audience, product assortment, price level, corporate and business strategies as well as marketing techniques of the vegetarian online shop.

According to the results of the analysis the intense growth and focus strategies were chosen for the company's development. The positioning – highly interactive provider of wide range of vegetarian products. As a final point, implementation procedures and financial perspective is presented with positive NPV and IRR ratio highly exceeding discount rate which proves that business plan is financially beneficial.

JEL Classification: D 13, L11, L19

Keywords: New Firms, Start-up, Product Differentiation, Firm Strategy

Abstracto

O propósito deste documento é apresentar um plano de negócio inovador no campo do vegetarianismo o qual está em rápido crescimento e o seu mercado, actualmente, ainda em desenvolvimento na Letónia. A ideia de negócio de família é de criar uma loja de estilo de vida vegetariano online com o objectivo de disponibilizar uma ampla gama de produtos vegetarianos, inspirado na culinária vegetariana, apoio para conhecer outros vegetarianos assim como informar e dar conselhos sobre o estilo de vida vegetariano na Letónia.

A metodologia usada no desenvolvimento deste plano de negócio é a análise das raízes históricas do vegetarianismo, pesquisa sobre as últimas tendências de estilos de vida, dos hábitos alimentares e de consumo dos clientes, sob a influência da actual situação de crise económica no mundo e também na Letónia. A pesquisa também explora, as principais razões, pelas quais, as pessoas se tornam vegetarianas. Para obter mais informações relativas a tendências locais e específicas sobre o vegetarianismo - foram realizadas sondagens online a mais de 350 vegetarianos. A análise dos dados e das conclusões retiradas sobre os hábitos alimentares e de consumo dos Letões vegetarianos foi aplicada em ferramentas de desenvolvimento – matrizes PEST, TOWS, IFE, EFE assim como os 7 P's do marketing mix – com ordem a determinar o principal público-alvo, selecção de produto, nível de preço, estratégias empresariais e de negócio, assim como técnicas de marketing da loja vegetariana online.

De acordo com os resultados da análise, o intenso crescimento e as estratégias focalizadas foram escolhidas para o desenvolvimento da empresa. O posicionamento - fornecedor altamente interactivo de uma ampla gama de produtos vegetarianos. Como etapa final, procedimentos de implementação e perspectiva financeira são apresentados com NPV positivo e o rácio IRR excedendo largamente os valores de desconto que provam que o plano de negócio é financeiramente vantajoso.

JEL Classificação: D 13, L11, L19

Palavras chave: novas empresas, start-up, diferenciação de produto, estratégia empresarial.

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Executive Summary

This document has been prepared in order to provide the reader information about innovative vegetarian lifestyle online shop's *Green Bean* business plan - including business structure, company's goals and values, projected growth, start-up costs, investment analysis and the industry trends. *Green Bean* will be a new family run business located in Riga, the capital of Latvia and will be dedicated to vegetarianism and emphasis put on vegetarian food segment and cuisine. Besides selling ingredients for meal *Green Bean* also will provide do-it-yourself vegetarian cooking needs through offering learning and sharing opinions with others who have the same passion.

Focused on an online shopping in a vegetarian-oriented community, *Green Bean* is a company primed to take advantage of an expanding industry. According to the pool data 11 % of Latvians stated that vegetarian food is important for them and it is significant indicator of market potential. Research data also shows that 67 % vegetarians are already online shoppers, moreover 23 % showed intention to start shopping online. Besides that, significant finding was that majority of vegetarians are cooking at home and are willing to improve their skills. Further, people are not just interested in buying things - they want an experience, adding that the key to providing successful experience is offering possibility gain new skills and knowledge and fun of participation.

These results helped *Green Bean* to determine main target group – vegetarian internet users who are *cooking* at home or willing to learn vegetarian cooking.

While there are currently several niche shops offering highly specialized ayurvedic and biologically grown products, none of them is offering wide range of vegetarian products for broad customer base of vegetarians. The main concerns of vegetarians are high prices and weak supply of products.

The vision of *Green Bean* is to be and to be perceived as the best product provided and cooking advisor of every vegetarian in Latvia. In its turn, *Green Bean*'s main strategic objectives are to become the leading vegetarian' community web portal in Latvia within next year and to become the online leader in providing wide range of vegetarian products in Latvia within next two years. At the entering phase company's corporate directional strategy will be intense growth strategy in order to penetrate in the market. For the business strategy *Green Bean* has chosen narrow competitive scope and competitive advantage of differentiation – thus having focus business strategy.

Green Bean's marketing strategy is to emphasize the value proposition of the company stating that *Green Bean* is retailer of the widest range (reasonable priced) vegetarian products at your door in Latvia, not only providing ingredients for the meal but also serving opinion sharing, informative and do-it-yourself vegetarian cooking needs through *Green Bean's* networking vegetarian community. In the beginning phase main marketing activities will be related to PR and community creation in order to generate awareness and image building as well as emphasis will be put on sale promotions to induce trial and encouragement of customers' first purchase. Moreover, community marketing will be performed with a help of online social networking media. Video creation will be important part of marketing activities. Two types of videos will be created – viral videos for increase of visitors' flow and educational videos in order to develop loyalty of online shop's customers.

Two co-owners of *Green Bean* are both dedicated vegetarians – Manager of Online Shop is professional in marketing and PR fields as well as has good knowledge in finance issues and Manager of Cooking Services is professional cook who is now specializing in vegetarian cuisine. Both partners will be taking hands-on management roles in the company. Besides them – there will be two more employees in the company who will be responsible for warehousing and deliveries and web page administration duties.

Based on the size of the market and determined target customers, *Green Bean's* sales projections for the first year are 88983 LVL (126612 EUR) reaching 142919 LVL (203356 EUR) in the second year of operations. With *Green Bean's* strong and competent management team and effective marketing plan, consistent and minimum annual turnover growth of 10 % percent is projected with net profit margin of 12%.

The co-owners will invest 8500 LVL (12095 EUR) to meet investment and working capital requirements and their own property (car) of 2500 LVL (3557 EUR) value. The analysis of financial forecasts shows positive NPV value of 30575 LVL (43529 EUR) in 5 years period as well as IRR value of 103 % which confirms profitability of the business.

In spite of crisis situation in the country, *Green Bean* sees untaken market niche and opportunity of growing market potential of the industry of vegetarian goods and services. With the belief that food-stuff should be both - good for the earth and good for the table - and efforts put in community creation, *Green Bean* is sure to appeal to vegetarians of Latvia. Live and let live!

Resumo Alargado

Este documento foi preparado com vista a fornecer ao leitor informações sobre a inovadora loja de estilo de vida vegetariano online e o plano de negócio da *Green Bean* – incluindo a estrutura de negócio, objectivos e valores da empresa, crescimento esperado, custos iniciais, análise de investimento e tendências da indústria. A *Green Bean* será um novo negócio familiar localizado em Riga, a capital da Letónia e vai dedicar-se ao vegetarianismo enfatizando o segmento de produtos alimentícios vegetarianos e a sua confecção culinária. Para além da venda de ingredientes para a confecção de refeições, a *Green Bean*, também disponibilizará o conceito “faça você mesmo” elucidando os seus clientes para as necessidades dos regimes vegetarianos através da divulgação de ensinamentos e partilha de opiniões com os demais que partilham da mesma paixão.

Focada numa comunidade vegetariana de compra online, a *Green Bean* é uma empresa orientada para obter vantagens de uma indústria em expansão. De acordo com a sondagem, 11% dos Letões indicou que a comida vegetariana é importante para eles, sendo este, um importante indicador das potencialidades deste mercado. Pesquisas também demonstraram que 67% dos vegetarianos já se assumem como compradores online e os restantes 23% demonstraram a intenção de começar a efectuar compras deste modo. Apesar destes dados, uma das conclusões mais significativas, deu conta que a grande maioria dos vegetarianos cozinham em casa e estão dispostos a melhorar as suas aptidões culinárias.

Consequentemente, as pessoas não estão apenas interessadas em comprar coisas, mas sim em obter experiências, acrescentando que, a chave para experiências de sucesso, reside na oferta da possibilidade de obter novas aptidões e conhecimentos e ao mesmo tempo ser um processo repleto de diversão.

Este resultados auxiliaram a *Green Bean* a determinar o seu principal grupo alvo – internautas vegetarianos que cozinham em casa ou estão disponíveis para a aprendizagem da confecção de culinária vegetariana.

Enquanto actualmente existem vários nichos de lojas altamente especializadas que oferecem bens de produção biológica e ayurvedica, nenhum deles oferece uma ampla gama de produtos vegetarianos para uma base de clientes neste regime. As principais preocupações dos vegetarianos são os elevados preços e a gama disponível limitada.

A visão da *Green Bean* é ser, e ser vista como, a melhor fornecedora e conselheira de cozinha de todos os vegetarianos na Letónia. Por sua vez, os principais objectivos estratégicos da

Green Bean passam por tornar-se o portal de internet para a comunidade vegetariana líder na Letónia no espaço de um ano e tornar-se o líder online no fornecimento de uma ampla gama de produtos no mesmo país no espaço de 2 anos.

Na fase inicial da estratégia directiva da empresa vai estar o intenso crescimento estratégico com vista a penetrar o mercado. Para a estratégia de mercado, a *Green Bean* escolheu um estreito âmbito e vantagem competitiva por diferenciação – para além de ter uma estratégia centrada de negócio.

A estratégia de mercado da *Green Bean* passa por enfatizar a proposição de valor da empresa que declara que a *Green Bean* é uma retalhista de uma ampla gama (a preço em conta) de produtos vegetarianos à sua porta na Letónia, não apenas fornecendo ingredientes para a confecção de refeições mas também disponibilizando a partilha de opinião e informação e o “faça você mesmo” através da rede social da comunidade vegetariana da *Green Bean* que enfatiza as necessidades de informação para a confecção culinária vegetariana. Na fase inicial, as principais actividades de marketing estarão relacionadas com Relações Públicas e criação da comunidade com vista a consciencializar e gerar a construção de uma imagem, assim como a ênfase que será posta nas promoções de vendas para induzir ao consumo de amostras e à primeira compra dos clientes. Para além da vertente comercial de venda, o marketing da comunidade será desenvolvido com o auxílio das redes sociais online dos “média”. A criação de vídeo vai constituir uma importante fatia das actividades de marketing. Dois tipos de vídeo serão criados – vídeos de reprodução viral com vista ao aumento de visitantes e vídeos educacionais com vista a fomentar a lealdade dos clientes da loja online.

Dois dos co-proprietários da *Green Bean* são vegetarianos devotados – O gestor da loja online é um profissional em Marketing e Relações Públicas tendo também bons conhecimentos em assuntos financeiros e o Gestor dos Serviços de Culinária é um Cozinheiro profissional actualmente especializado em gastronomia vegetariana.

Baseada na dimensão do mercado e nos clientes-alvo determinados, as projecções de vendas da *Green Bean* para o primeiro ano são de 88983 LVL (126612 EUR). Atingindo 142919 LVL (203356 EUR) no segundo ano de operações. Com a forte e competitiva equipa de gestão da *Green Bean* e o seu plano de marketing efectivo, o crescimento anual mínimo e consecutivo de 10 % é projectado com uma margem de lucro líquido de 12%.

Os co-proprietários irão investir, 8500 LVL (12095 EUR) em resposta aos requisitos de capital de investimento e inicial e, a sua viatura própria (viatura) que substancia o valor de

2500 LVL (3557 EUR). A análise de previsão financeira apresenta um NPV positivo avaliado 30575 LVL (43529 EUR). Eur num período de 5 anos assim como um valor de IRR de 103% que vem confirmar a viabilidade do negócio.

Não obstante da actual situação de crise no país, a *Green Bean* descobre um nicho de mercado ainda por explorar e a oportunidade de um potencial de crescimento do mercado na indústria de produtos e serviços vegetarianos. Com a convicção que comida e produtos alimentícios deverão ser – bons para o planeta e bons para a mesa – e com ênfase colocada no espírito criativo das comunidades, a *Green Bean* aposta que vai ser um conceito apelativo aos vegetarianos da Letónia. Vive e deixa viver!

Promoter of the Project

Kristine Beņķe, promoter of this document has developed business plan of company willing to enter the e-commerce business. Main target audience of the company is internet users who are vegetarians and live in Latvia. The businesses idea of the business plan is to develop vegetarian lifestyle online shop. This business plan is master project of Master of Science in Business Administration Program in ISCTE Business School. Promoter of this project has graduated Stockholm School of Economics in Riga, bachelor's program in Business Administration and has also gained 5 years working experience in marketing and finance. The purpose of this document is to develop the business plan in order to implement it in the nearest future.

1. Introduction

Due to personal convictions and dedication to vegetarianism, recently I have intentionally paid more attention to examination of vegetarian lifestyle and new trends in eating habits. My first observations was that popularity of vegetarianism is growing rapidly, and soon it could become as mainstream lifestyle, however currently the supply of vegetarian products and services are insufficient, which causes many problems and inconveniences for vegetarians living in Latvia.

These reflections encouraged me to explore this market in more in detail, to look at coming trends in other countries and also search for opportunities that could improve the current situation of vegetarian lifestyle issues in the field of business. Also question was raised about the most suitable type of business concerning current economical situation. The main motivation to perform this research and develop business plan was the aim to apply this new idea in the real life.

In this business plan I will present my research performed on the vegetarianism in general, trends in food market and consumer eating and shopping habits in the world. Besides that, results of local research of Latvian vegetarians will be analyzed and presented in order to discover needs, concerns and demands of the vegetarians in Latvia.

Conclusions drawn from research are used to develop innovative idea and concept of new business in the vegetarianism field in Latvia. Afterwards, internal and external analysis of business is performed as well as business and marketing strategy. Finally, financial analysis will be presented to prove that business is financially profitable and with vital capacity.

2. Business Idea

Vegetarian Lifestyle Online Shop's *Green Bean* idea is:

- to popularize vegetarian and healthy lifestyle;
- to offer/sell wide range of vegetarian food ingredients and lifestyle goods;
- to inspire and teach how to cook at home vegetarian meals;
- to educate and advice about vegetarian food – spices, ingredients, cooking techniques, recipes etc.
- to meet and communicate with other vegetarians and exchange experiences and ideas.

The name *Green Bean* is chosen due to following reasons:

Green – representing „green” lifestyle, friendly to nature and animals (one of the reasons for vegetarianism), also – organic and healthy.

Bean – one of the vegetarian’s basic meals with lot of proteins and carbohydrates.

The main goal of *Green Bean* is to become leading and most recognizable vegetarian lifestyle web page (community) as vegetarian cooking advisor and vegetarian product seller in Latvia.

3. Literature Review: Vegetarianism

3.1. What is Vegetarianism?

Vegetarianism is the practice of following a diet based on plant-based foods including fruits, vegetables, cereal grains, nuts, and seeds, with or without dairy products and eggs. A vegetarian does not eat meat, game, poultry, fish, crustacea, shellfish, or products of animal slaughter such as animal-derived gelatin and rennet (The Vegetarian Society, 2010).

Diet name	Meat, poultry, fish	Eggs	Dairy products	Honey
Lacto-ovo vegetarianism	No	Yes	Yes	Yes
Lacto vegetarianism	No	No	Yes	Yes
Ovo vegetarianism	No	Yes	No	Yes
Veganism	No	No	No	No

Table 1: Terminology and Varieties of Vegetarianism.

There are different varieties of vegetarianism. A vegan diet is a form of vegetarian diet which excludes all animal products, including dairy products, eggs, and honey. A lacto-vegetarian diet includes dairy products but excludes eggs, an ovo-vegetarian diet includes eggs but not dairy products, and a lacto-ovo vegetarian diet includes both eggs and dairy products. The summary of varieties of vegetarianism can be seen in *Table 1*. It is also common so called semi-vegetarian diet, which consists largely of vegetarian foods, but may include fish and sometimes poultry, as well as dairy products and eggs. According to Shorter Oxford English Dictionary (2007) pescetarian diet, for example, includes fish but not meat. Strict vegetarians also avoid products that may use animal ingredients not included in their labels or which use animal products in their manufacturing e.g. cheeses that use animal rennet, gelatin (from animal skin, bones, and connective tissue), some sugars that are whitened with bone char (e.g. cane sugar, but not beet sugar) and alcohol clarified with gelatin or crushed shellfish and sturgeon. Vegetarians who eat eggs sometimes prefer free-range eggs (as opposed to battery farmed eggs).

3.2. Short History

The earliest records of vegetarianism as a concept and practice among a significant number of people concern ancient India and the ancient Greek civilization in southern Italy and in Greece (Spencer, 1993). In both instances the diet was closely connected with the idea of nonviolence towards animals (called *ahimsa*¹ in India) and was promoted by religious groups and philosophers. Following the Christianization of the Roman Empire in late antiquity, vegetarianism practically disappeared from Europe (Passmore, 1975). However, several orders of monks in medieval Europe restricted or banned the consumption of meat for ascetic reasons, but none of them eschewed fish. Vegetarianism was to reemerge somewhat in Europe during the Renaissance (Spencer, 1993). It became a more widespread practice in the 19th and 20th centuries.

Term „vegetarianism” was created just in the middle of 19th century from Latin world „vegetare”, which means – „to reanimate” (Veġetārisms, 2009).

The International Vegetarian Union, a union of the national societies, was founded in 1908. In the Western world, the popularity of vegetarianism grew during the 20th century as a result of nutritional, ethical, and more recently, environmental and economic concerns. The Indian concept of nonviolence had also a growing impact in the Western world. The model of Mahatma Gandhi, a strong and uncompromising advocate of nonviolence towards animals, contributed to the popularization of vegetarianism in Western countries (Stuart, 2007). During recent couple of years the numbers of vegetarians has increased rapidly mainly due to wider availability of information and due to nutrition specialists’ new conclusions, which disperse several myths about meat and eggs un-replaceability in human’s diet.

In Latvia vegetarianism is known at least one century; the foundation of “Latvian vegetarian association” took place in 1927, Riga (Veġetārisms, 2009).

3.3. How Many Vegetarians are in the World?

Vegetarianism motivated by religious or ethical reasons has been common in countries like India for centuries. Now, other parts of the world are catching on. However, the fact should be

¹ Ahimsa - is a term meaning to do no harm (literally: the avoidance of violence - *himsa*). It is an important tenet of the religions that originated in ancient India (Hinduism, Buddhism and especially Jainism). It is closely connected with the notion that all kinds of violence entail negative karmic consequences. Though the origins of the concept of ahimsa are unknown, the earliest references to ahimsa are found in the texts of historical Vedic religion, dated to 8th century BCE. Here, ahimsa initially relates to "non-injury" without a moral connotation, but later to non-violence to animals and then, to all beings. Ahimsa emphasizes vegetarianism. In its comprehensive meaning, Ahimsa or non-injury means entire abstinence from causing any pain or harm whatsoever to any living creature, either by thought, word, or deed (Sivananda, 2006).

admitted that through surveys and pooling the number of vegetarians can be determined only to some degree; it is still hard to get exact figures.

3.3.1. India

India holds more vegetarians than the rest of the world combined. Today Indian vegetarians, primarily lacto-vegetarians, are estimated to make up more than 70 percent of the world's vegetarians. They make up 20–42 percent of the population in India, while less than 30 percent are regular meat-eaters (Goldammer, 2001; Landes, 2004).

A 2006 survey by the Hindu newspaper found that 40 percent of the population, or 399 million people, are vegetarians. This is mostly driven by class and religious concerns, with the Brahmin class expected to not eat meat, the Hindu religion suggesting vegetarianism and the Jain religion demanding it (Raw Food Healths, n.d.).

3.3.2. United States

Surveys in the U.S. have found that roughly 1–2.8 percents of adults eat no meat, poultry, or fish (The Vegetarian Resource Group, 2000, 2003, 2006). Also the same type of survey done by Vegetarian Resource Group in 2009 shows similar results that 3% of Americans were vegetarian and about 1% were vegan (Harris, 2009). "Vegetarianism in America" study published by the Vegetarian Times Magazine in 2008 puts the number of U.S. adult vegetarians at 7.3 million, or 3.2 percent of the population. In addition, 10 percent of U.S., adults, or 22.8 million people, say that they largely follow a vegetarian-inclined diet. The 2008 study also indicates that 5.2 percent of a non-vegetarians surveyed, or 11.9 million people, are “definitely interested” in following a vegetarian-based diet in the future. Data for this survey were collected by the Harris Interactive Service Bureau on behalf of *Vegetarian Times*. The poll surveyed 5,050 respondents, a statistically representative sample of the total U.S. population. The study also collected data on age, gender and other demographic factors. Of the vegetarians surveyed:

- 59 percent are female; 41 percent are male;
- 42 percent are age 18 to 34 years old; 41 percent are 35 to 54; and 17 percent are over 55;
- 57 percent have followed a vegetarian diet for more than 10 years; 18 percent for 5 to 10 years; 11 percent for 2 to 5 years, 14 percent for less than 2 years.

The 2008 study also indicated that over half (53 percent) of current vegetarians eat a vegetarian diet to improve their overall health. Environmental concerns were cited by 47 percent ; 39 percent cited “ natural approaches to wellness” ; 31 percent cited food-safety

concerns; 54 percent cited animal welfare; 25 percent cited weight loss; and 24 percent weight maintenance.

The conclusions were made that the vegetarian sector is one of the fastest-growing categories in food market, that it is a dedicated group of consumers that is growing daily (Vegetarian Times, 2008).

In most recent poll conducted by The Vegetarian Resource Group (VRG) in 2009, the data are similar -3% of U.S. adults indicated they never eat meat, poultry, and fish/seafood (Stahler, 2009).

3.3.3. Canada

Approximately 3 till 10% of Canadians are vegetarians or vegans. Research shows that between 3% and 10% of North Americans consider themselves vegetarian. However, some respondents who self-identify as “vegetarian” do also occasionally eat meat, fish or poultry (Harris, 2009).

3.3.4. Australia

According to Roy Morgan Research data, as of December 2006, 1,538,000 people in Australia aged 14 and over agree that "the food I eat is all, or almost all, vegetarian". That equates to 9.1% of the population aged 14 and over (Vegetarian Network Victoria, 2010).

3.3.5. Israel

The EVU also cites a study done by the Israeli Ministry of Health that claims 8.5 percent of the Israeli population, or 595,000 people, are vegetarian, which is an impressive figure.

3.3.6. United Kingdom

In the United Kingdom (UK), about 3 % of the population is estimated to be vegetarian. In UK wide survey (Food Standards Agency – Public Attitudes to Food Survey 2009) of 3,219 adults 3% of respondents were found to be “completely vegetarian”, and an additional 5% were “partly vegetarian” who don’t eat some types of fish or meat (The Vegetarian Society, n.d.). However, some other source of information states that in England, vegetarianism got a huge boost from the mad cow scare. According to a 2006 *Mintel* survey, 6 % of the population, or 3.6 million people, are vegetarians, and 10 % do not eat red meat (Raw Food Healths, n.d.). This likely makes the UK the European country with the largest proportion of its population that is vegetarian.

3.3.7. Other Countries in Europe

Sources for the rest of Europe are not very reliable, however according to information gathered from numerous sources by the European Vegetarian Union the approximate insight will show following data in *Table 2* (Raw Food Healths, n.d.). As it could be seen percentage of vegetarians in European countries are not exceeding 5 %.

Country	People	% of Population
Austria:	243,000	3.0%
Belgium:	204,000	2.0%
Croatia:	166,500	3.7%
Czech Republic:	153,000	1.5%
Denmark:	81,000	1.5%
France:	>1,200,000	>2%
The Netherlands:	700,900	4.3%
Norway:	92,000	2.0%
Poland:	>386,000	>1%
Portugal:	30,000	0.3%

Table 2: Vegetarians as % of Population in European countries.

Source: *European Vegetarian Union..*

3.4. Main Reasons for Vegetarianism

There are a number of reasons why people choose vegetarianism. The main reasons can be summarized into health, ethical, and environmental concerns, explained below, as well as religious and cultural reasons. The most common reasons - health, ethical and environmental - will be explained in more detail.

3.4.1. Health Reasons for Vegetarianism

The most common reason for vegetarianism is for better health. A well-balanced vegetarian diet is very healthy, and can help to prevent or control a number of health problems.

In these overdeveloped nations where a typical meal consists of such delicacies as a Big Mac, super sized fries and a king size *Coca-Cola*, there are more obese people than there ever have been before. Overweight, high cholesterol, heart and blood vessel illnesses etc. – it is reality of nowadays' sedentary life and unhealthy food. However, now slowly people tend to realize these problems and try to change their lifestyles. Many people start to pay more attention to their health, try to change their habits and start healthier lifestyle – performing more physical activities and changing their eating habits. Changes in diet because of health care are becoming very common.

„You are what you eat”, if we think about this expression literally, our body is influenced by food we chose to eat. For example, if we look of our blood plasma after eating a fast food hamburger - what was previously a clear liquid becomes cloudy with the fat and cholesterol

that's absorbed from eating a high-fat hamburger. While there is tremendous debate about what constitutes a healthy diet, nutrition and health experts now know and believe that a vegetarian diet, when it is practiced correctly, can have enormous positive health effects. There are several health benefits when switching from eating meat to vegetarian-based diet like - becoming less fat (less obesity), the incidence of Type II diabetes is reduced, less prone to many types of cancers, lower incidence of coronary artery disease, hypertension, lower level of blood pressure and cholesterol (Medical News Today, 2006).

A range of studies have shown that vegetarians have a lower chance of dying from stroke and heart disease than the average population (Stuffed and Starved, 2007).

As more data reveals that certain cancers like colon, breast, prostate and rectum are associated with high intakes of animal protein and animal fat, switching out barbecued ribs for barbecued tofu is becoming increasingly more popular as Westerners take responsibility for their own health (Diets in Review, 2008). Vegetarians are statistically healthier than omnivorous persons; they're leaner and live longer (PR Log, 2009).

Vegetarianism is considered a healthy, viable diet. Although a vegetarian diet can be a very healthy option, it is important to ensure it is well balanced. You could stuff your face with chips and chocolate at every meal and be vegetarian but you wouldn't be doing your health much good. Dietitians have found many properly planned vegetarian diets to satisfy the nutritional needs for all stages of life. Necessary nutrients, proteins, and amino acids for the body's sustenance can be found in vegetables, grains, nuts, soymilk and other products.

3.4.2. Ethical Reasons for Vegetarianism

Some vegetarians believe that it is unnecessary and/or cruel to raise animals for food. There are two parts to this belief that eating animals is wrong and animals raised for food are treated poorly. Ethical vegetarianism can be based on either or both of these beliefs. Examples of questionable treatment:

- boiled alive: lobster and other shellfish are not killed before they are cooked;
- confinement and starvation: new-born calves are locked in crates, not allowed to move, and underfed until they are slaughtered and served as veal;
- hormones: cows are fed growth hormones so that they produce more milk;
- factory farming: chickens are packed so tightly into cages that they can barely move; excrement falls through the stacked cages onto chickens below.

These are just few of examples of cruel treatments of animals for food.

3.4.3. Environmental Reasons for Vegetarianism

Raising animals for food wastes resources, because food gives up only part of its energy to the eater. When chickens eat grain, they get part of its energy. When humans eat chicken, they get only a part of the energy that the chicken got from the grain. By cutting out the "middle chicken" and eating the grain directly, humans get more energy, and more people can get fed. Environmentally vegetarianism is very sustainable. One quarter of the earth's surface is now pastureland to support livestock! Land produces much more food when used for farming rather than grazing.

Other problems caused by raising animals for food (Lawless, n.d.):

- methane gas, a cause of the greenhouse effect, is produced by cows and other animals,
- animals contribute to water, air, and land pollution;
- grazing leads to a loss of topsoil.

3.4.4. Other Reasons

In total there are very many reasons why to become vegetarian - including simply weight loss, lack of money to buy meat, or antipathy of taste of meat. Those reasons could be very individual to each person and will not be deeper analyzed. However, one more reason it is worth to mention due to recent observable trend in Latvia – becoming a vegetarian due to spiritual values and spiritual practice performed. This spirituality factor will be more discussed in market background section about economic situation and changes in consumer behaviour.

4. Market Background

4.1. Vegetarianism in Latvia

What concerns Latvia, that there is no wide research done to determine how many vegetarians are there. What is clear, that in fashion, food trends and accessories Latvia mainly follows UK

Total Respondents	809	100%
Not important at all	199	25%
Most probably not important	295	36%
Most probably is important	154	19%
Is important	89	11%
Hard to say	72	9%

Table 3: The answers of Latvian survey's question in Latvia: „How important it is for you that your food is vegetarian?”

Source: *Latvian Sustainable Development Strategies Research.*

influence. However, some insight in numbers can be taken from Latvian Sustainable Development

Strategies research data done in 2008. 809

inhabitants of Latvia participated in this research.

One of the questions they were asked was: „How important it is for you that your food is vegetarian?”

It turned out that for 11% of respondents it is important that their food is vegetarian. Therefore, we can assume that 11 % are vegetarians or at least they prefer vegetarian food (see Table 3).

Currently vegetarianism in Latvia is in the beginning phase of development, the interest in this lifestyle has increase significantly during few last years because of more emphasis on “green” lifestyle and spiritual values from the side of society. In social media (Latvian networking site – *Draugiem*) several discussion groups are created with several thousands of vegetarians participating. Also in press and other media articles about vegetarian lifestyle appear more often. The trend could be felt that soon vegetarianism will become common and wide spread practice (mainstream) in Latvia. However, currently due to inexplicable reasons there is very negative and aggressive attitude towards vegetarianism from the side of others (meat eaters). That is one of the reasons why market still is quite undeveloped for the needs of vegetarians – weak supply of specialized products in shops as well as lack and incompetence in public catering places which turns out unsuitable for vegetarians. More detailed descriptions about current supply of vegetarian goods and services in Latvia will be explained further in competition analysis (in chapter of external analysis).

