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CREATING CORE COMPETENCE AND AN EXPANSION PLAN FOR A  
CHINESE WELLNESS COMPANY IN FINLAND

Bachelor's Thesis 2010

## ABSTRACT

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Creating Core Competence and an Expansion  
Plan for a Chinese Wellness Company in Finland

Bachelor's Thesis

108 pages + 29 pages of appendices

Supervisor

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Commissioned by

Kiinalainen Hyvinvointiasema

April 2010

Keywords

Competitive advantage, competitive strategy,  
customer satisfaction, localization, chain store

The main purpose of the thesis was to find the most important elements to build core competence and produce an expansion plan to start chain store operations for a Chinese wellness and physical therapy service company. The real name of the company was hidden in order to protect its privacy; instead, a name of Kiinalainen Hyvinvointiasema was used as a substitute.

The services of Kiinalainen Hyvinvointiasema are very unique in the Finnish market. In order to succeed it is necessary for the company to build core competence, which was discussed from competitive advantage and strategy, localization of the services, and customer relationship management. The case company has an initial idea to expand through operating chain stores in Finland. The thesis evaluated this idea and provided a way of expanding.

The empirical part consisted of an interview with the company manager, an analysis of 432 competitors in Helsinki, and a survey on 215 customers of the company. The interview was carried out to collect information on the company. The competitor analysis profiled an overall picture of competition of the wellness and physical therapy service industry in Helsinki, including the industrial structure, main line and service of the competitors, etc. The survey results showed good customer satisfaction and indicated what should be done to improve customer relationship. The three parts of the empirical research together helped create core competence for the company and approved the feasibility of the chain store operations.

Kiinalainen Hyvinvointiasema has the potential to possess cost advantage, differentiation, and customer loyalty, and corresponding competitive strategies should be applied to maintain these advantages. The company should combine adaptation and standardization strategies to make the services more acceptable to Finnish customers. It is feasible for Kiinalainen Hyvinvointiasema to expand by operating chain stores through a combination of the corporate chain and the voluntary chain.

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## 1 INTRODUCTION

### 1.1 Background

In the beginning of 2009, one Chinese wellness company started its new business of providing traditional Chinese wellness and physical therapy services in Finland. The real name of the case company is hidden in order to protect its privacy, and a new name of Kiinalainen Hyvinvointiasema is assumed for the company. Although the company is of small size initially, the company's founder has always cherished a dream to establish a well-known Chinese wellness brand in Finland. In the progress of exerting for this lofty ideal, creating core competence for Kiinalainen Hyvinvointiasema should come first and its competitive advantage plays a decisive role in its existence.

As a Chinese wellness company in Finland, the problems and strengths faced by Kiinalainen Hyvinvointiasema are different from those faced by other Finnish competitors. Developing core competence for the company not only requires the understanding of Chinese wellness and physical therapy services, but also an in-depth insight into the Finnish market. Therefore, what we learned over the past three and half years can be extensively applied in the thesis topic: Creating core competence and an expansion plan for a Chinese wellness company in Finland.

### 1.2 The objectives of the thesis

An old Chinese saying goes, "Know the enemy and know yourself, and you can fight a hundred battles with no danger of defeat". Today, to expend one business makes great demands on not only good competitive analysis, but also an overall view of one's core competence. Creating core competence for a company consists of a wide range of ingredients. The main purpose of this thesis is to find the most important elements to build the core competence for

our case company and produce an expansion plan in order to start chain store operations.

The main elements to create core competence discussed in this thesis are competitive analysis, service localization, and managing customer relationship. In the competitor analysis, the aim is to explore the competition environment in the wellness service industry and find out the competitive advantage and competitive strategy for the case company.

As Chinese wellness services are foreign services in the Finnish market, customer satisfaction brings a great influence on creating core competence for Kiinalainen Hyvinvointiasema. The aim is at searching out the way to localize Chinese wellness services, so that the service adaption strategy contributes to increase customer satisfaction and strengthen competitive strategy. Finding out how to satisfy customer and build customer loyalty under these circumstances is the purpose in the research of managing customer relationship.

The combination of the theory with the competitors' analysis and results of the customer survey prove the feasibility of expanding through chain store operation. A discussion of chain store operation helps to produce an expansion plan as a first step for the case company to establish a well-known Chinese wellness brand in Finland.

### 1.3 Research methods

Both qualitative and quantitative methods are used in the empirical part of the thesis. An interview with the manager of the case company was carried out to get a deep understanding of the company. Helsinki as the first destination of expansion, all together 432 companies were found and investigated in wellness and physical therapy service industry to learn about the competitive situation in Helsinki from the aspects of number and legal form of the companies, the



structure of the industry, year of establishment, the main line of services, etc. A customer survey was conducted in March 2010 with the assistance of the case company. There were 215 respondents who were all customers of Kiinalainen Hyvinvointiasema. The purpose is to profile customers' habits and their perception of the services.

The empirical part helps the company to create its own competitive advantage and strategy and learn about the customers. It also proves the feasibility of expanding through chain store operations and assists us to produce an expansion plan.

## 2 COMPETITIVE ADVANTAGE AND TAILORING COMPETITIVE STRATEGIES

When people speak about competition, two phrases are mostly mentioned: competitive strategy and competitive advantage. They have a close relationship that companies should be aware of and they should define the two phrases based on their internal and external situations. According to Porter (2004a, 12), a competitive advantage is at the heart of a competitive strategy; a competitive strategy aims to create, retain, and serve for a competitive advantage. Therefore, a company should first find out what kind of advantage it has, needs to be pursued and/or created, and then determine and develop the strategy to achieve that advantage. In this process, companies always have to make a choice and should bear in mind that "being all things to all people" only allows them to stay at the middle or lower level rather than to be the leader in the industry.

According to Porter (2004a, 5-7, 29), the intensity of competition influences the extent to which capital flows into an industry and a company's ability to stay above the average level of return of its industry. There are five competitive forces that determine the intensity of competition, namely threat of entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and

rivalry among current competitors. The forces and their underlying causes should be clarified so that a company can identify its strengths and weaknesses relative to the industry. The strongest one or several forces in different industries may occupy a dominant position and play a key role in the formation of competitive strategies.

Greenwald and Kahn (2007, 3-5) agree with Porter's (2004a) theory of five competitive forces, but they simplify the complicated relationships of the factors affecting the forces described by Porter. They deem that among various factors, barriers to entry are obviously more important than the others because barriers mean that existing businesses can achieve what the potential entrants cannot and restrict the expansion of existing companies; in other words, existing businesses enjoy the competitive advantage. If there are no barriers, existing businesses would easily be replaced by new ones and this replacement would be endless. As a result, the strategy would make sense only when there are entry-barriers in an industry or existing businesses hold a competitive advantage.

Competitive advantage is a prerequisite to achieve outstanding performance. According to Porter (2004a, 62 & 119), there are two types of competitive advantages: cost leadership and differentiation. His theory has been referred to and explained in many books written by other authors.

Greenwald and Kahn (2007, 6-7) conclude three generic types of competitive advantage: supply, demand, and economies of scale. Besides, competitive advantage may also come from government intervention, such as licenses, tariffs and quotas, licensed monopolies, patents, direct subsidies, and a variety of regulatory measures. There are similarities in their theories and Porter's theories (cost advantage and differentiation), but they have also raised different point of views.

## 2.1 Supply: cost advantage

Supply advantage is similar to Porter's cost advantage. It allows companies to produce and deliver products or services more cheaply than their competitors. According to Greenwald and Kahn (2007, 18-19), supply advantage stems from low-cost inputs or more often from proprietary technology.

Low-cost inputs can be gained through low costs of labour and raw materials, lean management and other strategic approaches. But in the highly developed era of dissemination of information, they may be easily copied by competitors and the company will lose this advantage in the long run. Indeed, some companies possess better channels of raw materials or geographic location. However, this kind of advantage is limited in the scope of applicable market and the ability to prevent new entrants. For example, the Arabian American Oil Company gains a better profit per barrel oil than Statoil ASA, but it cannot squeeze Statoil ASA out the market as long as the demand for oil is great enough. In most cases, only when the market is regional in terms of geography or product space, low-cost inputs would become a prominent competitive advantage. (Greenwald & Kahn 2007, 20-21.)

The primary form of proprietary technology is the product or production process protected by patent. Companies can enjoy an absolute protection due to the regulation related to patent. But if technology updates very fast, companies need to invest continually in order to follow up the renovation and the cost advantage may be damaged. On the other hand, if the technology updating becomes slow along with the maturity of the industry, patent would finally lose its timeliness and competitors would eventually acquire the existing leading companies' technology and experience. For simple products and production processes, patent is difficult to obtain and they are usually easy to be copied or transferred. This defect proves to be extraordinarily prominent in service industry including health care, finance, education, retailing and so on.

Technologies in these industries are either very simple or developed by a third party, whereas the real proprietary technology must be developed inside the company and there is a consultant company responsible for most of the market of the product or production process innovation. (Greenwald & Kahn 2007, 19-20.)

According to Porter (2004a, 64-65, 70), a company's costs stem from its value activities the company performs in competing in an industry. To examine costs within these activities, a company should define its value and carry out a cost analysis. There are ten cost drivers: economies of scale, learning, the pattern of capacity utilization, linkages (within value chain), interrelationships (with other business units), integration (level of vertical integration), timing, discretionary policies (e.g. product features, mix and variety of products offered), location, and institutional factors (government regulation). Cost drivers are the causes of the cost of an activity and can be controlled more or less by a company. Analyzing the cost drivers allows a company to obtain a deep understanding of the sources of its cost position and how it could be changed.

## 2.2 Demand: customer loyalty

Demand advantage refers to customer loyalty. Companies that benefit from this advantage can reach those customers who competitors are not able to access. Competitors may reduce the price significantly or give products as gifts to attract buyers, but customer loyalty would still constitute a competitive threat. It is not enough to build this advantage through traditional advertisement to establish quality image and reputation. There are three reasons why customers would be loyal to certain product or vendor. Based on these reasons, a company can develop methods of creating its customer loyalty. (Greenwald & Kahn 2007, 21-22.)

First is the habit. Only when customers buy continually and unconsciously,

habit would increase the loyalty successfully. This action is often found in the supermarket but not in the deals of automobile and computer. When updating software, both individual buyer and IT manager would choose the product based on the price, performance and reliability regardless of the brand that they are using at the moment. Habit is usually regional which only relates to a company's certain one product but not all products. (Greenwald & Kahn 2007, 22-23.)

Second is the conversion cost. If large amounts of time, money, and efforts are needed to change the supplier, customers will normally stay loyal to the present one. This happens often in industries such as software and lawyer. In those industries, suppliers must know new customers' life, requirement, preference, and other details. Under this circumstance, the customer faces conversion costs as she/he must provide all the information so that the supplier can process. Sometimes conversion costs can cause trouble to customers. Standardization is a method to deal with conversion costs and this is why customers like it. However, companies may retain customers through conversion costs if applicable. (Greenwald & Kahn 2007, 23-24.)

Third is search cost. If it is expensive to search for an acceptable substitute, customers would also remain loyal to the existing supplier. High search costs occur when products or services are very complex, professional, personalized, and urgently wanted. (Greenwald & Kahn 2007, 24-25.)

In general, habit, conversion cost, and search cost create a competitive advantage in terms of demand. Compared with cost advantage, demand advantage appears to be more common and stable. Nevertheless, advantages would eventually disappear as time goes on. New customers can be acquired by any companies. Current customers will leave ultimately. They may move, become mature, or die. The repetition of life cycle adds a natural period to the customer loyalty. (Greenwald & Kahn 2007, 24-25.)

In Porter's theory (2004a, 119, 124-127) differentiation is the second competitive advantage. If a company differentiates itself from competitors at something that is valuable to customers, it can ensure a competitive advantage and keep a favourable position in an industry. Sources of differentiation lie anywhere in a company's value chain. Similar to cost advantage, there are several drivers of uniqueness: policy choices (e.g. products features and performance offered), linkages, location, interrelationship, learning and spillovers, integration, scale, and institutional factors. These drivers should be identified before the company can sustain its existing differentiation and develop means of creating new forms of differentiation.

Against Porter's differentiation, Greenwald and Khan (2007, 14-15) put forward that it can make a product unique and different but cannot eliminate the fierce competition or slim profits. In a highly profitable industry, if there is no power to block new entrants and expansion of existing competitors, profits will decline until the level that even efficient companies can only get a normal return on investment.

However, Fitzsimmons and Fitzsimmons (2006, 32) point out that the primary purpose of differentiation is to cultivate customer loyalty, which is exactly what Greenwald and Khan call power or competitive advantage. In addition, Verdin and Williamson (1994, 81-83) link Porter's drivers' of cost and differentiation advantage to the underlying resources or asset stocks required to gain and sustain competitive advantage. The assets are distinguished into five groups: input assets (input access, loyalty of suppliers), process assets (proprietary technology), channel assets (channel access, distributor loyalty), customer assets (customer loyalty, brand recognition), and market knowledge assets (accumulated information, systems to access new information). Customer loyalty is one of customer assets; in other words, it is one source of differentiation advantage. Therefore, differentiation and customer loyalty do not conflict whereas they are somehow linked with each other. But actually,

application of the latter is much easier than the former. Customer loyalty suggests clearer and more practical ways on how a company can create differentiation advantage.

### 2.3 Economies of scale and customer loyalty

In addition to the two basic types of competitive advantage another real and lasting advantage comes from the interaction between supply and demand and from a combination of economies of scale and customer loyalty. Economies of scale indicate the situation that the average cost per product declines with the increase of the production amount. In order to make it become a competitive advantage, a certain degree of customer loyalty is required because it ensures the scale of production and sales. (Greenwald & Kahn 2007, 26.)

If companies are equivalent to competitors in terms of prices and other market conditions, the existence of customer loyalty can consolidate their dominant market share. New entrants cannot reach the operational scale of the existing companies, and consequently, their average costs would always be higher. This creates an opportunity for existing companies to set the price level at which only they themselves could payoff and remove other competing companies' profits. Due to the customer loyalty, new entrants would never arrive at the scale of the existing companies and they can only remain on a weak position. (Greenwald & Kahn 2007, 27.)

Combining economies of scale and customer loyalty could be very useful for companies in the process of development and growth. An increasing number of loyal customers ensure the formation of economies of scale. After the realization of economies of scale, the company can invest more in product development, customer service, business process and so on, which in turn are effective to increase customer loyalty. This formation of a virtuous cycle can effectively assist a company's expansion.

## 2.4 Assessing competitive advantage

Price, product, and service are the three dimensions of competition. A company's greatest opportunity to gain competitive advantage lies in service, especially in proactive service, not reactive service. There are three places where a company can find its competitive advantage in services: (1) something that only your company does; (2) something that you and other companies do, but your company has a better process for doing it that gets better results, and (3) something that you and other companies do, but you have a clear and compelling way of describing it that motivates customers, suppliers, and potential partners want to do business with you. (Schwartz 2005, 62.)

As competitive advantage is the core of competitive strategy, companies must ascertain whether they enjoy one and what are the sources of it. Greenwald and Kahn (2007, 36) provide three steps to assess competitive advantages.

1. Determine the domain of the competition

Which market does the company locate? What are the competitors in each market? A picture can draw showing the structure of the industry and the preponderant competitors. It helps a company to recognize its own position and the major rivals in the industry.

2. Test the existence of competitive advantage in each market

Do existing companies keep stable market shares? Do they obtain high profits in the long-run? If answers are yes, they might be protected by competitive advantages. But if they often seize or lose market shares from each other and the return on investment changes constantly, competitive advantages are unlikely in existence. The more frequent entry and exit, the more unstable profit and, the more competitors there are the less expectant that there exist barriers to entry and competitive advantages.

3. Identify the characters of any possible competitive advantage



Do existing companies possess proprietary technologies or loyal customers? Do they benefit from economies of scale or government regulations? What are the reasons of customer loyalty?

(Greenwald & Kahn 2007, 36-38.)

## 2.5 Three generic competitive strategies

Porter (2004b) convincingly demonstrated the existence of three generic competitive strategies: cost advantage, differentiation, and focus. A company can apply more than one strategy at the same time though it is barely possible. The three strategies are approaches to outperforming competitors. Some industrial structure will allow that all companies earn high profits, whereas some others only provide acceptable returns in spite of the success with one of the generic strategies. (Porter 2004b, 35.)

Cost leadership is a strategy used in a broad scope in which a company serves many industry segments. A company plays a role of the low-cost producer in the industry. It requires a company be the cost leader not one of several companies competing for this position. Thus, this strategy is dependent on preemption, regardless of technological change that allows a company to change its cost position fundamentally. (Porter 2004b, 35-37.)

The aim of differentiation strategy is creating uniqueness of the product or service along some dimensions widely valued by buyers. It also applies to an industry-wide scope. Companies select one or more attributes that buyers perceive as important and differentiate themselves from competitors to meet those needs. Unlike cost leadership, there can be more than one successful differentiation strategy when a lot of attributes are weighted by buyers in an industry. (Porter 2004b, 37-38.)

Different from the industry-wide target of cost leadership and differentiation,

focus strategy serves only one segment or a group of segments in the industry. It is the application of cost leadership and/or differentiation in the selected segments. A segment could be a specific purchasing group, a service, or a location. The precondition is that the selected segment(s), which has unusual and different needs compared with other segments, is structurally attractive and profitable so that the company is conditionally able to compete against their broadly-targeted competitors. (Porter 2004b, 38-40.)

Strategies should be formulated from the standpoint of competitive advantage and based on the analysis of the current and potential markets. Companies should tailor the generic strategies according to their resources, goals and external environment, and develop new strategies when possible and required, as Thompson, Gamble, and Strickland (2004, 111) wrote: *Because each company's strategic approach consists partly of custom-designed actions to fit its own circumstances and industry environment, there are countless variations in the competitive strategies that companies employ.* Theories cannot cover all factors and situations encountered by companies in practice and there are always changes and risks needed to be dealt with. Successful companies are supposed to have their own set of competitive system capable of coping with different kinds of unexpected situations.

Fitzsimmons and Fitzsimmons (2006) suggest the application of three generic strategies in service industry. They provide concrete and practical methods to each of the strategies.

Cost leadership often requires a company to invest huge capital in advanced facilities, adopt offensive prices, and/or bear losses to seize market share in the early stage of operation. As for a service company, there are other various methods to achieve cost leadership. (Fitzsimmons & Fitzsimmons 2006, 31.)

1. *Seeking low-cost customer.* Some customers who cost less than others

can be considered as companies' target.

2. *Standardizing the service*: Try to standardize the part that could be standardized. Some services once regarded as customization are now standardized successfully, e.g. H&R Block has provided customers with daily service of tax declaration.
3. *Reducing the human factor in service delivery*: Despite of its relatively high risk, reducing the human factor in service delivery can be accepted by customers if it can bring convenience to them. A good example is the ATM which makes customers abandon the interaction with bank clerks and reduces the banks' transaction costs.
4. *Reducing network costs*: Service companies face high opening costs when networks are needed to connect service providers and customers, such as electric power company and express company.
5. *Off-site service*: For those services that do not require customers on the spot, transaction and operation of the service can be separated. It makes service companies operate as a factory.

(Fitzsimmons & Fitzsimmons 2006, 31-32.)

The essence of differentiation is to create a unique service that can be perceived by customers. It does not ignore the cost, but the prime purpose is to cultivate customer loyalty. There are many methods including brand image, technology, specialty, distributors' network and so on. Five methods have been adapted for service industries. (Fitzsimmons & Fitzsimmons 2006, 32.)

1. *Concretizing the intangible services*: Try to provide proper entities to customers after the purchase so that they can memorize the service and the company. For example, hotels offer washing utensils with the hotels' names beautifully printed on them.
2. *Customizing the standard services*: Customization can enable companies to win the pleasure of customer at a comparatively low cost.
3. *Reducing perceived risks*: Lack of service and purchase information

often generates perceived risks to customers. Customers prefer to seek those companies that are willing to take time on explanation and provide service guarantee. After a trust relationship has been established, customers would feel worth even though they need to pay more.

4. *Emphasizing staff training*: Investment in staff training could bring a high service quality that is difficult for competitors to mimic. Companies at the leading position in an industry are also often famous for their training programmes.
5. *Controlling the quality*: In labour-intensive industries, it is not an easy task to ensure the quality for multi-site operating companies. Various measures have been applied to solve the problem, such as clear procedures, limitation on the scope of services, and direct guidance. As there is a potential gap between the expectation and actual experience, it is very important that companies are able to influence the customer's expectation.

(Fitzsimmons & Fitzsimmons 2006, 32-33.)

Customer selection is essential to the success of focus strategy. Three steps of measures can be taken to carry out this strategy: 1). segmenting the market in order to design the core services; 2). classifying customers based on their degree of attention to the service; 3). making customers to expect slightly lower than the perception of the service. (Davidow & Uttal 1989, 77-85, quoted in Fitzsimmons & Fitzsimmons 2006, 33.)

## 2.6 Competitive strategies for fragmented industry

### 2.6.1 Causes of fragmented industry

Fragmented industry is the one in which no firm has a significant market share or can strongly influence the industry outcome. It is usually made up of many

small- and medium-sized companies which are privately owned. Fragmented industries can be found in many areas of an economy, such as services, retailing, distribution, wood, agricultural products and “creative business”. (Porter 2004b, 191-192.)

There are a number of reasons that make industries fragmented. Knowing these reasons would help a company to overcome fragmentation.

- *Low overall entry barrier*: It is a reason in nearly all fragmented industries.
- *Absence of economies of scale or experience curve*: Cost cannot be reduced through large scale or learnt experience.
- *High transportation costs*: Although some industries possess economies of scale, high transportation cost limits the size and production location of an efficient factory.
- *High inventory costs or erratic sales fluctuations*: High inventory costs or fluctuate sales conflict with the requirement of large-scale, capital-intensive facilities and continuous operation. In this situation, large companies are not as profitable as small and flexible companies.
- *No advantage of size in dealing with buyers or suppliers*: Sometimes the structure of the buyer groups and supplier industries is such that a company gains no advantage in dealing with them from being large.
- *Diseconomies of scale in some important aspect*: These aspects can be fast changes of products or styles, frequent emergency of new products, personal business as the key to success, individualized perception of the service and so on. This factor seems to lead to fragmentation in industries such as beauty care and consulting.
- *Diverse market needs*: In some industries, buyers’ tastes are fragmented and they are reluctant to accept a more standardized product or service.
- *High product differentiation, particularly if based on image*: The large size may be in conflict with an image of exclusivity or with the buyer’s

desire to have a brand all his or her own.

