



# STRATEGIC MARKETING PLANNING FOR A B2B HIGH-TECH MANUFACTURER

Creating a Marketing Strategy with the Aim of Securing  
a Leading Position in the Finnish Market

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## ABSTRACT

Manufacturing companies in the B2B high-tech sector are facing challenges in adapting to changes in the international and increasingly competitive market environment of today. Strategic marketing management has an important role in creating and delivering value to customers. B2B companies that adopt strategic marketing practices are winning the race for market share. The aim of this study is to create a marketing strategy for Company X, in order to secure its leading position and to increase its market share in Sector X in the Finnish market.

The literature review, consisting of strategy and marketing theories, provides a theoretical background for this study. Several other non-academic sources of information by field experts, related to strategy process, strategic marketing, brand management and B2B buyer behavior, are used for providing a more recent point of view to this study. They also yield crucial information which cannot be covered by academic theory alone, such as future scenarios of the Finnish market.

The research context consists of a customer survey, and interviews with employees of Company X. Their results are used in analyzing the market, competitors and customers of Company X. The findings based on both the theoretical framework and the research are then used in visualizing the external and internal, as well as the micro and macro environment affecting Company X, in form of strategy tools.

Furthermore, the key success factors and key weaknesses of Company X are identified. By using the methods of segmentation, targeting and positioning, they lead the formulation of a Marketing Mix for Company X. Finally, the summary and conclusions are drawn on the results, and findings of the study are discussed further.

As a conclusion, the study provides an outline for a marketing strategy for Company X in Finland and emphasizes the importance of strategic marketing management in a B2B high-tech company, as an integral part in the success of the corporate strategy.

## **KEYWORDS**

Marketing management, marketing strategy, marketing mix, value creation, brand management, frameworks, key strategy decisions

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## TABLE OF CONTENTS

1	INTRODUCTION.....	1
1.1	Background.....	1
1.2	Research questions, problem and objectives.....	3
1.3	Research methodology and scope.....	4
1.4	Key concepts.....	5
1.5	Structure of the research report.....	8
2	THEORETICAL FRAMEWORK AND LITERATURE REVIEW.....	9
2.1	Strategy.....	10
2.2	Strategy tools.....	12
2.3	Marketing.....	15
2.4	Marketing management.....	16
2.5	Strategic marketing.....	17
2.6	Marketing Mix.....	18
2.6.1	Brand management.....	20
2.6.2	Digitalization and the social media.....	21
2.7	Value-based marketing and differentiation.....	24
2.8	Customer insight and customer experience.....	25
2.9	Service management and customer relationship management.....	27
2.10	Marketing performance measures.....	28
2.11	Summary of the conceptual framework.....	30
3	RESEARCH CONTEXT AND METHODS.....	32
3.1	Research design and context.....	32
3.2	Research methodology, sample and data collection.....	34
3.3	Validity and reliability.....	34
4	RESULTS AND ANALYSIS OF THE CUSTOMER SURVEY.....	37
4.1	Segmentation of the main findings of the customer survey.....	37
4.2	Analysis of the open answers of customer survey.....	58
4.3	Usability of the findings.....	61
5	STRATEGIC MARKETING PLANNING FOR COMPANY X.....	62
5.1	Market analysis.....	62

5.1.1	Market demographics.....	64
5.1.2	Market needs.....	66
5.1.3	Market trends.....	67
5.1.4	Market growth.....	68
5.1.5	The EU, the CE mark and the influence of authorities .....	70
5.1.6	Macroeconomic forces .....	71
5.2	Competitor analysis.....	72
5.3	Customer analysis.....	77
5.4	Company analysis .....	81
5.4.1	SWOT analysis.....	82
5.4.2	Porter’s Five Forces of Competition .....	85
5.4.3	Key success factors and key weaknesses.....	89
5.4.4	Segmentation, targeting and positioning.....	90
5.5	The Marketing Mix for Company X.....	92
5.6	Outline for a marketing strategy .....	98
6	SUMMARY AND CONCLUSIONS.....	100
6.1	Key results and conclusions.....	100
6.2	Discussion .....	103
6.3	Limitations and suggestions for future research.....	106
	REFERENCES.....	109
	Written references .....	109
	Electronic Sources.....	111
	Oral references .....	116
	Other references.....	116
	APPENDICES.....	117
	Appendix 1: The 2013 Customer Survey Questions .....	117

# 1 INTRODUCTION

The case company, Company X, is a family-owned, Finnish manufacturer of high-tech electronics products, Products X, for a niche B2B sector, Sector X in Finland, serving the construction business. Products X are required to be installed in public buildings in Finland by law, thus creating an obvious market and demand for Products X.

The aim of this study is to create a marketing strategy through studying the market of Sector X, the competitors and customers of Company X, and Company X itself. The goal of creating a marketing strategy is to secure the leading position and to increase the market share of Company X, in Sector X, in Finland.

In this chapter, the background, targets, research questions, knowledge base and limitations are defined. The research strategy is described and the research methods and the structure of the research are explained. Finally, the structure of the study is outlined.

## 1.1 Background

The start of the 21<sup>st</sup> century has witnessed an economic slowdown, a global crisis. All major sectors of the economy are affected. It has challenged the firms also on the B2B technology sector and made the traditional way of *producing and selling products* cease to be a good enough strategy in the increasingly tougher competitive environment.

The economic crisis has not, however, removed the demand for Products X, as they are required to be installed in all public buildings in the EU, such as offices, hotels, schools, factories, warehouses and shopping centers, by law.

In Finland, the collapse of the construction business is estimated to further decrease by 2-4 % in 2013, compared to 2012 (Rakennusteollisuus, 2013). The electronics industry, of which Sector X is a part, is expected to drop even more in 2013, compared to 2012, according to the Federation of Finnish Technology Industries (Teknologiateollisuus, 2013b).

At the same time, in a global scale, the demand for energy is growing rapidly while the electricity prices are increasing. This has created a need for energy efficient products and presents new market opportunities. In order to be successful in the future, the established players must re-think their value propositions while new players are being attracted to Sector X. (Raspin, 2013).

The study organization, Company X, is a B2B technology company, with own R&D, manufacturing, sales and marketing units in Finland. Company X is the market leader in Sector X in Finland and a new player, a challenger, on selected export markets in Europe and the EMEA.

Three new Finnish competitors emerged in Sector X in 2006, at the time of the last market analysis of Sector X in Finland, by Taloustutkimus Oy (2007). In five years, the new players, Competitor A, B and C, have strengthened their position and are now among the top three competitors of Company X. They have in total an estimated market share of ca. 40 % in Sector X in Finland, equaling the estimated market share of Company X.

There have been no previous academic studies about Sector X in Finland, or market surveys of Sector X since 2007. Two previous studies by engineering students have concentrated on specific projects of Sector X in Finland and on the technical aspects alone, and are therefore of no value to this study.

There have been changes in the competitive environment in Sector X in Finland, where Company X is facing increased competition, new customer demands, and a possibly decreasing market, as a result of which Company X is believed to have lost its market share, especially to the abovementioned three new competitors. Thus, there is a need - and a mandate from the management of Company X - for securing the leading market position of Company X in Finland and for creating a marketing strategy for the implementation of this purpose.



## 1.2 Research questions, problem and objectives

This aim of this study is to research the Finnish Market of Sector X, Company X and its customers and competitors in Finland, in order to create a winning marketing strategy and an outline for a marketing plan, for Company X. The goal is to secure the leading position and to increase the market share of Company X, in Sector X, in Finland. This is believed to be possible through inventive and effective *strategic marketing management*. In order to find out what is the customer's opinion of Company X, a customer survey was executed in May 2013. In this study there will be a strong emphasis on the theoretical background, marketing management and marketing strategy theories, as well as on selected strategy tools. The strategy tools are used to get knowledge of the internal and external factors, the micro and macro environment, which is vital information in creating a marketing strategy for Company X.

The main research problem is the following:

*How to secure the leading position of Company X in Sector X in Finland through strategic marketing management?*

To further specify the focus of this study, the research problem is divided into four sub questions:

- Which elements does a marketing strategy consist of?
- What is the market of Sector X in Finland and where is it heading?
- Who are the main competitors of Company X and what kind of a threat do they form?
- How to create value to the different customer segments of Company X through strategic marketing management?

The main objective of this study is to create a marketing strategy and to produce a draft for a strategic marketing plan for Company X in Finland.

The findings of this study are based on the analysis of various sources of data

- Academic literature as well as recent studies, articles and seminar material on the area included in strategic marketing management.
- Customer survey among the existing customers of Company X in Finland
- Market analysis of Sector X in Finland
- Competitor analysis of the main competitors of Company X
- Company analysis of Company X
- Interviews with the sales team of Company X
- Strategy tools, for analyzing the internal and external factors affecting Company X

The objectives of this study are:

- To describe the need for creating a marketing strategy
- To explore the market of Sector X in Finland
- To explore the main competitors and key customer segments of Company X in Finland
- To describe the current situation of Company X in Finland
- To give tools for formulating a marketing strategy and an outline for marketing plan based on the analysis of the market, competitors and customers, and of Company X in Finland

As a result, this study will produce a marketing strategy and an outline for a strategic marketing plan for Company X, in Sector X, in Finland.

### **1.3 Research methodology and scope**

At large, the scope of the study is limited in the Finnish market, the Finnish customers of Company X, and the local and foreign companies operating in the market, in Sector X.

The theoretical background focuses on themes around such issues as strategy, marketing, strategic marketing, branding, service management and value creation, in the B2B sector, and has a global approach and can therefore be defined as universal.

The empirical study of this research is based on interviews with the employees in the sales department of Company X, and a customer survey, conducted in May

2013, in cooperation with the Marketing BBA students of the Lahti University of Applied Sciences. Statistical methods are used to analyze the empirical data and the information is segmented according to the previously determined customer segments. The survey will be discussed further in Chapter 3.

Strategy tools, SWOT and Porter's Five Forces, are used to evaluate the internal and external factors as well as the micro and macro environment, concerning Company X.

Interviews, with some of the key customers of Company X and its salesmen, are used to get first-hand knowledge of mainly the background of the past situation in the market, and the earlier strategic decisions which might have led to the current situation, and in evaluating and analyzing the results of the customer survey.

My own views and opinions are based, in addition to the results and analysis of the theory and research part of this study, to my experience as an employee in Company X, where I started in 2009 as Export Manager. At first I was responsible for German-speaking countries, afterwards for Southern, Western and Eastern Europe as well. In 2011 a marketing department was established and I was appointed to lead it, as Product Marketing Manager. For 2013, one of main targets, given by CEO of Company X, has been to increase the market share of Company X and to find ways to secure its leading position in Finland.

This study is concentrating on the marketing strategy and the strategic decisions within one business unit of Company X, not the corporate strategy. The scope of the strategy is limited in Sector X in the Finnish market.

## 1.4 Key concepts

In this subchapter a few key concepts, which have significance for the aim of this study, are listed and briefly explained, from an academic point of view.

*Strategy* is "the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations". Strategy has different levels in any organization, involving both the top management, all the departments as well as every individual employee. (Johnson, Scholes & Whittington, 2007). The strategist's work is to get a grasp of the *big picture*, the answers to the relevant questions. (McKeown, 2012).

*Strategy tools* help the strategist to make it clear to oneself and the audience, what the strategy is and even more importantly, what questions it answers. There are questions that the strategy tries to answer and the strategy tools are helpful in organizing the answers. The strategist needs to ask *where do we (the company) want to go next* and as well needs to know where the company is now and where it has come from. The strategy tools form interrelated answers, and the answers derived from one tool will have an impact on the answers to all the others. (McKeown, 2012).

*Marketing* as a concept has been widely and forever debated. The modern definition for marketing is by the American Marketing Association. It is a formal definition and goes as follows: "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." (American Marketing Association, 2007).

*Marketing management* consists of all the processes included in the marketing activities, the planning and implementation of the marketing strategy, the practical application of marketing techniques, the management of the marketing resources and activities, and their utilization in order to achieve the strategic goals of a company. (Chernev & Kotler, 2012).

*Marketing Strategy* is based on the selected *Marketing Mix*, 4 Ps, 7 Ps or 8 Ps, and is included in the *Marketing Plan*. *Strategic Market Planning* is the process by which a company formulates its strategic marketing plan, serving as a road map for the company's future. (Mohr, Sengupta & Slater, 2010).

*Marketing Mix* is the fundamental basics of marketing, described as "the set of controllable tactical marketing tools, product, price, place, and promotion, the four Ps, that the firm blends to produce the response it wants in the target market" (Armstrong & Kotler, 2008). Services marketing and the introduction of 7 Ps and afterwards 8 Ps has been considered a revolution in marketing strategy and is also called the *Extended Marketing Mix* (Goldsmith, 1999).

*Marketing Plan* is included in and based on a company's business plan, where the steps to be systematically followed are outlined. A *marketing plan* for a B2B technology company includes the following steps: *Executive Summary, Market Analysis, Competitor Analysis, Customer Analysis, Company Analysis, Objectives, Segmentation, Targeting, Positioning and Value Proposition, Marketing Strategy* and

*Budgeting and Control*, the steps which are required to reach a company's marketing goals. (Mohr et al., 2010).

*Brand* counters for up to one third of a company's value (BrandWorxx, 2013). In the 80's, David Ogilvy defined brand in his book *Ogilvy on Advertising (1985)*, as "The intangible sum of a product's attributes: its name, packaging, and price, its history, its reputation, and the way it's advertised." The modern definition of a brand, however, means the differentiation of a company in the market, and how is the customer experience of the company (BrandWorxx, 2013).

*Frameworks* are important tools for a marketer. There are five factors which need to be analyzed: customer willingness to pay, competitor prices, company goals and cost structure, collaborator prices and margins, and the overall economic, regulatory, technological context where the company is operating. The frameworks offer a structured approach to the analysis of the research problem. As a result, the frameworks have to offer an actionable solution to the problem, to give real, practical value to the company. (Kotler & Keller, 2012).

*Value-based marketing* is the goal of today's marketing strategy. Value is created through *differentiation*. The three steps in delivering value are *creating value*, *communicating value* and *delivering value*. (Kotler & Keller, 2012). The purpose of a *marketing strategy* of a company is to create *competitive advantage*, to create more *value* for customers than its competitors (Mohr et al., 2010).

*Strategic Marketing Management* is the end product of the above, a result of a careful planning and execution using the best available tools and techniques, within the limitations of the resources of the company. The target of strategic marketing management is to improve the organization's performance, to thrive in the competitive market and to differentiate oneself from the competitors. (Chernev & Kotler, 2012).

## 1.5 Structure of the research report

The results and analysis of this study is based on both the theoretical background, which will be reviewed in Chapter 2, as well as in the customer survey and the interviews. The use of strategy tools will provoke better further strategic questions and more effective strategic thinking. Company X corporate strategy is the basis of the creation of the marketing strategy and defines the goals which the implementation of the selected marketing strategy and the marketing plan is expected to lead to.

In Chapter 2, the relevant literature and earlier research found on the subject is outlined, providing the theoretical background for the empirical study of this research. Strategic marketing management concepts are discussed and a conceptual framework is drawn based on the previous subchapters.

Chapter 3 presents the customer survey, the design and methodology of the research and the details of the survey. The results of the customer survey are analyzed more in detail in Chapter 4. Figures based on the respondents' answers are presented, making the survey's findings visible in an easily interpretable format. Finally, the open-ended questions of the customer survey are presented and discussed. The findings are segmented and their usability is discussed.

In Chapter 5, a marketing strategy for Company X is formulated by using the information gathered from investigating strategic marketing management theories, findings based on results of the analysis of the customer survey, interviews and recent seminars on marketing-related issues, as well as my own findings. The implementation of the selected strategy tools, SWOT Analysis and Porter's Five Forces of Competition model, will lead to the formulation of key strategy decisions, a marketing strategy and an outline of a marketing plan, for Company X.

The summary, conclusions of the study can be found in the last chapter, Chapter 6. The findings are discussed further, the main achievements of the study are described and the results of the previous Chapters, 2, 3, 4 and 5 are explained. The argumentation is compared with the findings. In addition to the summary, the possible limitations and implications are discussed. Finally, recommendations and suggestions for future research are given.

The reference list and the appendices can be found in the end of the study.

## 2 THEORETICAL FRAMEWORK AND LITERATURE REVIEW

This chapter discusses the concept of strategy and strategic marketing theories.

The idea is to get deeper knowledge of how a strategy process is created and managed and how strategic decisions are made. Furthermore, strategy tools, marketing management, strategic marketing, marketing mix, value creation as well as brand management are discussed in this chapter. The goal is to find out how the mentioned theories could be adapted for the practical use for the B2B high-technology organizations, and more specifically, for the use of the case company.

The theoretical framework consists of various marketing and strategy related concepts and examples, establishing an understanding of the strategic role of marketing and the significance of marketing strategy in B2B business.

The literature examples in this chapter are from famous grand old men of marketing and strategic thinking, Kotler and Porter, as well as from recent marketing studies and publications. Also blog writings by marketing professionals, found in the vast, constantly changing and continuously updated world of Internet are used as a source of information. Although the honored publications by the academic marketing and strategy professionals cannot and should not be underestimated, it is unwise to leave the new, fresh ideas, published yesterday, or two hours ago, unnoticed. Themes surrounding *marketing* are constantly changing, new reports and studies are being published, seminars are being held, interesting and actual articles and blog writings on marketing-related subjects are published on daily basis. This study is aiming for the future, not the past – therefore the theoretical framework also includes a lot of recently published writings, studies, reports and quotes by various marketing professionals.

This chapter also looks into the concept of *competitive advantage*, how it can be created and sustained; *customer insight*, how the understanding of customers and gathering of customer information is done today; and *service management*, examining *customer relationship management* in service competition.

Finally, the conceptual framework for this study is gathered and summarized, for further analyzing and adaptation in the following chapters.

## 2.1 Strategy

*Question marks  
In my head  
My mouth cried  
And my eyes bled*

*I stretched my thoughts  
Put them on the rack  
In a mind so dark  
It's almost black*

*Strategy*

*These distorted, contorted  
Ideas of mine  
Are telling me something  
I think it's a sign*

*Hidden meanings  
Found deep within  
Brought forth  
With the tip of a pen*

*Then all these thoughts  
Are on display  
Part of my lifetime*

*Strategy*



Figure 1: D.R.I. Trash Zone (Grooveshark, 2013)

Above are the lyrics of “Strategy”, from the album Trash Zone, by the crossover trash band D.R.I. (1989), giving a good image of the strategy process. There are and there should be lots of *questions*. One cannot come up with a strategy without questions and without questioning things. One needs to *stretch one’s thoughts*. Strategic thinking is not simple, it demands lots of work and dedication. One’s own *ideas* are as well important, although there are lots of examples and already thought theories. For each case a new and original strategy is required. The strategy needs to be written down and displayed, to the target audience, e.g. the company employees, in a clear and easily understandable way. (McKeown, 2012). Yes, it seems that D.R.I. had quite a good idea about strategy, what it is about. It wasn’t



easy and simple to them, as it isn't for a company being forced in a defensive position either.

What is *Strategy*, how can it be studied, what can be the usable findings and how can it ever be put into practice in a company full of technical engineers? The ancient Chinese Military General Sun Tzu, the believed author of "The Art of War", stated in his book: "All men can see these tactics whereby I conquer, but what none can see is the strategy out of which victory is evolved". (Tzu & Giles, 2009). Strategy, of course, loses its meaning, its competitive edge, if it is revealed, or too obvious, to competitors.

Johnson, Scholes and Whittington (2007) define strategy as follows: "Strategy is the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations". Strategy has different levels in any organization, involving both the top Management, all the departments as also every individual employee. (Chernev & Kotler, 2012).

The strategy is about *direction*, what is the aim of the company, in the long-term. It is about knowing in which markets the company should compete in and which activities to get involved in, defining the markets and scope. The target of the strategy must be to outperform the competition in the selected markets, the company needs an advantage over the competitors. (Chernev & Kotler, 2012). In strategy, it is also necessary to take into account the resources of the company, what skills, assets, facilities, finance, technical competence and business relationships are required so that the selected strategy can be followed – and whether such skills can be acquired or if the strategy must be rethought in case of e.g. missing resources. External and environmental factors are as well crucial information when choosing the strategy, knowing which of them may affect the company's ability to compete. (McKeown, 2012). Lastly, the expectations and values of the stakeholders must be evaluated and it needs to be known who have and are using power in and around the company. (Riley, 2012).

Marketing strategy takes shape in the determination to create value for customers. The marketing strategy formulation process should answer three key questions, in order to find out the *Key Strategy Decisions* (Mohr et al., 2010).

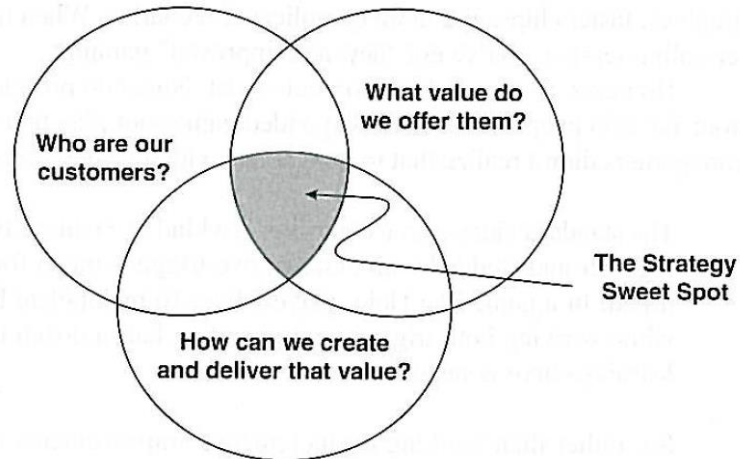


Figure 2: Key strategy decisions (Mohr et al., 2010)

*Strategy Sweet Spot* is the intersection of the three decisions which, using the company's resources effectively, leads to achieving the desired position of sustainable, superior competitive advantage. (Mohr et al., 2010).

## 2.2 Strategy tools

Strategy tools help in visualizing and analyzing the micro and macro environment, the external and internal factors concerning a company which need to be taken into account when creating and developing a marketing strategy. A solid marketing strategy includes a SWOT analysis of a business and the results of the SWOT analysis guide the marketing strategy (Lorette, 2013).

The SWOT analysis captures both the internal and the external environment at both micro and macro levels. The strengths, weaknesses, opportunities and threats are identified and analyzed. (smartKPIs.com, 2010).

Despite SWOT being an internal analysis of a company, the opportunities and threats represent the external, environmental influences, possible future events and circumstances that can either deteriorate or improve the current situation. (Borow, 2012).



*Figure 3: SWOT Analysis (Learnmarketing, 2013)*

Porter's Five Forces of Competition is a framework for industry analysis and business strategy development, it derives from the five forces that determine the competitive intensity and therefore attractiveness of a market, in other words, the overall industry profitability. This tool helps to see the forces more clearly and to respond to them strategically. There are variations, such as the Six Forces Model by Brandenburger, Nalebuff, Grove, Jones et al. including the Five Forces by Porter: Competition, New entrants, End users/Buyers, Suppliers, Substitutes, and one more force, the Complementary product/The Government/The Public, widening the scope of the analysis. (McKeown, 2012, and Porter, 1985).

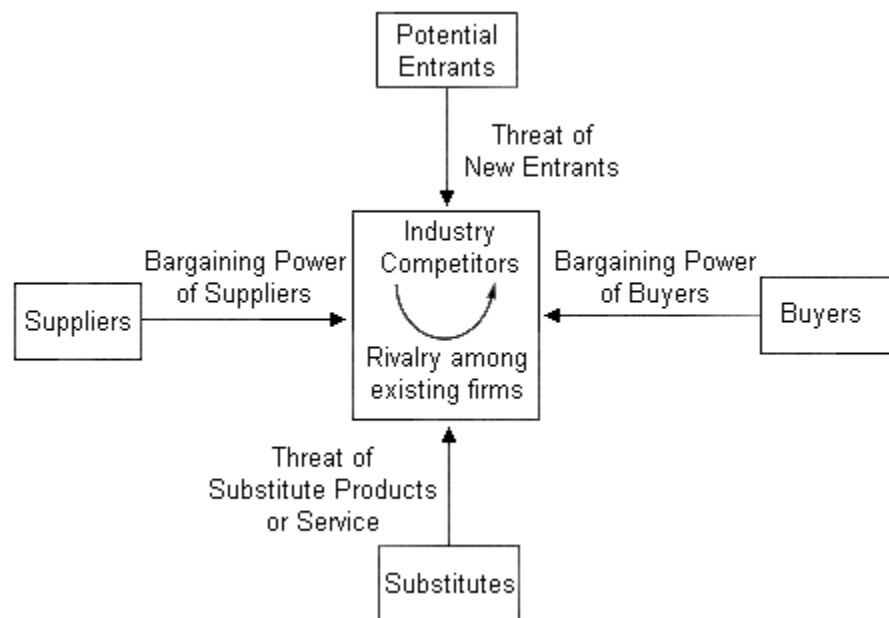
The purpose of using Porter's 5 forces of competition as one of the tools is to evaluate the market and competition, the micro environment, in other words, to make a competitive analysis. It is an assessment of the strengths and weaknesses of both current and new potential competitors. (Management Class, 2012).

Porter's Five forces model of competition is one of the most recognized framework for the analysis of business strategy. The five forces determine the competitive intensity and thus the attractiveness of a market. The five forces model consists of an analysis which is dependent on four entities which are external to the firm as well as the fifth force, the Industry structure.

The five forces are defined as follows:

- The threat of the entry of new competitors
- The intensity of competitive rivalry
- The threat of substitute products or services
- The bargaining power of customers
- The bargaining power of suppliers

(Kar, 2011).



*Figure 4: Porter's Five Forces (Porter, 1985a)*

Based on the model, from the perspective of pure industrial economics theory, a very unattractive industry would be one approaching "pure competition". Also this framework has its limitations and it cannot be comprehensively understood unless its limitations are understood as well (Kar, 2011). The total strength of the five forces, the competitive factors, determine what kind of a net profit for the capital a company can achieve in its market. According to Porter, actions aiming at securing or improving the structure of the sector often fit a market leader better than actions aiming at increasing the company's own competitive advantage (Porter, 1985b).

## 2.3 Marketing

The American Marketing Association, AMA, defines marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” Their previous definition from 2004 was “Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.” (American Marketing Association, 2008).

In the new definition, marketing is considered as “activity” instead of “function” and it also has a broader significance in a company than just a department. “Marketing is too important to be left to the marketing department”, a famous phrase by the cofounder of Hewlett-Packard, David Packard (Richardson, 2013).

“Marketing is the art and science of creating value by designing and managing successful exchanges” (Chernev & Kotler, 2012), meaning that its focus is on the exchange of goods and services as well as ideas. According to Vironmäki (2007), “marketing is influencing people, and understanding the exchange process”. One of the shortest definitions of marketing is “meeting needs profitably” (Kotler & Keller, 2012) and according to them, “marketing management” is “the art and science of choosing target markets and getting, keeping and growing customer through creating, offering and freely exchanging products and services of value with others”. The concept of value is crucial to marketing, the main function of marketing and exchange is to create value, to the company and its stakeholders, offering value to its customers and thus benefiting the company and its collaborators. (Kotler & Keller, 2012).

The original definition of marketing by AMA (1935), “Marketing is the performance of business activities that direct the flow of goods and services from producers to consumers”, does not quite fit the modern thinking or the needs of the modern business world, as the traditional tools are not so effective in the modern market (Kumar, 2004). Neither the 4 Ps, *Product, Price, Place* and *Promotion*, proposed by the marketer E. Jerome McCarthy in the 1960 and made fashionable by Philip Kotler in his book *Principles of Marketing* (1967), may sound old fashioned. They lack the strategy part of the marketing process. The 4 Ps are a good base for creating a marketing strategy even today, but not enough, no more. (Kumar, 2004).

Today, comparison between products and their qualities is easier than ever, and one-to-one and peer-to-peer conversations over the Internet are uncontrollable and within everyone's reach. (Fetherstonhaugh, 2009).

Having a working marketing strategy and managing it carefully is essential to any company, struggling for their market share and trying to hold on to their customers. Without innovative and working strategies, companies will struggle to create value and generate growth. Customer-centric and competitively dominant marketing strategies are vital to business success. (Chernev & Kotler, 2012).

Marketing is fragmented and multichannel, it includes both word of mouth and social networking. A company has to separate itself from the competitors, have that "something" that sells, that cannot be (easily) beaten by the old, or totally new competitors. (Kotler & Keller, 2012). This study is aiming to find out what that something is, for the case company, for the case market, for the case customers. It can easily be said that a common feature, a universal something for the global market is impossible. Every market and every customer group is different, a special case.