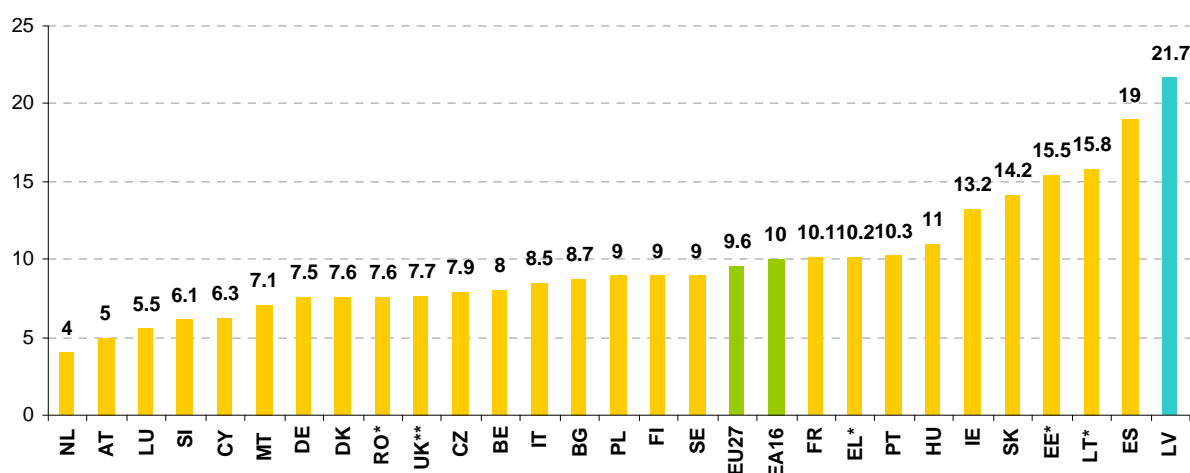
4.2. Economic Situation and Changes in Consumer Behavior

4.2.1. Economic Situation in Latvia

The global financial crisis has affected the entire world including Europe. According to European Union (EU) statistical office (Eurostat) data, seasonally-adjusted unemployment

rate in euro area EA16² was 10.0% in February 2010, but EU27³ unemployment rate was 9.6% during the same period. For the Euro area this is the highest rate since August 1998 and for the EU27 since the January 2000 (Eurostat Newsrelease, 2010).

If looking more closely to the Baltic States – they have been amongst the worst hit by the global financial crisis. In 2008, after years of booming economic success, the economy of Latvia took one of the sharpest downturns in the world. In the 3rd quarter of 2009 compared to the same period of 2008 - gross domestic product's (GDP) value has decreased by 18.4% (according to the CSB⁴). According to the data from the *Eurostat Newsrelease* (2010) the average seasonally-adjusted unemployment rate in Latvia in February 2010 was 21.7%, and this was the highest unemployment rate in the EU at that moment (see Graph 1). Also Latvia has the highest increase in unemployment rate if compared with year 2008 (13.2% to 21.7%). Latvia also has the highest unemployment % among youth (under-25s) – 41.3 % in the fourth quarter of 2009 (Eurostat Newsrelease, 2010).



* Q4 2009 ** December 2009

Graph 1: Unemployment rates in February 2010, seasonally adjusted, %.

Source: Eurostat.

It is estimated that unemployment level will remain in the same level during year 2010. A gradual reduction of unemployment is expected only in 2011 when the unemployment level

² The euro area (EA16) consists of Belgium, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

³ The EU27 includes Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK).

⁴ Central Statistical Bureau.

will decrease to 15 – 16% from economically active population (Latvian Ministry of Economics, 2009).

While the worst of Latvia's recession is now likely to have passed (already in the beginning of year 2010 there are minor improvements in unemployment rate – in December, 2009 it was 22.8 %, in February 2010 unemployment level has reduced to 21.7%), the recovery will come very slowly. The days of double-digit growth are long gone and will be replaced with a more moderate expansion of approximately 3% over the course of 2011-2014 (Business Monitor International, 2009).

Of course, such an economic situation in the country has influenced behavior and habits of people living there. The crisis has marked some changes and shifts in demand for goods and services. Due to decrease in disposable income and rise in unemployment – people tend to save more, to choose cheaper goods and services as well as evaluate the necessity of many services and eliminate luxury expenses. People are becoming less picky and more pay attention to price; they are ready to put more effort in order to get cheaper goods and services. Economic situation has influence also psychologically. Even if person's financial situation is still normal, people tend to be more cautious because are not certain about their financial situation in the future.

All written above have influenced food segment as well. Crisis has forced people to return more to cooking at home – eating out has become as luxury expense, not everyday routine as it was before crisis. Also celebrations and meetings with friends tend to took place at home and not in bars or restaurants due to economical reasons.

However, in every situation there are plusses and minuses, and also in crisis there arise new business opportunities and niches. Demand has changed together with needs and preferences. New businesses have opportunity to use them in their advantage.

4.2.2. Changes in Eating Habits

Not surprisingly, the majority of recent trends in consumer eating habits have a 'value' message reflecting the downturn in the economy and how the lifestyle around food is affected. However, food is necessary for living and it is a constant even in a bad economy. There is just need for adjusting according to new needs and conditions.

Due to recession people tend to spend more time at home in order to save money. However, if people are staying at home more, they are entertaining more at home as well, and that is

opportunity for new businesses. Some niches can actually expect benefit as more customers eat, entertain and generally spend more time at home.

Food shoppers have become increasingly price-conscious and more discretionary in their spending patterns. Before recession consumers were doing almost everything outside the home, we were very service-driven economy. Whenever possible, it has been „do it for me”. Now that is changing, and especially in the kitchen “do it for me” is transforming to “do it yourself” (Hoak, 2009). Hoak (2009) emphasizes several recent trends what people do more at home and kitchen, changes in their shopping and cooking habits:

- **The live-in kitchen.** Consumers spend several hours in the kitchen every day, not only cooking there but using it as a place to entertain, work, craft and spend leisure time. The kitchen is being reinvented as a second living room.
- **Living within our means.** The recession is changing long-held opinions on how we spend our money. Consumers are looking for quality and durability in products - a shift away from disposable consumption. Consumers are starting growing own herbs, greens and vegetables, they're taking to work home made lunches and they're shopping in bulk at warehouse or stocking up during grocery store sales to save money. They are also starting to freeze herbs, berries harvested during summer in order to consume during winter time.
- **The green kitchen.** Kitchens will go eco-conscious. Consumers continue to make their lives more environmentally friendly. While they want products to be eco-friendly, they're not going to pay much of a premium for it -they expect retailers and manufacturers to deliver green products at competitive prices. Also recycling will become more common.
- **The healthy kitchen.** Consumers try to cook healthier – are reducing fats, using better quality oils and butters. More vegetarian dishes and healthier food is preferred. Also they are reading more carefully ingredient labels in an effort to cut down on chemical additives and preservative. Consumers will look for food that has also a medical influence to health. There will be increased discussion and examination of food for its natural remedies.
- **The local kitchen.** Buying local food and/or growing your own often means it will be fresher and free from pesticides and preservatives -more nutritious. This also is going to be accompanied by an increase in urban gardening.
- **Cooking for fun.** Cooking is also becoming more for pleasure not just for fuel, therefore more relaxed style of cooking. It's not just women spending more time in the kitchen, more men consider cooking more of a hobby than a household chore, and use kitchen skills to impress friends and prospective partners. Cooking TV shows, popular chefs and internet

resources has helped to inspire a new love to food and cooking, and it is expected that consumers will continue to search for new recipes, techniques and cooking tools..

- **Becoming more adventurous and exotic.** Experiments are more common, no more just classic menu in home cooking. Consumers are becoming more advantageous with ingredients, cuisines and techniques. Bigger repertoire in kitchen as well as wider choice of spices. Globalization. Though people will be making fewer trips abroad due to economic reasons, there will still be the need to taste what's new and exotic. Like Eastern flavors are moving into the mainstream with an increase in the use of spices to update flavors (Food Channel, 2009).
- **Making from scratch.** Consumers are learning canning, baking own bread, home preserving - making more things from scratch. Less convenience food as ready made salad dressings are demanded. Now biscuits, pancakes, etc. are all made from scratch and many have understood that they taste much better than before. Cooking from scratch is not only less expensive, it is healthier -the cook controls what he or she puts in.
- **Internet in the kitchen.** Cooking books are still used, but internet has moved forward – more and more home cooking fans choose to search for information in internet whether they need a basic cooking lesson or want to learn more complicated techniques (Greenwood, 2009). Consumers will be learning more about cooking and flavors, turning to online sites. The online retail grocery market is growing, which has resulted from technological advancements and rising usage of the internet (Key Note Publications, 2009). More people are expected to use the internet for grocery shopping. Also there is potential for online cooking gaming options that are both fun and instructional.
- **Food communities.** In response to the growing desire for communities around food, both virtual and non-virtual food communities are gaining traction. More online consumers will visit food websites with one-to-one approach and greater interactivity. There will be more *Twitter* exchanges, amateur restaurant reviewers and sharings of family recipes. The non-virtual community picks up too, though, with people returning to cooperatives, food bartering and bulk buying/sharing. There is also room for cooking interest groups to develop with special cooking events where members must be “in the know” to know where and when they are meeting. This could give rise to website-checking activities to see where the next event is going to be parked.

Young cooks. The downsized economy is spurring return to home cooking and giving rise to a new generation of home chefs, even overcoming their predecessors. The interest about

cooking among 20 and 30 years olds is rising rapidly. This new generation usually does not feel so comfortable in the kitchen about cooking techniques; therefore it is now important also to educate customers. Demand for cooking courses and also for some special techniques as canning etc. is increasing.

- **Food Philanthropy.** Individuals and companies will step up to try to remedy world hunger. Everybody is becoming more social responsible – will be more charity actions among communities, companies and individuals (Food Channel, 2009). More cautious with waste of food (leftovers), as well as larger compassion to animals (feeding wild and homeless animals).

In Latvia these trends are not very different from rest of the world, just here everything comes slower.

Due to these recent changes in cooking habits - consequently there are some new business opportunities appearing. As many people were eating in restaurants for years leaving their kitchens empty of proper utensils and cookbooks, now it is time to upgrade kitchen equipment again (Amondolare, 2008).

In Latvia couple of years ago magazines was full of reviews of stories about best restaurants in the city where celebrities are spending their evenings. However, now instead there are many TV shows where celebrities are invited to show their cooking skills, as well there are many shows on TV where popular chefs are making cooking cool again. Celebrities are showing their kitchens and sharing their recipes. Cooking at home is getting trendy.

In summary, among the most recent trends there is a return to home cooking, growing use of online food applications, a local focus, diverse flavors and a trend toward “green” cooking and eating.

4.2.3. Crisis and Spiritual Values

During the economic prosperity period a lot of people followed the charm of money were forgetting about spiritual values. In lot of cases morality was ruined by power of money. However, currently – economic decline and financial crisis bring more people back to religion and spiritual values. There is no wonder that people turn to religion in hard times and tries to search some reassurance and encouragement from spirituality.

Now in Latvia there is growing popularity and influence of Eastern religions and especially of yoga. Yoga, the original mind-body workout that was once thought of as some sort of weird Eastern mystical thing, has gone mainstream. It's everywhere and is appealing to a wide variety of people for a wide variety of reasons.

Advantage of yoga is that its benefits are not just physical but also mental. Yoga helps to reduce stress what is very significant benefit in nowadays lifestyle. It has become very important to many people to experience a more peaceful lifestyle that promotes and maintains health (Sullivan, 2007).

The main reasons for the growing popularity of yoga outside India is that now people are looking out more for natural remedies for curing the health problems as well as for overcoming mental stress which is an outcome of hectic professional life. Yoga has gained popularity abroad on account of its several health benefits for which people usually turned to doctors and hospitals. By practicing yoga they are finding a visible improvement in their health problems, which in turn is giving them a new lease of life.

Popularity of yoga in Latvia rises day by day and currently almost all of fitness clubs offer yoga classes as well there are many yoga centers specialized specifically in this field.

Yoga and Vegetarianism

But what does all of this have to do with vegetarianism? Yoga is not aerobics, it's not a sport. It is a spiritual path. Yoga and vegetarianism go hand-in hand mainly for two distinct reasons. Like the practice of yoga itself, the reasons for vegetarianism are both physical and spiritual.

- Firstly, similar to Buddhism and Hinduism, the philosophy of yoga includes the *yama* (one of the 5 *yamas* of personal restrains) of *ahimsa*: the practice of non-harm or non-violence.
- Secondly, yoga practitioners tend to become more in tune with their bodies and realize that when they eat meat, they feel less healthy than when they don't. Thus the more advanced a person practices yoga, the more likely it is that s/he is a vegetarian.

Tradition states that serious yoga practitioners should eat a pure vegetarian diet, promoting purity and peace to body and mind. Many traditionalists take the view that in order to practice yoga and follow the spiritual path you need to adopt the lifestyle shown in ancient Indian texts. In yogic philosophy, the mind is formed from food: if the food we eat is pure, the mind, body and spirit are in harmony, leading to spiritual progress. The theory runs as follows: all of nature including our diet is categorized into three qualities, or *gunas*:

- **sattvic** (pure) food promotes clarity and calmness of mind and is favorable for spiritual growth;
- **rajasic** (over stimulating) diet feeds the body, but promotes activity and therefore induces restlessness of mind and is generally avoided;

- **tamasic** (darkness and inertia) food induces heaviness of the body and dullness of the mind.

All the great saints and yogis lived on a yogic diet - a process meant to eliminate animalistic tendencies from the mind and personality. It's believed that a simple *sattvic* diet helps refine body, mind and nature. Swami Sivananda (2006) said: "A vegetarian diet can produce supreme powers of both body and mind and is highly conducive to divine contemplation and the practice of yoga."

Of course, not all yoga students are vegetarians especially in beginning, however more seriously they start to practice yoga - the closer they are to vegetarianisms. Deeper reasoning could be read in *Appendix I*, where opinions from yoga teachers about yoga students and vegetarianism are described.

One more issue about vegetarianism and yoga is belief of karma. According yoga principles there exists a reincarnation; and violence can badly influence your karma, which will affect your next life. Life-long vegetarian and Raja yoga student, Priya Hiranand says we need to focus on karma: "Animals have real emotions; they feel love, hate, worry and suffering. They have souls. I truly believe, if you eat meat, you are taking on all the pain and suffering that the animal went through during its dying moments" (Vohora, n.d.).

Religion and Vegetarianism

In Europe there is rising influence of Eastern philosophies and religions such as Buddhism, Hinduism. Yoga practices also consider many principles of these religions such as the conviction that non-vegetarian food is detrimental for the mind and for spiritual development. Additionally, there is a belief that meat consumption is generally detrimental to physical health as well (as examples are given animal diseases such as BSE, Foot and Mouth, Swine Fever, Swine Flu). Through consumption of meat the vibration of the fear of death, the pain and the despair of the animal are absorbed. This fear sinks into persons subconscious and will have to be confronted in the future (Maheshwarananda, 2004).

Everyone has heard the saying: "You are what you eat." But according to the scriptures and saints of the major Eastern religions as well as of early Christianity, a more precise reckoning of this euphemism is, in fact, a double statement: "You are what you think, and you think like what you eat!"

Science tells us that the food we eat is transformed into energy that fuels the physical body. Only in our recent times has science acknowledged that there is also another energy imbued

within our food, of a far more subtle nature, that influences not only the physical sphere of our being, but more importantly, the mental realm of our existence.

In terms of ingestion of digestible matter, the quality of the energy, scientifically and specifically the vibratory rate, that dominated the nature of the plant or animal that is being eaten, is directly transferred through the digestive process and into the mind of the consumer. Thus our mind, our perception, and finally our spirit become what we eat!

If the energy is heavy or inert, little can be done with it to produce the state of silence and clarity needed to reflect the truth of spirit. Certain actions darken the mind and make it thick or heavy, vibrating very slowly—sometimes seemingly not at all. On the other hand, some actions lighten the mind, making it fluid and subtle, vibrating at a very high level. Vegetarian diet becomes one of the best and strongest means for minds purification (Sadasivanand, 2009).

It is obvious, then, that the food we eat is going to determine the quality and condition of all the levels of our being. Our food has the same levels we do, and the different energies of the food are absorbed into our body of all levels. Since our bodies are formed essentially from the food we eat, they will be conditioned by and function according to the kind of energy extracted from the food. From these energy levels the different life processes are empowered and administered. When the energies within us are positive, they produce harmonious states of mind and behavior. But when the energies are negative, they move in a random and chaotic manner and produce negative states of mind and, consequently, negative behavior.

“Moreover, these toxic energies can also manifest as physical illnesses or defects. Substances that are toxic to the body—such as meat, alcohol, nicotine, and drugs—are toxic on the inner levels as well, and their ingestion poisons all our bodies by putting into them negative energies which are going to manifest in the disrupting manner just described. On the other hand, fruits, vegetables, and grains are reservoirs of pure, basic life energies that are very light and malleable. These energies are easily assimilated into all our bodies and made to take on our specific, unique life vibrations and karmic patterns (Giri, 2004).”

Ayurveda and Vegetarianism

The popularity of ayurvedic medicines and philosophy is fast growing in most Western countries due to the growing popularity of yoga. Ayurveda and yoga are sister Vedic sciences that have been united for thousands of years for the sake of healing body, mind, and consciousness. Ayurveda is the healing branch of yogic science. Yoga is the spiritual aspect

of ayurveda (far more than the exercise aspect of yoga that is most visible in the West today), while ayurveda is the therapeutic branch of yoga (Frawley, 2006). Generally speaking, ayurveda deals more with the health of the body, while yoga deals with purifying the mind and consciousness, but in reality they complement and embrace each other. Both yoga and ayurveda are mutually supportive and offer many ways to prevent and heal various disorders as well as to cleanse and rejuvenate the body.

Ayurveda is the world's oldest known medical science rooted in India's most cherished scriptures known as the Vedas, which date to about B.C. 1500 (Tiwari, 2010). In Sanskrit, word 'Ayus' means life, and 'veda' means knowledge, so literally, it means the science of life. Like traditional Chinese medicine, Ayurveda is a whole medical system, meaning that it is based on theories of health and illness and on methods of preventing and treating health conditions. Ayurveda describes the natural make-up of the world and the living beings within it. It explains how each individual is a unique composition of physical and mental elements. It then specifies the practices necessary for people to keep themselves in harmony—internally and with their environment (Jiva Ayurveda, n.d.).

In Western world Ayurveda is considered as a form of alternative medicine, where several of its methods, such as the use of herbs, massage, and yoga as exercise are applied as a form of treatment.

Three more reason for increasing interest in ayurveda is that ayurvedic medicines have no chemicals or inorganic ingredients in them. More and more people choose to heal naturally instead of using synthetic medicines, antibiotics, surgeries, which are used in traditional, conventional medicine. Similarly as people tend to prefer healthier and more natural food, they also search for more natural and organic ways in medicine. Ayurveda has gained significance in this modern world due to its uncannily holistic approach to the well-being of the individuals.

Ayurveda usually prevent and treat diseases through appropriate lifestyle and diet. Vegetarian diet has always been core of the Ayurvedic living principles. As ayurveda traces its origins to the Vedas (the oldest texts of Hindu literature) in *Appendix 1* could be seen some quotes from Vedas related to vegetarianism.

The bottom line of yoga and also ayurveda is to do your best to minimize your contribution to suffering on this planet, what include also vegetarianism. Therefore the rising interest and

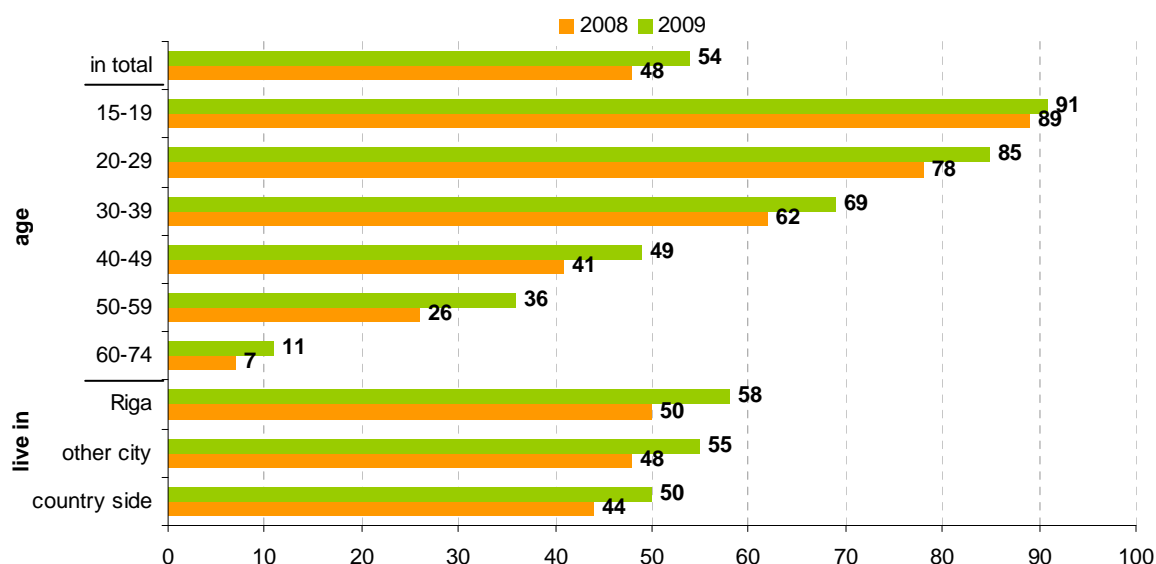
influence of ayurveda and yoga increase the trend of people performing vegetarian diet also in Western countries including Latvia.

4.2.4. Internet Usage and Online Shopping in Latvia

Internet shops are no more something extraordinary, they are very usual nowadays. As proof is fact that during last couple of years the number of internet shops in Latvia has risen from 10 till more that 280 (Vīksna, 2009).

According to media agency *TNS Latvia* research (National Media Research: Internet, Autumn 2009) – from September 2009 till February 2010 60% of Latvian inhabitants (or 1. 02 million people) have used the internet in the age range from 15 till 74 years. If compared to the same data in year 2008 in total there is increase of 6 % of internet users. The highest proportion of internet users is located in capital city of Latvia, Riga (TNS Latvia, 2010).

In *Graph 2* below you can see internet users, who have used internet during last week, according to their age and place of residence. We can conclude that most frequent internet users are in the age range from 15-19 followed by 20 – 29 years olds. However, also in other age groups there is significant increase in use of internet. Internet is used more frequently in cities if compared to country side.

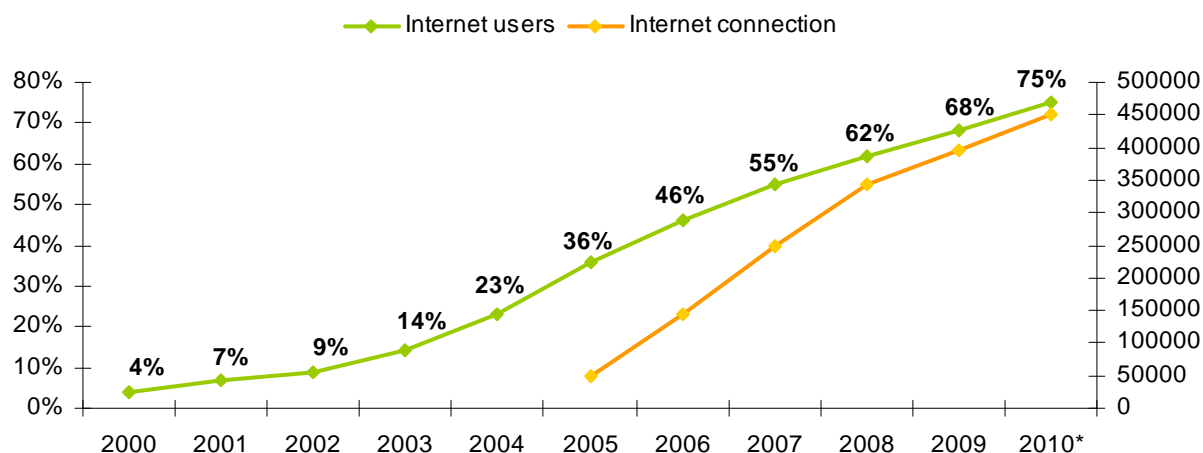


Graph 2: Amount of Internet Users During Last 7 days, %.

Source: TNS Latvia/ National Media Research, Winter 2008- Autumn 2009.

Similar statistical data are shown by *Latvian Internet Association*. In *Graph 3* you can see internet user increase since year 2000. Also there could be seen significant increase of number of internet connections in Latvia during last 5 years. This increase is also influenced by higher

competition and lower prices in internet services in the recent couple of years; therefore internet is becoming more accessible to wider customer base.



Graph 3: % of Internet Users (2000-2010) and Amount of Internet Connections (2005-2010).

Source: Latvian Internet Association (www.lia.lv).

* forecast

Data about online buyers also shows positive trend. Since last 5 years, buyers more accept online shops. As a proof there are statistical data. According to newest European Commissions research about online shopping and EU data there is increase from 27% till 33% (2006 – 2008) of online buyers in EU. In Latvia research shows that there are 16 % of inhabitants making purchases in internet (in EU – 32%) (Frut Beta, 2009).

Currently in Latvia there is growth of niche internet shops and this trend is going to increase. Niche shops are shops which are offering one sphere products or specialized products (opposite to principle everything for everybody but specifically – concrete products for precise target audience).

According to research about e-commerce (E-commerce: Trends and Opinions) and current economic situation's influence to online shopping patterns shows that attitude of Latvians towards online shopping has not changed much. There are some minor changes in online shopping due to global economic crisis; however research states that there is stable increase in interest of online shopping. Research also shows several trends, for example, that in comparison to year 2007 more respondents are indicating that they are not buying online due to financial reasons (6 % in 2007, 17 % in 2009). On the other hand, in spite of economical instability, e- commerce positions in market do not seem very unsafe. In average more that 2 out of 3 internet users are made some purchases in internet which is significant increase in comparison with previous research (52 % in 2007, 71 % in 2009). As a main advantage of

internet shops, of course, is lower price, however shops can not forget also about service and assortment.

Respondents of research mentioned that they search information about online shops mainly in internet, but as a second most popular way to search information is to use friend's opinion, and this is opportunity to use "buzz" campaigns, which is frequently very financially effective way of advertising (Kadirovs, 2010).

In most of the cases Latvian inhabitants use internet for following reasons (Grundule, L., 2009): sending e-mails; searching for information about products and services; downloading video games and reading online newspapers.

Following paragraph will show some research data about planned online shopping habits of consumers during a recession. The survey of 1,957 people was carried out by *Lightspeed Research* in 2009, UK (New Media Age, 2009). Although research data will display trends in UK, most of them can be applied to Latvia. Main research findings are described below (graphs of this research could be seen in *Appendix 7* :

- While few people plan to use the internet less during the recession, less than a quarter intend to use it more. Most respondents say their internet use will be unaffected by the downturn. While 12% of people will be looking for a better deal on their internet access, 3% will choose a slower line to save money. Conversely, 5% of 18-24-year-olds will pay more for better internet access, showing the importance of online to this age group;
- Clearly in a recession - sites offering cheaper products or ways to find them will benefit, hence respondents plan to use price-comparison sites much more in 2009. Auction sites and low-cost supermarkets will also benefit. Unsurprisingly, luxury goods will see the largest falls in custom.
- The younger age groups and men are more likely to switch their shopping from the high street to online in the recession, being heavy users of the web already. The immediacy of high street shopping is clearly a huge benefit, but it's also seen as having far better customer service, something retailers must work hard to combat.
- While shopping online generally comes with a delivery charge, using the high street had similar costs of transport and parking. On balance, online is still seen as cheaper by two-thirds of consumers. Notably more men than women see online as cheaper than the high street. Delivery costs are seen as an important aspect when choosing where to shop online, with more than two-thirds of consumers looking around for the lowest cost. A third will spend

more in order to qualify for free delivery, while a quarter only use sites that offer free delivery. Significantly, twice as many men as women disregard delivery costs altogether.

While the number of respondents to the survey who never shop online was statistically too low to draw accurate conclusions, fear of fraud was the biggest deterrent. Other popular reasons related to the personal aspects of high street shopping.

Another interesting research shows data about purposes people are using internet in America (Pew Internet, 2009). Some data are related to *Green Bean's* online shop idea:

- 88 % use internet as search engine to search information;
- 83% look for info about hobby or lifestyle;
- 81% research a product before buying it;
- 75 % uses internet to buy a product;
- 59 % look for “how- to”, “do- it –yourself” information;
- 47% use online social networking sites like *MySpace*, *Facebook*;
- 19% use *Twitter* or other status-update service.

The cheering news is about do- it yourself % which has increased during recent years, showing trend of people willing to learn from internet. As well as social media seems to be good location for marketing activities of online shop. Also internet is the place to search information concerning your lifestyle.

If looking at internet as media, then advertisement market share in internet has significantly increased (18%) in year 2009 if compared to year 2008, despite the fact that all other media has faced decrease due to tough crisis situation in advertisement market of Latvia (Kulinskis, 2010). These data shows growing potential of internet as media in the future.

4.2.5. Other Recent Trends in Latvia

This is old news already that society is becoming more caring and paying more attention to social responsibility issues. Companies are catching up these trends and trying to please customers with working hard on image of social responsible company. This is also happening in Latvia. It is becoming trendy to be a sponsor of “green” lifestyle, animal protection or charity projects. And that in most of the cases works..

Also “healthy” is one more key word and catchy slogan. Society is concerned about health, and companies know that, are helping or are pretending to help customers to improve their health condition. Healthy lifestyle – aim of almost every person in this polluted world. Health

goes together also with biological and organic product segment. Currently in Latvia this segment is poorly developed, but trend is already visible.

One more significant trend of nowadays society is communities and social groups. More and more people are trying to fit in some kind of community, interest or social group - to be associated with some kind of lifestyle, values or convictions. Therefore, different communities (usually online, rarely offline) are created in order to help in communication process among persons with similar interests.

5. Market Research

5.1. Methodology

In order to find out more local trends, eating and shopping habits of vegetarians in Latvia online survey was performed. The online questionnaire could be seen in *Appendix 2*. In total 353 respondents participated in this online survey. Survey was performed from February 10 till February 20, 2010. Respondents were vegetarians living in Latvia. Survey was distributed through internet in lifestyle forums and communities (vegetarianism, yoga, ayurveda, healthy food, raw food, animal protection) as well as to well known vegetarians in Latvia, acquaintances and other vegetarians who were found by other means of internet.

The main purpose of this online survey was:

- to find out general Latvian vegetarian profile (main characteristics);
- to find out main concerns and needs of vegetarians in Latvia;
- to find out about their shopping and eating habits.

The choice of online survey was made on purpose as business will operate in online environment, main customers will be internet users. Also link of survey was distributed through different forums and interest groups as *Green Bean* is interested to attract socially active vegetarians.

