



**Investigation of the opportunity for Foodnet Zrt.  
to launch a distributor branded coffee product in the  
Hungarian market – Analysis of the company’s  
current business model and identification of  
potential diversification strategies**

Barbara Anna Emori

57487

Master's in Management

**Work project carried out under the supervision of:**

**Advisor:** Professor Roberto Ragozzino

**Reading observations for jury:** The different parts are marked with respective headers. The general similarity score for the entire paper is around 7%.

A Work Project, presented as part of the requirements for the Award of a Master's degree in  
Management from the Nova School of Business and Economics.

INVESTIGATION OF THE OPPORTUNITY FOR FOODNET ZRT. TO LAUNCH A  
DISTRIBUTOR BRANDED COFFEE PRODUCT IN THE HUNGARIAN MARKET –  
ANALYSIS OF THE COMPANY'S CURRENT BUSINESS MODEL AND  
IDENTIFICATION OF POTENTIAL DIVERSIFICATION STRATEGIES

Barbara Anna Emori (57487)

Work project carried out under the supervision of:

Professor Roberto Ragozzino

15-07-2024

**Abstract:** This thesis investigates the potential of Foodnet Zrt. to launch a distributor-branded coffee product in the Hungarian market. The analysis includes a comprehensive examination of Foodnet's current business model and resources, as well as studies of the conditions of the Hungarian market. A target segment, product specifications, and a market entry strategy are developed using market data, consumer behaviour studies, and a competitive landscape analysis. The thesis concludes that a well-executed launch of a distributor branded coffee product can enable Foodnet to diversify its revenue streams and capitalise on market opportunities in Hungary.

**Keywords:** Coffee, Hungary, Distribution, Retail

**Acknowledgements:** The group would like to thank Professor Roberto Ragozzino, who has always provided motivating and constructive Feedback and enriched this work project. The team would also like to extend its gratitude to the interviewees, who provided critical information that greatly contributed to the present work's results.

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

## Table of Contents

<b>1. Company and Market Overview .....</b>	<b>2</b>
1.1 Introduction to Foodnet Zrt. ....	2
1.2 Identification of Value Creation Capabilities .....	3
1.3 Introduction to the Domestic Market.....	5
<b>2. Identification of Growth Necessities Through Analysing the Current Business Model and its External and Internal Limitations.....</b>	<b>7</b>
<b>3. Identification of growth and value-creation opportunities .....</b>	<b>10</b>
<b>4. Definition of Target Segment and Company’s Positioning.....</b>	<b>13</b>
<b>5. Product Specifications .....</b>	<b>14</b>
<b>6. Go-to-Market Strategy .....</b>	<b>17</b>
6.1 Market Entry Strategy.....	17
6.2 Marketing Strategies .....	18
<b>7. Risk Assessment and Development of Mitigation Approaches .....</b>	<b>19</b>
<b>8. Preliminary Financial Assessment .....</b>	<b>25</b>
<b>9. Execution Steps .....</b>	<b>28</b>
<b>10. Conclusion.....</b>	<b>30</b>
<b>11. Reference List .....</b>	<b>33</b>
<b>12. Appendix .....</b>	<b>35</b>

**List of Figures**

Figure 1: SWOT Analysis of Foodnet - Strengths

Figure 2: GfK Purchasing Power Index for Europe 2023

Figure 3: Demonstration of the BCG Matrix

Figure 4: SWOT Analysis of Foodnet - Weaknesses and Threats

Figure 12: Market Entry Risk Assessment

Figure 13: Market Entry Risk Assessment Matrix

Figure 14: Average Risk

Figure 15: Cost Factor Analysis

Figure 16: Business Life Cycle

## **1. Company and Market Overview**

### **1.1 Introduction to Foodnet Zrt.**

Foodnet Zrt. is a Hungarian food distribution company established in 2009. It provides comprehensive services related to product distribution, including importation, listing, supplying and placement in retail chains. Additionally, it engages in brand building, organisation, and the implementation of marketing activities. Currently, the company represents 25 brands, and the portfolio is mainly divided into two segments: fresh foods, such as dairy products, and dry foods, covering primarily muesli and snacks. Examples of their best-selling brands for which Foodnet has exclusive distribution rights in Hungary include Müller, mainly known for its yoghurts and rice puddings, and Arla, which manufactures cheeses, cream cheeses and the Lurpak butter. The company has seen its revenue grow nearly fivefold since its establishment in 2009, surpassing 11.4 billion forints (29.3 million EUR) in turnover in 2022 (Foodnet Zrt. 2023). Furthermore, the company has established a strong presence across all major fast-moving consumer goods (FMCG) retail chains, including leading industry players such as Lidl, Spar, Tesco, Coop, and CBA (Appendix 1). On a national level, the company delivers 9,500 tons of goods annually, and its products are available at 4,500 brick-and-mortar locations (Foodnet Zrt. 2023).

## 1.2 Identification of Value Creation Capabilities

The company's value creation lies on several key pillars, including its logistics expertise, retail integration network, exposure to market insights, and data-driven decision-making alongside domestic marketing support with a strong brand representation.

Logistical expertise lies in handling chilled goods with short shelf life, and Foodnet must overcome significant challenges. The company must anticipate the precise amount a supermarket chain will likely sell in advance, highlighting the complexity and capital-intensive nature of the business model. Foodnet collaborates with logistics company Kühne+Nagel to streamline processes for large brands efficiently. They have a comprehensive logistics network that covers international transport, warehousing, and national distribution. One of the reasons for their successful partnership is a precise IT interface with the continuous communication of several fundamental data indicators. Furthermore, there is daily communication between the two companies regarding key areas, including warehouse operations, co-packing, international shipping, and reacting to the daily movement of goods and orders (Keller 2024).

Foodnet's strategic advantage is reinforced by its comprehensive integration with all major retail chains across Hungary. This has been achieved through establishing solid partnerships over several years, during which Foodnet has consistently delivered reliable service and participated in collaborative growth initiatives. The company's sales force covers modern and traditional trade, visiting more than 800 shops in modern trade and over 2,000 in traditional trade weekly, allowing Foodnet to maintain a pervasive market presence (Foodnet Zrt. 2023). This extensive coverage includes hard discounters,

international supermarkets, national and regional chains, petrol stations, drugstores, and wholesalers.

Being a strong player in the industry for 15 years also provides Foodnet with unique market insights, allowing the company to anticipate supply dynamics shifts and proactively address emerging market trends. Furthermore, they monitor trends at foreign exhibitions and try to respond sensitively to changes in consumer preferences. "We need to get into elevators that are going up," says Viktor Kovács, CEO of Foodnet (BÉT 2023).

A key factor in Foodnet's sustained market leadership is its emphasis on data-driven decision-making. By leveraging comprehensive retail data, Foodnet quickly identifies potential market opportunities and adapts to changing consumer preferences.

Furthermore, Foodnet actively participates in the domestic marketing and distribution of its products and believes in joint brand-building with manufacturers. "We don't just sell products; we essentially maintain brand representation, which adds value", said V. Kovács (BÉT 2023). The company's marketing department notes that Hungarian consumers prefer interactive and tangible promotional strategies for food purchases. Demonstrations involving product sampling and distribution of informational leaflets have emerged as the most effective promotional techniques. This approach is evidenced by the success of Müller Riso, which achieved a 60% market share in its category during the first quarter of 2022. Moreover, Foodnet has demonstrated its ability to educate and cultivate its customer base, as evidenced by the successful launch of the plant-based brand Alpro, which captured a 58% share of the alternative milk market in 2018 (Cul 2024).

