

Saimaa University of Applied Sciences
Faculty of Business Administration, Lappeenranta
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Analysis and improvement of the marketing mix. Case Company X.

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Abstract

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Analysis and improvement of marketing mix. Case Company X, 46 pages, 3 appendices

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The aim of the thesis was to analyse the importance of the marketing mix, consider its crucial elements, discover their correlation and effect on overall performance. The work considers the analysis of the marketing mix and ways of enhancement in order to achieve marketing objectives.

The research was done for Case Company X, the new outlet apparel store in Lappeenranta. The company's main goal was to increase awareness of the shop and increase sales by attracting more customers.

The data for theoretical research was gathered from secondary sources, such as books, articles and Internet sources. The primary data was obtained from unstructured interviews with customers, personnel and from the company's internal database.

The result of the study was an analysis of the marketing mix of the Company X, to discuss the mistakes and weak spots, design of marketing activities aimed on improvement and evaluation of the implemented actions. The project discovered the necessity of development of the marketing mix and set an action plan for the company. The further success of the company will be defined by the way of accomplishment of the improvements.

Key words: marketing mix, promotional mix, apparel

Table of contents:

1	Introduction	5
1.1	Idea of the research.....	5
1.2	Brief introduction of the Case Company.	5
1.3	Background of the study	6
1.4	The purpose of the research.....	6
1.5	Research question.....	7
1.6	Objectives and limitations	7
1.7	Theoretical framework	8
1.8	Research methods.....	8
1.9	Empirical part.....	9
1.10	Structure of the thesis	9
2	Marketing planning	10
3	Marketing mix	11
3.1	Product	12
3.2	Price	13
3.3	Place.....	14
3.4	Promotion	16
3.5	People	18
3.6	Physical evidence	19
3.7	Process.....	20
4	Case company.....	21
5	Marketing mix analysis. case company.	22
5.1	Product. Case Company.....	22
5.1.1	Mistakes in product mix.....	23
5.1.2	Required actions	24
5.2	Price. Case Company.....	25
5.3	Place. Case Company	26
5.3.1	Location	26
5.3.2	Appearance.....	26
5.3.3	Problems of the Location	27
5.3.4	Further recommendations	27
5.4	Promotion. Case Company.....	28
5.4.1	Advertising	29
5.4.2	Distribution of leaflets.....	29
5.4.3	Personal selling.....	30
5.4.4	Sales Promotions.....	31
5.4.5	Evaluation of the promotional efforts.....	31
5.5	People. Case Company.....	34
5.6	Physical Evidence. Case Company	35
5.7	Processes. Case Company	36
6	Recommendations.....	37
7	Conclusion	38
	Figures.....	40
	Charts	40

References.....41

Appendices

Appendix 1	The Leaflet N1, Both sides
Appendix 2	The Leaflet N2, Both sides
Appendix 3	Forms for personnel

1 Introduction

Marketing is important to any business and takes a crucial part in companies' strategy. The marketing mix of the company is a corner stone of the whole marketing strategy. The strong integrated marketing mix can build trust with customers and be a competitive advantage for any business. On the other hand, problems in setting marketing mix elements or miscommunication among them can lead to serious consequences, such as losing profit, clients and etc.

1.1 Idea of the research

The interest in this topic appeared to the author's working experience in the case company. Due to the unstable financial position one of the most important daily tasks was to research what are the company's main problems, prioritize which of them to solve first and how to improve the company's current position on the market.

Due to the low revenues and inconsistent customer flow the case company does not achieve profits in order to implement of the suggested improvements at once. Therefore, the research also considered the financial abilities of the company and matched them with needs in a priority order. Also, the financial state of the company required search of alternatives for certain decisions and creativity, how to balance the costs and achieve the set goals.

1.2 Brief introduction of the Case Company.

The case company is an outlet apparel shop that was established in March 2013 in Lappeenranta, Finland. It offers a wide range of multibrand clothes to its customers. The goods are imported from Europe and USA. The company offers well-known brands, such as GreenHouse, B.Yong, FriendTex, VeroModa, Sublevel, Ralph Lauren and others. The quality of the items is very high despite that the prices are quite low. The company offers men's, women's and kids' apparel.