## 2.4 Marketing management

"In order to continue to thrive, companies must acquire and keep customers" (Clancy, 2008). Strategic marketing management (STM) offers a comprehensive framework for strategic planning and outlines a structured approach to identifying, understanding, and solving marketing problems. STM offers a conceptual framework that will help develop an overarching strategy for day-to-day decisions involving product and service design, branding, pricing, promotions, and distribution. STM provides a big-picture approach (Chernev & Kotler, 2012).

Marketing management is about choosing the right target markets, acquiring customers and creating, delivering and communicating them superior customer value (Kotler & Keller, 2012). 4 Ps, APIC, and STP are basic marketing management concepts, presented in the Marketing Management books by Keller and Kotler (2012).

- 4 Ps is the most famous set of marketing activities, established by McCarthy, who classified all tools into four groups, which are called the Four P's and can be interpreted as the "holy quadruplet" of a "Kotlerian Marketing" approach: product, price, place (distribution), and promotion (communication).

- APIC means Analysis, Planning, Implementation, and Control: these are the four steps of the marketing management process.
- STP stands for a core concept of modern marketing management: Segmentation, Targeting, and Positioning. Marketers need to divide markets into segments, identify and profile distinct groups of buyers, decide which segments to serve, and position the offering in the minds of the target buyers, to deliver central benefits to that group.

(Blümelhuber, 2007)

## 2.5 Strategic marketing

The purpose of the marketing strategy is to create competitive advantage, to create more value to the customers than what the competitors are able to (Mohr et al., 2010). The strategic marketing plan outlines the target market and the company's value proposition, based on the analysis of the best market possibilities (Kotler & Keller, 2012). A five-step approach is one way to creating an effective marketing strategy:

- Understanding market climate, marketing strengths and weaknesses
- Developing a marketing strategy
- Building a marketing plan
- Implementing the marketing plan
- Monitoring success of the marketing plan

(Clancy, 2008).

A marketing strategy alone does not make the business strong (Ferraioli, 2013). The marketing strategy provides a marketing road map to creating true value to the selected customer groups.

- Targeting—who to market your products and services to?
- Positioning—how to differentiate from competitors?
- Product/Service Attributes—what attributes/features will the product/service have?
- Marketing Communications—how to reach the target and what is the message?
- Pricing—what price will be charged?
- Distribution—what channels are used to sell the product and/or service?
- Customer Service—how to manage additional customer needs?

Of the above, targeting and positioning are the most critical elements. As Philip Kotler puts it, “if you nail the targeting and positioning, everything else falls into place.” (Clancy, 2008). Positioning is a message to the target group and is usually a one- or two-sentence statement that captures the message a marketer wants to imprint in the minds of customers and prospects. It needs to describe the product and how it is different from, and therefore better than, the competitors’. “A powerful positioning leads to a powerful brand.” (Clancy, 2008).

## 2.6 Marketing Mix

The fundamental basics of marketing is known as the Marketing Mix, which is described as “the set of controllable tactical marketing tools—*Product, Price, Place,* and *Promotion*—that the firm blends to produce the response it wants in the target market” (Armstrong & Kotler, 2008). Controllable means that the tools are internal factors, on which the company can directly influence, the controllable tactical marketing tools. (von Brocke, 2012a).

The traditional Marketing Mix is based on Four Ps, but with the industries changing from manufacturing to service-based, there are also new needs for creating a strong marketing mix that goes beyond the four Ps. It is also argued that the four Ps ignore one crucial factor, the human factor, *People*. This fifth P is probably more important in the marketing mix than any of the four Ps. Another factor, the *Process*, need to be added to the marketing mix, with the goal of defining the processes that an employee has to adhere to. (Hernandez, 2013).

In general, B2B and International Marketing are more suitable for the use of the Seven P’s. (von Brocke, 2012a). This is also called the *Extended Marketing Mix*. For a B2B marketing plan the people factor must be addressed. It still is the resources, the people, of whom the implementation of the marketing strategy greatly depends of.

The eight P of Services Marketing, *Productivity and Quality*, has emerged in research recently. Improving *productivity* is a requisite in cost management. *Quality* is essential for any service to differentiate itself from competitors. Profitability of a company may be greatly impacted by lowering overall cost of delivering services. A company may benefit greatly through re-engineering and remodeling the processes to improve productivity at each stage. It has also been proven that process improvements will deliver better standardization and hence better quality. (Kar, 2011).



Services marketing and the introduction of 7 Ps and afterwards 8 Ps has been considered a revolution in marketing strategy. (Goldsmith, 1999).



Figure 5: The 8 Ps of Service Marketing (Peden, 2011)

According to Ojasalo & Ojasalo (2010), the quality and productivity are two sides of a coin. Increasing the quality increases customer satisfaction and customer loyalty. At the same time, normally, it also requires further investment, which often shows as an increase in price. Therefore it is important to find a balance between quality and productivity. At the same time, it is important to develop the methods which will increase both the quality and the productivity (Ojasalo & Ojasalo, 2010).

In the 80's, David Ogilvy defined brand in his book *Ogilvy on Advertising*, as "The intangible sum of a product's attributes: its name, packaging, and price, its history, its reputation, and the way it's advertised." Ogilvy also insisted that "Any damn fool can put on a deal, but it takes genius, faith and perseverance to create a brand." (Ogilvy, 1985). Back then the brand had mostly to do with the product and advertising. The modern definitions concentrate on *customer experience* and *differentiation*. Brand is still considered a part of the *Product*, in the four Ps.

### 2.6.1 Brand management

As much as 1/3 of the value of a company is *brand value*. This is not commonly known and therefore the brand is often not considered to have much importance in the management of a company – the brand is not managed. (BrandWorxx, 2013).

The international ISO 10668 standard, the Monetary Brand Valuation standard, was released in 2010, setting out the principles to be adopted when evaluating a brand. In Finland there are only four companies which, according to ISO 10668, have *Strong Brands* in 2013: Kone, Fiskars, F-Secure and Orion. Strong brands also correlate directly to the profitability and EBIT, Earnings Before Interests and Taxes, of a company. A strong brand also decreases the volatility of a company. A strong brand will make it easier for a company to expand into new export markets. (BrandWorxx, 2013).

“A brand is any label that carries meaning and associations. A great brand does more: It lends coloration and resonance to a product or service.” (Kotler, 2004). The sign of a great brand is how much loyalty or preference it commands. A brand saves people time, and this is worth money, as Niall Fitzgerald, chairman of Unilever, observed. Brands are built holistically, through a variety of tools, including advertising, PR, sponsorships, events, etc. Companies must combine the brand experience with the brand promise. (Kotler, 2004).

The attributes of the brand need to be expressed in every marketing activity. The brand personality must also be carried out by the company’s partners, to deliver the brand experience. A new brand needs credibility, and PR is much better than advertising in establishing credibility. Companies tend to overfocus and overorganize on the basis of their products and underfocus on managing their customers well. (Kotler, 2004).

Excessive rush, unrealistic targets and bad communication can spoil a good marketing plan – brand management cannot be done in a hurry, it must be done systematically. (BrandWorxx, 2013). The brand recognition is born and increased though persistent marketing actions (Rantamäki, 2013).

The brand value, systematic care-taking of brand and other immaterial values will become more and more important. Philip Kotler has observed that when most people work out a branding strategy, they are simply trying to work out a name, a slogan or an image. That is no longer enough. The key issue is customer value management, and the brand is merely a promise that you build around a set of

capabilities that you have. A brand needs to be more connected with a value-delivery system. Genuine brands offer a value proposition and a value-delivery system. (Kotler, 2006).

According to the CEO of the Zeeland marketing communications group, Mr. Airisto, two thirds of the B2B organizations which are winning the deals were already known to the buyer as a brand even before the purchasing process had even started (Airisto, 2013).

### 2.6.2 Digitalization and the social media

Digitalization has changed the B2B sales and marketing during the past two years more than during the entire 20-year-long history of the Internet (McCANN, 2013). Only four million of the 18 million salesmen in USA will be left in 2020 and 80 % of the B2B companies will find the product or service they are looking for by themselves (Gschwandtner, 2012). For example, aggressive *push* sales, such as *cold calling*, has lost its effectivity. Many successful sales organizations have lost their touch. This needs to be taken into account in the sales and marketing strategy of an organization. Expert content is more important than all the other marketing and sales altogether. Because the information is available for all, the customer is not interested in your company or your product, but what kind of an increased business value you are offering him. (McCANN, 2013).



Figure 6: Digitalization (McCANN, 2013)

Successful companies have managed to stay in speed with the development of the digitalization and understand how the customer behavior changes and is managed in order to stay with the flow. The company operations must become more and more see through, because of social media and the general demand of the customers.

The market is changing and, with the explosive increase in the use of social media, e-commerce, the foreign competitors and brands will have it easier to enter the Finnish market. It will be more cost-effective and don't need such big investments as earlier (Taipale, 2013).

According to the Nielsen Global Trust Advertising Survey done in Q4/2012, the biggest influence in a B2B buying decision, are the recommendations by friends and colleagues (92 %), consumer opinions posted online (70 %), emails they have signed up for (50 %) and advertising in magazines (47 %). Sales and Marketing need to turn into professionals and content producers, the focus of the professional content is in helping the customer. The job of marketing is to produce valuable leads, while the sales has to be the expert and close the deals. (McCANN, 2013).

In Social Media Seminar for the Finnish Technology Industries (2013), most companies in the industry reported that YouTube and LinkedIn are the best social media tools for them. Others, such as Facebook, are either a waste of time or just “nice-to-have”. They require a lot of work and a committed and eager employees who have a personal interest in updating and following the different social media tools. (Teknologiateollisuus, 2013a). Furthermore, according to the Buyersphere 2013 research, the importance of the social media in the B2B buying process is questionable. The buyers use the social media services during the buying process in some amount, but most of the buyers don’t give them any value in the final buying decision process. The discussion forums and communities in the Internet are clearly a more important digital channel of information and affect the decision process more. However, for the younger generation, the importance of social media is bigger than for the older generation, which has to be kept in mind. (Rantamäki, 2013).

According to Director of Google Finland, Mrs. Anni Ronkainen, the companies which invest strongly in digitalization and which make use of the technologies offered by the Internet will grow about twice as fast and employ about twice as many people compared to traditional companies. The main growth in the e-commerce will come from B2C commerce, but B2B will certainly follow (Seitsemän Uutiset, 2013). The buyer makes a preselection of the suppliers without hearing the suppliers first. This is where the importance of the digital channels is highlighted.

When looking for information about products or service, nearly half of the buyers head directly to the service provider’s own web pages. Almost one third use a search engine, such as Google, and it seems that the earlier the stage of the buying process and the less knowledge the buyer has, the more often a search engine is used in looking for the information. (Rantamäki, 2013).

According to the study by Hinge Marketing (2011) on online marketing in professional services firms and top online marketing authorities, “nearly half of the professional services firms have redesigned their websites within the past 12 months”. When comparing the redesign cycle between companies with high growth to companies of average growth, the difference is clear. (Hinge Marketing, 2011).

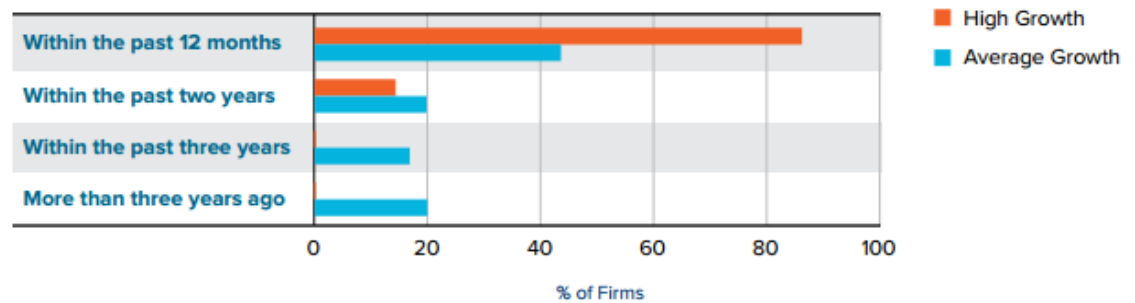


Figure 7: Last Website Redesign (Hinge Marketing, 2011)

How often the web sites are updated makes also a big difference in the profitability and growth of a company. High growth companies update their web pages more frequently, daily or at least weekly, according to the study by Hinge Marketing (2011).

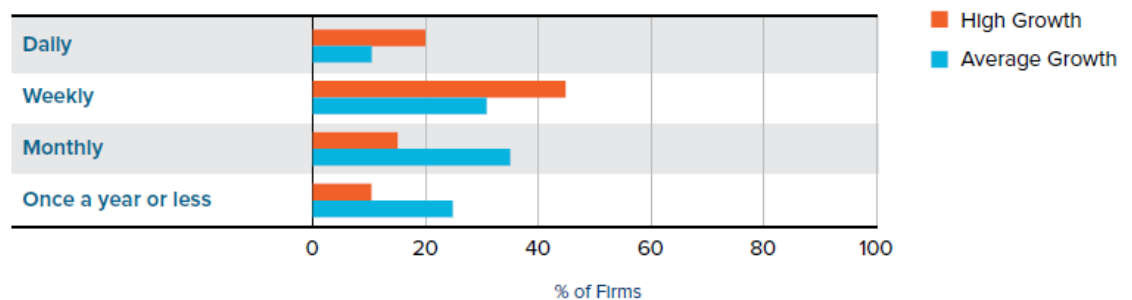


Figure 8: Web Update Frequency (Hinge Marketing, 2011)

The most important channels for marketing, or communicating better the message of the company, are emails, the company’s own web pages and events (Airisto, 2013). Seventy percent of the buying process is already done before the buyer is discussing with any single supplier (Rantamäki, 2013), this is why it is important to

have enough and useful information of the products and services available for the potential buyers in the web pages and other digital and social media sources.

## 2.7 Value-based marketing and differentiation

In today's marketing theories, marketing strategy is based on creating value to the customer and on differentiation. The mission of *product management* is to create value, *brand management* communicates value, excitement and differentiation, and *customer management* delivers value (Kotler, 2006). "Value is a ratio between what the buyer gets and what he gives up, that is, the ratio between benefits and costs." Marketing needs to be involved in saying what should be offered that is stronger and has a superior value proposition vis-à-vis a competitor. Furthermore, the organizational architecture must be designed to support the value-delivery system. (Kotler, 2006).

According to the Buyersphere 2013 research, value-adding content, a high number of relevant encounters with the customer, the active repeating of the encounters, learning from experiences, systematic and long enough adjusting of the company's own operations and performance continues being the most simple, winning value-adding strategy of the B2B marketer. (Airisto, 2013).

"It is the customer who decides whether any benefit is real. Different customers, even in the same industry, have very different notions of value" (Rackham & DeVincentis, 1999). Maintaining profitability prohibits the full customization for every single customer. A company needs to decide on a balance between customization and practicality. A market offering has to deliver real value to the customer. This can be achieved by either decreasing the cost or increasing the benefits associated with it. (Von Brocke, 2012b).

Value for customers is not embedded in products or in the exchange of products for money. Instead, value for customers is created throughout the customer relationship and partly in interactions between the customer and the supplier, or the service provider. The focus of marketing is value creation, rather than value distribution, and support for the value-creating process rather than just distributing ready-made value to customers. (Grönroos, 2007).

## 2.8 Customer insight and customer experience

In this study marketing is considered, as in the modern definitions, to have a role in all the functions and operations of a company, to span all departments. Selling is not the most important part of marketing, it is just one part of marketing. Peter Drucker says, “the aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself”. This can also be defined as Customer Insight. (Swaim, 2013).

*Customer insight* and *customer knowledge management* are concepts often underestimated when making strategic decisions in a company (Mohr et al., 2010). Understanding the needs of the customers is vital in creating a marketing strategy for a B2B company. *Customer insight capability* means that the knowledge of the customers and the business environment is available, common and developed systematically and towards a pre-determined goal. The customer insight process will ensure that the ability to collect, maintain, share and process the customer information exists and is developed. The process must also enable a fast moving of this information close to the decision-making situation, in order for the customer information to be as fresh as possible. (Arantola, 2006).

Marketing insights for a customer-centric company include several layers of information, the customer metrics, service and product innovations and customer feedback mechanisms, thus forming the customer insight for the company (MacInnis, 2012).



Figure 9: Customer Insight (MacInnis, 2012)

Identifying and influencing what drives customers' attitudes and behavior is a tough challenge for marketers. Traditionally, companies rely on a combination of quantitative data from surveys and qualitative insights from focus groups and interviews. (Macdonald, Wilson & Konus, 2012). Customer insight surveys which are tailored to B2B relationships, generate important strategic data. It enables companies to expand their share of existing markets and to penetrate new ones. When regularly conducted and implemented, these surveys lead to increased long-term profits and sustainable growth. (Barrett, 2012).

However, the once per year realized customer surveys are not necessarily the only, or the best, way of researching the customer experience, and not enough if a company really wants to understand the customers. *Customer experience* is always a subjective term. Only with regular, real-time measuring can show where the company is now, and helps in focusing on the future. If the customer experience is not measured, it cannot be managed. The importance of understanding of the customers in creating competitive advantage is nowadays highlighted. How well the companies listen to their customers, understand their expectations and are in contact with them, will show in the result of the company. Measuring the customer contacts and getting into a dialogue with the customer is essential in the differentiation aspirations of a company. Customer feedback, customer experience and customer insight are all valuable information to a company. (Forrester, 2013).



## 2.9 Service management and customer relationship management

*Service management* is a very much market-oriented approach, thus the term is often used in the form of *service marketing*. Marketing is not a separate function in a company but included in the management of all business functions, where the interests of customers have to be taken into account. Service management means the understanding of how to manage a company in *service competition*, in a broad sense, whether the offering is a service or a manufactured product. (Grönroos, 2007). “Service management is a total organizational approach that makes quality or service, as perceived by the customer, the driving force for the operation of the business” (Albrecht, 1998). In service management, the issues of quality, productivity and profitability have to be addressed differently than in the traditional manufacturing context. The management of service quality must be in the heart of service management. (Grönroos, 2007).

Customer relationship management (CRM) is a process of managing detailed information about individual customers and all customer touch points, with the goal of maximizing loyalty. This requires that the company understands the *lifetime value* of its customers. Touch points mean all possible occasions when a customer encounters the brand and the product, ranging from the actual experience to marketing communications. The framework for one-to-one marketing adaptable to CRM marketing includes four steps:

- Identifying of prospects and customers
- Differentiation of customers in terms of their needs and their value to the company
- Interaction with individual customers with the aim of improving the knowledge of their individual needs and of building stronger relationships
- Customization of products, services and messages to each customer.

Customer relationship management enable companies to provide good quality real-time customer service through an effective use of individual customer account information. (Kotler & Keller, 2012).

## 2.10 Marketing performance measures

Marketers have traditionally focused on measuring the Key Performance Indicators (KPI), sales, market share, and margin of a company to set its objectives and evaluate its performance. But in addition to the evaluation of the change in market share, it is important to consider e.g. if the company gained the kind of customers they were after, whether the customers are staying or if they are the switching kind. (Kotler, 2003). Companies need to measure their brand-building effectiveness by a comprehensive set of measures including customer perceived value, customer satisfaction, customer share of wallet, customer retention, and customer advocacy (Kotler, 2004). Useful and measurable goals and performance measures include the percentage of customers who say they would recommend the firm to others and the percentage of customers who say that the company's products are the most preferred in its category (Kotler, 2003). These are possible to be measured through a customer survey, for example.

However, the sales are normally guided by the *hard measures*, such as sales, market share and margin. According to the recent survey by the Finnish research agency SN4Mobile, specialized in the development of the customer experience solutions, in the Finnish sales organizations the importance of the customer experience is already very well understood. The survey was aimed at the top Management and the Directors of Sales and Business Development of Finnish companies. As much as 90 % of the respondents felt that the customer experience is very important while 10 % considered it as being rather important. Customer experience is formed of all the moments when the customer is in touch with the company, either virtually or face-to-face. The sales organization has a significant role in the formation of the customer experience. In the survey, nearly half of the respondents felt that the value-based sales is, at the same time, the biggest challenge of the Finnish companies, one of the biggest problems being the lack of good-quality customer feedback. (M&M, 2013). Customer experience can and should be measured continuously, in different meeting points with the customer. Such points include e.g. visits on the company web pages, meeting a sales representative, participating in a marketing event, or contacting customer service or after sales. (QuestBack, 2013). There are companies providing real-time customer experience measuring tools for this purpose.

Evaluating the effect of the selected marketing strategy is complicated. Return on investment, ROI, is one popular measure, but many disagree. For example

Dominique Hanssens, professor of marketing at UCLA Anderson School of Management, says that people who use ROI in marketing context aren't applying it correctly, or they mean something else. ROI is developed for evaluating one-time capital projects, "but is marketing a one-time capital project?" Hanssens asks. (Kehler, 2013). Therefore, ROI is not an accurate way of measuring marketing effectiveness, ROI is too limited.

Key Performance Indicators, KPI, are another way of measuring the marketing performance. By tracking the right marketing KPI's, such as sales revenue and customer lifetime value, a company will be able to make adjustments to strategy and budget, and doesn't have to rely on making decisions based on misleading information. (Edgecomb, 2013). The lifetime value of the current customers can be calculated by using the formula:

*(Average sale per customer) x (Average number of times a customer buys per year) x (Average retention time in months or years for a typical customer) = Lifetime value of a current customer*

A great way to increase the lifetime value of the existing customers is to develop campaigns aimed at existing customers, providing the marketing and sales team the opportunity to inform the existing customers about new services, products and resources. (Edgecomb, 2013).

Market share is an important metric that a company can use to gauge how well it is performing against other companies in its sector. Market share is a measure of the amount of sales a company has, compared to the total sales in the selected sector. Often, it is not possible to know a company's precise market share, as complete information regarding total sales is hard to come by. This being the case, the best option is to estimate the market share. (Madison, 2013).

## 2.11 Summary of the conceptual framework

The aim of the conceptual framework is to give an academic background to the study, to give tools and a knowledge base which will help in developing one's own ideas and work as a theoretical backbone for developing the marketing strategy.

The course of developing a marketing strategy for a B2B organization includes steps which are to be covered systematically. The company strategy and its targets form the basis of the marketing strategy. Strategy tools, such as SWOT analysis, help in identifying and analyzing the external and internal factors as well as the micro and macro environment affecting the company. (Zanthus, 2013). A company's image and value offering, *positioning*, is to be designed so that customers in the target market appreciate what the company stands for compared to competitors. Porter's Five Forces of Competition model is a tool for further evaluating the micro environment, the market and the competition (Management Class, 2012).

The target of the marketing strategy must be to outperform the competition in the selected markets. The *key strategy decisions* culminate to three questions: *who are our customers, what is our value proposition and how do we create and deliver that value to our customers*. The questions need to be answered before moving on to selecting the marketing strategy and to creating organizational processes and structures for implementation of the marketing strategy.

The traditional *Marketing Mix*, the four Ps, is no longer enough to the modern business model of delivering services. The *Extended Marketing Mix*, consisting of seven or eight Ps, answer better to the requirements of B2B and international marketing. The organizational structure must support the value-delivery system (Kotler, 2006). The value for customers is created throughout the customer relationship, in every interaction with the customer (Grönroos, 2007).

A service-oriented business model is the key to a success in the current world, where all business is more or less service business (Ojasalo & Ojasalo, 2010). Applying service management to marketing and all business functions in an organization will force the company to take into account the customers' interests. Applying customer relationship marketing enables the serving of individual customers, while at the same time the individual customer account information is saved in the company database and used effectively with the goal of maximizing loyalty.

Brand value forms up to one thirds of the value of a company and thus brand management is an important part of the marketing strategy. Brand management needs to be connected with the value-delivery system in a company (Kotler, 2006). Marketing is a branding tool. Both of them aim for the one and same purpose, value creation and differentiation (Sounio, 2010).

Though the importance of social media in B2B buying process is questionable (Rantamäki, 2013), successful companies are reported to be offering better and more frequently updated content on their web pages and other digital channels than companies trusting only in traditional marketing tools and channels. Digitalization and social media are changing the traditional buying process. It is important for a B2B company to have enough and useful information available for the potential purchasers, seeking that information, in the company web pages and other digital and social media channels. Information about the customer behavior, and for example the effectiveness of the marketing campaigns can easily be gathered using digital tools, such as GoogleAnalytics, and by following the social media channels which the customers are using in communicating with each other. The *customer insight* process ensures that all the information about the customers is collected, maintained, shared and processed (Arantola, 2006). Customer surveys are valuable sources of important strategic customer data and can lead to increased long-term profit and growth (Barrett, 2012). Applying *service management* approach in the business means that the customer interests are taken into account in every turn. *Customer relationship management* makes sure that the detailed and systematically gathered customer information is managed in an efficient manner, leading to the possibility of providing good-quality services to individual customers. (Kotler & Keller, 2012).

Marketing performance must be measured and analyzed in order to know if the selected marketing strategy has worked and how it should possibly be modified (Mohr et al., 2010). The marketing measures are to be selected so that they fit the targets of the marketing strategy and provide useful information about the effectiveness of the marketing actions. Marketing actions need to be planned and include targets. The actions need to be measured and analyzed, in order to be able to draw conclusions based on the information. A company must be critical in choosing what kind of information it really needs and what measures are used and are manageable (Zeeland, 2013).

### 3 RESEARCH CONTEXT AND METHODS

The case company, Company X, is a Finnish high-tech manufacturer of Products X for a niche B2B sector, and the market leader in Finland, since 1990's. Company X is also exporting its Products X to several markets in Europe and EMEA. In Finland, Company X is the main supplier for Products X for electrical wholesalers. Its other main customer segments include electrical contractors and engineering offices.

In order to find out the customers opinion about Company X, its service, products and procedures, how the company is *positioned*, a quantitative-qualitative customer survey was made, to help in obtaining valuable information for the development of the marketing strategy. The survey was sent out to existing customers, all of which are saved in Company X's customer database. Prior to sending out the questionnaire, the customer database was updated, based on the data collected from the sending of a newsletter to the customers, earlier in May 2013. The non-existing contacts were deleted and the customer database was updated (e.g. new emails, retirements and change of employer or position). All the customer segments of Company X were included in the customer survey.

#### 3.1 Research design and context

A decision was made to outsource the customer survey, due to good previous experience by another business unit of Company X. Also the price for outsourcing was on a reasonable price level. It was also clear, that the survey would be done by utilizing modern technology, in order to make it easier to the respondents – and to have less work in going through the results. The Lahti University of Applied Sciences (LUAS) and its Business Administration Marketing study unit were chosen as the partner. Two BBA students realized the survey as part of their Marketing project.

The questions were based partly on the previous survey, done in 2007. However, it was not followed strictly as the questions in the 2007 survey were considered too wide, imprecise and out of date. The questions were focusing mainly on comparing the different companies in Sector X, the company images and how well the respondents knew the companies. In the 2007 survey, Competitor M and Company X were the best known companies in Sector X. Company X received the best overall score of 8,08 / 10. The respondents valued the most the quality, reliability and the large variety of their products, as well as delivery reliability. The lowest points come

from pricing and the marketing actions. The overall scores had fallen slightly from the earlier survey, in 2006. Circa 25 % of the respondents bought the products on technical and 25 % on commercial bases. There was not much difference in where the respondents got their information about Products X. Brochures, magazines, Internet and fairs all received a share of around 60 %. More than half of the respondents bought Products X from 2-3 suppliers and this was also the estimate for the future. (Taloustutkimus, 2007).

The 2007 survey was realized by Taloustutkimus Oy and included B2B customers' opinions about ten manufacturers in Sector X, including Company X. In comparison, the 2013 survey was tailored especially for the use of Company X. The 2007 survey included questions about customer service, product quality, price level, product range, speed of delivery, communications, reliability and marketing actions, some of which were also surveyed in 2013.

In the 2007 survey, the respondents were selected from the B2B company register of the Fonecta ProFinder service and most of the respondents had nothing or little to do with Sector X or Products X. Taloustutkimus has forbidden the publishing of the 2007 survey report, therefore it is only handled superficially in this study.

The questions of the 2013 customer survey were discussed with the top management of Company X, in order to follow the company strategy and targets. Also the salesmen for the Finnish market of Company X were interviewed, in order to include them in the project, to get the best possible information for defining the survey questions as well as to get assistance in evaluating the responses.

The 2013 survey includes five parts. Basic background information, such as region, field of business and the duration of the customer relationship, were asked first. Next, it was enquired how and why the customers choose a certain company for Products X. The third part consisted of questions related to Company X. The fourth part included questions about the competitors. In the last part, the answers were asked about where Company X has succeeded and in where there is place for improvements.

The questionnaire, translated from Finnish, is attached to this study as Index 1.

### 3.2 Research methodology, sample and data collection

The research of customer's opinions about Company X was realized as a quantitative study, although the questionnaire also included several open-ended questions. The survey was scheduled so that the main summer holiday season had not yet started. The surveys were sent on the 14<sup>th</sup> of May, 2013, to the email addresses of the customers. A reminder was sent one week later and another two weeks later, to those who hadn't yet answered. Different weekdays were used when sending the questionnaires, to make sure that the working routines of the customers would not lower the answering percentage (Ojava & Honkanen, 2013).