SWOT - Analysis		
Strengths	<b>Logistics Expertise</b>	Demonstrates expertise in logistical capabilities in managing chilled goods with limited shelf lives, addressing significant operational challenges within a capital-intensive business model
	<b>Retail Integration</b>	Possesses a well-established distribution network and retail presence across all major chains in Hungary
	<b>Market Insights</b>	With 15 years of industry experience, Foodnet has profound market insights, enabling the company to anticipate and adapt to market shifts and emerging trends effectively
	<b>Data-Driven Decision Making</b>	Capitalizes on extensive retail data analytics to swiftly identify and exploit market opportunities, facilitating agile and informed decision-making processes
	<b>Extensive Sales Force Coverage</b>	Maintains extensive market presence through a dedicated sales force, covering over 800 modern trade outlets and more than 2,000 traditional trade outlets weekly
	<b>Marketing Expertise</b>	Actively engages in domestic marketing and co-branding initiatives with manufacturers, significantly enhancing brand representation and value creation
	<b>Supplier Relationships</b>	Maintains strong relationships with suppliers, ensuring a reliable supply chain and the potential for favourable trade terms
	<b>Skilled Workforce</b>	Employs a team of highly skilled employees, contributing to the company's reputation for quality and efficiency
	<b>Innovation Readiness and Eagerness</b>	Willingness among the owners to invest in new ventures and develop proprietary brands, suggesting a proactive approach to business growth

Figure 1: SWOT Analysis of Foodnet - Strengths

Source: Own Illustration based on Findings and Appendix 10

### 1.3 Introduction to the Domestic Market

With regard to the Hungarian food industry, “customers’ primary objective is to obtain products at the lowest possible price” says B. Cul (2024), head of purchase at Foodnet, adding that “Hungarians are highly price-sensitive, with even a few hundred Forints (€0.5 – €1) being sufficient to influence their purchasing decisions” (Cul 2024). The data underlies his statements as according to a 2021 research Hungarians have one of the lowest levels of disposable income with only €9,375 compared to the European Union (EU) average of €18,019 (Barabás 2023). Furthermore, market research conducted by GfK Hungária Piackutató concludes that Purchasing power in Hungary is almost 39% lower than the European average, with €10,834 per capita a year in comparison to the EU average amount of €17,688 per capita (GfK 2023).

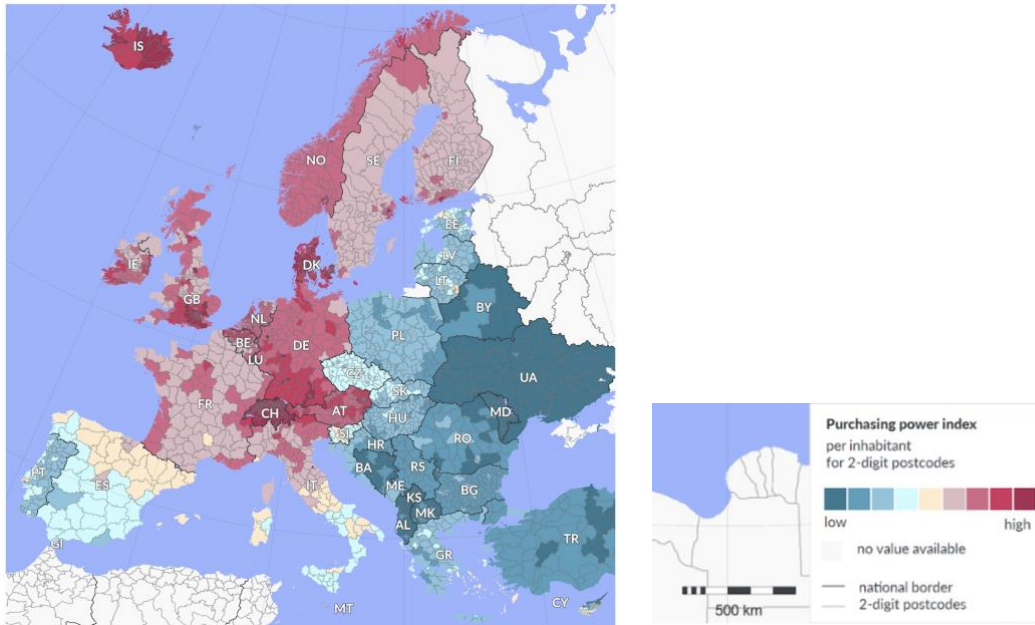


Figure 2: GfK Purchasing Power Index for Europe 2023

Source: GfK (2023)

The primary drivers of these trends were the three years from 2021 to 2023. During this period, continued pandemic-related impacts, geopolitical tensions, and specific domestic policies collectively contributed to rising inflation rates. The most significant impact for Foodnet was related to the government introducing price caps on certain essential food items, including sugar, wheat flour, and sunflower oil (EC 2023). The policy aimed to lighten the financial burden on consumers and stabilise market conditions. However, it led to distortions in the market, such as shortages and reduced business profit margins. Furthermore, the challenges in domestic agriculture have led to an increased dependence on imported goods. However, the Hungarian Forint has depreciated by up to 20% compared to the Euro and US Dollar over recent years, leading to an increase in the cost of imports, further contributing to inflationary pressures in an already high inflation environment (MNB 2022).

Viktor Kovács believes that from 2025, Hungary can expect purchasing power to increase again if wage increases surpass the inflation rate. This will drive consumption upwards again, which will also be reflected in product sales. "I expect that by 2026-27, we will see the volumes of 2021 again," he says (BÉT 2023).

Therefore, it can be concluded that Foodnet operates in an environment highly exposed to external factors that influence domestic spending patterns, ultimately affecting Foodnet's revenues. Furthermore, consumers have a high bargaining power over both retailers and suppliers as they will quickly change their purchasing habits upon experiencing economic restraints such as high inflation.

## 2. Identification of Growth Necessities Through Analysing the Current Business Model and its External and Internal Limitations

The company operates under a cash cow business model, meaning that the company has a firm hold on the market but has a low growth rate opportunity and the inability to innovate, as seen in Figure 3. Regardless of Foodnet being the exclusive distributor of 25 foreign brands in the Hungarian market and possessing a 90% market coverage in the dairy sector solely depending on one model could be a dangerous strategy in the long run especially as the company is exposed to several external threats and possess internal weaknesses (Cul 2024).

		Market Share	
		High	Low
Market Growth Rate	High	Star	Question Mark
	Low	Cash Cow	Dog

Figure 3: Demonstration of the Boston Consulting Group (BCG) Matrix

Source: BCG (2024)

As demonstrated under section 1.3, from an external point of view, Foodnet is facing significant pressure due to the price-sensitive nature of domestic consumers and its exposure to neighbouring countries. As Foodnet is traditionally dealing with premium brands which have a higher price than, for example, private label products of a supermarket chain, any downturn in purchasing power becomes quickly visible in the sales numbers (Appendix 3). Therefore, the economic instability and the need for the domestic customer base to reduce spending have developed into a threat to Foodnet. Reduced disposable income could shift preferences from foreign premium products towards cheaper domestic or private-label products.

Further threats include retailers' significant leverage, often pushing for price reductions multiple times a year. Foodnet must adeptly balance these demands against the necessity of maintaining profit margins amongst inflationary pressures. As B. Cul (2024) notes, "all products are replaceable", underscoring the critical need for Foodnet to remain competitive through strategic pricing and efficient supply chain management.

Moreover, Hungary uses the Hungarian Forint, but Foodnet executes most of its business in Euro due to its international Euro-based partners. Therefore, the company must calculate the risks of currency fluctuations. To prevent unaccounted costs, the company has to strategically define a EUR/HUF exchange rate at the start of each operational year to set prices and margins accordingly. Furthermore, in accordance with this, the company also engages in forward transactions as part of its hedging strategy (Keller 2024).

From an internal perspective, one of Foodnet's key challenges is its heavy reliance on just a few of its leading suppliers. Müller, a German company specialising in dairy

products, is responsible for 35% of Foodnet's revenue. Moreover, Danish Arla's cheese and other dairy products account for an estimated 12% of the company's revenue (Cul 2024). Therefore, if these two dairy companies stopped doing business with Foodnet, they would lose 47% of their total revenue. Furthermore, as both suppliers operate in the dairy sector, any significant harm involving dairy producers would also strongly affect Foodnet.

Additionally, Foodnet not only has a diversification problem within its product portfolio but is also a distributor solely in Hungary, posing geographical limitations. The company's core clients are established brands, which typically have a different exclusive distributor in each country, restraining the opportunity for Foodnet to bring their business across the borders of Hungary and supply other Central and Eastern European countries. Furthermore, as one of the critical assets of Foodnet is its extensive market knowledge and the experience of the long-lasting core team, these advantages could not be transferable to another country's market due to its unique operational specificities. Given the limited size and concentration of the Hungarian market, the potential for volume growth is limited.

Therefore, reflecting on the above threats, limitations and weaknesses paired with the understanding of Foodnet's current business model being a cash cow it is proven inevitable for the company to diversify their product range and operational foray in order to limit their exposure to external threats and mitigate several of their internal weaknesses.