- *Exit barriers*: When exit barriers exist, companies with marginal profits would rather stay in the industry and thereby seek consolidation.
- *Local regulation*: Local regulation can be a major cause of fragmentation by forcing the company to obey special standards.
- *Government prohibition of concentration*: Some industries are prohibited from being consolidated by legal restrictions by government, such as electronic power and television.
- *Newness*: An industry can be fragmented because it is new and no firm in this industry has yet developed enough skills and capabilities to take over a significant market share, even though there are no other barriers to consolidation.

(Porter 2004b, 196-200.)

## 2.6.2 Application of competitive strategies

Overcoming fragmentation can be a strategic opportunity. The return of consolidating a fragmented industry can be high because the barriers and costs to enter into it are low and competitors tend to be small and weak. Porter has suggested five common ways of consolidation. (Porter 2004b, 200.)

The first is to create economies of scale or experience curve. This approach can be utilized in various resources and functions including machinery, capital, marketing, distribution, service and other aspects. The second is to standardize diverse market needs. Product or marketing innovations can standardize diverse market needs. Customers may be attracted by a new product or a change in design. However, this innovational transformation is limited by the underlying economic characteristics of the industry, but this limiting factor to consolidation has seemed to be creativity in finding ways to overcome the causes of fragmentation. (Porter 2004b, 201-202.)

The third is to neutralize or split off aspects most responsible for fragmentation. Sometimes, the reasons of fragmentation lie only in a few aspects, e.g. diseconomies of production and diverse customer requirements. The strategy is to separate these aspects from the rest of the business. Fast food is one of the most striking examples. The two functions of marketing and purchasing have been consolidated to create economies of scale. (Porter 2004b, 202-204.)

The fourth is to make acquisitions for a critical mass. In some industries, it may be beneficial to hold a significant market share, but fragmentation makes it extremely difficult to build this share. Successful acquisition can be a smart and effective way to solve the problem. The fifth is to recognize industry trends early. Industries may consolidate naturally as they mature, especially for newly emerging industries. In addition, changes in customer requirements, distribution channels, and governmental regulations can lead to other countless industry trends which may directly or indirectly affect the consolidation of industries. It can be an important way of overcoming fragmentation to recognize the ultimate impact of such trends and position the company to take advantage of them. (Porter 2004b, 204-205.)

### 3 CASE COMPANY: KIINALAINEN HYVINVOINTIASEMA

#### 3.1 General introduction

In order to protect the case company's privacy, the real name of the company is hidden; instead, Kiinalainen Hyvinvointiasema is used as a substitute. Kiinalainen Hyvinvointiasema is a unique Chinese wellness service company. It was established by a Chinese. It provides traditional Chinese physical therapies including foot care, massage, acupuncture, cupping, and Guasha treatment. In addition, a few products related to Chinese physical therapy services are also offered. Other services such as training will be offered in 2012.

Currently the employees in Kiinalainen Hyvinvointiasema include one receptionist, two fulltime skilled massagists, and several part-time massagists. The mission of Kiinalainen Hyvinvointiasema is to keep customers' health by providing cost-efficient traditional Chinese physical therapy services under a cosy and comfortable environment. And their vision is to establish a Chinese wellness brand and chain store around Finland. The first destination of expansion is Helsinki region. So far, the first branch has been opened in Vantaa. In the thesis, we collect information on competitors in Helsinki, analyze the competitive situation of Helsinki, and provide competitive strategies to Kiinalainen Hyvinvointiasema. Since the services are originated from a foreign country for Finnish people, it is necessary to discuss product adaptation and customer relationship management through service quality. In addition, location and pricing strategies are presented to help Kiinalainen Hyvinvointiasema operate chain stores in their future expansion.

### 3.2 Chinese wellness and physical therapy services

Chinese wellness and physical therapy services include various types. Due to their uniqueness, it is necessary to introduce them briefly. This section focuses on the introduction of those services offered by Kiinalainen Hyvinvointiasema.

Chinese wellness and physical therapy services are developed on the basis of traditional Chinese medicine. They have the functions of improving immune system, eliminating fatigue, and treating some diseases. The goals are to promote health and longevity. Service varieties include Chinese health massage, acupuncture, foot massage, cupping, Guasha and so on.

Chinese health massage is one of the most common services. The main purpose is to relief fatigue. Massage parts are the two sides of the spine and the acupuncture points of the whole body. Customers feel relaxed after the massage and all tiredness is wiped away. It is a good choice for office workers,



middle-aged and elderly people. (A brief account of Chinese massage n.d.)

Acupuncture aims to restore and maintain health through the stimulation of specific points on the body. Trained practitioners or acupuncturists use certain techniques to penetrate the skin with thin, solid, metallic needles. It has been practiced in China and other Asian countries for thousands of year. It is also becoming well-known by more and more people in other countries. Some countries have already accepted acupuncture as part of complementary and alternative medicine. (National Institutes of Health 2007.)

Foot massage starts with warm water or warm herbal water foot bath to increase the blood circulation and relax the nerves. Plantar regions reflect different organs of the human body, and there are also many acupuncture points in the soles. Massaging these zones and points is good for the health and has positive effect to treat insomnia, high blood pressure and indigestion. (Zhou et al. 2007.)

Cupping therapy refers to the use of vacuum cup, glass or bamboo to generate negative pressure by draining or heating the air so that it can absorb on the skin or acupuncture point which leads to the congestion of blood. The service could dispel cold, reduce swelling, relieve pain, and drain toxins. The service has good effect to treat diabetes, peri-arthritis of shoulder, and cold symptoms. (Dharmananda n.d.)

Guasha uses horns and jade to scrape the relevant parts of the skin so that the meridian and acupoints are congested with blood which improves the partial micro-circulation in order to dredge meridians and promote blood circulation. It has immediate effects in treating the symptoms caused by high blood pressure, heat stroke, and muscle aches. (Cai 2006.)

### 3.3 Competitive analysis of wellness and physical therapy service companies in Helsinki

Helsinki is the first destination of Kiinalainen Hyvinvointiasema to open chain stores. It is necessary and beneficial for the company to get an understanding of the competition situation in Helsinki before starting expanding the business. The data of wellness and physical therapy service companies in Helsinki was collected from ProFinder B2B which is an Internet-based tool for sales and marketing professionals provided by Fonecta Oy. Almost all registered companies in Finland are listed there and it contains relevant information of company including company name, established year, personnel number, turnover, legal form, main line or service, business branches and headquarters, contact, website, and map. The companies' websites were visited to check what kind of services, products, and prices they offer, and the website also reflects the companies' size and operational situation since big and profitable companies usually put more attention to the design and application of their websites.

The system is always updating. As of September 2009, there were 447 companies in Helsinki which provide services of physical therapy and rehabilitation, massages, physical therapy, acupuncture, and feet care. However, among all these companies, there are 15 companies whose main line of business is providing specialist medical practice activities. They are definitely not the proper competitors or the object of study. Therefore, 432 companies in Helsinki have been found which can be regarded as competitors of Kiinalainen Hyvinvointiasema if it expands to Helsinki.

#### 3.3.1 Business form and industry structure

There are five legal forms of the wellness and physical therapy companies in Helsinki: limited liability company (osakeyhtiö), limited partnership (kommandiittiyhtiö), private entrepreneur (luonnollinen henkilö), general

partnership (avoin yhtiö), and non-profit organization (NPO) (aatteellinen yhdistys and taloudellinen yhdistys). Figure 1 shows the percentage of companies of every legal form out of 432 companies. One company has no information of its legal form and it is marked as not available in Figure 1. Private entrepreneur, limited liability company and limited partnership are the three most common legal forms, each accounting for about 67%, 25% and 5%. They together take a dominant position in the market, while there are only five NPO's and six general partnerships.

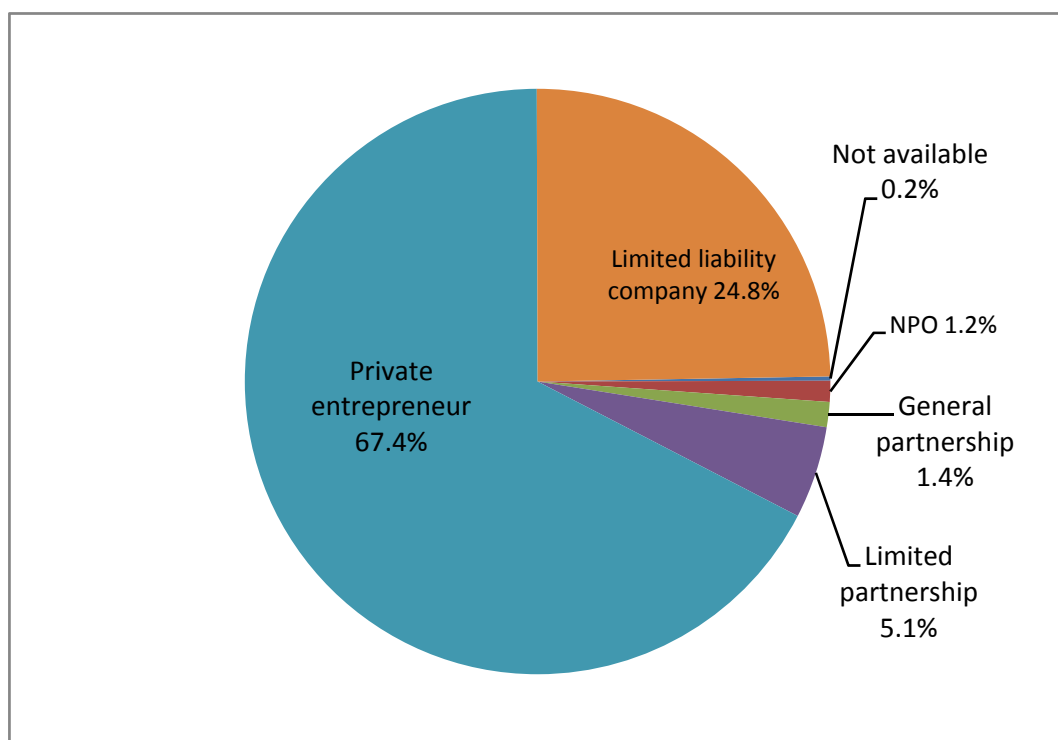


Figure 1 Percentage of business forms of the companies in Helsinki

From Figure 1 it can be seen that over half of the companies are owned and operated by individual persons who, in most cases, are massagists, coaches or physical therapists themselves. Some of them are the only employer as well as the employee in the company, and some others also hire additional physical therapists. Most of private entrepreneurs' stores do not have a website. Even if there is one, the design is quite simple and only contains basic information. Porter (2004b, 191) defines that a fragmented industry is the one that usually

consists of many small- and medium-sized companies which are privately owned. According to his definition, it is not difficult to conclude that the wellness and physical therapy service industry in Helsinki is just such an example.

Limited partnership is usually set up and jointly owned by more than one physiotherapist. They cooperate and work together in their company. They are the owners as well as employees. Compared with limited partnerships and private entrepreneurs, limited liability companies often possess more capital and human resources. They operate in more specialties and offer a much larger variety of services as well as related products.

### 3.3.2 Main line and services of the company

In general, there are five types of services offered in the field of wellness and physical therapy in Finland. They are physiotherapy, massage, beauty, foot care, and acupuncture. This classification is based on the function but not the type of the services. For example, the group of beauty can include massage, foot care, spa, facial treatment and makeup, aiming at delivering health, nice-looking and well-being to customers.

Physiotherapy, also physical therapy, offers treatments to individuals to develop, maintain, and restore maximum movement and function throughout life. Clients of physiotherapy come from all age groups suffering from various physical problems caused by accident, bad posture, illness, ergonomic problems and so on. Physiotherapy has many specialties including cardiopulmonary, geriatrics, neurologic, orthopaedic and pediatrics. (National Health Service n.d.) Some companies in Helsinki which provide services only in one specialty are still classified to the group of physiotherapy, because they are just a small group and it is more convenient to present a general picture of services provided by the companies.

Some companies operate in more than one field. They combine the five main services with other services including training, sports, and hairdressing activities. The situation is that larger companies tend to offer more service items than smaller ones. Table 1 and Figure 2 respectively show the number and percentage of companies classified into different service types.

Table 1 Service classification of the companies

Service type	No. of companies	Percentage (%)
Physiotherapy	208	48.1
Massage	135	31.3
Beauty	22	5.1
Foot care	21	4.9
Acupuncture	16	3.7
Sports and physiotherapy	12	2.8
Training and physiotherapy	8	1.9
Spa and massage	6	1.4
Hairdressing salon and massage	3	0.7
Association and training	1	0.2
<b>Total</b>	<b>432</b>	<b>100.0</b>

The most common services are physiotherapy and massage, all together provided by about 80% companies. On the contrary, beauty, foot care and acupuncture are not that common, and the rest are even less common. There are three companies in 'Association and training'. Helsingin Hieronta-Akatemia (Helsinki Massage Academy?) and Suomen Urheiluhierojaopisto Oy (Finland College of Sports Masseur?) are two Ltd's which provide trainings for massagists. Suomen Fysioterapia- ja kuntoutusyrittäjät FYSI ry (Finnish Physical therapy and rehabilitation FYSI Entrepreneurs Association?) is a non-profit organization operating activities of professional membership

organizations and trainings. Many physical therapy companies in Finland are its members. It is engaged in activities to promote physical therapy and rehabilitation facilities and practitioners' professional and legal interests. (Suomen Fysioterapia- ja kuntoutusyrittäjät FYSI ry 2010)

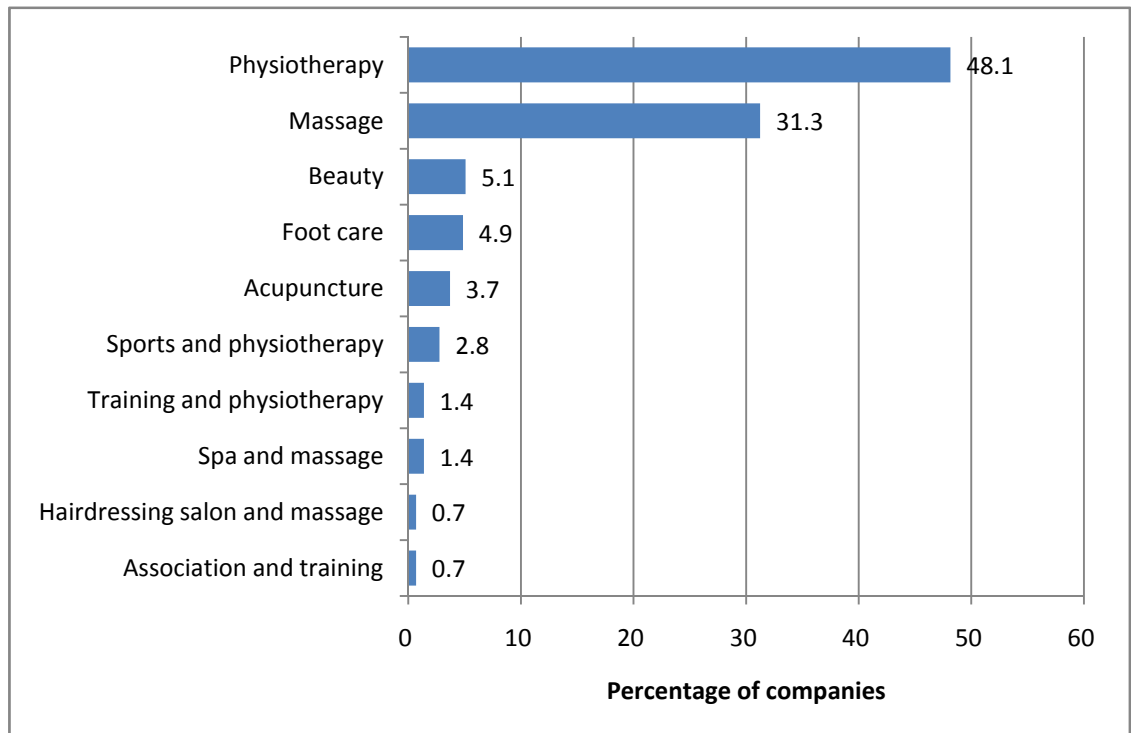


Figure 2 Service classifications of the companies

### 3.3.3 Established year of the companies

Figure 3 indicates the range of years in which the companies were established. The first wellness and physical therapy company in Helsinki was an economic association (taloudellinen yhdistys) founded as early as in 1969. Since that time, the number of newly established companies has been increasing. From 1970 to 1989, the increase is slow at an average number of 2 new companies every year. But the increase has speed up since 1990. There are 121 companies being set up from 1990 to 1999, and 258 companies from 2000 to 2009. About 60% of companies in Helsinki are established during the past ten years. More and more companies have entered the industry of wellness and physical

therapy services, and the trend seems to continue. It can be predicted that with the demand increase of physical therapy services and the prosperity of this industry, more companies will be built, and consequently, the competition will become fiercer than before. Therefore, it is very important and necessary that the existing company gains a competitive advantage and develops a competitive strategy in order to prevent entry of new companies and expansion of existing rivals.

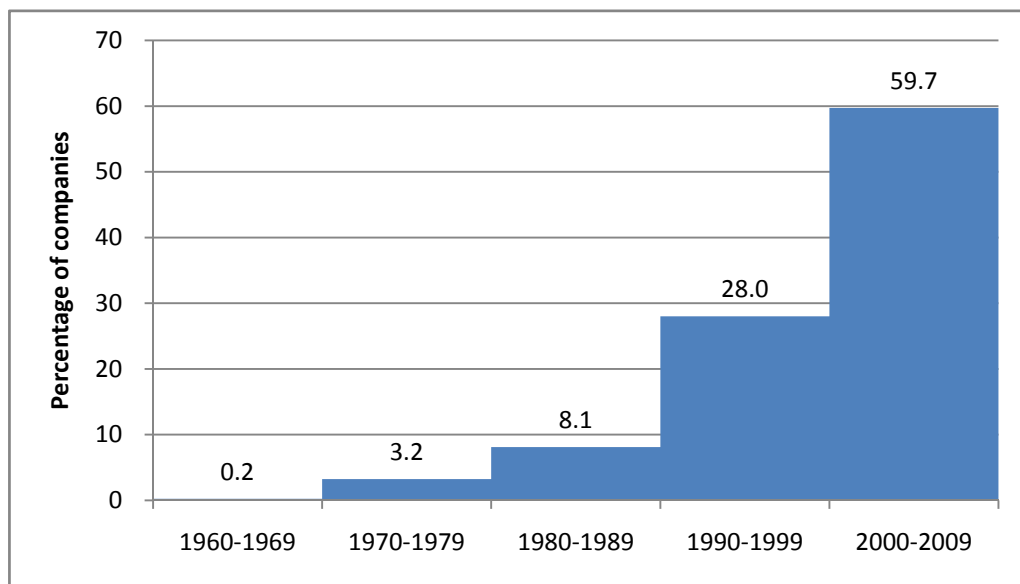


Figure 3 Established year of the companies

### 3.3.4 Individual competitor analysis

Due to the large number of companies and the diversity of services, it is necessary to choose and make a further analysis on several representative companies. Base on the situation of Kiinalainen Hyvinvointiasema and the industry, two limited liability companies (Oy), one limited partnership (Ky), and five private entrepreneurs (luonnollinen henkilö) are selected to make a more detailed research and analysis about their services, prices, and operational approaches.

## **Auron Oy**

### **Company profile**

Auron Oy is a limited liability company established in 2004. It is Finland's largest company in the field of wellness and physical therapy services. The company's objective is to deliver the highest quality of physical well-being to private and institutional customers. Auron Oy has five offices of their own and 45 partners located in 64 places. It forms a chain of Auron which is the only company in its field operating nationwide around Finland. (Auron 2010b.)

All the partners of Auron must go through a detailed certification process in order to ensure the service quality. Auron is still looking for new partners and any company interested in joining can contact them. The Auron name is not necessarily included in the names of the partner companies; however, their cooperative relationship is often mentioned in the partner companies' websites. The idea is that every company wins and together they can develop even better. The growth of the chain makes Auron an attractive partner for potential partners as well as the customers. The national chain enables the companies to provide many services that other companies cannot. (Auron 2010c.)

Auron uses extranet system and other professional software to link their internal employees and partners together. User name and password are required to log in these systems. (Auron 2010a) This is a very modern and high-technology oriented approach of management system that Kiinalainen Hyvinvointiasema can refer to when it expands large enough to apply such systems in the future.

### **Service and product**

Auron offers three types of services: services for individuals, services for



institutions, and training services. Training services are provided to physiotherapists to maintain their professionalism and improve their skills. It involves different specialities such as OMT, neck and spinal, and rehabilitation. Physiotherapists need to register in the courses and pay tuition fees. (Auron 2010f) The timetable of 2010 looks quite full.

A variety of specialized wellness and physical therapy services are provided to individual persons, including physiotherapy, OMT-physiotherapy (orthopedic manual therapy), rehabilitation and exercise for senior people and veterans, neurological physiotherapy, occupational therapy, and sports groups. For physiotherapy services, KELA reimburses part of the doctor's referral for future patient care. (Auron 2010h) Through Auron's website, customers can search a location and the service they want; then they are directed to the partner's website where customers find detailed service, price, and booking information. The first-time customers are asked to fill in a preliminary information form based on which Auron can learn about customers and prepare in advance to better satisfy their needs (Auron 2010d). The form requests basic information about the customer and his/her health (Auron 2010e). This kind of form is very useful and efficient for the operation of a large chain company. Human resource could be reduced if customers provide information through the Internet instead of through personal contact at site of the company.

For their institutional customers, Auron provide both preventive and therapeutic services. They analyze the data of the staff and propose practical measures under the consideration of the company's resources for implementation. They have also invested in high-quality monitoring and reporting system that will monitor the effectiveness of physical therapy services. It is worth mentioning that the billing service of Auron is centralized. Although Auron-chain consists of many partner companies which have their independent managerial teams, the company customer gets only one invoice no matter in which partner company their staff enjoy the service around Finland. (Auron 2010i.)