The survey was sent out to all the existing customers of Company X, using Webropol, a web-based questionnaire and information gathering application, enabling an effortless information gathering from a wide customer sample. Email surveys have shown superiority over postal surveys in terms of speed of response and cost-efficiency, although the increase in surveying may explain the lowering of response rates in general (Sheehan, 2006).

A newsletter was sent to 1,143 customers a few days prior to sending the survey questionnaire. The newsletter informed the customers of the survey and of its importance to them and to Company X – so that Company X can better understand their customers, design their products according to the customers' needs, and to be able to service them even better in the future.

This was also emphasized in the beginning of the questionnaire, in order to motivate the customers to answer.

### 3.3 Validity and reliability

The respondents were picked from the customer database of Company X. Each of them is or has been a customer of Company X and therefore knows of Sector X, Products X, and have knowledge of and experience of communicating with Company X.

The *n* of the survey was 1,143, which represents 100 % of the customers in the customer database of Company X. Of the 1,143 customers a total of 248 customers answered the survey, the answering percentage ending up being 21,7 %. In the 2007 survey the number of respondents was slightly lower, 220. The goal of the survey was to reach an answering percentage of over 20, which is considered to be the



lowest acceptable response rate for the survey to be reliable (Ojava & Honkanen, 2013). The final answering percentage of 21,7 can therefore be considered satisfactory. The number of respondents varied from question to question, which can be interpreted as either unwillingness to answer each question, or that not all the respondents were capable of answering each question.

Most of the respondents were wholesalers (66 %) and contractors (24 %). Nine percent of the respondents represented engineering offices, which rarely buy Products X from Company X, but often have a big influence in the specification of Products X for building projects. They are therefore an important stakeholder group for Company X. The distribution of the answering percentage represents very well the share of the different customer segments of Customer X.

The time for the survey was mid-May, before the summer holiday season. The official summer holiday season is from May to September. It can be pondered, if the next survey would be done after September, or before May, in order to reach a slightly higher answering rate. Most probably the customers who felt that the survey was of importance to them would have then answered the survey, and again, those who don't normally answer surveys, would not answer before May or after September either.

Each of the respondents was or is a customer of Company X, either buyer, product manager, director, logistics person, electrical engineer, product manager, or from the management of the company. A newsletter was sent one week prior to the sending of the survey, informing the customers that such a survey was going to be done and explaining a reason for the survey. At the same time, by sending the newsletter beforehand, it was possible to check the validity of the email addresses, if somebody was on holiday, sick leave, retired, left the company, or for some other reason unable to receive the newsletter and the survey. This also caused as little unnecessary work as possible to the survey senders, the BBA students.

In order to increase the willingness to participate in answering the survey, a Nokia Lumia 820 mobile phone was drawn and sent to one lucky answerer. The winner was contacted and asked if he had received the phone, which he confirmed and was very happy to "finally have won something".

The survey was tested before sending it to the customers by sending it first to a selected group of customers, three individuals, to test how long it takes to answer the survey. The result was approximately 8 to 15 minutes, which was informed in the letter which was sent in combination with the survey. The three individuals

confirmed that there were not too many questions, that the questions made sense to them and that it didn't take too much time to answer the survey.

The reliability rate of the survey is lowered by the fact that the number of the answerers was quite low in relation to the number of the whole group. In general, 20 % is considered as the lowest percentage for the survey to be accepted as reliable (Ojava & Honkanen, 2013), meaning that the goal was reached. It was communicated to the customers that they will themselves benefit from the survey as well. The amount of answers to the open questions and the quality of the open answers shows that the respondents felt that it was important to answer the survey.

Based on the above information, the reliability and validity of the survey can be considered good. The results are trustworthy and represent well the opinions of different customer segments of Company X.

Furthermore, as this was the first customer survey since 2007, the importance of the survey is further emphasized. The survey results give critical and necessary information for the development of the marketing strategy.

## 4 RESULTS AND ANALYSIS OF THE CUSTOMER SURVEY

In this chapter, the customer survey of Company X, realized in May 2013, is analyzed question by question. Where necessary, the responses are segmented by customer segments and the results are compared and discussed further. Several figures are used in order to visualize the results and to make their evaluation easier and more reader-friendly. Recently published reports on B2B buyers and marketing-related studies, as well as Interviews with the salesmen of Company X are used to further deepen the knowledge-base of the analysis. The most valuable part of the survey, the narrative, in form of responses to the open questions, are analyzed separately. The last sub chapter discusses the usability of the findings.

### 4.1 Segmentation of the main findings of the customer survey

The number of customers answering the web survey was in total 248. More than 35 % of the respondents are from Uusimaa area, the Southern part of Finland, which is also the most populated area and has the most new building projects. The next biggest number of respondents are from Varsinais-Suomi and Pohjois-Pohjanmaa (both 9 %), as well as Keski-Suomi, Pirkanmaa and Päijät-Häme (all 6 %). Figure follows quite well the division of the customer segments of Company X in Finland in general.

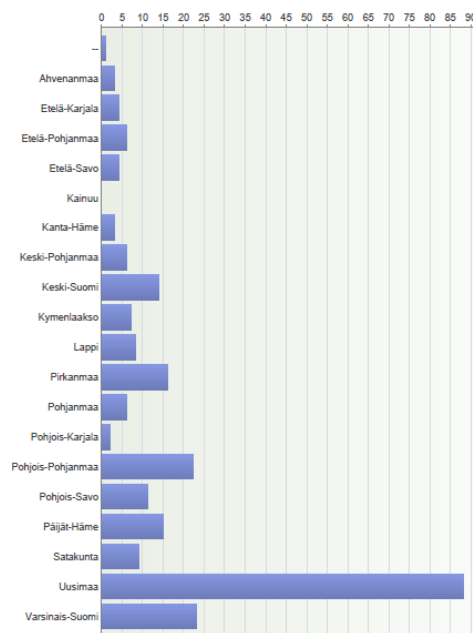


Figure 10: Origin of the respondents, (n = 248)

Most of the respondents, 66 %, represent wholesaling companies, which is also the largest customer segment of Company X, accounting for two thirds of the sales in Finland. Contractors are another large customer segment, 24 % of the respondents, while Engineering offices often merely design the project and do not make direct purchases. The single *Other* respondent represents a communal purchasing organization.

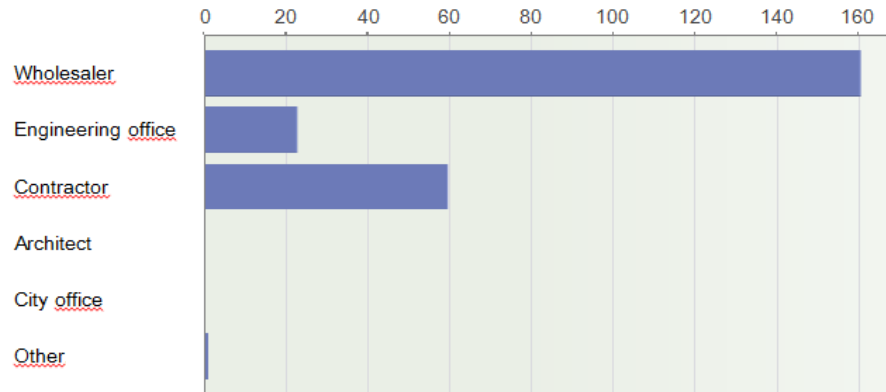


Figure 11: Field of business of the respondents, (n = 246)

It can be seen from the results that most respondents have a rather long customer relationship with Company X. Company X inherited the customers from the previous two companies ruling Sector X who stepped out of the business already in the 1990's. Since then, Company X has been the market leader in Sector X and especially Wholesalers have been a loyal customer group for Company X - and continue being that. On the other hand, very few of the respondents are new customers, which can be a sign of poor new customer acquisition skills, but is also because there aren't many new companies operating in this quite limited sector of business.

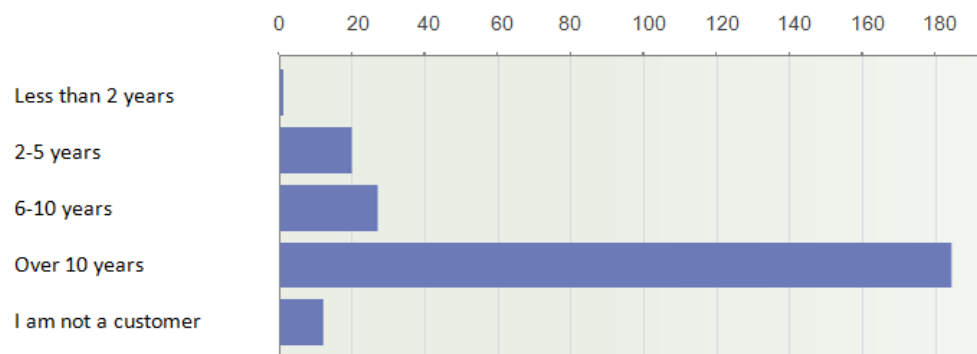


Figure 12: How long have you been a customer of Company X?, (n = 245)

Most of the respondents place orders regularly and often, which can be seen from Figure 13. This correlates well with the customer segments of the respondents. Wholesalers stock the products and have regular deliveries, once or up to three times per week, to their warehouses. The customers placing orders more irregularly normally represent smaller customers, needing the products for a single project – and might not even place orders every year.

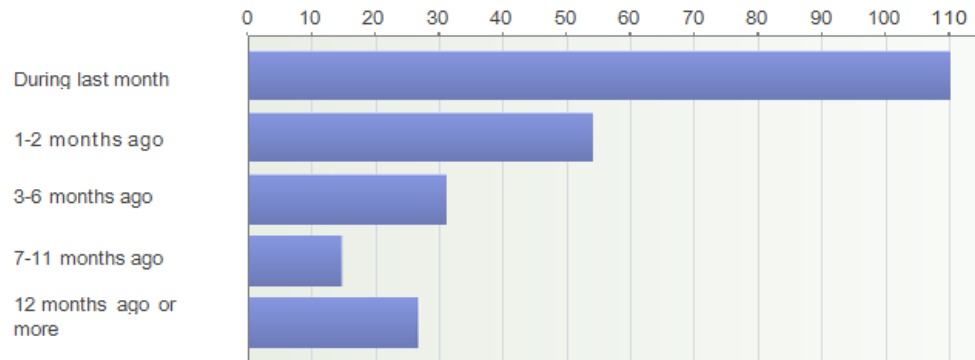


Figure 13: When have you last purchased Products X from Company X? (n = 237)

In the question about how important the customers consider different factors when choosing a company selling the Products X, the highest average score (4,58), is from the *Quality of the products* and the lowest (2,94) *Frequency of visits by sales people*.

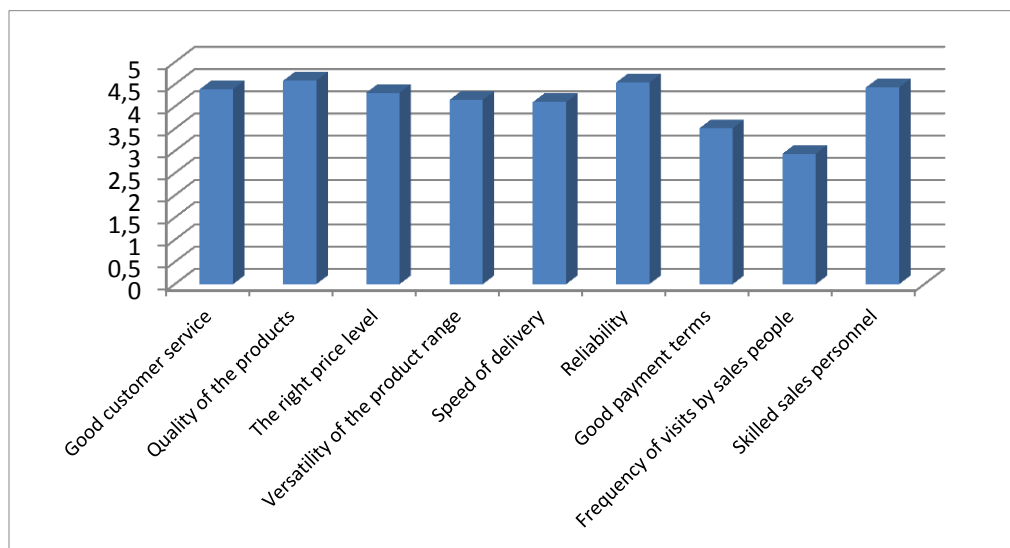


Figure 14: How important do you consider the following factors when choosing a company selling Products X? (n = 247, evaluation on a scale from 1 to 5, where 1 = not at all important, 5 = very important)

When looking at the differences between the customer segments, it can be seen that there is not that much difference in what is considered important and what not. The least important for Engineering offices are *Good payment terms* and the most important *Good customer service*, *Quality of the products* and *Reliability*. Wholesalers and Contractors are clearly more demanding, overall, though they find the same things important and not as important as Engineering offices.

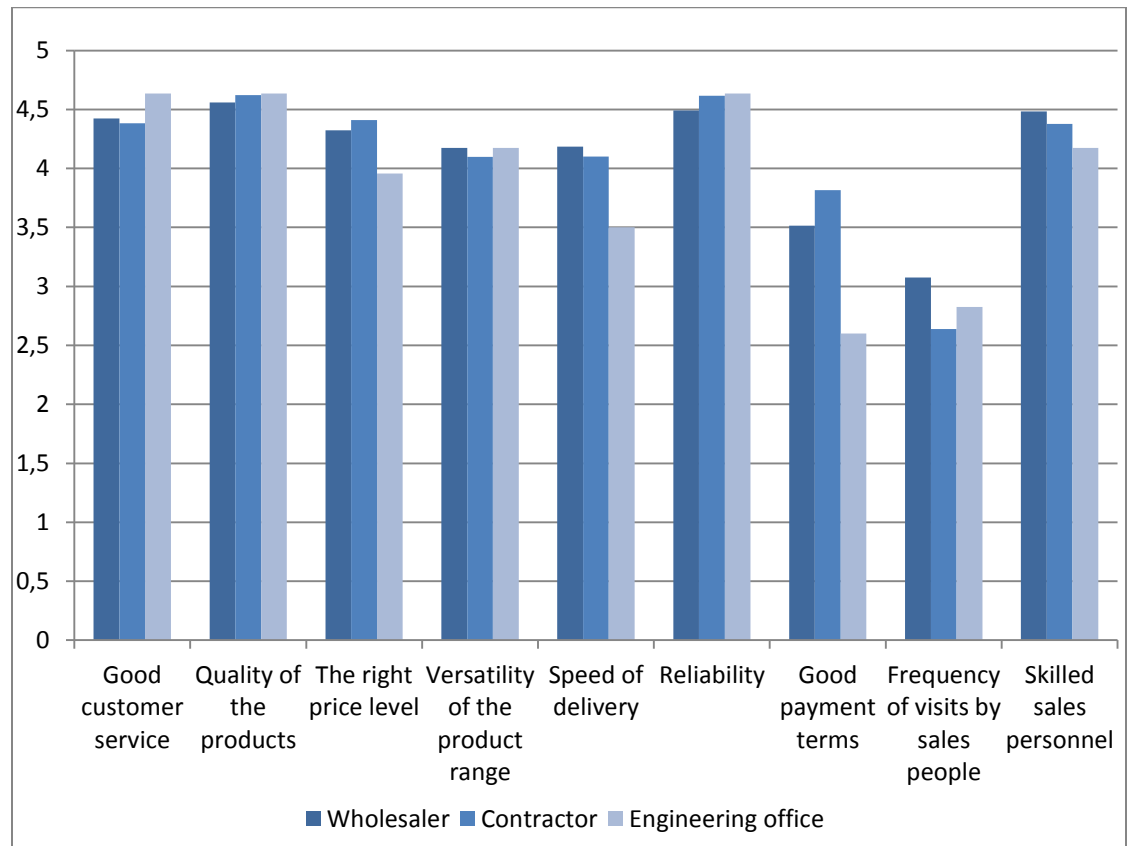


Figure 14.1: Segmentation of the respondents in Figure 14

In evaluating Company X, in Figure 15, the highest average value is achieved from *Quality of the products* and *Skilled sales personnel*, while *Price level of the products*, *Speed of deliveries* and especially *Frequency of customer visits* score the lowest average points.

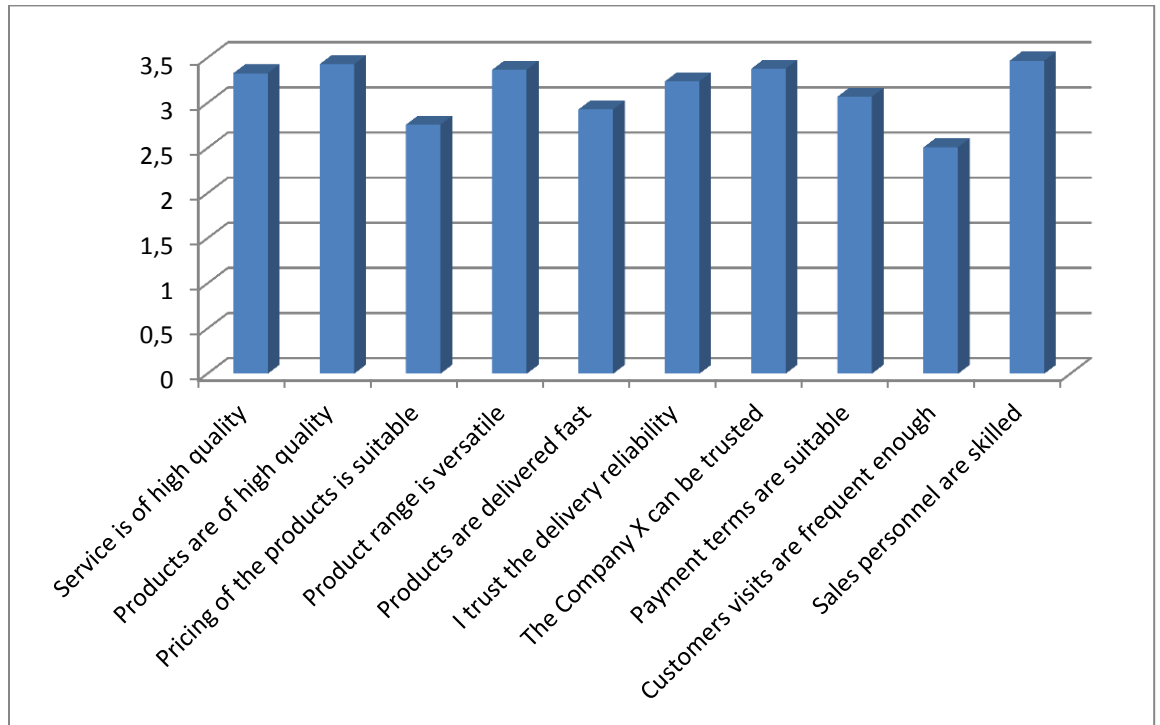


Figure 15: How much do you agree or disagree with the following statements about Company X? ( $n = 247$ , evaluation on a scale from 1 to 4, where 1 = doesn't agree, 4 = agrees fully)

There is a difference in the evaluation scale of Figures 14 and 15. This is because a clear answer, basically *yes* or *no*, gives more precise information. Therefore, instead of having five alternatives, there are only four in Question 6.

When comparing the replies of different customer segments, the biggest differences are in evaluating *Quality of the products* of Company X. Wholesalers evaluate the quality higher than Contractors and Engineering offices. In reality, most of the complaints from the field, about quality, are coming from Contractors or Facility Service companies, a customer segment which should definitely be included in the next survey (After Sales Manager of Company X, 2013). According to Sales Manager of Company X, Wholesalers hardly complain about the quality because they don't receive the complaints from the field – the end customers contact Company X directly instead (2013). Still, the score for *High quality* remains quite high.

The lowest score is from the customer visits. Wholesalers are the least content with the frequency of the customer visits.

When comparing the Figures 14 and 15, it can be seen that *Right price level* and *Speed of delivery* are where Company X has the biggest difference in comparison with the level of importance rated by the respondents.

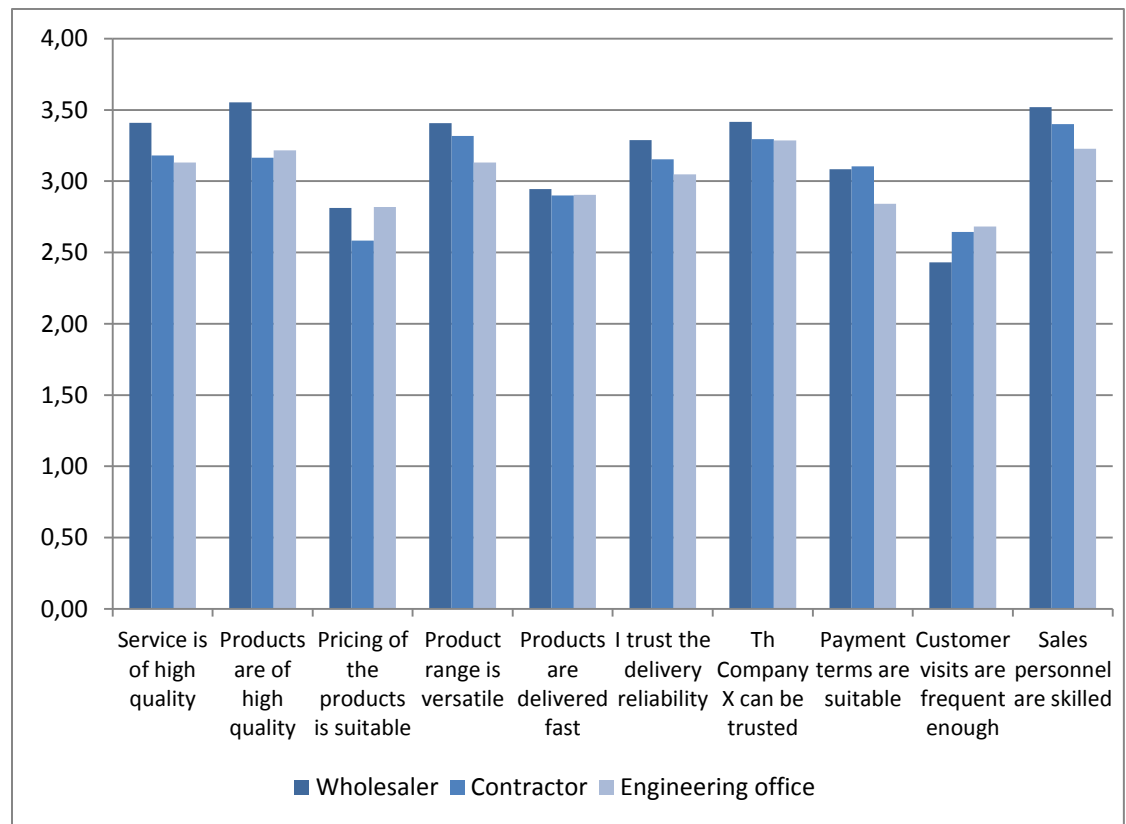


Figure 15.1: Segmentation of the respondents in Figure 15



Recommendation level of a company is often considered as the most important information a company can get from their customers. Thanks to the open answers, further information behind the *yes* and *no* answers can be found.

Over 90 % of the respondents were ready to recommend Company X to other customers, because of such reasons as high-quality products, being a Finnish company, reliability, a good product range, knowing and guiding personnel, and installation-friendly products.

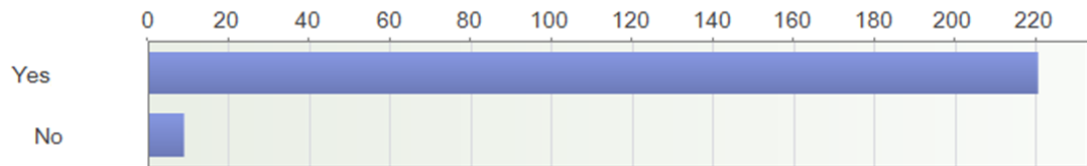


Figure 16: Would you be ready to recommend Company X to other customers?  
(n = 231)

When comparing the customer segments, it can be seen that two percent of Wholesalers, eight percent of Contractors and eleven percent of Contractors were not ready to recommend Company X to other customers. In total, three percent of all the respondents were not ready to recommend Company X to other customers because of e.g. stiff service, uncertainty of getting spare parts for some Products X in the future, unreliable deliveries and problems with the quality and durability of Products X.

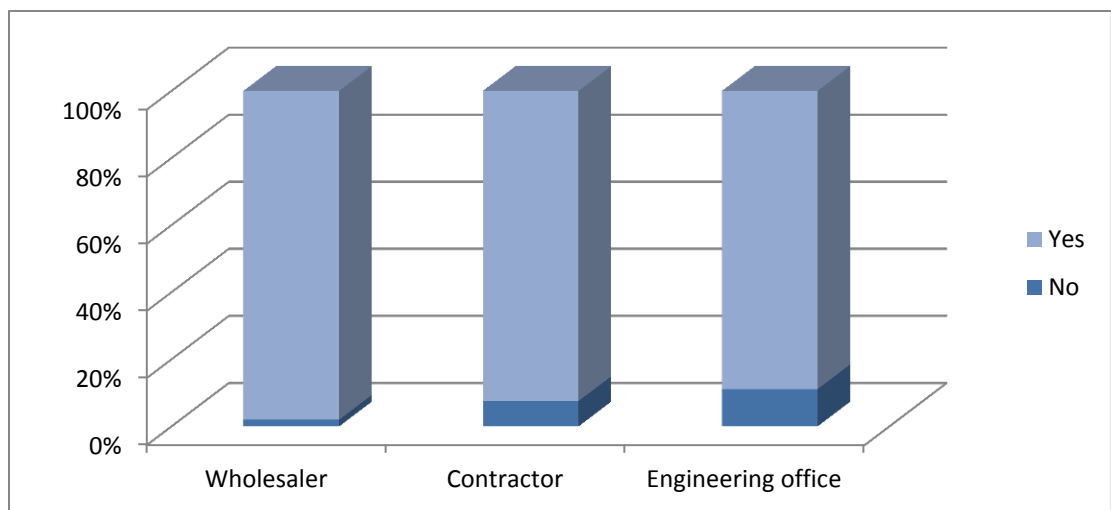


Figure 16.1: Segmentation of the respondents in Figure 16

In Question 7, in the positive open answers, the quality of the products and the reliability reached the most answers. Other open yes answers were related to brand and reputation, the good and wide range of products, the personnel and service, knowhow and speed of delivery or service. Being a Finnish company is also important to many customers. The product catalogue received a couple of points as well as the good price level of the products.

On the other hand, the negative answers were about the low quality (5 answers), the high price (2 answers) and bad reliability (2 answers) of products. Long delivery time and stiff service also received one negative answer each.

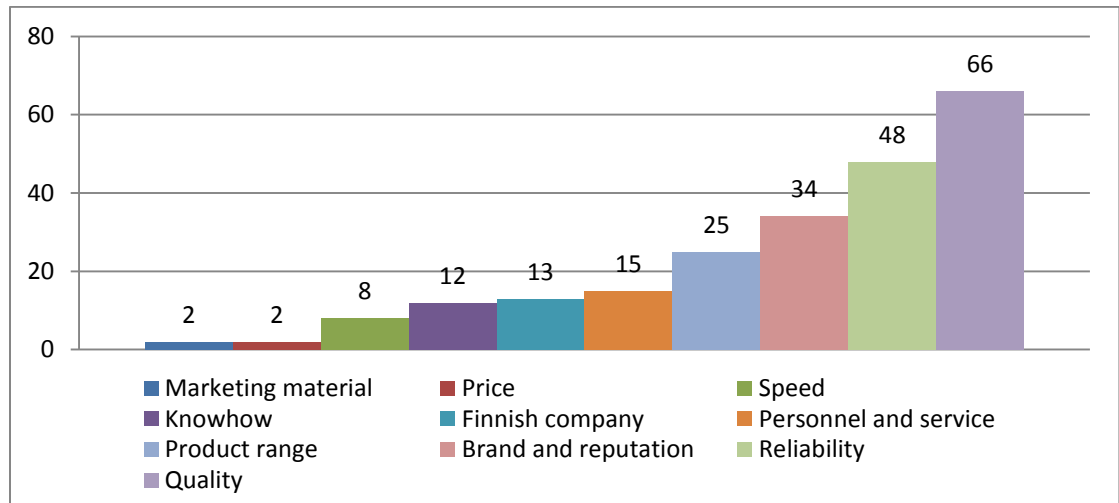


Figure 16.2: The open “YES” answers in Question 7, grouped by themes

As many as 77 % of the respondents also buy Products X from competitors, while 20 % are loyal customers of only Company X. As most of the respondents represent Wholesalers, who basically have to sell whatever their customers want to buy, this is an obvious result.