SWOT - Analysis		
Weaknesses	<b>Geographic Limitation</b>	Operations are confined to Hungary, which poses limitations on growth given the country's smaller size and economic status within the EU
	<b>Vulnerability of the Model</b>	Heavy reliance on importing foreign products as the primary business model suggests a vulnerability to market shifts and import regulations
	<b>Portfolio Risks</b>	Significant dependency on a few key brands such as Müller and Arla may present a risk should any issues arise with these suppliers
	<b>Economic and Political Uncertainty</b>	Macro-economic and government focus on the retail sector could introduce regulatory challenges or shifts in the business environment that may not be favourable.
Threats	<b>Leverage of Retailers</b>	Leverage held by retailers forcing Foodnet to frequently reduce prices
	<b>Economic Instability</b>	Deteriorating economic conditions and reduced disposable income among consumers could shift preferences towards cheaper domestic or private-label products
	<b>Supplier Dependence</b>	Arla or Müller experiencing adversity, such as quality control issues could impact the company's reputation and revenue
	<b>Currency Fluctuation</b>	Volatility in currency exchange rates, particularly between the Euro and Hungarian Forint
	<b>Talent Retention</b>	Reliance on several key employees who are difficult to replace. Losing such employees could disrupt operations and affect the company's performance.
	<b>Competitive Pressures</b>	Facing threats from competitors, particularly if key brands are acquired by larger companies with their own distribution networks

Figure 4: SWOT Analysis of Foodnet - Weaknesses and Threats

Source: Own Illustration based on Findings and Appendix 10

### 3. Identification of growth and value-creation opportunities

Foodnet's current growth strategy is focused on market penetration. This approach has resulted in Foodnet being part of the top three dominant packed food distributors in Hungary (Foodnet Zrt. 2021) with a steady income, as evidenced by its classification as a 'Cash Cow' in the Boston Consulting Group (BCG) Matrix (Figure 3). However, as stated, the potential for significant innovation and growth through this strategy is limited primarily due to the scarcity of available and untapped high-volume product categories that would fit the criteria of Foodnet to be eligible for distribution in the Hungarian market. Therefore, it is crucial to explore other strategies for growth.

The top management and owners of Foodnet have recognised this. After several discussions with key personnel at the company, including B. Cul (2024), they have highlighted the company's active pursuit of markets with high sales volume and revenue share. One is the beverage sector, specifically coffee (Cul 2024). This decision was derived from a short analysis of the sector, which showcased a diverse market that offered

a broad spectrum of product categories and robust growth projections. Research reveals a forecasted revenue of €428.0 billion in 2024, with a compounded annual growth rate of 4.43% from 2024 to 2028 for the European coffee market (SCW 2024). Furthermore, the European market is anticipated to play a significant role in this expansion, accounting for approximately one-third of the global market revenue (SCW 2024).

These market outlooks present a strategic opportunity for Foodnet to deploy its strong distribution network and market insights to establish a new distributor-branded coffee brand. By doing so, Foodnet will be able to carve out a niche within the competitive market, diversify and broaden its product offerings to encompass emerging consumer preferences, and enhance its market position.

Combining these market insights and growth potential with Foodnet's expressed interest in expanding their current horizontal integration and considering vertical integration leads to the conclusion that Foodnet should now prioritise product development by investing in creating and distributing their distributor-branded product in the beverage sector (Cul 2024). With this strategy, Foodnet would have the ability to introduce unique offerings that are entirely under its control. This move would not only differentiate Foodnet from competitors but also potentially elevate its growth rate beyond the current 10-12% per annum and lower the company's exposure to the economic volatility of the domestic market as well as its significant dependence on its two key partners, Müller and Arla (Cul 2024). Furthermore, introducing distributor-branded products would place Foodnet in the BCG matrix's 'Question Mark' category, indicating a high growth potential (Figure 3).

Furthermore, by integrating products the company controls into its portfolio, Foodnet can explore market development opportunities by expanding its geographical reach. Partnering with local distributors who possess market expertise similar to Foodnet in Hungary can enhance the success of their branded products in foreign markets. Additionally, leveraging its products for international expansion allows the company to gain valuable market insights and identify potential future gaps and inefficiencies to exploit. This expansion would enable Foodnet to capitalise on unexplored markets, thereby increasing the overall market share and revenue streams and eliminating their weakness of a rigid portfolio and geographical constraints.

To further investigate this diversification strategy, Foodnet requires a detailed outline of the coffee industry, an analysis of the domestic market, and an exploration of company resources. Moreover, to successfully integrate their own branded coffee product into their portfolio, they also require a go-to-market strategy.

#### **4. Definition of Target Segment and Company's Positioning**

Based on the comprehensive analysis of the Hungarian coffee market and consumer preferences, it is recommended that Foodnet positions itself as a player in the retail sector and thus target the at-home consumption market. Engaging in this segment, responsible for 86% of sales and serving around 2.76 million consumers (ECF 2023), gives Foodnet the biggest exposure to consumers at a growing rate. Targeting specific income brackets or geographical segments is unnecessary as coffee is consumed evenly throughout income brackets and geographically (SCI 2023). Even though out-of-home consumption is experiencing a higher allocation of consumer funds, the segment is still considerably smaller, and a clear preference among Hungarian consumers for at-home coffee consumption is observable. Additionally, Foodnet could not leverage its previously mentioned strengths. Foodnet is urged to focus on cost leadership and target the lower-price segment in the range of brand products. This is based on two major factors. The primary one is that the average Hungarian consumer is highly price sensitive, and a lot of their purchasing decision come down to the price point (Cul 2024). The second factor is that one of the company's core aims and strengths is to operate as (cost-) efficient as possible and be able to provide products at minimal cost (Cul 2024), making the targeting of the low-price segment for the brand products a logical consequence. Therewith, Foodnet can leverage the current reduction of disposable income in Hungary, which shifts preferences away from foreign premium products towards cheaper domestic or private-label products, as mentioned in section 2.2. By focusing on products in the low-price segment, Foodnet caters to the broadest consumer base, who are looking for value-for-money coffee options. It must be ensured that Foodnet does not directly compete with low-price private-label coffee products. Cul (2024) states that retailer will not

## Group Part

intentionally create competition for their products. Hence, Foodnet should stay in price ranges where other brands operate.

Based on the offerings in retail stores, beans (35%), ground (34%), and instant coffee (31%), the segments based on type are of comparable size. Foodnet should target the bean and ground coffee segments. According to the mentioned factors, the proposed target segment for Foodnet includes around 1.91 million inhabitants. This is supported by A. Reyelt's (2024) statement that instant coffee is not of significance in Hungary. He, however, mentions that special instant coffee with 3in1 (coffee, whitener, sugar) or 2in1 (coffee, whitener) options are gaining some market share. This trend should be observed for potential future product palette expansions. Furthermore, the production of instant coffee adds another stage to the supply chain, tying up resources which could be used at different stages.

## **5. Product Specifications**

Given the target segment and resources, Foodnet should focus on specific product specifications for the domestic market entry. Regarding product quality and taste, using a uniform and repeatable basis of raw coffee is important. Commercial coffee qualities will be of use for this specific product aimed at the lower end of the cost spectrum. A. Reyelt (2024) recommends using Brazilian and Vietnamese coffee qualities. Based on this, three blends suitable for the targeted segment are proposed. All blends are composed of Brazilian Arabica and Vietnamese Robusta coffee. Brazil is the largest, and Vietnam is the second largest coffee exporter globally (ICO 2024). They produce large quantities of commercially used coffee, which comes at relatively low prices due to its ample and consistent supply. Generally, Robusta coffee, due to its less distinct and pungent earthy taste, is priced at a discount as compared to Arabica, which tastes more delicate. Proposed

## Group Part

blends are based on A. Reyelt's long coffee experiences and resemble products sold to clients in demographically similar markets. The first blend is 100% Vietnam Robusta, the second 80%, and the third 70%. Brazilian Arabica fills the remaining balance. The first blend would be the cheapest, with blends two and three slightly more expensive (Reyelt 2024). Once the launch product has been well received, Foodnet can introduce variety by introducing different roast profiles (light, medium, dark) to cater to different consumer taste preferences and consumption habits.