5.2. Conclusions

The main conclusions from online survey which were helping to develop *Green Bean's* business concept are listed below:

- Mai characteristics of average vegetarian in Latvia: women, ovo-lakto-vegetarian or lakto-vegetarian, 20- 35 years old, become vegetarian more than 4 years ago, medium high income level, higher education, working in creative or social industry;

- Main reasons to become vegetarian: the most common reason is ethical issues followed by spiritual practice, and then comes health benefits and environmental protection;
- Products consumed the most: the leaders are vegetables, then – different groats, followed by rice and pulses;
- Eating and cooking habits: more than half of vegetarians almost every day eat at home;
- Vegetarian catering in Latvia are considered as rather bad by majority of vegetarians, that is the main reason why more than 90% are cooking their meals at home (70 % of them are cooking every day);
- Cooking at home: cooking skills are usually gained by themselves while improvising or with a help of internet recipes or cooking books. Majority of home cooks would like to improve their cooking skills. Most of them are interested in cooking courses but not everybody is ready to pay much money for such courses. While cooking vegetarians like to use different spices;
- Majority of vegetarians are used to online shopping. Main reason for choosing online shopping is wider assortment, cheaper price and comfort. Vegetarians would be glad to buy in internet mostly spices, teas, pulses, cereals and also other products. Still quite a big proportion of vegetarians consider internet as not appropriate place to buy foodstuff;
- Ayurveda: significant part of vegetarians (60%) is interested in ayurveda. Ayurveda is becoming popular in Latvia;
- Biologically grown products: people are interested in biological products but currently are not willing to pay much more for these products. Some of them are complaining of weak supply of ecological products;
- Supply of vegetarian products in shops: there is lack of different soy products (demand exceeds supply), also could be more pulses, qualitative vegetables, cereals and different flours and many other products. In general - supply of vegetarian products are considered as quite poor and insufficient;
- Problems for vegetarians: attitude and lack of understanding from society, difficulties to eat in public catering places, lack of supply of vegetarian products in shops.
- Vegetarianism is considered as lifestyle, not just diet - what includes also other actions not just eating habits.

More detailed research data and graphs of analysis of respondents' answers could be seen in *Appendix 3*. Besides data analysis, data and comparison of similar researches done in Latvia and other countries will be provided in *Appendix 3*.

6. External Analysis

6.1. Competition

Vegetarian shops or catering places still are not very common in Latvia; therefore many times vegetarians face inefficient supply of vegetarian goods and services. As a result, currently in Latvia there is no fierce competition among vegetarian services oriented market players. However, the fact should be taken into account that demand is also not extremely big, so there is no big room for many competitors.

Main competitors of *Green Bean* are considered companies who sell oriental spices and pulses (lentils, beans) and the institutions who offer vegetarian cooking courses in Latvia. Mainly competitors of Riga will be discussed, as outside Riga there is almost no supply of specialized vegetarian products.

As currently there are no other vegetarian online shops, thus our business idea do not have direct competitors. However, there are several indirect competitors which will be analyzed and described below.

6.1.1. Yoga Centers and Spiritual Shops

There are 3 main quite strong market players who are offering yoga and spiritual practice services as well as ayurvedic and vegetarian products. More detailed descriptions of these competitors are described below.

Shiva's Centre

Shiva's Centre is yoga's centre offering different lessons of yoga, consultation, ayurvedic cooking and many other services connected with Vedic science. In centre there is also small shop selling ayurvedic medicines, Indian spices, some food ingredients and yoga accessories. The centre is lead by popular person called Shiva, which is very influential and respected authority in yoga community. The shop is usually attended by people who practice yoga in Shiva's Centre. However, many people are quite negatively minded about this centre due to point of view of over commerciality and high prices of this place. Also it is considered as place for spiritual people, and the ones not attracted to spirituality usually do not attend this place.

Hare Krishna Centre

Hare Krishna Centre in Riga owned by ISKCON «The International Society for Krishna Consciousness» have several divisions - vegetarian restaurant „Rāma”, charity program

providing free vegetarian food for homeless people „Food for Life”, school of ayurveda „Live Veda”, vegetarian cooking courses and vegetarian store „Hanumam”. In „Hanuman” they basically offer goods from India –spices, teas, food ingredients, cosmetics, books, jewelry, clothes etc.

Hare Krishna Centre is popular in Riga among vegetarians due to restaurant - almost the only one in the city offering wide range of vegetarian meals. Also vegetarian store “Hanuman” has quite wide assortment of products, however prices are very high, even higher than in previously mentioned Shiva’s Centre shop.

Shop “Ekoproducti”

This shop offers goods from India such as spices, pulses, rice, also some ecological products from Latvian producers, and some goods for yoga practices. Shop is quite small and assortment is not very wide, though they have a restaurant next door which offers vegetarian ayurvedic cuisine.

6.1.2. Ayurveda Online Shops

Currently there are no online shops which are oriented to vegetarians; still some of online shops offer several goods similar to *Green Bean*’s planned shop.

Ajurveda-shop.lv assortment includes products - such as ayurvedic medicine, cosmetics, body oils, some spices. But this is very small shop, not known, and assortment is very weak, even it is not known if it still operating, therefore it is not considered as a strong competitor.

One more very small and unpopular online shop is *Herbals.lv* offering some ayurvedic medicine, cosmetics and few spices. Also this shop is not big threat for entering market

Rudra.lv yoga store is better performer. This shop is highly specialized in selling accessories for yoga. The only one product they have, what could compete with *Green Bean*’s production are yoga teas. They have reasonable priced quite wide range of yoga and herbal teas. *Rudra* has recently opened also offline shop.

6.1.3. Specialized Spices’ Shops

There are few specialized spice shops in Riga. The two more known will be described further. *Gourmet Studio* has very wide range of spices (except ayurvedic spice masalas/spice mixtures are not widely offered). This shop also sells oriental ingredients such as all needed things for preparation of sushi, Chinese pastas etc. The assortment is quite wide, however big disadvantage is shop’s location which is outside centre of the city Riga and in very uncomfortable location.

The other spice shop is called *Avocado* which is also popular shop for oriental ingredients and spices. They are offering also consultations and seminars. Also this shop has very inconvenient location.

6.1.4. Ecological Product Shops

There are several shops specialized in biological/ organic (ecologically grown) product supply. They also offer ecologically clean cosmetics. They are located in shopping malls, in the city centre of Riga, also in chemist's shops. The assortment in these shops is quite limited and prices of ecological products are high, targeted as premium products. The largest shop chain of ecological products are managed by company "Ekopreces" Ltd. – they owe approximately 20 points of sale in Riga and several in largest cities of Latvia.

6.1.5. Cooking Recipes' Web Portals

In Latvia there are some web portals providing cooking recipes. The largest and most popular in this segment is portal *Receptes.lv* positioning themselves as the biggest online cooking book in Latvia. They are providing all kinds of cooking recipes; also internet users can add their own recipes and comment existing ones. This portal provides just written recipes, no video or other interaction is offered.

There are available some other smaller internet web pages with cooking recipes, but they have quite small base of recipes as well as is not very attended by internet users.

Moreover, indirect competitors are also international cooking websites as well as *Youtube* video portal - offering all kinds of video recipes. Some of international cooking web-sites have also specialized in offering information for vegetarians, some of them also providing products to buy. The biggest disadvantages of these international web pages are language barriers as well as high costs of delivery or even refused option to deliver goods to Latvia.

6.1.6. Supermarkets

Of course, vegetarians can find food also in ordinary supermarkets. However, supply of specialized vegetarian goods is limited. There are many ordinary products without animal ingredients what could be consumed by vegetarians. Recently in some supermarkets like RIMI - assortment of pulses was improved what just shows the increasing trend and demand of such products. One of the inconveniences to buy vegetarian products in supermarkets is that these products are straggled around all shelves in supermarkets, also no labels are put identifying that specific products are vegetarian or vegan, therefore it is quite time consuming to search for appropriate products. However, the best advantage of supermarkets is lower

costs due to big amounts sold and economies of scale. Nevertheless, some specialized goods are also quite expensive in supermarkets, so it is hard to unequivocal say that in supermarkets it is always cheaper. Also supermarket chain SKY offers some specialized products, but there these products are very expensive and more targeted as premium segment products.

6.1.7. Analysis of Competitors

In order to better illustrate the supply of vegetarian products in Latvia, all main suppliers are shown in *Figure 1* with two dimensions – type of products supplied and price level. In one side suppliers are specializing in selling ecological products. In the middle there are suppliers with no specific specialization - offering different kinds of vegetarian products. On the other side there are shops offering ayurvedic products for very specific target audience (much smaller than vegetarians). The size of the circles is pointing out market players and showing how wide is an assortment of vegetarian products. Bigger the circle – wider the assortment of vegetarian products in particular shop.

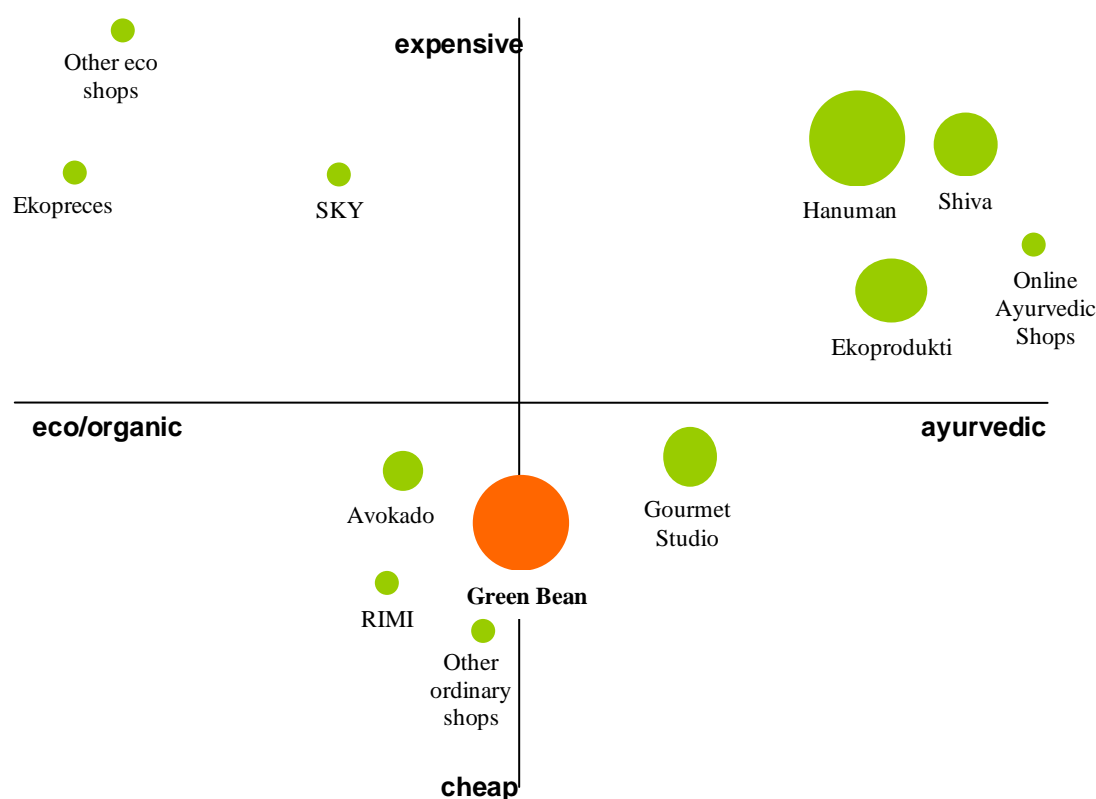


Figure 1: Map of Competitors of *Green Bean* According Price and Type of Product Dimensions.

In map it could be seen that the widest assortment (largest circles) is in the segment of ayurvedic products and high prices. The segment of ecological products and high prices also has some market players; however the assortment there is quite poor. Currently there is lack of vegetarian food providers that offer different kind of products appropriate for vegetarians

(specializing on vegetarian food, not specifically just ayurvedic or just ecological products). As ayurvedic and ecological products are highly niche products in price terms they are in premium segment. During the hard economic situation, more people tend to slide down from premium product segment to more modest level. Therefore, *Green Bean* sees opportunity to enter market in medium price segment offering different kinds of vegetarian products, which also would serve wider range of market in comparison to ayurvedic product segment. The closest competitors to *Green Bean* are *Gourmet Studio* and *Avocado* shop with specialization in different spices; however their big disadvantage is very bad location of the shop as well as no emphasis on vegetarian segment.

6.2. Suppliers

As the main business of vegetarian online lifestyle shop will be sales of vegetarian products, suppliers of those products are very crucial component of the business. The company's strategy of choosing suppliers is as follows:

- quality requirements, careful testing of products before ordering;
- price requirements - will not choose brands and suppliers of premium segment, however also low-cost suppliers with questionable quality and service is not priority;
- quantity requirements – will not choose suppliers which require large quantities of order;
- do not choose too many suppliers, so that quantities offered are not too small, and better will develop stronger relationship with few suppliers who can offer wider variety of goods.

On the other hand, also too small amount of suppliers are not preferable due to high dependency, therefore *Green Bean* will develop co-operation with 6- 12 suppliers.

Suppliers of *Green Bean* could be divided in several groups according to type of products and significance in *Green Bean's* product portfolio. In the beginning period of business operations suppliers will be mainly chosen from Europe (EU countries) and Latvia due to custom regulations as well as smaller amounts in orders. In terms of expenses it is more profitable to import spices and pulses from India, if ordered big quantities, but in *Green Bean's* case it is better to import from closer distance countries, such as UK, Germany, Netherlands and other EU countries.

The most significant suppliers with the largest amounts to be ordered are providers of spices, pulses, groats, oils, ghee, noodles and other foodstuff. 3-4 suppliers will be chosen from recognized medium priced brands such as *NRG*, *MDH*, *Mangal*, *Natcho* or *Shan*. These suppliers have distribution chains in Europe, mainly in UK, Netherlands and Germany.

Other smaller suppliers will be chosen for more specific products such as cosmetics, ayurvedic products, yoga teas, eco and soy products and others.

Green Bean will also co-operate with local suppliers as inhabitants of Latvia are quite patriotic about their own production. Latvian suppliers will supply goods such as local herbal teas, eco cosmetic, wine produced in Latvia, local grains and other locally produced products.

6.3. PESTS Analysis

It is very important that a company considers very carefully its environment (market) before starting business and marketing process. A PESTS analysis is useful tool with the purpose of study of the external macro - environment that includes political, economical, social, technological factors as well as sector (industry) analysis. Sector analysis uses Porter's five forces that determine the competitive intensity and accordingly attractiveness of the market. These external factors are usually beyond the company's control and often present themselves as threats. However, changes in external environment also can create new opportunities.

6.3.1. Political Factors

First of all, in PESTS analysis political, governmental and legal factors will be described:

- unfriendly transportation requirements of import from India to Europe for small amounts (high costs, profitable only if large containers imported);
- government grants and support for new entrepreneurs and businesses;
- funding from banks, venture capital companies available to new IT businesses;
- changes in legislation is considered soon in the future in order to lighten entry barriers for new businesses (decrease in required starting equity capital - from 2000 LVL (2846 EUR) till 100 LVL (142 EUR)).

Political factors show that currently in the beginning phase of business (when amounts of sales will not be very high) it is not profitable to import goods from Asia (India) due to high transportation costs. Political environment also shows that currently under economic crisis circumstances government and other institutions provides support for new entrepreneurs in order to improve economic situation in the country.

6.3.2. Economic Factors

The next step is to look at current and future forecasts of economic situation, which is described below:

- slowdown in economy, less disposable income, decrease in GDP growth, high unemployment;
- possible currency fluctuations;
- more difficulties to access credits, banks are more demanding;
- decrease in prices of goods of prime necessity;
- future forecasts of slow economy recovery.

The current economic environment is not very favorable for business due to high unemployment and rapid decrease in disposable income of majority of Latvian inhabitants. Also due to unstable economic situation there is possible danger of currency devaluation, which is not favorable for imports. Also to get financial support from banks is not as easy as before. However, forecasts states that Latvia are now slowly entering recovery phase and this can be good time for new business to prepare and to develop for period when economy will start to go again upwards.

6.3.3. Social Factors

Social factors also include cultural, demographic and environmental influences to the market:

- high emigration from Latvia;
- climate and geographical location is considered as not appropriate to vegetarians due to lack of greens during winter period,
- many people are not informed about vegetarianisms;
- increasing trend of social responsibility and “green” issues - including animal rights protection that favor to vegetarianism;
- increasing trend of healthy eating habits (more vegetables and greens, less fats);
- changing eating habits due to crisis - more people cooking at home and saving money for eating out;
- globalization – more religious opinions are accepted and becoming popular int. al. Hinduism and Buddhism, which supports vegetarianism; also increasing popularity of yoga and other spiritual path that promotes changes in eating habits;
- increase in demand for cheaper goods and services.

If looking at social factors connected to vegetarianism then there is mainly positive trend in behalf of this lifestyle due to more open minded people since globalization and easily accessible media and information channels, as well there is strong trend of popularity of social responsibility issues and more and more people are starting to think, how they can benefit to

society and world in general. Besides that, crisis has forced people to search for ways to save money, therefore they are keen on goods and services which costs less. As negative social factor is fact that in Latvia there are still many people uninformed about vegetarianism who have many clichés from soviet times that meat must be inalienable part of humans diet.

6.3.4. Technological Factors

Technological factors are described below:

- internet as a source of product information and buying mechanism becomes used more often;
- increase in availability and decrease in prices of IT and internet services.

During recent years due to increase in quality, availability, and consumer friendly prices – internet has become integral part of our day- to- day activities. There is also tendency of increasing number of people every year who are using internet and different services offered by internet.

6.3.5. Sector Factors

Sector description will cover Porter's 5 forces influencing industry of vegetarian products: supplier power, barriers to enter, threat of substitutes, buyer power and degree of rivalry.

Intensity of Rivalry

This force describes the intensity of competition between existing players (companies) in an industry. "High competitive pressure results in pressure on prices, margins, and hence, on profitability for every single company in the industry (Recklies, 2001)."

The main indicators of level of rivalry in the industry are as follows:

- just few players in the market (quite weak and insufficient supply);
- differentiation between players are not very explicit, however strategies differ;
- moderate market growth – there is trend of increasing demand;
- quite low switching cost for customer, however customer requires quality and reliability;
- no explicit leaders in the market.

According to mentioned indicators, rivalry in vegetarian product market could be described as low or moderate.

Buyer's Power

The power of buyers is an impact that customers have on a company – how much customers can impose pressure on margins and volumes. The main determinants of bargaining power of customers are as follows:

- brand identity plays moderate role in the buying behavior;
- part of buyers are price sensitive, and switching cost is low for the buyer;
- buyers are fragmented (many, different) – no buyer has particular influence on product or price.

To summarize, buyer bargaining power could be described as quite low or moderate.

Supplier's Power

The term 'suppliers' comprises all sources for inputs that are needed in order to provide goods or services. Supplier bargaining power is described below:

- there is quite fragmented source of supply, however some of suppliers has stronger brand name and higher reputation;
- the switching costs from one supplier to other is not very high, but uncomfortable and may take time;
- there are quite many substitutes for every product, many potential suppliers available in the market.

Bargaining power of suppliers is quite low; however market leaders with strong brand name could have moderate influence.

Threat of Substitutes

A threat from substitutes exists if there are alternative products with lower prices or better performance parameters for the same purpose. The threat of substitutes in this case is determined by following factors:

- substitute services for vegetarian online lifestyle shop are: specialized shops with physical location; other web pages where information is available about vegetarianism and cooking; other online shops where is possible to buy food products and also some other possibilities to acquire information about vegetarian food. Substitution of buying vegetarian food is also growing your own vegetables in garden. Although there are many substitution options - the most common one is to buy products in ordinary shop and this option involves low switching costs;
- low brand loyalty as company will be new in the market;
- relative price for substitutes (vegetarian products in shops) is higher.

According to all mentioned above, conclusion could be made that buyers' propensity to substitute is moderate or high.

Threat of New Entrants

The threat of new entries will depend on the extent to which there are barriers to entry. The indicators of barriers of entry in this case could be described as follows:

- common technology, not patented know-how;
- easy access to distribution channels;
- not high initial investments, low fixed costs;
- low switching costs for customers.

The mentioned indicators shows that barriers of entry for new market players are quite low, therefore there is low threat of new entrants.

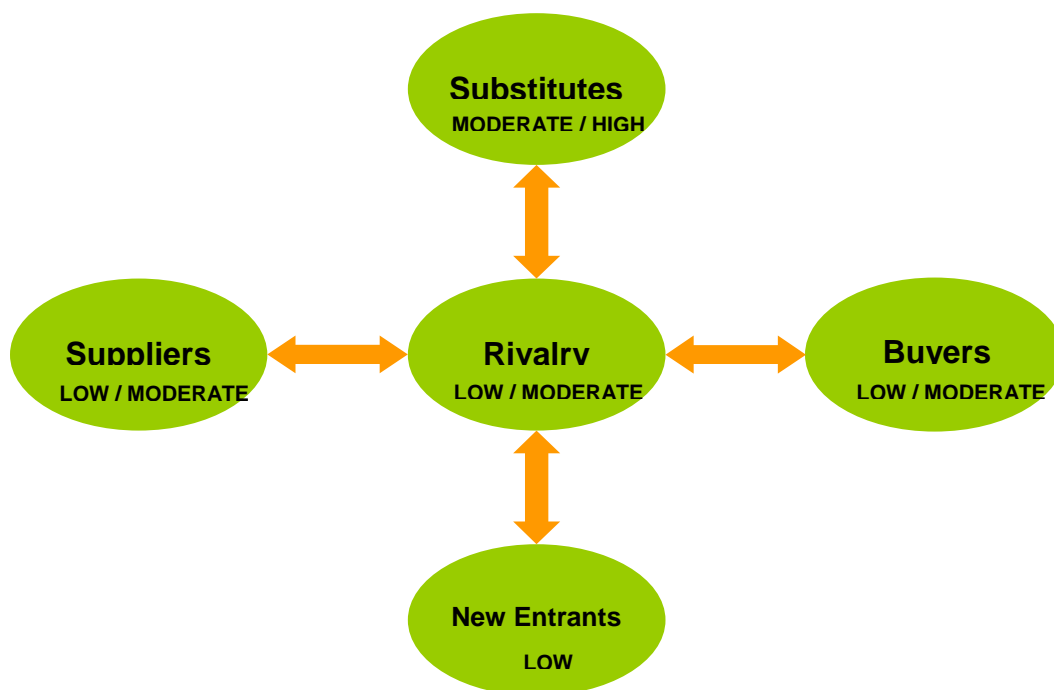


Figure 2: PESTS: Sector Analysis.

Summary of sector analysis could be seen in *Figure 2*.

6.4. Threats and Opportunities

Successful businesses should be protected against external threats. The eye should be kept on the overall business environment and new opportunities should be spotted and exploited faster than competitors.

According to external environment main **threats** are spotted below:

- **Challenges in import procedures and duties.** As most of the goods sold in internet shop will be imported, company will need to deal with import procedures and duties and that might involve some delays in delivery as well as extra costs and problems.
- **Potentially unreliable suppliers.** As the company will be newly established all future contracts with suppliers will be new without any previous records and experience. In spite of the detailed examination and reputation checking before cooperation, still suppliers can cause problems due to their bad performance and quality of products.
- **Threats of foreign currency fluctuations.** Due to global crisis and quite unstable economic situation in many countries there is threat of currency fluctuations as Latvia still has its own currency – lats (LVL). As potential cooperation will be with EU countries, where currency is euro (EUR), and Great Britain with pounds (£), currency fluctuations could cause some unexpected financial losses.
- **New competitors entering market.** Currently vegetarian product market is growing and therefore more companies will realize that. Although currently competition is not very strong, in the nearest future it can change and more new market players can enter marked due to quite low entering barriers. Also customers nowadays are shopping around for a better deal - the notion of consumer loyalty is slowly fading away, therefore more competitors can gain over customers quite easy.
- **Overall adverse affects of global economical crisis.** Crisis has affected Latvia very sharply, which has effect on purchasing power of inhabitants. Crisis has created also instability feeling about financial situation in the future; therefore people are now becoming very cautious in spending their money. This could lead to unexpectedly low demand.
- **Consumer's negative attitude towards food shopping in internet.** Significant portion of internet shoppers has preconception about buying food in internet, the most common goods and services for internet shopping are flight and concert tickets, as well as electric appliances.

When analyzing external environment besides threats there are also space for new business opportunities. The possible future **opportunities** are listed below:

- **Vegetarian restaurant and shop with physical location as supplementary business.** As research shows that the main obstacle concerning vegetarianism is fact that in Latvia there is very weak supply of public vegetarian restaurants and cafes. Spices and other vegetarian products could be used in restaurant, as well as cooking techniques from cooking courses. Restaurant and shop would be very good connected business – supplementing and advertising each other.

- **Growth of low-cost sector.** Due to economic crisis, there is increase in demand for low-cost goods and services due to decrease in disposable income of inhabitants.
- **Development of international trade.** In the future there is possibility to expand among other two Baltic States – Estonia and Lithuania. The markets of mentioned states are quite similar to the local market and their geographical location is very close, therefore it would be strategically easy to expand business in these countries.
- **Vegetarian families – offer of goods and services to vegetarian kids.** Often kids whose parents are vegetarian become vegetarians as well. That is why there is opportunity to offer special goods and services considering needs of kids and youth. For example: special goods for school lunch, events for parents and kids, cooking recipes for small kids etc.
- **Increasing demand for organic products.** Online shop could offer wide range of organic goods and make cooperation with local suppliers of organic products.
- **Society is becoming more socially responsible.** Society is starting to pay more attention to social issues; therefore they also favor companies which are not indifferent to social problems. Company should emphasize that they are socially caring company and to acknowledge that with its philosophy and activities. For instance: using recycling materials, participating in social events etc.
- **Need for interaction and entertainment.** Traditional media does not work so efficiently as before. People need more interaction that is why communities, interest groups are becoming very popular. Creation of special internet community would entertain, inform clients and increase their loyalty.

6.5. EFE Matrix

The External Factor Evaluation (EFE) matrix is a good tool to visualize and prioritize the opportunities and threats that a business is facing. This method is a strategic-management tool often used for assessment of current business conditions.

In EFE matrix weights should be assigned to both threats and opportunities. The value of each weight should be between 0 and 1. Zero means the factor is not important. One means that the factor is the most influential and critical one. The total value of all weights together should be equal 1. After that rating to each factor should be assigned. Rating should be between 1 and 4. Rating indicates how effective the firm's current strategies respond to the factor. 1 = the response is poor. 2 = the response is below average. 3 = above average. 4 = superior. Weights are industry-specific. Ratings are company-specific.

Key External Factors	Weight	Rating (1-4)	Weighted Rating
Opportunities			
1. Expand business with vegetarian restaurant and shop with physical location	0.09	2	0.18
2. Growth of low-cost sector	0.10	3	0.31
3. Development of international trade	0.06	1	0.06
4. Goods and services for vegetarian kids	0.05	2	0.10
5. Increase in demand for organic products	0.09	3	0.27
6. Corporate social responsibility	0.08	4	0.31
7. Customers are searching for interaction and social communities	0.10	4	0.41
Threats			
1. Challenges in import procedures and duties	0.04	3	0.12
2. Unreliable suppliers	0.10	3	0.31
3. Foreign currency fluctuations	0.03	3	0.08
4. Growing competition	0.10	3	0.31
5. Overall adverse affects of global economical crisis	0.06	2	0.13
6. Consumer's negative attitude towards food shopping in internet	0.09	3	0.27
	1.00		2.85

Table 4: EFE Matrix.

The total EFE score 2.85 is above average allowing to leverage sector's opportunities and to avoid threats in a medium-high mode.

7. Internal Analysis

7.1. Strengths and Weaknesses

To be sure that business idea is headed in the right direction; analysis of company's strengths and weaknesses is a fundamental element of good strategic planning.

Generally two main factors contribute to strengths: competences and resources available.

Main **strengths** of company are:

- **Competence in PR, marketing and vegetarianism.** Owners of the company have high competences in PR, marketing and advertising what will help in marketing process of this

new business. Besides that, owners are dedicated and experienced vegetarians with knowledge in this field.

- **The owners have wide range of acquaintances among vegetarians in Latvia.** As owners are dedicated and passionate vegetarians for quite long time, they have already developed quite wide net of friends and acquaintances among vegetarians. This is an advantage in the beginning process of the business in order to build customer base and it allows using advertising channel – word of mouth;
- **Wide vegetarian product portfolio in one shop.** One of the weaknesses of current competitors is that each of them have limited or weak product assortment therefore customers need to shop in several shops in order to get all necessary products. However, the shop offers wide range of products they are specifically targeted to vegetarians, therefore not gaining image that this shop offers everything for everybody.
- **Delivery service in all territory of Latvia.** Delivery not only in capital city but also in all territory of Latvia, where in supply of vegetarian products in shops is very poor.
- **Interaction with customers.** One of the main marketing techniques will involve creation of social community (interest group), which will receive entertaining, educational information, participants will have possibility to interact as well as to use services such as cooking classes and others.
- **Innovative online shop in Latvia.** Company will have the first mover advantage as the first vegetarian online lifestyle shop in Latvia.

Equally important as to determine strengths is also to realize **weaknesses** of the business. The weaknesses are described below:

- **Lack of experience in internet business delivery logistics.** The owners are not practically familiar with online business and delivery services, this may create some unexpected problems and mistakes in business operations, as well as cause unexpected expenses;
- **Lack of financial resources for backup or unexpected expenses.** New business can create some unexpected expenses or open opportunities may require extra financial resources. In the beginning phase of business the company will be short in money for additional investments what will be possible just in long run.

- **Quite low profit margins.** As the business is targeted in low and medium high price segment, profit margins are not high, which means that the break even point will be reached on larger amount of sales if compared to high price product segment.
- **Newcomer in market.** Company will be new in the market and will need to struggle for competitors and recognition, as well as to gain loyalty of product and service quality.
- **Web additional services – time and money consuming.** Making of cooking videos, photos, gathering of information and other activities in the web page will take resources and cost money, however direct profit it will not bring.
- **No physical location.** Online shop in the beginning phase of its business will not have physical location available for customers. This is disadvantage for those customers who are used to check quality of products at presence before ordering afterwards in the internet. As well as the physical location helps in brand recognition.

7.2. IFE Matrix

Key Internal Factors	Weight	Rating (1-4)	Weighted Rating
Strengths			
1. Competence in PR , marketing and vegetarianism	0.11	4	0.42
2. Acquaintances among target group	0.05	3	0.14
3. Wide product portfolio	0.11	4	0.42
4. Delivery service in all territory of Latvia	0.08	3	0.25
5. Interaction with customers	0.09	4	0.38
6. Innovative online shop in Latvia	0.11	3	0.32
Weaknesses			
1. Lack of expertise in online business and delivery service	0.11	1	0.11
2. Lack of extra financial resources	0.09	1	0.09
3. Low profit margins	0.08	2	0.16
4. Newcomer in the market	0.08	2	0.16
5. Web additional services – time and money consuming;	0.02	2	0.05
6. No physical location	0.07	2	0.14
	1.00		2.65

Table 5: IFE Matrix.