Auron has an online-service for customers to order a gift certificate of physiotherapy services for their families and friends. Customers can choose it to be posted to them or directly to gift-recipients. A one-time gift certificate costs 59 euro, two-time 100 euro, and three-time 145 euro. The payment is made through the online-banking system. The gift certificate is usable in all Auron partner companies. (Auron 2010h) This can be quite an effective way to attract customers' purchases. But most possibly it would be the repetitive or loyal customers to buy the gift certificate, as they are so acquainted with the service that they can judge whether it is suitable and worthy to send this certificate as a gift to families or friends.

### **TH Treatment Oy**

TH Treatment Oy is a beauty salon operating physical well-being activities. It was established in 2003 and now there are five employees working there including a plastic surgery nurse, massage therapist, yoga instructor, physiotherapist, and beautician (TH Treatment Oy n.d.d).

TH Treatment Oy has a lot service items involving acupuncture, solarium, infrared sauna, steam treatment, facial treatment, body treatment, nail treatment, slimming treatment, cosmetic services, plastic surgery, and breast surgery. The company also offers tailor-made care plans and packages to individual and group customers. The plan and package are designed based on customers' problems and wishes. (TH Treatment Oy n.d.b) Table 2 displays the prices of services provided by the company which are most related to services of Kiinalainen Hyvinvointiasema. Only acupuncture service can be deducted by KELA compensation.

Table 2 Services and prices of TH Treatment Oy (adapted from website of TH Treatment Oy: TH Treatment Oy n.d.a)

Service	Time/min	VIP/€	Norm./€
Acupuncture (cash)	—	55	60
Solarium	—	55	77
Infrared Sauna	—	10	15
Steam treatment	—	30	35
Lymph massage of the whole body (mechanical)	—	55	73
Craniosacral therapy	60	60	65
Reiki (cash )	60	60	65
Chocolate Massage	—	70	79
Classical massage (oil )	30	35	45
	60	50	65
	90	70	85
Indian head massage	30	35	45
	60	50	65
Hot Stone Massage	60	60	70
Hot Stone Massage combined with classic massage	90	80	90
Gold skin care	60	85	100
Champagne massage / treatment	60	85	95
Red wine and champagne treatment	120	130	145
Herbal massage – body	60	80	95
Herbal massage – face	60	70	85
Herbal massage – body and face	120	130	140
Wedding makeup (cash)	60	90	—
Formal Make-up (cash)	60	50	—
Personal make-up tutorial	90	70	85

VIP customers need to pay a membership fee of 70 euro every year and they can get financial benefits of the services. In addition, they can enjoy the luxurious Seurahuoneen Club huone (Seurahuone Club room?) at €99 per room per night (norm. €129) on weekends. (TH Treatment Oy n.d.c) Though 70 euro is not a small amount of money, customers would still be willing to pay to get a good discount price if they are a frequenter of LH Treatment Oy.

### **Sportti-Fysio**

Sportti-Fysio is the company owned by Hannu Ahonen Ky. It was established in 1996 which mainly provides sports-oriented massage and physiotherapy. Their customers are athletes, office workers, pensioners and the elderly, and people from any age who are conscious of fitness. (Sportti-Fysio n.d.c) Services provided by Sportti-Fysio include massage, sports massage, physiotherapy, referral-treatments of surface-deep heat therapy, electrical therapy, movement therapy and massage, fitness programme (by agreement), home visit of physiotherapists, acupuncture and chiropractic. Table 3 provides the price information of the services.

Table 3 Price list of Sportti Fysio (adapted from Sportti-Fysio's website: Sportti-Fysio n.d.b)

<b>Service</b>	<b>Time/min.</b>	<b>Price/€</b>
<b>Massage</b>	30	23
	45	30
	60	38
	90	55
<b>Referral care</b>	45	38
	60	45
<b>Acupuncture</b>	45	33
<b>Chiropractic</b>	45	50

There are two physiotherapists, three trained massagists, and one trained chiropractor working in Sportti-Fysio (Sportti-Fysio n.d.a). Detailed instructions on the employees' specialties are displayed on the company's website. The information helps customers to book appointments through the Internet, especially new customers who are not well acquainted with the physiotherapists and their services.

### **Companies operated by private entrepreneurs**

Companies set up by private entrepreneurs (luonnollinen henkilö) often provide distinctive services specialized in only one field such as massage, acupuncture and foot care. Unlike big companies, their range of services is much smaller. Five companies are selected that can be considered as representatives in Helsinki based on the situation of Kiinalainen Hyvinvointiasema. They are analyzed in detail in following paragraphs.

#### **Akupunktioasema**

Akupunktioasema was established by a Chinese called Jiangi Liu in 1995. Liu has got his Bachelor's and Master's degree in medicine in China and Doctor's degree in University of Helsinki. He has 30 years of professional experience in traditional Chinese medicine in China. He can speak Finnish and English. Liu has written dozens of scientific articles in both traditional Chinese and Western medicine sector in international journals. He has lectured at seminars in Finland, Japan, China, France and the United States. (Akupunktioasema n.d.b.)

Akupunktioasema is a clinic in which the a lot of diseases and pains are treated: headache, neurogenic pain, neck, shoulder and back pain, rheumatic pain, period cramps, sciatica, fatigue, depression, insomnia, psychosomatic symptoms, intermittent walking, stroke sequelae, allergies, asthma, skin rashes,

overweight, and stress. Treatments offered by Liu are acupuncture, dry cupping, Guasha, herbal medicine, Chinese dietary treatments, and physical therapy. The treatments often last about one to two hours. The treatment sequence is three to five times, and treatments are taken once a week. (Akupunktioasema n.d.a)

### **Kiina-Klinikka**

Kiina-Klinikka is also a clinic established by a Chinese called Huaiyuan Li in 1996. Li is a Chinese doctor and Guasha-master with over 24 years' professional experience. He graduated in 1976 from a Chinese army medical school. He came to Finland in 1991. Master Li has been interviewed many times by TV (TV1, TV2) and lots of Finnish newspapers and magazines (Helsingin Sanomat, Voi Hyvin, Kotilääkäri, Apu). He has also made speeches about Chinese treatments in public for 23 times, for example in the Finnish Parliament (invited by Satu Hassi, the chairman of the Finnish Green Party) and Finnish Olympic Committee. (Kiina-Klinikka n.d.)

Li's specialties are sexual dysfunctions (impotence, men & women), back and neck problems. His treatments include Qi Gong, Guasha and acupuncture. (Kiina-Klinikka n.d.) Letters from satisfied clients are displayed on the website of the clinic and they are also translated into English. There are fairly a lot of letters which show that Finnish customers are at least relatively satisfied with his services and the customer relationship is managed quite well.

### **Heket - Tmi Anu Lampinen**

Heket - Tmi Anu Lampinen is owned and operated by Anu Lampinen. It was newly founded in 2009. Anu Lampinen works as a midwife, nurse, nursing instructor, acupuncture therapist, and yoga instructor. (Heket - Tmi Anu Lampinen n.d.a) This company is chosen because Anu is a Finnish

acupuncturist and she works on herself. This is not very usual in Finland. Most private entrepreneurs in Helsinki provide massage and physiotherapy services. Chinese treatment like acupuncture is not commonly mastered or very-well known by Finnish people. The cost of one acupuncture treatment is 40 euro (Heket - Tmi Anu Lampinen n.d.b).

### **Ergodex**

Ergodex is a company specializing in providing corporate massage. The company has been working in this industry since 2005. It possesses special expertise in neck, shoulder and hand treatments and instruction of stretching and aerobics. It promotes regular massage as a method to maintain occupational health and improve work ability of employees. It targets the companies that are willing to invest in staff well-being. (Ergodex n.d.c.)

Ergodex provides classical massage, sports massage, acupressure, cupping, Indian head massage, and sauna evenings (Ergodex n.d.a). The company has a co-operation network with other massage companies and massagist organizations. The network guarantees the access to a larger number of services and corporate events for their corporate customers. (Ergodex n.d.b)

### **T:mi Ruusuheinä**

T:mi Ruusuheinä was established in 2005. Although as a company operated by a private entrepreneur, T:mi Ruusuheinä offers quite a lot of services and its website is nicely-designed which contains detailed information about the company, service, and price. T:mi Ruusuheinä's services include chocolate massage, Indian head massage, hot stone massage, chocolate facial care, zone therapeutic foot massage, cupping, facial massage (aloe vera), reflexology, sugaring hair removal, paraffin massage, and laughter yoga (T:mi Ruusuheinä n.d.a). Table 4 lists the price of each service. But prices of laughter

yoga, theme evenings, schools, groups and organizations are based on separate agreements with the customers (T:mi Ruusuheinä n.d.a).

Table 4 Service and price list of T:mi Ruusuheinä (adapted from T:mi Ruusuheinä's website: T:mi Ruusuheinä n.d.a)

Service	Time/min.	Price/€
Chocolate massage	70	75
Chocolate facial care	50	52
Chocolate massage and facial		120
Hot stone massage	45	45
	60	55
	90	70
Indian head massage	30	28
	40	33
Indian head massage oil		35
Zone therapeutic foot massage	30	30
Cupping	30	30
Facial massage (aloe vera)	40-45	40
Reflexology (therapeutic massage)	60	40
	90	57
Paraffin massage – facial care	40	40
Paraffin massage – manicure	30	30
Paraffin massage – pedicure	40	37

T:mi Ruusuheinä has a service of gift certificate which customers can order from its website or by phone. Almost all of the services can be ordered and the prices of services remain unchanged. The gift certificate can be bought by customers for themselves or for other people. Customers can type the desired value of the gift certificate which they want the recipient to see. They may also leave messages to the receipt. The gift certificate can be either posted to



customer by mail or printed out by customers themselves. (T:mi Ruusuheinä n.d.b) In addition, T:mi Ruusuheinä uses a promotional method that every client of the company has the access to one €10 gift voucher of any selected service or product presented on the web page of IT-Pöllö which is also established by a private entrepreneur and offers web design and computer instruction and guidance (T:mi Ruusuheinä n.d.c & IT-Pöllö 2010).

### 3.4 Competitive analysis and suggestion for the case company

#### 3.4.1 Cost leadership strategy

It is known that labour cost in Finland is extremely high. Compared with Finnish wellness and physical therapy companies, Kiinalainen Hyvinvointiasema holds a cost advantage because it hires Chinese massagists and physiotherapists whose salary requirement is lower than their Finnish colleagues. The Chinese massagists are fully satisfied with the monthly salary of 1500 Euros, whereas the average salary of Finnish massagists is around 1800 Euros (Ji 2010).

However, this advantage is not prominent which will not even last forever because of three reasons. Firstly, customers do not need to pay 22% VAT if services are provided by registered massagists in Finland (Ji 2010), and customers may get financial support from Kela (Finnish Social Insurance Institution) if they have a prescription from physiotherapists or doctors. In other words, Finnish registered massagists and physiotherapists can save customers' costs on the service so that customers would prefer their services.

Secondly, massagists and physiotherapists who work on their own do not need to pay salaries to others. The gained profits would all fall into their pockets. This is one of the reasons that most massagists and physiotherapists would like to set up their own businesses if they have enough capital.

Thirdly, Kiinalainen Hyvinvointiasema may need to employ Finnish workers in the future when there is adequate demand. In addition, the salaries of current employees are required to rise up each year, so that wage gap between Chinese massagists and Finnish massagists will be gradually reduced year by year. After all, the business is conducted in Finland and there may be a shortage of Chinese massagists and physiotherapists. Therefore, possessing only cost advantage is far not enough.

Analyzed in Chapter 3.3.1 Business form and industry structure, the wellness and physical therapy industry in Helsinki might be very fragmented. Since Helsinki is the most populous and the most prosperous city in Finland, it can be inferred that this industry is fragmented in the whole Finland. In order to gain a competitive position in the market, Kiinalainen Hyvinvointiasema can establish chain stores around Finland which could help the company to seize more market share and reduce the cost. It is one of the several approaches to overcoming fragmentation put forward by Porter which is explained in Chapter 2.6 Competitive strategies for fragmented industry.

One strategy of cost leadership deduces to save the labour cost by setting up chain stores. The reception in each member store may be replaced by one calling center. In Finland, nearly all customers make appointments for wellness services in advance, and quite few people visit the store without notice beforehand. It is not desirable to hire a reception for each store in order to keep those few direct visitors. Therefore, one calling center would be sufficient to take the responsibility for customer consultation and reservation. In human resource aspect, a new chain store can be opened as long as there are massagists, and one employee in the calling center can serve for several stores. The more chain stores, the more company can save its labour costs. Kiinalainen Hyvinvointiasema can economize each employee in calling center, so that it creates cost leadership competitive advantage for the company.

In fact, there already exist several companies that have nationwide or cross-regional operations. For example, Auron Oy is the only and largest physiotherapy company in Finland that operates nationwide with five offices of its own and about 45 partners, which form a chain of Auron. It has a total of 64 locations and serves both private-and institutional customers. (Auron 2010b) In addition, there are a few more companies that own branches outside Helsinki, such as Turku, Espoo, and Tampere. Although these companies have had economies of scale in certain aspects, their existence should not be considered as a barrier to the expansion of Kiinalainen Hyvinvointiasema.

The second strategy is to maximize the utilization of massagists. As a new business in Finland, Kiinalainen Hyvinvointiasema faces a problem of unstable sale condition. This means that sometimes the massagists are inundated with customers, whereas sometimes they spend their working time idly. Particularly in summer time, less than half of customers visit Kiinalainen Hyvinvointiasema compared with other seasons (Ji 2010). Consequently, increasing the utilization of massagists is another way of cutting down labour cost.

Personnel movement would be a solution for this utilization. Take Lahti as an example, Kiinalainen Hyvinvointiasema has one premise in the city center of Lahti. The company may organize one or two more service point in nearby towns, such as Nastola and Hollola. The store located in the city center of Lahti would be the main place that the company focuses on, at the same time other service points also accept reservation when the massagist is free. So the massagist may work at several places based on the reservation.

Those service points should be relatively close to each other so that it is easy for massagists to transfer from one service point to another and the local newspaper can reach all of the service points in one area. In this case, the current advertisement would be enough to attract customers from the whole region. What the company needs to invest are only the rent of service points

and the transportation cost.

The third strategy is related to recruitment. Hiring one employee does not only mean that the company has to pay the fixed salary, but also denote that the company needs to pay for the endowment insurance, unemployment insurance, etc. According to the accountant of Kiinalainen Hyvinvointiasema, the company must pay additional fees of around 60 percent of the original salary for extra items for each employee. Under this situation, cooperating with individual massagists (namely private entrepreneurs) would be better than hiring own employees since the former method can avoid those extra payments.

The cooperation means that individual massagists offer wellness services to the customers and work under a subcontract, and Kiinalainen Hyvinvointiasema provides parlor and takes charge of other customer service and marketing promotion. Kiinalainen Hyvinvointiasema pays to individual massagists based on their workload. As a result, Kiinalainen Hyvinvointiasema would minimize the labour cost and stimulate the working motivation of massagists. It is also an attractive method for private entrepreneurs because they need not take thought for the matter of premise rent, advertisement, reservation and so on. However, this method also has its negative side. The individual massagists may be very fluid and unstable so that it is hard to control the service quality and standardize service skills.

#### 3.4.2 Differentiation strategy

The services offered by Kiinalainen Hyvinvointiasema are quite different from those of the Finnish-owned physiotherapy companies, and so far not a single company offering Chinese physical therapy has been running a chain store or even branches in other cities. It is important and foresighted that Kiinalainen Hyvinvointiasema can see the trend of being large and chaise the opportunity to be the first chain store of Chinese wellness and physical therapy services.

However, the Chinese physical therapy may cause perceived risks in customers' mind, which means that Finnish customers are not familiar with Chinese physical therapy services. A thorough explanation and a trustworthy service guarantee would significantly help the company to prevent this risk. It can be a good idea that the company offer the reading material in Finnish which related to Chinese physical therapy. In practice, people always trust the explanation coming from the third party. Kiinalainen Hyvinvointiasema may supply several relevant books for customers to read, such as "Terveyden kiinalainen käsikirja", which is written by Denis Vinokur and introduces the basic concept of Chinese physical therapy. Figure 4 shows the cover of this book.

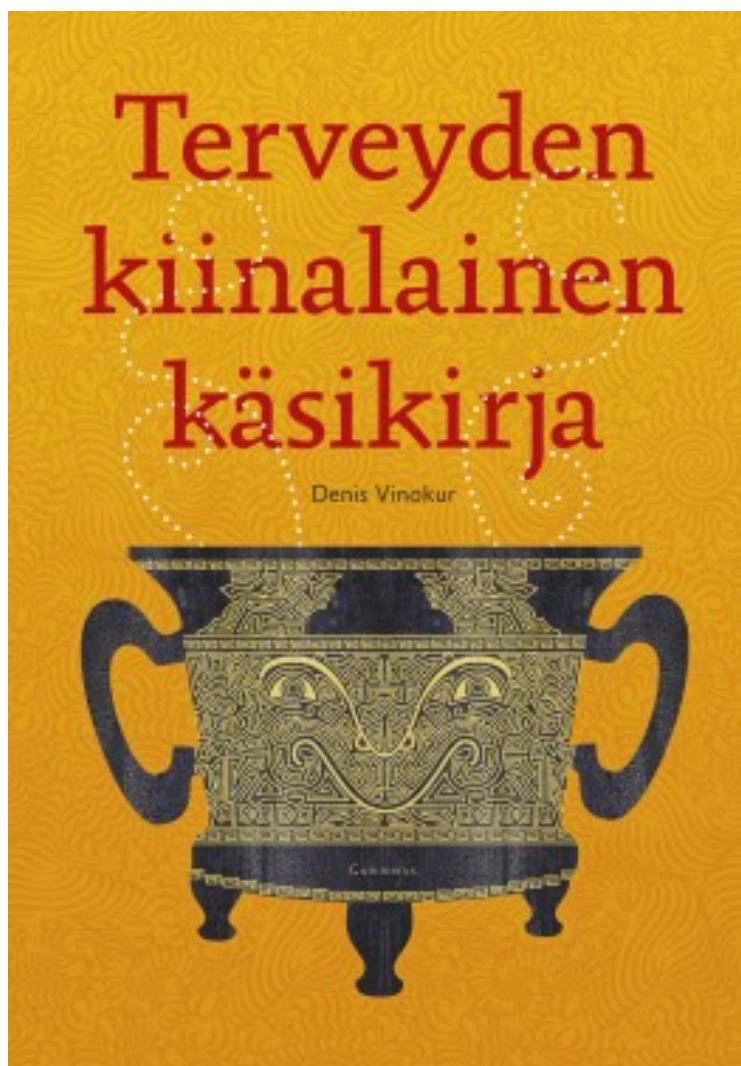


Figure 4 Cover page of "Terveyden kiinalainen käsikirja"

Building an interactive platform between the customers through company's website is also a good approach. Putting up a message board where customers can write their opinions of the services and how the personnel have worked for them gives an honest image of the company and makes the customers to be the marketers for the company. Sending, for instance, targeted emails and newsletters to the customers telling about the latest changes, new services, discounts and other valuable information would give an image of caring about the customer even after the service is done.

### 3.4.3 Customer loyalty strategy

Kiinalainen Hyvinvointiasema should also try to establish demand advantage and customer loyalty. Fixed customer base ensures the fixed income for the company. Several methods can be conducted to achieve this advantage. Kiinalainen Hyvinvointiasema can increase the transactional costs of customers through a closer customer relationship. Kiinalainen Hyvinvointiasema should learn more about the customers' information, requirements and problems so that customers can feel the company to be a well-informed and reliable friend who is able to provide the most satisfied services. Customers know that changing a supplier means a huge cost of time and money to make the new supplier understand their needs. Therefore, they would stay with the present supplier and become loyal.

The second method is to set up VIP membership. VIP customers must pay a membership fee every year and their service price would be cheaper than normal customers. This membership can be promoted to repetitive customers who have certain interest in the company's services. The membership fee may encourage purchases as customer may consider that it is not worthy of the membership fee if they do not consume the services. Additional benefits can be provided to VIP customers like what TH Treatment Oy has done, for example, customers have the chance of a free service in the month of their birth. The

third method is to sell the service in bulk at a lower price. For example, if customers buy 10 times of the service, they can get 20% discount on the original price. This method can make it a habit of the customer to consume in the company due to the large amount of purchases made at one time, and as a result, the habit would eventually increase the customer loyalty.

## 4 GAINING CUSTOMER SATISFACTIONS BY LOCALIZATION

### 4.1 Economic globalization and product standardization and adaptation

#### **Economic globalization**

Influenced by the international movement, investment, and trade, most national economies in the current integrate into the global economy, which consists of production, competition, markets and industries, and directly affects every individual and industry in some respects.

Traditional marketers seek to expand in the global market for the reason that the local market does not have sufficient space for the potential growth (Kurtz 2009, 266). Multinational corporations and foreign direct investment takes paramount roles in the process of economic globalization. Besides economic reasons, according to Lynch (2003, 40), economic globalization is also caused by the expansion of European culture, settlement patterns, colonization, and cultural mimesis.

With the accelerating process of globalization and the intensification of competition, the provision of products and services are varied from all around the world. Under this trend, the business of Chinese physical therapy has further developed around the world. In Finland, Chinese physical therapy started to be offered in the 1980s when a few therapists opened their clinics in Helsinki. At that time, the focus of the service was on the medical field and

treatment of disease which was the same as that in the Chinese market. During the decades, those therapists established some basic concepts and impressions of Chinese physical therapy in the mind of Finnish people. (Ji 2010.)

In the 1990s, Chinese physical therapies in China gradually turned into wellness services, and thus they were much closer to people's lives. In the beginning of the 21st century, Chinese physical therapies became an indispensable element of Chinese people's everyday life. Most of the individual therapist has been replaced by large service enterprises. As a result, some Chinese physical therapy leisure companies started their expansion to foreign markets. Chinese physical therapies in Finland started to be offered as wellness services in the beginning of the 21<sup>st</sup> century. By 2009, several Chinese physical therapy leisure companies have been settled in Finland (Ji 2010). How should these companies carry out their product and service modification in a place with different culture from China? This problem is discussed in this chapter.

### **Product standardization and adaptation**

Before the theory of product modification was formed, three strategies had been adapted by international firms for decades. They are:

SWYG: Sell What You have Got

SWAB: Sell What People Actually Buy

GLOB: Sell the same thing GLOBALLY, disregarding national frontiers.

(Phillips, Doole & Lowe 1994, 294.)

Through practices, these strategies are further updated into new strategies which are product standardization and adaptation.