1.3 Background of the study

The consumer markets are filled with various apparel shops nowadays and it is always complicated to step into a fully served market area. There is a number of different tools to promote the offer to potential consumers. However, not all of them are effective and bring the desired results. The most sophisticated part of promoting a brand new company is to find the balance between useful and cost-efficient marketing tools. Therefore, it is important to consider the suitable marketing mix in order to reveal which methods will be more expedient. One of the aims of the work is to research and implement the main tools of attracting customers and to develop consumer loyalty.

The idea of the project is not only to attract customers to the new apparel store but also to create strong relationships with them. Therefore, the work is dedicated to reveal the main crucial factors of marketing mix on the apparel markets and to create a marketing mix based on the research outcomes. Due to the fact that buying behavior is an ongoing process, which involves many actors and consists of several stages it is important to consider them all and their influence on each stage of purchase decision (Solomon 2013, p. 318).

In accordance with the consumer behaviour it is easy to reveal the most important components of the marketing mix, which have to be improved in order to satisfy customers better. As the competition on the apparel markets are quite tough it is wise to consider all the 7 Ps of marketing mix, upgrade them and gain a competitive advantage in every niche.

1.4 The purpose of the research

The purpose of this research is to investigate the importance of marketing mix, ways of affecting the position on the market through marketing mix, ways to improve the marketing mix and achieve the brand awareness through it.

The empirical research is based on the desk theoretical research and analysis of the inside information. The aim of this research is to create valuable

improvements of the existing marketing mix, implement them in priority order, evaluate the results and set the recommendations.

1.5 Research question

The main research question is:

“How can the marketing mix of the company be improved in order to enhance the customer loyalty and increase revenues?”

The sub-questions are:

- How the marketing mix can be improved?
- How does marketing mix help to attract customers and maintain relations with them?
- How can recognition and customer loyalty be improved?
- Which promotional tools are more successful?
- How can the implemented actions improve the company's situation?

1.6 Objectives and limitations

The objectives of the work are to create a set of activities in order to improve the awareness of the apparel store, attract more customers and build strong connections with customers. Also, the objective of the work is to analyse the existing marketing mix of the company and research the ways of its improvement. Mainly the attention is paid to promotion, its ways and effectiveness, nevertheless all the Ps of marketing mix are analysed, as they are crucial for company welfare.

The limitations of the thesis are financial issues; according to the financial state of the company, it is not possible to implement all the desired actions. Because of the confidentiality the actual profit figures are not included in the thesis work.

The marketing SWOT analysis, research and segmentation will be left out of the research as it was already implemented in the company. However, the further research findings will be made according to this knowledge. Also, the

psychological issues in difference of buying behaviour of various types of customers wouldn't be considered.

Furthermore, the macro-marketing environment will not be considered in the thesis work, despite that company's welfare also depend on legal forces and economic conditions.

1.7 Theoretical framework

The theoretical framework provides the information about the case company and all the general information about the topic and related aspects based on books, articles and Internet. In the theory part the marketing matters related to the research were considered. It includes the theory about consumer behaviour, considers the company position in the purchase processes and ways to affect the consumer decisions.

The other important part of the theoretical framework is the market-focus approach, which considers the development of customer loyalty and company awareness. It includes marketing mix, marketing planning process and various marketing tools. The marketing mix is built in accordance with the understanding of customers. Also, the effectiveness of the certain marketing tools in accordance with the expenses were to be considered. The theory part helps to determine corner stone concepts that can be applied to research, identify its importance and set the action plan for the empirical part.

1.8 Research methods

The research is done by the qualitative case study of the apparel store; it includes the analysis, preparation and implementation of certain stages. Also, it includes the analysis of the outcomes and further recommendations.