Similarly like EFE matrix described above, Internal Factor Evaluation (IFE) matrix is a strategic management tool for auditing or evaluating major strengths and weaknesses in functional areas of a business.

Equally like in EFE matrix weight (on the scale from 0 to 1) and rating (on the scale from 1 to 4) to each factor is assigned. Rating captures whether the factor represents a major weakness (rating = 1), a minor weakness (rating = 2), a minor strength (rating = 3), or a major strength (rating = 4).

After adding up all weighted ratings, the total IFE matrix weighted score is calculated – 2.65. This score shows that it is a bit above average score what means that business is on the side of medium strong internal position.

8. Strategy

8.1. Vision

Green Bean – to be and to be perceived as the best product provider and cooking advisor of every vegetarian in Latvia.

8.2. Mission

Green Bean is a vegetarian lifestyle online shop in Latvia with expertise in vegetarian cuisine. *Green Bean*'s wide range of cooking services starts from possibility to acquire vegetarian ingredients for preparing delicious and healthy meals. By continuous advancing in knowledge about our customers, innovation, uniqueness and service we intend to ensure the profitability and growth of our company. It is very important that our employees love what they are doing, so making sure customers visit us again and again. We believe that food-stuff should be both - good for the earth and good for the table. Live and let live!

8.3. Strategic Objectives

Every company needs to align employees and processes with their strategic objectives in order to maximize performance, achieve goals, innovate and remain competitive. Strategic objectives are defined targets that a company must achieve to make its strategy succeed. In other words, strategic objectives are the main results to be achieved in the implementation of the company's mission that allows achieving its vision. *Green Bean*'s strategic objectives are:

- To become a leading vegetarian community web portal in Latvia within the next year;
- To become an online leader in providing wide range of vegetarian products in Latvia within the next 2 years;

- To grow and develop collateral businesses – vegetarian restaurant and shop with physical location during the next 3 years;
- Increase of turnover of 10 % per year in the next 5 years;
- Continuous and sustainable increase in shareholders' return;
- To perform continuous marketing activities as a social responsible company.

8.4. TOWS Matrix

After the analysis of external environment (threats and opportunities), and also the internal environment (weaknesses and strengths), these techniques can be used to create the strategy of the company. With the help of TOWS matrix it is possible to generate feasible strategic alternatives, tactics and actions.

This solution provides the one with an understanding of TOWS matrix. In particular, this solution describes the value of the TOWS Matrix in strategy formulation. Further included in this solution is a discussion on the use of TOWS matrix and the potential for generating strategic alternatives.

In order to create TOWS matrix there is need to answer to four questions:

- How can you use your strengths to take advantage of the opportunities? (strengths and opportunities –SO)
- How can you take advantage of your strengths to avoid real and potential threats? (strengths and threats - ST)
- How can you use your opportunities to overcome the weaknesses you are experiencing? (weaknesses and opportunities - WO)
- How can you minimize your weaknesses and avoid threats? (weaknesses and threats - WT)

SO Strategies	WO Strategies
Use innovative and powerful marketing tools in order to develop loyal interactive community of customers (S1, S5, O7)	Involve customers in creating content of web page (use customer created content) (W5, O7)
Participate in social events and use PR techniques to create image of social responsible company (S1, O6)	Transform business in shop and restaurant with physical location with employing professionals in catering service (W1, W6, O1)
Find new suppliers and supplement product portfolio with products for vegetarian kids (S3, S6, O4)	Market business as the first low-cost vegetarian product provider in the market (W4, O2)
Supplement product portfolio with organic products (S3, O5)	Create online interactions for kids allowing them also participate in creating content (sending drawings, writing stories etc.) (W5, O7, O4)
Use marketing techniques in order to market company as price friendly (S1, O2)	
ST Strategies	WT Strategies
Educate potential customers (with help of PR) about advantages and possibility to buy eatable products in internet (especially in regions away from Riga) (S1, S4, T6)	Participate in different events, exhibitions (related to food and cooking) - thus creating brand's physical presence with possibility for customers to see products in presence (W6, T4, T6)
Create strong brand image in order to compete with growing competition (S1, T4)	Make careful supplier selection according to their reliability and offered wholesale price level (W3, T2)
Use more local suppliers avoiding problems with import and foreign currencies (S3, T1, T2, T3)	Break the stereotypes that online shopping is not for food - be the first reliable food shop online (W4, T6)
Develop innovative solutions to reduce costs and adapt to crisis (S6, T5)	Stress your entering in the market as an advantage because of new perspective, new ideas and innovation (differentiate from competitors) (W4, T4)
From wide range of suppliers continue cooperation only with reliable suppliers with excellent previous experience records (S3, T2)	Create image as first reliable food online shop - breaking the stereotype that online shopping is not appropriate for edible products
Use innovation to overcome competitors (S6, T4)	Make cooperation with other shops in order to distribute your vegetarian products (W1, W6, T6)

Table 6: TOWS Matrix.

8.5. Strategy Formulation

Johnson and Scholes' (1993) definition of strategy is that "strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through

its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations".

Strategies exist at several levels in any company. Usually companies develop corporate and business strategies.

8.5.1. Corporate Strategy

The corporate strategy of the company comprises a directional strategy through a vision and a mission statement. It is concerned with the overall purpose and scope of the business. „The corporate strategy is an important strategy to observe to depict the best image of the company toward its clientele (Zain, 2008).”

At the entering phase the company's corporate directional strategy will be intense growth strategy in order to penetrate in the market. In market penetration stage the company will enter the market with current products and the growth will be achieved with a help of marketing efforts.

After intense growth phase, company will start a diversification growth strategy with concentric diversification – growth into related industries such as catering business.

8.5.2. Business Strategy

As it was mentioned above the corporate strategy takes an overview picture of a company's strategy to ensure that a company is on the right track, however business strategy is more based on the micro interests of the company. Business strategy is concerned more with how a business competes successfully in a particular market - about strategic decisions, choice of products, meeting needs of customers, gaining advantage over competitors, exploiting or creating new opportunities etc.

Model of Porter's Generic Strategies classifies types of business strategies companies can perform. Porter has described a category scheme consisting of three general types of strategies that are commonly used by businesses to achieve and maintain competitive advantage. These three generic strategies are defined along two dimensions: competitive scope and competitive advantage. Competitive scope is a demand-side dimension and looks at the size and composition of the market intended to target - does the company target a wide market, or does it focus on a very narrow, niche market?

Competitive advantage is a supply-side dimension and looks at the strength or core

Competitive Scope	Competitive Advantage	
	Low Cost	Differentiation
Broad	Cost Leadership Strategy	Differentiation Strategy
Narrow	Focus Strategy (low cost)	Focus Strategy (differentiation)

competency (competitive advantage) of the company - are the products differentiated in any way, or are they the lowest cost producer in an industry? These two basic types of competitive advantage combined with the scope of activities for which a firm

Table 7: Business Strategy of *Green Bean*.

seeks to achieve them, lead to three generic strategies: cost leadership, differentiation, and focus. The focus strategy has two variants; cost focus and differentiation focus (see Table 7).

The *Green Bean* has chosen narrow competitive scope and competitive advantage of differentiation – thus having focus business strategy. Focus strategy of the *Green Bean* concentrates on a narrow market segment – vegetarians of Latvia – and within this segment attempts to achieve differentiation by offering vegetarian lifestyle products and community interaction in the online environment. This focus (niche) strategy is chosen because in Latvia vegetarian segment s with enough size and it has high growth potential. Also vegetarians are consumers with distinctive preferences, therefore they need differentiated products. Moreover, currently competitor companies are not trying to differentiate themselves in this segment. Besides that, it is necessary to stress, that company also will try to cover a bit low cost focus strategy (online shop with low fixed cost will have advantage on prices, however that will not be the main competitive advantage).

Using TOWS model several alternative options of business strategies have been already created. Now is the time to choose which of them to realize. Therefore there is a need to evaluate them according to business opportunities and threats as well as taking into consideration strengths and weaknesses of the company. The *Quantitative Strategic Planning Matrix (QSPM)* approach attempts to objectively select the best strategy using input from TOWS and IFE, EFE matrixes and some easy computations. In QSMP key strategic factors are weighted (using key factors and weights from IFE and EFE matrixes). Also using TOWS matrix alternative strategies are identified what company should consider in implementation. In our case three strategies are chosen for evaluation considering the differentiation focus strategy described before. The three strategies chosen are as follows:

- **Strategy 1:** Use innovative and powerful marketing tools in order to develop loyal interactive community of customers;

- **Strategy 2:** Create strong brand image in order to compete with growing competition;
- **Strategy 3:** Transform business in shop and restaurant with physical location with employing professionals in catering service.

		Strategy 1		Strategy 2		Strategy 3	
Key Factors	Weight	AS	TAS	AS	TAS	AS	TAS
Opportunities							
Expand business with vegetarian restaurant and shop with physical location	0.09	2	0.18	4	0.36	4	0.36
Growth of low-cost sector	0.10	0	0	0	0	0	0
Development of international trade	0.06	2	0.13	4	0.26	2	0.13
Goods and services for vegetarian kids	0.05	0	0	2	0.1	3	0.15
Increase in demand for organic products	0.09	0	0	0	0	3	0.27
Corporate social responsibility	0.08	3	0.23	3	0.23	2	0.15
Customers are searching for interaction and social communities	0.10	4	0.41	0	0	1	0.1
Threats							
Challenges in import procedures and duties	0.04	0	0	0	0	0	0
Unreliable suppliers	0.10	0	0	2	0.21	0	0
Foreign currency fluctuations	0.03	0	0	0	0	0	0
Growing competition	0.10	4	0.41	4	0.41	2	0.21
Overall adverse affects of global economical crisis	0.06	2	0.13	3	0.19	0	0
Consumer's negative attitude towards food shopping in internet	0.09	3	0.27	3	0.27	4	0.36
1.00							
Strengths							
Competence in PR and marketing	0.11	4	0.42	4	0.42	3	0.32
Acquaintances among target group	0.05	3	0.14	0	0	1	0.05
Wide product portfolio	0.11	3	0.32	0	0	3	0.32
Delivery service in all territory of Latvia	0.08	3	0.25	0	0	0	0
Interaction with customers	0.09	4	0.38	4	0.38	3	0.28
Innovative online shop in Latvia	0.11	4	0.42	4	0.42	1	0.11
Weaknesses							
Lack of expertise in online business and delivery service	0.11	0	0	0	0	4	0.42
Lack of extra financial resources	0.09	2	0.19	0	0	0	0
Low profit margins	0.08	2	0.16	0	0	3	0.25
Newcomer in the market	0.08	4	0.33	2	0.16	1	0.08
Web additional services – time and money consuming;	0.02	0	0	0	0	0	0
No physical location	0.07	4	0.28	0	0	4	0.28
1.00 4.65 3.41 3.84							

Table 8: Evaluation of Alternative Business Strategies.

Now, the task is to compare in QSPM alternative strategies and decide which one is the most suitable for our goals. Attractiveness Scores (AS) should be determined for each strategy to indicate the relative attractiveness of each strategy in a given set of alternatives.

Attractiveness Scores are determined by asking the question, “Does factor affect the choice of strategies being made?” If the answer to this question is yes, then the strategies should be compared relative to that key factor. The range for Attractiveness Scores is 1 = not attractive, 2 = somewhat attractive, 3 = reasonably attractive, and 4 = highly attractive. If the answer to the above question is no, the score = 0. After that the total attractiveness score (TAS) is calculated by computing weight with AS. The strategy with the highest sum of all TAS is considered as the best alternative to implement. In *Green Bean*’s case the best strategy (Strategy 1) is to develop interactive community of customers (see in Table 8).

8.6. Marketing Strategy

8.6.1. Market Segment and Target Group

An increasingly competitive market has a need for differentiation and individualized marketing. In order to do that, first of all company should decide - who are their customers and which market segment they need to approach. “Market segmentation can be defined as the process of splitting customers, or potential customers, in a market into different groups or segments, within which customers share a similar level of interest in the same, or comparable, set of needs satisfied by a distinct marketing proposition (McDonald and Dunbar, 2004)”.

In order to determine segments, company should establish what the need is and who is most likely to experience that need. As *Green Bean* is willing to enter the food market, it has found out that there is the need in the food market for vegetarian food ingredients, and vegetarians are the ones facing this insufficient supply. Focusing on vegetarianism is going into niche market, therefore specializing on specific segment (not selling everything to everybody). Especially in online business it is easier to attract attention if you are focusing on a specific field and being different from others.

The most obvious type of segmentation is between customers who buy distinctly different products, in *Green Bean*’s case vegetarians are specific customers who are buying food products according to their eating habits.

However, also among vegetarians there are people with different habits and behaviors, and there is need to be more specific in describing market segment that company is willing to

target. As previous research has shown, there is large proportion of vegetarians who are cooking at home due to two main reasons – lack of vegetarian places to eat out and savings of money. As *Green Bean*'s main purpose is to offer vegetarian products for consumption at home and also to offer advices in cooking techniques - its target groups can be described as follows:

- Primary target group - vegetarians who are cooking at home or willing to learn to cook at home and are internet users.
- Secondary target group - persons who are not complete vegetarians but prefer meals without meat, or perform healthy lifestyle of eating much vegetables and willing to cook at home vegetarian dishes, uses internet.

Vegetarians who are cooking at home as a target segment is reasonable as it has sufficient potential size. This target segment also is possible to distinguish from the other segments due to specific set of requirements and specific characteristics; therefore it is possible to reach it by special distribution channels. As data shows, most of the people in Latvia uses internet, thus we can assume that also the majority of the vegetarians are using internet.

This target group can be aimed as a lifestyle group where people are grouped according to the way they are leading their lives and the attitudes and values they are sharing. Market group can be classified as psychographic, where person's lifestyle is their individual pattern of behavior, made up of their attitudes, beliefs, interests, opinions and habits. Such segmentation is generally used when purchasing behavior is correlated with the personality or lifestyle of consumer (Jobber, 1995). Vegetarianism is considered as lifestyle because in most of the cases it does not limit itself just with eating habits, but also include ethical values, environmental protection, non-violence in all spheres of life etc. Also frequent use of the internet is a characteristic of up-to date person's lifestyle.

8.6.2. Customer Profile

To be more specific in describing target group of *Green Bean*, customer profile will be created to provide more precise characteristics of target audience. Customer profile will also help to get brighter impression about persons to whom social marketing efforts will be targeted.

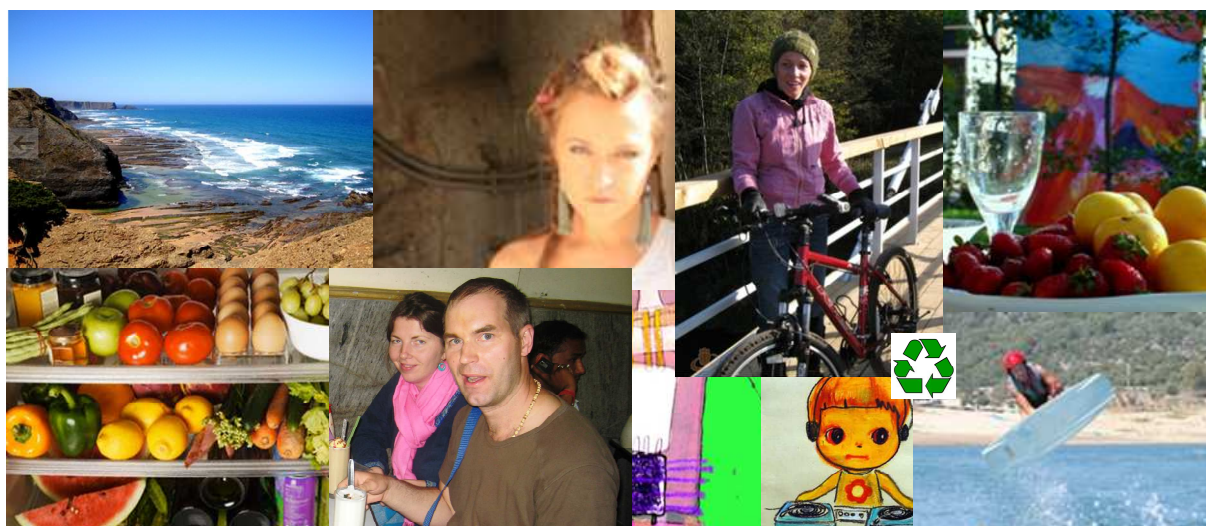
Here are the descriptions of the target customer's profiles:

- *Maija Ūdre*, woman, 32 years old, single, has bachelor's degree in law, master's degree in marketing, working in PR sphere, lives in Riga. Very social, has many friends, likes parties

and attends many cultural events. Hobbies: snowboarding, wakeboarding, yoga, riding a bicycle. Vegetarian already more than 10 years. Willing to cook at home, but do not know much about cooking. Uses internet every day in work and also at home.

- *Zane Strode*, woman, 25 years old, bachelor's degree in art, part time worker as graphic designer, likes to travel and enjoys music. Lives with boyfriend. Hobby: to play music in different social events as DJ, is learning kite boarding. Enjoys sun, ocean, wind, and adores cats. Heavy internet user. Vegetarian 3 years. Usually is cooking and eating at home.
- *Mareks Segliņš*, man, 36 years old, surgeon, works in Valmiera, lives with wife Ilona (32 years old) and 6 years old daughter Marija. Vegetarian 1.5 years. Is interested in ayurveda and astrology. Very busy in work, and spends much time with family. Likes to cook, but usually wife is cooking.

In *Picture 1* an insight of visual representation of customer profiles are presented.



Picture 1: Customer Profile's Visual Representation.

8.6.3. Value Proposition

An important thing for company to be successful and to build profitable relationship with target customer is to understand the benefit it is trying to deliver to its customers. Company should be able to communicate, who your customers are, what it provides to them, and why they should buy from this company. Answers to these questions should be provided in company's value proposition. A value proposition represents the benefits promised to be delivered to customers to meet their unsatisfied needs. In other words, value proposition is unique value a business offers to its customers – the primary benefit of a product or service. The value proposition of *Green Bean* is as follows:

- *Green Bean* is retailer of the widest range (reasonable priced) vegetarian products at your door in Latvia, not only providing ingredients for the meal but also serving do-it-yourself vegetarian cooking needs through offering learning, sharing opportunities with others who have the same passion.

8.6.4. Positioning

Basically in the marketing a brands positioning is an image or identity the company tries to create in the minds of their target market. Patti and Frazer (1988) see positioning as an attempt to build or occupy a mental niche in relation to the identified competitors. For the better reflection, positioning can be ‘mapped’ on a ‘positioning map’. This map allows to compare and contrast the company in relation to others competitors in the market. The best competitive position enables to be clearly distinguished from the competitors.

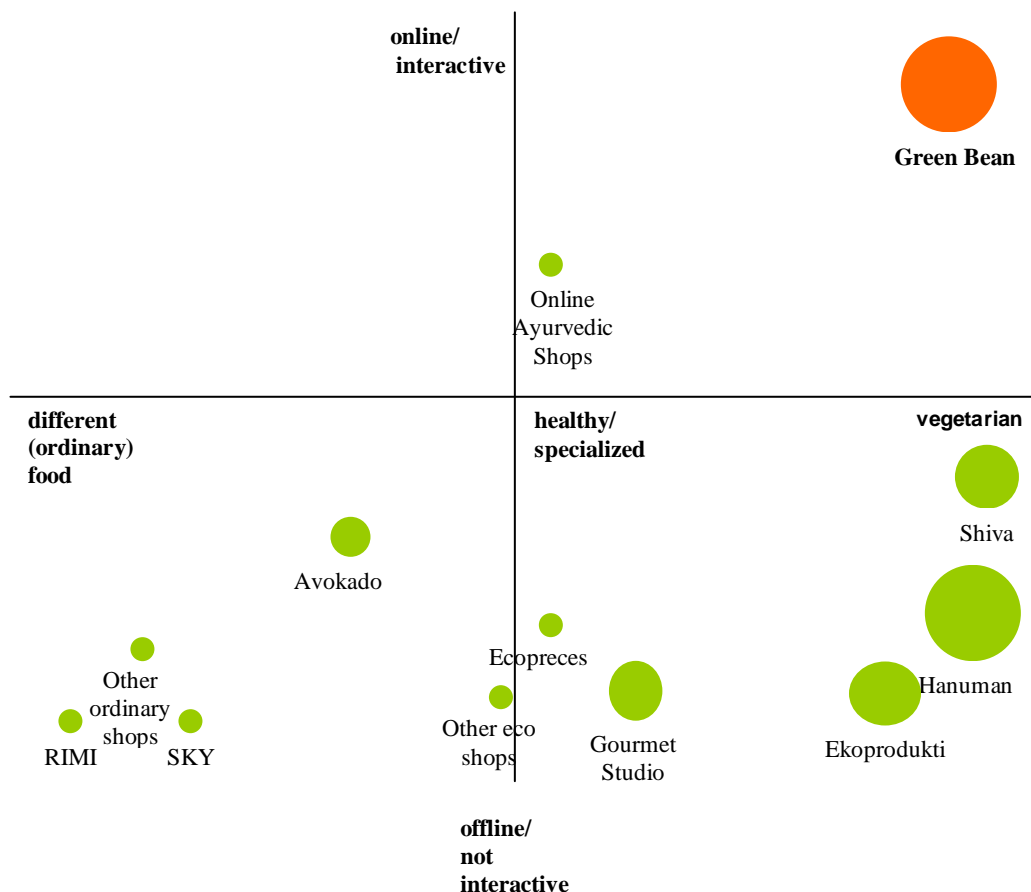


Figure 3: Positioning Map.

In the position map there are shown competitors related to the target group – vegetarians who are cooking and eating at home. In the positioning map there are 2 axes or dimensions. The horizontal axis describes a type of foodstuff a market player is offering – from an ordinary (all kind of different products) food suppliers till a specifically vegetarian food suppliers. In the

middle of this axis there are shops that are more or less specializing on a healthy product assortment like, for example, eco or low fat products. This category is put in between due to the fact that some of the products are overlapping with vegetarian products and many vegetarians are visiting different specialized food shops. The vertical axis describes profile of a shop— whether it is online or offline shop or both (in the middle). It also shows the level of an interaction with customer, however it does not mean that all online shops are having high interaction and all offline shops are not having interaction at all. This axis will show combination of these two factors.

In positioning map there will be shown mainly the same market players - those which were described in chapter about competition. As it could be seen, the most significant competitors (biggest circles) are in the corner of vegetarian and offline dimension (see Figure 3). Meaning that these shops are providing vegetarian products but with no or very small interaction with customers. Only *Shiva's Center* has a bit of interaction - web page and mailing list is used for distribution of information about its services (not related to vegetarianism) and also this enterprise is providing cooking courses. *Green Bean's* positioning is in the segment of vegetarian products and online service with highly interactive communication. The main benefits of this positioning is that *Green Bean* will offer different kind of vegetarian products (including also ayurvedic and eco products, as well as simply vegetarian product without any specialization) therefore attracting wider range of vegetarians, besides that *Green Bean* service will deliver products at home which will make shopping process more comfortable – no need to run around several specialized shops in order to get all necessary products. Of course, also added value is informative and interactive information in the web page about vegetarianism and vegetarian cooking.

It is important to understand that positioning is all about “perceptions”. These perceptions can differ from one person to another. Company should work hard on marketing techniques so that customers understand and perceive its positioning correctly. Further, the marketing mix will be analyzed in order to market the brand according to the created positioning.

8.6.5. Marketing Mix

Important task for a new company or a product entering the market is to create and develop its brand. “If you have a brand you know and trust, it helps you make choices faster, more easily (Fortune, 1996).” Brand development - it is not just logo or promotion, brand consists of many elements which people associate with particular product – tangible as well as intangible.

For example, service is the action of doing something for someone or something. It is largely intangible. A service tends to be an experience that is consumed at the point where product is purchased, and cannot be owned since it quickly perishes. In order to cover as much as possible of elements of brand creation, we will use service marketing mix. The purpose of marketing mix is to satisfy the needs and wants of a target audience in the most effective and economical manner. The service marketing mix comprises of the 7 'p's. These 7 'p's are: product, price, place, promotion, people, process and physical evidence.

Product

Green Bean's products and services could be described as specialty goods that are of interest only to a specific segment.

Products of *Green Bean* include different kind of vegetarian products, teas, cosmetics, ayurvedic products, cooking books and other accessories meant to vegetarian lifestyle. There will be also biologically grown (eco) vegetarian products as well as products to vegans – therefore attracting wide range of vegetarians. *Green Bean* will also offer services for vegetarians such as cooking courses, teaching videos, cooking recipes and advices.

Products will be selected according to following criteria: good quality and brands with good reputation. Different spices will be packaged by *Green Bean* own packaging materials and design - therefore representing *Green Bean's* brand. *Green Bean* will develop its own visual design with logo and special color palette in order to create a consequent visual identity.

There is one more nuance – products will be distributed through internet, therefore there will no immediate tangibility of the product. Despite that, products will have detailed product features and facts explained in written form in online site. The main characteristics of product will be emphasized and bolded out. The buying process will be also customized to encourage customers to return, making repeat purchases easier.

Promotion

Promotion is the business of communication with customers. It provides information that will assist them in making a decision to purchase a product or service. Nowadays creativity of promotional activities is essential to normal business operations. *Green Bean* will be entering market; therefore it will be in the introduction phase of life cycle of the brand. In this phase promotional activities should put emphasis on the following actions:

- Emphasis on PR activities and community creation in order to generate awareness and image building and assist in positive attitude formation;

- Emphasis on sale promotions to induce trial and encouragement of inclusion in customers' repertoire sets.

The main message in promotional activities will be according to value proposition of *Green Bean* – emphasizing wide range of vegetarian product offer at clients home, as well as advantages of vegetarian network community.

Awareness should be created before interest, desire and action can be initiated. The first aim of *Green Bean* is to create prompted awareness – when a brand name is suggested to a customer, the consumer recalls being aware of it already. Future aim is unprompted awareness – the brand name is “top-of the mind” when vegetarian food is suggested.

Green Bean will promote its brand without using traditional formal channels of advertising, such as TV, newspapers or radio. As it is small enterprise with limited advertising budgets it will use more direct marketing approaches, which are not so expensive and are more efficient.

WPR (Web Public Relations): In the beginning *Green Bean* will intensively work in WPR field in order to inform society about vegetarianism, about company and its services as well as to introduce with different vegetarian cooking recipes. In WPR activities the emphasis will not be put on product selling but more on a new vegetarian community creation, experience sharing and advice giving in order to create an image of the company as a caring and socially responsible promoter of vegetarianism. In PR activities socially well known persons (celebrities of Latvia) who are vegetarians will be interviewed and attended at home to find out what do they eat and think about vegetarianism. According to the theory of consumer behavior, examples of celebrities (social proof or authority) are good triggering factor for some action or decision making of others. If somebody is unsure about something he or she is looking for confirmation or example from others – in this case to celebrities. Also in PR activities *Green Bean* will include some informational and educational articles about vegetarianism which will provide reasoning of many questions concerning this lifestyle. This will be done mainly to reduce ingrained stereotypes about vegetarianism as well as to educate and reduce negative attitude towards this issue.

Community marketing – online social networks: As main target audience is internet users, therefore it is obvious that one of the main media should be internet. Also latest data shows that popularity of internet as media is growing rapidly. Therefore, community marketing will be used in the internet environment. This marketing strategy engages a target audience in an active, non-intrusive prospect and customer conversation. “Community” could be understood

as group of persons that interact for a common purpose. Communities are especially common among groups of persons with similar lifestyle who are in minority in comparison to all other society. For example, *Vegan Research Panel* data in UK shows that great majority of vegan panel members (85%) think that the internet communities has made them feel less isolated as a vegan (Imaner Consultants, 2003). Therefore, the main aim of community marketing is to connect customers with customers and the company with customers to solidify loyalty and to improve product adoption and satisfaction. In this marketing approach online social communities will be used which connect people with friends and others who work, study and live around them. Online social communities are mainly blogs, social networking web-sites or even virtual worlds where people socialize or exchange information and opinions. These days, it seems, almost everybody is budding on *Facebook*, tuning into the day's hottest videos at *Youtube*. And of course, whenever consumers congregate, marketers should surely follow. Especially *Facebook* is getting popular in Latvia very rapidly. Currently there are 115 180 Latvian users. According to *Facebakers* (2010) statistics if looking at user age distribution in Latvia – the majority of *Facebook* users are in age range of 18-24 years olds (39%), not far behind are also age group of 25-34 years olds (29%) (detailed information about Latvian *Facebook* statistics could be seen in Appendix 4). These age groups are fitting in *Green Beans* target audiences age range, therefore *Facebook* has great potential as media of promotional activities. The plan is to widely use opportunities offered by social networking sites such as *Twitter.com*, *Facebook.com*, *Youtube* and *Draugiem*⁵. These 3 social networking web sites are currently the most popular in Latvia, which could be used to promote, connect and brand the company. Here is what *Twitter* says: “Every day, millions of people use *Twitter* to create, discover and share ideas with others. Now, people are turning to *Twitter* as an effective way to reach out to businesses, too (Lee, 2010).” Lee (2010) has listed several important advantages in usage of social networking sites:

- Connecting with customers. This is the main reason why companies should use social networking sites for its business. Companies will be able to connect with their customers because they themselves are using those social sites. Social sites have become a daily routine

⁵ *Draugiem* is a social networking website launched on 2004. It is currently the largest social networking website in Latvia with approx. 2.6 million registered users. Website plays important part in everyday life of internet users of Latvia and is frequently used as a tool of communication instead of e-mail.

where people log onto it every single day, some log onto sites the first thing they wake up even before brushing their teeth. If company will have an unsatisfied customer they will hear them on *Twitter* or *Facebook*.