Interest towards Fairtrade-certified and responsibly sourced coffee is increasing in the Hungarian market. In the future, Foodnet should consider adding Fairtrade-certified coffee, besides commercial options, to their product palette to capitalise on this trend. Sourcing Fairtrade coffee options comes at a higher price point as these can only be purchased including a Fairtrade premium. Consequently, the retail price will be higher. Fairtrade coffee only amounts to 0.5% of Hungarian retail sales in 2024 (SMI 2024), which is why this segment should not be prioritised as of now but should be observed to capitalise on future growth opportunities within the Hungarian coffee market effectively. Also A. Reyelt (2024) states that, while competitive pricing is key, quality and sustainability aspects are becoming more critical. If launched later in the venture, a certified product should be focussed on larger cities like Budapest, where spending potential exceeds the national average (GFK 2023).

Regarding package design, B. Cul states that Hungarians prefer big packages in their purchasing decisions (2024). This, subconsciously, poses a greater value-for-money deal to the consumer. Cul also states that packages must be charming in design (2024). According to this, Foodnet's packaging design should be inspired by brands that are well-received in the target market. Building on this, the company can celebrate its Hungarian

## Group Part

roots, appealing to the local consumers' pride and preference for domestic brands, according to A. Reyelt (2024), this positioning strategy would be optimal to compete against multinationals. He also states that only a few domestic brands with more than a marginal market share exist, which points to few offerings with similar attributes.

Being imported from exotic origins, coffee allows for storytelling around the product, which can differentiate it from competitors. As previously mentioned, only 34% of coffee consumers are brand loyalists (Gaál 2021). With a unique and intriguing design, Foodnet has a large potential to appeal to potential customers of the remaining 66%. A. Reyelt (2024) states that besides one known local brand called Mocca Negra, few domestic coffee brands with significant market share exist, giving Foodnet a window of opportunity when choosing domestic brands.

Foodnet's value proposition arises through different factors. The company caters for the discerning, cost-conscious Hungarian consumer by offering a product of good quality, value for money, and heritage of a Hungarian national brand. The proposed product should be competitively priced while not compromising quality. The launch product is sourced from a large, reliable trade house in Germany. Also, raw coffee is roasted in German facilities. This underscores the products quality aspects and provides Foodnet with reliable partners (Reyelt 2024). With this approach, Foodnet ensures that their consumers enjoy a quality experience at a lower cost than known multinationals like Tchibo or local brands like Mocca Negra. Foodnet emphasises its Hungarian heritage, aligning with local consumers' preferences and aiming to appeal to national brand pride. The package design of Foodnet's coffee product will portray quality at an affordable price with a strong brand, addressing the core priorities of the defined target market segment.

## **6. Go-to-Market Strategy**

### **6.1 Market Entry Strategy**

The success of Foodnet's venture to launch its own distributor branded coffee label rests on the execution of a strategic go-to-market plan that aligns with the company's robust distribution network, including partnerships with the top retail chains. The strategy involves capitalising on the company's reputation by ensuring the new coffee product is listed and prominently displayed in these retail stores, where 86% of Hungary's coffee sales occur (ECF 2023).

Further steps include extending its reach into all sizes of retail chains and drugstores. As Foodnet's sales force already covers all possible clients with the capability of ordering at least €100 worth of products in one bundle, the distributor branded product can also gain market visibility in smaller-sized stores (Foodnet Zrt. 2023). Moreover, drugstores also present a promising market opportunity. While accounting for a smaller volume of orders, they still hold considerable influence and market share in the domestic FMCG retail chains. According to the 2022 FMCG retail chain rankings DM, Rossmann, and Müller grossed a total sales revenue of € 385.4 million, €343.9 million, and € 223.6 million, respectively (Németh 2023). Furthermore, DM took 10th place, Rossmann 11th, and Müller 14th in the rankings, alongside the biggest supermarket chains in Hungary, such as Lidl, Spar, and Tesco (Németh 2023). However, this market segment could only be conquered after being visible in bigger supermarkets as B. Cul (2024) highlighted that drug stores require the first step of trust and visibility before listing any product in their stores. Furthermore, smaller-sized retail stores also react to trends and customer demands. Therefore, they would be more willing to order a product already known among customers. Consequently, to carve out a successful entry into the mentioned speciality

## Group Part

channels, the initial strategy will be to build a strong presence in larger retail stores to facilitate market visibility and brand recognition amongst the domestic customer base.

### **6.2 Marketing Strategies**

Upon successfully listing the new product, the company must support and initiate its promotion through several self-funded marketing campaigns. The marketing tactics that Foodnet could adopt are threefold, encompassing in-store campaigns, community engagement, and digital marketing. The main component and pillar of the success is the in-store sampling as one of Foodnet's owners stated that the price-sensitive nature of the Hungarian market makes in-store demonstrations and sampling a vital tactic for product introduction (Keller 2024). Appendix 6 demonstrates real-life examples of campaigns run by Foodnet for a variety of their products.

Another key factor in the successful execution of these demonstrations is to pick the ideal stores and time slots for sampling activities to be carried out. Based on the strongest purchasing power by county, ideal locations should be in the country's capital, Budapest, where spending potential is 29% higher than the national average of €14,020 (GFK 2023). Other possibilities would be picking the five other counties, seen in Appendix 7, that performed above the national average in terms of their purchasing power, all located around the capital or close to the Austrian border (GFK 2023). Furthermore, targeting lunchtime and after-work hours could bring in the most potential customers for sampling.

Furthermore, another marketing possibility for Foodnet would be community engagement, which has already proven very successful when introducing the Alpro alternative milk products, achieving a 58% market share in 2018 in the alternative milk

## Group Part

category (Foodnet Zrt. 2023). It is vital for the company to find and target events that will provide significant exposure to its targeted market and create visibility. However, as mentioned before and highlighted by F. Keller (2024), the straightest way to the shopping carts of Hungarians is through sampling (Keller 2024). Therefore, Foodnet could sponsor events, display their new products, and offer sampling at such gatherings.

Another popular and effective approach the company could employ is digital marketing initiatives. More precisely, the main areas Foodnet should focus on are influencer partnerships and targeted online advertising. Collaborating with lifestyle influencers, particularly those who share their daily routines, provides an authentic platform to subtly promote the coffee product and create further brand awareness and curiosity. Subtle promotion is a key factor for the Hungarian customer market as 26% of consumers use ad blockers and 58% are often annoyed by advertising on the internet (SCDH 2023). For increased online visibility, the influencer strategy should be supplemented with targeted online ads primarily on Facebook and YouTube as 93% and 78% of the domestic social media users are present on these two platforms respectively (SCDH 2023).

## **7. Risk Assessment and Development of Mitigation Approaches**

With its potential business expansion, Foodnet is facing a multitude of risks when pursuing the new venture. These can be allocated to five rather broad clusters: (1.) Financial risks, (2.) Operational risks, (3.) Strategic risks, (4.) Compliance risks, and (5.) Reputational risks. The risks are defined and described in Figure 12. Initial mitigation approaches are raised together with B Cul to prepare and counter the scenario of occurring risks. The risks are ranked based on their likelihood of occurrence combined with the expected business impact and are mapped in the matrix displayed in Figure 13. Based on

## Group Part

the risk assessment, Foodnet’s new sales team can prioritise their attention according to the matrix.