The process is quite simple if the company adopts the SWYG strategy, thus, it became the most common method to start with, but it is also the most common



method to fail. Instead of marketing needs, this method preferred economies of scale. Being diametrically opposed to SWYG, SWAB is in an early form of product adaptation. It only focused on the local demand, and lacked the consideration of company development and profitability. GLOB is the classic method of product standardization. (Phillips, Doole & Lowe 1994, 294.)

Product localization, which is originally proposed in translation and regional application of computer software, is now gradually applied to unify or customize other products and services in a particular region in the international market. The broader term of product localization was argued in two streams, product standardization and adaptation.

The argument traces to the time of the early 1970s when some scholars initiatively started the investigation of the product standardization and adaptation. Later, a lot of academic research in the late twentieth century provided an empirical investigation of the two methods, but produced the result only based on businesses in one single nation. Even though the research had been linked to the target market and demography, degree and features of product adaptation, and strategy and factors of product modification, its examinations failed to provide a thorough and profound analysis on the two methods of product localization. (Keegan 1983, 5-15.)

## 4.2 Product standardization

One product, One message, Worldwide

----- (Keegan 1983, 5-15)

Many markets in the world are segmented according to the different consumer behavior and culture in order to satisfy the local market, but companies often fail to create a cost competitive advantage in the segmented markets (Bradley 2005, 185). In the 1920s, Coca Cola introduced a global access in order to

overcome this shortcoming; later Keegan simplified this strategy in one sentence: One product, One message, Worldwide (Keegan 1983, 5-15). This strategy allowed the maximization of cost saving in the international market.

The implementation of product standardization strategy has played an extremely crucial role in the rapid expansion of global markets. The standardization strategy is normally adopted based on three considerations.

First, the cross-border target customer groups show high homogeneity in key requirements of product characteristics, so that there will be enough potential market and growth space of the standardized product. Second, product standardization can achieve the economies of scale which can dramatically reduce the cost of raw materials, machinery equipment, and other production costs. Furthermore, it can reduce the cost of product research and development. Therefore, it creates the cost-effective competitive advantage in the international market. Third, maintaining consistency of the brand image would help to increase sales and trigger a useful brand association to improve the efficiency of marketing promotion. (Czinkota & Ronkainen 2007, 246-270.)

Onkvisit and Shaw (2007, 285-287) argue that product standardization cannot be a good strategy unless an appropriate product or service need to be standardized when there is a requirement of, for example, a uniform brand and a consistent product or service quality.

Slight different from product standardization, the standardization of services has two elements. One element is related to the process of services, namely a service delivery system to provide customers with the services to meet their needs in various steps. The other one is the attitude, behavior and language of the service personnel. The more specific service modification will be discussed in Chapter 4.5 Choosing a service adaptation strategy for Kiinalainen Hyvinvointiasema.

### 4.3 Product adaptation

Product adaptation refers to customizing the product in different countries or regions and providing the restructured products according to different local consumer needs. This strategy adapts the products into the local culture to better meet the local consumer demand. (Czinkota & Ronkainen 2007, 246-270.)

According to Onkvisit and Shaw (2007, 285-287), local market may desire a modified product based on its needs; therefore, product adaptation could be an effective access to entering a foreign market. A survey of The Conference Board, a global organization about management and marketplace, indicates that the crucial factors of adaptation are long-term and short-term profitability, cost of adaptation, and demand of potential market. In addition, the product adaptation can be obligatory or optional on a basis of products' characteristics and the marketing strategy of the companies.

However, mandatory modifications must be adopted when there is direct influence from the government regulation and policy (Onkvisit & Shaw 2007, 285-287). For Chinese physical therapy, the government regulation is a matter of paramount importance which determines the survival of those therapy companies in Finland. The Finnish government does not recognize acupuncture, one of the therapies, as a medical treatment, but acknowledges that it can be used to keep healthy (Ji 2010). Consequently, establishing a wellness service company could be much easier than establishing a medical-oriented one. The definition and positioning of the services and products should be wellness rather than health care.

### 4.4 Combination of product standardization and adaptation

In order to occupy a favorable position in the fierce competition, a flexible

combination of standardization and adaptation should be adopted in the case of Kiinalainen Hyvinvointiasema. Iyer and Soberman (2000, 203-225) confirm that the essential of modification consists of not only product features but also the line extensions, positioning, and packaging from a marketing viewpoint. The modification plays a key role in developing an existing product rather than creating a new product. The modification of the marketing mix should meet local demands of different markets as well as be adjusted from an overall aspect of the international market (Keegan 1983, 5-15).

The combination is not a simple compromise between standardization and adaptation, but should be from the consistency perspective of "Think Globally, Act Locally", which means to think "local" problems from a global perspective and to produce the "local" issues into the global marketing. The guiding ideology is to adopt customer-oriented strategy based on the local culture, and to create products and services in the global market, which means to both meet the economies of scale in marketing and balance firm's application of standardization and localization. (Richards 2004, 173-174.)

In the international market, product positioning, brand and image building and other strategic elements can often be standardized. The foreign products should act as local inherent elements integrated with the local market rather than foreign invaders.

#### 4.5 Choosing a service adaptation strategy for the case company

Service modification by Kiinalainen Hyvinvointiasema in Finland should take into account the characteristics of target consumers, the image building, and adaptation of the services to the local culture. About 30% of the respondents in our survey conducted in 2010 answered that they had no knowledge of Chinese Physical Therapy; over half of them (51.6%) answered that they could accept it, but they still did not have a clear understanding about it. Finnish

people' recognition of Chinese physical therapy would take a bit long time.

As mentioned before, the Chinese physical therapy services should be placed in the wellness area due to the Finnish regulation. Following this positioning, the promotional strategy should be modified to convey the right message and make the image of services slightly different from that in the Chinese market. Even though the physical therapy services in China are nowadays gradually viewed as wellness service, most people still consider them as a treatment. However, in Finland those therapies are considered as wellness services in most cases. Thus, leisure group will be concerned as the one of the target consumer groups.

In order to act as a local inherent element in Finland, Kiinalainen Hyvinvointiasema should take into account both eastern and western background when providing Chinese physical therapy services. For example, there is a debate on the origin of foot massage for many years. Most western therapists figure that foot massage came from western countries and was named as reflex therapy primarily. On the other hand, Chinese therapists argue that the foot massage has been one of the traditional massages in China for a very long time. In such circumstance, Kiinalainen Hyvinvointiasema may use the name of reflex therapy with which Finnish people may be more familiar than with foot massage.

Adapting the service to the local culture is of vital importance in service modification for the reason that consumption behaviors of Chinese customers and Finnish customers differ in several details. One of the main differences is privacy; Chinese customers are not frowned upon using services in a sharing hall, whereas Finnish customers prefer to use services in a private room. Kiinalainen Hyvinvointiasema has done a good job in this aspect since each customer can have a private room when they enjoy services.

Other details, such as massage oil and equipment, also need to be regarded. The sensitivity of skin of western people may not be the same as that of eastern people. It is better to use Finnish massage oil. Compared with Chinese customers, Finnish customers are taller in average. Therefore, the massage table should be modified based on the figure of Finnish customers.

Furthermore, as the physiotherapists are Chinese, there is a requirement to train and modify them in terms of language, habit, and cultural understanding. To become good and professional personnel, they need to learn Finnish language, understand Finnish culture, and also master the technology and skills required to serve Finnish customers.

## 5 MANAGING CUSTOMER RELATIONSHIP

### 5.1 Customer segmentation

Companies do not necessarily invest equal amount of time and money to treat all customers. Some customers may seem to be more profitable than others, some may be more valuable for the long-term development of the company, some may have a fixed consumption pattern, and some may consume cyclically. Companies should segment customers in terms of e.g. their profitability, demands, and other identifiable personal data. Different concerns, service packages and levels are offered to different customer groups so that unnecessary costs can be reduced and investment in the right customers can be used more efficiently. There are four tiers of customers that can be classified: platinum, gold, iron, and lead. (Lovelock & Wirtz 2007, 323-324.)

Zeithaml, Bitner and Gremler (2009, 189) also write about customer profitability segments and the four tiers which are defined as follows:

1. The *platinum tier*. They are the most profitable customers and heavy users of the product or service. They are not price sensitive but have a

- high expectation of the service level and quality. They are willing to invest in and try new offerings and are loyal customers of the company.
2. The *gold tier*. They are not as profitable as platinum customers because they are more sensitive to the price and want price discounts. They may be heavy users who deal with multiple vendors to minimize risk. They do to obey to the company so completely.
  3. The *iron tier*. They are an important segment who brings economies of scale to the company. They provide the volume needed to ensure the company's capability of serving platinum and gold customers. However, their own spending levels and loyalty are not substantial enough for special treatment.
  4. The *lead tier*. They consist of customers who generate costs to the company. Their profitability is lower than that of iron customers but they want the same service levels as iron customers. Sometimes they are even problem-making customers who complain about the company to others and use up the resources of the company.

(Zeithaml, Bitner & Gremler 2009, 189.)

Platinum customers account for a very small number in the company's whole customer base. The proportion of gold customers is higher than that of platinum customers. Iron customers take a very large proportion of all the customers. (Lovelock & Wirtz 2007, 324) Companies must work either to change the customers' behaviour to increase the sales revenue or to change the company's cost structure to decrease costs. The establishment of customer segments is helpful for companies to better understand their customers from a perspective of profit. Companies should strengthen relationships with the committed customers, increase sales with existing customers, and increase the profitability on each sale opportunity. (Zeithaml, Bitner & Gremler 2009, 190)

## 5.2 Developing relationships with customers through service quality

Grönroos (2007, 30) summarizes three tactical elements of relationship strategies. The first is to seek direct contacts with customers and other business partners. Then companies should build a database that covers necessary information about customers and others. The direct service provider often knows about the customer and has first-hand information, but other staff, e.g. receptionists who answer customers' phone calls, in many situations do not personally know the customer. A well-prepared, updated, and easy-to-read customer information file is needed in such cases to realize a relationship-oriented customer contact, especially when the customer base is relatively large. Third, a customer-centric service system should be developed, which involves four types of resources: employees, technology, customers, and time. Customers are increasingly taking a more active and important role in the service-delivering process than before. Employees should be committed and motivated to perform customer-oriented services. Technology used in design, production, administration, service and maintenance need to be devised from a customer-oriented perspective. After the service, customers should have the feeling that the time they spent with the service company is not wasted. The whole business should be defined as a service business from a process management perspective that provides customer-centered services. The company may also have to set up partnerships and a network to handle the whole service process. (Grönroos 2007, 30, 33-35.)

There are a number of factors that influence the development of strong customer relationships. By examining these factors, companies can find proper strategies to be used to keep their current customers. The factors of relationship include core service provision, switching barriers, and relationship bonds. Switching barriers include customer inertia and switching costs, which have been explained in Chapter 2.2 Demand: customer loyalty as customer habit and conversion costs. Relationship bonds include financial bonds, social



bonds, customization bonds, and structural bonds. Compared with switching barriers that serve as constraints on remaining customer relationships, companies use relationship bonds which attract and retain customers in the relationship because they “want to”. Core service provision refers to customer satisfaction and perceived service quality. (Zeithaml, Bitner & Gremler 2009, 191-192.)

For many service industries, the quality of service is very closely connected to the performance of employees (Palmer 1998, 178). In the case of Kiinalainen Hyvinvointiasema, Chinese massagists and physiotherapists are supposed to serve Finnish customers. Good personnel management is therefore strongly required to deliver superior service quality and satisfy customers. In the following two sections, developing strong relationship and increasing customer satisfaction are talked about through monitoring customer expectation and perceived service quality and managing employees.

### **Customer expectation and perceived service quality**

The gap between customer expectation and perception of the service determines the degree of customer satisfaction of the service. If the perceived quality is higher than the expected quality, the service would bring happiness and surprise to customers and may be considered valuable. But if the perceived quality does not reach the customer’s expectation, the service is destined to be unacceptable. (Fitzsimmons & Fitzsimmons 2006, 102.)

Customers often judge the quality of service from the following five aspects:

- Reliability: the ability to accurately and dependably perform the promised service
- Responsiveness: the willingness of the employee to help customers and respond to their request promptly
- Assurance: employees’ behaviour, knowledge and courtesy which

- Empathy: understanding of customers' problems and individualized attention given to customers
- Tangibles: the appearance of facilities, equipment, personnel, and written materials

(Grönroos 2007, 84.)

Surveys can be designed based on the above five determinants to compare customer expectations and real experiences of the service. For example, SERVQUAL is such an instrument which applies 22 attributes to describe the five determinants. Its main function is to trace the trends of change in service quality through customer surveys. It can also be used by multi-site service companies to judge whether some department performs worse than others. (Palmer 1998, 164.)

Customer expectations are decisive to customers' quality perceptions. If a company overpromises, it raises customers' expectations so high that they will perceive they get low quality. Too early promise of improved service would destroy many quality development processes. Therefore, companies should properly manage expectations to secure the quality perceptions. They need to be very careful when designing external marketing campaigns and activities. Overpromises must be avoided. In fact, it may be wiser to make promises which are at lower levels of customers' real experiences. In this way, customers will at least not dissatisfy with the service quality they perceive. Meanwhile, service providers have the opportunity to provide customers with unexpected surprises, which can much more effectively create customer loyalty and repetitive purchases than just satisfactorily perceived quality. Furthermore, it can be the best to under-promise and over-deliver. (Grönroos 2007, 77-78.)

## **Employee management in service delivery**

Service employees can facilitate delivery of quality services. They are a visible and core factor of the service and determine the service quality. A strong relationship between customers and front-line staff is often a driving force of customer loyalty. In addition, frontline staff plays a key role in predicting and satisfying customer requirements, offering customer-tailored services, and building personal connections with customers; all these functions can precisely lead to customer loyalty. (Lovelock & Wirtz 2007, 284)

Customer perceptions of service quality are affected by the behaviors of employees. Actually, all five determinants (reliability, responsiveness, assurance, empathy, and tangibles) mentioned before can be influenced directly by service employees. For example, frontline employees are the persons who deliver the service as promised – reliability, and when services fail or errors occur, they are essential for corrections and decisions of the best actions for service recovery. Therefore, company must apply proper strategies to ensure the service quality provided by service employees. (Zeithaml, Bitner & Gremler 2009, 355.)

Palmer (1998, 188) summarizes that employment relationship can be managed from seven aspects to develop the service quality: recruitment, selection, training and development, career development, rewarding staff, controlling and empowering staff, and leadership. The other aspects are literally understandable, except leadership which means that principles of human resources management have to be implemented with effective leadership. Besides the employee's own factors, external forces must also be raised such as setting clear expectations of employees, recognizing excellence appropriately, leading by example, and empathizing with employees. (Palmer 1998, 196)

Lovelock and Wirtz (2007, 293-301) state that excellent and satisfied employees are able to provide outstanding services and make customers satisfied. In order to obtain such employees, companies should select the best candidates, hire proper employees, train the service staff actively, empower the frontline employees, build organization teams of high performance, and inspire employees. Before selecting proper employees, companies should first be a good employer, who offers salaries not below the average level and more importantly possesses attractive corporate values. The frontline employees' success is indispensably supported by employees of other functions. They form a service team and cooperate with each other trying to achieve customer satisfaction.

Zeithaml, Bitner and Gremler (2009, 355) organize their strategies to build a customer-oriented workforce into four basic themes: (1) hire the right people, (2) develop people to deliver service quality, (3) provide the needed support systems, and (4) retain the best people. A number of sub-strategies are presented within each of these basic strategies.

To attract the best people, companies need to compete with their competitors in the talent market and they should try to be the preferred employer among the numerous ones. At the same time, companies must be capable of identifying the best candidates as the potential employees. Service employees are required to have two complementary capacities: service competencies and service inclination. Service competencies refer to the skills and knowledge necessary to do the job. They can be revealed in the achievement of particular degrees, certifications and passing the relevant examinations. Service inclination is employees' interest in doing service-related work. This is often reflected in their attitudes and orientation towards providing services to customers. In addition to the traditional employment interviews, many companies adopt innovative methods of evaluating candidates' personal characteristics and professional qualifications, such as work simulations and

group interviews. (Zeithaml, Bitner and Gremler 2009, 361-364.)

To develop people to deliver service quality, companies definitely need to provide ongoing training in the necessary technical and interactive skills. These skills can be taught through formal education or on-the-job training. Interactive skills allow employees to provide customers with caring, responsive, and empathetic services. Sometimes an initial training may be offered before employees actually start to work. Empowerment can be effective for employees to be truly responsive to customer needs. It means to give employees the authority, skill, tools, and desire to service the customers. The key to empowerment is giving employees the right to make decisions on the customer's behalf, but not all employees have the ability to be empowered. It requires knowledge and tools for employees to make right decisions. Organizations suitable for empowerment strategies are ones which have (1) a strategy of customization and differentiation, (2) a long-term relationship with customers, (3) non-routine or complex technology, (4) an unpredictable environment, and (5) managers and employees who have strong interpersonal skills and high growth needs. (Zeithaml, Bitner and Gremler 2009, 366-367.)

Frontline service workers demand internal support systems so that they can work efficiently and effectively. To provide the needed support systems, companies should measure internal service quality. The internal organizations can use an internal customer service audit to identify their customers, determine their needs, measure how well they are doing, and make further developments. The company should also provide supportive technology and equipment to help and enable the work of service employees. Additionally companies may want to develop service-oriented internal processes which are designed with customer value and customer satisfaction to support quality service performance. (Zeithaml, Bitner and Gremler 2009, 369-371.)

After hiring, training the right people and providing them with the needed

support, a company must also try to retain them. Otherwise it would be a huge loss to the company if they fail to do so. Employees can be retained by including them in the company's vision, treating them as customers, and measuring and rewarding strong service performers. Employees are well motivated if they share a common goal with the company and have an understanding of the company's vision. They should have a feeling of being valued and their needs are not ignored. Many companies reward the best service performers. But it is even better if they adopt a reward system which is linked with the company's vision and with efforts that are truly important. (Zeithaml, Bitner and Gremler 2009, 371-375.)

### 5.3 How can Kiinalainen Hyvinvointiasema develop customer relationships

#### 5.3.1 Improving service quality

Kiinalainen Hyvinvointiasema has an advantage in the direct contact with customers. Due to the nature of the service, it does not have to specifically seek or build opportunities for direct contacts with customers. The employees should utilize the inherent advantage effectively to set up personal connections with the customer and establish a customer database which contains the customers' personal information and preferences. The database system should become more and more technology-oriented along with the development of the company. At first, the database might be made by just simply hand-recording system, but as the customer number increases, the system needs to be improved like one competitor Auron which has computerized system so that it is easy to manage and retrieve the data.

Kiinalainen Hyvinvointiasema can build relationships with other businesses that have the potential of cooperation, such as a resort, hotel, and leisure centre. It is a method of widening the company's operational road to obtain more customers. In addition, through the cooperative relationship, Kiinalainen

Hyvinvointiasema could provide the existing customers with more resources, opportunities, benefits, and convenience. For example, as customers of Kiinalainen Hyvinvointiasema, they may get a discount to consume in Kiinalainen Hyvinvointiasema's partner companies. As a result, customers' overall impression and satisfaction of the company might increase.

A customer-centric service system should be developed so that the resources of employee, technology and time are conducive to build a customer oriented services. As mentioned in Chapter 3.4.1 Cost leadership strategy, it may help to save labour cost if massagists get payment based on their workload. On the other side, this method of payment also motive employees in customer services. The customer satisfaction may directly affect the massagist's income, and to maintain one customer for the company is the same to maintain this customer for massagist himself. Under this condition, company and employees get the common goal in creating customer satisfaction; therefore the employees are willing to play the service quality and customer satisfaction first.

In Kiinalainen Hyvinvointiasema, technology is not an important factor to develop customer-centric service system. Nevertheless, it is necessary to build customer database and membership system that mentioned in previous paragraphs. Customer database may help the company better understand the consumption behaviors, and membership would be one method to increase customer loyalty.

The physical therapy service lasts for one hour in most cases, and sometimes customers may become bored and deem that it is a waste of time. The company should provide the opportunities for customer to do something else. Take foot care service as an example, it is possible for customers to read newspapers, watch TV or even surf the Internet. Therefore, newspapers, TV or computer can be offered to improve the perceived service quality from customers' perspective. This is also one strategy to utilize the resources of time

to develop customer-centric service system.

### 5.3.2 Monitoring customer expectation

In the case of Kiinalainen Hyvinvointiasema, as Finnish customers are not very familiar with Chinese wellness and physical therapies, their expectation of the service may not be very high. Consequently, it may be easy for the company to meet and even over-perform customers' expectations if customers would come to consume. But on the other hand, the lack of enough knowledge and confidence to try the service may block the rise in sales revenue.

Fitzsimmons and Fitzsimmons (2006, 107) point out that the service quality covers the content, process, structure, result, and influence of the service. Therefore, the company needs to convey right information about the services to their customers in marketing activities and the delivery process of the service. A positive image of Kiinalainen Hyvinvointiasema's services should be built which aims at encouraging purchases.

Joining in Suomen Fysioterapeuttien Akupunktuuriyhdistys, the Physiotherapists Acupuncture Association of Finland, might be beneficial to introduce these services to customers. Finns have confidence in officially recognized associations. The objective of this association is to spread information about physical therapy and acupuncture, and set out the effect of acupuncture by benefiting people with pains and diseases. This purpose is extremely concordant with that of Kiinalainen Hyvinvointiasema.

At the same time, the personnel should not overpromise to customers; otherwise customer expectations can become difficult to be obtained and customers would easily dissatisfy with the service. This problem brings about a striking effect when the purpose of service usage is related to treatment. Even though the "over-commitment" may create selling points of the services,



stimulate purchase of customers, and increase sales volumes, its disadvantages are far greater than its benefits. Once the promise cannot be followed up, the company will completely lose consumer confidence. In most cases, the overpromise of therapeutic effect of the service to consumers is not only irresponsible and it is also a behavior of short-lived enterprise.

Furthermore, Kiinalainen Hyvinvointiasema should monitor and investigate customer satisfaction periodically: what are customers' expectations, whether customers' expectations are reached, and what should be improved and changed. These kinds of questions can be collected together in a survey which is handed to customers directly after the service. One such customer survey was conducted in March 2010 and is introduced in detail in Chapter 5.4 Customer survey.