The theoretical data and part of the empirical data was obtained through a desk research. The primary data for the research is acquired through the unstructured customer surveys, company's inside data and feedbacks from the

personnel. The secondary data for the research is collected from the related studies, books and articles.

The quantitative method was implemented as well in order to analyse the empirical and statistical data. The quantitative data is acquired from company's database and implemented interviews.

1.9 Empirical part

The empirical part of the work is based on the case company X. In the empirical part the consumer behaviour and purchase process in the apparel store are analysed. Therefore, the company's role in purchase process and its effect on the purchase decision is also analysed.

Due to the fact that the company strives to be market-focused the company's marketing mix was analysed step-by step in order to point out the most crucial parts of the marketing mix and the ways they can be improved. Accordingly, the marketing tools are generated in order to increase sales revenue, develop brand awareness and customer loyalty. The creation of the marketing tools for the case company depends on its effectiveness, cost efficiency and applicability.

1.10 Structure of the thesis

The project work includes the introduction, theory part, empirical part and conclusion chapter. The introduction chapter consists of the background information of the research, objectives of the study, limitations, research question and research method.

The theoretical part presents the key findings, which are supportive for the empirical part. It includes the information of the marketing planning and 7Ps of the marketing mix. The most considered P in this work is promotion and it is considered through an international perspective.

The empirical part consists of a case company presentation. In the empirical part the current marketing mix is analysed. It consists of the marketing planning of the marketing mix improvement. Most attention is paid to the promotion actions. Also in the empirical part the barriers to implementation are considered. The carried out actions are carefully analysed and researched.

The conclusion chapter is dedicated to the review of the results, analysis of the outcomes and further recommendations.

2 Marketing planning

Marketing planning is a complicated and multi-staged process that requires analysing the company's capabilities and correlating them with the market situation in order to set the marketing objectives and a plan for implementation (Dibb & Bradley & Simkin 2001, p.107). It requires understanding of customers' needs, wants and behaviour. The marketing planning needs a careful consideration of SWOT analysis, market segmentation, targeting and positioning. The marketing planning is tending to be a ground for development of suitable marketing actions with the final goal to serve the customers better (Chisnall 2002, pp.156-157.)

The understanding of customer needs, wants and behaviour is a crucial part of any marketing strategy. Accordingly to this knowledge it is easier to establish the suitable marketing mix. It is necessary to identify consumer needs, their expectations of the product and service and desired future state. Therefore it is important to understand the buying behaviour in order to develop the appropriate marketing mix (Dibb et al 2001, p.108.)

The consumer buying decision process consists of five stages: problem recognition, information search, and evaluation of alternatives, purchase and post-purchase evaluation. This process can be influenced by groups of factors such, as personal influences, social influences, psychological influences and media influences. Personal influences include the personality, income, age, sex, involvement and occupational matters. The social influences are made by

social factors, such as friends' or acquaintances' opinions or belonging to a certain group of people. Psychological influences concern different attitudes and perceptions. Media influences include the effect of advertising, marketing campaigns and promotions (Solomon 2013, p. 176.)

Planning of the marketing strategy requires a lot of consideration. The main two stages of it are considering target markets and creating marketing mix (Cowell 1993, p.75.)

3 Marketing mix

Achieving the customer satisfaction is a corner stone of all business operations in any business. In 1960 McCarthy offered a concept which included the 4 Ps (product, place, price, promotion) elements which were tend to be adapted for the companies in order to derive customer satisfaction (Drummond & Ensor 2005, p.76.)

The marketing mix refers to the group of marketing decisions aimed on implementation of marketing strategies, creation of brand awareness and satisfaction of customers (Dibb et al 2001, p.114.)

Due to the amount of service-based products the marketing mix was extended to 7Ps. This elements concern the intangibility of the product – service and the fact that some products can be perceived separately from the service, how they are provided (Drummond et al 2005, p.87.)

Successful appliance of the marketing mix will create a strong competitive advantage and bring value to the customers. The integration of the marketing mix is crucial; all the elements of it should be coordinated and support each other.