Market Entry Risk Assessment					
Cluster	Risk	Likelihood x Impact	Risk Description	Possible mitigation strategies	
R1	Strategic Risk	Identifying and understanding the target market	1x4 = Medium 4	Risk associated with inaccurately assessing market demands and customer preferences	Conduct comprehensive market research, including focus groups and pilot testing, to obtain accurate consumer preferences and demand
R2	Strategic Risk	Analyzing market dynamics	1x4 = Medium 4	Challenge of adapting to changes in the macroeconomic and competitive landscape, in customer preferences and adapting strategy accordingly (Cul 2024)	Closely monitor trends and competitors to maintain suitable strategy
R3	Compliance Risk	Legal Barriers and Regulatory Changes	4x3 = High 12	Risks of incorrectly following the regulatory requirements of the new field and not adapting to regulatory changes (Cul 2024)	Let a dedicated legal advisor (or team) continuously review and adapt product and marketing strategies
R4	Financial Risk	Evaluating Financial Readiness	2x5 = High 10	Risks which directly concerns the financial investment and potential unforeseen costs associated with entering a new market (Cul 2024)	Develop a detailed financial model with conservative estimates and create an financial buffer by flexible financing options or reserve funds
R5	Operational Risk	Evaluating Operational Capabilities	2x5 = High 10	Challenges in resource availabilities, scaling production, managing the supply chain, logistical arrangements	Undertake a thorough operational capacity and capability analysis; consider outsourcing to mitigate potential gaps
R6	Strategic Risk	Internal Strategic Alignment	1x4 = Medium 4	Risk of the market entry strategy not aligning with the company's overall business objectives (Cul 2024)	Workshops with all key stakeholders; develop clear, cohesive strategy that integrates the new product with the company's core objectives and capabilities
R7	Reputational Risk	Acceptance and Feedback from Customers	3x5 = Very High 15	Impact of customer perceptions and reactions on the brand's reputation following market entry (Cul 2024)	Pilot tests or soft launches for early feedback, adjust product and marketing strategies accordingly. Receive feedback through direct engagement with consumers on social media or product sampling (Cul 2024)
R8	Strategic Risk	Product Differentiation	3x4 = High 12	Developing a USP and strategy to set the coffee blend apart in a competitive market	Focus on clear USP, and leverage marketing to highlight it. Furthermore conduct consumer research to identify and target market demands
R9	Operational Risk	Supply Chain Reliability	3x5 = Very High 15	Risk of disruptions and dependency on external suppliers for inputs	Diversify supply sources to avoid dependency and build supply chain resilience. Have contingency plans ready for quick adaptation to disruptions
R10	Strategic Risk	Market Entry Organizational Structure	1x4 = Medium 4	Risk of entering the market with an unsuitable operational structure, not leveraging the advantages which a strategic alliance or partnership could have	Conduct thorough market research and due diligence to evaluate the potential benefits and risks of each option in alignment with the venture's strategic goals and market dynamics
R11	Financial Risk	Retail Price of Product too expensive	2x5 = High 10	Risk of the minimum retail price being too high as compared to competing products due to operational costs. Product not interesting or affordable for consumers	Conduct cost analysis to identify and streamline areas of the supply chain where expenses can be reduced without compromising on quality. Current supply chain is according to B. Cul efficient (2024) for current operations. After diversification the supply chain efficiency is likely to have shifted
R12	Strategic Risk	Inefficient Brand Building	3x4 = High 12	Challenge to build a strong brand to establish a strong market presence and loyalty among potential customers (Cul 2024)	Conduct market research to understand customer values and preferences. Foodnet must create a consistent and convincing brand message, and leverage their marketing to engage with customers
R13	Strategic Risk	Competitor Imitating Product	3x3 = Medium 9	Risk of a competitor imitating the own offered product and it's USP. This risk has the potential to push the company out of the market (Cul 2024)	To mitigate it is essential to build a strong brand and customer loyalty, being less easily replicated than product features. This involved enhancing the customer experience, investing in marketing storytelling, and actively engaging with customers
R14	Financial Risk	Raw Material Prices	3x4 = High 12	Temporary sharp increases in raw material prices can strain the cost structure, lead to reduced margins or need to pass costs onto consumers. This negatively affects competitiveness and market share	Foodnet can use flexible pricing contracts accounting for the commodities price fluctuations, and maintain a strategic inventory to buffer against price surges. Developing a hedging strategy to lock in prices for raw materials can also provide stability in times of market volatility
R15	Operational Risk	Limited Product Acceptance in Retail	3x5 = Very High 15	Not getting the products on the shelves is a big threat. Even delays in fulfilling the underlying retailers requirements to get the product into the store can lead to difficulties. As Cul (2024) pointed out, some retail chains have precise conditions they need fulfilled until a product is allowed to be sold through their outlets	Besides retail chains with largest outlets and sales volumes, the focus should be set on retail chains which can act as gateway to access further outlets. As Cul (2024) points out, the product should not compete in the same price range as similar private label offerings to avoid rejection by respective retailer

Figure 12: Market Entry Risk Assessment

Source: Own Illustration based on Findings and Appendix 10

Group Part

Market Entry Risk Assessment						
Extend of Impact						
		Neglegible - 1	Minor - 2	Moderate - 3	Significant - 4	Severe - 5
Likelihood of Occurrence	Almost Certain - 5	Medium 5	High 10	Very High 15	Extreme 20	Extreme 25
	Likely - 4	Medium 4	Medium 8	High 12 R 3	Very High 16	Extreme 20
	Moderate - 3	Low 3	Medium 6	Medium 9 R 13	High 12 R 8,12,14	Very High 15 R 7,9,15
	Unlikely - 2	Very Low 2	Low 4	Medium 6	Medium 8	High 10 R 4,5,11
	Rare - 1	Very Low 1	Very Low 2	Low 3	Medium 4 R 1,2,6,10	Medium 5

Figure 13: Market Entry Risk Assessment Matrix

Source: Own Illustration based on Figure 12

	No. of Risks	Total Risk Score	Average Risk Score
Financial Risks	3	32	10,67
Operational Risks	3	40	13,33
Strategic Risks	7	49	7,00
Compliance Risks	1	12	12,00
Reputational Risk	1	15	15,00

Figure 14: Average Risk

Source: Own Illustration based on Figure 13

Looking at the average risk score in Figure 14, it becomes evident that, even though the number of strategic risks is the highest, the average score is the lowest. Strategic risks fall into the

medium impact range. The highest score of 15.0 is recorded for reputational risk, which is in line with B. Cul’s (2024) statement that once a brands image is severely damaged, the reputation is hardly recoverable. The remaining risk clusters average a high impact, as seen in the matrix.

A robust financial plan is crucial to assess the financial risks for Foodnet's new venture. Foodnet’s plan to introduce a coffee brand heavily relies on internal funding. B. Cul (2024) emphasises the significance of using existing internal monetary resources. He states that financial stability is of high priority for the company's management. External financing is a less preferred option due to the high costs associated with it, having a

## Group Part

negative effect on profits. The high cost of external financing is caused by the current economic climate in Hungary. Furthermore, B. Cul (2024) states that Foodnet's management is willing to invest a substantial portion of its profits back into the company if the opportunity is right. This underlines the company's focus on maintaining operational efficiency. This approach, however, makes the new venture heavily dependent on Foodnet's financial viability. In a scenario where Foodnet incurs a net loss, financing other operations becomes difficult. To mitigate these risks, a security fund and options for external financing need to be considered. Moreover, a continuous assessment of the domestic lending environment should be in place in case a better financing scenario arises, which could provide added security to the successful execution of the new venture and, thus, minimise financial risks.

**Operational risks** are all risks associated with the day-to-day operations of Foodnet in the coffee product market. Two primary risks prevail which need to be mitigated. The correct assessment and readiness of the company's operational capabilities are of the highest significance. For Foodnet, this means having the necessary resources, like human resources, logistical and technical infrastructure, financial resources, and product supply, available at all times. These are crucial for the product launch, to maintain flexibility and to not overwhelm existing capabilities. The gravity of operational risks to the company is large. B. Cul (2024) states that maintaining operational efficiency is vital to the company, as Hungarian consumers are greatly cost-sensitive. For an efficient product launch, the readiness of operational capacities and capabilities needs to be ensured. These should be continuously monitored to mitigate challenges in that regard at best. Furthermore, the company is advised to outsource roasting and packaging processes. Internalising these processes would inflict a significant strain on resources and

## Group Part

operational capabilities. For this, a strategic partnership should be considered as it also allows the company to focus on its core competencies while leveraging those of the partner. Secondly, supply chain reliability must be provided, meaning that the risk of disruptions and the dependency on inputs from external suppliers is kept at a minimum. The risk of non-fulfilment of raw material purchase contracts cannot be eliminated. Thus, Foodnet should avoid dependencies by diversifying its supply sources and have contingency plans prepared. With coffee, Foodnet is launching a food product where the emphasis on timeliness and trade-offs shifts away from concerns typically associated with perishability as time-to-market is not of high significance. Under the right conditions, raw and roasted coffee can be stored for over a year without significant quality losses (Thomas 2021). The strategic focus can be shifted from operational risks regarding quality-time aspects towards optimising logistics, product development, and a tailored marketing mix. Timeliness in this market is less about freshness and more about aligning product launches with consumer buying patterns, marketing campaigns, and retail distribution cycles to maximise sales potential and market penetration. Furthermore, the volatility of raw material input prices must be accounted for. Coffee is an exchange-traded commodity whose prices fluctuate according to global supply and demand. This demands the development of different financial plans over potentially different time horizons based on the raw material costs at respective. Appendix 11 shows that changing the blend composition ultimately only has a negligible effect on product price, so opting for lower raw material input quality without significantly compromising the taste profile would not greatly affect the price. Risk-mitigating strategies like hedging or buying bulk inventories need to be considered.