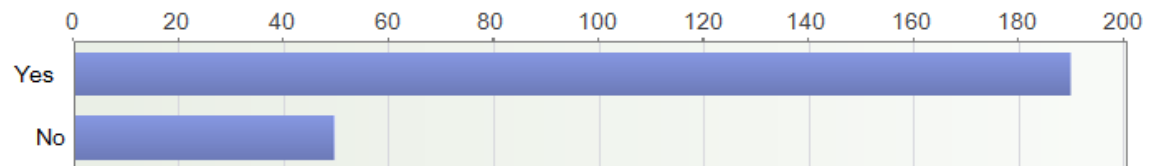


Figure 17: Are you buying Products X from a competitor, (n = 241)

What is somewhat surprising, is that Engineering offices do not buy nearly as often from competitors as Wholesalers and Contractors. As much as 63 % of Engineering offices inform not to be buying Products X from a competitor, while the same number with Wholesalers is 20 % and with Contractors 15 %.

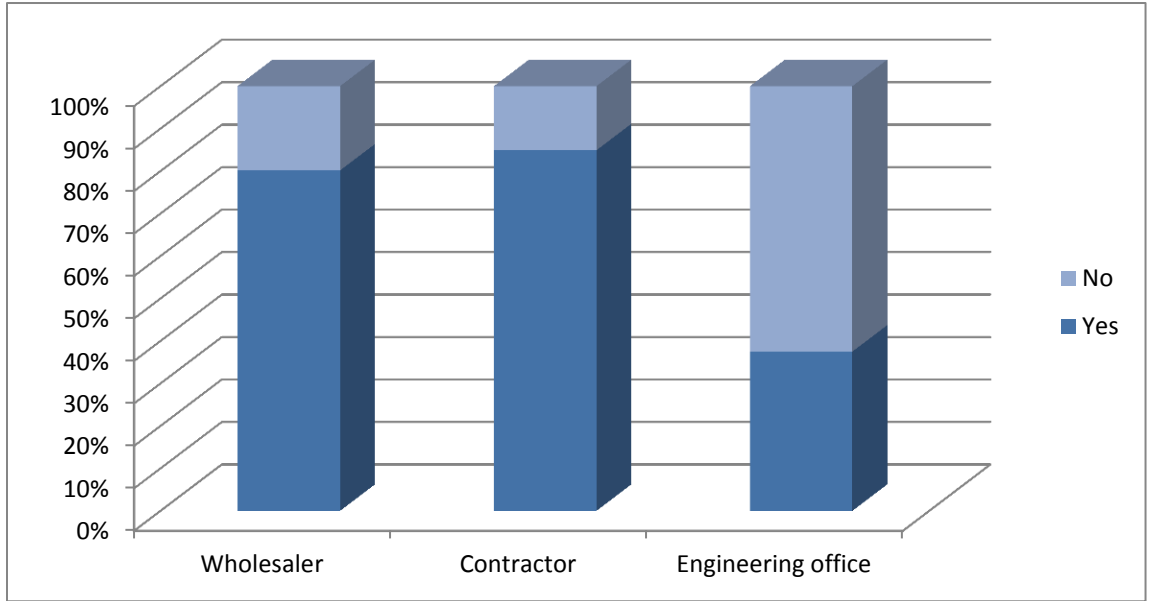


Figure 17.1: Segmentation of the results of Figure 17 in percentages

One fifth of the respondents buy Products X from competitors, but nearly as many buys them 3-4 or 7 or more times per year. There is a lot of variation and the buying cycles seem to be quite different in different parts of the country, even within the same customer segment.

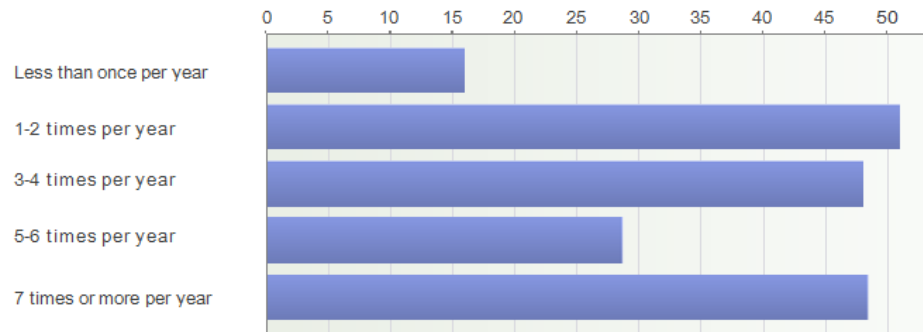


Figure 18: How often do you buy Products X from a competitor? (n = 193)

In Figure 19, it can be seen that *Price* received the lowest score in the evaluation of the benefits offered by Company X compared to its competitors. The open answers included such things as “Products X are defined by Contractor”, “Contractors know Products X of Company X well”, “A Finnish company”, “A reliable and known supplier”, “Good personnel” and “A good product assortment”. Two sales people of Company X got special thanks.

Understanding the needs of the customer and the challenges is the basis of the sales process. According to Buyersphere 2013 report, six out of ten B2B buyers admitted that the supplier they have chosen understands their needs better than the competitors (Rantamäki, 2013).

One respondent mentioned that the benefit offered by Company X is that they “do not practice direct sales to Contractors as the competitors”, which is actually not true. Company X makes offers and sells Products X to both Wholesalers and Contractors, but Company X is most often the only warehouse supplier of Products X to Wholesalers.



Figure 19: What are the benefits of Company X compared to competitors? (n = 194, evaluation on a scale from 1 to 5, where 1 = doesn't agree, 5 = agree fully)

Again, there is not that much difference between the different customer segments. Contractors are not as content with the *Delivery process*, but then again, they hardly

ever receive any deliveries from Company X, as their job is to plan and design the building project with Products X, and not to buy them.

The average scores are 3,73 (Wholesalers), 3,55 (Contractors) and 3,57 (Engineering offices), not including the *Other* alternative. Thus, Wholesalers seem to be the most content with Company X. They are also the most eager to recommend Company X to other customers, as can be seen in the Figure 16.1.

*Price* received the worst score, but as Business Director of Company X put it, “*If we had got the best score from Price, I would be really worried*” (2013). However, it is also true that Company X has not traditionally had to compete with price and has emphasized the quality and reliability of its Products X, but now with the toughened competition also Company X has had to resort to lowering their prices – and therefore selling for less margin. Also in the 2007 survey, compared to other companies in Sector X, Company X received one of the lowest score for *Reasonably priced products*.

According to Buyersphere 2013 research, when having chosen a supplier, 65 % of the B2B buyers felt that they had chosen the best possible supplier, but only 49 % of the buyers reported having chosen the cheapest possible supplier (Rantamäki, 2013).

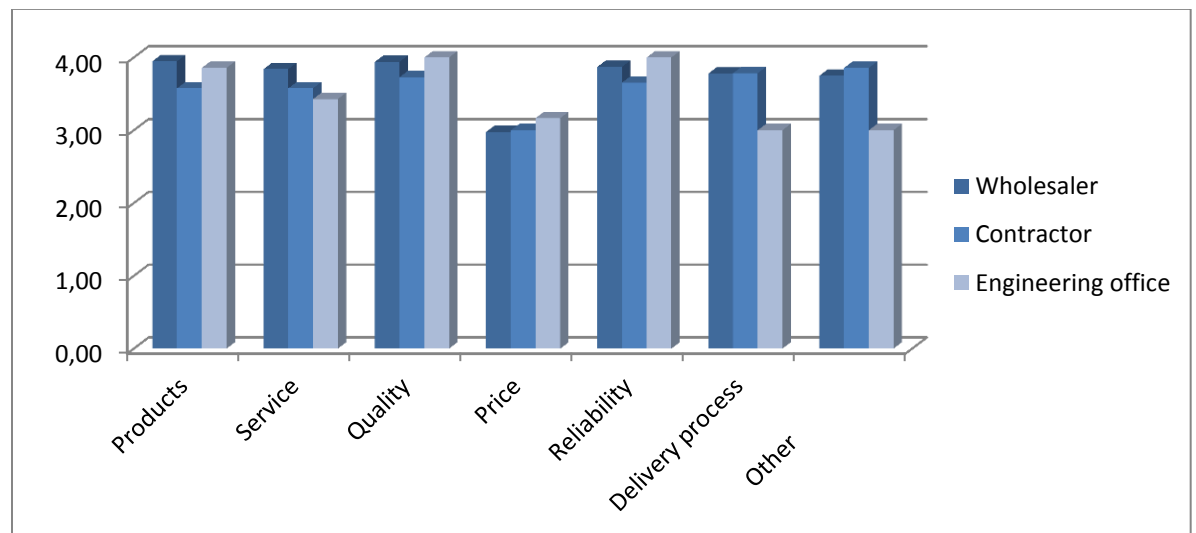


Figure 19.1: Segmentation of the respondents of Figure 19

It is noticeable that in the 2007 survey (Taloustutkimus), Competitor A, Competitor B and Competitor C, were all surveyed as new companies, meaning that they had only started their operations in 2006.

In Figure 20 it is assumed that all respondents, being customers of Company X, are also currently buying Products X from Company X. The share of Company X, among their current customers, is 37 %, while the strongest competitor only has a share of 16 %, the second 13 %, the third 10 %, and the next two competitors 9 % and 7 %. The share of the rest of the competitors is eight percent.

The large number of competitors in the market is somewhat surprising as well as the fact that such competitors that were considered as posing no threat at all, such as Competitor H and especially Competitor D, with a share of 13 %, are currently supplying their Products X to same customers as Company X.

It is also worth observing, that only 142 responded to this question, while nearly all the other questions were answered by more than 200 respondents each. This must be because, as one respondent commented in Question 19, they feel that they are not entitled to give out such, confidential, information.

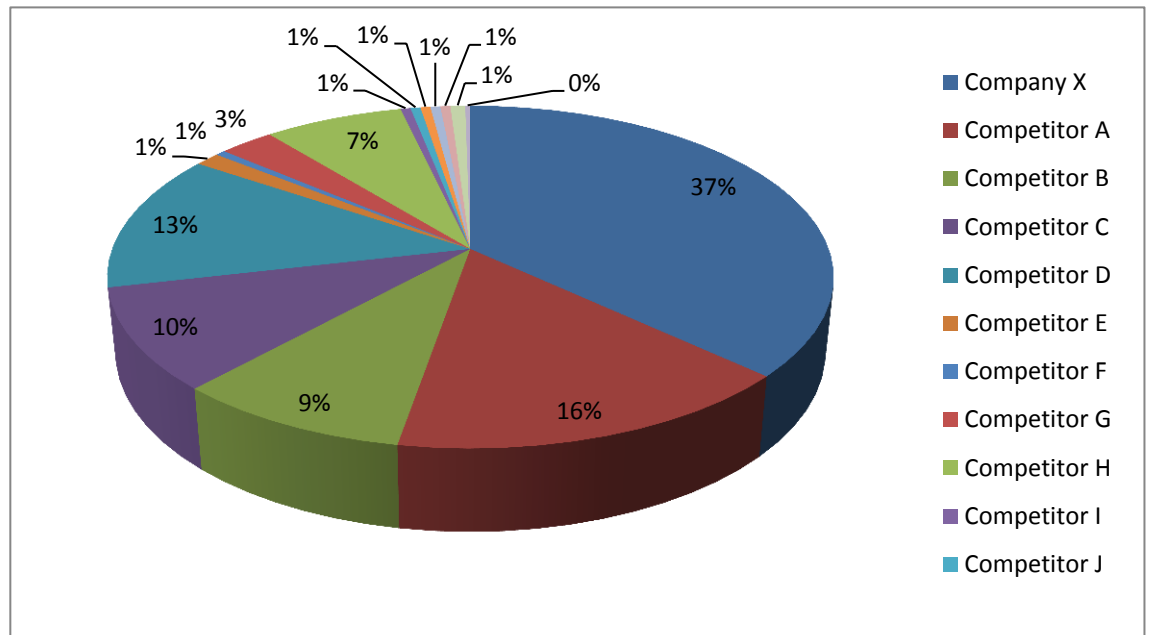
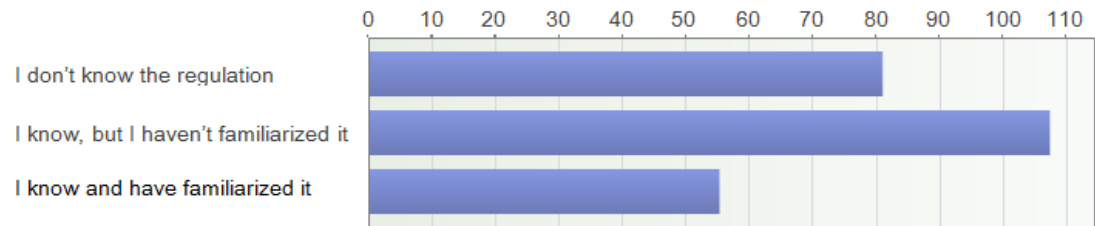


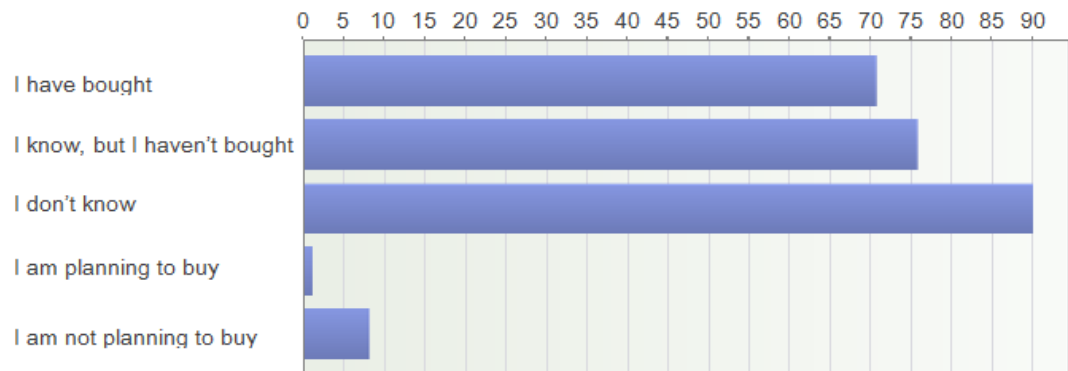
Figure 20: From which suppliers are the respondents buying Products X? (n = 142)

All the respondents representing Contractors at least know Regulation X, while nearly as many Contractors report to know it as not to know it. Also, most of Contractors at least know or have familiarized it. In general, in Finland, most B2B customers trust the supplier to take care of that their products are matching the standards, and that the CE mark guarantees their safety (Product Manager of Company X, 2013).



*Figure 21: Are you aware of Regulation X by Ministry of the Interior, where the requirements for Products X and Sector X are determined? (n = 247)*

Two questions were made about the latest Products X of Company X, in order to find out whether the past marketing and sales actions have worked and how well the customers knew the products. Products A were not known by 90 respondents while almost 150 respondents either had already bought or at least knew Products A.



*Figure 22: Do you know and have you bought Products A by Company X? (n = 246)*

According to Business Director of Company X, Product A is the only truly innovative product in Sector X for 15 years – this is also what the owner of one of the biggest German competitors told him at a fair in Germany a few years ago. (Business Director of Company X, 2013). Nearly all Contractor respondents have bought or know Product A, although three respondents informed that they are *not planning to buy* Product A. More than half of Contractors and 36 percent of Wholesalers don't know Product A.

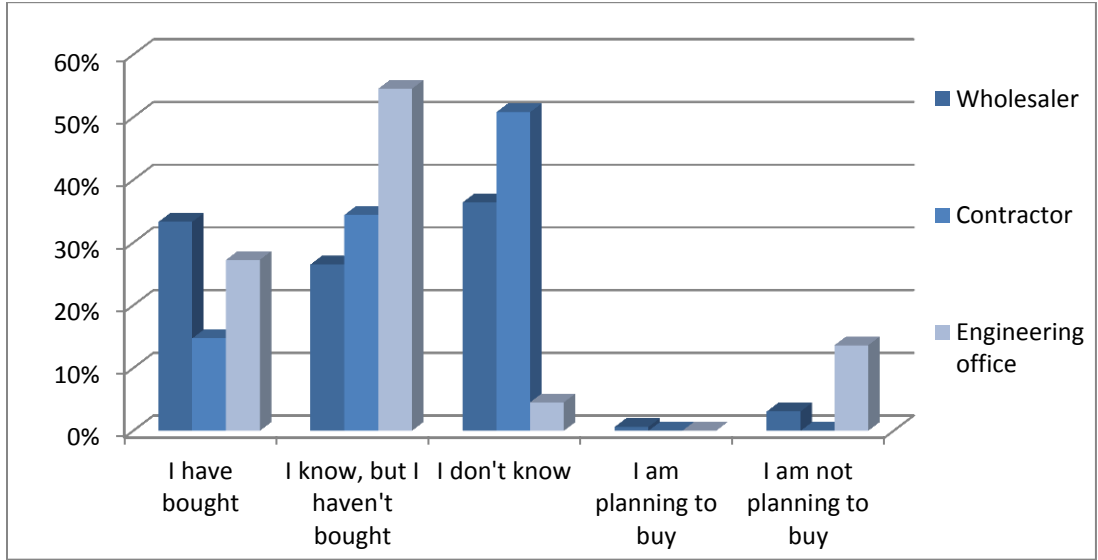


Figure 22.1: Segmentation of the results of Figure 22 in percentages

Products B, which were launched more or less at the same time as Products A, are even less known by the respondents. Over 120 respondents reported not to know Products B and only 46 respondents had already bought them.

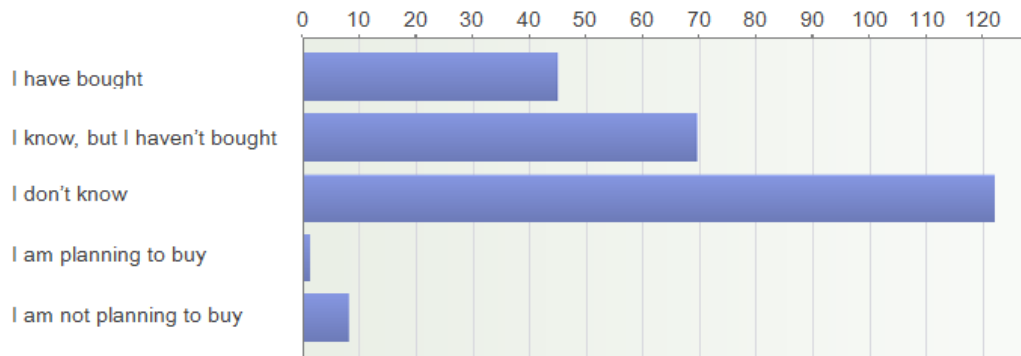


Figure 23: Do you know and have you bought Products B by Company X? (n = 246)



As much as 59 % of Contractors and 49 % of Wholesalers don't know Products B. On the other hand, 68 % of respondents have bought or at least report to know Products B.

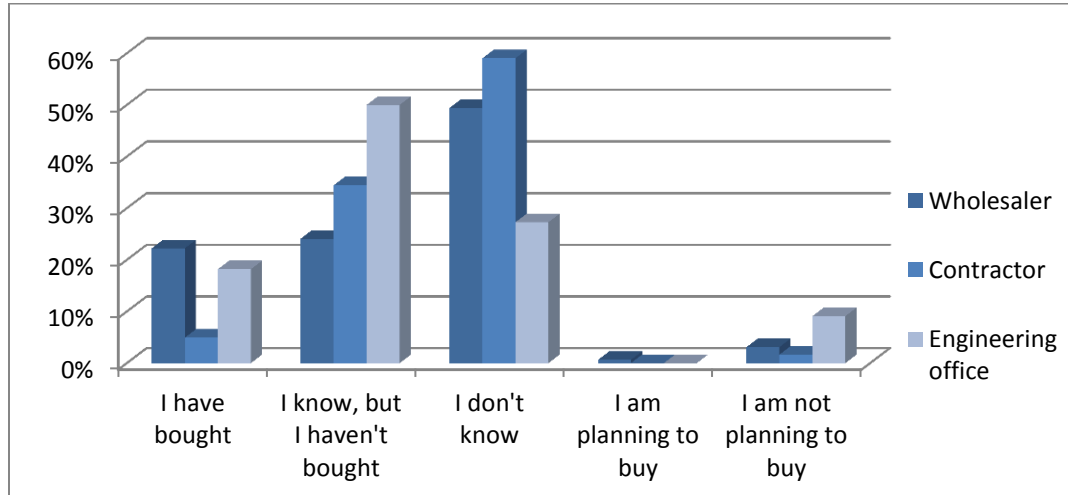


Figure 23.1: Segmentation of the results of Figure 23 in percentages

A newsletter of Company X was sent to all customers prior to the survey. Surprisingly, 48 % responded not to have received the newsletter and seven percent admit not to have read it. Therefore, the newsletter has received only 45 % of the respondents of the survey. This does not fall far from the result of the 2012 Nielsen survey, where the trust in newsletter advertising was 50 %, assuming the emails were coming from a source they had signed up for (Nielsen, 2012).

When looking into the different customer segments, more Wholesalers read the newsletters than Contractors and Engineering offices, but at the same time, 52 % of them have not received or read the newsletter. Only 38 % of Contractors and 41 % of Engineering offices report to have read the newsletter.

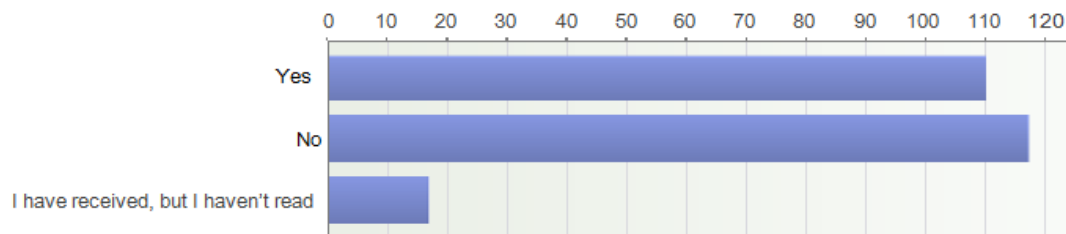
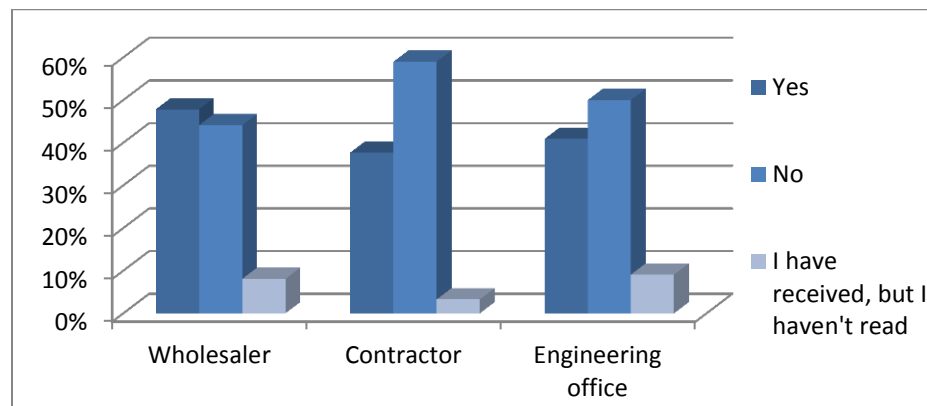


Figure 24: Have you received the newsletter(s) from Company X? (n =245)

Most people are receiving several newsletters per day and most of them are deleted or marked as spam. Following if Company X's newsletters have reached the customer and if the customers have opened it or followed a link in it, is easy thanks to a modern web software solution. While most people dismiss the newsletter completely, firstly the title and secondly the content of the newsletter must be produced in a way that it is interesting to the target customers. "A good title invites reading; a bad title sets the relationship off on a negative note that's virtually impossible to overcome." (Parker, 2013).

Because the content plays such a big role, a high amount of content is required and constantly needs to be produced. High-quality writing is required and time must be spent in researching the subject and in thinking how it relates to the customers. The content and the highlighted key points need to be edited to make sure it appeals to the audience.

The great thing about the newsletters as well as the web pages is that they are so easily measured and tracked. The analytics is where the valuable information lies. Simple metrics show how many visitors have been on the web pages or how many clicked on a link in a newsletter. Time must be spent also in analyzing these metrics. (Dooley, 2013).



*Figure 24.1: Segmentation of the results of Figure 24 in percentages*

Nearly all the customers want to read about *New products*. In the open answers of Wholesalers such things as “Changes in personnel” and “Presentation of the personnel” were specified. One respondent wanted to learn of the global market of Sector X and another wanted to have some news in Swedish. One answer out of 228 of correlates quite well with the percentage of the Swedish speaking customers of Company X in Finland.

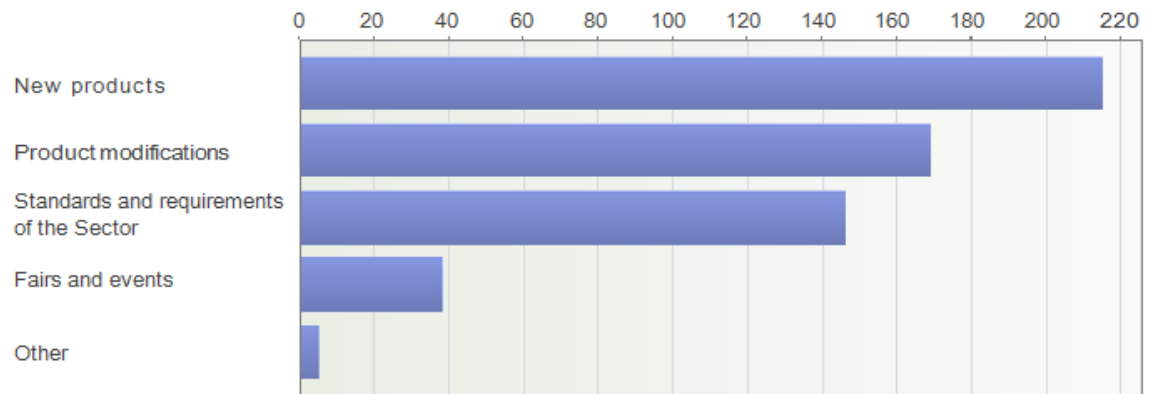


Figure 25: What would you like to read about in the Newsletter? (n= 228)

Engineering offices are more interested in *Product modifications*, *Standards and requirements* and *Fairs and events* than Contractors and Wholesalers.

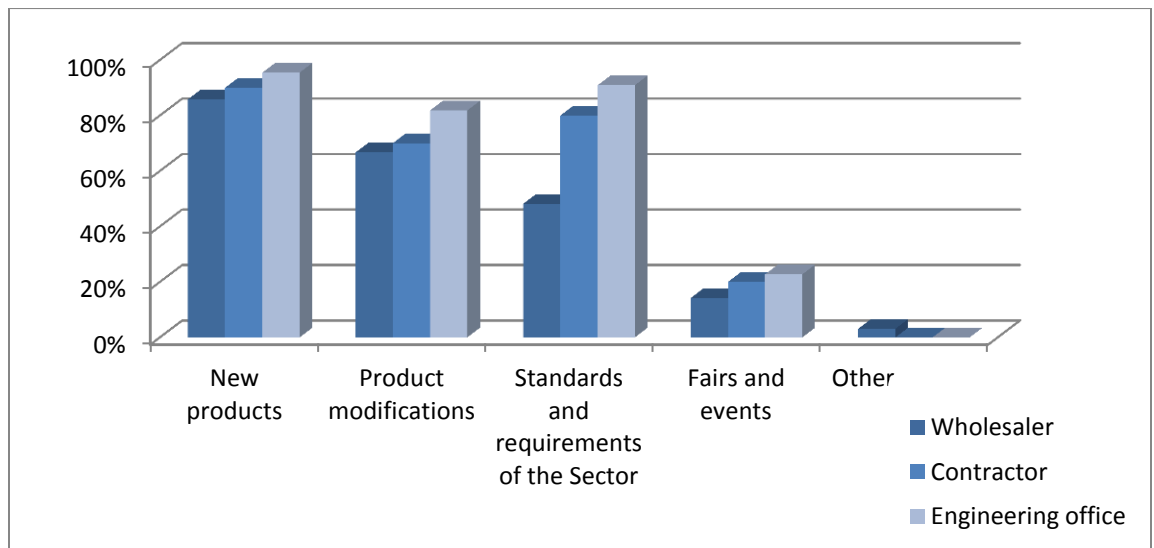


Figure 25.1: Segmentation of the results of Figure 25 in percentages

When comparing to the customer survey with the Buyersphere 2013 research, the survey results make a lot of sense. According to Buyersphere 2013, the kind of information which the B2B buyers are looking for are in fact quite traditional. *Pricing information, product features* and *technical details* were ranked on the top of the list and considered also as the most useful sources of information. Customer references, white papers and third party reports are not even close to being as interesting as the traditional “dry facts” about the product. (Rantamäki, 2013).