- Customer's feedback. Once company has connected with its customers there for sure will be feedback on how the product and services could be improved as well as customer service. This can help in improvements in the future.
- Low cost marketing and promotion. One of the reasons to use social networks is possibility to market your product or services to more people and the best part about that is its free. It is also possible to distribute information about new deals, special offers and coupons codes to help give your company the extra boost. Everybody loves to get a good deal. Customers then can ask company for more information regarding that.
- News. Latest updates of company's services can be easily introduced.
- Viral marketing. Social networks are viral. "Viral marketing involves creating web-site, video, e-mail message, or other marketing event that is so infectious that customers will want to pass it along to their friends (Kotler and Armstrong, 2010)". It goes in hand to hand with word-of-mouth phenomenon (passing of information from person to person) delivered by the network effects of the internet. *Green Bean* will use viral promotions in form of video clips, images and text messages in social networks.
- Spying on competition. Social networks can be used to find out what others (competitors) are doing. However, currently there is not much going on in the sphere of vegetarianism of Latvia in social networks, it is just matter of time. Also social networks can be used to see what is going on the world in order to get new ideas, latest trends and new inspirations.
- Brand loyalty. Brand loyalty is essential to successful company – core component of the brand – the customer's willingness to repeat purchase. At the end of the day, once company has engaged, helped its customers on social media - customers will become loyal to its brand in long term.

Videos: One of the main promotion activities will be systematic creation of videos about vegetarian cooking. First of all, video are excellent way how to interact with web-page visitors and make them stay longer time in the web-page. There are several reasons why video is good to be used in business:

- To attract attention of internet user;
- To tell your story in short time of period;
- Realize you ideas in life
- Make your we-page more interactive;
- Make *buzz* effect with virus videos;
- Make your web-page up-to-date.

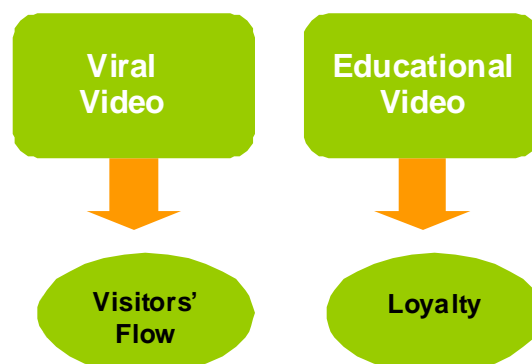


Figure 4: Marketing Purpose of Videos.

Green Bean will mainly use two kinds of videos – viral videos and educational videos (see Figure 4). Viral videos differ from other videos with their location – outside company’s web page. They are usually distributed from one person to another. As it was already explained before, *Green Bean* will use social networking sites (*Facebook*, *Draigiem*) for putting in these viral videos, also *YouTube* is excellent distribution channel for viral videos.

Other type of video will be educational videos (cooking recipes) put in the web page. The aim of videos is to develop customer loyalty. Also if the person will learn from your videos, there is larger probability that this person also will use your other services.

Direct marketing: Using direct marketing techniques, message is communicated straight to a consumer. *Green Bean* is planning to use e-mail marketing. In order to do that, first of all it will need to create database of customers. Through the e-mails the latest updates will be send about *Green Bean*’s activities. When database will reach fair amount, database marketing will be used to generate more personalized communication in order to promote products and services. Promotion of different products and services will be selected for different type of customers.

Marketing of complementary products and services: As vegetarian products and cooking courses are complementary products, these two sub-businesses can help each other in promotion activities. During cooking courses the products of online shop will be used as well as there will be opportunity to buy these products after cooking classes. Also in online shop

there will be placed information about possibility to learn new cooking skills what will help in preparation of these ingredients.

Participation in fairs and events: To achieve brand awareness *Green Bean* will participate also in different food' fairs and events connected with food or healthy lifestyle. Currently in Riga fairs are much attended events and are organized frequently. In those fairs there is possible to buy goods that are not common in ordinary shops. Also attendants of these fairs are creative, open minded young persons willing to find out new, interesting things and to be different from others. Participation in these events will make *Green Bean* more visible and recognizable as well it is good possibility to distribute promotional materials and enlarge its customer base.

Sales promotions: As it was mentioned before, in the introductory phase of the entering market, sales promotions will be performed in order to attract and encourage new customers. Sales promotions will be organized as discounts and sample gifts for the first purchase to be made.

Promotional materials: Several promotional materials will be made in order to be distributed to current or potential clients. It is planned to makes following materials:

- Mini cooking books with basic recipes;
- Mini informational brochure about spices;
- T-shirts, aprons for chefs in cooking courses;
- Stickers etc.

Place

'Place' is concerned with methods of transporting and storing goods, and then making them available for the customer. One of the biggest changes in marketing mix compared to competitors is online purchasing. The one of the main benefits of online place is bypassing of many middleman which results in a price advantage. *Green Bean's* main place where products will be available is online environment. Delivery will be made to client's home around all the territory of Latvia. The challenge here will be to ensure that the product is delivered to the consumer within a reasonable time. Therefore the location of warehouse is very important within the place strategy. The warehouse will be located in Riga, as the main customer base is located in the capital city. Distribution to other cities of Latvia will be managed by help of mail service. Online location is also referring to where links are placed on

other websites. In *Green Bean* case links will be placed mainly in social networking sites such as *Facebook*, *Twitter* and *Draugiem*.

Moreover, the online “place” – internet can be also interpreted in other way like place where customer is having internet access and looking at the web page. This place in most of the cases is home or job of customer, however nowadays with high popularity of laptops and other mobile handheld devices – location of access to *Green Bean*’s web page can be very wide from almost everywhere where internet connection is available.

Place of cooking courses will be located in Riga centre, this is the most convenient location for majority of clients (cooking courses will take place at the same place where warehouse will be located)..Also cooking courses will be held at the homes of the customers, therefore following the same principle as online shop – delivery at your home.

Price

Of all the aspects of the marketing mix, price is the one, which creates sales revenue - all the others are just costs. „In theory, price is really determined by the discovery of what customers perceive is the value of the item on sale (The Times 100, 2010).” Pricing must be set according how much consumers are willing to pay, taking into account also competitors pricing as well as other circumstances of current situation in the market. As online survey data shows, one of the main reasons why customers prefer online shopping is cheaper price than in ordinary shops. Besides that, current economic situation and income level of inhabitants do not show high demand for upper-class priced products. The *Green Bean*’s strategy is to price products in medium/ low price segment in comparison with other market players. Possibility to set lower cost than in specialized shops will allow cost savings on store and personnel, and also than will generate larger sales amounts. *Green Bean* will follow competitor-based pricing, which recognizes the influence of competition in the marketplace. If looking again on the positioning map (see Figure 1), when main competitors are spotted according to price level – *Green Bean* will provide lower prices than most of the competitions, but not the lowest ones. It will be hard to compete with supermarkets who are gaining cost advantage due economies of scale, as well as this is not the aim to be a cost leader *Green Bean* has added value to provide and more specialized products (differentiation). In setting prices there is also requirement to keep profit margin in adequate level in order to gain revenues. In *Appendix 5* price comparison of main competitors are represented and market players are ranked in order according to average price level.

People

It is essential to realize that delivering more value to your customer in the form of an experience is more efficient than to deliver just a product. Consumers make judgments and deliver perceptions of the service based on the employees they interact with. Customer service is one of the necessary and required activities among the support functions needed in transactional situations.

Therefore employees of *Green Bean* will have the appropriate interpersonal skills, attitude, and knowledge about products and vegetarianism to provide the service that consumers are willing to receive for. Service quality is essential in this kind of business. As sales volumes at least in the beginning will not be extra high, *Green Bean* will choose traditional human service to provide customer service with more personal approach instead of automated online customer service. As *Green Bean* is planning to develop online community, person with competence in communication and vegetarianism will be chosen to moderate and administrate online activities in the web page. *Green Bean* will also provide all necessary activities to make customer service in the highest level such as call backs, answers to frequently asked questions, support and assistance in buying process, online chat, e-mail responses etc. All employees of *Green Bean* will be selected to suit its image, values and conviction about vegetarianism.

Process

Process in marketing mix could be described as systems used to assist the organization in delivering the service. The process could be divided in 3 general categories:

- Before - sales process: communication with suppliers, delivery of goods from suppliers, warehousing, ensuring availability of ordered goods, quality of goods;
- During – sales process: user friendly ordering processing, security during transactions performed on website, security of data collected and stored about customers, efficient response to customers orders and requests, prompt and reliable delivery, helpful delivery staff;
- After – sales process: prompt attention to complains, courtesy calls.

As *Green Bean* is small company it can perform quite flexible approach of process. *Green Bean* will put emphasis not just how customers will do business with them but also added value company will provide and develop relationships as well as interactive experience. This will be done with a help of different cooking videos and educational videos about products, as well as through community discussion forum and different interactive competitions.

In cultivating long term relationship with customers, *Green Beans* process not only includes promotion and delivery but also education and support of customers on an ongoing basis.

Physical Evidence

Physical evidences of the company allows the consumer again to make judgments on the organization. Physical evidence is an essential ingredient of the service mix, because consumers are used to make perceptions based on their sight of the service provision. The main physical evidence of *Green Bean* of course will be its web page. Main characteristics of web page is quality, design and navigation, which creation *Green Bean* will delegate to professional and recognized web designer and programmer with continuous assistance. The quality of videos and images put in the web page is crucial. Other important physical evidences of web page are security and privacy policies. Also satisfied customers can be the best advertisement. *Green Bean* will include customer reviews in web page to show customer's satisfaction to potential clients as physical evidence.

“Physical evidence is the customer's proof that the service has taken place and offers a permanent (or at least semi-permanent) reminder of the quality of the service. Without this the consumer would rely on memory, which is notoriously fallible (Blythe, 2003).” Taking this into account as important physical evidence works also all promotional materials distributed to clients or potential clients such as stickers, small brochures with recipes and similar materials which will remind about *Green Bean* existence and services.

One more important physical evidence is outlook of employees who are visible to customers – mainly delivery service person and cooks. They will not have special uniform to not make too stiff and official image and to keep each persons individuality. However there will be some recognition sign of *Green Bean* such as T-Shirt or badge. Also the offline place for cooking courses will be chosen according to *Green Beans* image as environmental friendly company.

9. Implementation

9.1. Structure of the Online Shop

The basic structure of the vegetarian lifestyle online shop web page could be seen in Figure 5. Further will be briefly described content of each section of the web-page.

About Us	About Vegetarianism	Online shop	Cooking Courses	Forum	Cooking at Home (DIY)
			<ul style="list-style-type: none"> • Cooking at your home • Vegetarian cooking courses 	<ul style="list-style-type: none"> • Q&A • Discussions • Blogs • Suggestions 	<ul style="list-style-type: none"> • Recipes • Cooking tips • Videos • Spices ABC

Figure 5: Structure of Vegetarian Lifestyle Online Shop *Green Bean* web-page.

9.1.1. About Us

In part “About Us” will be explained - what is *Green Bean*, what it stands for, about it’s values and philosophy, and purpose of this vegetarian lifestyle online shop.

9.1.2. About Vegetarianism

Section “About Vegetarianism” will be devoted to informational and educational materials about vegetarian diet and lifestyle. Some of the topics are listed below:

- history about vegetarianism;
- explanation of vegetarianism (classification);
- statistical data about vegetarianism in Latvia and in the world;
- vegetarianism and religion;
- animal protection;
- spiritual sense;
- vegetarianism and yoga;
- ayurveda;
- vegetarian nutriment;
- popular vegetarians;
- interviews with vegetarians;
- health and vegetarianism;
- advices in choice of products;
- reasons to become vegetarian;
- how to become vegetarian;
- and many others.

This information will be supplemented at least once in a week. It is important to keep regular information updates to develop fixed action patterns of regular customer or routines, for example, to attend web-page at least once a week and be sure that there will be some new information. Registered users of web-page will receive e-mail about newest articles.

9.1.3. Online Shop

Online shop will offer products connected with vegetarian lifestyle and home cooking as well as other related products. The products mainly will be with long storage time.

- Spices
 - whole spices
 - ground spices
 - Indian masalas
 - herbs
- Pulses
 - lentils
 - beans
- Rice and Grains
- Oils, Ghee
- Soy Products
- Fruit and Nuts
- Noodles
- Semi-finished goods
 - sauces
 - pates
 - other
- Flour and breadstuff
 - flour
 - chapattis
- Teas
 - yogi teas
 - herbal teas
 - other
- Ayurvedic products
- Vegan products
- Eco products
- Home made vegetarian sweets
 - Possibility to order online for celebrations and events
- Home made Latvian wine
- Kitchenware
- Cosmetics and household goods
- Cooking books
- Gift token
- Product's basket (already completed basket with different products and spices)

This section of web-page is main business of *Green Bean*. The main principles which will be considered in developing this section are as follows:

- High quality pictures of the products, so that picture could provide realistic and nice impression about product. Also detailed description of product will be provided as well as country of origin and producer. Links to recipes showing how to use particular product will be added as well as link to complimentary products, for example, in looking at pulses description there will be link to spices which are in most of the cases used with pulses.
- Web-page will be created user friendly, so that everything is easily understandable.

9.1.4. Cooking Courses

Green Bean will provide two types of cooking courses:

- Vegetarian cooking courses which will take place at *Green Bean*'s premises. Courses will be lead by Manager of Cooking Service. Cooking courses will consist of 5 lessons (one lesson per week). At class there will be not more that 8 participants so that lesson is not very crowded. Cooking courses program will include theoretical information as well as practical

teaching of cooking skills and food preparation. Participants will be able to taste all foods prepared.

- Cooking at your home service – is one time trip to clients home or some other place according client's wishes. Principe is similar (teaching theory and practical demonstration of cooking). This service is targeted to persons who want to make interesting, entertaining and practically useful evening together with family or friends, to find out more about vegetarianism and cooking. This service is meant for comfort of clients so that they do not need to attend courses but can organize vegetarian cooking evening at their place.

9.1.5. Forum

In Forum section there will be mainly three types of social networking options: questions and answers, discussions and blogs. Questions and answers will be mainly answered by other members or by Manager of Cooking Services. Blogging will be possible for everybody; there will be permanent blog written by members of *Green Bean*. Also users will be able to express their suggestions and complains in order to improve *Green Bean*'s service and product range. The aim of this section is to develop *Green Bean*'s networking community – the place to share opinions, find out information or blog about vegetarianism or vegetarian cooking. Besides that community creation will put more emphasis on *Green Bean*'s and customer's relationships, not just transaction.

9.1.6. Cooking at Home (DIY)

There will different kind of recipes of vegetarian meals sorted according different cuisines and types of meals. There will be different search options provided to make database of recipes more users friendly:

- Meal type: breakfast, lunch, dinner, snack;
- Cuisine type: America, Italian, Indian, Chinese, Latvia. Middle Eastern etc.
- Food main ingredient: rice, pasta, lentils and beans, vegetables, soy etc.
- Food type: beverage, bread, dessert, entrée, salad, soup, sauce, stew etc.
- Other types: express (in less than 10 min), seasonal, ayurvedic etc.

The recipes will be mainly added by administrator of web page, however also all users of web page could send their own recipes and videos. After recipes it will be possible to add comments and discuss. All recipes will be with photos, most of them also with video.

The benefit of recipes will be that most of them will be original recipes created by Manager of Cooking Service; however, some of them will be also taken from other cooks.

Videos

Video recipes will be mainly added by owners of web page, but also users will be able to send and add their own videos. All videos will be possible to comment, rate and suggest to others. There will be two kinds of videos – video recipes and educational videos about basic ingredients and spices, for example, how to make home cheese, ghee butter or how to use spices etc.

Cooking tips

In cooking tips' section will be different advices of home cooking such as: meat, dairy, egg replacements, gelatin alternatives, ingredients guide, tips and tricks, conversion charts, what kitchenware to use etc.

Spices ABC

In part about spices will be everything devoted to detailed information about spices: use of spice, characteristics of spices, health benefits etc. This section has purpose to educate customers about use of spice as encourage them to use them more in their everyday cooking. More customers will know about this topic, more they will buy spices from online shop.

9.2. Design and Logo

One of the first tasks in business implementation procedures is creation of visual identity and logo of the company. Good and appropriate visual identity can work on behalf of company's image and represent its values. Required graphic designer will create all visual identity attributes in order to keep consistent design – logo, design of web page, design of promotional materials, develop image palette of colors and other visual identity elements. *Picture 2* shows example of potential logo of *Green Bean*. Green color representing vegetarianism and “green” lifestyle as well as there is stylized bean's drawing making associations with the name of the company.



Picture 2: *Green Bean*'s Logo.

9.3. Other Offline activities

The products of *Green Bean* occasionally will be sold also offline. First of all, products will be offered to clients of cooking courses when after lesson they will have opportunity to

acquire products in order to prepare similar dishes at home. Also *Green Bean* will participate in several fairs which are very popular currently in Riga. In these fairs different sellers are offering their specialized production, these fairs are usually offering niche market goods (eco products, eco cosmetics wooden toys etc.), where *Green Bean* will fit in. The main aim of participating in these fairs and other events is to gain recognition and awareness and to attract new potential customers. Offline appearance will help in developing image of good quality products' provider as physical presence is more convincing about quality.

9.4. Organizational Structure

As *Green Bean* will be small business enterprise, it will have simple organizational structure with wide spans of control and little formalization. Simple structure is most widely practiced in small businesses where owners are also managers.

Case of *Green Bean* is exactly the case where 2 owners of the company will be also managers of business and day to day operations.

“The strength of the simple structure lies in its simplicity. It's fast, flexible, and inexpensive to maintain, and accountability is clear (Judge, 2009).

Total in company will be involved 4 employees of whom 3 are family members including owners of the company. Company will be founded by two persons (family members) who will be equal- part owners. Family participation as managers and owners of a business can strengthen the company because family members are often loyal and more dedicated to the family enterprise. There are several benefits of family business to *Green Bean's* business idea:

- Common values – family members are sharing the same philosophy and believes on the things should be done. As both owners are vegetarians as well as almost all other family members – it will be easy to follow the same path and attitude. Also family business are usually giving extra sense of purpose and pride – a competitive edge of business.
- Strong commitment - building a lasting family business means employees more likely will put in the extra hours and effort needed to make it a success. Family is more likely to understand that you need to take a more flexible approach to your working hours.
- Loyalty - family members are more likely to stick together in hard times and show the determination needed for business success.

- Decreased costs - family members may be more willing to make financial sacrifices for the sake of the business. For example, accepting lower wage in the beginning of the business to help the business in the longer term, or deferring wages during a cash flow crisis, therefore more flexible approach to financial side of business.

In *Figure 6* could be seen organizational structure of *Green Bean*. Manager of Online Shop and Manager of Cooking Service are both owners of the company. Manager of online shop is responsible for all operations dealing with products, suppliers and deliveries of online shop as well as financial and accounting issues. His is working in close co-operation with Manager of Cooking Services, who is main cook and leader of cooking classes, also main person responsible for all video and visual materials of cooking. Besides that, duties of this person also include all updates and administration of web-page as well as PR and marketing activities of cooking courses and online shop. Both owners have their own assistant or subordinate. Manager of Online Shop in day to day activities are working in close co-operation with warehouse manager, who is managing orders, packaging and delivery process. He/she is also responsible for all technical issues concerning warehousing and delivery process. Manager of Cooking Service has their own. Assistant is helping in organizing cooking courses as well as preparing visual materials for web-page. Assistant has skills in making photos and videos and processing them afterwards.

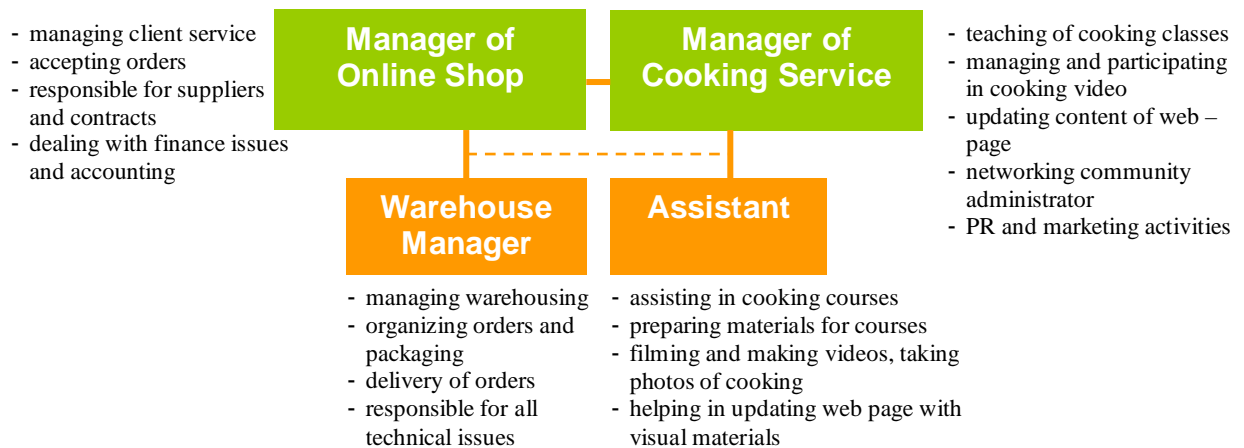


Figure 6: Organizational Structure of *Green Bean*.

As it was mentioned before *Green Bean* will work as family business with quite flexible organization structure and delegation system. If needed Assistant and Warehouse Manager will help each other with their duties or will replace each other. Also in upper level - Manager

of Online Shop and Manager of Cooking Service will work in strong cooperation and if necessary will help each other.

9.5. Operating Activities

9.5.1. Payment Procedures

Easy and trustable payment procedure is one of the key requirements for customers to make purchase in internet, therefore *Green Bean* will use services of professionals to provide payment procedure high and secure level. *Green Bean* will offer three kinds of payment opportunities:

- payment with *PayPal*, which is becoming very popular in Latvia due to worldwide recognized internet shops such as eBay and Amazon and is considered as the easiest way of payment;
- payment with credit and debit card;
- payment with cash at the time of receiving goods.

Customers who will order goods outside Riga, will be available the same payment procedures except cash they will need to pay at post office when receiving order.

9.5.2. Premises and Warehousing

Green Bean will rent business premises close to the centre of capital city of Latvia, Riga.

Location is chosen close to centre due to following reasons:

- convenient location for clients of cooking classes;
- rather equal delivery distance to majority of districts of Riga;
- possibility for clients to come and take order without delivery as well as look at the samples of other production.

Requirements for premises: 2 rooms (small office room and storeroom) and equipped kitchen (place for cooking courses), easily accessible by transport. Everything is chosen to be at one place in order to make synergies, office – where orders are received is close to warehouse and all products, as well as kitchen where cooking lessons are held is also next to storeroom with all the necessary products.

Currently there are lots of premises available in the centre of Riga and rent is quite low due to the fact than many entrepreneurs went bankrupt due to economical crisis in the country.

The process of warehousing will be quite simple – Manager of Online Shop will be responsible for checking goods availability and necessary supplements of products (inventory

program will be used to make it electronic and automatically updated). The same person will also receive orders and delegate them to Warehouse Manager for delivery. Warehouse manager will organize packaging and deliveries of orders as well as physically check inventories. New production's deliveries from suppliers will be ordered every month, if necessary then more often – all negotiations with suppliers will be performed by Manager of Online Shop.

9.5.3. Delivery and Logistics

The delivery process in Riga will be organized as follows:

- Orders will be delivered one time per day (afternoon);
- Orders done till 12 am, will be delivered the same day, afternoon and evening orders will be delivered next day.
- Deliveries will be mainly done during working days, if necessary during weekends that will be negotiated separately.
- Those who do not want to pay for delivery will have possibility to come to office and receive there the order.

The delivery process outside Riga will be organized as follows:

- Deliveries to other territories of Latvia will be send by post,
- Customers will receive them in their nearest post office.

Possible also in the office who do not want to pay delivery:

10. Financial Evaluation

Basic assumptions used in preparation of financial analysis are as follows:

- forecasts are made for 5 year period;
- all prices, income, expenses, investments are used without VAT % (21% in Latvia);
- no influence of inflation is considered in forecasts, data are analyzed in the real prices of year 2010.

10.1. Source of Financing

In order to establish a company and to start entrepreneurship financial resources are needed. *Green Bean* will be financed by owners own funds, therefore no loan will be asked from bank or other providers of financial resources. 11000 LVL (15652EUR) will be invested in the company's equity. The equity will be financed by owners' cash (8500 LVL/12095 EUR) and owners' property – car (2500 LVL/ ~3557 EUR).

10.2. Investments

Green Bean's initial investment costs in total amount are 6900 LVL (~9800 EUR). Main positions of investment are the development of web page and visual identity, purchase of electronics and computer as well as the car. See the detailed positions of investments in the *Table 8*. After the first 6 months of operation additional investments will be made in order to improve the web page service, software and technical equipment of the company. During the next following years company will continue to invest in the web page and equipment to replace and improve existing fixed assets. Also in year 2014 and 2016 attracting of some extra resources is planned in order to expand business (see *Table 9*). The period of amortization applied varies from immediate disposal of web page development to 3 years for electronic devices, 7 years for the car and 5 years for other equipment.

	2011 jan		2012 jul		2013		2014		2015		2016	
Investment	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Web page development	1200	1707	200	285	1000	1423	0	0	1000	1423	0	0
Video camera, photo camera	1000	1423	0	0	800	1138	0	0	1000	1423	0	0
Computer	500	711	0	0	700	996	0	0	500	711	0	0
Computer software and programs	600	854	400	569	500	711	0	0	0	0	0	0
Mobile telephones	100	142	0	0	0	0	0	0	100	142	0	0
Cash machine	200	285	0	0	0	0	0	0	0	0	0	0
Shelves, warehouse equipment	200	285	300	427	500	711	0	0	0	0	0	0
Kitchen equipment	100	142	200	285	300	427	0	0	100	142	0	0
Packaging equipment	200	285	0	0	200	285	0	0	200	285	0	0
Car	2500	3557	0	0	0	0	0	0	0	0	0	0
Other investment	300	427	0	0	500	711	5000	7114	0	0	6000	8537
	6900	9818	1100	1565	4500	6403	5000	7114	2900	4126	6000	8537

Table 9: Investment Positions of 5 year period, LVL. EUR, VAT not included.

10.3. Operating income

10.3.1. Income from Online Shop

In order to forecast the sales of the online shop, the analysis of the data from the online survey was applied. First of all, main products to be sold were selected, and the average price determined, taking into account the analysis of competitors, as well as the possible purchasing price from suppliers. The proportion of products sold was chosen according to the survey data - revealing that majority of customers would be glad to buy spices and teas in the internet, also pulses and cereals (for more detailed online research data see Appendix 3). The level of average purchase (15 LVL/ 21.3 EUR) is determined according to the forecasts of average amount of products bought per one person as well as the average purchase will be influenced by free online delivery offer (if order costs at least 15 LVL/ 21.3 EUR, delivery of the

products will not be charged). This offer will influence the buyers to obtain more products to reach free delivery limit. Calculations of the average purchase are shown in *Appendix 6*.

It is predicted to have in average 20 clients per day. However in the first 8 month period there will be fewer purchases per day, continuous increase of amount of purchases is expected during the first year of business.

Also seasonality was taken into consideration when calculating sales, assuming that during summer consumers are using internet less as well as instead buying more fresh products (vegetables).

10.3.2. Income from Cooking Services

As it was described before there will be two kinds of cooking services – cooking at customer's place (*Green Bean* trip to customers) and cooking at *Green Bean*'s kitchen (customers coming to *Green Bean*). These two services are priced differently – trip to customers are charged more due to transportation costs and convenience of customer.

The price of cooking trip for one person is 10 LVL with VAT included (14 EUR). At least 5 persons are required for one lesson. In its turn cooking classes at *Green Bean*'s kitchen consists of 5 lessons (approximately 2 hours one lesson) and course will cost 36 LVL with VAT included (51 EUR). In course maximum 8 people will be registered in order not to make course too crowded. It is planned to have 2 groups of courses per week and 6 *Green Bean*'s trips per month. During the first 3 month 50% of load is estimated for cooking courses.

It should be mentioned that these cooking courses are not main source of profit, because price of service is quite low due to the current customers' financial situation and unwillingness to pay much money for the courses (for detailed analysis of the research results see *Appendix 3*). Main aim of the cooking services is to promote products of online shop as well as to develop customer's loyalty and brands awareness. Also products will be sold to clients of cooking courses after classes to generate extra income.

Sales increase is estimated for second year ~ 60 % increase, followed by 10 % increase during next years.

10.3.3. Other Income

Other income will be generated from suppliers' advertisements put in the web page as well as from product sold offline (in brick and mortar businesses way with face-to-face consumer experiences) in cooking courses and other public events with *Green Bean*'s presence.

Predicted numbers of sales could be seen in profit and loss account in *Appendix 8*.

Income will be collected also from deliveries, 2.5 LVL (3.5 EUR) without VAT for order less than 15 LVL per delivery in Riga. Assumption is made that 60% of deliveries will be charged. It is expected that majority (80%) will be delivered in Riga. Other deliveries outside Riga will be charged according to the mail expenses plus 50% margin.

10.4. Operating expenses

10.4.1. Labor Costs

Labor costs are very essential position of the expenses constituting 32 % of sales in the first year of business and 30 % in the next years. The wages of the first year are shown in Table 10 according to the current average price level in the country, which is not very high due to the crisis situation.

Labour Expenses	Gross, LVL	Gross, EUR
Manager of Online Shop	750	1068
Manager of Cooking Services	750	1068
Assistant	325	463
Warehouse Manager	400	569
	2225	3168

During the first 3 months wages will be 10 % less, but after the first year wages will be increased for 15 % every year. The level of wages is not very high during the

Table 10: Gross Labor Wages in the First Year, LVL, EUR.

start-up period of business (advantage of a family business that it is not so demanding in respect to financial benefits in the beginning with aim to gain more profit in the future).

Besides wages -company will pay public taxes for employees which are 24.09 % of the gross wage.

10.4.2. Direct Expenses

Main positions of direct expenses are raw materials (purchase of products for online shop and cooking classes), labor costs (warehouse manager and assistant) as well as delivery and packaging expenses. Purchase of raw materials is the largest expense in % terms – 45 % of sales in the first year diminishing till 39 % in the next years.

Raw material cost of online shop products are calculated as 60% of sales of products, respectively direct expenses of cooking courses are calculated as 35 % of income from cooking services. The cost of the products will decrease during the time as a consequence of better deals from suppliers and economies of scale – by 2 % in the second year, and by 1 % every next year.

Transportation costs mainly consist of the fuel expenses for deliveries, car maintenances and public taxes expenses, as well as mail costs.

Packaging costs include costs for packaging of deliveries and packaging of spices which will be bought in large packages and packed and branded in smaller packages afterwards.

Other expenses are calculated as 2 % of direct expenses (excluding labor costs) in the first year, and 1 % - in the next years.

Product cost (direct expenses/ sales) are 69 % in the first year decreasing till 57% in the year 2014.