## Group Part

**Strategic Risks:** Launching a distributor branded product in a non-dairy market, Foodnet needs to develop a new strategy and cannot build on an in-house success story. The current business model differs from the new venture's requirements and cannot be easily transferred. The existing business strategy must be applied to a new context, where different market conditions or consumer preferences may prevent its success. The risk is a misaligned strategy that can lead to a failed market entry, which B. Cul (2024) considers the most significant risk. In a competitive market, accurately identifying and understanding the desired target demographic is crucial. Thus, comprehensive market research, including focus groups, pilot testing and test markets, is necessary to determine consumer preferences and demand. Concurrently, analysing market dynamics, involving the monitoring of competitors and trends is vital. This allows the adaption of strategies and decision-making based on obtained insights. It is of major significance to ensure that Foodnet's internal strategies are aligned. Stakeholder workshops can be used as helpful tools to develop clear, cohesive strategies that integrate the coffee product with the company's core objectives and, capabilities and workforce. Creating a unique selling proposition (USP) and leveraging Foodnets' marketing competencies to highlight their USP is essential for product differentiation. Consumer research can mitigate the failure to develop a USP and not meet the target market's specific demands. Further risk is posed by operating with an unsuitable organisational structure. A strategic alliance, for instance, would allow Foodnet to share risks and resources; however, it also reduces control over decision-making and could bear misaligned incentives of the venture. The company is advised to conduct thorough research and due diligence to understand strategic and operational implications, ensuring that the choice of partners supports the venture's strategic goals.

## Group Part

To mitigate **compliance risks**, Foodnet should engage a dedicated legal advisor to ensure compliance with all applicable laws and regulations. Even though the company is based in the Hungarian market, specific legal aspects might be associated with launching a new product.

**Reputational risk** arises from customer perceptions' impact on Foodnet's reputation following market entry. An unsatisfactory product or bad customer service can severely harm the company's reputation (Cul 2024). To address this, Foodnet should consider pilot tests or soft launches to gather early feedback, allowing for timely adjustments of the product and marketing strategies. Additionally, engaging with consumers through social media or product sampling can provide valuable insights and help build a positive reputation by showing responsiveness to customer needs and preferences. Creating a new brand limits Foodnet's reputational risk to some extent, as potential negative impacts are confined primarily to the new brand.

## 8. Preliminary Financial Assessment

To determine which criteria a product must fulfil to be added to Foodnet's product portfolio, B. Cul (2024) stated that a retail price must be calculated to benchmark developed products against existing products on the shelves. Based on this, Foodnet's management must assess whether coffee products meet their criteria.

To determine the benchmark price range, only brand products will be considered. B. Cul (2024) states that retailers do not welcome products competing with their private label products in the lower price section. By basing the analysis on existing brands' on-shelf products, retailers' rejection of them based on price can be limited. According to a conducted price analysis of Hungarian retailers, the retail prices for brand roast coffee

## Group Part

range from 11.48€ and 30.85 for coffee beans and 12.17€ and 21.80€ for ground coffee (Appendix 3 & 11). Foodnet's preferred target segment is in the lower price range. The retail price for the respective product must comply and fall in the lower end of the above ranges. In this case, we consider the lower tertile of the price range of the targeted segment. This gives a benchmark range from 11.48€ to 17.94€ for beans and 12.15€ to 15.36€ for ground coffee.

The cost calculation is based on the amount of one container of 20.7 metric tons destined for one-kilogram packages of roasted coffee. This quantity yields the most feasible conditions in purchasing and processing coffee as it equals one full container, which minimises the per unit cost, for example, for transport. The retail price calculation is based on the premises of an existing supply chain to exclude set-up costs and give an accurate idea of retail prices in an ongoing business scenario. The model displayed in Figure 10 precisely determines the costs involved in producing, packing, and importing the coffee and the average margin charged by retailers. A detailed view of the cost factors, including an individual breakdown of their components, can be found in Appendix 5. The calculation in Figure 10 is based on the 20% Brazil and 80% Vietnam blend recommended by A. Reyelt (2024). Calculations for the other blends can be found in Appendix 8.

## Group Part

Cost Factor	Euro Price per kg
1. Raw Coffee	3,75 €
2. Transport	0,13 €
3. Roasting	0,07 €
4. Packaging	0,18 €
5. German Coffee Tax	2,19 €
<b>Finished Product</b>	<b>6,33 €</b>
6. VAT Hungary	27%
<b>Finished Product Imported</b>	<b>8,04 €</b>
7. Average Retail Margin	43%
<b>Finished Product Imported after Retailer Margin</b>	<b>11,49 €</b>

*Figure 15: Cost Factor Analysis*

*Source: Own Illustration based on Appendix 11*

The amount of 11.49€ is one cent above the bottom of the lower tertial and therewith already in the benchmark price range (Appendix 9). It represents the product at the unit cost level. Cost factors that can hardly be broken down to unit level have been excluded from this calculation not to dilute the result. These are primarily sales and marketing costs, including sales promotions, distribution, and advertising expenses. This calculation aims to provide the recipient with a reliable basis to work with. The final unit price can greatly vary depending on Foodnet's final market entry strategy and the extent of sales and marketing activities. However, based on Foodnet's prior experience with other products, an adequate range of sales and marketing activity can be determined by company representatives with higher precision. Overhead costs are not included as they are expected to be of small extent initially. Once the scale of the coffee product increases, overhead costs like rent, salaries, and utilities must be proportionally included in the retail price calculation. As Foodnet already owns food products, required certifications and legal compliance are expected to be in place and excluded from the calculation. Exchange rate fluctuations and their relation to the defined EUR/HUF rate at the beginning of the operational year must be anticipated and accounted for. To still compete in the lower price category, all further costs incurring to the distributor branded product and the desired profit margin must be lower than 6.45€. Otherwise, the product would fall into the medium-price category (Appendix 9).

## Group Part

The individual cost contributions have been differentiated by Foodnet's ability to influence them throughout business. While costs like import and value-added tax rates cannot be influenced as external parties impose them, different costs, i.e. raw material input prices, could be lowered by purchasing in bulk, reducing the unit cost (Appendix 8). Unit cost could also be lowered by purchasing lower qualities, which, however, is likely to reduce the coffee's taste profile. While all listed instances that incur costs are indispensable to the product, there are strategic decisions that, when made, have a major impact on the retail price. Roasting in Germany and thus obtaining a "made-in-Germany" stamp is highly likely to give the product and brand an increased perception of quality and reliability compared to roasting locally (Keller 2024). This process, however, likely comes at a higher price point and increases the retail price of the final product. A. Reyelt (2024) points out that most multinationals roast their products outside of Hungary, from which one can derive that little roasting facilities which can provide larger volumes exist. To create a robust supply chain and not disrupt the product flow, Foodnet should focus on roasting in Germany due to a broader network of roasters (Reyelt 2024). The effects on retail price can be seen in (Appendix 8). A second important factor is the extent of marketing and brand-building expenses. While lower expenses lower the retail price, this likely comes at the cost of overall sales. This trade-off is of particular importance at the beginning of brand building.

### **9. Execution Steps**

The execution steps for Foodnet to implement its marketing strategies and successfully introduce its brand-new product should be divided into a twelve-month period that follows the first three stages of the structure of a business life cycle, launch, growth and maturity (CFI 2024).

## Group Part

During the first phase, namely the launch phase, Foodnet's main aim should be to gain market visibility and introduce their new product to as many customers as possible. In order to do so the marketing mentioned above activities are needed to be successfully carried out. Further efforts could include an introductory pricing period where the shelf price automatically starts at a discounted price, communicating to customers that this product will be listed at a higher price in the future, and they could get their hands on it right now at a bargain. This strategy highlights the importance of framing, where the most important factor for a customer is the context in which the product is placed (Bartlett 2023).