3.1 Product

“Product is anything that is offered to a market for attention, acquisition, use or consumption and that might satisfy a want or need, it includes physical objects, services, persons, places, organisations and ideas” (Kotler 2006, p.546).

The product in marketing theory can be considered as a tangible product, as well as a service or an idea. The company's product mix refers to all the products that are offered to the consumers. Therefore, it is crucial to choose the correct product mix in order to meet customers' requirements. It must be suitable for the target markets and constant research control and improvement (Dibb et al 2001, p.117.)

According to Kotler 2006, the product consists of core product, actual product and augmented product. *Core product* corresponds to the intangible benefit that the consumer wants to get, which will make the product valuable. *The actual product* refers to a tangible physical object that is offered to a consumer. *The augmented product* is an intangible addition to the actual product, for instance post-purchase services. It is important to use an augmented product as a tool of customization of a product for a particular consumer. Product characteristics affect the marketing strategy. The products can be classified as convenience, shopping, speciality and unsought (Kotler 2006, p.548).

Usually, shopping goods are carefully compared and selected based on their price, design and quality. They can be divided into uniform and non-uniform goods. Clothing can be considered as a non-uniform shopping good, because the certain features of the apparel are usually more important than slight differences in the price. It leads to necessity to supply the market with wide assortment of apparel in order to satisfy each taste and ability.

Fashion industry considers the brands, trademarks and trends as an asset. The intangibility of designs coupled with the good quality of the apparel can create noticeable value to customers and a competitive advantage to the company (O'Cass 2004, pp. 871-878.)

Due to the complicity and tough competitiveness on the apparel markets it is important to take to consideration all the aspects of the products. Mainly the clothes are considered as shopping non-uniform goods. Therefore, the consumer bases his decision not only on the price but also on the cloths' features. In order to satisfy each customer the company should provide a wide range of different models in all the sizes. Also, the apparel is seasonable offer. The collection should be changed quite quickly in order to serve the demand faster and better.

3.2 Price

“Price is the amount of money charged for product or service” (Kotler 2006, p.621).

Price is the most flexible part of the marketing mix and the one part that derives revenues. It is always easy to change the price in order to adapt to market changes, but it is always complicated to set the right pricing. Pricing is always a difficult process, which requires finding a balance between the customers' ability to pay and earning revenues as well. Therefore setting the lower prices than the consumers are eager to pay may lead to unprofitability of the company. At the same time overpricing will aside potential buyers to competitors (Dibb et al 2001, p.130.)

The main factors that help to define the suitable prices for goods are competition, costs, company's objectives and marketing objectives. The competitive pricing is extremely important for the company in order to be competitive in a particular market segment. Also price should be based on the variable costs of the items as well on the fixed costs of company's maintenance, such as renting, electricity, insurance, personnel costs, marketing and etc. The company's objectives from pricing point of view should consider the positioning of the company and maintaining customer relationships. It includes the consumer flow, average check, and the good turnover and therefore returns of investment and revenues (Kotler 2006, p. 628.)

The pricing should consider several objectives of the marketing strategy. The pricing should correspond to target markets and chosen position. The elasticity of the demand of these types of product or services is also important for pricing. It is crucial as well to consider the life cycle of the product and its competitiveness (Cowell 1993, p. 151.)

Price setting consists of choosing the pricing policy and pricing method. The pricing policies are market penetration, market skimming, psychological pricing and promotional pricing. Market penetration is a method of setting low prices in comparison with competitors in order to gain the market share. The market skimming is about setting higher prices in order to maximize profits in a small period of time. Psychological pricing corresponds to perceived value pricing. The promotional pricing is setting the lower prices for a short time in order to increase sales. The pricing method selection can be based on costs, competition or demand matters. The cost-driven method refers to increase the prices to a certain amount that covers all costs and brings profit. The competition-driven method is based on setting the prices in a row with competitors' at the same market segment. The demand-driven pricing allows varying prices in accordance with the customer's interest (Dibb et al, 2001.)