### 5.3.3 Emphasizing on employee management

The service of Kiinalainen Hyvinvointiasema is typically person-to-person and face-to-face. The role of the employees is extremely important in the service-delivering process. As the employees are Chinese people who must serve Finnish customers, the inability of Finnish language and culture differences act as big barriers to the good service quality. Kiinalainen Hyvinvointiasema needs to train their staff for Finnish language skills and impart knowledge of Finnish culture to them. It takes time for newly-coming Chinese massagists and physical therapists to fit into the environment and life in Finland.

It is quite easy to find an outstanding massagist in China for Kiinalainen Hyvinvointiasema because the salary standard in Finland is much higher than that in China. Although, the company does not need to offer the salary better than average in Finland, they still have no problems in finding the best candidates in physical therapy area. Besides the massage skills that will be

checked in the interview, the company also needs to pay attention to the learning skills and adaptability of the candidates. There would be a great deal of things to be learnt and adapted when Chinese massagists work in Finland.

Currently, the company hires employees in couples, namely two employees are spouse. This strategy is adopted from the angle of view that the Chinese employees are new arrivers in Finland. These employee need to face the problem of culture shock for a quite long period. Living with their spouse helps each other to resolve this difficulty. A separation of husband and wife also easily leads to emotional instability of massagists, which directly affects their working mood.

Staff training is compulsory when the company chooses an appropriate employee. Not only should the Finnish language be taught and the Finnish culture be understood, but the new employee also needs to modify his or her massage skills in order to suit the demand of Finnish customers and unify the services of Kiinalainen Hyvinvointiasema.

At last, Kiinalainen Hyvinvointiasema may take into account a strategy to find co-operation with individual massagists. It is part of the human resource management and operation method. This topic is discussed both in Chapter 3.4.1 Cost leadership strategy and Chapter 6.3 A new mode of chain operation for Kiinalainen Hyvinvointiasema.

## 5.4 Customer survey

### 5.4.1 Survey introduction

The purpose of this customer survey is to find out the most profitable customers through their satisfaction of services and purchasing behaviors. Based on the results, appropriate strategies can be produced to attract and maintain

profitable customers by service localization and customer relationship management.

The questionnaire consists of 10 questions, and it takes less than 3 minutes to complete it. All of the respondents are the customers of Kiinalainen Hyvinvointiasema. This survey took place in March 2010. The survey paper was displayed in the company and handed to customers after they enjoyed the services. All together there were 215 responses.

In this survey, Question 1 and 2 are about the gender and age of the respondents. Question 3 and 4 relate to the customer satisfaction of the main services in Kiinalainen Hyvinvointiasema and the frequency of using those services. Question 5 asks customers the possibility of repetitive purchases. Customers' opinions of Chinese physical therapy services, their attitudes toward prices, and the reasons why they use those services are inquired in Question 6-8. Question 9 is an open ended question on names of other companies where customers have been served. The last question is about customers' preference of two newspapers; this information can help the company choose in which newspaper to advertise.

## 5.4.2 Overview analysis

### Women are more interested in physical therapy services

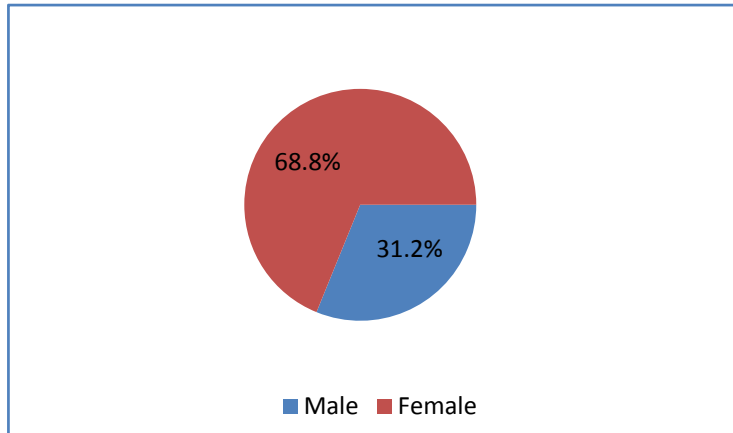


Figure 5 Gender of customers

The number of female customers doubles as many as that of male customers. The gender distribution of Kiinalainen Hyvinvointiasema's customers shows a bias in favour of females.

### Customer segmentation according to age groups

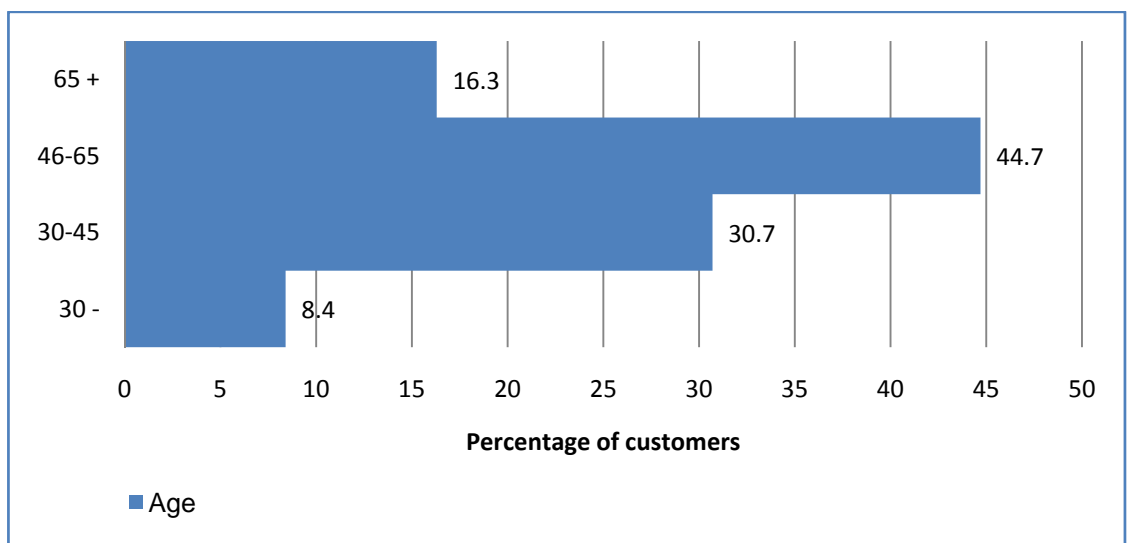


Figure 6 Age of customers

In the survey, customers are classified into four age groups which are: (1) younger than 30, (2) 30-45, (3) 46-65, and (4) older than 65. The age groups of customers are based on the previous customer segmentation of the case company. Customers of different age range have different hobbies and features that can influence their buying behaviors and buying decisions of Chinese physical therapy services.

Young people under 30 years old are not target customers. They are healthy and have little demand for physical therapy services. There is an obvious increase in the amount of 30-45 years old customers compared with those under 30 years old. Customers ranging from 46 to 65 are the main target group of Kiinalainen Hyvinvointiasema. This age group accounts for 44.7% of the total respondents, and they would be also the profitable customers based on the analysis of their purchase behaviors in the following questions. Customers who are older than 65 years old may require more curative effect of physical therapy services. Meeting their demand means that Kiinalainen Hyvinvointiasema needs to hire professional medical personnel which would increase the labour cost sharply.

### **Most customers are satisfied with the services**

Customers mark their degree of satisfaction with the grade from 1 to 5 in which 1 refers to very dissatisfied and 5 refers to very satisfied. In general, Table 5 indicates a positive result of customer satisfaction of the services provided by Kiinalainen Hyvinvointiasema. There are totally 167 votes in the massage service. Only one customer implies very dissatisfied after accepting massage, and two votes of grade 2 demonstrate that two customers are dissatisfied. 23 customers are neither satisfied nor dissatisfied. The majority of customers (84.4%) choose 4 and 5 which mean that they have a quite good impression of the massage. Kiinalainen Hyvinvointiasema is gratified that more than 96 customers vote for the highest grade 5 meaning that they are very satisfied.

Other services, including foot care, physiotherapy and other therapies, are in a similar situation as massage service. Customer satisfaction of physiotherapy and other therapies evidently leans to the positive side with bigger percentages of votes in grade 5 and no votes in grade 1 or 2. Table 5 not only demonstrates the satisfaction of the services but also indicate that massage is the most frequently used service. Massage is the main service which brings the most profit to the company (Ji 2010).

Table 5 The usage of services and customer satisfaction

Services	Very Dissatisfied	Dissatisfied	Neither	Satisfied	Very Satisfied	Total
	1	2	3	4	5	
<b>Massage</b>	1	2	23	45	96	167
<b>%</b>	0.6%	1.2%	13.8%	26.9%	57.5%	100%
<b>Foot care</b>	0	1	9	29	53	92
<b>%</b>	0.0%	1.1%	9.8%	31.5%	57.6%	100%
<b>Physio-therapy</b>	0	0	4	5	16	25
<b>%</b>	0.0%	0.0%	16.0%	20.0%	64.0%	100%
<b>Other therapies</b>	0	0	1	2	10	13
<b>%</b>	0.0%	0.0%	7.7%	15.4%	76.9%	100%

## Frequency of services usage

Table 6 Frequency of using services

Services	1-5 time/year	6-12 times/year	More than Once a month	Once a Week	More than Once a week	Total
<b>Massage</b>	33	119	33	15	15	215
<b>%</b>	15.3%	55.3%	15.3%	7.0%	7.0%	100%
<b>Foot care</b>	12	164	32	4	3	215
<b>%</b>	5.6%	76.3%	14.9%	1.9%	1.4%	100%
<b>Physio- therapy</b>	3	137	75	0	0	215
<b>%</b>	1.4%	63.7%	34.9%	0.0%	0.0%	100%
<b>Other therapies</b>	8	109	94	3	1	215
<b>%</b>	3.7%	50.7%	43.7%	1.4%	0.5%	100%

Table 6 displays the frequency of customers using the services. Five alternatives are adopted based on consumption behavior of Finnish customers: (1) 1-5 times/year, (2) 6-12 times/year, (3) More than Once a month, (4) Once a Week, and (5) More than Once a week. From this table it can be seen that most of the respondents use physical therapy services 6 to 12 times once a year, in other words, once or twice every two months in average. Their frequency can directly affect the sales condition of Kiinalainen Hyvinvointiasema. The result of this survey implies a negative situation in customer loyalty. The number of customers who use services more than once a month and once a week is quite small, so Kiinalainen Hyvinvointiasema may require a bigger customer base to reach break-even point. The frequency of using services varies of different age

groups and the detailed age group analysis is represented in the following Chapter 5.4.3 Customer segmentation analysis according to four tiers.

### Customers are very like to repurchase

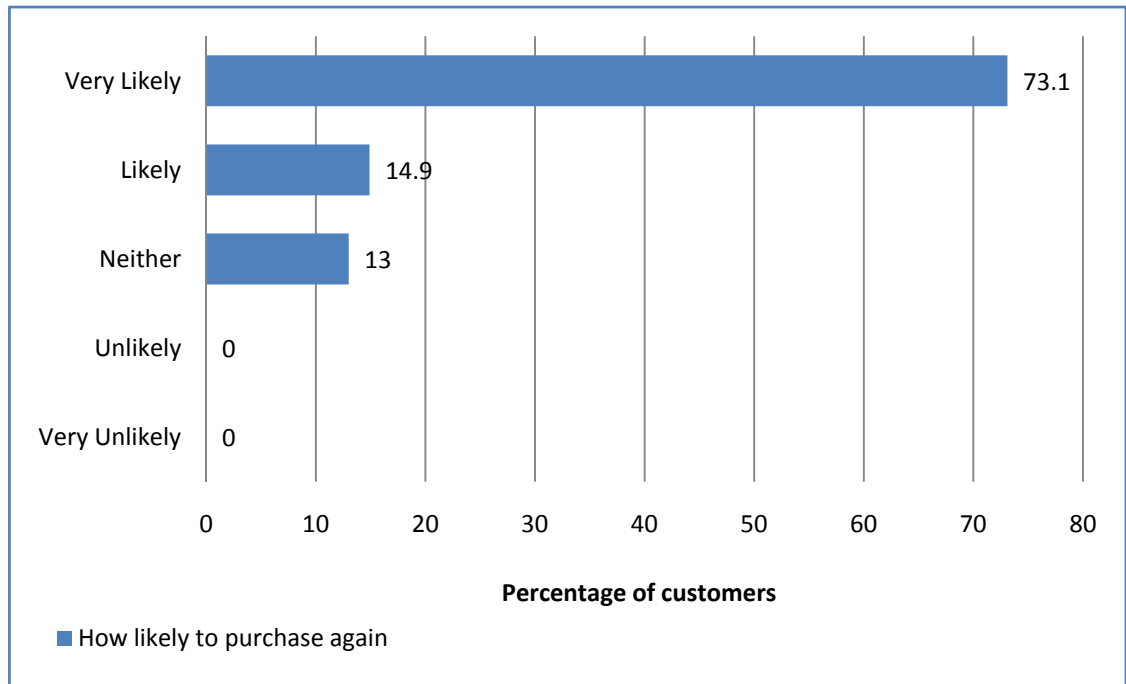


Figure 7 How customers are likely to purchase again

Customer retention is another crucial indicator which shows customer satisfaction and customer loyalty. Retaining old customers is a key factor in maintaining the market share. In fact, retaining old customers is much easier and cost less than developing new customers.

Figure 7 shows that 73% of the respondents are very likely to consume again in Kiinalainen Hyvinvointiasema. This result is in response to the previous one that most customers are quite satisfied with the services. Even though no one answers that he or she is unlikely to purchase again, Kiinalainen Hyvinvointiasema needs to pay attention to the 28 customers (13%) who choose 'neither' meaning neither likely nor unlikely. These customers may just purely have no idea whether to buy again, but it is also possible that they are



unlikely to visit Kiinalainen Hyvinvointiasema again and choosing this answer is only for avoiding showing the most negative attitude to the company, which is a quite common psychology of customers when they respond to the survey.

### The price of Kiinalainen Hyvinvointiasema is good value for money

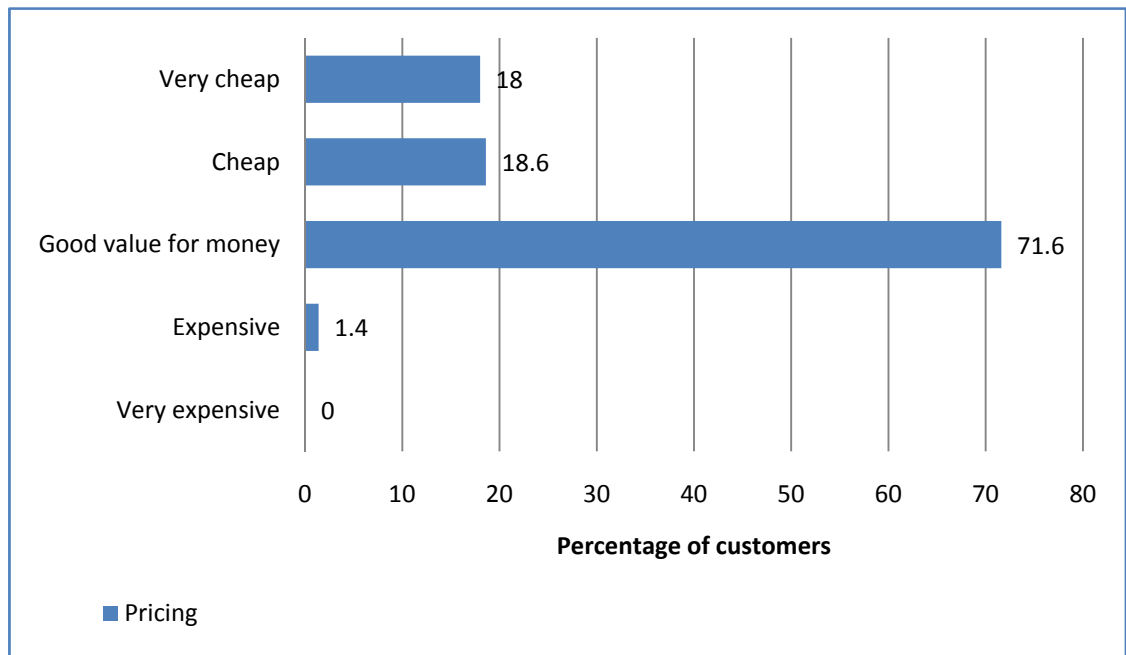


Figure 8 Customers' opinion on the price of Kiinalainen Hyvinvointiasema

Only three customers answer that the price of Kiinalainen Hyvinvointiasema is expensive for them, and more than 70% of people think it is good value for money. Table 8 exhibits that the pricing of Kiinalainen Hyvinvointiasema is very successful from customers' point of view. On the other said, Kiinalainen Hyvinvointiasema also needs to consider their profits. In practical operation, the price level has enormous impacts on sales. Accurate prediction of sales can make the pricing more effective and profitable. Too high prices would harm the sales volume. Kiinalainen Hyvinvointiasema must find a balance point between the price and sales volume so that the pricing strategy can help to achieve the expected sales goals.

### Finnish customers' attitude toward Chinese Physical Therapy

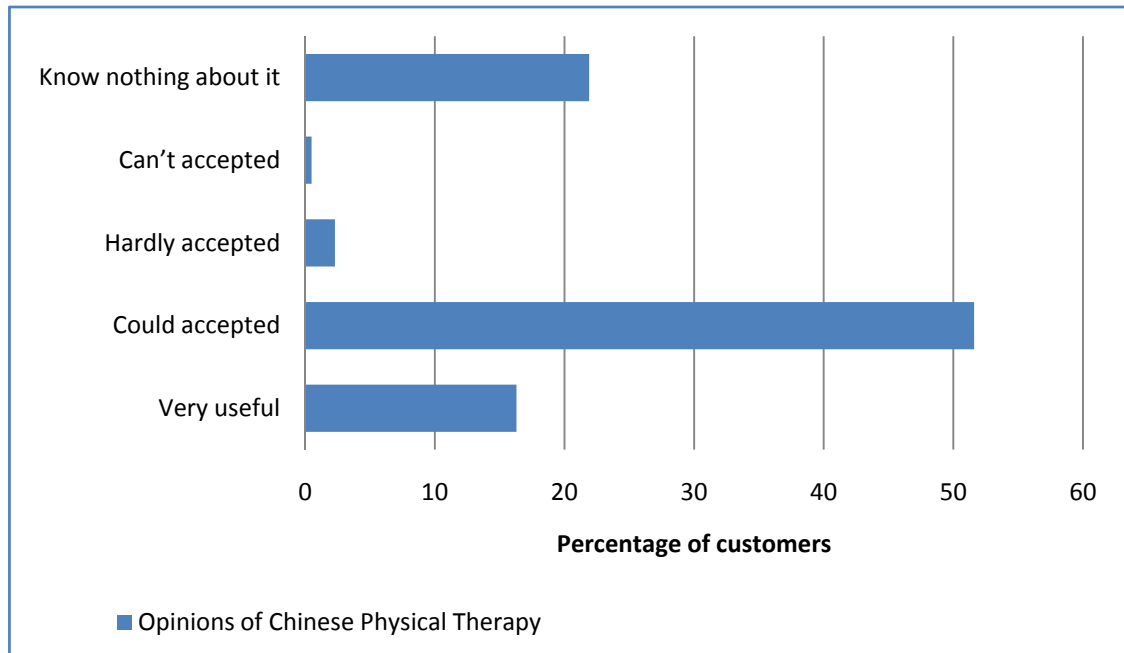


Figure 9 Finnish customers' attitude toward Chinese Physical Therapy

According to Ji (2010), Finnish customers hold a curiosity attitude to Chinese physical therapy, and many local residents have never used Chinese physical therapy services. They just learn from television or magazines to get a certain understanding. The respondents of the survey use different services including massage, foot care, and physiotherapy. Their understanding of one service cannot necessarily lead to the conclusion that they know all Chinese physical therapy services. 63 customers vote that they know nothing about Chinese physical therapy, and it proves Ji's view. There is a small group of customers (2.8%) who do not accept Chinese physical therapy, and it may imply that these customers do not satisfy after using the services. Although 51.6% of customers say that they could accept Chinese physical therapy, it does not mean that they are acquainted with the therapy. Customers who select 'very useful' (16%) may be inferred that they are satisfied with the services.

As discussed in Chapter 5.2 Developing relationships with customers through service quality, being ignorant of Chinese physical therapy services may produce two influences on customers' point of view. On the one hand, customers may have no confidence in the services. Thus, customers set up a barrier in their mind against Chinese physical therapy. On the other hand, this incomprehension may also depress the customer expectation, and it could be easier for Kiinalainen Hyvinvointiasema to reach a high customer satisfaction. The latter possibility is confirmed by the result of generally high customer satisfaction. Customers normally do not highly expect the quality of services if they do not understand those services, and as a result, it can become easier for companies to bring happiness to customers when they debase their expectations.

### Why do customers use physical therapy services

Table 7 Reasons of using the services

Reasons	Number of customers	Percentage
Treatment	114	53.0%
Leisure	53	24.7%
Both	21	9.8%
Other	27	12.6%
<b>Total</b>	<b>215</b>	<b>100.0%</b>

Table 7 prefigures a warning for Kiinalainen Hyvinvointiasema because the company positions itself in a certain place between treatment and leisure. However, only 21 customers choose both treatment and leisure, accounting for less than 10%. Treatment is the main reason for which over half of customers (53.0%) use physical therapy services, while leisure as another reason accounts for a much smaller part (24.7%). If Kiinalainen Hyvinvointiasema positions itself in treatment, the labour cost would increase sharply because

treatment therapy demands therapists of doctor-level. Kiinalainen Hyvinvointiasema needs to hold to its position and be careful when building the brand and service image.

### Private entrepreneurs occupy a considerable part of the market share

Table 8 The place of service usages in addition to Kiinalainen Hyvinvointiasema

Places	Number of customers	Percentage
Private entrepreneur	39	45.9%
Estonia	14	16.5%
Imatran kylpylä	4	4.7%
Lahden OMT-Klinikka	3	3.5%
Sairaala fysioterapiatti	3	3.5%
10-Fysio	2	2.4%
Klinik PLT	2	2.4%
Maken Fitness Center	2	2.4%
China	1	1.2%
Other	15	17.6%
<b>Total</b>	<b>85</b>	<b>100.00%</b>

In total, there are 85 customers who have used physical therapies in places in addition to Kiinalainen Hyvinvointiasema. Nearly half of them have been served by private entrepreneurs. It can be seen that private entrepreneurs occupy a considerable part of the market share in physical therapy industry. Finns also like to enjoy similar services in Estonia, which is mentioned by 14 respondents. Other market shares are dispersedly distributed in other types of companies such as spa center, clinic, gym, etc. This result reassures that the industry of physical therapy services in Finland is a fragmented industry, which has been discussed in Chapter 2.6 Competitive strategies for fragmented industry.