The second growth phase will mainly focus on building a community around the new product and brand. Customer engagement is a key factor, and Foodnet must encourage feedback and reviews to build brand loyalty. Furthermore, an added initiative for the growth phase could be introducing content marketing, where the brand shares various engaging content ranging from coffee recipes to brewing tips and origin stories. This would go hand in hand with storytelling in package design, as mentioned in section 6.

The third stage of the business life cycle and execution plan is the maturity phase, where the company must implement the feedback received in the growth phase and make sure to keep their existing customers engaged while still attracting new ones. This could be done by introducing loyalty programs where frequently purchasing customers would get rewarded. Furthermore, as the need for capital spending decreases and cash generation increases in the maturity phase, Foodnet could allocate its resources, especially its sales force, to explore a new array of retail partnerships in the food service sector.

## Group Part

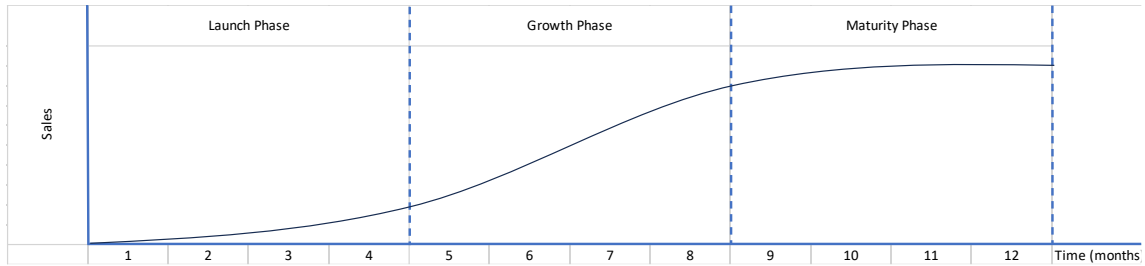


Figure 16: Business Life Cycle

Source: CFI (2024)

The developed business plan for the introduction of Foodnet's distributor-branded coffee product is ambitious yet carefully structured. It seeks to combine traditional retail strategies with innovative marketing tactics. The plan is designed to adapt to market feedback and consumer trends, ensuring that Foodnet's new coffee product enters the Hungarian market successfully and enjoys a long and prosperous presence.

## 10. Conclusion

The primary objective of this thesis is to assess the opportunity for Foodnet to diversify by launching a distributor-branded coffee product in the Hungarian market. The findings indicate that, while the Hungarian coffee market presents itself as a potentially profitable opportunity to diversify revenue streams due to its consistent growth, sizeable consumer base, and target base, several challenges could affect the venture's profitability.

The research begins by analysing the company's current business model and shedding light on its growth limitations. It then identifies internal strengths and weaknesses alongside potential threats that could influence the company's chances of profitability and growth maximisation. This reveals that Foodnet needs to stretch its current business model and find a new strategy to grow further. Hence, a product development strategy is suggested, focusing on the beverage sector, more precisely coffee.

## Group Part

The analysis of the Hungarian coffee market focuses on market size, growth trends, segmentation, consumer demographics, and consumption habits. For that, data from various sources, such as market reports, consumer surveys, and expert interviews from the company's management team, are collected. Besides that, a competitive landscape analysis is presented, and the challenges Foodnet faces in entering a competitive market are highlighted.

The research provides a foundation for a strategic plan, emphasising the importance of thorough market research and a strategic focus on consumer needs and market conditions. The plan includes a Go-To-Market strategy, outlining the market entry approach for the first twelve months and specific marketing strategies. These strategies capitalise on the company's existing marketing expertise and past successful campaigns to optimise the success of the recommended product's market entry. Furthermore, reducing entry barriers and enhancing market penetration by leveraging relationships and transferring existing market knowledge is crucial.

To conclude, while launching a new product and entering the Hungarian coffee market presents different opportunities for Foodnet, carefully considering the competitive landscape, consumer preferences and operational capabilities is required. Foodnet must weigh the potential profitability against the high investment costs and competitive pressures. The product, sales and marketing departments must thoroughly assess if the final per-unit product price can sustainably match the benchmarking range of its targeted segment. Developed strategic recommendations to address risk mitigation through cost leadership and efficiency. Leveraging existing relationships and developing a charming product, offering great value for money, and highlighting Hungarian heritage are of central importance. With only one competitor rooted in Hungary, Foodnet can enter a

## Group Part

market with limited competition for the proposed product. A successful entry into the coffee market would enable the company to reduce its heavy reliance on its two leading suppliers by creating a new revenue stream. While the primary focus is on the domestic Hungarian market, future expansions into demographically similar countries could be pursued. The distribution rights of current partnering brands are border-bound and, thus, do not offer Foodnet the opportunity for geographic expansion with their current business model.

If the company commits to the opportunity to launch the coffee product, further research exploring the dynamics of consumer preferences in Hungary should be conducted. Understanding how preferences like out-of-home consumption, increasing at-home demand for instant coffee, and the importance of Fairtrade-certified coffee options develop with shifts in economic and social landscapes is crucial for adjusting market strategies effectively. While Foodnet possesses exceptional market knowledge in their respective fields of activity, a specific coffee market should be added to increase the success rate of the launch and sustainably grow the venture.

## 11. Reference List

- Barabás, Balázs. (February 11, 2023). "Price Sensitivity Remains Central in Online Shopping." BBJ.hu., <https://bbj.hu/business/industry/retail/price-sensitivity-remains-central-in-online-shopping>.
- Bartlett, Steven. (2023). *The Diary of a CEO: The 33 Laws of Business and Life*. London: Penguin, 2023.
- Boston Consulting Group (BCG). (2024) "What Is the Growth Share Matrix?" Boston Consulting Group. Accessed March 16, 2024. <https://www.bcg.com/about/overview/our-history/growth-share-matrix>.
- Budapesti Értéktőzsde (2023). "Ráéreznek a trendekre - FOODNET ZRT." Budapesti Értéktőzsde. Last modified 2023, <https://www.bet.hu/Kibocsatok/bet50/2023/bet50-vallalatok/raereznek-a-trendekre-foodnet-zrt.>, Translated Article Found in Appendix 10
- Corporate Finance Institute (CFI). (2024) "Business Life Cycle - Understanding the 5 Different Stages." Corporate Finance Institute. Accessed May 2, 2024. <https://corporatefinanceinstitute.com/resources/valuation/business-life-cycle/>.
- Cul, Balázs. (March 19, 2024). "The Hungarian Coffee Market: Interview with Balázs Cul." By Barbara Anna Emori, Johann Egan Bluethmann. Found in Appendix 10
- European Commission (EC). (2023). National Reform Programme 2023 - Hungary. Publication No. 47695a4f-d048-4ae8-bf95-303ec473dc91. 2023. [https://commission.europa.eu/document/download/47695a4f-d048-4ae8-bf95-303ec473dc91\\_hu?filename=NRP\\_2023\\_HU.pdf](https://commission.europa.eu/document/download/47695a4f-d048-4ae8-bf95-303ec473dc91_hu?filename=NRP_2023_HU.pdf).
- Foodnet Zrt. (2021). "Foodnet New Supplier & Product Integration Process." Unpublished internal company document.
- Foodnet Zrt. (2023). "Foodnet Ltd. 2023 Introduction," Unpublished internal company document.
- GfK. (2023). "Purchasing Power of Europeans Increases to €17,688 in 2023." GfK, last modified October 25, 2023. <https://www.gfk.com/press/Purchasing-power-of-Europeans-increases-to-17688-euros-in-2023>.
- Hamburg Coffee Company HACOFCO mbH (Hacofco). (2024). "Foodnet Zrt. Outright-Price Calculation". Unpublished internal company document.
- International Coffee Organization (ICO). "Supply, Demand and Trade." Public Market Information. Accessed March 13, 2024. <https://icocoffee.org/resources/public-market-information/>.