10.4.3. Fixed Expenses

Main fixed expenses are salaries of administration (Manager of Online Shop and Manager of Cooking Services). Other fixed expenses: rent of premises, payments for public utilities, IT, accounting, lawyer services, Web page update and maintaining expenses, marketing and PR expenses, administration expenses (transport, communication, health insurance and other), office and warehouse maintenance costs and other smaller expenses. Expenses in number could be seen in *Appendix 8*, profit and loss account. Majority of expenses will remain almost constant, except increase in salaries (+ 15%), public utility payments (+ 5%), accounting, lawyer services (+5%), IT services (+10%) and advertising and PR expenses (+20%) per year due to increasing sales amounts and business expansion.

10.5. PL, BS, CFS

Profit and loss account, balance sheet and cash flow statement see in *Appendix 8*. If looking at profit and loss account - forecasts shows small but positive Net Profit in the first year and significantly increasing during next years. Net Profit Margin will increase till 12 % in year 2014. That is good financial indicator as current deposit annual interest rate for Latvian currency is just 3.6 % (LVL) and 5.6 % (EUR). In profit and loss account also is indicated % of sales for each income and expense position, showing that majority (75%) of income are contributing sales of online shop as well as raw materials (40%) are the largest position of expenses.

In cash flow statement cash inflows and outflows are represented. Also remaining value of fixed assets is included when calculating the net cash flow. Cash at the end of the period is left in amount of at least 5 % of predicted expenses in order to keep reserve for unexpected expenses or delayed cash inflows. Starting from the second year half of the net profit is paid out in dividends increasing paid out proportion proportionally to increase in profit.

Balance sheet shows assets and liabilities and equity of the company. Inventories are held in 5 % of raw material expenses, company has almost no accounts receivable as customers are paying bills almost immediately. Company has 10 creditor days for accounts payable - it is the average time that a company takes to pay its creditors. Deferred taxes are mainly payments for employees' public taxes from the last month. Return on Investment (ROI, Net Profit/Total Assets) is calculated according BS resulting in 54% in year 2014. All the calculations could be seen in *Appendix 8*.

10.6. Financial Feasibility

In order to appraise long-term projects method of time value of money is used. NPV is a central tool in discounted cash flow analysis tool – analyzing both incoming and outgoing cash flows of the present values of the business. NPV compares value of money today to the value of the same amount in the future, taking inflation and returns into account. In order to calculate NPV – discount factor is needed. As company is not using debt, discount rate will represent the risk of the business or project, respectively as *Green Bean* is new company discount rate is taken similar as in industry. In case of unstable economic situation and risks in starting new business, quite high (risky) discount rate is chosen – 18 %.

The other measure of business profitability is internal rate of return (IRR). IRR is annualized effective compounded return rate that can be earned on the invested capital. That means that investment has a zero NPV at this interest rate.

Year	0	1	2	3	4	5
Investment						
Equipment	-9818	-1565	-6403	-7114	-4126	-8537
Investment	-9818	-1565	-6403	-7114	-4126	-8537
Cash inflows	0	126612	203356	223692	246061	270667
Cash outflows	0	-122098	-177158	-194479	-213045	-235308
Taxes	0	-74	-4032	-4248	-4902	-5505
Remaining value of fixed assets	0	0	0	0	0	16039
Neto CF	-9818	2874	15763	17850	23987	37356
Accumulated CF	-9818	-6944	8820	26670	50657	88014
Discounted CF	-9818	2436	11321	10864	12372	16329
Accumulated DCF	-9818	-7382	3939	14803	27175	43504
NPV	43,504					
IRR	103%					
Discounted payback period	1.65					
Discount rate	18%					

Table 11: Financial Feasibility Calculations: NPV, IRR.

Main criteria for profitable investment are positive NPV and IRR exceeding discount rate. If we look at our investment profitability analysis in *Table 10*, there it reveals positive NPV of 30575 LVL (43504 EUR) and high IRR of 103 % which is very good indicator of beneficial

investment. Also discounted payback period is calculated which refers to the the period of time required for the return on an investment to "repay" the sum of the original investment. Discounted payback period is 1.65 years.

10.7. Sensitivity Analysis

Sensitivity analysis is the study of how the variation (uncertainty) in the inputs or variables can influence the results of the model. Put another way, it is a technique for systematically changing parameters in a model to determine the effects of such changes. First of all, in calculations of NPV, which is main measure of ratability of investment, the main variables

Variables	NPV =0
Investment	168%
Remaining value of fixed assets	-621%
Cash inflows	-7%
Cash outflows	8%
raw materials (products for shop)	11%
labour expenses	15%

Table 12: Sensitivity Analysis.

should be defined. In *Green Bean's* case main variables are investments, cash inflows, cash outflows and remaining value of fixed assets. Also most significant positions of the expenses (cash outflows) will be checked separately to find out their influence to final results.

As it can be seen in *Table 12* the largest sensitivity has variable – cash inflows, respectively if the sales decrease more than 7 % (all other variables constant) then business will not be profitable anymore. Similarly also cash outflows has rather high sensitivity. If looking at largest positions of expenses then raw materials of online shop's products also is quite sensitive variable.

If assuming pessimistic scenario, business would be still profitable if investments increase by 20%, remaining value fixed assets decreases by 20 %, cash inflows decreases, but cash outflows increase by 3 %, then NPV is equal to 305 EUR, and IRR is 19 %. This is the worst scenario what could happen and returns would be still profitable.

Conclusions from sensitivity analysis are that cash inflows and outflows have high sensitivity therefore they should be carefully controlled in order not to exceed budgeted values significantly.

11. Conclusion

In the further part a summary of key conclusions from research, market trends and findings taken as the base for the *Green Bean's* business idea development will be summarized.

- There are significant changes in the spending habits – people tend to save more money, as well most of them have switched from premium priced products to medium or low price products. Intention to save on food caused changes in their eating habits. More and more people are starting to cook at home, as well as “do it yourself” concept becomes trendy again. Cooking at home is particularly popular among vegetarians as supply of vegetarian food in public catering is very poor. Hand in hand with cooking at home comes willingness to learn new cooking techniques. Along with aforementioned searching for spiritual path and non-material values have become very live issue and latest trend. Also shift towards “green” which is usually associated also with “healthy” cooking and eating has touched almost every kitchen. As follows current consumer trends and changes in their lifestyle, eating habits and turning to spiritual values and practices are very beneficial expansion of vegetarianism.
- Business targeted to narrow niche segment – vegetarians. The research revealed the main characteristics of average vegetarian in Latvia: women, 20- 35 years old, became vegetarian more than 4 years ago, mainly cooking at home, medium high income level, higher education, main reasons for becoming vegetarian is ethical issues and spiritual practice.
- Main business characteristics according to the target segment - differentiation as the key to success - offering extra benefits like possibility learning to cook vegetarian meals including applying the products (cooking courses), interactive continuous communication with clients in sharing information and knowledge on leading a vegetarian life style - significant emphasis on community network creation, developing of “do it yourself concepts”.
- E-commerce is a great potential of opportunities for developing a business as there is rapid increase of internet users and connections, internet is one of the quickest growing media, online business requires less investments and its appropriate especially for niche segments, also in Latvia e-commerce is still in early development and therefore there are lot of space for innovation and the first mover steps, online shopping gain extra customers due to lower prices offered than in *brick and mortar* shops, boom of social networking habits and willingness to fit in communities is favoring online industry. Internet is the first source of information when “do it yourself” concept is applied. Internet is offering efficient cost effective ways of advertising – viral marketing and social network communities.
- The key to successful business is idea of vegetarianism and conviction therefore even in economic crisis situation are possibilities for successful business development.

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Appendix 1: Yoga and Vegetarianism; Statements from Vedas

Yoga and Vegetarianism

Here are some opinions from yoga teachers and other vegetarians about yoga students and vegetarianism gathered by a life coach Meera Vohora (n.d.):

- Ben Ralston, founder and yoga teacher at Prem Yoga School in Slovenia: "There are many reasons why people who practice yoga prefer to be vegetarian: the process of practicing yoga purifies the practitioner. This purification is essential to the higher goals of yoga. Without it the student cannot progress."
- London-based medical herbalist and ayurvedic practitioner, Ashish Paul argues that keen yoga students will, in time, naturally question the diet they are consuming: "I wouldn't say you need to be a vegetarian, but if you begin to practice yoga seriously and spiritually, you will eventually get to the point where you will be questioning your beliefs." Also: "You will be looking at what you eat, what you're putting into your body and how certain foods make you feel. Nobody should force their beliefs onto you but once you begin to follow your spiritual journey, you will slowly find yourself becoming vegetarian naturally."
- Peter Bernard is a vegetarian life coach catering exclusively for the lifestyles and needs of vegetarians and vegans. Bernard began to reduce the amount of meat and fish in his diet in the early 90s and is now a committed vegetarian. Bernard echoes this. "If someone is a serious yoga student I would assume that they will be starting to understand some of the deeper philosophical issues behind yoga, and as part of that they will begin to understand more about the issues surrounding vegetarianism."

Statements about Vegetarianism from Vedic Literature.

- "You must not use your God-given body for killing God's creatures, whether they are human, animal or whatever." (Yajur Veda, 12.32)
- "By not killing any living being, one becomes fit for salvation." (Manusmriti, 6.60)
- "The purchaser of flesh performs himsa (violence) by his wealth; he who eats flesh does so by enjoying its taste; the killer does himsa by actually tying and killing the animal. Thus, there are three forms of killing. He who brings flesh or sends for it, he who cuts off the limbs of an animal, and he who purchases, sells, or cooks flesh and eats it—all of these are to be considered meat-eaters." (Mahabharata, Anu. 115:40)

Elsewhere in the Vedas, the last of the great Vedic Kings, Maharaja Parikshit, is quoted as saying that "only the animal killer cannot relish the message of the Absolute Truth."

Therefore, the Vedas inform us to obtain spiritual knowledge; one must begin with being vegetarian (Turner, 2000).

Appendix 2: Online Questionnaire

Survey basic information:

This is questionnaire about vegetarian eating and shopping habits in Latvia. The survey is provided to support master project about vegetarian lifestyle in Latvia. You will need not more that 3-4 minutes for filling in the questionnaire. Thank you!

Information on respondents:

Gender	----	▼
Age	----	▼
Location		
Education level	Primary education ▼	
Occupation	Administration / Secretarial ▼	

Survey settings:

Survey taking: From one computer can take only 1 time
 Questions display: Survey questions are displayed one by one
 Survey language: Latvian

Questions:

1. What is your occupation at this moment?

- ☐ working
- ☐ studying
- ☐ working and studying
- ☐ unemployed

2. How long have you been a vegetarian?

- ☐ less than year
- ☐ 1 - 2 years
- ☐ 2 - 4 years
- ☐ 4 - 10 years
- ☐ more than 10 years

3. What type of vegetarian are you?

- ☐ ovo-lakto-vegetarian (do not eat beef, lamb, pork, poultry, fish, shellfish or animal flesh of any kind, but consume dairy and egg products)
- ☐ lacto-vegetarian (do not eat beef, lamb, pork, poultry, fish, shellfish or animal flesh of any kind and eggs, but consume dairy)
- ☐ ovo-vegetarian (do not eat beef, lamb, pork, poultry, fish, shellfish or animal flesh of any kind and dairy products, but consume eggs)
- ☐ vegan (abstains from all animal flesh and animal and fish products, including milk, honey, and eggs)
- ☐ semi-vegetarian (do not eat meat, but some times may include in diet fish, sea food, poultry; or excludes from menu just red meat)

4. Why did you become a vegetarian? (many answers possible)

- ☐ religious convictions, due to spiritual practice
- ☐ for health benefits
- ☐ do not like taste of meat
- ☐ due to influence of friends or relatives
- ☐ due to ethical reasons (animal rights and protection)
- ☐ environmental protection (ecological intentions)
- ☐ in order to reduce weight
- ☐ other reason

5. Please rank, which of following products do you consume most? (1. – consume most; 8.- consume less)

- buckwheat, barley, rolled oats and other groats
- beans, lentils, peas and other pulses
- rice
- pasta
- vegetables and root-crops
- bread, bread goods
- nuts
- sweets

6. How many times per week do you eat out?

- ☐ 1 - 2 times per week
- ☐ 3-5 times per week
- ☐ almost every day I eat outside the home
- ☐ in most of cases I eat at home (r home made food) (take to question number: 8)

7. How would you describe current supply of public vegetarian catering?

- ☐ very good and wide
- ☐ satisfactory
- ☐ rather bad
- ☐ very bad

8. Do you cook at home?

- ☐ no, I do not cook (or very rare)
- ☐ yes, I cook at home (take to question number: 10)

9. Why you do not cook at home?

- ☐ I do not have cooking skills (take to question number: 13)
- ☐ no need, somebody else is cooking (take to question number: 13)
- ☐ in most of cases I eat out (take to question number: 13)
- ☐ I do not like cooking (take to question number: 13)
- ☐ other reason (take to question number: 13)

10. How many times per week do you cook at home?

- ☐ 1- 2 per week
- ☐ 3 - 4 per week
- ☐ almost every day

11. How did you learn how to cook? (many answers possible)

- ☐ I improvise, self-taught
- ☐ from cooking books
- ☐ from recipes in internet
- ☐ from mother's, grandmother's or other family members' advices
- ☐ attended cooking courses
- ☐ friends taught
- ☐ other ways

12. Do you use different spices in cooking?

- ☐ yes, I use many different spices
- ☐ I use spices but not very much
- ☐ I don't like cooking with spices, except – salt and pepper
- ☐ I am not informed about use of spices; therefore I almost do not use them
- ☐ other option

13. Would you like to improve your cooking skills?

- ☐ yes, I would like
- ☐ no, I am satisfied with my current skills (take to question number: 15)

14. How much would you be willing to pay for vegetarian cooking courses (approx. 3 h lesson)?

- ☐ till 5 LVL (7 EUR)
- ☐ from 5 till 10 LVL (7 – 14 EUR)
- ☐ from 10 till 15 LVL (14 – 21 EUR)
- ☐ more than 15 LVL (21 EUR)
- ☐ not interested in courses

15. Have you ever bought anything in internet?

- ☐ yes
- ☐ no, and not going to (take to question number: 18)
- ☐ no, so far, but maybe in the future (take to question number: 17)

16. What is the main reason why you choose online shopping?

- ☐ cheaper
- ☐ more comfortable
- ☐ wider assortment, can buy goods not available in ordinary shops
- ☐ other reason

17. Which food-stuffs and food additives would you be willing to buy in internet? (many answers possible)

- ☐ cereals (groats, flour, rice etc.) (take to question number: 19)
- ☐ beans, peas, lentils, soy and other pulses (take to question number: 19)
- ☐ vegetables, fruit (take to question number: 19)
- ☐ dairy (take to question number: 19)
- ☐ bread goods (take to question number: 19)
- ☐ sweets (take to question number: 19)
- ☐ spices (take to question number: 19)
- ☐ teas (take to question number: 19)
- ☐ pasta (take to question number: 19)
- ☐ I would not buy food-stuff in internet (take to question number: 19)
- ☐ other products (take to question number: 19)

18. Why haven't you bought anything in internet? (many answers possible)

- ☐ I consider this is not safe
- ☐ I do not know how to do that
- ☐ was no need
- ☐ I have no internet
- ☐ other reason

19. Do you take interest in ayurveda?

- ☐ no
- ☐ yes
- ☐ I do not know what that is

20. Do you pay attention whether product has been grown biologically (is ecologically clean)?

- ☐ yes, in most of cases I buy eco products
- ☐ I do not pay attention to that
- ☐ I would like to buy eco products, but can not afford
- ☐ I would buy more eco products if larger supply
- ☐ other answer

21. What is the maximum % you would be willing to pay more for biologically grown (ecologically clean) products?

- ☐ can not afford pay more
- ☐ till 10 %
- ☐ 10% - 20 %
- ☐ 20% - 30 %
- ☐ more than 30%

22. What is your income per month (average per one member in household)?

- ☐ till 200 LVL (285 EUR)
- ☐ from 201 till 400 LVL (286 – 570 EUR)
- ☐ from 401 till 600 LVL (571 – 855 EUR)
- ☐ from 601 till 1000 LVL (856 – 1425 EUR)
- ☐ more than 1000 LVL (1426 EUR)

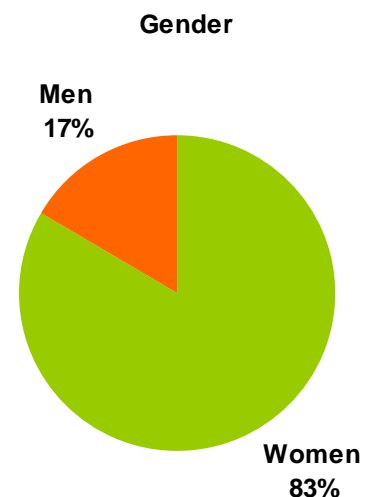
23. Are you satisfied with current supply of vegetarian products in shops?

- ☐ yes, completely satisfied
- ☐ no, insufficient supply of following products:

24. What difficulties do you meet being vegetarian?

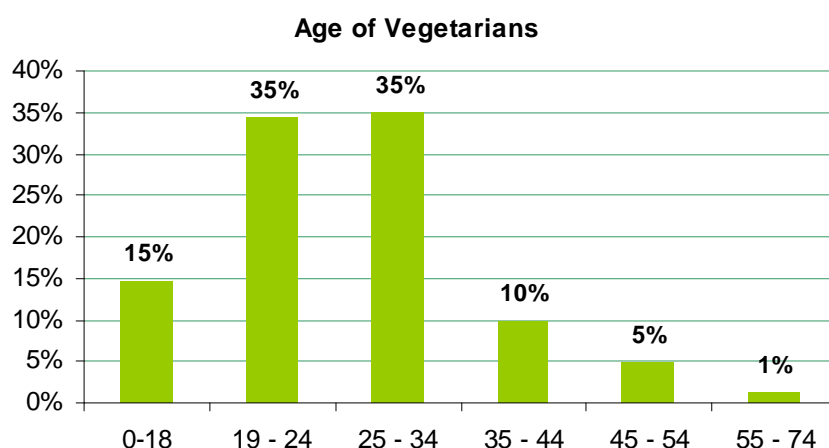
Appendix 3: Results from Online Survey

The results of online survey shows that 83 % of all respondents are women and just 17 % are men. Also in other research with 200 respondents done by sociology student Ansberga (2009) data was similar showing gender proportion of vegetarians in Latvia 1:3 (men 25 %, women 75%). Similar situation is also in other countries. According to a 1992 Yankelovich study commissioned by *Vegetarian Times*, of the 12.4 million people in US who call themselves vegetarian, 68 % are female while only 32 % are male (Smart, 1995). Also data about Europe shows similar results – in Western Europe approximately 70 % of all vegetarians are women (Maurer, 2002). Main reasons for such proportional difference could be that women pay more attention to health matters; they are more likely to change their diets in response to the health benefits of giving up meat. Also more often women are committed to vegetarianism due to emotional response to the killing and abuse of animals. This response is more common among women due to their innate or prescribed role as nurturers (Smart, 1995).



If considering place of residence of respondents 38 % are living in Riga. Of course, the fact that those inhabitants living in Riga are using internet more often, therefore it was more chance to get them to fill questionnaire. However, the rest of more that 60 % who are living outside capital city also are significant customer base and should be taken into account.

In survey the average age of respondents was 26.7 years. The youngest respondent was 11 years old but the oldest – 61. As it can be seen in graph, the highest proportion of vegetarians



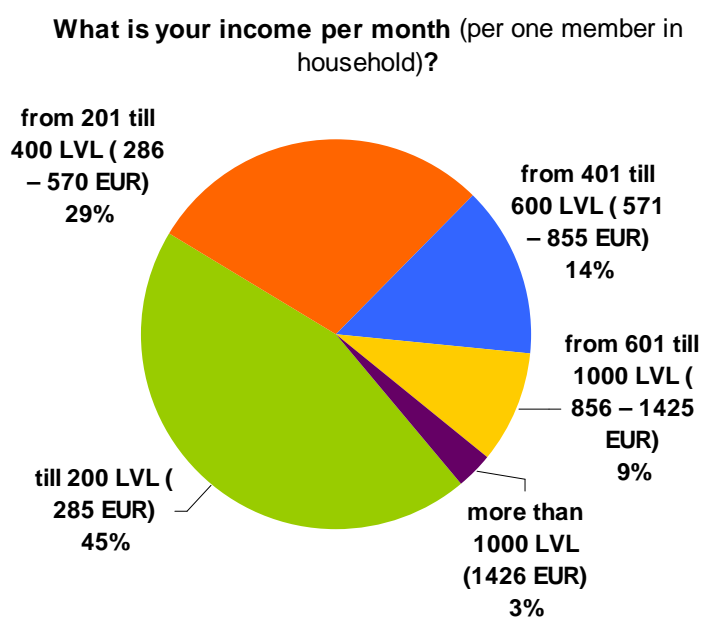
are in age range from 19-24 (35%) and from 25 – 34 (35%). The other in % terms largest group is youngsters till 18 years. These results show that 85 % of all respondents were up to 34 years old. The explanation could be

that younger generation are more open to new ideas and changes in their life as well as due to willingness to be different and to belong to alternative social groups.

Similar results also shows research of Ansberga (2009) with data that 93 % of responded vegetarians were up to 36 years old (33% from 16 till 20 years, 34 % from 21- 26 years old).

From this analysis conclusion could be made that target audience of vegetarian business should be in age range from 19 till 34 years. Also in Latvian online portal *Veģetārisms* (translation in English - *Vegetarianism*) were made online survey about age of visitors of this portal and results showed that the highest proportion – 45 % of visitors are in age range from 16-20, 35 % - from 21-30 (in total 469 respondents). Similarly, in online portal of *Human Spiritual Development Centre (Human.lv)* similar survey was performed with results that highest proportion – 24 % of respondents are in age range from 22- 28 years (in total 3320 respondents). These respondents are interested in spiritual practices and yoga with quite high probability that they are following vegetarian diet or are in the way to vegetarianism.

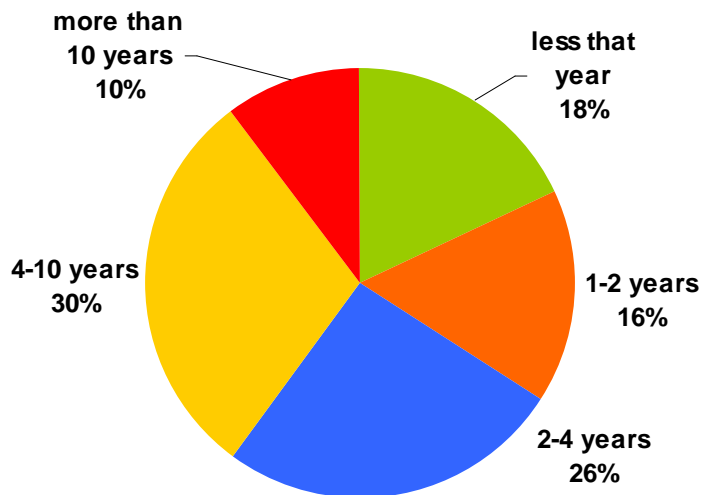
Income level of vegetarians in Latvia is quite low. 45 % of respondents show that their



income level is below 285 EUR per month per one member in household. This is very low income level. However, these data could be explained by age of respondents - when part of them is too young to earn money by their own. Also current economic situation influences the level of income. Just 26% of respondents indicated that their income level is above 571 EUR. In Ansberga (2009) research data is little bit more optimistic

showing that only 21 % of respondents have income level less than 285 EUR per month (per one member in household). Conversely in other Western countries mainly vegetarians have high or medium high income level (Maurer, 2002).

35 % of all respondents are vegetarians less that 2 years what means that there are significant proportion of vegetarians just beginners in this sphere. However, more experienced vegetarians (more that 4 years being vegetarians) compile 40% what also shows that vegetarianism is not completely new way of lifestyle. From this it can be concluded, that in

How long are you a vegetarian?

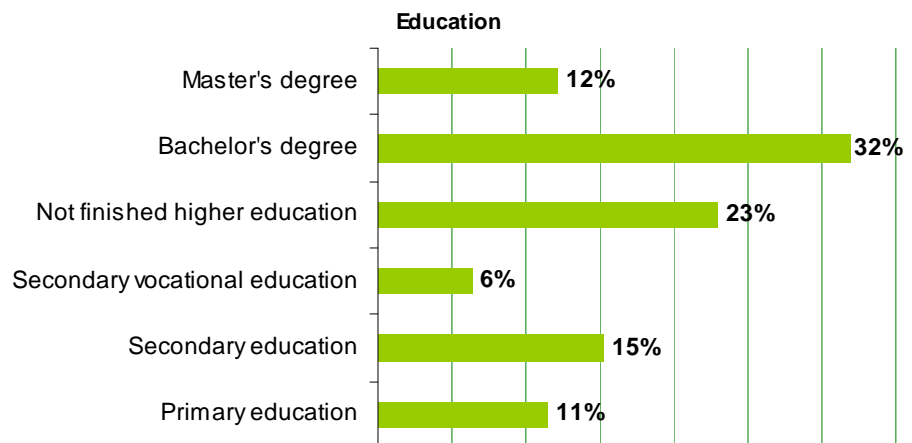
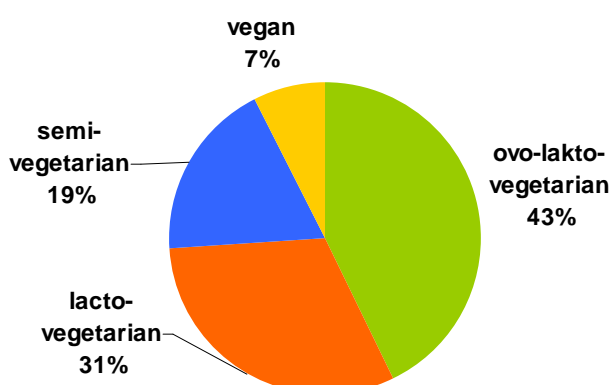
part of them has not yet reached the age to apply to university. Summary can be made that in average vegetarians are educated persons.

When looking at industries where respondents are working – the most often mentioned work spheres are education and science, culture, art and entertainment, marketing and

advertising, administrative job and jurisprudence. Also quite many respondents were working in PR, client service, IT field and also as managers. From above mentioned industries it could be seen that there is trend of quite many creative sphere representation, which can go together with more open minded person's characteristics.

market there is almost equally distributed vegetarians just starting this lifestyle as well as more mature vegetarians.

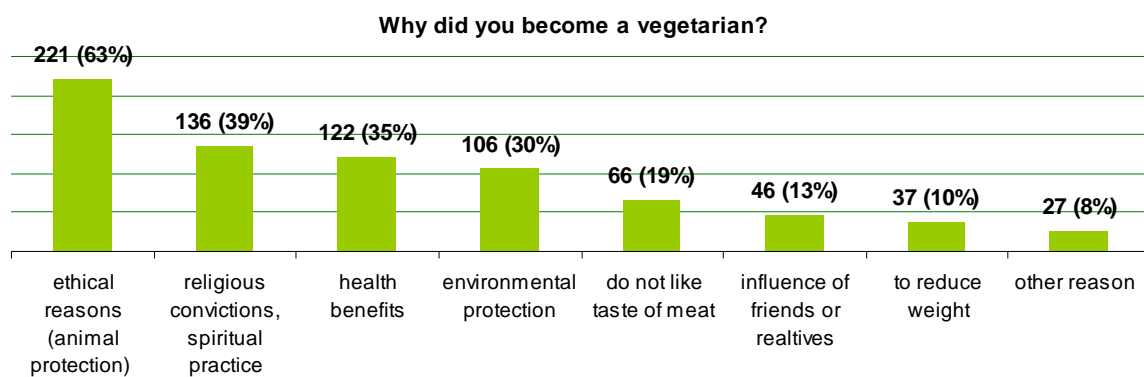
If we analyze education level of respondents then 67 % have master's or bachelor's degree or unfinished higher education. 32 % have secondary or primary education, however this % is also influenced by the fact that vegetarians/ respondents are mainly youngsters and

**What type of vegetarian are you?**

When asking about type of vegetarianism respondents perform – then majority (43%) replied that they are ovo-lakto-vegetarians, who do not eat meat or flesh of any kind, but do eat eggs and dairy products. Also big proportion is lacto-vegetarians who are similar to ovo-lakto-vegetarians except they exclude eggs in their diet. The smallest proportion – just 7 %- are vegans, who are

the most strict in their diet and do not consume animal products of any kind including dairy products and honey.

The most popular reason why people become a vegetarian according to survey is ethical factors like animal rights and protection (against killing of animals, amorality of treatment of animals), the second most common reason is spiritual issues and practice as well as religious influence, also health benefits and environment protection are quite important influential factors for becoming vegetarian. For women it is a bit more important to care about health and religious reasons, in their turn men are more worried about environmental protections (14% more than women). It is interesting that very important triggering factor for becoming vegetarian is spiritual practice (what is now very popular in Latvia). Moreover, important encouraging factors are influence of friends, information and video in internet and movies (Ansberga, 2009).



It is quite obvious that most often consumed product group of vegetarians are vegetables. The second most important product group in diet of vegetarians are groats, and then follows rise and pulses. In comparison, bread and pasta are not so popular products among vegetarians.



One of the questions, in order to find out more about eating habits of vegetarians, was about regularity to eat out of home. It turned out that more than half (53%) almost every day eat just at home or takeaway food prepared at home. Only 10 % stated that they almost every day eat

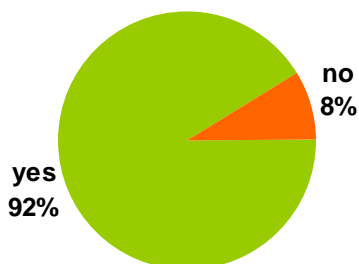
outside a home. These answers show trend that vegetarians tend to eat and cook at home more often than eating outside.

According to data of survey, majority of vegetarians of Latvia consider supply of public vegetarian catering as quite bad or very bad (67%). 31% of vegetarians think that public catering for them is satisfactory and just 2 % judge it as very good and wide supply.

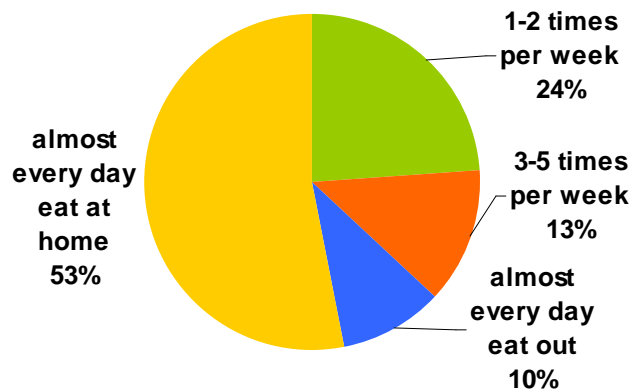
Data also shows that almost all vegetarians (92%) are cooking at home. That could be explained due to reason that currently there is very weak supply of public vegetarian catering.