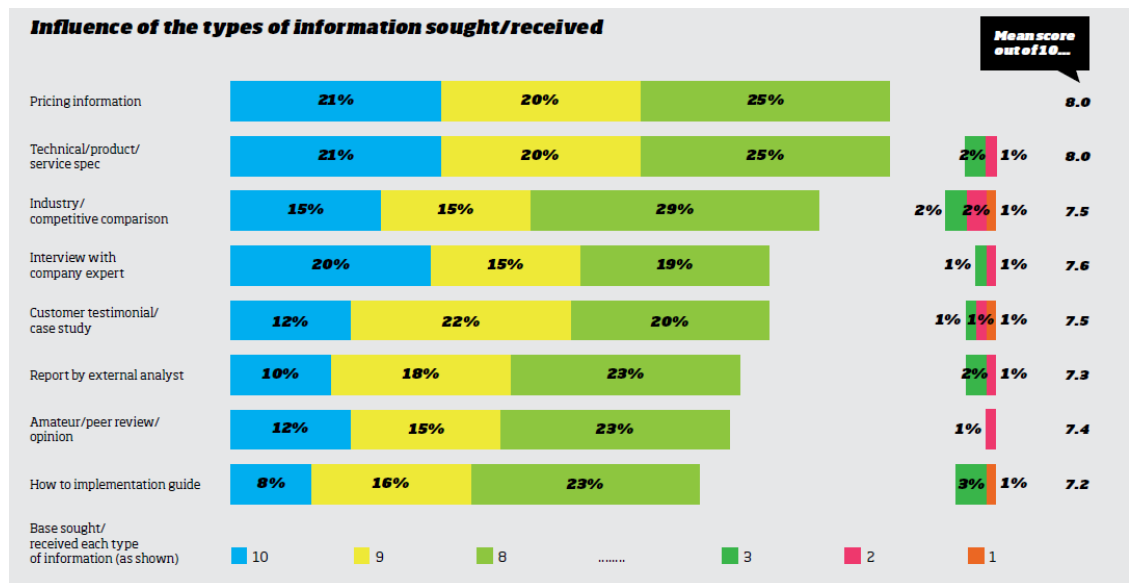


Figure 26: Influence of the types of information sought/received (Base One, 2013)

More than half of the respondents, 54 %, are using the printed product catalogue of Company X. One quarter of the respondents favour the product catalogue in electronic format and 17 % prefer the individual product brochures, which have been lately updated. The customers can use *Typewriter tool* with the PDF file and mark e.g. the position numbers directly on the PDF before printing it out. Merely one percent of the respondents check Products X from Wholesalers' own catalogues or from some other source. This leaves a question if it is worth investing thousands of euros per year in having Products X in the printed product catalogues of Wholesalers.

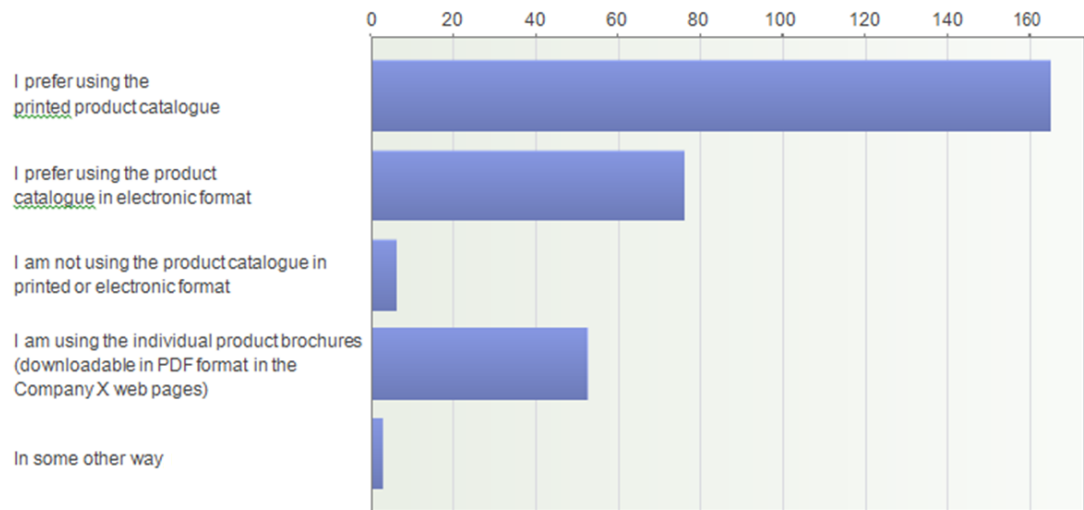
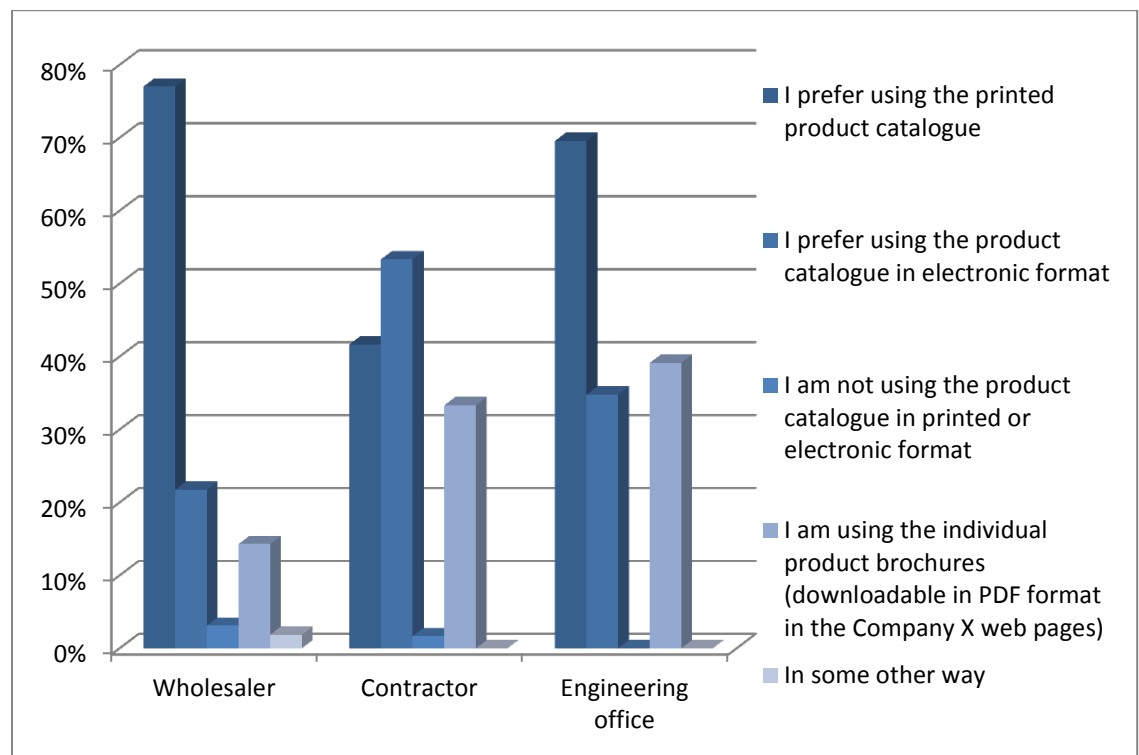


Figure 27: How are you using the Company X's product catalogue? (n = 245)

As much as 77 % of Wholesalers and 70 % of Contractors prefer the printed product catalogue, while more Contractors prefer the electronic format (53 %) than the printed format (42 %).

It is clear that the product catalogue in the printed format cannot be dismissed in the future either. Salesmen of Company X have reported that especially in the offices of Contractors the product catalogues of all suppliers are all side-by-side in their shelves. Furthermore, they are all of the same size and format - only the colors and the finishing of the catalogues vary. (Sales Manager of Company X, 2013). This is something that has to be kept in mind when thinking about whether to change the format or not – the customers value uniformity.



*Figure 27.1: Segmentation of the results of Figure 27 in percentages*

Also, “A new product catalogue every year” was requested, meaning that the respondent had not received the product catalogue of Company X which is in fact renewed and posted to nearly 1,500 customers in Finland each year. In addition to trade fairs, the printing and posting of the product catalogue is the biggest single marketing cost of Company X, but definitely worth continuing as can be seen from Figure 27 as well as from the feedback by sales personnel of Company X.

The customers prefer email as the best communication channel with Company X. The open answers included a more detailed request to Option 3, “A sales rep to tell about the products and regulations”. SAP was mentioned once as well as “Pigeon post”. It is probable that the SAP was requested by a respondent working in a company using SAP themselves; at least three of the biggest customers of Company X are known to run SAP in their company.

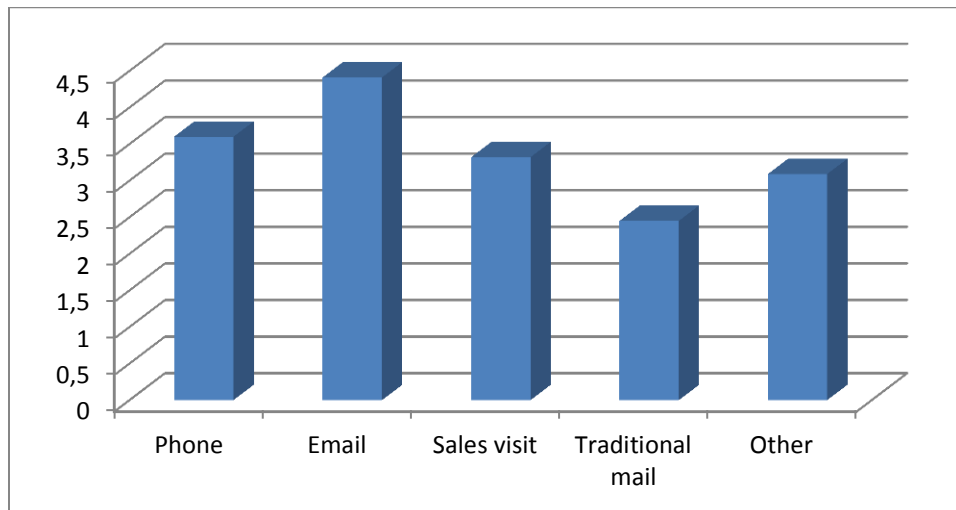


Figure 28: Which of the channels do you prefer in communication with Company X? (n = 245)

Engineering offices clearly value *Sales visits* the most of all three and also Wholesalers nearly as much as *Phone*. Contractors are the least excited in receiving *Sales visits* – they even prefer *Traditional mail* over them. Everybody clearly prefers the emails as the main channel of communication.

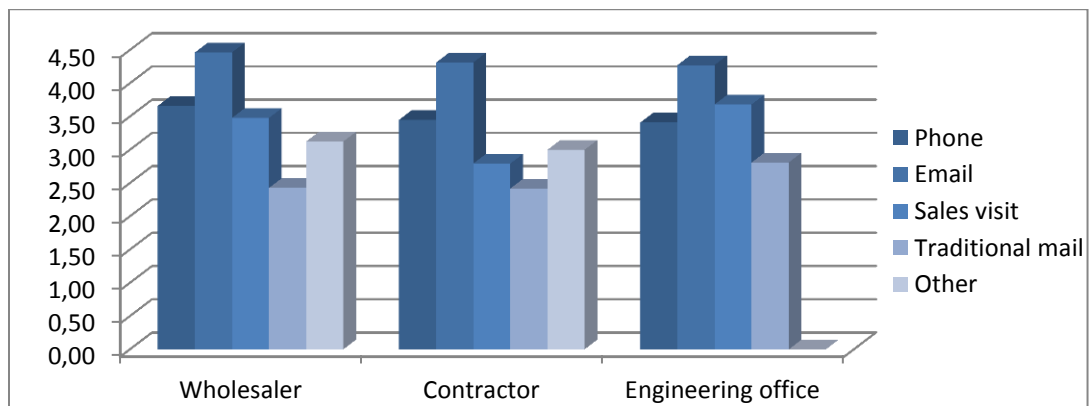


Figure 28.1: Segmentation of the respondents in Figure 28

## 4.2 Analysis of the open answers of customer survey

The survey also included an open question, Question 19, requesting for any kind of requests and feedback of and to Company X. While the open answers were answered to with quite a low percentage in general in the earlier questions, more than 21 % of the respondents also answered this last question.

About half of the respondents gave negative feedback or suggestions for improvements while the other half expressed their content for Company X and their service. Several customers asked for more sales visits, training sessions and face-to-face conversations, which make them feel easier to contact Company X and to purchase Products X.

Negative feedback is most often about the quality of Products X. Improvements to the quality control are requested and required. While Company X admits it has had way too many quality problems in the past years, the sales personnel assume that the relatively small number of complaints by the respondents is because of the customer sector they are representing: Wholesalers hardly receive the complaints about Products X from their own customers – who direct their complaints and reclaims directly to the manufacturer. This fact complicates the analyzing of the customers of Company X: the end customers are not in a direct contact with Company X, but instead, customers of Wholesalers or Contractors, or a completely separate company altogether.

In majority of the positive feedback, the customers are thanking Company X for its good service, or they are sending greeting to Sales Manager or Sales Secretary of Company X. Both of them have been working for Company X for more than 15 years so they have a long history with many of the customers of Company X. Many of the respondents are telling they are happy with “everything”, that they have nothing to complain, or that they wish everything will go on as until now.

The most interesting open answers, in addition to the complaints, are requests, which need to be gone through in detail. They are free-of-charge-advice and ideas given to Company X, often a hint about something a competitor has and Company X has not. There is a request about stocking the products – which at least a few of the competitors are doing, giving them a competitive advantage. By looking into the monthly circulation of Products X it could be easily evaluated, which of Products X are moving fast enough so that it would make sense to reserve space for them in the warehouse of Company X.



There is a suggestion from one respondent about starting to manufacture products for a different usage – for a sector which is highly competitive and though it seems to have lots in common with the current Products X, would mean e.g. moving from B2B to B2C. That would mean re-thinking of the company strategy, which is not the purpose nor within the scope of this study.

A vast majority of the requests are about receiving salesmen of Company X to visit them, to give training about Products X, to give information about Products X, how to install them and how to sell them forward. Information is asked about the norms and standards concerning Sector X. Recently some of the norms have been rewritten and the customers need that kind of information. The customers are asking for more and better marketing material – unfortunately it is not specified more in detail how the material could be improved. This is important information and is worth looking into in the future.

Salesmen of Company X agree and identify the problem: there have not been enough sales visits, due to increased amount of work especially with writing offers and answering to the customers' questions on the phone or per email. Product Manager who used to visit Contractors in Finland is now working as Area Manager for export markets. Sales Secretary for Finland who used to visit Wholesalers' offices and gave training about Products X to Wholesalers' salesmen in Finland told that nowadays it is nearly impossible to visit the customers – if somebody leaves the office for making sales visits, there are hardly enough people to take care of the daily routines.

One customer commented that the contact details of the sales people were not visible in the offer so that she could easily get in contact with him in case she needed some more information about the Products X. This kind of a thing is easy to fix. After going through the survey, the salesmen of Company X were told to check that their contact information is always visible in the emails, offers, order confirmations and other customer communication in text.

A better design for Products X was asked, so that Products X would please the architects' eye more. Architects are known not to want something that does not exist – luckily they rarely get a say when it comes to deciding which Product X will be finally installed in in a project, but of course there are exceptions.

There is one request about a Swedish version of the product catalogue as well as the web pages. This would require a big effort from the marketing department of Company X as well as a large financial investment. A product catalogue both in

Finnish and English is already published each year. Some of the local competitors have their web pages in Swedish as well, giving them another competitive advantage, when dealing with Swedish-speaking customers.

While the requests can be partly considered as “nice-to-have” features, the complaints give another kind of picture of what the customers require, what they think are the problems, the weaknesses of Company X. The complaints include complaints about the high pricing of Products X, the long delivery times and the poor reliability of the deliveries. The work of After Sales department of Company X is criticized by a few respondents. In other replies, After Sales is thanked for good and fast service. This refers to uneven quality of service by After Sales department.

Unfortunately, most of the complaints are about the poor quality of Products X. In case of a wholesaler, they are forwarding the information from their customers, from the field. Luckily, in the complaints, Products X are specified so the R&D and the production departments of Company X can be informed of the problems. Generally, with the negative feedback, the situation or the case is often specified more in detail than in the positive feedback. All feedback from the customers is valuable information, but especially the handling the negative feedback is worthwhile and offers Company X tools for improving their service and operation.

Although the number of the answers is not enough to draw statistically reliable conclusions, there can be found several good tips, requests and feedback, which need to be taken seriously. Question 19 is where the speech was free, and many respondents used the opportunity to speak their mind.

### 4.3 Usability of the findings

The survey results were discussed in Company X with Business Director, Sales Manager, Sales Secretary and Export Manager (who used to work as Product Manager for Finland), in order to include the company vision into the analysis of the survey, and to keep them up-to-date with the customer opinions and feedback concerning Company X.

The importance of the customer analysis, as a form of *customer insight*, is great to Company X and a useful source of information for the creation of the marketing strategy. Creating value to the customers requires understanding them and knowing what are their needs and opinions. This information must be processed and analyzed in order to use it in creating a marketing strategy. Arantola (2006) describes understanding the customer value as the *customer intimacy* tool, used in differentiating the company's offering from competitors', thus being able to create and offer them more value than competitors.

## 5 STRATEGIC MARKETING PLANNING FOR COMPANY X

The aim of this study is to create a marketing strategy and an outline for a marketing plan for the use of Company X. In order to reach the set goal and to get the answers to the research problem and the objectives, in addition to making findings and observations based on the theoretical framework, the data analysis and interpretation of the customer survey, concrete steps are required to be systematically considered in the course of developing a marketing strategy.

### 5.1 Market analysis

The SWOT analysis of the European market for Sector X by Frost & Sullivan (2011), serves as a base for the Company X SWOT analysis. There are various points which, based on the customer survey results and the interviews with the employees and customers of Company X, fit as well into the SWOT of Company X. As mentioned in the SWOT for the European Sector X market, manufacturers need to spend more efforts on product quality, leading to increased productivity. Also, manufacturers should “place more emphasis on online platforms and websites and provide appealing product brochures” and offer extensive information about Products X with great emphasis on the energy efficiency features (Frost & Sullivan, 2011). It is obvious that both Competitor A and B have noticed the abovementioned tips.



Figure 29: SWOT Analysis of the European Sector X Market (Frost & Sullivan, 2011)

The Finnish market has indeed been growing after the downward phase in 2009. It is hard to say how the increasing competition would benefit Company X as it is definitely not a price leader. On the other hand, increasing competition in the product development does offer Company X possibilities due to the small size of the main competitors, who undoubtedly have fewer possibilities in investing in R&D compared to Company X. Finland is quite a resilient market to economic downturns and they can be quite well predicted in Sector X in beforehand. Sector X is following the trends of other construction-related sectors, involved in a construction process in an earlier phase. Short product refurbishment is somewhat vaguely put. The cycle in Finland is between five to ten years (Sales Manager of Company X, 2013).

While the market for new construction projects is decreasing, the refurbishment market offers big opportunities. High growth in Eastern Europe does not offer Company X many opportunities as the price level there is out of reach of Company X and, furthermore, export credit guarantees for deliveries to Eastern Europe are hard to come by due to their bad financial situation. High growth in Technology segment A is nowadays reality and commonplace in Finland. More than an opportunity, it can be considered as a threat as it is attracting low-quality manufactures into the market. Unexploited residential sector will most probably remain unexploited as long as there are no requirements for it in the Finnish law. Also, it would mean entering the B2C business and a whole new business strategy as well as rethinking the sales channels. Online commercialization has already started but is still considered in Finland to be more embraced in the B2C sector.

Finland is, as well as rest of Europe, a largely conservative market, partly due to the slow changes in the legislation concerning Sector X. While the rest of Europe has a relatively low level of innovation, in Finland the manufacturers of Products X have developed new, innovative Products X, though they have not yet penetrated the market in a large scale. Finland is not as price-sensitive market as e.g. the neighboring countries. Most of the companies operating in Finland are local and while competing with each other, are at the same time actively protecting the Finnish market against new foreign players and low-cost import.

The routes to the market are still quite underdeveloped, web shops and e-commerce is almost non-existent and the traditional route to the market is via a network of wholesalers. All this could change in the future. Especially Competitor A and B are skipping the wholesaler step and marketing their Products X directly to Constructors. Recently there have been some business acquisitions in the constructor and engineering office sectors. If Sector X follows the trend, smaller

players will be slowly disappearing from the market. On the other hand, new players are entering the market with at least the corresponding speed.

Globalization is definitely a threat also to the Finnish market, when combined with low-quality and low-cost import. *New entrants from adjacent sectors* is hard to believe to be occurring in Finland as Sector X is quite a specialized and small niche market. What has happened is that large corporations have bought a few companies operating in Sector X and that way joined the game, but it is more likely that they will give up the manufacturing of Products X than make investments in it. Finland is still a market mainly for Product segment A. However, thanks to the low entry barriers the increasingly strict demands for the installation of Product segment A in Finland, Product segment B can start gaining popularity among the customers in Sector X. This is threatening the manufacturers, such as Company X, that mainly concentrate on Product segment A. Furthermore, all the foreign low-cost, and often low-quality, manufacturers are concentrating in Product segment B. They have already entered the Swedish market and will certainly create a threat for the Finnish manufacturers in Sector X as well.

### 5.1.1 Market demographics

The distribution channel of the European market for Products X varies a lot from one country to another. For example, in Germany, Denmark and Finland, Product Segment A is the most common and considered a more professional type of Product X. In those countries, the majority of sales go through professional installers, namely contractors. Electrical wholesalers are one of the most established and the largest distribution channel in Europe, accounting for ca. 64 % of the market. Professional installers and contractors account for 31 %. Selling directly to end users and construction companies accounts for a rather small percentage of the market. (Frost & Sullivan, 2011).

In Finland, most commonly, Products X are delivered to a building project by a contractor. The contractor can be a large company, or in case of small installations, a local entrepreneur.

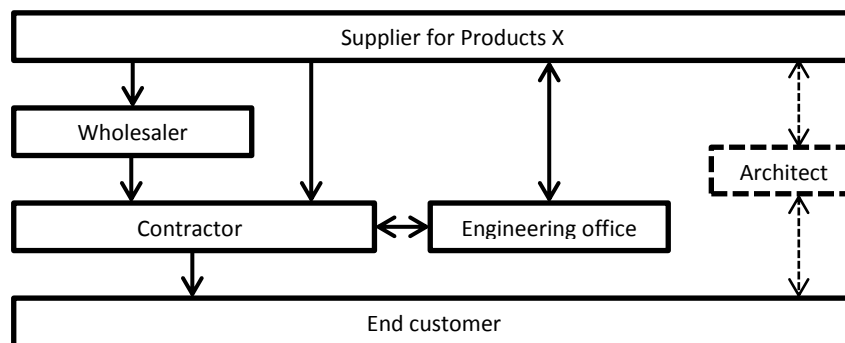
Normally, contractors buy Products X from one of the four main wholesalers in Finland, but in case of a large building project, contractors also ask for offers directly from the manufacturer.

An engineering office makes a plan of how Products X will be installed in the building and often specifies from which supplier and which type of Products X will be installed in the project. They also often discuss the technical details with the manufacturer. Those Products X which are originally specified for a project, often have the best chance of ending up in the building. To be able to have the new solutions presented and evaluated, one should get into the projects already in the planning phase. When the project begins and the contractor joins in, most choices and decisions have already been made (Valli, 2013).

Traditionally in Finland, in 70-80 % of the cases, Products X are supplied via a wholesaler. There are four major wholesalers for Products X in Finland and Company X is the only warehouse supplier of Products X for all four. This has a historical background: two companies who existed before Company X, sold all of their Products X though wholesalers and once Company X drove the two companies out of the market, Company X inherited their wholesaler customers.

However, Competitor A and Competitor B are targeting their sales directly to contractors, bypassing completely the wholesaler step. This of course is not good progress from the wholesalers' point of view. On top of all, they are forced to buy Products X from Competitor A or B if their customer, the contractor, refuses to buy Products X of Company X instead.

Sometimes, when the building is a large, special project, for example a museum, the parliament, a music or an opera hall, or a church, architects may have a say in what kind of Products X will be installed in that building. In that case, it is only about the design of Products X, how they look. In such event, Company X may have a possibility to offer to design a new Product X, according to the requirements of the architect.



*Figure 30: Market demographics of Sector X in Finland*

Company X is usually getting its Products X specified by Engineering offices in nearly all the important construction projects in Finland. (Sales Manager of Company X, 2013). The final decision of the supplier for Products X is made in the worksite meeting, where Contractor, Engineering office and End customer are represented. If Contractor does not want to switch the Engineering office's specified Products X to another supplier's Products X, they are ordered from the specified supplier. Engineering office may or may not have the power to refuse the switch of supplier, if it is not a matter of price and they have good enough arguments.

If Products X are delivered via Wholesaler, they may also try to refuse to switch the supplier of Products X and push the originally specified Products X to Contractor. In many cases, Contractor is only interested in the cost of Products X.

### 5.1.2 Market needs

According to the Frost & Sullivan 2011 survey, the Scandinavian market for Sector X is the most progressive market in Europe with the highest rate of adoption of the new technology in the Technology segment A in Europe.

Traditionally, Finland has been a market for Product segment A, but for example Norway and especially Sweden are almost completely markets for Products X of Segment B. Of the Nordic Countries, the Finnish market has the most in common with the Danish market. Both are using mostly the Products X of Segment A, which are also widely used in the Central Europe and the Middle East. Products X of Segment B are easier to manufacture, considered to be of lower quality and therefore cheaper, making them an attractive product for the Eastern and Southern European as well as Asian manufacturers. By having a strong tradition of using Products X of Segment A and by being a relatively small market in Sector X, Finland is considered to be fairly safe from the new entry of new, low-cost competitors. Even though Products X of Company A and Company B are widely accepted in Finland, despite often not quite fulfilling the requirements of the standards, the Finnish market is still quite well protected and the low-cost products are not believed to have a very good chance of entering the market, in a large scale. The Finnish manufacturers are protecting their market, and trying to maintain a relatively high price level in the market.



### 5.1.3 Market trends

Currently approximately 25 % of the market for Products X in Europe consists of Technology Segment A and the share is expected to more than double in the next few years. The market for Technology Segment B, the conventional Products X, will dramatically decline, due to their large energy consumption, low durability and outdated technology. Also the market demand is speeding up the switching to the new technology. (Frost & Sullivan, 2011).

Another trend is to do with batteries, also used in Products X. Their R&D efforts are sped up by the evolution of battery manufacturers. An increasing demand from the car, solar power and wind power markets, requires faster charging, more powerful and long-life batteries. This is expected to have a big impact in Sector X, particularly Product Segment A type. (Frost & Sullivan, 2011).

Third megatrend is the demand for wireless systems. Cabling costs are increasing and installation of the cables is both time-taking and expensive work. (Käkelä et al., 2013). This is bad news for Product Segment A, which requires more cabling than Product Segment B. Furthermore, it can be that the norms for fire-proof cabling in buildings will be tightened even more in the future, making Product Segment A even more expensive to be installed, compared to Product Segment B.

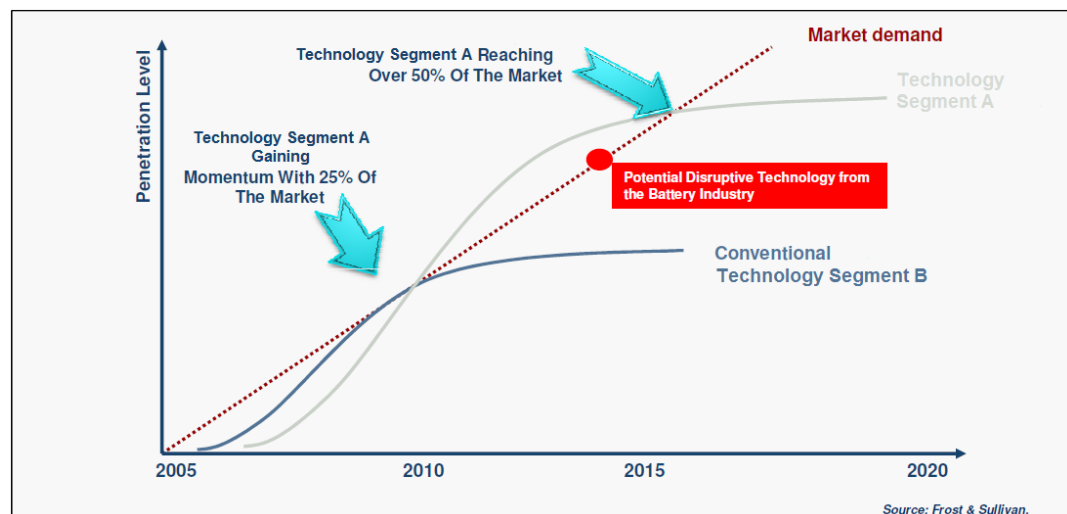


Figure 31: Technology Adoption Curves (Frost & Sullivan, 2011)

The market demand for new technologies is constantly increasing, which the manufacturers of Products X need to take into account in their product road map.