## Where to advertise

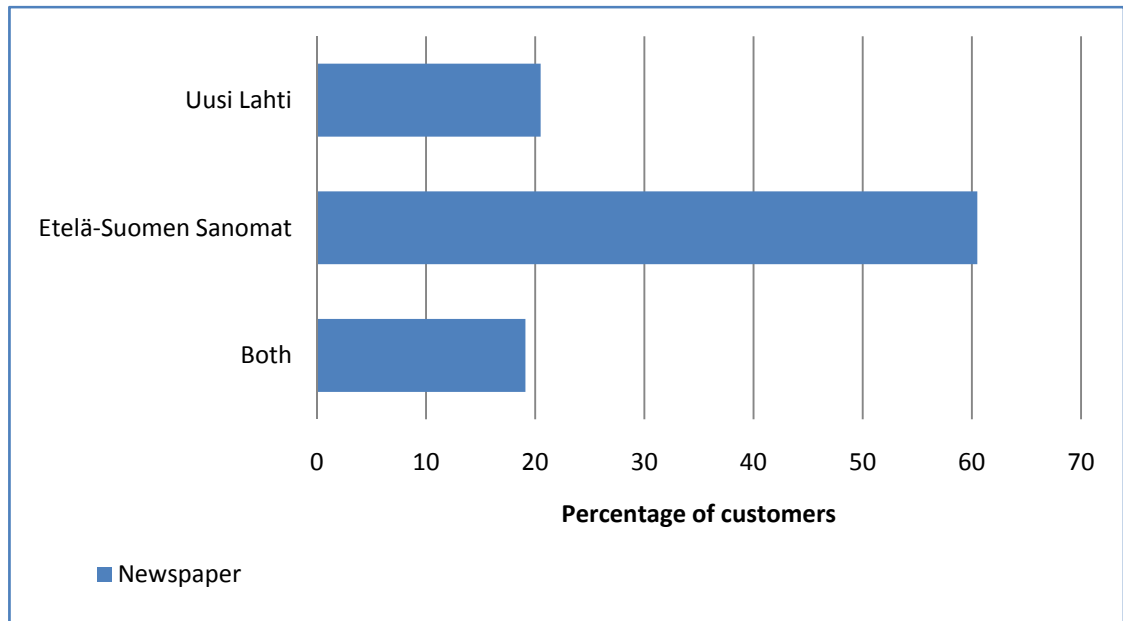


Figure 10 Customers' preference of the newspaper

The purpose of this question is to choose the most cost-effective newspaper to make advertisement for Kiinalainen Hyvinvointiasema. Etelä-Suomen Sanomat is the daily newspaper circulated in Päijät-Hämeen region (Inc. Lahti, Nastola, Hollola, etc.). Uusi Lahti is a free newspaper circulated twice a week in same region. Obviously shown in Figure 10, Etelä-Suomen Sanomat more broadly covers the target group of Kiinalainen Hyvinvointiasema, and it would be a better medium to make advertisement.

### 5.4.3 Customer segmentation according to four tiers

As mentioned before, there are four customer groups based on age: (1) younger than 30, (2) 30-45, (3) 46-65, and (4) older than 65. Kiinalainen Hyvinvointiasema may divide them into four tiers: the platinum tier, the gold tier, the iron tier and the lead tier. Theoretical analysis of those four tiers can be found in Chapter 5.1 Customer Segmentation.

Table 9 Age groups of customers

Age groups	Number of customers	Percentage
30 -	18	8.4%
30-45	66	30.7%
46-65	96	44.7%
65 +	35	16.3%
<b>Total</b>	<b>215</b>	<b>100%</b>

### Older than 65 customers ----- The platinum tier

Table 10 Reasons to use services of customers older than 65

Reasons	Number of customers	Percentage
Treatment	25	71.4%
Leisure	7	20.0%
Both	0	0.0%
Other	3	8.6%
<b>Total</b>	<b>35</b>	<b>100.0%</b>

Based on the definition of platinum tier, customers older than 65 years old can be assigned to this tier. In the survey, this group only accounts for a small part (16.3%) of the all the respondents. 65 years old is the statutory age of retirement in Finland. Obviously, this is the oldest group of customers who may have more free time and more health problems. They can be seen as one of the target customer groups. However, they have a higher requirement on the treatment effect of physical therapy services. According to Table 10 below, 71.4% of customers over 65 use physical therapy services for treatment, and 53.0% of all customers use services for this reason. This indicates a challenge for Kiinalainen Hyvinvointiasema, because Finnish law has very detailed and strict requirements on medical areas, and massagists cannot be classified as doctors.

Thus customers over 65 may not be willing to purchase in a wellness company.

Although the demand of this age group brings a challenge for Kiinalainen Hyvinvointiasema, there is no doubt that they are platinum tier in customer segmentation. They are heavy users and less sensitive in price than other age groups. From the comparison between Table 6 and Table 11 it can be seen that the usage of physical therapy services of customers older than 65 is much more frequent than the average level of all respondents, especially the usage of physiotherapy service.

Table 11 Frequency of service usage of customers older than 65

Services	1-5 time/year	6-12 times/year	More than Once a month	Once a Week	More than Once a week	Total
<b>Massage</b>	3	23	6	2	1	35
<b>%</b>	8.6%	65.7%	17.1%	5.7%	2.9%	100.0%
<b>Foot care</b>	3	30	2	0	0	35
<b>%</b>	8.6%	85.7%	5.7%	0.0%	0.0%	100.0%
<b>Physiotherapy</b>	0	13	22	0	0	35
<b>%</b>	0.0%	37.1%	62.9%	0.0%	0.0%	100.0%
<b>Other therapies</b>	3	10	21	1	0	35
<b>%</b>	8.6%	28.6%	60.0%	2.9%	0.0%	100.0%

For this age group, it is better to treat customers individually. Based on the status of customers' health problems, the company decides whether to accept the customers. If the customers only face common and simple health problems and the massagist has abilities to solve those problems, the company should

keep these customers. For other customers who may face more serious health problems, the company should recommend him or her to see a doctor. In practical operation, sometimes it can be difficult to accurately determine the health status of customers.

### **30-45 years old customers ----- The gold tier**

The proportion of this age group is 30.7% of all the respondents, and it is the second largest customer group in this survey. Even though they show a similar attitude toward the price as other age groups, Ji (2010) says that the consumption amount of this age group is largely influenced by the discount strategy of Kiinalainen Hyvinvointiasema; they leave when the discount period ends.

In the survey, 73.1% of all customers vote that they are very likely to purchase again. This percentage decreases to 65.2% in the customer group of 30-45 years presented in Table 12. The customer loyalty of this age group is not as high as that of 46-65 years old customers, and they can be easily affected by prices and discounts of services.

Table 12 How 30-45 years old customers are likely to purchase again

	Number of customers	Percentage
<b>Very likely</b>	43	65.2%
<b>Likely</b>	14	21.2%
<b>Neither</b>	9	13.6%
<b>Unlikely</b>	0	0.0%
<b>Very unlikely</b>	0	0.0%
<b>Total</b>	<b>66</b>	<b>100.0%</b>

The company needs to pay more attention to building customer loyalty of this



age group. The strategy of VIP membership and membership discount may especially suit them. A membership fee can be charged, and at the same time only members can get some special discounts when they purchase. It would help to retain this customer group and increase sales.

#### 46-65 years old customers ----- The iron tier

Table 13 Frequency of service usage of 46-65 years old customers

Services	1-5 time/year	6-12 times/year	More than Once a month	Once a Week	More than Once a week	Total
<b>Massage</b>	7	53	18	8	10	96
<b>%</b>	7.3%	55.2%	18.8%	8.3%	10.4%	100.0%
<b>Foot care</b>	2	62	27	3	2	96
<b>%</b>	2.1%	64.6%	28.1%	3.1%	2.1%	100.0%
<b>Physiotherapy</b>	1	61	34	0	0	96
<b>%</b>	1.0%	63.5%	35.4%	0.0%	0.0%	100.0%
<b>Other therapies</b>	4	49	41	1	1	96
<b>%</b>	4.2%	51.0%	42.7%	1.0%	1.0%	100.0%

Characteristics of 46-65 years old customers are similar with those of 30-45 years old customers. However, they are the largest customer group in Kiinalainen Hyvinvointiasema and bring economics of sales to the company. When comparing Table 6, Table 11, and Table 13, it can be seen that the percentage of using services more than once a month of 46-65 years old customers is not as high as that of customers older than 65, but it is above the average of all respondents. Customers whose service usage frequency is over once a month can be considered as loyal customers or at least they have the

potential to become loyal customers and heavy users.

No one in this group think that the price is expensive or very expensive for them and a small part (21.9%) even feels that the price is cheap or very cheap. Most respondents of this age group describe that the price is good value for money. The answer data of this customer group is the closest to the average data of all respondents, and thus they can be acknowledged as the most representative customers.

Table 14 How 46-65 years old customers perceive the price of Kiinalainen Hyvinvointiasema

	Number of customers	Percentage
<b>Very expensive</b>	0	0.0%
<b>Expensive</b>	0	0.0%
<b>Good value for money</b>	75	78.1%
<b>Cheap</b>	11	11.5%
<b>Very cheap</b>	10	10.4%
<b>Total</b>	<b>96</b>	<b>100.0%</b>

### **Younger than 30 ----- The lead tier**

Customers younger than 30 are grouped in the lead tier for a slightly different reason from that described in theoretical analysis in Chapter 5.1 Customer segmentation. The majority of this age group has tried massage, but few of them have a habit of using it. None of them have ever used physical therapy services. In addition, they are highly sensitive to the price. However, it is quite easy to gratify those customers as they do not have special requirements, and they may be receptive to Chinese wellness services. As shown in Table 14, about 40% of them use physical therapies for leisure and another 40% for both leisure and treatment. Their demand is quite consistent with the position of

Kiinalainen Hyvinvointiasema.

Table 15 Reasons to use services by age group of younger than 30

Reasons	Number of customers	Percentage
Treatment	1	5.6%
Leisure	7	38.9%
Both	7	38.9%
Other	3	16.7%
<b>Total</b>	<b>18</b>	<b>100.0%</b>

## 6 CHAIN STORES

### 6.1 Introduction and common features of Chain Store

This chapter comments on the approaches and strategies of chain stores, discusses the chain operation of physical therapy industry in Finland, and ultimately provides a suitable method for the development of Kiinalainen Hyvinvointiasema.

Chain stores refer to the operation of a series of stores under the same brand and pattern of management by business organizations in order to share brand perception and create economies of scale. It is used especially in retail, catering, and service industries. (Hendrikse et al. 2008, 63-68) Chain stores were initially emerged in the United States in the late 1800s, when A&P grocery, Woolworth's, and Sears Roebuck started their chain operations, and later spread in the beginning of the 1900s. Up to the end of 20<sup>th</sup> century, the sales of products by chain store had accounted for one third of the total merchandise in America. (NWE n.d.)

Today, the chain stores flourish around the world. KESKO Oyj, the leading

Finnish retail specialist and the parent corporation of the K-Group was established in October 1940 through the merger of four retailers who started their chain operation in the 1990s and now owns 2,000 stores in Nordic and Baltic countries, Russia, and Belarus (KESKO 2009). Chain stores are very common in Finland, but according to the competitors' data collected from ProFinder B2B, there are not many chain stores in providing physical therapy services. There already exist several chain companies whose headquarters is in Helsinki. These companies possess branches in Helsinki as well as other places in Finland. Some branches are located very close to Helsinki, such as in Vantaa and Espoo, whereas some other branches of big companies have expanded to large cities such as Tampere and Jyväskylä. At the same time there are also companies whose branches are in Helsinki but headquarters are in other cities.

In chain operations, the headquarters normally require standardization of all chain stores in products, services, brand name, and store appearance. These stores should keep consistent with each other in the process of purchase, distribution, sales, decision-makings, and marketing. (Wang 2010.)

There are seven basic features of chain operation that need to be unified which are specifically expressed as the following:

1. Uniform management: The headquarters directly control and supervise each chain store. It is conducive to the creation of economies of scale and standardization of operations and management.
2. Uniform purchasing: Purchasing is centralized for the sake of ensuring the product quality and reducing the purchasing cost.
3. Uniform distribution: In order to keep the variety of goods in stock and reduce storage costs, the distribution center is responsible for all the matters related to stock and distribution, such as packaging, transportation, replenishment, etc.

4. Uniform pricing: The headquarters harmonize the prices of commodities and services. The prices in each chain store must be approved by headquarters. This will help the company to improve its corporate reputation and the efficiency of accounting, and also create its competitive advantage in pricing.

5. Uniform logo: Not only the logo but also the decoration and color of chain stores, the display of merchandise and the work clothes of staff and other signs should be unified, so that a good and consistent corporate image is established which would also enhances the responsibilities of employees.

6. Uniform strategy: A unified marketing strategy keeps control in marketing promotion among different period, different seasons, and different commodities of the branches.

7. Uniform accounting: Revenues of a chain store will be sent to a designated bank which settles accounts directly with the headquarters. Individual chain store cannot progress credit business with the bank without the approval of headquarters. (Wang 2010.)

In the real economic life, not every chain store possesses the above mentioned common features on which the unifications can be implemented; instead the company makes appropriate adjustments on the basis of those unifications. (Wang 2010.)

Chain stores have the following two characteristics compared with the traditional business. First, chain stores combine and standardize the organizational structure, which means that they band the scattered businesses together and constitute a close-knit chain to share common interests and assets. The most conspicuous feature of chain stores is unification that ensures the standardized services and commodities provided by the companies. Second, chain stores gain both integration and specialization in the running

process of businesses. The headquarters integrate the purchasing, distribution, and marketing functions of all chain stores, and specialize in performing each of them in the corresponding department. (Wang 2010.)

## 6.2 The Mode of Chain Store Management --- Japanese style

The classification of chain stores is mainly based on the business and operation model in real market. In general the chains are divided into three categories: Corporate chain, Franchise Chain and Voluntary Chain. This classification belongs to a Japanese style. The three categories of chain stores have different requirements and methods of operation and management. (Hendrikse et al. 2008, 63-68.)

### **Corporate chain**

Corporate chain, also named regular chain, means that company headquarters directly invest in each stores, and all stores are operated by the head office as its branches. Through corporate chain, companies with big capitals can grow and expand by means of sole proprietorship, holding, annexation, and merger. Corporate chain is made up of many branches under the unified management of the headquarters. It fits for retail businesses, especially department store or supermarket. (Coles 1978, 175-176.)

Headquarters adopt in-depth management approach, directly taking charge of all chain stores. Those stores must fully obey orders from headquarters. The main task of the corporate chain is "channel management" that means to expand business profits through extending the channel. Therefore, corporate chain is actually a "management industry." This form is widely adopted by large-scale monopoly businesses. (Hendrikse et al. 2008, 63-68.)

Main features of corporate chain are the ownership and centralized power at

headquarters. All stores must be owned by one company or individual so that the head office can operate them under collective control. The managers of corporate chain stores are employees but not owners of the headquarter company. (Hendrikse et al. 2008, 63-68.)

The personnel of corporate chain are fully managed by the head office. The organizational structure of personnel is generally divided into three levels: the upper level, which refers to the corporate headquarters responsible for the overall organizational system; middle branches, which take charge of regional management and special operations; the lower level, which are individuals in the actual branches. (Duddy & Revzan 1953, 209-210.)

Many large-scale businesses benefit from corporate chain management. They can mobilize uniform financial resources and develop the whole business, and consequently expand the scale and size of their company. As the owner of large-scale commercial capital, they have abundant strength to deal with financial sectors and manufactures. As a result, it is easy to create the overall advantages in personnel training, new product development, promotion, information management, and corporate modernization. In addition, numerous member shops may be embed in hinterland to expand sales. (Coles 1978, 175-176.)

Even though this centralized management form brings large numbers of benefits, it can adversely affect the firm somehow. The enthusiasm, creativity, and initiative of employees in member stores are restricted because of quite little autonomy. A certain amount of equity capital is required to develop the corporate chain stores because all member stores are invested by the headquarters. The pace of development is limited by the financial resources. Furthermore, a large-scale management system may become multifarious and disorderly, increase transaction costs substantially, and eventually lead the company to bureaucratism. (Coles 1978, 175-176.)

## Franchise Chain

Franchise chain is an operational method through which the company grants the right to use its brand, products, services, and/or operating systems (including trademarks, trade names, technical operation, etc.) in a specified region to other businesses through a business contract for the purpose of expanding the company's own business. The initial franchise chain came into being in the 1980s when the SINGER, a sewing machine company in U.S., established its first network of resellers and distributors. Those distributors paid for the exclusive right to sell its products in certain regions. (Brown 2003, 1-8.)

In franchise chain, the headquarters own the exclusive right of franchised products, services, business technology, trade names, logos and other things which can bring profits. Franchisor and franchisee are linked and bonded by business contract. Franchisees own his or her premises, and operate the member stores on themselves. However, franchisees should keep accordance with the requirements and guidelines outlined by franchisors. (Wang 2010.)

Franchisors are in duty bound to guide franchisees to complete the necessary training which may e.g. consist of knowledge and technical way of using operating system. Meanwhile, franchisors grant franchisees the right of monopolistic selling right in a certain region. Franchisees pay a certain amount of fees to franchisors. The fees normally include a one-time initial fee, commissions, and other sales or gross profit. Franchisors and franchisees are a vertical relationship, whereas there is no link among franchisees under the same franchise chain. (Wang 2010.)

Franchise chain is increasingly becoming a vital business model in retail and service industries. Franchise chain can achieve success through the combination of franchisors' success and franchisees' capital, minimize the risk and investment of both parties, and thus enhance the marketing share and



position of the headquarters and franchise stores. (Wang 2010.)

In the process of expanding franchise chain, it is quite common that franchisors or franchisees are overtaken by defeat. Chain expansion is a continuous self-replicating process of one business model, and elements behind the replication are knowledge, skills, and know-how. The main disadvantage of franchise chain is that the company pursues the expansion of an almost purely vertical chain. The headquarters contact directly with franchise chains, but sub-sites and operation centers may lack cooperation with each other, which may lead to bifurcation in core values so that quality of services is difficult to be ensured. Anti-risk ability of this pattern is extremely low. Once operational difficulties and problems occur in one store, the headquarters and other franchise stores may be easily effected and subsequently fail. (Wang 2010.)

### **Voluntary Chain**

A number of stores in the same industry jointly purchase, or band together in order to carry out the standardization of services, profession of business running processes, and specialization of management. This is called Voluntary Chain. It was born for strengthening small and medium retail businesses through their voluntary association to contend against other leading enterprise groups. (Sumiya 2004, 496-565.)

Voluntary Chain has been playing an invaluable role in the support of small and medium enterprises, particularly in retail businesses. Some companies in the United States are successful examples in this regard. Their core practice is to organize a number of small and medium enterprises, establish the cooperation among these companies, unify the purchasing, and as a result greatly increase the competitiveness of a singular store. (Sumiya 2004, 496-565.)

Voluntary Chain is conducive to the development of small and medium

enterprises as it can create a sound business structure. From the perspective of the society, the existence of small and medium business is essential, and its flexible mode of operation can meet the specific needs of consumers. Meanwhile, small and medium retail businesses act as an important element to reduce the unemployment rate and maintain social stability. Therefore, many countries set policies to protect small and medium retail businesses. In Japan, the government set up a Small and Medium Business Revitalization Committee in 1962, and formulated law on the revitalization of small and medium retail companies in 1973. Developing the voluntary chain can be a very effective way of protecting small and medium businesses through creating and enhancing their competitiveness. (Sumiya 2004, 496-565.)

### 6.3 A new mode of chain operation for Kiinalainen Hyvinvointiasema

Based on the characteristics of the previously presented three modes of chain operation and the actual situation of Finland, a new mode of chain operation is created for Kiinalainen Hyvinvointiasema. The new mode is somehow a combination of corporate chain and voluntary chain. The most effective way to set up chain operation for Kiinalainen Hyvinvointiasema is to invest and manage the member stores directly, and organize the individual massagists jointly.

First, the company establishes each member store through its own investment, and the stores are the branches of the company. The management of the member stores is centralized to the headquarters including the aspects of purchasing, distribution, services, etc. The sub-managers of member stores will be appointed from the current employees, who should be trained in advance.

Second, most massagists in chain stores are private entrepreneurs who work under subcontract. The main purpose of this strategy is to reduce labour costs, minimize risks, and simplify the human resource requirements of establishing

member stores for the company. In fact, those massagists are not the employees of the company, but they act as business partners. They will not get salaries and instead they get payment based on their workload. According to Ji (2010), many of individual massagists prefer this cooperation method because it also minimizes risks for the massagists at the same time. What they actually get would be almost the same with the salaries of normal employees, but their working time is more flexible. Compared with other private entrepreneurs who work independently, they do not need to worry about the store-renting, marketing promotion, reservation, etc.

At last, in order to control the service quality, all individual massagists should be instructed and trained for a certain period so that they reach the requirements and understand the corporate culture, and the services in each chain store should be standardized.

## 6.4 The strategies to establish chain stores

### 6.4.1 Location strategy

No matter which mode of chain the company belongs to, choosing a right location is one of the most important decisions in chain store operations. Companies have common requirements as to offer convenience to customers, spread the impact of the chain store, and cover the market; but their requirements may vary in traffic conditions, centralization or decentralization of the store, operation time, etc. There are several factors that all chain stores may need to take into account when locating the outlet: costs and fees, number and quality of the customers, traffic conditions, surrounding businesses, rivals' information, infrastructure, parking, and security. (Rich 2007, 144-146.)

Demographic information helps the company to determine whether a location provides a right customer base. Additionally companies should consider how

the product and service fit into a customer's daily life and whether the surrounding businesses could act as a good complementary part. When investigating and evaluating these factors, companies should not only focus on the present situation of the region but also predict the future. The conditions of the potential region are changing all the time. Some places are in the stage of development and may become the star of tomorrow. They could be a very good choice to invest and enter as early as possible in order to take a favourable position in the market. (Murphy 2006, 115-117.)