For those, who do not cook at home main reason for not cooking is that there is no need for cooking because somebody else is cooking at home (see graph in the next page). It means that almost half of those who do not cook at home still consume home made food, just made by others. Persons, who do not cook, are mainly youngsters still living with parents, therefore are not cooking themselves.

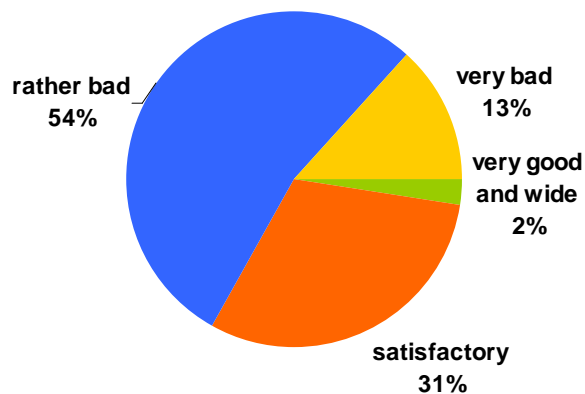
Do you cook at home?



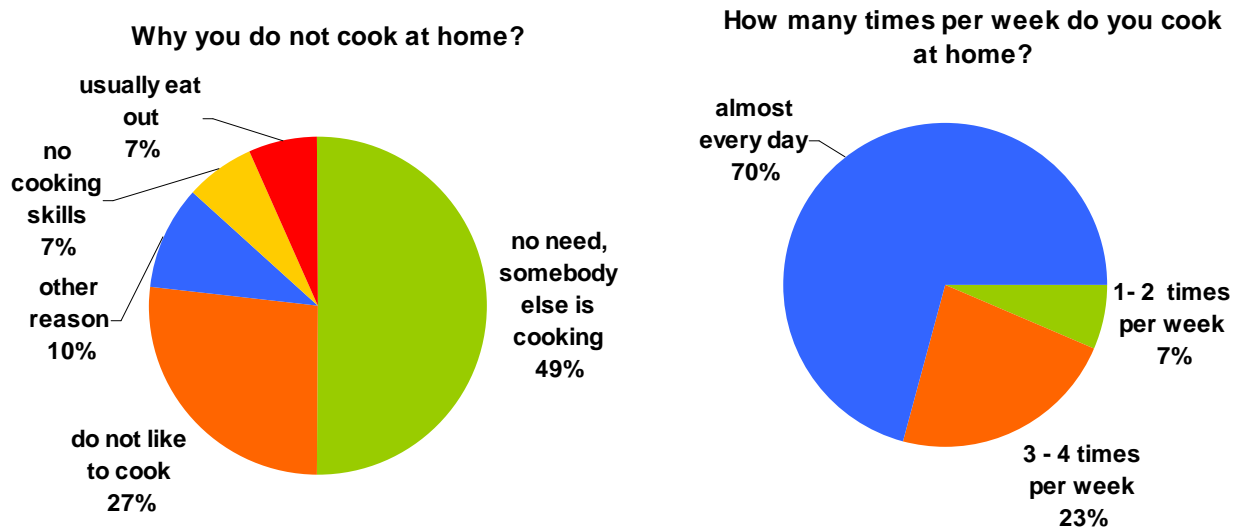
How many times per week do you eat out?



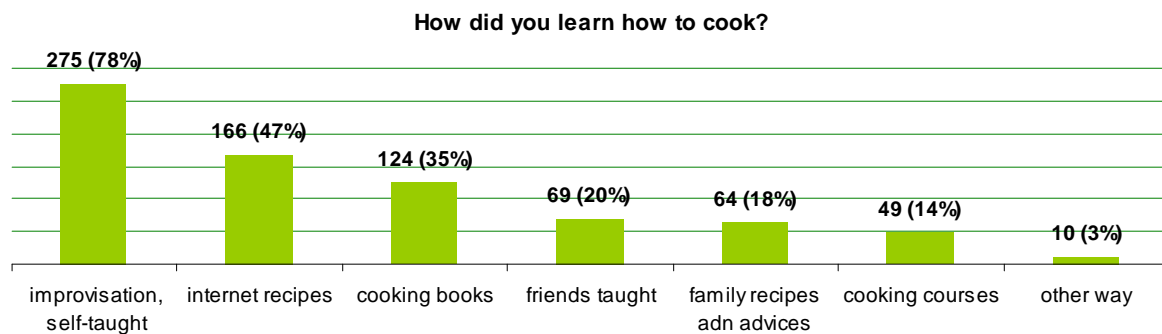
How would you describe current supply of public vegetarian catering?



Significant percentages (70%) of those, who cook at home, do it almost every day (see graph in the next page). This is good indicator because more you cook – more products you need.



When asking about cooking skills – most common answer was that cooking is self-taught and learned by improvisation. The second most popular way of learning to cook is use of internet, followed by cooking book's usage. Data shows that internet is quite popular way of search for cooking recipes overtaking cooking books. That could be also explained that there is lack of vegetarian cooking books in Latvian shops. Data also shows that only 14 % of respondents have taken cooking courses. This low percentage is also explained by fact that only few vegetarian courses are offered in the market, and, of course, cooking courses take more effort and time as well as cost money.



However, many vegetarians are already cooking at home; majority of them (84%) would like to improve cooking skills. That is opportunity demand for cooking teaching tips, advices as well as cooking courses.



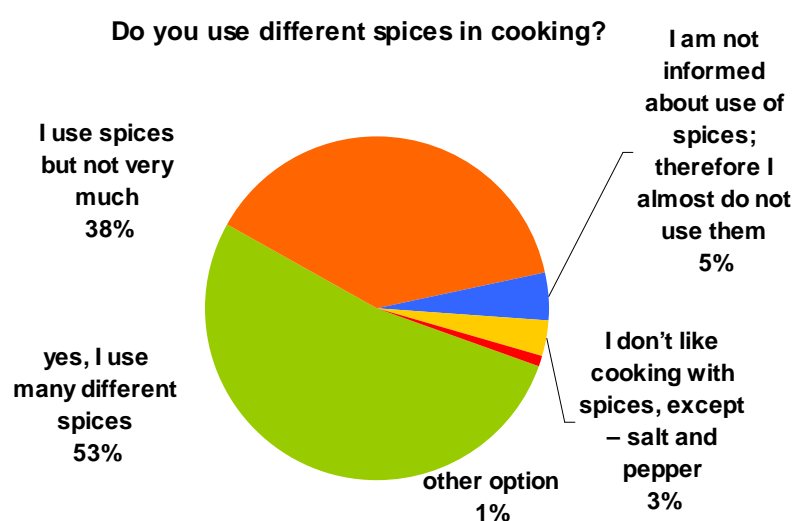
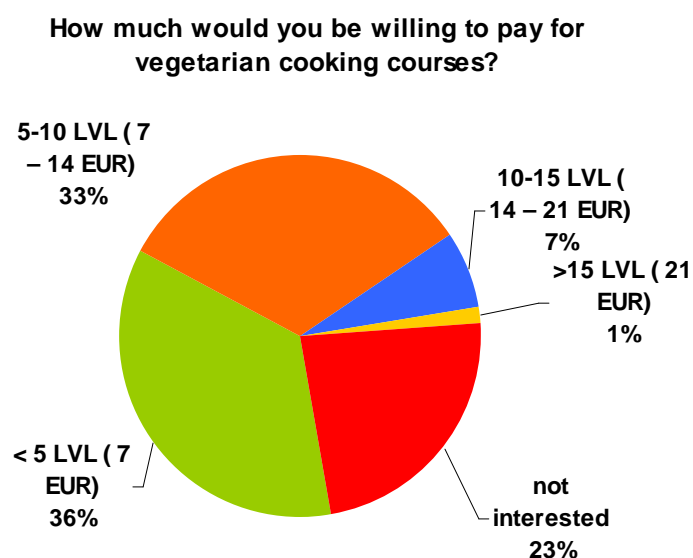
of

of

In order to find out more information about opportunity to offer cooking courses, the question about willingness to pay about such courses comes as an issue. 36 % of respondents would be willing to pay not more than 7 EUR per 3 h lesson, which is very low price. The explanation of this low price could be current economical situation as well as not complete information and understanding about courses, also the fact that people tend to choose in questionnaires a price which is the lowest one. 41 % would be willing to pay more than 7 EUR which is average level price and 8 % out of them could afford even to pay more (more than 14 EUR) per one cooking lesson. However, 23 % stated that they are not interested in cooking courses what means that they would prefer another way of improving their cooking skills.

Finding more about cooking habits of vegetarians the question about use of spices was asked. It turned out that 53% of respondents use many different spices in cooking, 38 % use spices but not very much, but 5 % are not informed about use of spices. This information shows that vegetarians are keen on use of spices if they know how to use them.

The next several questions were about online shopping which showed some useful information about vegetarians' online shopping habits. 67% of respondents have already bought something in internet and 23% are going to in the nearest future (see graph in the next page). That is a good indicator because if person has bought something at least once in internet it is easier for him/her to repeat a purchase in internet.

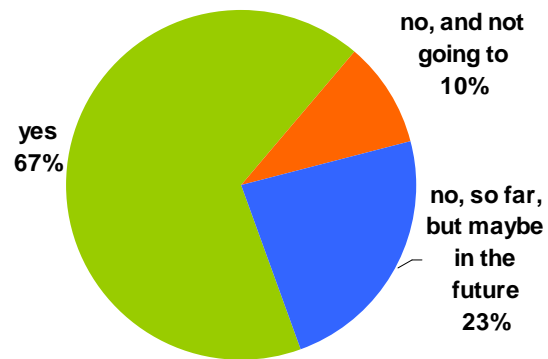


10 % of respondents have not bought anything in internet yet. Main rationale for that was no necessity (50%), prejudice that this is not safe procedure (32%), that it is not possible to see product in reality (7%).

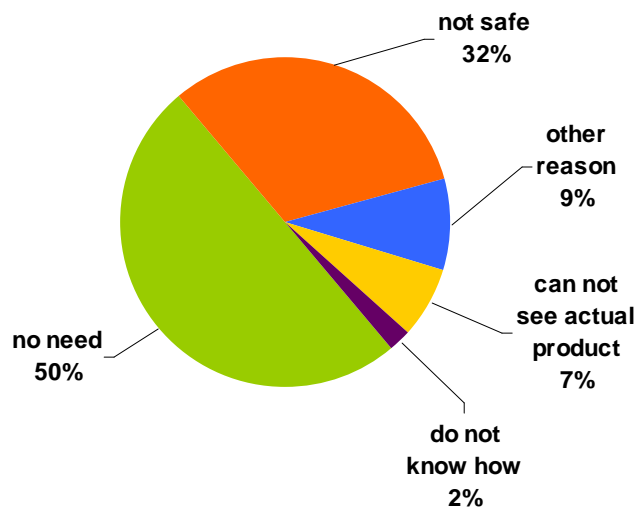
The main reason people choose to shop online is wider assortment than in ordinary shops (43%), it is cheaper (29%) and that it is more comfortable (25%).

The main foodstuff people would like to buy online is spices and teas (almost 50 %). The next more favorable products in internet are pulses and cereals (almost 30 %). Dairy products and bread goods in internet would buy just 7 % of respondents. 37 % of all respondents would not buy foodstuff in internet at all. This is mainly to stereotype that in internet is common to buy just electronic devices or tickets, and that currently there is not big supply of foodstuff offered in internet (see graph in the next page).

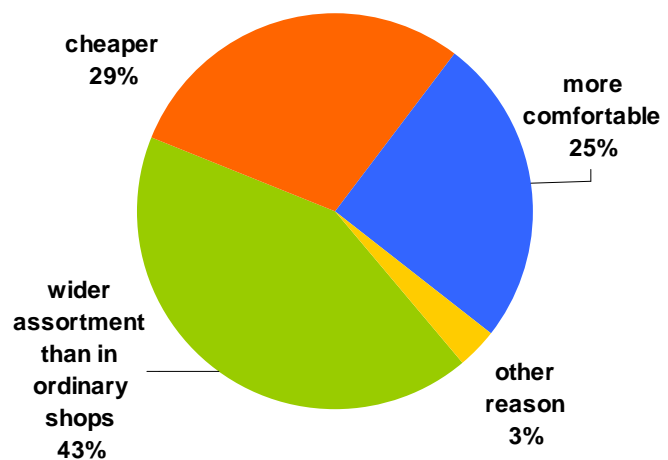
Have you ever bought anything in internet?



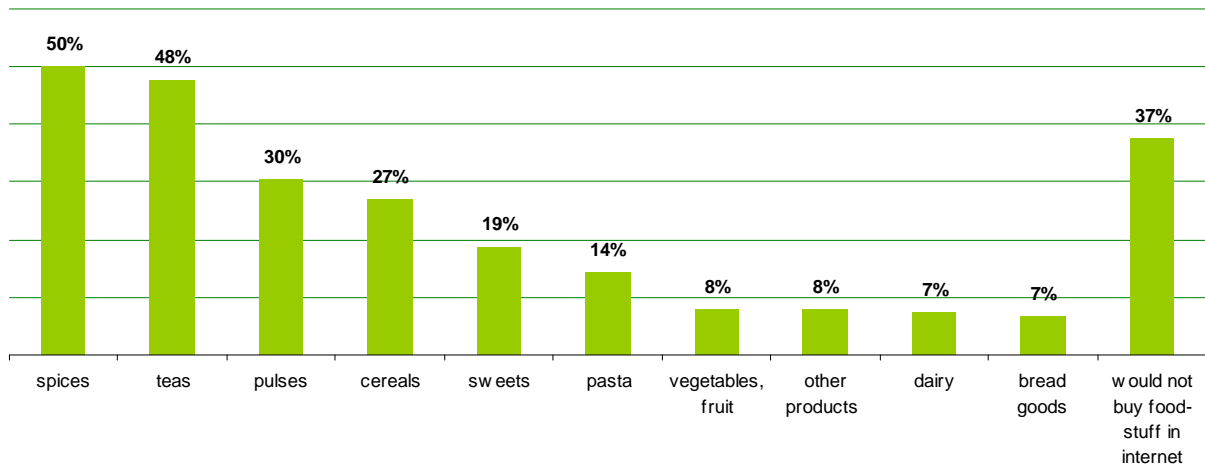
Why haven't you bought anything in internet?



What is the main reason why you choose online shopping?

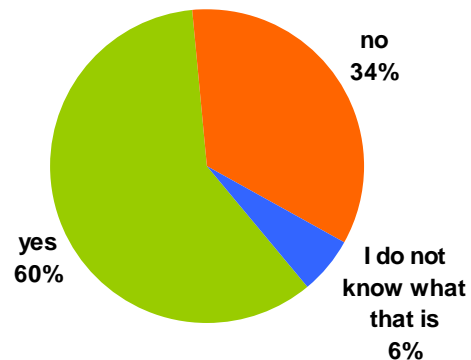


Which food-stuffs would you be willing to buy in internet?



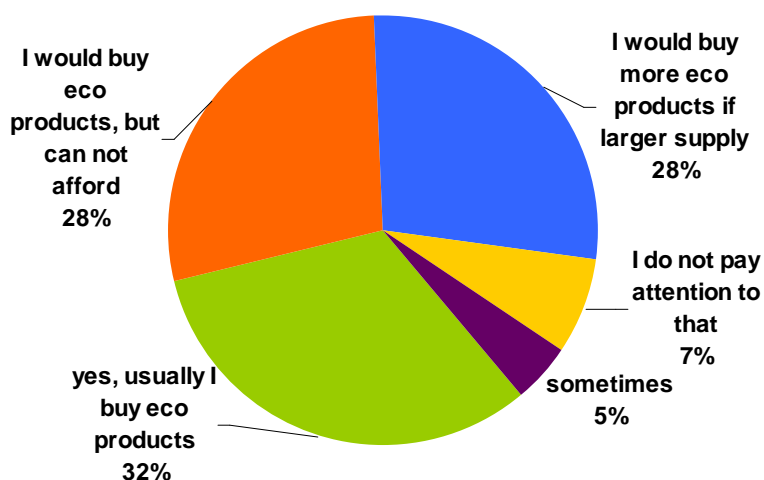
Also it was interesting to find out whether vegetarians are interested in ayurveda. 60% admitted that they are interested in ayurveda, just 6% did not know what is that and remaining 34 % stated that they are not interested in that.

Are you interested in ayurveda?



Important topic is also about biologically grown products which are becoming more popular recently due to higher concern about health. Data shows that 32 % are in most cases buying biologically grown or ecologically clean products. Significant part (28 %) would like to buy them but can not afford due to high prices. Another 28 % would buy if shops would

Do you pay attention whether product has been grown biologically?

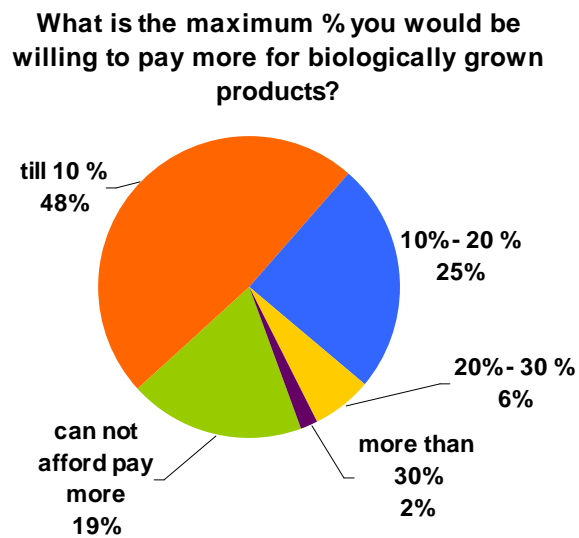


offer wider assortment of eco products. Just 7 % do not pay attention to that, what means that majority is keen on eco products.

When asking how much more respondents would be willing to pay for biologically grown products, answers were as follows: 48 % could afford to pay 10 % more, 25 % of respondents would be willing to

pay from 10 – 20 % more, just 6 % would pay 20 – 30 % more, 2 % - more than 30 %. 10 % could not afford to pay more for biologically products at all.

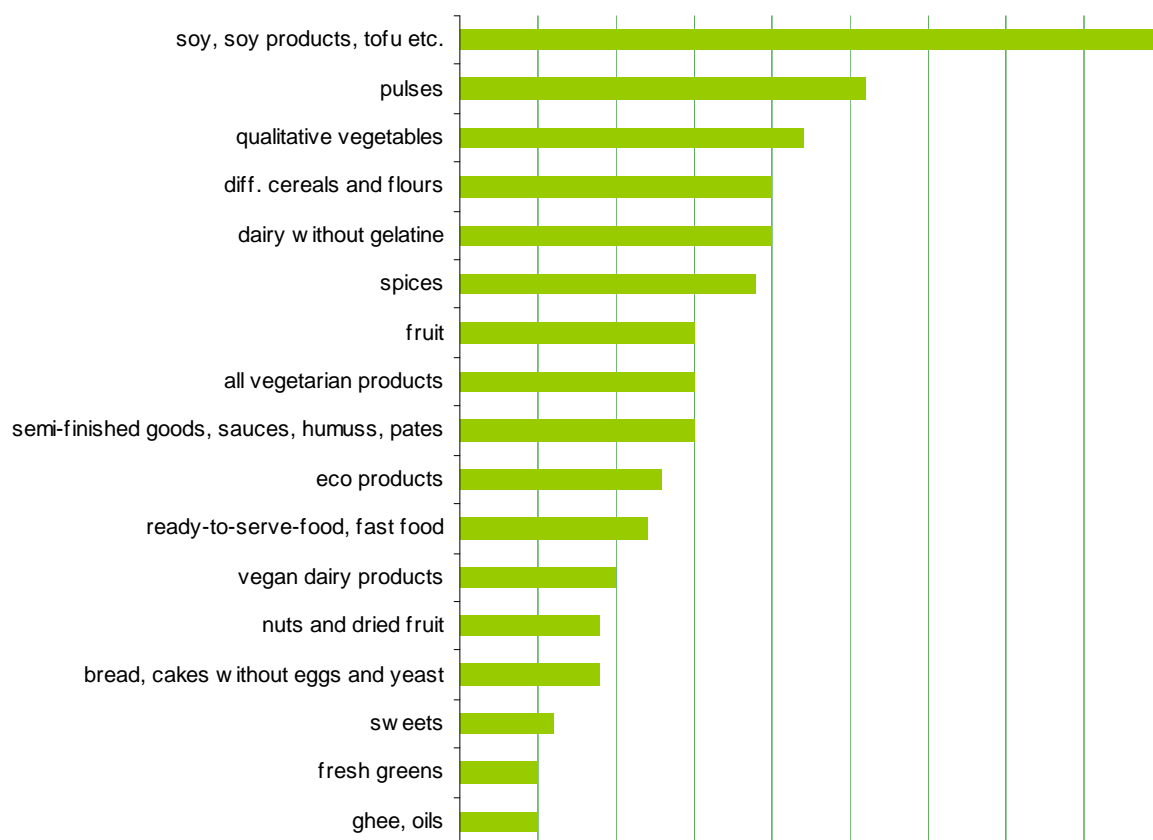
Survey of opinions of several leaders of main supermarkets in Latvia done by *Financenet* (2010) found out that currently consumers are more “green” in words not in action. They observe that willingness to obtain ecological products are high, but not always affordable, especially now in current economical situation when people are not always ready to pay extra. However, interest about healthy products is noticeable especially if the price is not very high.



It also states that before crisis demand for ecological products was higher and now it is more moderate due to tough financial situation of many inhabitants of Latvia. However, it is predicted that after crisis demand will rapidly increase again (*Financenet*, 2010).

Next important issue to find out in order to create assortment of shop was opinion about product which are currently lacking in shelves of Latvian shops. Majority of respondents came out that there is lack of different soy products in supply of vegetarian products, also there is insufficient supply of pulses, qualitative vegetables (especially during winter time), different cereals and flours. For vegetarians it is also important to acquire products without gelatin (made from animal bones) – many dairy products contain gelatine. Also spices were quit often mentioned in respect to weak supply (see Graph X). Interesting that there was rather big interest about semi-finished goods such as sauces, pates etc.

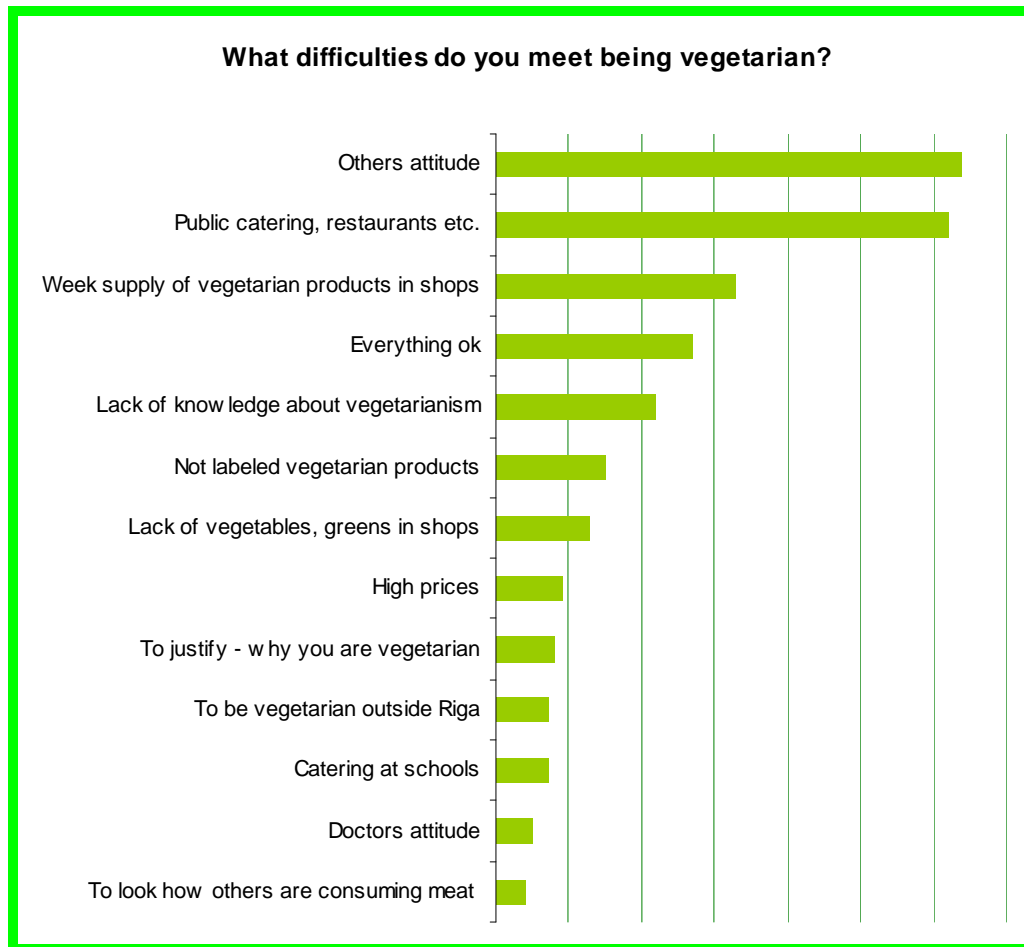
Finally, in survey it was asked to mention main difficulties vegetarians are facing in Latvia. The most common inconvenience or discomfort was caused by others’ (non-vegetarians) attitude, lack of understanding, condemnation, admonishments and willingness to reeducate. Vegetarians come into a contact with quite aggressive and impolite attitude from others without any particular reason. In many forums and discussions in internet there are quite angry comments from the side of meat eaters.

Insufficient supply of following vegetarian products:

The reasons for such an offensive attitude could be fact that vegetarianism is quite new lifestyle here and large part of society in Latvia is quite conservative and with many stereotypes therefore not accepting easily those who thing or act differently (especially older generation). Also there are still many clichés from soviet times where main component of meal was ball of minced meat, sausage, or pork chop – meat as irreplaceable ingredient. The second most common obstacle is public catering in Latvia with very poor vegetarian meal supply. Moreover, many restaurants are kind of offering vegetarian meals but they do not understand correctly what vegetarian meal is and in many cases prepare it wrongly. Therefore trust level in ordering vegetarian meals is quite low that there really will not be used some ingredients with meat. The other most often mentioned inconveniences are weak supply of vegetarian products in shops and lack of specialized vegetarian shops. Also one of the factors is lack of information about vegetarianism.

Also it is not convenient that is shops there are no labels on products showing that this product is vegetarian, forcing customers to carefully read ingredients of every product which takes time and sometimes it is even not written. Some more difficulties of vegetarians – lack of vegetables and greens in shops, high prices of specialized vegetarian products, perform

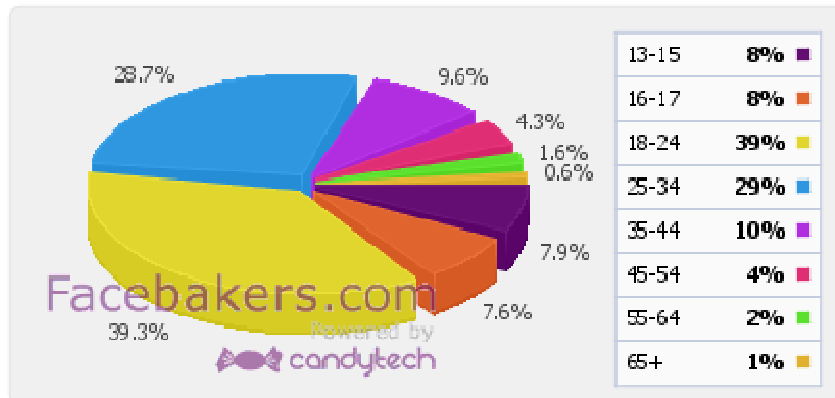
vegetarianism outside Riga where there is even worse situation of vegetarian product supply, catering at schools and also doctors attitude and knowledge towards vegetarianism.



Ansberga (2009) found out that majority of vegetarians state that vegetarianism they consider as lifestyle, only 7 % considers it as just diet. For 8 % of respondents vegetarianism is necessity due to their viewpoint and values. These data shows that vegetarians mostly connect vegetarianism with their values that influence also lifestyle.

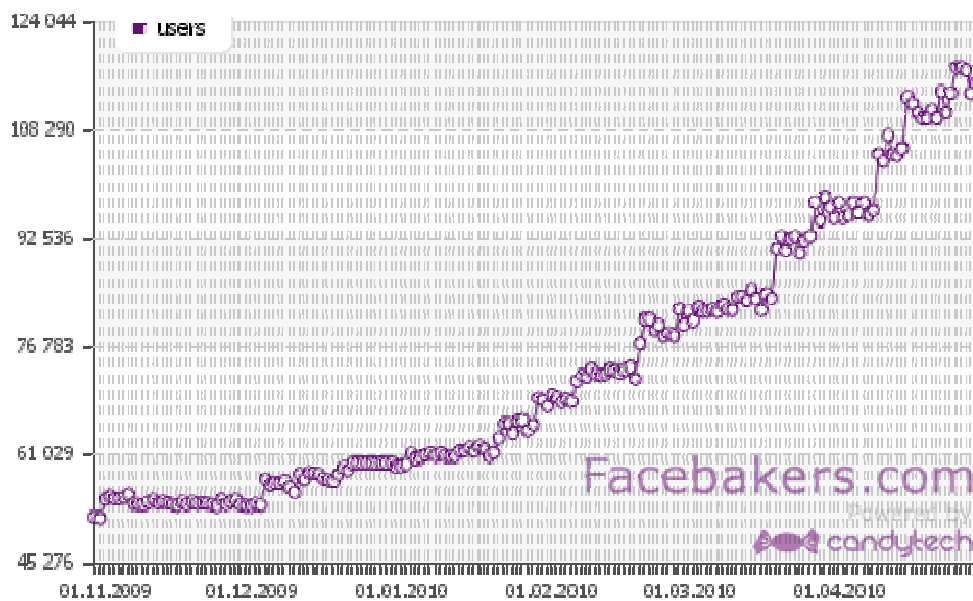
Appendix 4: Facebook Statistics Latvia.

User Age Distribution



Source: Facebakers.

User Growth



Source: Facebakers.