### 5.1.4 Market growth

According to the Frost & Sullivan report, for a new player it is easy to enter the European market. There is increasing competition and a high growth especially in the Eastern Europe to be expected. The report says that the Scandinavian market for Sector X is the most progressive market in Europe with highest rate of adoption of Technology Segment A in Europe. (Frost & Sullivan, 2011). Despite the economic slowdown, the market and revenues in Sector X have been steadily growing and are expected to continue their growth at the same speed in the coming years as well.

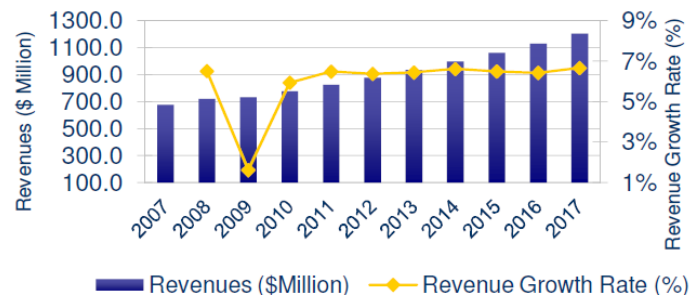


Figure 32: Revenues Forecasts for Sector X, Europe 2007-2017 (Frost & Sullivan, 2011)

In 2010, the size of the Scandinavian market was merely 11 %, while the German market was the largest, representing 26 % of the European market for Sector X. Also, the market opportunity is considered high in Scandinavia. Overall, the market for Products X in Europe is stable and has positive growth levels due to the reliance on as well retrofit as new installation activities. (Frost & Sullivan, 2011).

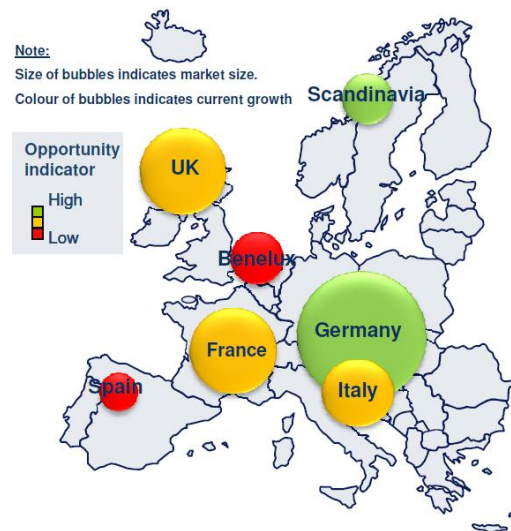


Figure 33: Regional Snapshot, Europe, 2010 (Frost & Sullivan, 2011)

According to the Federation of Finnish Technology Industries, Teknologiateollisuus ry, the total turnover of the Finnish electrotechnical industry has decreased by 14 % in 2013 compared to the same time in 2012, and has been decreasing since the huge decline in 2008. The value of orders in the electrotechnical Industry in Finland have now a domestic change of -6 %, compared to that of -3 % in 2012. (Teknologiateollisuus, 2013b).

The Electrical Contractors’ Association of Finland (STUL ry) reports that the construction costs have increased by 0,9 % since 2012, but the price of material has decreased by 0,3 %. The maintenance costs of the buildings have increased by 2,6 %, compared to 2012. The overall construction costs have been continuously increasing, the increase being 1,4 % in April, 1,2 % in May and 0,9 % in June 2013, compared to the corresponding times in 2012. (STUL, 2013). The biggest drop of circa ten percent is in housing building constructions, where Products X are usually not required.

Europe-wide, the base year revenues of the Market in 2010 was 777.5 MUSD (584 MEUR) and was forecasted to grow by a yearly rate of 5,9 %. There are no figures from 2011 or 2012 available from Frost & Sullivan, but the market for Products X is “rather resilient to economic downturns and slowing construction activities due to the fact that it is largely driven by regulation and the retrofit market” (Frost & Sullivan, 2011), meaning that there is hardly any drastic decrease to be expected in Finland either.

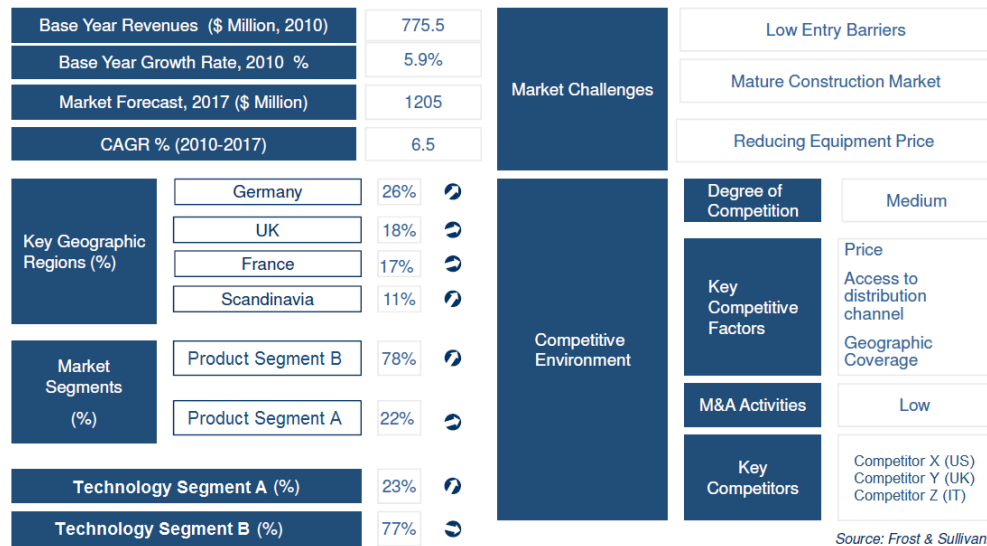


Figure 34: Market Snapshot and Summary of Market Measurements, Europe, 2010 (Frost & Sullivan, 2011)

CEO of Aro Yhtiöt, Jarmo Töyräs, said that a strong downward trend has begun in the electric products market. The market of electric products are following the trends of building construction. When the building industry will pick up again, in the electric market it will only be visible after six to twelve months. (Valli, 2013).

It is difficult to say which information channel to trust. In Kauppalehti (2013) the ten biggest contractors in Finland were interviewed and told that the future seems that bad that “it feels that it doesn’t even make sense to place offers” and that the estimated drop of eight percent in construction seems to them like a “far too positive estimation” (Kauppalehti, 2013).

On the other hand, some of the biggest engineering offices in Finland have been forced to form alliances with smaller offices in order to be able to handle all the work load that they are offered (Sales Manager of Company X, 2013). According to 3T Magazine, large public infra construction projects and renovation projects keep the engineering offices busy and even though the amount of new orders turned downwards in April-June 2013, the future for engineering offices looks a lot brighter than in many other sectors. (3T, 2013).

If the fears of contractors will come true, the engineering offices will plan the projects but the construction of the projects will at least be delayed, meaning that the deliveries of Products X will also be frozen for the time. However, being a product which is required in the public buildings by law, there is no sign of the demand for Products X disappearing or suddenly decreasing.

### **5.1.5 The EU, the CE mark and the influence of authorities**

Finnish Safety and Chemicals Agency (TUKES) supervises and promotes the technical safety and conformity, together with the consumer and chemicals safety, in Finland. Their work as supervisor of technical products is largely based on complaints by competitors. TUKES lacks resources for supervising the companies in the Finnish market, leading to the general acceptance of all CE-marked Products X (Product Manager of Company X, 2013).

The CE mark, granted by a company to its own products, is alone enough to give a permission for the goods to be sold in the EU. When Finland adopted the EU regulations concerning Sector X, the advance inspection must for Products X was abolished and the introduction of the CE mark was transferred to the company

itself. This has resulted in a situation where Company X is forced to compete against other players in the market whose products carry a CE mark but do not always have the qualities required by the law. In other words, the CE mark is not a proof of anything, but, regrettably, the customers think that it is. (Product Manager of Company X, 2013).

Company X has contacted TUKES repeatedly, asking them to inspect Competitor A's and Competitor B's Products X, which, according to both visual and a detailed technical analysis, are not fulfilling the requirements of the Finnish law (R&D Manager & Product Manager of Company X, 2013). In 2009, TUKES responded that the requirements of the standards might be too high, since they had heard that it is difficult for some manufacturers to fulfill the standards. In 2010 they admitted that they do not have enough resources for supervising the manufacturers. Finally, in 2013, TUKES confirmed that, all Products X "must of course fulfill the EU standards and the Finnish law" for Sector X and Products X. Regrettably, TUKES has not yet shown any sign of starting to inspect Products X of different manufacturers. (Product Manager of Company X, 2009-2013).

On TUKES web pages it says that "We supervise products, services and production systems in our branches, and enforce the relevant legislation. The purpose of our operation is to protect people, property and the environment from any safety risks." (TUKES, 2013). Unfortunately, it seems that TUKES continues not to focus in Sector X or Products X and ignores the complaints from Company X. One may very well ask, if the supervising authority is doing their job properly, if it is promoting unfair business in Sector X in Finland, and if it might be risking the lives of people in public buildings.

#### **5.1.6 Macroeconomic forces**

With the current rate of the Finnish high-tech companies firing their employees, there will most probably not be difficulties in finding qualified professionals for open job positions. However, being a niche high-technology sector, there have been some difficulties in finding professional employees for certain R&D positions. New EU regulations for transport on the Baltic Sea will increase delivery costs for export markets, but it will not have direct impact in local sales of Products X in Finland, although the price of imported components will probably increase. Finland is one of the most stable economies in the EU, and as the Frost & Sullivan report of Sector X (2011) revealed, the market for Sector X in Finland does not show signs of decreasing.

The emphasis of construction business will slowly shift from new building to renovation of old buildings, but it is estimated that the total market for Sector X in Finland will continue to grow.

## 5.2 Competitor analysis

Recently there have been ownership changes in the companies of Sector X in Europe. A large US company has bought the European market leader and another multinational corporation has bought the second biggest company in Sector X. There are only a couple of large family-owned companies remaining in Sector X, Company X being one of those. Also, Company X is one of the five main producers for the Product Segment A – all of the other four come from Germany, though two of them are nowadays owned by US companies. The small companies in Sector X have remained mostly family-owned, but it is probable that there will be changes to be expected in the future.

Furthermore, it says in the Frost & Sullivan report, that in Sector X there is a *low level of innovation*, which, also according to Business Director of Company X (2013), is very true. Energy efficiency is an underlying driver also for Sector X and drives the market over both short and long term, for both new build and retrofit market (Frost & Sullivan, 2011).

The Products X are required in public buildings in Finland by law, creating automatically the need for such products. The market is regulated and there are EU standards defining how the products should be tested and what their performance levels should be. Sadly this does not stop companies from bringing low-quality products not meeting the norms and standards to the Finnish market – the reason behind is also related to the economic downturn.

In Finland, the biggest competitors of Company X are Competitors A, B, C and D. Both Competitor A and Competitor B market their products as easy to install and offering a low overall cost of the system. Competitor B has even received an Excellence Award for their innovative Product X in 2011 in Britain. They have introduced a new kind of Product X and are aggressively marketing their products especially to Contractor customer segment. They claim their system is more cost-effective to purchase, to install and to maintain than that of Company X. They have been contacting customers and showing them tables and calculations where the

price difference between our and their systems is clearly visible, though questionable.

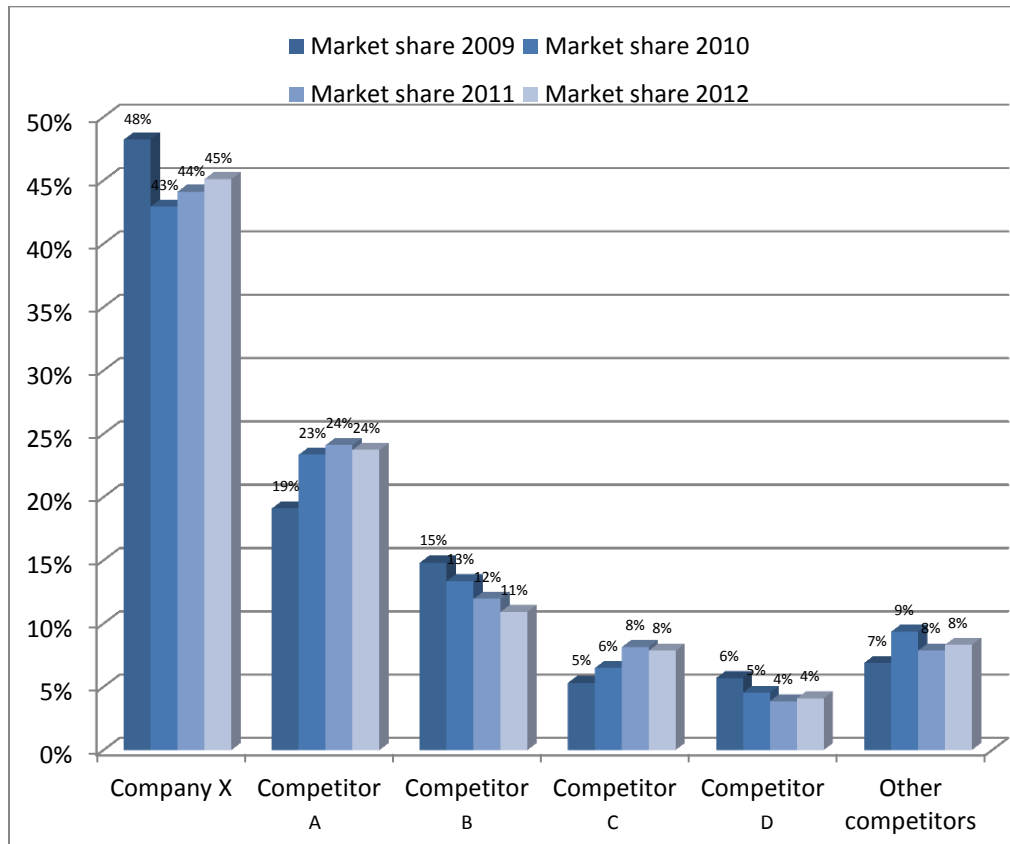
The problem is, their Products X are not comparable to those of Company X, their innovative Product X which received the Excellence Award is not fulfilling the requirements of the European or Finnish norms and standards of Sector X (R&D Manager of Company X, 2013). Their Products X carry the CE mark, which is supposed to be a sign of a Product X which fulfills the EU norms and standards of that Sector X, but unfortunately it is the manufacturer itself which gives the CE mark to its Products X. Without the help of the supervising authority, TUKES, or without a large-scale marketing campaign, it is very difficult to convince the customers of the inferiority of Products X of Company A and B.

Based on the customer survey 2013, the market of Sector X in Finland, when measured among the customers of Company X, is divided between the five major players in Sector X, including Company X. The estimated market share of Company X among its existing customers, according to the survey, is 37 %, while the next four companies in Sector X have a market share ranging from 9 % to 16 %, as can be seen in Figure 20 in Chapter 4.

In total, 16 companies were mentioned in the customer survey 2013. This is more than what the salesmen of Company X expected. Also some of the market share percentages were quite surprising. This shows that new players have entered the market, for example two Swedish companies, and a big German competitor – who, despite being the main competitor for Company X in many export markets, has not been able to reach a strong position in the Finnish market. This is mainly due to their Finnish distributor, whose main interests are on other products and sectors. Also, due to business acquisitions by international organizations, the players are not the same in 2013 as in the 2007 survey by Taloustutkimus.

Figure 36 shows the drastic change in the distribution of the market share between Company X and Competitor A between 2009 and 2010: while Company X lost five percent of its market share, Competitor A increased its market share by four percent. After the year 2010 the situation has settled down and the market share of Company X together with that of Competitor A have both shown a slight increase, but nothing as drastic as between 2009 and 2010.

As there is no official study of the market share of the different companies in Sector X, the numbers in Figure 36 are based on the estimated total market size (EUR) in comparison to the total turnover of Company X and its main competitors, for Products X, in Sector X, in Finland. The estimated market shares, from 2009 until 2012, of Company X and its competitors are presented in Figure 36 below.



*Figure 35: The estimated market share of Company X and its main competitors in Finland, 2009-2012*

What makes the evaluation problematic is that some of the competitors also sell other products than Products X, some competitors are exporting their Products X and that some competitors don't publish their sales figures in Finland at all. However, dependless of the share of *Other* competitors, which is the most imprecise estimation of all the values in the table 12, it is quite impossible that the current market share of Company X would exceed 50%. All the sales figures, the income statement and other detailed competitor information is obtained from Suomen Asiakastieto Oy, which is a high-quality, reliable service offered to companies and individuals, for a charge.



A common understanding within Company X has been that their market share X had been dropping for the past years. This is in fact not the case. After the big drop between 2009 and 2010, the market share of Company X has been again slowly increasing. Whatever the case, when no precise information of the division of the market share is expected to be available neither in the future, nor of the past for that matter, it is important to follow the same pattern and the calculations based on the same resources of information in the coming years, to be able to measure and follow the change in the market share of Company X and its competitors.

When looking into the turnovers of Company X and its main competitors, it can be seen that Company X is on its own level, Competitor A clearly owns the second place and Competitors B, C and D are more or less on the same level. It is noticeable that Competitor A is making quite a large turnover, with only five employees.

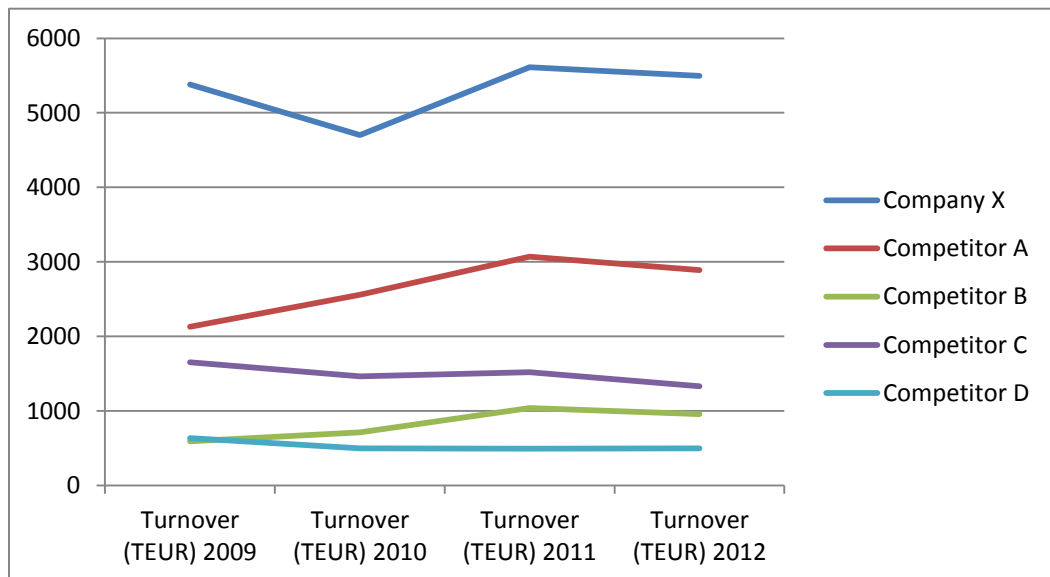
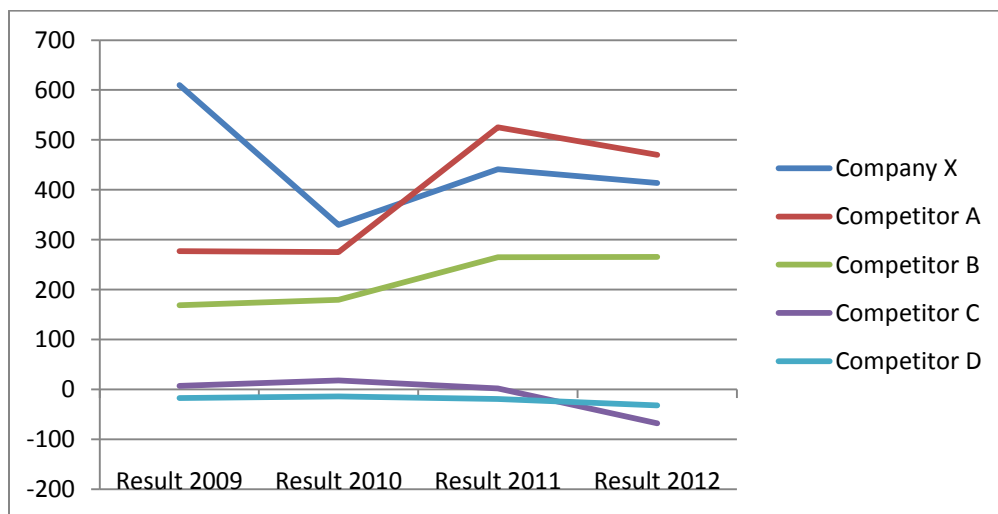


Figure 36: Turnover of Company X and Company A, B, C and D in Finland, 2009-2012

What is more alarming, however, is the big drop of Company X's result and the simultaneous increase of the result of Competitor A. In fact, Competitor A has bypassed Company X between 2010 and 2011 and is doing a better result than Company X still in 2012! Also worth noticing is that Company B is the only one of the five main players whose result hasn't decreased at any point between 2009 and 2012. The result of Company X has shown a clear drop between 2011 and 2012. Both Competitor C and Competitor D are showing a clear downturn. This is evident as well according to their balance sheets from 2009 to 2012 – the result of Company D is, though steady, slightly on the negative side during each year.



*Figure 37: Results (TEUR) of Company X and Competitors A, B, C and D in Finland, of the fiscal years 2009 - 2012*

The analysis is backed up by Sales Manager for Finland of Company X, telling that both companies, Competitor C and D, have been absent from the technical plans and specifications of Products X for most of the projects in Finland for a few years already. Both companies used to be among the main competitors of Company X, in the 1990's and still in the early 2000's (Sales Manager of Company X, 2013).

Of all the companies, Company X is the only one with own R&D and manufacturing including an electronics factory, final assembly and testing functions. At least Competitor A, B and D have outsourced both their R&D and production, and most likely their after sales as well. Competitor C is a small one-family company, known to still manufacture all their products in-house, achieving a steady but negative result each year.

What is interesting, is that when comparing Company X and Competitor A, it seems that there is no way that a five-man company can compete with a company employing 80 people. However, what makes the real difference, is that while Company X has approximately 2,5 of its 80 people working in the sales team for the Finnish market, Competitor A has all of its five employees working in their sales team. (Sales Manager of Company X, 2013). This partly explains their fast growth in the Finnish market.

### 5.3 Customer analysis

According to Buyersphere 2013 report, the B2B buying process is and has been in a breach for some time already. The main reasons for improving the buying process is the increase of productivity. (Base One, 2013).

The three main customer segments of Company X are Wholesalers, Contractors, and Engineering offices. Over two thirds of the customers of Company X are Wholesalers. The next biggest customer segment is Contractors, consisting of small local electrical contractors and bigger, even internationally operating contracting companies. Engineering offices do not often buy Products X from Company X, but they are, however, an important if not the most important customer segment.

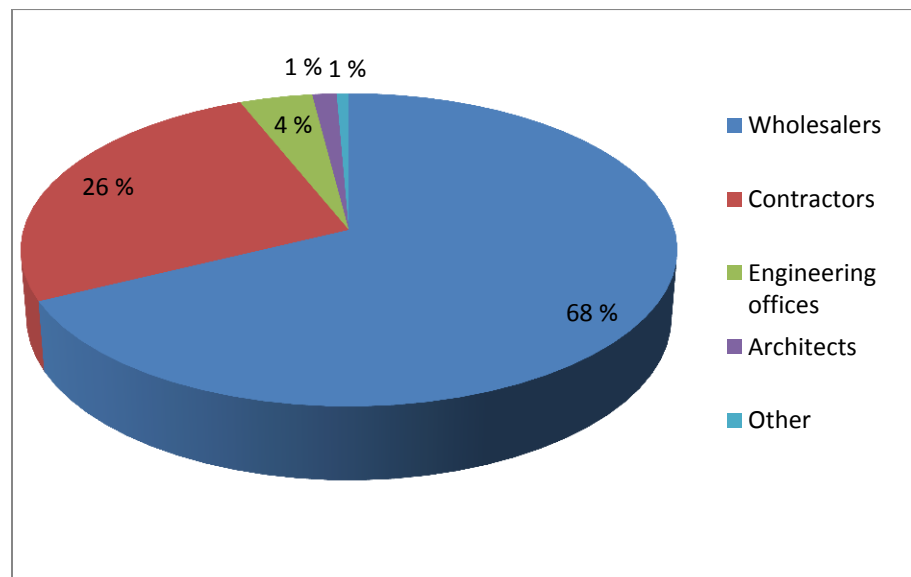


Figure 38: Customer segments of Company X in Finland, in 2013

For Wholesalers the price of the product is very important. They need to get their margin when, selling Products X forward to contractors and other customers. Even

though the price is important to wholesalers, it doesn't mean the lowest possible price, but the *market price*. They must be able to sell Products X for a profit. To Wholesalers, on-time deliveries and a high service level is important. They do not only stock the products of Company X and other suppliers, they also participate in project business and are often suppliers for e.g. all the electronic products for a building project.

Company X has yearly contracts with all the four main Wholesalers in Finland. Company X is the only supplier whose Products X all Wholesalers are currently warehousing. For Wholesalers it would not be an easy task to start warehousing another supplier's Products X, it would mean a time-taking process. On the other hand, warehousing of Products X is causing Company X expenses and a lot of extra work. Wholesalers demand fast deliveries often in very small batches. Also, being a large supplier for Wholesalers, Company X is assumed and expected to pay for marketing and visibility e.g. in the catalogues of Wholesalers, and participating in their marketing events.

Company X is not an unimportant supplier for Wholesalers. The four big Wholesalers in Finland are in total purchasing for ca. 3 MEUR worth of Products X per year from Company X. Wholesalers are, financially speaking, the most important customer segment to Company X. Company X has a good reputation as a trusted, long-time supplier among Wholesalers.

In total, Wholesalers have more than two hundred offices around Finland, and each of them should be visited at least once per year by salesman of Company X. In addition to the offices and warehouses, each Wholesaler has its own pick-up-stores, in total nearly three hundred in Finland. The problem is, there aren't enough salesmen. The salesmen cannot just leave the office as then it will be difficult to handle all the price enquiries, offers and orders. Being able to visit all the locations would mean hiring another salesman or product manager, who would only visit Wholesalers. (Sales Manager of Company X, 2013). As the old employees of Wholesalers become replaced by new ones, also the reputation and brand loyalty of Company X is in danger of disappearing with them. Newsletters, advertising and fairs aren't enough, but as well sales visits are an integral part of the business in Sector X.

The total sales of the electrical products has dropped ca. eight percent, comparing 2012 to the same time in 2013. The Finnish market is being divided and while the total market size is not expected to grow, Wholesalers are competing not only against each other, but against Contractors as well. (Niskanen, 2013).

Contractors are the second biggest customer segment for Company X. Normally, Contractors are buying Products X from any of the four Wholesalers, but when it comes to big construction projects, Contractors are asking for offers directly from Company X as well. Though Wholesalers have yearly contracts with Company X, sometimes the competition forces Company X to lower its prices so much that there is no margin left for Wholesalers – and Products X are sold directly to Contractors.

For Contractors the low price, easy installation and the total cost of installation of Products X are important factors. This is where Competitors A and B are targeting. They are marketing their Products X as easily installable, with a low cost of installation and a low overall cost of the system. Companies A and B are doing a lot of marketing past Wholesalers, to Contractors. (Niskanen, 2013).

As the electric planning for buildings is nowadays done in electronic format, also the electrical contractors would gladly use the information about Products X in their own offer calculations more than what is possible at the moment (Valli, 2013). Engineering offices do not like to be labeled as working with only one supplier of Products X, most probably in order to maximize their possibility of being able to offer their services to every project (Sales Manager of Company X, 2013).

The price is not the most important feature to Engineering offices, as they are not, normally, buying Products X for the building projects, but just planning how and where they are to be installed. The simplicity of the system, the ease of planning and engineering it and, to some extent, also the design of Products X matter to Engineering offices. For Engineering offices it is also important to use Products X meeting the standards, as they are responsible for having made the electric plan according to the law and standards. Also, good performance of Products X and, more and more, low energy consumption, is an important factor.