3.3 Place

Placing is an important part of marketing mix. Location refers to the placing of products or services for performing them to the customers. To some businesses location can be irrelevant. Nevertheless, the right location attracts more customers and the wrong location decision is complicated to change. The premises costs are the largest part of total costs; therefore the incorrect location may lead to unprofitability (Cowell 1993, pp.196–199.)

There are number of factors that should be considered while choosing location such as type of location, site characteristics, target customers' characteristics and needs, competitors' location (Kotler 2006, p.892).

The type of location refers to placing the shopping area or shopping mall in city centre or in suburbs. The site characteristics are very important as they refer to

the indoor and outdoor appearance of the store, how it looks in comparison with neighbouring premises. The target customers' characteristics should be taken into account while choosing a location. Are the customers able to reach the store by car or it will be easier to get potential customers in a pedestrian area or in the shopping mall? Staying close to competitors' locations is also a strategy that may help to attract more customers (Dibb et al 2001, p. 128.)

The location's appearance is also a very important aspect to the consumers, its atmosphere, and internal and external characteristics of the placement. The external image of the place refers to the building itself, windows, outdoor ads, landscape, other companies located around and parking lots. The internal image of the place consists of the special layout, inside posters, decorations, design, and furniture. The intangible things like sound, lighting and smells are also significant for the perception of the atmosphere (Kotler 2006, p.890.)

However, the crucial factor of choosing the location is the renting price. Despite the amount of potential customers or convenience, some prices can be unbearable for certain retailers.

The other important part of the place in marketing mix are distribution channels, which refer to a set of different involved intermediaries into a process of delivering the product or service to the consumer. The well-established distribution channel can be a competitive weapon (Kotler 2006, pp.807-809.)

However, establishing trustworthy relations with the chain intermediates is a time consuming process. The parties should agree on conditions, responsibilities and terms of collaboration. The effectiveness of the distribution channel and communication within it are very important, as the right products should be delivered to the right customers in the right place and at the right time. The problems in the supply chain will affect the customers' satisfaction and can increase costs (Kotler 2006, pp.826-830.)

Nowadays, the logistics management is mainly integrated into the business. Logistic system controls the purchases, order processing, warehousing, inventory and transportation (Kotler 2006, pp. 831-833.)

3.4 Promotion

This concept is a crucial part of marketing mix for any company. Promotion is the most flexible part of the marketing mix, which can be changed easier than the others. The main goals of the promotion is to gain awareness, increase interest in product or service, differentiate it from competitors', improve the reputation and image, persuade consumers and convince them to buy. The principles of promotions are quite similar for products and services. In many businesses the product cannot be separated from the service and its performance (Cowell 1993, pp. 162-179.)

The suitable promotional mix helps to improve communications with customers and attract more clients as well. There are several main activities in promotional mix. They are advertising, personal selling, sales promotion, publicity and sponsorship (Cooper & Lane 1997, pp.110-116.)

Advertising refers to the attraction of public attention to the product or service by different paid activities, such as paid announcements in magazines, newspapers, on the TV and radio, posters, billboards and so on (Dictionary.com, 2014). The advantages of this method are wide coverage, ability to send the message to the multiple customer and achieve recognition. Unfortunately, this type of promotion is less flexible and provides information only in one way and it is quite costly.

Personal selling is a personal presentation of a product or service to the limited amount of potential customers at the same time. As an example there can be a shop assistant in a boutique who offers the new goods to the client and discovers all the characteristics of the product and convinces to buy it. It is a very powerful tool due to the high attention of the client; the conversation can be customized accordingly and there is an opportunity to develop the relationship with customer. However, this method is rather costly and cannot

target all the potential consumers. The clients' satisfaction strongly depends on salesperson and his or her behaviour and attitude (Cowell 1993, pp. 172 – 177.)

Sales promotion refers to a variety of marketing activities which aimed on stimulation of customer purchasing, such as discounts, competitions, special offers, gifts, loyalty cards and so on. This method is very useful for short-term goals, such as to get rid of the out-dated products, attract more customers and get profits. It can be risky as well and can affect the company's image, for example consumers may lose interest in a product without any promotions.