Appendix 5: Average Price Comparison of Competitors

Product/ Shop		Ecological product shops	Hanuman	SKY (premium supermarket)	Shiva's Center	Ekopreces (Health Shop)	Herbals (online shop)	Ekoprodukti	RIMI (supermarket)	Gourmet Studio	Avokado
Masalas	LVL/100g	-	2.5	-	1.95	-	2	-	-	0.9	-
Asefatida (spice)	LVL/100g	-	3.1	-	2.4	-	-	-	-	2	-
Cumin (spice)	LVL/100g	5.5	2	-	1.95	-	-	1.6	-	0.95	1.1
Other oriental spices	LVL/100g	6	1.8	-	1.95	-	1	2	-	1.6	1.5
Soya	LVL/kg	-	8	-	-	2.9	-	-	3.9	4.28	-
Rice (basmati)	LVL/kg	6.4	3.9	4.5	3.95	4	-	3	2.49	3.8	-
Red lentils	LVL/kg	9	3.2	2.8	3.9	-	4	2.2	2.74	2.8	2.3
Ghee	LVL/kg	23.2	11.25	-	9.6	-	-	-	-	-	-
Noodles	LVL/500g	-	-	1.9	-	-	-	-	2.45	2.5	-
Rice noodles	LVL/500g	-	-	3.2	-	-	-	-	2.4	1.9	-
Yoga tea	LVL/30g	-	3.2	-	2.4	-	2.8	3	-	-	-
Other herbal teas	LVL/30g	6	4.5	-	4	4	2.5	3.2	2	-	-
Body oil (almond)	LVL/250 ml	6.5	4.8	-	3.9	4.8	-	3.5	-	-	-
Average price comparison		93%	8%	0%	-9%	-9%	-15%	-21%	-21%	-24%	-42%

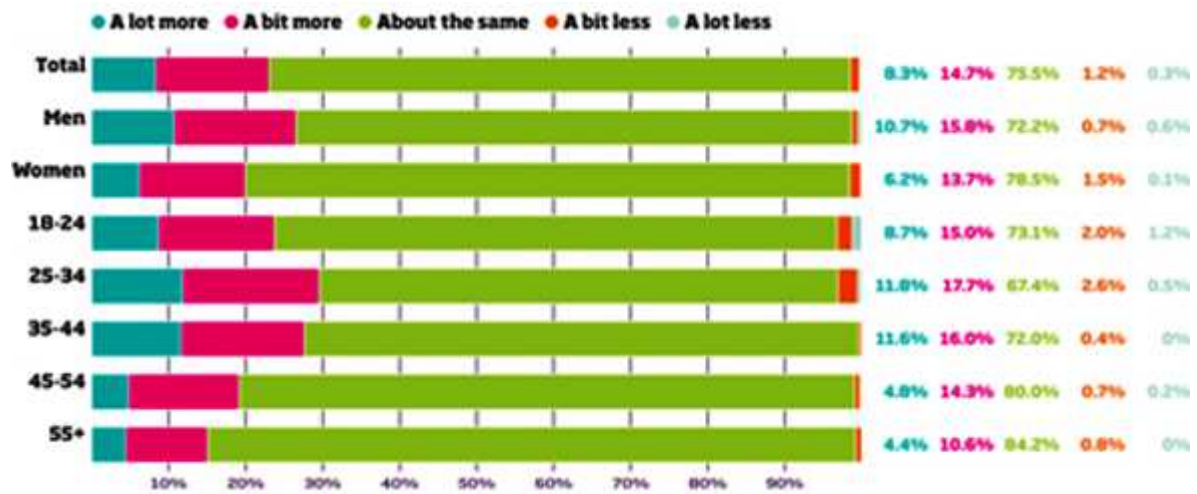
Average price comparison is showing % - how much in percentage terms price level of market player is higher or lower than average prices of all competitors. Table shows that ecological product shops have the highest prices, accordingly shop Avocado – the lowest prices.

Appendix 6: Calculations of Average Price per Purchase

Products	Price (VAT not included)	LVL/ per unit	Average unit per 1 purchase	LVL
Spices	1.16	LVL/100g	3.00	3.47
Masalas	1.24	LVL/100g	0.25	0.31
Pulses	1.90	LVL/kg	0.50	0.95
Rice	2.48	LVL/kg	0.50	1.24
Groats	0.99	LVL/kg	0.50	0.50
Oils, Ghee	3.55	LVL/500 g	0.17	0.59
Soy products	1.24	LVL/500g	0.33	0.41
Nuts	0.66	LVL/100g	0.20	0.13
Noodles	0.99	LVL/250g	0.20	0.20
Yoga Teas	1.94	LVL/30g	0.60	1.16
Ayurvedic products	2.89	LVL/100g	0.17	0.48
Eco products (pulses, rice)	2.07	LVL/500g	0.20	0.41
Kitchenware	7.44	LVL/ unit	0.08	0.62
Cosmetics	2.89	LVL/250 ml	0.20	0.58
Cook books	6.61	LVL/unit	0.08	0.55
Semi-finished goods	2.07	LVL/unit	0.17	0.34
Other products	2.07	LVL/unit	0.14	0.30
Product basket	16.53	LVL/Unit	0.08	1.38
Gift token	16.53	LVL/unit	0.08	1.38
			average purchase	15.00

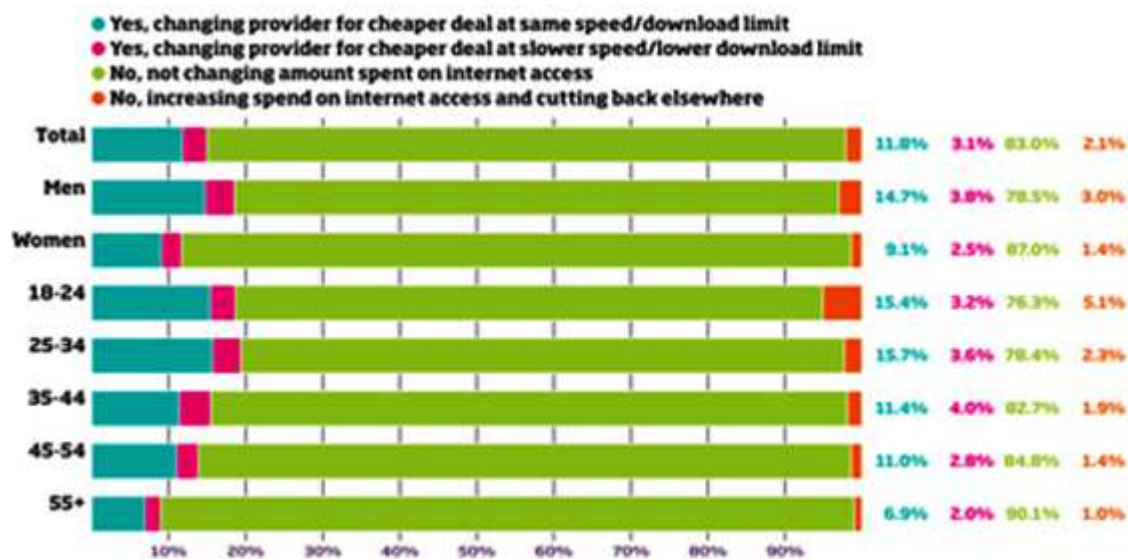
Appendix 7: Influence of Crisis to Online Shopping in UK

1. Will you use the internet more or less in the recession?



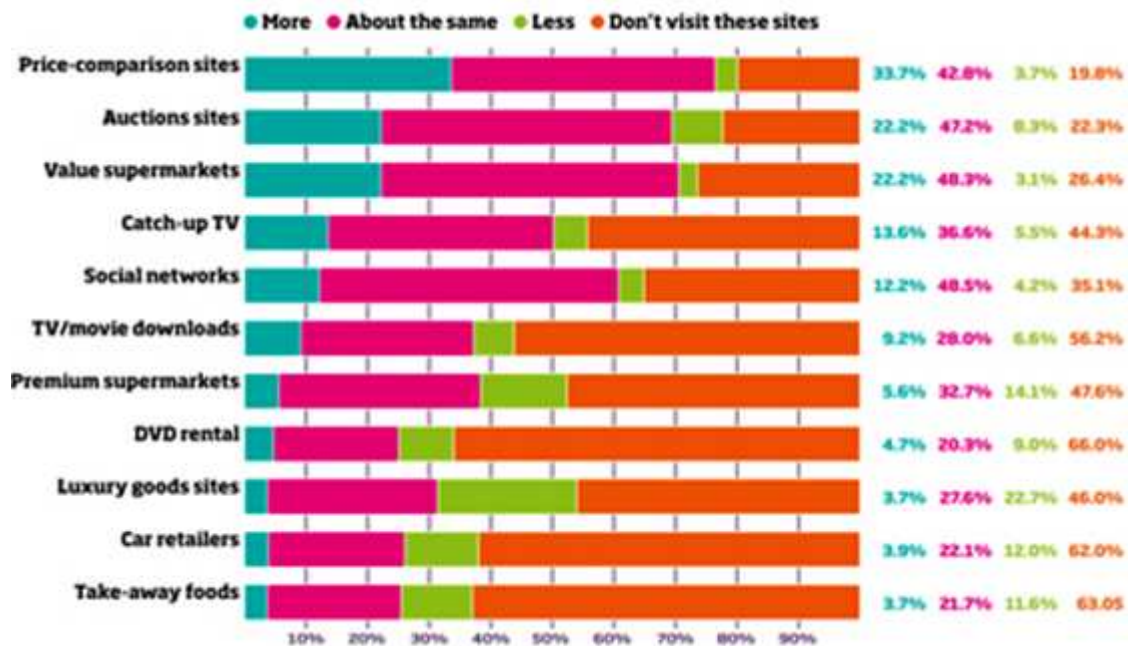
source: Lightspeed Research

2. Will you cut your spending on home internet access?



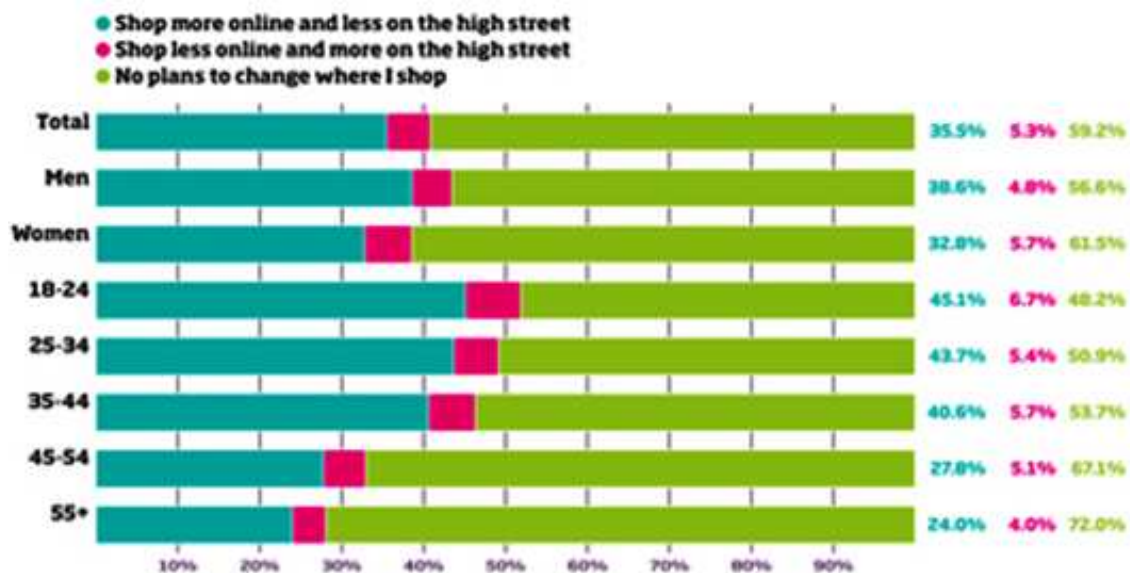
source: Lightspeed Research

3. Will you use visit these types of website more or less?



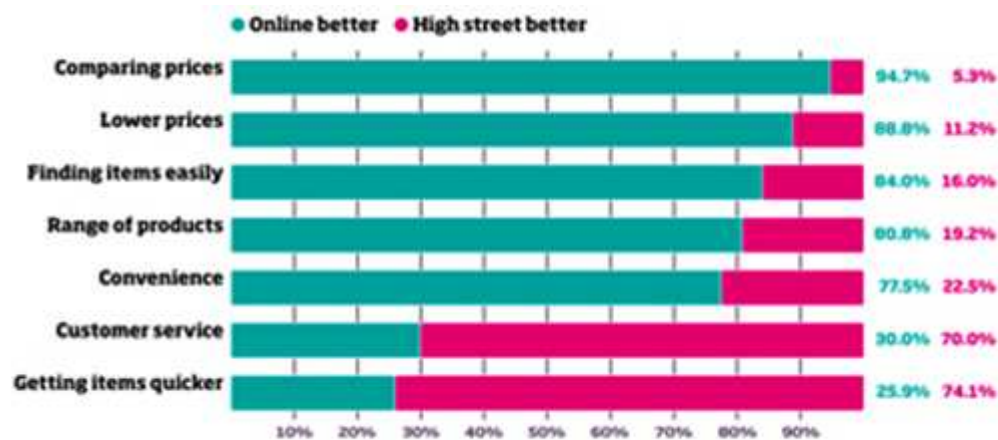
source: Lightspeed Research

4. Will you change where you shop?



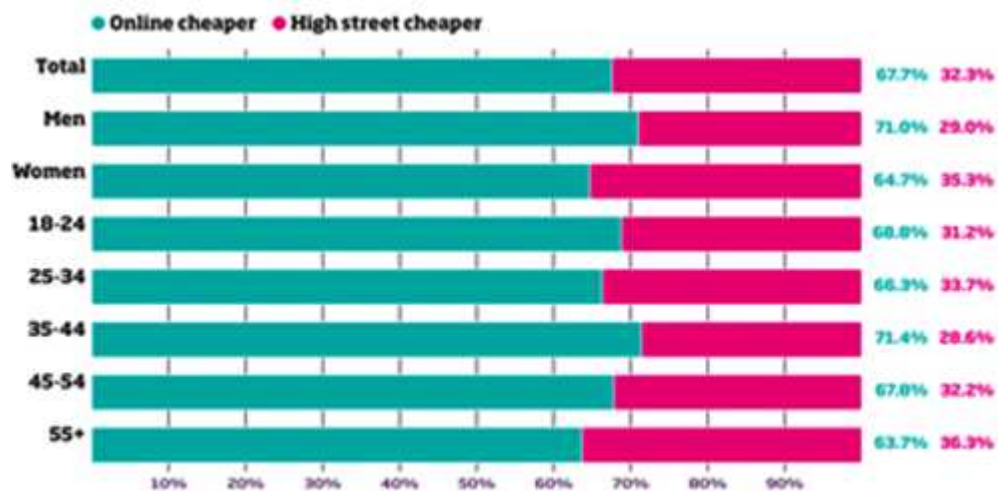
source: Lightspeed Research

5. Is online or the high street better for these factors?



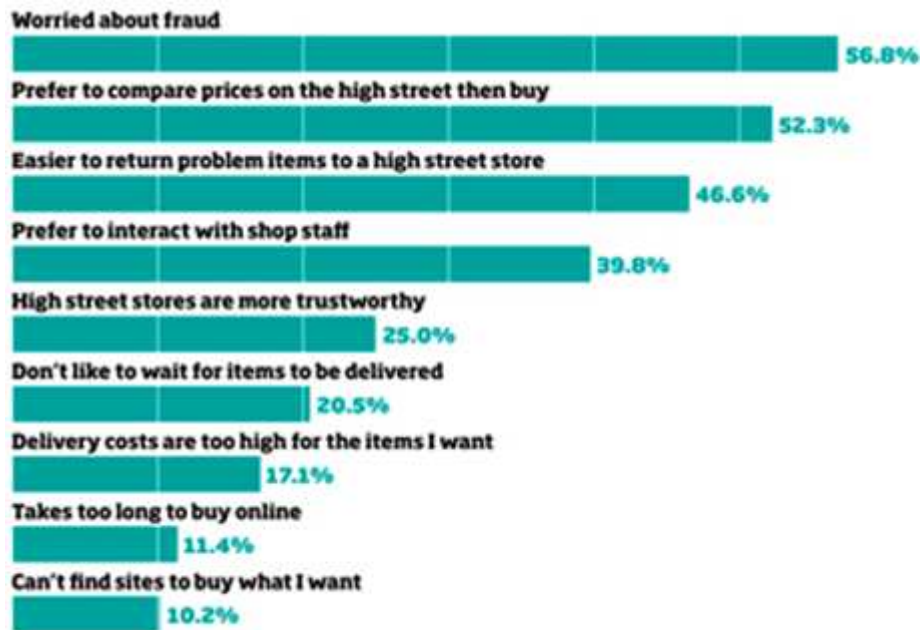
source: Lightspeed Research

6. Balancing delivery costs with transport costs, where it is generally cheaper to buy?



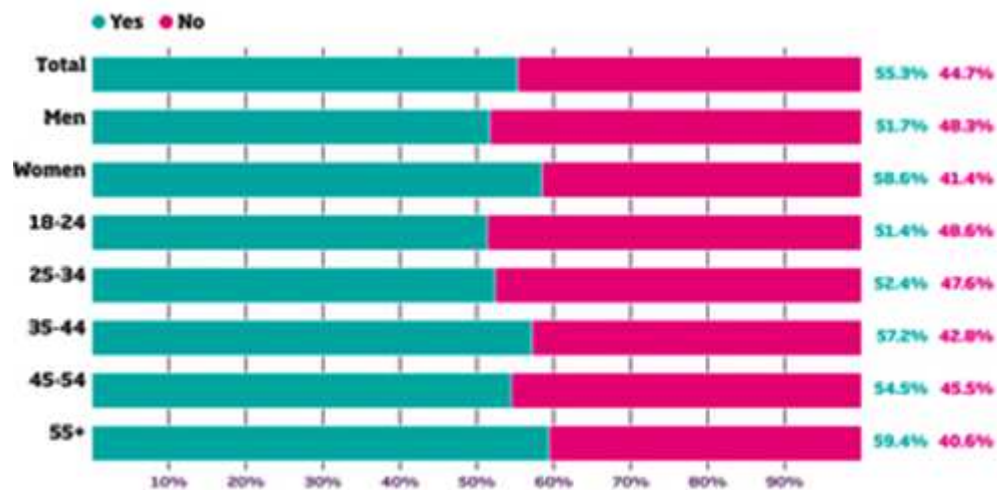
source: Lightspeed Research

7. Why do you not shop online?



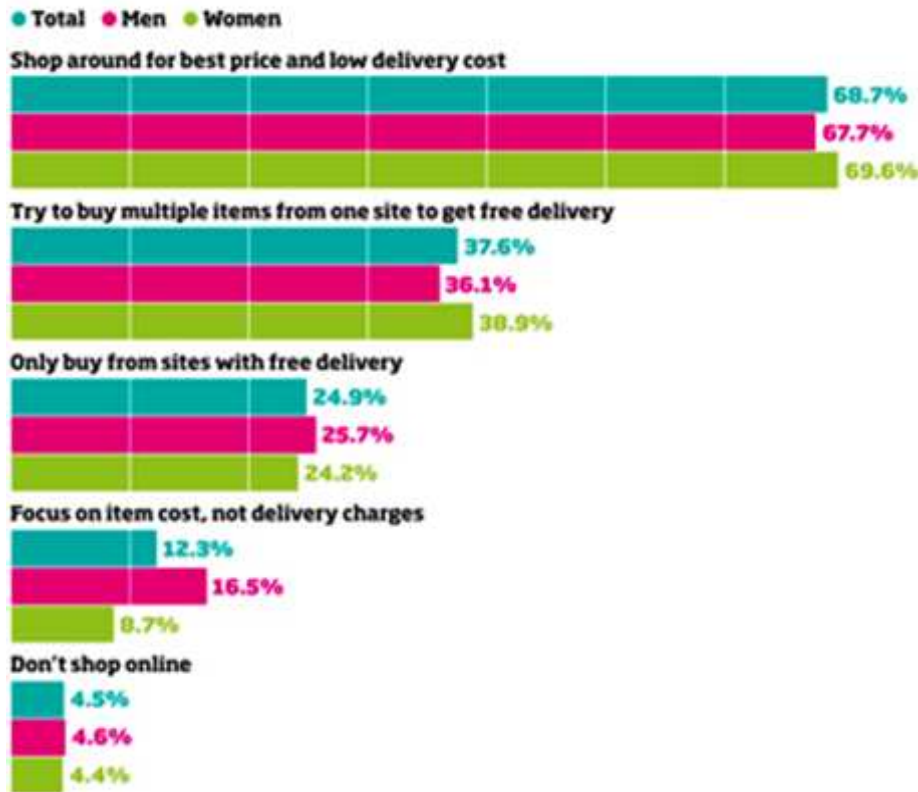
source: *Lightspeed Research*

8. Do you worry about online fraud?



source: *Lightspeed Research*

9. How do you go for shopping online?



source: Lightspeed Research

Appendix 8: PL, CFS, BS

Profit and Loss Account, EUR

Income	2011												2011	2012	2013	2014	2015	% of sales
	jan	feb	mar	apr	may	jun	2011 jul	aug	sep	okt	nov	dec		161%	110%	110%	110%	
Income from goods sold (online shop)	0	3843	5124	6405	7686	8967	8198	9223	9223	11529	12810	12810	95820	151992	167192	183911	202302	75%
Income from cooking courses	0	555	555	555	1110	1110	1110	1110	1110	1110	1110	1110	10543	15980	17578	19336	21270	8%
Income from delivery	0	443	591	739	886	1034	945	1063	1063	1329	1477	1477	11048	16431	18074	19881	21869	8%
Other income	0	0	0	417	460	835	877	1006	1338	1423	1423	1423	9201	18953	20848	22933	25226	9%
Income in Total	0	4841	6270	8116	10142	11946	11131	12402	12734	15391	16820	16820	126612	203356	223692	246061	270667	0%
Expenses																		
Direct Expenses																		
Raw materials (product purchase)	0	2306	3074	3843	4612	5380	4919	5534	5534	6917	7686	7686	57492	88156	95032	101399	107077	40%
Raw materials – cooking classes	0	194	194	194	388	388	388	388	388	388	388	388	3690	5481	5909	6305	6658	2%
Labour	0	928.4	928.4	928.4	1032	1032	1032	1032	1032	1032	1032	1032	11038	14236	16371	18827	21651	8%
Public taxes (for labour)	0	224	224	224	249	249	249	249	249	249	249	249	2659	2982	3944	4535	5216	2%
Transportation and delivery expenses	0	197	259	321	383	445	408	458	458	569	631	631	4760	7487	8221	9029	9918	4%
Fuel	0	94	125	156	187	218	200	224	224	281	312	312	2332	3699	4069	4476	4923	2%
Car maintenance and taxes	0	12	12	12	12	12	12	12	12	12	12	12	129	141	141	141	141	0%
Mail costs	0	92	123	154	184	215	197	221	221	277	307	307	2299	3647	4011	4412	4854	2%
Packaging expenses	0	40	53	66	79	93	85	95	95	119	132	132	990	1570	1727	1900	2090	1%
delivery packaging	0	20	27	34	41	48	44	49	49	61	68	68	511	810	891	981	1079	0%
packaging of spices	0	19	26	32	38	45	41	46	46	58	64	64	479	760	836	919	1011	0%
Other expenses	0	55	72	88	109	126	116	130	130	160	177	177	1339	2054	1109	1186	1257	0%
Total Direct Expenses	0	3944	4805	5665	6852	7713	7196	7885	7885	9434	10295	10295	87717	121965	132313	143181	153867	0%
													69%	60%	59%	58%	57%	

Profit and Loss Account, EUR (cont.)**Fixed Expenses**

Rent of premises	213	427	427	427	427	427	427	427	427	427	427	427	427	4909	5122	5122	5122	5122	2%
Central heating	33	67	67	0	0	0	0	0	0	67	67	67	67	368	402	402	402	402	0%
Public utilities payments	28	28	28	28	28	28	28	28	28	28	28	28	28	341	341	359	376	395	0%
Warehouse maintenance costs	0	28	28	28	28	28	28	28	28	28	28	28	28	313	341	341	341	341	0%
Administration labour costs	960	960	960	2134	2134	2134	2134	2134	2134	2134	2134	2134	2134	22090	29454	33872	38952	44795	17%
Public taxes (labour)	231	231	231	514	514	514	514	514	514	514	514	514	514	5322	6170	8160	9384	10791	4%
Health insurance	0	0	0	0	43	43	43	43	43	43	43	43	43	341	512	563	563	563	0%
Accounting, lawyer costs	0	171	171	171	171	171	171	171	171	171	171	171	171	1878	2049	2151	2259	2372	1%
IT services	142	142	142	142	142	142	142	142	142	142	142	142	142	1707	1878	2066	2273	2500	1%
Office Insurance	0	21	21	21	21	21	21	21	21	21	21	21	21	235	256	256	256	256	0%
Communication expenses	28	85	85	85	85	85	85	85	85	85	85	85	85	968	1024	1127	1240	1364	1%
Administration transport costs	28	85	85	85	85	85	85	85	85	85	85	85	85	968	1024	1024	1024	1024	0%
Other office expenses	0	57	57	57	57	57	57	57	57	57	57	57	57	626	683	751	826	909	0%
Advertising and PR expenses	0	285	285	142	142	43	43	43	43	43	43	43	43	1153	854	939	1127	1352	0%
Web page update expenses	0	71	43	43	43	43	43	43	43	43	43	43	43	498	512	563	676	811	0%
Security	0	14	14	14	14	14	14	14	14	14	14	14	14	157	171	171	171	171	0%
Other expenses	213	30	29	54	26	24	24	24	24	25	25	25	25	522	266	317	333	352	0%
Total fixed expenses	1880	2704	2675	3948	3962	3860	3860	3860	3860	3929	3929	3929	42396	51060	58185	65327	73522		

Total All expenses	1880	6648	7480	9613	10814	11573	11057	11745	11745	13363	14223	14223	130113	173026	190498	208508	227389		
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EBIT	-1880	-1807	-1210	-1497	-672	373	74	657	989	2029	2597	2597	-3501	30331	33194	37553	43279		
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Amortization	0	148	148	148	148	148	148	173	173	173	173	173	173	1754	3449	4872	4872	6579	
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PBT	-1880	-1955	-1358	-1645	-820	224	-74	484	816	1856	2424	2424	495	26882	28322	32682	36700		
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Taxes	-282	-293	-204	-247	-123	34	-11	73	122	278	364	364	74	4032	4248	4902	5505		
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Net Profit/ (Loss)	-1598	-1662	-1155	-1398	-697	191	-63	411	694	1577	2060	2060	421	22849	24074	27779	31195		
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NPM

0% 11% 11% 11% 12%

Time Period	2011												2011	2012	2013	2014	2015
Cash Flow Statement, EUR	jan	feb	mar	apr	mai	jūn	jūl	aug	sep	okt	nov	dec	total				
Cash at the beginning of the period	0	3352	3498	2565	1949	1678	2304	641	816	1805	4372	7256	0	8782	24187	31773	35244
Incoming cash flows:																	
Cash receipts from customers	0	4841	6270	8116	10142	11946	11131	12402	12734	15391	16820	16820	126612	203356	223692	246061	270667
Cash inflows from operating activities:	0	4841	6270	8116	10142	11946	11131	12402	12734	15391	16820	16820	126612	203356	223692	246061	270667
Cash receipts from increase in equity capital	12094	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash inflows from financing activities:	12094	0	0	0	0	0	0	0	0	0	0	0	12094	0	0	0	0
CASH INFLOWS IN TOTAL:	12094	4841	6270	8116	10142	11946	11131	12402	12734	15391	16820	16820	138706	203356	223692	246061	270667
Outgoing cash flow:																	
Cash paid to suppliers	688	2870	4859	5587	6499	7349	7257	7544	7774	8852	9965	10252	79496	118475	127282	135913	144060
Cash paid for inventory purchase	1138	0	0	0	0	0	0	711	0	0	0	996	2846	1562	344	318	3130
Cash paid to employees	656	1825	2344	3145	3871	3929	3929	3929	3929	3929	3929	3929	39341	52576	62042	71348	82050
Other operating expenses	0	0	0	0	43	43	43	43	43	43	43	43	341	512	563	563	563
Income taxes paid	0	0	0	0	0	0	0	0	0	0	0	74	74	4032	4248	4902	5505
Interests paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash outflows from operating activities:	2482	4695	7203	8732	10413	11320	11229	12227	11745	12823	13936	15293	122098	177158	194479	213045	235308
Cash paid for purchase of fixed assets	6261	0	0	0	0	0	1565	0	0	0	0	0	7826	6403	7114	4126	8537
Cash outflows from investing activities:	6261	0	0	0	0	0	1565	0	0	0	0	0	7826	6403	7114	4126	8537
Cash paid for repayment of loans	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash paid for dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	4391	14512	25419	28195
Cash outflows from financing activities:	0	0	0	0	0	0	0	0	0	0	0	0	0	4391	14512	25419	28195
CASH OUTFLOWS IN TOTAL:	8742	4695	7203	8732	10413	11320	12794	12227	11745	12823	13936	15293	129924	187952	216106	242590	272041
Cash at the end of the period	3352	3498	2565	1949	1678	2304	641	816	1805	4372	7256	8782	8782	24187	31773	35244	33871

Balance Sheet, EUR

Assets	2011 jan	2011 dec	2012	2013	2014	2015
Cash and Cash Equivalents	12094	8782	24187	31773	35244	33871
Accounts Receivable	-	-	-	-	-	-
Inventory	2846	2846	4408	4752	5070	8200
Total Current Assets	12094	11628	28595	36525	40314	42071
Net Fixed Assets	3557	9630	12584	14826	14081	16039
Intangibles	-	-	-	-	-	-
Total Long Term Assets	3557	9630	12584	14826	14081	16039
<u>Total Assets</u>	<u>15652</u>	<u>21258</u>	<u>41178</u>	<u>51351</u>	<u>54395</u>	<u>58110</u>
Liabilities and Equity						
Accounts Payable	0	3417	4614	4920	5253	5565
Accruals	-	-	-	-	-	-
Deferred taxes	0	1768	2033	2338	2689	3092
Dividends payable	0	4391	14512	25419	28195	27097
Total Current Liabilities	0	9576	21160	32677	36137	35753
Contributed Equity	15652	15652	15652	15652	15652	15652
Reserves	-	-	-	-	-	-
Retained Earnings	421	-3970	4367	3023	2607	6705
Total owners equity	15652	11681	20019	18674	18258	22356
<u>Total Liabilities and Equity</u>	<u>15652</u>	<u>21258</u>	<u>41178</u>	<u>51351</u>	<u>54395</u>	<u>58110</u>
ROI		2%	55%	47%	51%	54%