Although the market of electric products is estimated to be decreasing at a speed of eight percent per year, Engineering offices still have a lot of work. It is probable though, that some of the current projects will be delayed or even cancelled. Small engineering offices are disappearing in an increasing speed – the big engineering offices are buying the small offices and pushing down the prices, forcing the small local players out of the market. (Sales Manager of Company X, 2013). This means that, on the other hand, there are less engineering offices to be contacted, but at the same time it is very important to maintain, or to get a foothold, as their supplier, preferably as the preferred supplier for Products X. In the 2013 customer survey, Engineering offices were the customer segment which asked for sales visits the most. They need to know Products X in detail, how they are to be installed and what

makes them better than competitor's Product X. In order to remain in the leading position, it is necessary to be able to answer their needs. Engineering offices make the electrical plans mostly in electronic format, so the technical material related to Products X must be available in electronic format as well.

In 2010 Product Manager of Company X visited more than 40 engineering offices, in 2011 he visited 36 offices, in 2012 only 23. In 2013, due to being transferred to work mainly as Area Manager for export markets, he has managed to visit only five engineering offices in Finland so far, by October 2013. According to Area Manager of Company X, it is utmost important to keep on marketing the superior performance of Products X, because when visiting a couple of Engineering offices, it has come up that Competitor A's and B's Products X do not often satisfy the requirements of Engineering offices and thus, clearly, not the requirements of law. Unfortunately, this is something Contractors don't care about, since for them the price is the most important product feature. (Area Manager of Company X, 2013).

Usually architects only get to say their opinion in special building projects, such as museums, churches, governmental buildings, and music and opera halls. They rarely get to participate in the decision concerning which Products X are chosen in the building. When they do, it most often means that there will be need for a completely new Product X, or an existing model has to be modified in some way. In some cases, however, it has been a question of being able to deliver a few specially engineered, project-specific Products X, defined by an architect, in order to get the complete order for that project. This is definitely one of the strengths of Company X, but at the same time the special designs for single customers take time from following the *product road map*. It should be carefully calculated and evaluated if the special project reference is bringing in enough euros so that it is worth delaying some or many earlier agreed R&D projects. After all, according to Buyersphere 2013 report, B2B customers are not very interested in, or affected by, the past project references, which the companies are so eager to bring forward in their marketing materials (Base One, 2013).

## 5.4 Company analysis

The state of intent for 2014-2018, as defined by top management of Company X, is to be one of the best manufacturers in Sector X, globally. In Finland, the target is to maintain good profitability, to increase the market share and to be a technical and commercial forerunner, with the most flexible and fastest product support and customer service. (Business Director of Company X, 2013).

Company X has been a technology leader in Finland since they took an active role in the development of Products X, in the early 1990's. Since then the market share of Company X began steadily increasing and Company X became the market leader. Holding a strong position, the business kept growing, until in 2005, two new local competitors entered the market.

During the over 40 year long history, Company X has survived two recessions and continued its relatively slow but steady growth. Today, Company X has a solid financial background, assessed with the highest creditworthiness with an AAA<sup>®</sup> credit rating. Company X is still the market leader in Sector X in Finland with ca. 40 % of the market share, but facing strong and partly aggressive competition by especially the local competitors.

Unlike the local competitors, Company X has its own factories for manufacturing the very basic components to the end product, as well as its own R&D department. This allows customization and project business, in a fast schedule when necessary, and gives competitive advantage over the competitors. A likely investment in the near future in machinery is new robots. Robots are already used for certain functions in the factory of Company X, but not for the final assembly of Products X. There has already been calculations of possible savings to be achieved in production by assembling Products X by robots. This requires, however, totally new Products X, which are designed from the beginning to be assembled by robots (R&D Manager of Company X, 2013).

### 5.4.1 SWOT analysis

Using strategy tools effectively requires a thorough analysis of information about Company X, its internal and external environment, its current position and goals. The goal of this study is to create a marketing strategy, in order to be able to meet the top management's demands of securing the leading position in the Finnish market, and to increase the market share of Company X in Finland. The analysis of the 2013 customer survey, the interviews with the sales personnel of Company X and some of its customers, as well as own perceptions and findings are the basis for using the strategy tools efficiently, for analyzing Company X.

*Strengths* of Company X have mostly to do with the brand image of Company X. Customers tend to trust a known brand, the market leader, the one that other customers trust as well (Kotler, 2004). This is one of the strengths of Company X, as can be seen from the customer analysis 2013. Over 90 % of the respondents were ready to recommend Company X to other customers, because of such reasons as high-quality products, reliability, a good product range, knowing and guiding personnel, and installation-friendly products. Being a Finnish company is also important to many customers.

Company X also has representation in Standards Committee for Sector X, but so do its main competitors as well. The standards for Sector X are revised every five years and every manufacturer wants to be heard in the process. At the same time, the local manufacturers are trying to set barriers for entry of foreign low-cost manufacturers by trying to formulate the text of the standards so that it favors the production of local Products X. Many times the standard text can be interpreted in many ways, making it almost impossible for the customers to know what is the right way of e.g. installing Products X. Company X, being the best-known company and having the longest experience in Sector X, is often consulted by Engineering offices when in doubt. (Sales Manager of Company X, 2013).

In customer survey 2013, Question 7, in the positive open answers, the quality and the reliability of the products was appreciated the most. Other open *yes* answers were related to brand and reputation, the good and wide range of products, the personnel and service. Two sales people of Company X got special thanks, for their knowhow and speed of delivery or service. The product catalogue received a couple of points as well as the good price level of the products, although in more answers the price level of Products X of Company X were evaluated as expensive compared to those of competitors.



Furthermore, as many as 77 % of the respondents also buy Products X from competitors while only 20 % are loyal customers of Company X alone. The negative answers in the customer survey were about low quality, high price and bad reliability of the products. Long delivery time and stiff service was also complained in the survey. The interview with the sales people of Company X confirms the negative results. Also, in the company level, the target for compensations for customer reclamations has been exceeded (Business Director of Company X, 2013). News and complaints about the poor quality of Products X is, of course, also affecting the personnel and the confidence of the salesmen.

One clear *weakness*, based on the interviews with the sales people of Company X, is the production's inability to answer to demand peaks. That, and the fact that Company X is not warehousing its products, are probably the reason why, in the customer survey, the speed of delivery of Products X did not receive a high score. Increasing production personnel and starting to warehouse at least the fast moving products is a matter of reformulating the corporate strategy.

According to the news about the Finnish construction market, as well as the Frost & Sullivan report on the European market (2011), the renovation and refurbishment business is steadily increasing. This is certainly an *opportunity* for Company X, if it decides to concentrate on designing and marketing new Products X which are well-fitted for renovation and refurbishment purposes.

Several customers have asked for more sales visits, training sessions and face-to-face conversations, which makes them feel easier to take contact with Company X, and to purchase Products X. It seems that with the current resources and sales personnel it is not possible to increase the sales visits, not even with the key customers. Though it may not be possible to increase the sales since the Finnish market is not expected to grow, there is a fair chance of losing the market with the current rate of cutting the sales personnel and decreasing the sales visits.

Construction business is decreasing by about three per cent per year, which could form a *threat* if the direction won't turn upwards. At the moment, standards regarding the installation of Products X are being revised and most probably the installation standards will become stricter, which might actually lead to benefiting Company X.

The key strengths, weaknesses, opportunities and threats concerning Company X in the Finnish market are listed in Figure 39.



*Figure 39: SWOT Analysis of Company X in Finland*

Company X needs to focus on all four SWOT factors and communicate them within Company X. Strengths are Company X's muscles, which need to be maintained. Weaknesses need to be, first of all admitted, and then concentrate on what could be improved or avoided. The factors which make Company X lose sales to its competitors must be known. Strengths can open up opportunities, and by eliminating weaknesses, opportunities can be opened up. Threats give information of external factors which could threaten Company X. They must be closely followed and not overlooked.

This SWOT analysis is to be used as a guide for Company X, in accomplishing its objectives, in knowing which obstacles must be overcome or minimized, to achieve the desired results.

#### 5.4.2 Porter's Five Forces of Competition

In this study, Porter's Five Forces of Competition framework is used in order to conduct industry and company analyses, which in turn will be used in defining how Company X can best position itself within the market, and in creating a winning marketing strategy for Company X in Finland. As the main sources of information to be applied for using Porter's Five Forces of Competition are the Frost & Sullivan report (2011) of the European market and more specifically the notes about Scandinavia, the customer survey (2013) and especially questions concerning the competitors, the interviews in Company X (2013), as well as own findings and analyses related to the market and the competitive environment.

The importance of each of the competitive elements, the Five Forces, depends of the structure of the sector in question, and the importance of Forces varies in each company (Porter, 1985b). In Sector X in Finland, each of the main players, Company X and Competitors A-D, are currently producing their Products X in Finland, meaning that the significance of the *Suppliers* is not that important – there is not much strategic competitive advantage to be found there. Furthermore, as the purchasing department or suppliers of the components for Products X have not been included within the scope of this study, it can only be said that the bargaining power of suppliers and the determinants of the supplier power are clearly in favor of Company X. Company X is the biggest company in Sector X in Finland and has a professional purchasing department, as well as more than 40 years of experience in purchasing electronics components. Having said this, it is a considerable risk that one of the competitors, currently outsourcing their R&D and production, might decide to make a strategic move and start using sub-contractors from low-cost countries, e.g. in the Eastern Europe. This is a threat which Company X has no possibility of influencing in, but definitely has to take into account. Company X needs to follow the competitors and their sub-contractors. If the switch to low-cost suppliers seems likely to happen, Company X has to be ready to make a strategic move as well.

The *barriers to entry* have slowly been decreasing, based on the fact that more and more new players have entered the Finnish market in the recent years. According to

Business Director of Company X (2013), however, *threat of new entrants* from the low-cost sector is not that big, since all the main players in Sector X in Finland have in a way joint their forces in fighting the low-cost enemy. For example, Company X is, together with Competitor A-D, by being a member in the norms and certifications committee, affecting to how new EU standards concerning Sector X are interpreted in Finland. On the other hand, some of the low-cost competitors from Eastern and Southern Europe are already in Finland, though currently represented by small local distributors. If they manage to get a foothold as suppliers for Contractors, who appreciate low prices, and increase their share of the market, it will mean problems for not only Company X, but for other local manufacturers as well. Currently, the locally produced Products X are favored and trusted, the domestic suppliers have a competitive advantage over the foreign competition. The price is not the only decisive factor.

The main *industry competitors* are the local competitors, Competitor A-D. The intensity of rivalry by Competitor C and D is weak, due to their poor economic situation and performance in past years. It is more or less obvious that Competitor D doesn't have a bright future. The one-man company will either retire along with its owner – or if lucky, be sold. Competitor A and B, however, are growing companies using aggressive sales and marketing strategies especially towards the Contractor customer segment. The *rivalry determinants* include several factors. While according to most estimates, the industry in Sector X is stagnating or decreasing by 2-8 % per year, a growing market is hardly to be expected. Product differences between Company X and Competitors A and B are obvious. Depending of how the new standards for Sector X will be interpreted, and whether TUKES will take an active role in supervising the players in Sector X, either Company X's or Competitor A's and B's Products X will obtain a competitive advantage in the future. The long transition time of forcing of any new regulation will give the competitors time to adapt and prepare. However, also the current situation, if prolonged, will force Company X to change its strategy.

The buyers have the power in many industries, but as long as the low-cost suppliers of Products X can be kept out of the Finnish market, or their position insignificant, the local manufacturers will determine the market price. The bargaining leverage of the customers is not strong as each of the suppliers of Products X has several customers in each customer segment making the customers' purchasing volumes relatively small. Most of the sales of Company X in Finland come from the four main electrical wholesalers. In addition to them competing with each other, they are also competing with Contractors of all the big construction projects. The *market price* in

Finland is significantly higher than e.g. in Sweden, but also Products X are mainly different and therefore not directly comparable. Yearly contracts between Wholesalers and Company X are negotiated each year. Only the big construction project deliveries are negotiated separately. At the same time, Wholesaler knows they can lose the deal to any of the big Contractors – or to any of the other three Wholesalers for that matter. Competitors A and B have ca. 10-20 % lower prices for their Products X, which has forced Company X to lower its prices for certain projects. Wholesalers and Contractors often sell Products X forward to a construction project as a part of the delivery of all electrical products. The share of Products X is relatively small of all electrical products, which also diminishes the importance of their price in the total delivery. Overall, Company X has managed to maintain a good price level and profitability especially with its biggest customer segment, Wholesalers. With the introduction of new Products X, there is a good chance of differentiation from competitors by offering the customers added value in form of superior performance, which will support the pricing strategy of Company X in the future. Furthermore, the request for Products X will not stop, the market continues to exist, as the law requires the installation of Products X in all public buildings. Although the authorities are not supervising Products X in such extent as required by law, it can be assumed that when a complaint concerning the performance, safety or quality of Products X by a foreign manufacturer, they will react. In a way, the Finnish market protects itself.

In case the low-priced competitors get a foothold in the Finnish market, not only Company X but also its local competitors will need to rethink their pricing and marketing strategies, as well as their production and R&D strategies. In other words, each of the current players will then need to renew their entire company strategy. *Threat of substitutes* depends of such factors as the acceptance of foreign Products X by local customers, the popularity of Product segment A versus Product segment B, legislation and the relative price performance of replacement Products X to the customer. The local manufacturers are aiming to keep the foreign competitors out of the Finnish market by influencing in legislation and the interpretation of EU standards.

The attractiveness of the Finnish market is further lowered by the fact that e.g. the installation and user manuals have to be included in the delivery of Products X both in Finnish and Swedish, thus influencing in the relative price and the willingness to offer a large variety of Products X to the market. Assuming that Contractors gain more decisive power in choosing Products X for construction projects in the future, the entry of low-cost Products X and foreign suppliers to the Finnish market might

be facilitated. At the same time, however, the Finnish customers prefer buying from Finnish suppliers, and the price is not the only factor in their decision-making process.

The reluctance to buy electrical construction products from foreign manufacturers lives strong among Finnish customers: “*Suosi suomalaista!*” (Favor the Finnish products!) is still a popular, nationalistic slogan in Finland.

If possible, a Finnish Contractor and Wholesaler will favor a Finnish manufacturer of Products X over a foreign one. Company X needs to use the nationalistic views of its customers in its favor, in marketing and in communicating its brand identity.

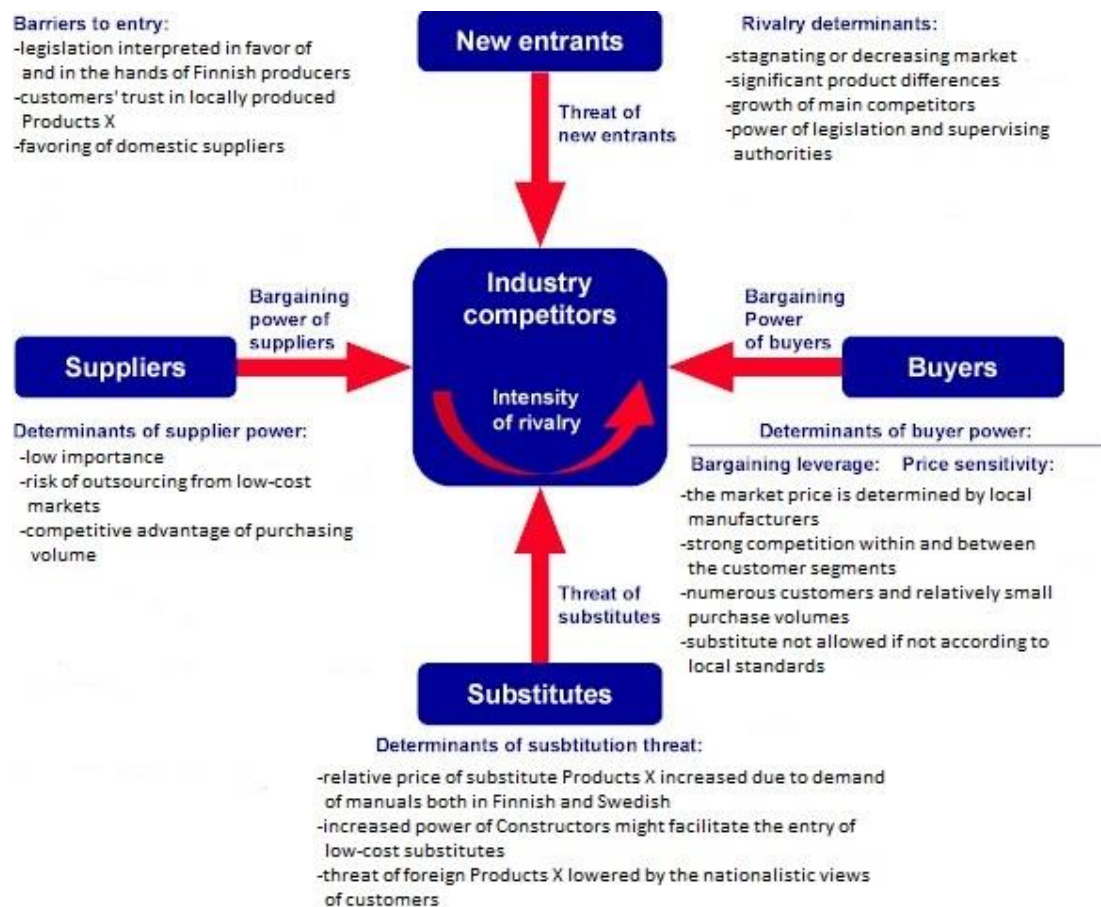


Figure 40: Porter's Five Forces of Competition model for Company X in Finland

The Five Forces model by Michael E. Porter was developed for determining an industry's profitability, in order to know what kind of a competitive strategy a company must choose in order to gain competitive advantage over its competitors. Little or no profits are gained in industries where the five forces are powerful, and higher profits are gained in industries where the five forces are less powerful.

(Porter, 2008). The result of this analysis for the use of Company X is that the biggest of the five forces are the *industry competitors* and *intensity of rivalry* by local competitors, but there are ways of challenging them. None of the rest of the five forces is very powerful and therefore, according to how Porter's Five Forces is to be interpreted, there should be a good possibility for gaining high profits in Sector X.

#### 5.4.3 Key success factors and key weaknesses

Key success factors for B2B marketing have been defined in various ways, for example as *focus*, *thought leadership*, *targeted lead generation* and *keeping customers close* (Shepherd, 2012). With the help of defining the key success factors and key weaknesses for Company X, the prioritizing of marketing activities, resources and budgeting will be easier. Focusing, or prioritizing, will help Company X to be more effective, to build more targeted marketing activities, to budget with more clarity, and to better track the effectiveness of marketing. Currently the focus is in creating marketing activities in cooperation with and aimed at Wholesalers, participating in trade fairs, and in producing a yearly product catalogue. With the current sales force, the only way to increase the efficiency is to move the focus in using the web pages and digital marketing tools as focused and as efficiently as possible. Furthermore, the focus needs to be transferred from serving Wholesalers to serving Engineering offices. For them it is relatively easy to increase the value generation by offering them more and better material in digital format, through web pages, white papers, newsletters. Assuming the number of salesmen is increased, it will be utmost important to start making sales visits, requested by all customer segments, and the most by Engineering offices.

Establishing and keeping up credibility in Sector X is vital for Company X. White papers, customer-oriented and customer-specific data on the web pages, product information in the right format for each customer segment, case studies on new projects and articles on technological features all add to developing and growing the credibility of Company X in the eyes of its customers. Thought leadership can also be leveraged through visibility at seminars and other events aimed at the main customer segments and stakeholders of Company X. In addition to trade fairs, Company X has the possibility to attend several other venues, where Engineering offices can be invited. Therefore the need for visiting each of them separately may not be that necessary – as with the current sales force it is nearly impossible,

anyway. Marketing can assist sales with sales support tools and by generating and filtering targeted leads for sales.

The strengths and success factors of Company X are linked to its past. Company X has been manufacturing electrical products for over 40 years, it is the most well-known company in Sector X in Finland, it has the best technological know-how and has its own R&D, production, marketing, purchasing, sales and after sales departments. Company X has a good relationship with each of the four biggest electrical wholesalers and its Products X get to be specified in most construction projects in Finland. Despite all this, according to the estimated market share, 65 % of purchases of Products X are made from the competitors of Company X in Finland. The key weaknesses of Company X are having lost its knowledge of the market and competitors, as well as the contacts with its customers. If the tacit knowledge is lost with the retirement of the key sales people of Company X, imminent within the next five years, also the information about many customers is lost. Implementation of a CRM system is vitally important in order to record the tacit knowledge and to be able to use the customer-specific information available for marketing, sales and after sales.

#### **5.4.4 Segmentation, targeting and positioning**

Segmentation, targeting and positioning form a three-stage process and luckily the first part of it is already done. Company X's meaningfully different groups of customers are Wholesalers, bringing in most of the sales, Contractors, who fight for construction projects and demand direct sales and decreased pricing, and Engineering offices who, despite mostly not buying Products X themselves, decide which manufacturer's Products X get specified into a building. Also Architects are included in the customer segments of Company X, but as the construction of special buildings, such as music and opera houses, museums, churches and other monuments worthy of specially designed Products X, keeps decreasing, so does the significance of Architects.

"Firms that specialize in meeting the needs of one group of consumers over another tend to be more profitable" (usc Marshall, 2013), which, in its all simplicity, reveals why Competitors A and B have in six years taken over 30 % of the market share in Sector X in Finland. Both Competitor A and B are targeting Contractors and offering them what they are interested in, low price and low installation costs. Company X has not been able to challenge them on that field. One of the strengths of Company



X is in its good position as a long-term supplier for Wholesalers and as the only supplier of Products X for their warehouses. There is no point in forgetting that Wholesalers are the customer segment which is bringing in Company X more than two thirds of the total sales of Products X.

Company X has been practicing the *undifferentiated* marketing strategy, where all customers are treated the same (usc Marshall, 2013). This has in fact worked well as long as all Products X in the Finnish market were quite standardized and no competitor made any efforts to differentiate. This was before Competitor B, followed by Competitor A, introduced a new kind of Product X in the market. Believing that authorities would ban their Product X, Company X still has not put much effort in coming up with a competitive Product X. In a way, Company X has also used the *concentrated* marketing strategy, where it has focused mainly on Wholesalers and Engineering offices and left Contractors, though unwillingly, to Competitors A and B. Both Competitor A and B follow the *differentiated* marketing strategy and have focused on one customer segment only, the Contractors. There would be possibilities for even more focused segmentation in the form of e.g. choosing the customers of one customer segment on demographic basis and it would not be such a big wonder if one of the smaller competitors decided to do so.

Targeting one or more customer segments depends not only on a company's resources, but also of how well competitors are serving those segments. Knowing that Contractors value low price and are happy with Company A's and B's Product X, it is most likely a waste of time and money trying to offer them any Product X for a higher price, no matter how good the service is – since Contractors don't value good service over low price. The size of the three customer segments also depends of the size of the market and number of construction projects. It seems that Contractors are getting more influence, but at the same time they have reported that the market is declining. It is also known that Engineering offices, at the moment, have lots of work and that smaller Engineering offices are slowly disappearing. According to Business Director of Company X (2013), their work has not appealed the youth to study that field and, with the old generation retiring, there will be no-one to continue their work. Engineering offices have also been merging and concentrating. This should make serving them efficiently easier, but also means that in order to work more efficiently, they will need better technical information of Products X and of their installation. But, Company X also has to serve its key customer segment, Wholesalers, who also require good service, information about new Products X, and who have frequently asked for sales visits and training in their offices. It seems like a mission impossible to target two, not to mention three, customer segments

efficiently, with the current sales resources. Following the current company strategy, Company X is offering the competition to take more market share, on a silver plate. The best option in the current situation would be to target Engineering offices, who specify Products X and have the biggest influence in which manufacturer's Products X will be supplied into construction projects.

Positioning involves the *implementation* of the selected targeting. To position Company X effectively, it is important to understand how Company X's brand and those of competitors are perceived. Based on the customer survey 2013, Company X's brand image in Finland is good. Company X is identified as a Finnish, well-known and reliable manufacturer of high-quality Products X. This is how the customers perceive Company X and how is its brand image. It tells Company X how it is positioned in Sector X in Finland. It is also clear that customers don't consider Company X as a low-cost or low-quality brand, which should therefore be avoided in marketing and communication. All marketing material, fairs, products and web pages need to reflect and strengthen the brand image of Company X.

## 5.5 The Marketing Mix for Company X

Either the 7 Ps, or the 8 Ps of services marketing, the *extended marketing mix*, is easily justified to be chosen as the Marketing Mix for Company X. The 4 Ps aren't enough for B2B marketing purposes. In addition to *product, price, place* and *promotion* also *process, people* and *productivity & quality* clearly has to be taken into account when planning the marketing strategy. Company X is producing high-tech Products X for B2B customers. It can be argued if *physical environment* needs to be included in the marketing mix of Company X in the case of the Finnish market. For the Middle-East customers of Company X, for example, its production facilities do not represent what could be expected from a globally operating manufacturer of high-quality B2B products.

While creating an appealing physical image can be important to some customers, it is mostly irrelevant to the Finnish customers where and how the products are manufactured, as long as they are made in Finland, as the 2013 customer survey and the interviews revealed. Therefore, 7 Ps are chosen as the Marketing Mix for Company X in the Finnish market.

1. Product
2. Price
3. Place
4. Promotion
5. People
6. Process
7. Productivity & Quality

Starting from *product*, it has become clear that Company X and Competitors A and B have significant differences in their Products X. This has in fact been obvious for several years already and steps have been taken in order to respond to the challenge, but the attempts have not been successful. The authorities cannot be trusted in supervising that each player on the market plays with the same rules, making the competitive market unfair for Company X and the rest of the competitors of Competitor A and B. Furthermore, as Company X has chosen not to copy Products X of Competitor A and B, due to the fact that it is impossible to design and manufacture such Products X so that they will still fulfill the EU standards and the requirements of the Finnish law. This has been the right choice and serves both the positioning and brand image of Company X. The challenge for Company X is to create new Products X with improved performance, that offer easier and faster installation, that can replace its old Products X, thus offering added value to its target customers, Wholesalers and Engineering offices. They also appreciate better design, better technical documentation and easily downloadable information, all of which is doable with the current resources.

New Products X also help to reduce the number of different Products X in the product portfolio, reducing e.g. warehousing and material costs. It also means having less Products X to be updated in the product management IT system. The first such, *next generation* Products X have already been designed and will be officially launched in late 2013 in Finland. When, furthermore, the *price* of the new Products X does not exceed the price of currently sold Products X, with the improved performance the higher price compared to Competitors A and B is well justified. This is, as long as the *market price* for Products X stays within the reach of

the target customers. Another option would be, to improve the existing idea of Competitor A's and B's Product X by creating an own version of it, to start with a basic copy by pretty soon, imaginatively, move the own idea beyond the original concept. In B2C sector, Target did it to Walmart who did it to K-Mart, just as Apple did it to Microsoft with the iPad tablet (McKeown, 2012).

The focus must be in designing and developing new Products X. In that way a better customer satisfaction is possible to be achieved, at the same time bringing more profit to Company X. Of the Marketing Mix, the *product* factor has been and still is definitely the most highlighted and can be also be seen as the increased number of people in the R&D department. However, the strategy must be reconsidered and the focus must be turned from designing new Products X to producing new *customer-oriented* Products X, with value-adding features that meet the customers' requirements. The R&D product road map has to be reviewed and discussed with key customers, and the sales and after sales department, in order to know what the market requires and, more importantly, which Products X are needed the most urgently.

It has been said that in recessionary times, price loyalty is greater than brand loyalty. "There is nothing that a 20 % discount won't cure." (Kotler, 2004). What would it mean, giving a 20 % discount to customers? Would it be possible to increase the sales by equal amount? Most probably not, since the market is not going to grow that much anyway, estimated both Sales Manager and Business Director of Company X (2013). According to Contractors, Company X's Products X are circa ten percent more expensive than those of Competitor A and Competitor B. A ten percent discount when fighting for a big construction project is manageable, as long as it doesn't become the new standard price. "It is difficult to get up from the discount basket", said Marketing Director of Rapala Oy, Mr. Teemu Mäkelä, at The Brand Day seminar (2013). It is difficult to believe that Company A or B, or any other competitor for that matter, would want to, or be able to lower their prices with their current product portfolio from what it is. That is, unless they decide to make a strategic move and shift their production for example to Eastern Europe. That, however, would increase their transport costs and probably lead to a resistance by the local manufacturers in Finland, since the quality of Products X currently manufactured in Eastern Europe is inferior to that of Finnish Products X (Sales Manager of Company X, 2013).

The objective of distribution is to make products available in the right place, at the right time, in the right quantities, using right distribution channels. (Riley, 2011). If

any of those fails and the competitors have their distribution arranged in a better way, it is again a weakness and threat for Company X. *Place*, or more commonly *distribution*, is another key element in the Marketing Mix of Company X. According to the customer survey 2013, in addition to *Price level of the products* and *frequency of customer visits*, *speed of deliveries* received the lowest points when evaluating Company X. This, assumingly, has to do with the fact that both Competitor A and B make deliveries from their warehouse, as fast as during the same day (Competitor A's web site, 2013), while Company X only starts assembling its Products X after receiving the orders.