In April 2010, Kiinalainen Hyvinvointiasema established its first member store in Tikkurila, Vantaa. According to Ji (2010), the cost in Vantaa is much lower than that in Helsinki, whereas the social acceptance of Chinese wellness and physical therapy is on the same level as that in Helsinki which ranks the first in Finland. The store is in a commercial building located nearby the city center of Vantaa. The offices in the first floor of this commercial building are all occupied by massage parlours or beauty salons. This place is an aggregation of wellness and physical therapy services for Vantaa residents. The location of the chain store of Kiinalainen Hyvinvointiasema has been chosen based on the several factors discussed above, such as costs and fees, number and quality of the customers, surrounding businesses, and demographic information.

There are some principles that need to be followed by the companies when selecting the location. Firstly, the location should be easy to find and convenient for customers to make purchases. There are good transportation conditions so that customers can easily access the store. Secondly, the location is helpful to expand the network chain and increase market share and coverage. Stores should not be too close to each other geographically. Companies should avoid building repetitive stores within the same region; otherwise they become each other's competitors and adversely affect the overall development of the company. But if the customer demand is so large which exceeds the capacity of one store, companies can establish two or more stores which can compete and

complement each other. (eds Huang & Yuan 2009, 83-85.)

Thirdly, company should take full account of the region's various business services, integrate the services and products of other businesses and their own, and exploit features and advantages of the companies' own network chain. Finally, the location is in favour of the network chain's operation in order to obtain the maximum economic profit. Better economic efficiency is the prerequisite to better satisfy customers' needs. (eds Huang & Yuan 2009, 83-85.)

In practical operation, Kiinalainen Hyvinvointiasema may follow some of these principles but also conflict with part of them. Convenience is a rule that should be always obeyed. For wellness services, the store does not need to be in the heart of the city, and instead, a place nearby the city center which can be easily reached with cost-effective rent would be the best choice. The second principle points out that the member stores should not be too close to each other. However, Kiinalainen Hyvinvointiasema may act against this principle according to practical conditions. The wellness and physical therapy service industry in Finland can be considered as a fragmented industry. The economies of scale may hardly achieved by establishing only one store in one region. In addition, customer reservations are not evenly distributed every day in a week (Ji 2010). For example, massagists' timetables can be fully booked on Saturday but there can be no one reservation on Tuesday. Kiinalainen Hyvinvointiasema can establish a few chain stores in one region served by one group of employees. The massagists travel among several stores according to the customer reservations. This location strategy can help Kiinalainen Hyvinvointiasema to maximum the utilization of personnel and achieve more sale volumes.

### 6.4.2 Pricing strategy

Uniform pricing is one common feature of chain stores. Branches implement selling prices which are set by the headquarters, and they cannot change the prices freely. Uniform pricing brings several advantages. It can be beneficial to the chain store's unified management, establish an integral image of the chain store, leave customers an impression of good value for money, and enhance the overall attractiveness of the chain store. Nevertheless, the prices cannot be absolutely unified; the unification applies only within certain boundaries. This results from different consumption levels and resources in different regions. In a supermarket chain, for example, prices are made and adjusted by the headquarters. When it is necessary to change prices, chain stores will make proposals, which will be implemented if approved by the headquarters. In most cases, headquarters of supermarket chains prescribe price ranges according to the different natures and consumption situations of products. This makes the pricing more flexible and economically-efficient. Each chain store can change the daily price within the range according to the actual supply and demand. (eds Huang & Yuan 2009, 65-66.)

The uniform pricing strategy should be used by Kiinalainen Hyvinvointiasema. Unlike some commodities sold in supermarkets, physical therapy services do not require a frequent change in prices. In this case, prices instead of price ranges should be set by the headquarters of Kiinalainen Hyvinvointiasema. The prices vary based on the consumption levels of different regions in Finland. Figure 11 shows the average household consumption expenditure per consumption unit in mainland Finland by major regions from 1985 to 2006. It indicates the living conditions in different regions in mainland Finland. Helsinki region includes Helsinki, Vantaa, Espoo, and Kauniainen. In the Helsinki region, consumption expenditure has prominently exceeded that of the rest of the country during the entire examined period. Consumption in the rest of Southern Finland has been close to 100 which is the average of the country. In Western,

Northern and Eastern Finland consumption has been below average.

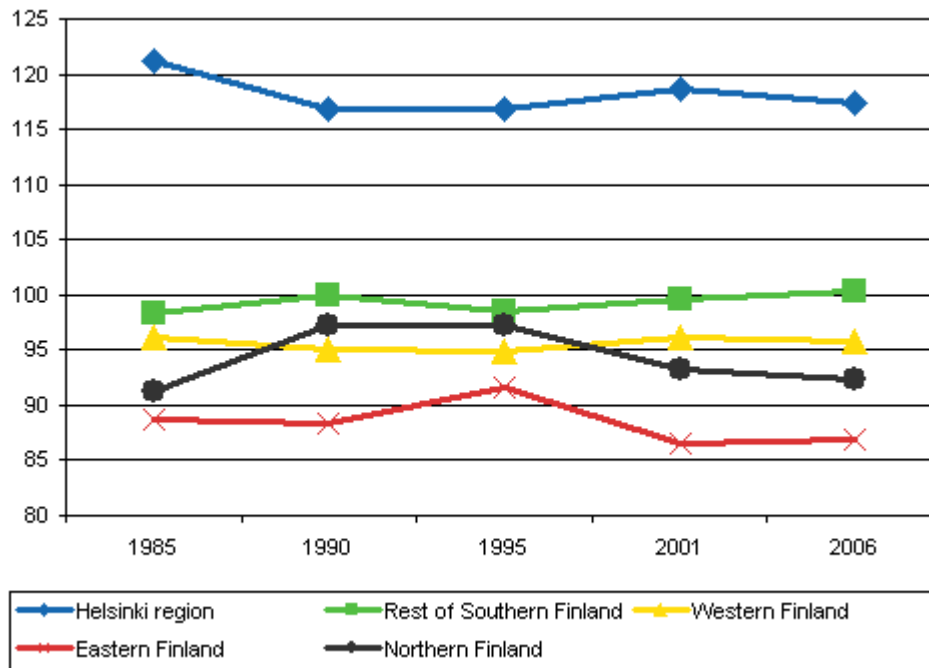


Figure 11 Average household consumption expenditure per consumption unit in mainland Finland by major region in 1985-2006 (whole country = 100) (Statistics Finland 2009)

According to the data, Kiinalainen Hyvinvointiasema can determine the price levels of different places in Finland. Prices in Helsinki region should be made the highest since it is the region of the highest consumption and living conditions in Finland. The consumption levels in the other four regions are quite similar despite the slight differences. Therefore, in the rest of the country Kiinalainen Hyvinvointiasema can unify the prices of different chain stores.

## 7 CONCLUSIONS

Competitive advantage and strategy are two key terms if a company wants to create core competence and successfully manage its business in the long run. Cost advantage and differentiation are the two types of competitive advantage

put forward by Porter. Fitzsimmons and Fitzsimmons display another grouping: supply, demand, and economies of scale and customer loyalty. The two classifications are not conflicting but related to each other. Supply advantage is similar to supply advantage, and demand advantage is similar to differentiation, whereas economies of scale and customer loyalty is a combination of both, which is very worthy for pursuing for a company in the stage of development and expansion, such as our case company Kiinalainen Hyvinvointiasema.

Competitive strategy is created to retain and serve for a competitive advantage, and there are three generic types of it: cost leadership, differentiation, and focus. An industry is often classified as fragmented if it consists of many small- and medium-sized companies that are privately owned. In this industry, the company's strategy should concentrate on finding a way to create economies of scale, standardizing diverse market needs, splitting off aspects that cause the fragmentation, and/or making acquisitions with the existing businesses. There are standard ways of creating competitive advantage, and companies should frame their competitive strategies based on their situation, resources, technology, and goals.

Helsinki is the first city where Kiinalainen Hyvinvointiasema plans to expand. Based on analyses of the 432 competitors in Helsinki, it is found that the wellness and physical service industry in Helsinki is fragmented; as Helsinki is the most populous and prosperous city in Finland, it can be inferred that this industry in the whole Finland is fragmented. Therefore, it is feasible for Kiinalainen Hyvinvointiasema to operate chain stores to create economies of scale as a method to overcome fragmentation and generate greater profits. It is also a good way to save costs and build cost advantage. Additionally, there is only one company having nationwide chain operation, and so far there is no such a chain providing Chinese wellness services. Now, it is a great opportunity for Kiinalainen Hyvinvointiasema to be the first leader and create a market niche.



Kiinalainen Hyvinvointiasema possesses two potential advantages against its competitors: cost advantage and differentiation. Strategies should be developed to maintain them. Cost advantage can be ensured through the lower wage requirement of Chinese massagists than Finnish massagists, and in the chain operation, the cost advantage can be gained by developing a cooperative instead of employment relationship with the massagists, centralizing the service of calling center, and moving the massagists according to customers' booking information. The nature of Chinese wellness services differentiates the company from most of its competitors. To protect this advantage, the company should transmit positive understanding to customers who are not very familiar with the services and deliver better service value and experience to customers. Another advantage that Kiinalainen Hyvinvointiasema should also make efforts to create is customer loyalty. It is a guarantee and a prerequisite for the company to further develop and expand.

Localization is the outcome of economic globalization, and three methods of conducting it were initially classified: SWYG: Sell What You have Got, SWAB: Sell What People Actually Buy, and GLOB: Sell the same thing GLOBALLY. Later, a broader term of product localization was argued in two streams, product standardization and adaptation.

Product standardization is explained by Keegan with one sentence: "One product, One message, Worldwide". This strategy brings cost competitive advantage to the company, whereas it lacks syncretic thinking in the local market. Czinkota and Ronkainen advanced three considerations for product standardization. First, standardization requires high homogeneity in key requirements of product characteristics in target markets. Second, product standardization reduces cost and creates economies of scale. Third, maintaining consistency of the brand image can be benefited from standardization. In service industry, the standardization also refers to the process of services and the attitude, behaviour of service personnel.

Product adaptation refers to customizing the product to better meet local consumer needs. It could be a good way of entering a foreign market. Long-term and short-term profitability, cost of adaptation, and demand of potential market are the crucial factors of adaptation. Government regulation and policy may force the company to choose product adaptation. In Finland, establishing a wellness service company could be much easier than establishing a medical-oriented company.

A service localization strategy which combines both standardization and adaptation would best fit Kiinalainen Hyvinvointiasema. Product feature is only one part of localization, other factors, such as positioning and packaging, should also be considered. The main idea of this strategy is to adopt customer-oriented strategies based on the local culture, and to create products and services in the global market. Since services of Kiinalainen Hyvinvointiasema are originally from China, the marketing promotion should be modified so as to build positive customer understanding about the services. In addition, other small cultural elements should be always noticed, such as in the consumption behaviour of Finnish customers and service equipments.

Companies should learn about their customers in terms of their contribution and profitability. Based on the survey results, Kiinalainen Hyvinvointiasema can classify its customers into four groups. Customers older than 65 are the platinum tier who are the most profitable but account for a very small part. 30-45 years old customers are the gold tier who is the second biggest customer group greatly influenced by the discount strategy of Kiinalainen Hyvinvointiasema. Customers of 46-65 years old are the iron tier; they are the largest customer group and bring economics of sales to the company. The last is the lead tier consisting of customers younger than 30 who scarcely use physical therapy services and are quite sensitive to prices. Different attention and investment should be put into different customer segments, which help Kiinalainen Hyvinvointiasema to manage customer relationships more

effectively and efficiently.

Service quality plays a dominant role in creating customer satisfaction and maintaining good customer relationship. The company should seek direct contacts with customers and other business partners, build database that covers necessary information about customers and others, and develop a customer-centric service system. Customers' perceived service quality is closely related to their expectation which can be influenced by the company. Kiinalainen Hyvinvointiasema should design proper marketing activities to guide customers' understanding of the services and avoid overpromises which can set an unreachable expectation and lead to customer dissatisfaction. As services of Kiinalainen Hyvinvointiasema are person-to-person, the frontline service employees play a key role in affecting customers' perception. Chinese massagists should be trained of the language and other skills in order to better serve the Finnish customers. The company should help them to understand and adapt to the Finnish culture.

The customer survey suggests a very positive result that most customers are satisfied with the services. This sets out a foundation for Kiinalainen Hyvinvointiasema to expand to other cities. In addition, the fragmented structure of the wellness and physical therapy service industry in Finland also creates an opportunity of expansion. Combining the two results, it can be concluded that expanding through chain store operation is feasible, which can create economies of scale, reduce costs, and bring greater profits.

There are three basic types of chain stores: corporate chain, franchise chain, and voluntary chain. After studies of each mode, the advice is to combine the corporate chain and voluntary chain as a future operational method of Kiinalainen Hyvinvointiasema. The company invests and manages the member stores directly, and organizes the individual massagists jointly. Each chain store is set up and centrally controlled by the headquarters. A common brand and

company name is used by all stores. Massagists in chain stores are private entrepreneurs who work under subcontract. This strategy can reduce labour costs, minimize risks, and simplify the human resource requirements of establishing member stores for the company.

When choosing the location for chain stores, many factors need to be taken into account, such as costs and fees, number and quality of the customers, traffic conditions, surrounding businesses, rivals' information, infrastructure, parking, and security. A right customer base should be recognized with foresight thinking. Kiinalainen Hyvinvointiasema has already chosen a place in Vantaa which assembles a number of wellness businesses to open its first chain store.

Uniform pricing brings advantages to the unified management, integral image of the chain store, good customer impression of good value for money, and enhancement of the overall attractiveness of the chain store. However, this does not mean using the same price all the time regardless of the real demand, supply, and consumption level of different places. In fact, Helsinki region is the place of the highest consumption level in Finland, and the rest parts only have a slight difference. The suggestion is that Kiinalainen Hyvinvointiasema should adopt two price levels, one for Helsinki region and the other for the rest of the country. Prices in Helsinki region are higher than those of any other places.

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*中国推拿简史 (A brief account of Chinese massage)* n.d., docin.com, viewed 25 January 2010, path: <http://www.docin.com/p-6152923.html#documentinfo>.

### Company interview questions

1. How has Chinese physical therapy services developed in Finland?
2. What kinds of change have you made when you introduce Chinese physical therapy in Finland?
3. What marketing activities have you adopted and which media do you use?
4. What is the cost advantage in your company?
5. So far have you found any methods to decrease the cost?
6. What is your opinion related to private entrepreneurs in this industry?
7. How do customers think about Chinese physical therapy?
8. How does your company divide customers, and what are your target groups?
9. How do you manage massagists?
10. Do you have an idea of the type of chain store that you want to operate? If yes, what is it?
11. How many chain stores do you plan to open and in which cities?
12. Do you have something to ask us or to add?

## Basic information of individual competitor analysis

Company name	Auron Oy	TH Treatment Oy
Legal form	Oy	Oy
Main line or service	Physiotherapy	Beauty
Established year	2004	2003
Number of personnel	—	5
Turnover (million euro)	1647.0 (2008)	112 (2008)
Website	<a href="http://www.auron.fi/">http://www.auron.fi/</a>	<a href="http://www.hoitolapisara.com/">http://www.hoitolapisara.com/</a>
Other remarks	<p>It is the only company that operates nationwide with a huge chain, having private and institutional customers. Auron's each partner should go through a detailed certification process.</p>	<p>Various services include acupuncture, solarium, infrared sauna, lymph massage, Physiotherapy, Craniosacral therapy, Reiki, chocolate massage, classical massage, Indian head massage, hot stone massage, make-up, facial treatment, cellulite, slimming treatment, breast surgery, plastic surgery, nail-studio, hairdressing, and beautician.</p>

## Basic information of individual competitor analysis

Company name	Hannu Ahonen Ky	AKUpunktioa sema-Liu	Kiina-Klinikka
Legal form	Ky	Luonnollinen henkilo	Luonnollinen henkilo
Main line or service	Physiotherapy	Acupuncture	Acupuncture
Established year	1989	1995	1996
Number of personnel	6	1	1 - 4
Turnover (million euro)	0-0.2	0-0.2	0-0.2
Website	<a href="http://www.sportti-fysi&lt;br/&gt;o.fi/">http://www.sportti-fysi o.fi/</a>	<a href="http://www.ac&lt;br/&gt;upuncture.fi">http://www.ac upuncture.fi</a>	<a href="http://www.kiinaklinikka.com/">http://www.kiinaklinikka.com/</a>
Other remarks	Website has detailed info about the personnel. Services include traditional massage, sports massage, treatment, acupuncture, and chiropractic, also home visits and fitness programmes by agreement.	It is operated by a Chinese	It is set up by a Chinese, Li Huai Yuan. Treatments include Qi Gong, Gua-Sha and acupuncture. Master Li's specialities are sexual dysfunctions (impotence, men & women), back and neck problems. Asthma is also treated. Letters from the clients are scanned and put on the website.

## Basic information of individual competitor analysis

Company name	Heket - Tmi Anu Lampinen	Ergodex	T:mi Ruusuheinä
Legal form	Luonnollinen henkilö	Luonnollinen henkilö	Luonnollinen henkilö
Main line or service	Acupuncture	Massage	Massage
Established year	2009	1997	2006
Number of personnel	1	1 – 4	1 – 4
Turnover (million euro)	—	0-0.2	0-0.2
Website	<a href="http://www.heket.fi/">http://www.heket.fi/</a>	<a href="http://www.yrityshieronta.fi/">http://www.yrityshieronta.fi/</a>	<a href="http://www.ruusuheina.fi/">http://www.ruusuheina.fi/</a>
Other remarks	Operated by a Finnish acupuncturist	It offers corporate massage	Services include chocolate massage, Indian head massage, hot stone massage, chocolate facial care, zone therapeutic foot massage, Kopp Ning (suction cup) massage, Facial/massage (aloe vera), reflexology, hair removal (sokerointi), paraffin massage, and laughter yoga.



**Customer Survey**

1) Are you

Female

Male

2) Which age group are you in?

-30 v.

30-45 v.

46-65 v.

+65 v.

3) Which of our products/services do you use? And how satisfied are you with the services provided by Kiinalainen Hyvinvointiasema?

Very Dissatisfied

Very Satisfied

1

2

3

4

5

Massage

Foot care

Physio-therapy

Other,

Please specify

4) How frequently do you use them?

1-5  
times/y  
ear6-12  
times/y  
earmore than  
once a monthonce  
a  
weekmore than  
once a  
week

Massage

Foot care

Physio-therapy

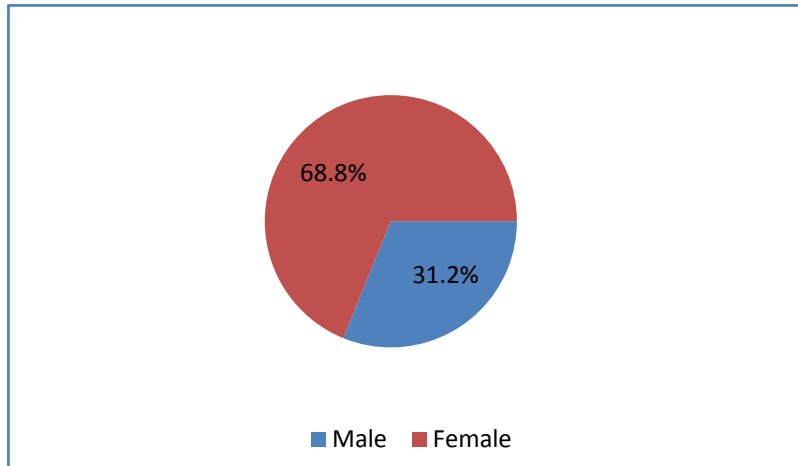
Other,

Please specify

- 5) How likely are you to buy from us again?
- Very likely
  - Likely
  - Neither
  - Unlikely
  - Very unlikely
- 6) What do you think about the prices?
- Very expensive
  - Expensive
  - Good value for money
  - Cheap
  - Very Cheap
- 7) How do you feel about Chinese Physical Therapy?
- Useful
  - Could accept
  - Hardly accept
  - Don't accept
  - Know nothing about it
- 8) Why do you use physical therapy?
- For treatment
  - For leisure
  - Both
  - Other, please specify
- 9) If you have used physical therapy before, which company's services did you use?
- 
- 10) Which newspaper do you usually read?
- Etelä-Suomen Sanomat
  - Uusi Lahti

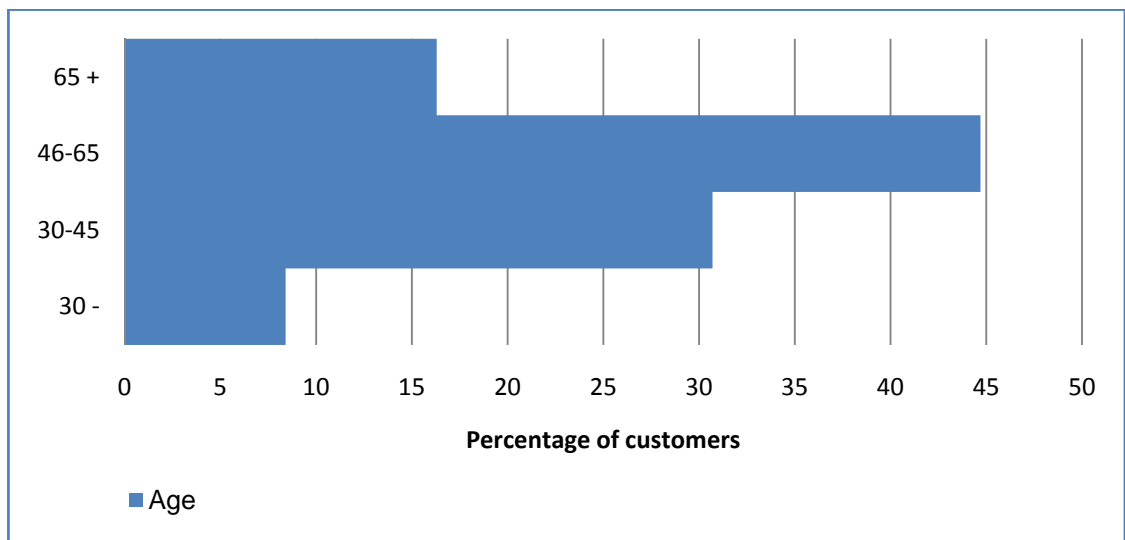
Marketing survey result ----- Overview

1) Are you



	Number of customers	Percentage
Female	148	68.8 %
Male	67	31.2 %
Total	215	100 %

2) Which age group are you in?