## Appendix

- Keller, Ferenc (April 17, 2024). "*Foodnet Zrt. and the Hungarian Coffee Market: Interview with Ferenc Keller.*" By Barbara Anna Emori and Johann Egon Bluethmann. Found in Appendix 10.
- Németh, László. (June 7, 2023). "Unbeatable Top 3 – the 2022 Ranking of FMCG Retailers." Accessed April 17, 2024. Trademagazin, <https://trademagazin.hu/en/megjelent-az-fmcg-piac-2022-evi-kereskedelmi-toplistaja/>.
- Magyar Nemzeti Bank (MNB). (2024). "Árfolyam Táblázat [Exchange Rate Table]." Accessed April 16, 2024. <https://www.mnb.hu/arfolyam-tablázat?deviza=rbCurrencyActual&devizaSelected=ZAR&datefrom=2022.01.01.&datetill=2022.12.31.&order=1>.
- Reyelt, Andreas. (Mai 12, 2024). "*The Hungarian Coffee Market: Interview with Andreas Reyelt.*" By Barbara Anna Emori, Johann Egan Bluethmann. Found in Appendix 10
- Statista, "Coffee Drinkers in Hungary," (SCDH). (2023). Accessed April 14, 2024, <https://www.statista.com/study/125725/coffee-drinkers-in-hungary/>.
- Statista Coffee - Worldwide. (SCW). (2024). Accessed March 16, 2024. <https://www.statista.com/outlook/cmo/hot-drinks/coffee/worldwide?currency=EUR>.
- Statista Consumer Insights (SCI). (August 2023). *Target audience: Coffee drinkers in Hungary*. Accessed March 27, 2024. <https://www-statista-com.eu1.proxy.openathens.net/study/125725/coffee-drinkers-in-hungary/>
- Statista Market Insights (SMI). "*Coffee - Hungary.*" Accessed March 30, 2024. <https://www-statista-com.eu1.proxy.openathens.net/outlook/cmo/hot-drinks/coffee/hungary>
- Thomas, Joanna. (May 24, 2021). "*How Long Does Coffee Last? How to Store Coffee Properly.*" Accessed March 22, 2024. Presto Coffee Roasters. <https://prestocoffee.com/blogs/coffee/how-long-does-coffee-last-in-a-vacuum-sealed-bag>.



Appendix 6 – Demonstration of Foodnets’ Marketing Campaigns (Foodnet 2023)



Lurpak Below the Line Tasting Promotion



Lurpak Point of Sales Material Promotion



Müller Leaflet in Spar Magazine

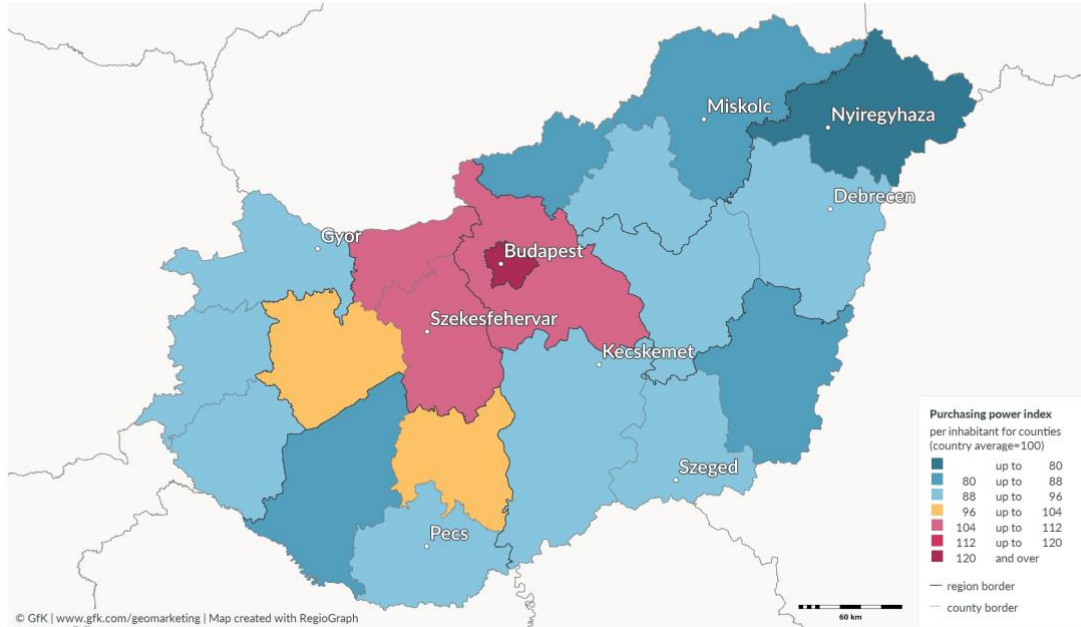


Elephant Secondary Placement Promotion

## Appendix

### Appendix 7 – GfK Purchasing Power Hungary 2023 (GfK 2023)

GfK Purchasing Power Hungary 2023



### Appendix 8. – Influence of Blend Compositions on Product Price

Cost Factor	Blend 1.	Blend 2.	Blend 3.
	100% Vietnam EU/KG	20%Brazil/80% Vietnam EU/KG	20%Brazil/80% Vietnam EU/KG
1. Raw Coffee	3,72 €	3,75 €	3,88 €
2. Transport	0,13 €	0,13 €	0,13 €
3. Roasting	0,07 €	0,07 €	0,07 €
4. Packaging	0,18 €	0,18 €	0,18 €
5. German Coffee Tax	2,19 €	2,19 €	2,19 €
Finished Product	6,30 €	6,33 €	6,45 €
6. VAT Hungary	27%	27%	27%
Finished Product Imported	8,00 €	8,04 €	8,20 €
7. Average Retail Margin	43%	43%	43%
<b>Finished Product Imported after Margin</b>	<b>11,44 €</b>	<b>11,49 €</b>	<b>11,72 €</b>

## Appendix

### Appendix 9. – Calculation of the Benchmark Price Ranges

	Brand Beans	Private Label Beans	Brand Ground	Private Label Ground	Brand Instant	Private Label Instant
Max	€ 48,42	€ 20,60	€ 30,90	€ 21,63	€ 77,25	€ 38,29
Min	€ 9,27	€ 7,73	€ 7,73	€ 5,92	€ 9,84	€ 6,57
Average	€ 21,17	€ 13,56	€ 16,97	€ 11,86	€ 33,54	€ 20,25
Standard Dev.	€ 9,69	€ 3,72	€ 4,83	€ 3,97	€ 20,19	€ 9,65
St. Dev. Max	€ 30,85	€ 17,28	€ 21,80	€ 15,83	€ 53,73	€ 29,90
St. Dev. Min	€ 11,48	€ 9,84	€ 12,15	€ 7,89	€ 13,35	€ 10,60
Benchmark Price Ranges						
End of Upper Tertile	€ 30,85	€ 17,28	€ 21,80	€ 15,83	€ 53,73	€ 29,90
Begin of Upper Tertile	€ 24,40	€ 14,80	€ 18,58	€ 13,18	€ 40,27	€ 23,46
Average Price	€ 21,17	€ 13,56	€ 16,97	€ 11,86	€ 33,54	€ 20,25
Begin of Lower Tertile	€ 17,94	€ 12,32	€ 15,36	€ 10,54	€ 26,81	€ 17,03
End of Lower Tertile	€ 11,48	€ 9,84	€ 12,15	€ 7,89	€ 13,35	€ 10,60
Price Range	€ 19,38	€ 7,44	€ 9,65	€ 7,94	€ 40,38	€ 19,30

### Appendix 10. – Link to the Expert Interviews

<https://novasbe365->

[my.sharepoint.com/:w:/g/personal/55390\\_novasbe\\_pt/EWt5mA8JhdBEiWK4J1gaRBQ](https://my.sharepoint.com/:w:/g/personal/55390_novasbe_pt/EWt5mA8JhdBEiWK4J1gaRBQ)

[BWYEwEPa-E\\_ri0Q6N5XiW-Q?e=HNQWtV](https://my.sharepoint.com/:w:/g/personal/55390_novasbe_pt/EWt5mA8JhdBEiWK4J1gaRBQ?e=HNQWtV)

### Appendix 11. – Link to underlying Data, Offer Analysis, and all Calculations

<https://novasbe365.sharepoint.com/:x:/s/Thesis891/EUv0grILIF9FjZICskYOKYgBiwQ>

[VmRV-t6f5UzqoVgdQCA?e=hkfkfd](https://novasbe365.sharepoint.com/:x:/s/Thesis891/EUv0grILIF9FjZICskYOKYgBiwQ?e=hkfkfd)