Speed of delivery is not an issue with Wholesalers with whom the delivery times and terms are agreed beforehand, and who receive standard deliveries on certain days into their warehouses. Contractors, on contrary, are often asking for faster deliveries. Products X are one of the last electrical products to be installed in a building, and required to be installed there by law. It often happens that Contractor forgets or makes a mistake in ordering the right amount of Products X and calls Company X in the last minute to ask for a few more pieces of Products X. (Sales Secretary of Company X, 2013). If in some cases Company X cannot speed up the production and deliver the missing Products X within the requested time, which often is less than 24 hours, Contractor, understandably, thinks it is Company X's fault and not theirs, that the inauguration of a building gets delayed. Competitor A and B outperform Company X in this factor and seem to have understood better that they are in service business.

Warehousing of the fast-moving, the slow-moving, the typical last-minute-order-cases, or all Products X, would solve this problem, but cause expenses in the form of increased warehousing costs. It needs to be carefully calculated what kind of numbers, in what size of packages, and with which terms Products X could be warehoused. Another option is improving and increasing the warehousing of Products X in one or more Wholesaler's warehouse and direct all the last-minute inquiries there. Currently only a fraction of Company X's Products X are available from Wholesalers' warehouses. Also they don't always have stock at hand.

*Promotion* of Company X in Finland is currently done using both traditional and digital channels. There is advertising of new Products X in special magazines aimed at contractors and engineering offices. Irregularly published newsletters include news about Products X, their installation, the standards' requirements, company and sales personnel presentation, and information about the upcoming events and fairs. The web pages of Company X are updated regularly with information about

new Products X. New downloadable material and other useful information, such as Product X pictures and technical data can also be found there.

Company X has introduced the first video, an installation guide of a new Product, in Youtube, in spring 2013. Both Intranet and Extranet web pages are launched and Company X can be found in Google Maps. Next, a LinkedIn page for Company X will be opened, and used for recruitment announcements and for searching new employees. The plan is not to open a Facebook account or to start a blog, to go into Twitter or start advertising in Google Ads. There are limited resources and budget, and it has to be thought carefully which social media channels and tools are the most necessary and suitable for Company X – and focus on those. Re-tweeting, sharing and posting testimonials or sending out positive feedback, checking several different Social Media sites at least twice daily and regularly conducting searches for key words about the company (King, 2013), is just not the thing for Company X. First things first.

A good tool for visualizing the marketing and other promotional activities of Company X is a so called *Marketing Year Clock*, a marketing year planner, where all the marketing events and campaigns, sales promotion, advertising in professional magazines, product launches and newsletters are described and scheduled.



*Figure 41: Marketing Year Planner (Modified from Octane Campaign Planner, 2012)*

All in all, the *promotion* part of Company X is not at all in a bad state. Compared to its competitors, the customers get a lot more information about Company X's Products X, through various channels. Furthermore, steps and plans have made to

renew the web pages to be even more user-friendly, and to increase the number of newsletters to at least six per year, for each customer segment separately.

The real problem with *promotion* in the Marketing Mix of Company X is, currently, the *people* factor, meaning the lack of customer contacts especially in the form of sales visits. Based on the customer analysis 2013 and on Google Analytics, the newsletters of Company X only reach up to 50 % of the customers. Customers are asking for sales visits and training about Products X, but there aren't simply enough sales resources to go and visit them. Not investing in sufficient sales resources is quite a short-sighted strategy by Company X.

It would be easy to compare Company X with its smaller competitors and to focus on wondering how a company of five employees can challenge a company of 80 employees. However, when looking more closely, both Competitor A and B, have a larger number of salesmen in Finland than Company X. With one Sales Manager and one and a half Sales Secretaries only, who are spending nearly all their time in the office making offers and placing orders, Company X is in threat of losing its customers. Meanwhile, the competitors' salesmen are out there meeting customers.

Based on the negative feedback from the customer survey 2013, improving the quality and durability of its Products X is vital for Company X. The marketing campaigns and active communication is next to worthless if the quality problems continue. Quality can be improved by creating *processes*, in both R&D and Production. Measuring customer experience would improve the After Sales' customer feedback process, by using modern tools and processes. Unfortunately, they require investments and costly third party consultants and services.

Another important tool for measuring the effectiveness of the processes and actions, is recording not only the customer feedback from After Sales, but also from everyday sales communication. The data is to be saved in a CRM system so that it is available for the use of marketing and sales, in everyday communication with the customers. *Productivity & quality* go hand-in-hand. In order to be able to be competitive in the future, the productivity of Company X must be improved by rethinking the processes and by focusing on improving the quality of service as well as the products.

## 5.6 Outline for a marketing strategy

The suggested marketing strategy, based on the careful interpretation and analysis of all the information in the preceding chapters, includes the aim of creating value to the targeted customer segments through offering them superior product features and service compared to competitors. The result, differentiation and delivery of customer value at a profit, is like straight from a marketing book by Philip Kotler. Nevertheless, it forms the key marketing strategy outline for Company X.

Building a strong marketing strategy, involving both Sales and After Sales, further increases the effectiveness of customer communication and creates new sales possibilities. In order to not to forget the existing customer base, they must be kept close and involved in the planning of marketing actions. Focusing solely on getting new customers demands not only more sales force but also increased marketing investments. The level of engagement with the existing customers must be raised and intensified.

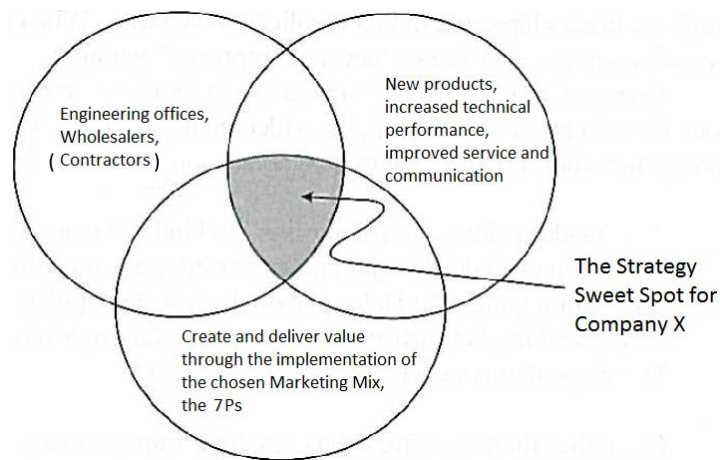
While it seems that the market for new building construction is decreasing and renovation and refurbishment business is rising, the role of After Sales will be emphasized. After Sales should consider extending their service portfolio and use the know-how and experience in Company X to create invoiceable services to existing customers. It has already been planned that the sales of spare parts and refurbishment sets for old Products X will be switched from Sales to After Sales, who are mostly contacted when customers face the need of updating or renewing their outdated Products X.

The key strategy decisions for Company X are formed according to their customer segmentation. The customers of Company X, including Wholesalers, Contractors and Engineering offices, all require a different strategic approach. Of these three segments, firstly Engineering offices and secondly Wholesalers are selected as the targeted customer segments. There simply are not enough resources to focus on all three, and two already requires a huge sales-supportive effort and inventive, new ideas from the marketing department of Company X. Concentration on e-marketing and digital marketing tools is the only way to go.

In order to be able to compete with Competitor A and B, new Products X with increased technical performance and other value-adding features, such as improved ease of installation and lowered life-time costs, must be introduced. Lowering the price of Products X would lead to less margin, and as the market size is limited, it cannot be easily compensated with increased sales or by creating new sales



channels. Customers also demand and require improved service and better and more frequent communication. Unfortunately, with the current sales force, the possibility of increasing customer communication in the form of sales visits is not possible. Therefore, marketing must use digital channels in order to communicate new product features and deliver value through the implementation of the chosen Marketing Mix, the 7 Ps, to each customer segment. Combining the key strategy decisions forms a so-called *strategy sweet spot*, which is where Company X meets its customers' needs in such way that its competitors are not able to match, in the context of Sector X. Key strategy decisions for Company X are described in Figure 42.



*Figure 42: Key strategy decisions for Company X*

Contractors are included in the key customer segments of Company X, though they are not included in the targeted customer segments. The importance of Contractors may increase in case of one of the threats in the SWOT analysis realizes, and Contractors obtain more power in the decision-making process. Furthermore, Company X is also currently dealing with Contractors directly in case of some large building projects. Therefore, they are not to be dismissed totally.

## 6 SUMMARY AND CONCLUSIONS

The aim of this study was to create a winning marketing strategy and an outline for a marketing plan for Company X. In this chapter, the summary and the conclusions of this study are presented. The research problem and the objectives are compared with the results and the main achievements, the accomplishment of the set targets are evaluated. The contribution of the findings based on the conceptual framework is estimated and further discussed. The key results and the conclusions of the research context are then presented, and followed by defining the limitations and implications regarding this study. Lastly, the recommendations and suggestions for possible future research are discussed in the end of this chapter.

### 6.1 Key results and conclusions

The main research problem of this study was to explore, *how to secure the leading position of Company X in Sector X in Finland through strategic marketing management*. The problem was approached firstly by reviewing relevant theoretical background as well as recently published professional studies and reports. In order to reach the targets of this study, the results of the customer survey in May 2013 were analyzed with the help of several figures, and then discussed. Interviews with customers and salesmen of Company X were used to further evaluate the results and to give more substance on interpreting the data. Strategy tools, SWOT and Porter's Five Forces model, were then used to convert the data into a visual format, creating the base for the developing the Marketing Mix for Company X. As the final result, the key strategy decisions for Company X were described and its *strategy sweet spot* revealed.

The first of the sub research questions, *which elements does a marketing strategy consist of?*, has been thoroughly answered and explained in this study, based on several academic theories and articles.

The second sub question, *what is the market of Sector X in Finland and where is it heading?*, is somewhat complicated to answer. One cannot know what will happen in the future, and the different sources of information used to enlighten the future prediction in this study are partly contradictory. The market of Sector X is either declining together with the rest of the electrical market, or maintaining its slow but steady growth. Voices from the industry need to be closely and continuously

followed, since neither the professionals in the electrical market in Finland, nor the results of this study, give an unequivocal answer to the second sub research question.

Third sub question, *who are the main competitors of Company X and what kind of a threat do they form?*, is discussed in Chapter 5.2, Competitor analysis. The main competitors are selected based on the analysis of the customer survey, the financial data of the competitors, as well as on the interview with salesmen of Company X. Furthermore, the market shares of Company X and its main competitors are evaluated, and their Products X and marketing methods are compared with Company X.

The answer to the last sub question, *how to create value to the different customer segments of Company X through strategic marketing management?* is found in various parts of this study. Customer analysis, with detailed analysis of different customer segments and their special qualities, expectations and demands, can be found in Chapter 5.3. Furthermore, strategic marketing management and customer value concepts are discussed and processed, on the basis of the theoretical framework, and recent studies and reports on the subject.

Sector X is a conservative industry with a relatively low level of technological innovations. As stated in the Frost & Sullivan report, manufacturers need to spend more efforts on product quality, which lead to increased productivity. It further states that “manufacturers should place more emphasis on online platforms and websites and provide appealing product brochures” and offer extensive information about Products X with great emphasis on the energy efficiency features (Frost & Sullivan, 2011). All this fits not only the findings of this study, but, unfortunately, reveals that both Company A and B have read the Frost & Sullivan report back in 2011 and reacted to it.

Company X needs to clarify its basic values and develop a comprehensive brand-building plan, to focus on creating customer experiences at every touch point, to use the brand value as the key driver of the company’s strategy, operations, services and product development (Kotler, 2004). The brand, just as well as the marketing strategy, requires careful management. Marketing must be given a key role in the strategic management in the company, in order to not just to stay in the game, but to stay ahead of the competition, to secure that leading position in the Finnish market.

Consequently, the most important findings of this study are that first of all the old strategy of *producing products and selling them to the customers* is no longer effective enough in the competitive environment of today. Secondly, the importance of a creative, effective and winning marketing strategy is crucial to Company X, who is facing aggressive marketing by its competitors and increasing demands by its customers. Thirdly, it is evident that Company X cannot rely on the support of authorities, TUKES, in supervising the manufacturers in Sector X. This is leading to the fact that the rules set by the EU standards and Finnish law are neither binding nor compelling in the Finnish market. Despite the lack of support from the authorities, Company X has begun an increasingly aggressive marketing campaign, focusing on informing its customers and other stakeholders, of the requirements of the standards, emphasizing that Products X of Company X are inspected, and their performance measured according to the standards. The names of competitors are not revealed, but some misleading points, which are in obvious contradiction with the standards, are pointed out. The advertising campaign in a magazine aimed especially at Engineering offices and newsletters informing all customer segments, are planned to be continued. Next, the top management of Company X will approach the authorities and demand that they will take action. The reaction to the campaign by Competitor A and B is expected with huge interest. It is hoped, with or without the support of the authorities, to force them to develop their Products X, leading to increased material and inspection costs.

Company X has also secured its back by having most of its Products X tested and certified by a neutral and independent, international inspection, verification, testing and certification company, SGS Fimko. Furthermore, Company X has chosen a strategy of not going in competition with Competitors A and B by neither lowering the quality, nor the price of its Products X. Instead, the strategy of Company X must be *differentiation*, achieving superior performance by using segmentation, positioning and targeting.

As a conclusion, it can be stated that the results and findings are in line with the set targets and give sufficient answers to the research problem and the sub research questions.

## 6.2 Discussion

Having worked both as Export Manager and Marketing Manager in Company X, and in different sales and marketing positions in other companies in the past, has given me a good understanding and perspective of the sales and marketing functions in Company X. The 2013 customer survey formed a large part of the information basis for this study. Although I was solely responsible for organizing it, I had no influence in its results. Furthermore, it was commonly assumed in Company X that there were less competitors in Finland in Sector X than what the customer survey and revealed, and that the market share of Company X is over 50 %, when in fact it was shown in this study that it is ca. 45 %. As a researcher, I have viewed Company X from the angle of objectivity, good scientific practice and honesty, despite my role as an employee in Company X.

Company X is spending more efforts on R&D and production-related matters, and less on encouraging branding or market exposures. A clear proof of this is that while the number of personnel in the R&D department has quadrupled in five years, the sales team for Finland has lost two employees. Meanwhile, three new competitors have started from zero and taken 30 % of the Finnish market in Sector X. To make it worse, year by year, the number of sales visits have been decreased from up to 50 per year to less than 10 per year in 2013. Also, it was not known to Company X how many and what kind of competitors have entered the Finnish market. It is obvious that Company X has failed in following the Finnish market and its competitors. Optimizing of the returns, planning and implementation, is leading to stagnation, in a strategy process led by R&D and documentation. Company X is in the *internal environment / compatibility zone* and has chosen the strategy option of focusing on *optimizing*.

In order to get out of the *optimizing* square, into the external environment, not only the marketing strategy but as well the company strategy must be rethought, to be able to get out of the *internal / compatibility environment*. The alternatives are to move to either *positioning* or *learning*. Adopting a target-oriented strategy process means that Company X has to step out of its comfort zone and be open for new business opportunities, to learn and renew itself. Another option is to use benchmarking and managing of the brand dynamics for *positioning*, to grab a leadership position in the *big picture*, to move towards the external environment, out of its box.

Moving to either of the preferable strategy options, *positioning*, or *learning*, may only be possible by passing through *radical renewal*. In order to have several options open for the future, market inconsistencies and opportunistic strategy is to be utilized. (Vainio, 2012).

The assumptions and conclusions based on the SWOT analysis and Porter's Five Forces of Competition are a result of using the available information about the market, the competitors, the customers and Company X. What it doesn't reveal is what the competitors are planning to do next, what is their strategy, or what is the company strategy if the market suddenly changes.

Company X, the market leader, is forced in a defending position. A good and innovative marketing strategy, without being supported by the company strategy, is only helping so far, maintaining Company X in the *internal environment / compatibility square*.

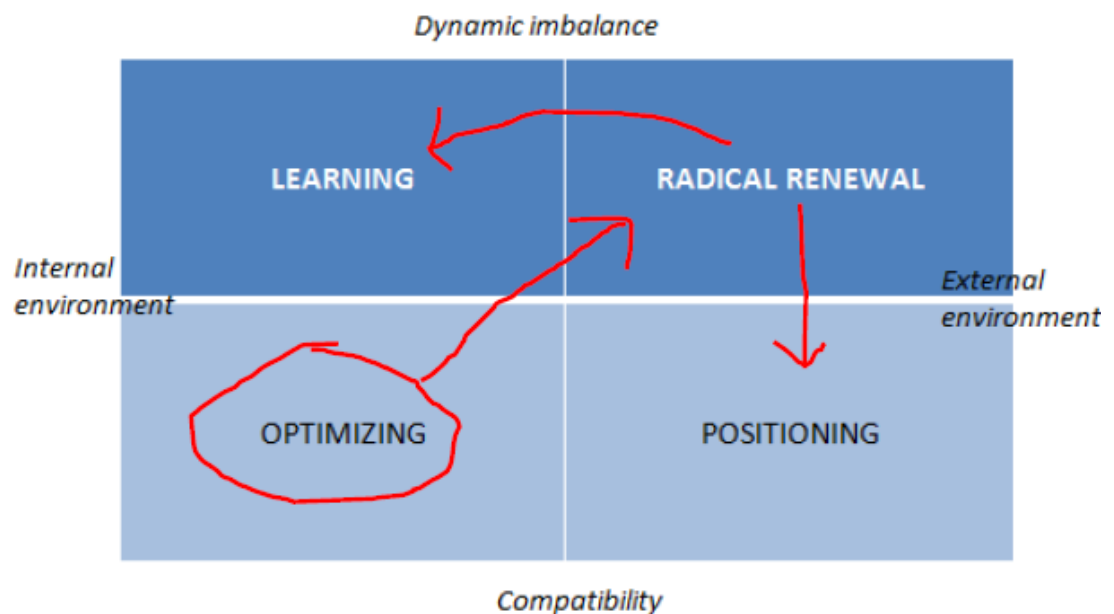


Figure 43: Strategy options (Vainio, 2012)

The nature of the strategy process is a description created of the theme and phases, based on static strategy concepts. From the point of view of strategic marketing management, the marketing aspect of it remains to be unrevealed and has been only superficially covered in this study. The concept of management and leadership in an organization has the key role in the company strategy – which, consequently, defines the aims and targets for the marketing strategy. (Vainio, 2012).

The ramification of the suggested marketing strategy for the company strategy is unquestionable. The suggested marketing strategy is not possible to be implemented if Company X refuses moving from *optimizing* to another square.

Where the market of Sector X in Finland is heading, and, especially, what the competitors will do next, or even who the competitors will be in a year or two, is impossible to be found out based on any analysis. At most, this study provides the best guess, together with the argument and rationale for giving strategic marketing management a key role in the strategy process of Company X.

### 6.3 Limitations and suggestions for future research

This study consists of a theoretical framework and literature review, empirical research on the market, the competitors and the customers in Sector X in Finland, from Company X's perspective, in strategic B2B marketing context. The scope of the study is narrowed down and the other business unit or the export operations of Company X are not taken into account in this study. There are certain limitations which are to be taken into consideration.

Company X's business unit of Sector X is operating in a very niche, high-tech B2B market, because of which the findings and conclusions of this study cannot be directly applied to companies outside Sector X, and definitely not in B2C context. Furthermore, Company X is operating in another technology sector as well, which is getting most of its sales from export. Sector X is separated from the other sector within Company X, as an own business unit. Naturally, the company strategy is divided between these two sectors. Finland is the main market for the business unit of Sector X. Developing a marketing strategy for any of the Sector X export markets of Company X will require an individual study, though the theoretical framework and the structure of this study could certainly be reproduced and used as a theoretical basis for the research.

Many of the analyses and conclusions were based on qualitative data, such as interviews and open questions in the customer survey, giving no statistically valid data, thus limiting the ability to make broader generalisations from the results. However, the extent to which using qualitative data reduces the quality of the findings, when focusing on Company X and Sector X alone, is a matter of debate. Marketers are expected to be creative, make use of all the available data, and all customer data and feedback is valuable to them as well as to the company. Also the sample size and quality of the quantitative data, the customer survey 2013, can be debated. It can be argued if the sample size would have been larger had the survey been realized earlier or later in the year, or if the share of respondents from different customer segments were rightfully divided. However, the previous survey in Sector X in Finland is from 2007 and its sample size was smaller than that of the 2013 survey, giving assumptions that the sample size was large enough.



As mentioned in Chapter 3.3, the number of respondents from different customer segments correspondent to the share of customers in Company X's customer database. As the number of respondents from Engineering offices was, though representative to the number of the customer database of Company X, numerically small, it would be useful and interesting to make a new, individual survey focusing only on Engineering offices, in the near future.

It can also be debated if the strategy tools used in this study to evaluate the internal and external factors, and the micro and macro environment, were meaningful, and if their use in defining the marketing strategy was based on the right assumptions. The use of SWOT analysis as the basic strategy tool is almost self-evident, whereas Porter's Five Forces of Competition sheds more light to the competitive context, the external forces. Both of the selected strategy tools had an important role especially in narrowing down the outcome of the research and in developing the marketing strategy. In addition, there are many strategy tools and models, whose usage could be well-justifiable, had this study concentrated on the corporate strategy instead of the marketing strategy of Company X.

The limitations which have had the greatest potential impact on in this study are, in addition to the quality of the findings, the ability to effectively answer the research question, *where is the market of Sector X in Finland heading?* Various sources of information have been used to find answer to this question, including the Frost & Sullivan 2011 report of the European market of Sector X, as well as recent articles with interviews and comments from professionals in the Finnish market. But, as even the professionals' evaluations and predictions of the future don't match to each other, it is difficult and nearly impossible to draw waterproof conclusions, of where the market is heading. The uncertainty of the economic situation, the news of mass layoffs and uneven division of the workload among the different customer segments of Company X, further decrease the level of uncertainty. Use of *Scenario planning* would help in anticipating, making sense and learning about the future. It "should bring assumptions into the open (transparency) and increase the range of options considered (diversity)." (McKeown, 2012). All in all, the question is answered as objectively as possible and based on several sources of information, which implies that either the question was not correctly formed or that it is not possible to give a straightforward answer.

Execution of the suggested marketing strategy is not within the scope of this study. It is clear that however good the marketing, or any other strategy is, it is useless if the execution fails. One evident obstacle in the execution came up in the discussion at the *Social media in Finnish technology industry* seminar in Helsinki. Each of the companies, presenting their case study of implementation of social media tools and methods, when asking the biggest obstacle, named the same factor. It could be called, depictively, the *over 50 years old male technical engineers* obstacle. Common to this group is, based on the short, qualitative study in the social media seminar, their protesting attitude, inability to accept or even try anything new, and the often heard statement "I am too old to learn it". (Teknologiateollisuus, 2013a). The next, 2014 social media seminar will most probably reveal how the companies have managed to overcome this obstacle – and it would also be a good theme for an individual academic study.

Overcoming the obstacles to effective strategy execution could be helped with the use of further strategy tools, such as Hrebiniak's Model of Strategy Execution. Hrebiniak's Model of Strategy Execution gives a logical view of the organization, parts that require decisions and action. The model can be used in figuring out how the parts fit together, if they're working well and whether they can be improved. Each part is in interaction with each other. The model should be helpful in finding out what is the best culture climate and leadership style to make the strategy work, to make it happen. (McKeown, 2012).

The limitations discussed above could probably be overcome through future research, and most certainly the only option to manage the marketing strategy effectively is to continue following and analyzing the market of Sector X in Finland as well as global and European market trends. It would also be interesting to see another, larger-scale study, on the entire Finnish B2B high-technology sector, the future development and the role of its strategic marketing management in Finnish companies, in order to be able to compare it with the results of this study.

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## APPENDICES

### Appendix 1: The 2013 Customer Survey Questions

In this survey, explaining Company X's opinions Company X, it works and products. Products are referring to when talking about Products for X. Research carried out in collaboration with students from the Lahti University of Applied Sciences. The aim is to improve the company's customer satisfaction, so getting answers directly from the customers is important. The survey will take approximately 5-10 minutes.

#### 1, Region:

- Ahvenanmaa
- Etelä-Karjala
- Etelä-Pohjanmaa
- Etelä-Savo
- Kainuu
- Kanta-Häme
- Keski-Pohjanmaa
- Keski-Suomi
- Kymenlaakso
- Lappi
- Pirkanmaa
- Pohjanmaa
- Pohjois-Karjala
- Pohjois-Pohjanmaa
- Pohjois-Savo
- Päijät-Häme
- Satakunta
- Uusimaa
- Varsinais-Suomi

#### 2, Industry:

- Wholesaler
- Engineering office
- Contractor
- Architect
- City office
- Other , what ?

#### 3, How long have you been Company X's customer?

- Less than 2 years
- 2-5 years
- 6-9 years
- 10-12 years
- 13-15 years
- 16 years or more

I'm not Company X's customer

4, When have you last purchased Company X's Products X?

Within the last month

1-2 months ago

3-6 months ago

7-11 months ago

Communication within the last 12 months or more

5, How important do you consider the following factors when determining Products X shops selling companies?

Indicate the importance of the factors on a scale of one to five, where 1 = not at all important , 5 = very important

Good customer service	1 2 3 4 5
Product texture	1 2 3 4 5
Adequate the price level	1 2 3 4 5
The variety of products	1 2 3 4 5
Shipping rate	1 2 3 4 5
Security of supply	1 2 3 4 5
Reliability	1 2 3 4 5
The appropriate payment conditions	1 2 3 4 5
Frequency of customer visits	1 2 3 4 5
Our knowledgeable sales staff	1 2 3 4 5

6, Please answer the following statements about Company X on a scale of 1-4, where 1 = strongly disagree, 2 = Disagree , 3 = Agree , 4 = strongly agree.

Company X offers a high-quality service	1 2 3 4
Company X products are of high quality	1 2 3 4
Product prices are good	1 2 3 4
The product range is a versatile	1 2 3 4
The products are delivered quickly	1 2 3 4
I trust Company X as supplier	1 2 3 4
Company X is a reliable company	1 2 3 4
Terms of payment are suitable	1 2 3 4
Customer visits are often enough	1 2 3 4
Company X sales staff is knowledgeable	1 2 3 4

7, Would you be willing to recommend Company X to other customers ?

Yes, why? \_\_\_\_\_

I do not, why? \_\_\_\_\_

8, Do you buy Products X from a competing company?

Yes

No

If you answered no to the previous point, "No " , please continue to Step 12

9, How often do you buy competitors' Products X?

1-2 times a year,

3-4 times a year,

5-6 times a year,

7 times or more,

10, From which company do you buy Products X?

open question \_\_\_\_\_

11, What are the Company X advantages over its competitors ?

Please answer on a scale of one to five, where 1 = strongly disagree and 5 = strongly agree.

Displaying 1 2 3 4 5

Services 1 2 3 4 5

Texture 1 2 3 4 5

Price 1 2 3 4 5

Reliability 1 2 3 4 5

Delivery Process 1 2 3 4 5

Other , what ? 1 2 3 4 5

12, Are you aware of the Ministry of Interior for the Sector Regulation X, which defines the requirements for Products X?

Please select one of the options.

I do not know the setting

I know but I do not , have not looked at

I am confident that the manufacturers of the products have to comply with the requirements

I am confident that TUKES monitors the conformity of products

I am confident that the CE marking on the product suffice to ensure conformity of the product

13, Do you know and you have purchased Products A?

Please select one of the options.

I've bought

I know, but I have not bought

I do not know

I'm about to buy

I do not plan buying

14, Have you purchased Products B?

Please select one of the options.

I've bought

I know , but I have not bought

I do not know

I'm about to buy

I do not plan buying

15, Have you received the Company X newsletter ?

Choose one option.

yes

I do not

I've had , but I have not read

16, What things would you like a newsletter containing?

Mark the attractiveness of the subjects on a scale of one to five, where 1 = Not interesting, 5 = Very interesting.

New items 1 2 3 4 5

Product Changes from 1 2 3 4 5

Standards and criteria 1 2 3 4 5

Trade fairs and events 1 2 3 4 5

Other - what? February 1 2 3 4 5

17, How do you use the product list of Company X?

Please select one of the options.

I prefer a printed product catalog

I prefer the electronic product catalog

I do not and I do not use electronic printed product catalog

I use the individual product brochures ( available for download in PDF format on Company X website )

18, Which of the following channels of communication with your recommend ?

An estimate of the channels on a scale of one to five, where 1 = very poor, 5 = very good

Phone 1 2 3 4 5

Email 1 2 3 4 5

Customer Visit 1 2 3 4 5

Other way - what? 1 2 3 4 5

19, Requests or feedback about the products, the service, the delivery process or any other matter :

Thanks for your time !