	Number of customers	Percentage
30 -	18	8.4 %
30-46	66	30.7 %
46-65	96	44.7 %
65 +	35	16.3 %
Total	215	100 %

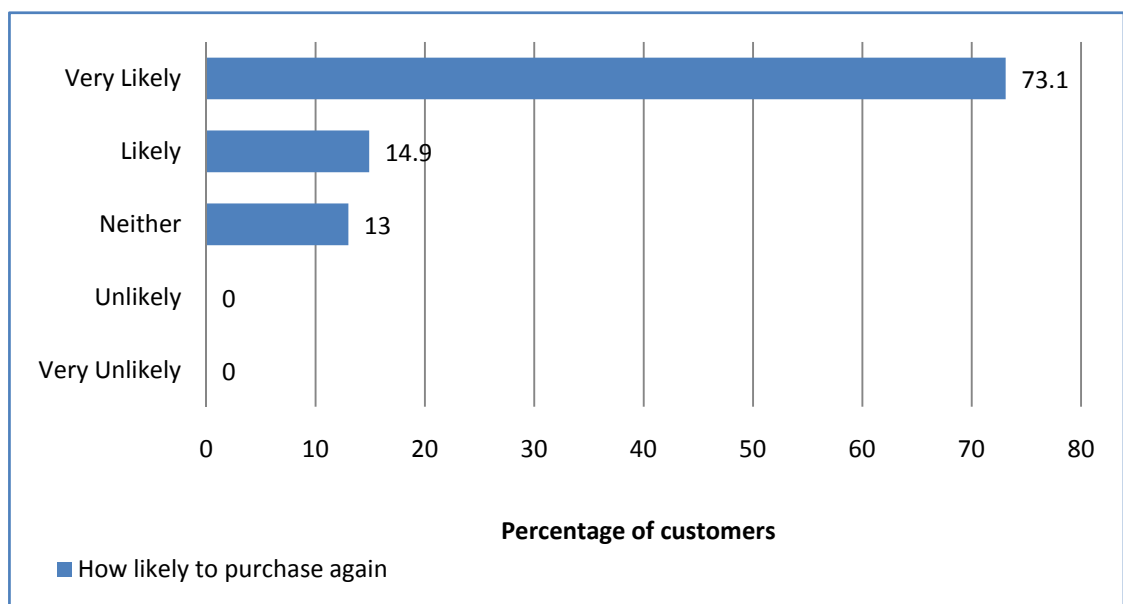
3) Which of our products/services do you use? And how satisfied are you with the services provided by Kiinalainen Hyvinvointiasema?

Services	Very Dissatisfied				Very Satisfied	
	1	2	3	4	5	Total
Massage	1	2	23	45	96	167
%	0.6%	1.2%	13.8%	26.9%	57.5%	100.0%
Foot care	0	1	9	29	53	92
%	0.0%	1.1%	9.8%	31.5%	57.6%	100.0%
Physiotherapy	0	0	4	5	16	25
%	0.0%	0.0%	16.0%	20.0%	64.0%	100.0%
Other therapies	0	0	1	2	10	13
%	0.0%	0.0%	7.7%	15.4%	76.9%	100.0%

## 4) How frequently do you use them?

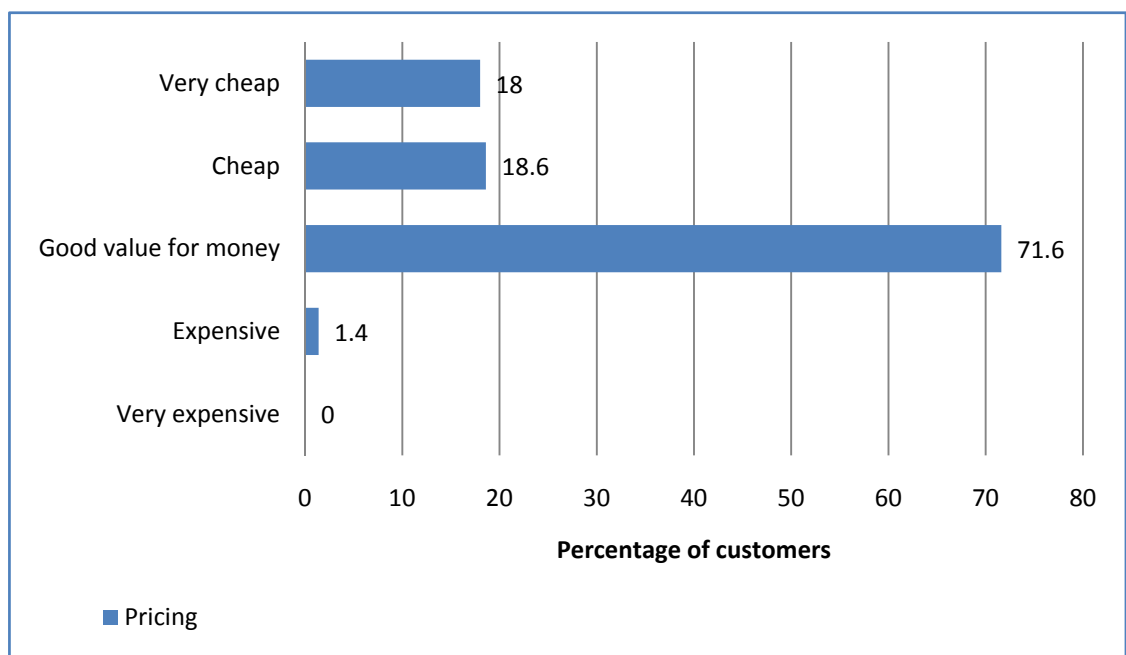
Services	1-5 time/year	6-12 times/year	More than Once a month	Once a Week	More than Once a week	Total
Massage	33	<b>119</b>	33	15	15	215
%	15.3%	<b>55.3%</b>	15.3%	7.0%	7.0%	100.0%
Foot care	12	<b>164</b>	32	4	3	215
%	5.6%	<b>76.3%</b>	14.9%	1.9%	1.4%	100.0%
Physiotherapy	3	<b>137</b>	75	0	0	215
%	1.4%	<b>63.7%</b>	34.9%	0.0%	0.0%	100.0%
Other therapies	8	<b>109</b>	94	3	1	215
%	3.7%	<b>50.7%</b>	43.7%	1.4%	0.5%	100.0%

## 5) How likely are you to buy from us again?



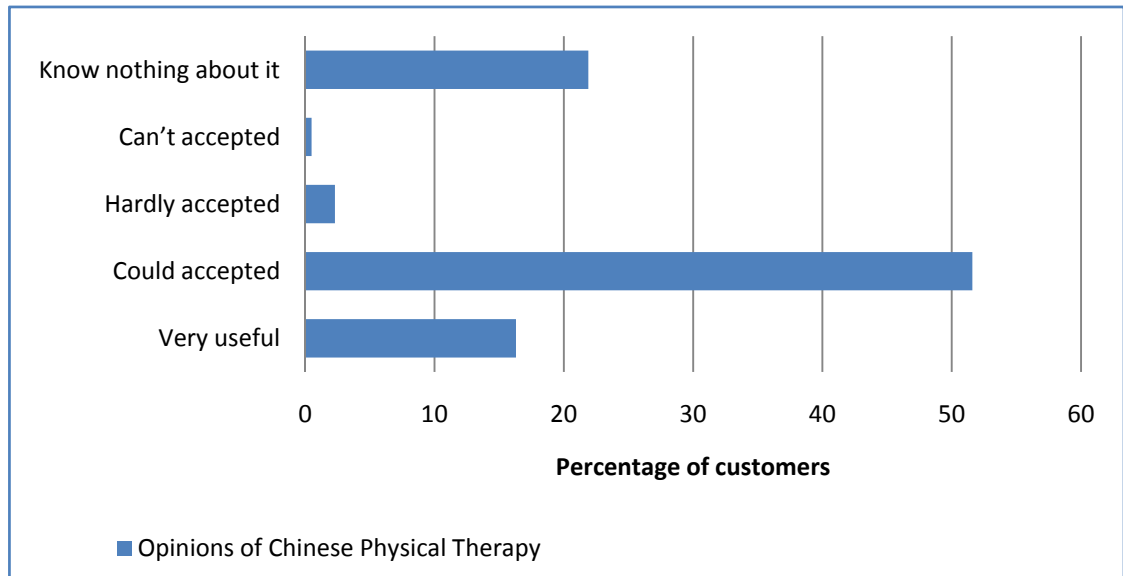
	Number of customers	Percentage
Very likely	155	73.1 %
Likely	32	14.9 %
Neither	28	13.0 %
Unlikely	0	0.0 %
Very unlikely	0	0.0 %
Total	215	100 %

6) What do you think about the prices?



	Number of customers	Percentage
Very expensive	0	0.0%
Expensive	5	2.3%
Good value for money	159	74.0%
Cheap	33	15.3%
Very cheap	18	8.4%
Total	215	100.0%

## 7) How do you feel about Chinese Physical Therapy?



	Number of customers	Percentage
Very useful	35	16.3%
Could accepted	111	51.6%
Hardly accepted	5	2.3%
Can't accepted	1	0.5%
Know nothing about it	63	29.3%
Total	215	100.0%

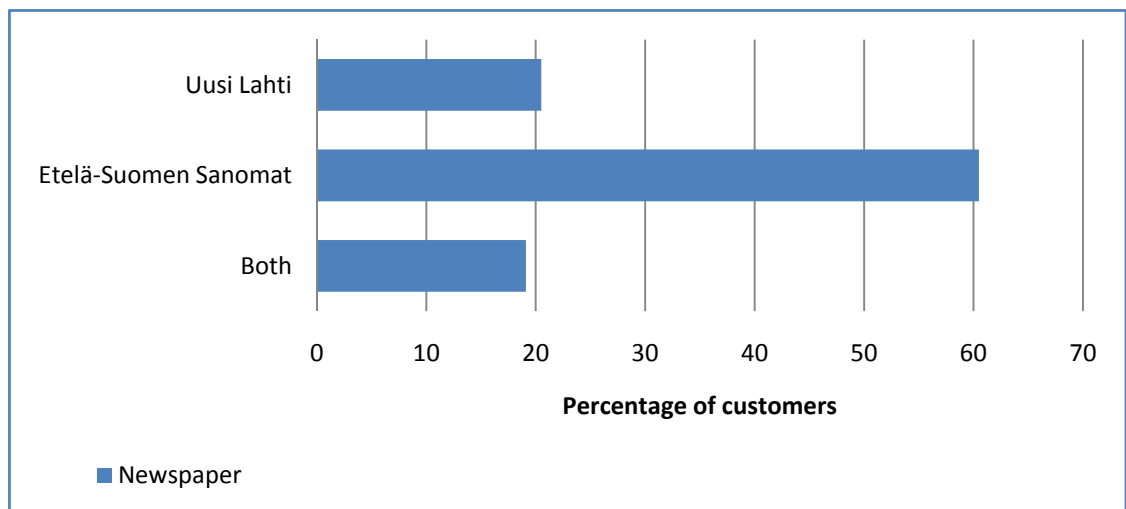
## 8) Why do you use physical therapy?

	Number of customers	Percentage
Treatment	114	53.0%
Leisure	53	24.7%
Both	21	9.8%
Other	27	12.6%
Total	215	100.0%

9) If you have used physical therapy before, which company's services did you use?

	Number of customers	Percentage
Private entrepreneur	39	45.9%
Estonia	14	16.5%
Imatran kylpylä	4	4.7%
Lahden OMT-Klinikka	3	3.5%
Sairaala fysioterapiatti	3	3.5%
10-Fysio	2	2.4%
Klinik PLT	2	2.4%
Maken Fitness Center	2	2.4%
China	1	1.2%
Other	15	17.6%
Total	85	100.00%

10) Which newspaper do you usually read?





	Number of customers	Percentage
Etelä-Suomen Sanomat	130	60.5%
Uusi Lahti	44	20.5%
Both	41	19.1%
Total	215	100.0%



## 4) How frequently do you use them?

<b>Service</b>	<b>1-5 time/year</b>	<b>6-12 times/year</b>	<b>More than Once a month</b>	<b>Once a Week</b>	<b>More than Once a week</b>	<b>Total</b>
Massage	7	8	1	1	1	18
%	38.9%	44.4%	5.6%	5.6%	5.6%	100.0%
Foot care	4	13	1	0	0	18
%	22.2%	72.2%	5.6%	0.0%	0.0%	100.0%
Physiotherapy	0	16	2	0	0	18
%	0.0%	88.9%	11.1%	0.0%	0.0%	100.0%
Other therapies	0	16	2	0	0	18
%	0.0%	88.9%	11.1%	0.0%	0.0%	100.0%

## 5) How likely are you to buy from us again?

	<b>Number of customers</b>	<b>Percentage</b>
Very likely	17	94.4%
Likely	0	0.0%
Neither	1	5.6%
Unlikely	0	0.0%
Very unlikely	0	0.0%
<b>Total</b>	<b>18</b>	<b>100.0%</b>

6) What do you think about the prices?

	Number of customers	Percentage
Very expensive	0	0.0%
Expensive	3	16.7%
Good value for money	15	83.3%
Cheap	0	0.0%
Very cheap	0	0.0%
Total	18	100.0%

7) How do you feel about Chinese Physical Therapy?

	Number of customers	Percentage
Very useful	3	16.7%
Could accepted	11	61.1%
Hardly accepted	0	0.0%
Can't accepted	0	0.0%
Know nothing about it	4	22.2%
Total	18	100.0%

8) Why do you use physical therapy?

	Number of customers	Percentage
Treatment	1	5.6%
Leisure	7	38.9%
Both	7	38.9%
Other	3	16.7%
Total	18	100.0%

10) Which newspaper do you usually read?

	Number of customers	Percentage
Etelä-Suomen Sanomat	8	44.4%
Uusi Lahti	8	44.4%
Both	2	11.1%
Total	18	100.0%

## Marketing survey result ----- 30-45

Q 1 Are you

	Number of customers	Percentage
Female	43	65.2 %
Male	23	34.8 %
Total	66	100 %

Q 3 Which of our products/services do you use? And how satisfied are you with the services provided by Kiinalainen Hyvinvointiasema?

Services	Very Dissatisfied				Very Satisfied	
	1	2	3	4	5	Total
Massage	0	0	9	16	24	49
%	0.0%	0.0%	18.4%	32.7%	49.0%	100.0%
Foot care	0	1	3	9	11	24
%	0.0%	4.2%	12.5%	37.5%	45.8%	100.0%
Physiotherapy	0	0	1	1	1	3
%	0.0%	0.0%	33.3%	33.3%	33.3%	100.0%
Other therapies	0	0	0	1	2	3
%	0.0%	0.0%	0.0%	33.3%	66.7%	100.0%

4) How frequently do you use them?

<b>Services</b>	<b>1-5 time/year</b>	<b>6-12 times/year</b>	<b>More than Once a month</b>	<b>Once a Week</b>	<b>More than Once a week</b>	<b>Total</b>
Massage	16	<b>35</b>	8	4	3	66
%	24.2%	<b>53.0%</b>	12.1%	6.1%	4.5%	100.0%
Foot care	3	<b>59</b>	2	1	1	66
%	4.5%	<b>89.4%</b>	3.0%	1.5%	1.5%	100.0%
Physiotherapy	2	<b>47</b>	17	0	0	66
%	3.0%	<b>71.2%</b>	25.8%	0.0%	0.0%	100.0%
Other therapies	1	<b>34</b>	30	1	0	66
%	1.5%	<b>51.5%</b>	45.5%	1.5%	0.0%	100.0%

5) How likely are you to buy from us again?

	<b>Number of customers</b>	<b>Percentage</b>
Very likely	43	65.2%
Likely	14	21.2%
Neither	9	13.6%
Unlikely	0	0.0%
Very unlikely	0	0.0%
<b>Total</b>	<b>66</b>	<b>100.0%</b>

6) What do you think about the prices?

	Number of customers	Percentage
Very expensive	0	0.0%
Expensive	1	1.5%
Good value for money	47	71.2%
Cheap	12	18.2%
Very cheap	6	9.1%
Total	66	100.0%

7) How do you feel about Chinese Physical Therapy?

	Number of customers	Percentage
Very useful	11	16.7%
Could accepted	33	50.0%
Hardly accepted	1	1.5%
Can't accepted	0	0.0%
Know nothing about it	21	31.8%
Total	66	100.0%

8) Why do you use physical therapy?

	Number of customers	Percentage
Treatment	36	54.5%
Leisure	16	24.2%
Both	8	12.1%
Other	6	9.1%
Total	66	100.0%



10) Which newspaper do you usually read?

	Number of customers	Percentage
Etelä-Suomen Sanomat	40	60.6%
Uusi Lahti	16	24.2%
Both	10	15.2%
Total	66	100.0%

## Marketing survey result ----- 46-65

Q 1 Are you

	Number of customers	Percentage
Female	65	67.7 %
Male	31	32.3 %
Total	96	100 %

Q 3 Which of our products/services do you use? And how satisfied are you with the services provided by Kiinalainen Hyvinvointiasema?

Services	Very Dissatisfied				Very Satisfied	
	1	2	3	4	5	Total
Massage	0	1	8	16	58	83
%	0.0%	1.2%	9.6%	19.3%	69.9%	100.0%
Foot care	0	0	3	12	34	49
%	0.0%	0.0%	6.1%	24.5%	69.4%	100.0%
Physiotherapy	0	0	1	2	2	5
%	0.0%	0.0%	20.0%	40.0%	40.0%	100.0%
Other therapies	0	0	0	0	3	3
%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%

## 4) How frequently do you use them?

Services	1-5 time/year	6-12 times/year	More than Once a month	Once a Week	More than Once a week	Total
Massage	7	<b>53</b>	18	8	10	96
%	7.3%	<b>55.2%</b>	18.8%	8.3%	10.4%	100.0%
Foot care	2	<b>62</b>	27	3	2	96
%	2.1%	<b>64.6%</b>	28.1%	3.1%	2.1%	100.0%
Physiotherapy	1	<b>61</b>	34	0	0	96
%	1.0%	<b>63.5%</b>	35.4%	0.0%	0.0%	100.0%
Other therapies	4	<b>49</b>	41	1	1	96
%	4.2%	<b>51.0%</b>	42.7%	1.0%	1.0%	100.0%

## 5) How likely are you to buy from us again?

	Number of customers	Percentage
Very likely	71	74.0%
Likely	11	11.5%
Neither	14	14.6%
Unlikely	0	0.0%
Very unlikely	0	0.0%
Total	96	100.0%

6) What do you think about the prices?

	Number of customers	Percentage
Very expensive	0	0.0%
Expensive	0	0.0%
Good value for money	75	78.1%
Cheap	11	11.5%
Very cheap	10	10.4%
Total	96	100.0%

7) How do you feel about Chinese Physical Therapy?

	Number of customers	Percentage
Very useful	17	17.7%
Could accepted	54	56.3%
Hardly accepted	1	1.0%
Can't accepted	0	0.0%
Know nothing about it	24	25.0%
Total	96	100.0%

8) Why do you use physical therapy?

	Number of customers	Percentage
Treatment	52	54.2%
Leisure	23	24.0%
Both	6	6.3%
Other	15	15.6%
Total	96	100.0%

10) Which newspaper do you usually read?

	Number of customers	Percentage
Etelä-Suomen Sanomat	62	64.6%
Uusi Lahti	14	14.6%
Both	20	20.8%
Total	96	100.0%

Marketing survey result ----- +65

Q 1 Are you

	Number of customers	Percentage
Female	26	74.3 %
Male	9	25.7 %
Total	35	100 %

Q 3 Which of our products/services do you use? And how satisfied are you with the services provided by Kiinalainen Hyvinvointiasema?

Services	Very Dissatisfied				Very Satisfied	
	1	2	3	4	5	Total
Massage	1	1	3	6	7	18
%	5.9%	5.9%	17.6%	35.3%	<b>41.2%</b>	100.0%
Foot care	0	0	2	5	5	12
%	0.0%	0.0%	16.7%	<b>41.7%</b>	<b>41.7%</b>	100.0%
Physiotherapy	0	0	2	2	12	16
%	0.0%	0.0%	12.5%	12.5%	<b>75.0%</b>	100.0%
Other therapies	0	0	1	1	5	7
%	0.0%	0.0%	14.3%	14.3%	<b>71.4%</b>	100.0%

## 4) How frequently do you use them?

Services	1-5 time/year	6-12 times/year	More than Once a month	Once a Week	More than Once a week	Total
Massage	3	<b>23</b>	6	2	1	35
%	8.6%	<b>65.7%</b>	17.1%	5.7%	2.9%	100.0%
Foot care	3	<b>30</b>	2	0	0	35
%	8.6%	<b>85.7%</b>	5.7%	0.0%	0.0%	100.0%
Physiotherapy	0	13	<b>22</b>	0	0	35
%	0.0%	37.1%	<b>62.9%</b>	0.0%	0.0%	100.0%
Other therapies	3	10	<b>21</b>	1	0	35
%	8.6%	28.6%	<b>60.0%</b>	2.9%	0.0%	100.0%

## 5) How likely are you to buy from us again?

	Number of customers	Percentage
Very likely	24	68.6%
Likely	7	20.0%
Neither	4	11.4%
Unlikely	0	0.0%
Very unlikely	0	0.0%
Total	35	100.0%

6) What do you think about the prices?

	Number of customers	Percentage
Very expensive	0	0.0%
Expensive	1	2.9%
Good value for money	22	62.9%
Cheap	10	28.6%
Very cheap	2	5.7%
Total	35	100.0%

7) How do you feel about Chinese Physical Therapy?

	Number of customers	Percentage
Very useful	4	11.4%
Could accepted	13	37.1%
Hardly accepted	3	8.6%
Can't accepted	1	2.9%
Know nothing about it	14	40.0%
Total	35	100.0%

8) Why do you use physical therapy?

	Number of customers	Percentage
Treatment	25	71.4%
Leisure	7	20.0%
Both	0	0.0%
Other	3	8.6%
Total	35	100.0%



10) Which newspaper do you usually read?

	Number of customers	Percentage
Etelä-Suomen Sanomat	20	57.1%
Uusi Lahti	6	17.1%
Both	9	25.7%
Total	35	100.0%