"Public relations (PR) as a method is defined as the non-personal stimulation of demand for service by obtaining commercially significant news about it in any medium or obtaining favourable presentation of it in any medium that is not paid for by the service sponsor." (Cowell 1993, p. 179).

Public relations are quite effective due to the fact that people usually suggest the non-paid third party opinion is more trustworthy rather than paid advertising. The disadvantage of this method is that it is not quite suitable for small businesses, because it is complicated to attract the third-party attention. Also, small businesses do not have enough free capital to use such forms of PR as sponsorships of event and so on (Baker 2000, pp. 220-226.)

Sponsorship refers to financing of the events, organisations, activities, programmes and et cetera (Dibb et al 2001, p.123). For example, the sports good companies usually finance the sport events, competitions, sport clubs and schools, etc. This is a powerful tool to attract attention to the company, do something good and to demonstrate commitment to social responsibility.

The above mentioned methods are the well-known tools for attracting customers and increasing sales of products or services. However, there are plenty of other crucial tools that exist between them or can be considered as mix of those methods, for example, marketing communications as social media marketing and word-of-mouth.

Social media marketing refers to attracting attention through social media sites, spreading the information through social networks and achieving electronic word-of-mouth. Nowadays, there are plenty of social networks such as, Facebook, LinkedIn, Twitter, Instagram and etc. They help to spread the information about the product or service all over the Internet where the opportunity to meet the target group is quite high. The main advantages of the advertising in social networks are low costs and wide coverage. Besides, people can easily share their opinions, which facilitates achieving a certain level of awareness. Moreover, social media provides an ability to gain feedbacks. However, the Internet marketing can be risky as well. Some competitors or unsatisfied customers can create a negative publicity (Tutor2U 2014.)

Word-of-mouth (WOM) is one of the most powerful tools that helps to attract new customers and increase recognition. The WOM is very effective, because the recommendations and advice received from the acquaintances are more reliable than other promotion efforts. The consumer's expectations should be exceeded by the product or service. Therefore, it is very important to serve the customers excellently and provide certain advantages, build trust and commitment. The advertising campaigns and sales promotions also affect the WOM, but indirectly and do not help to control the word-of-mouth. There are some tools that help to control the WOM directly, such as paid agents who spread the positive information about the companies among mutual friends and other users (Entrepreneur media, 2014.)

3.5 People

People take a crucial part in marketing mix. Both personnel and customers affect the successful business processes (Lovelock & Wirtz 2010, p.302.)

In the promotion the personal selling activities were mentioned as an important part of promotional mix. Both the personnel and customers take a crucial part in a product or service selling (Cowell 1993, pp. 202-227.)

The personnel are those people who provide product or service to customer. They are very important for all type of businesses. They present the product or

make a service and the way the act and offer the product can be either a company's advantage or disadvantage. Their behaviour may influence the customers' perception of the whole business, improve the image and build trust. Therefore, it is very important to build a framework of the characteristics, which are crucial for the staff, e.g. friendliness, helpfulness, courtesy, competence, language knowledge and etc (Cooper 1997, pp. 57-58.)

Consequently, human resources should be carefully considered in any company. It is wise to invest in staff, to select, train and motivate it. This creates a strong competitive advantage and help to differentiate business as well. From the customer's point of you the personnel presents the company a lot and determine the quality of product and service. Moreover, personnel often crucially affect sales; they can increase the revenue dramatically or accidentally reduce the sales. Therefore, training of the personnel is very important in any type of businesses. Good performance of the staff attracts more consumers, build trust and lead to customer loyalty (Lovelock et al 2010, p.303.)

Customers are all the people who buy a product or service. The relations among the customers may affect the marketing as well. The perception of a product or service by one customer can be influenced by another customer's opinion (Cowell 1993, pp. 202-205.)

Thus, the People element is crucial for marketing mix. The right people in the company can help to achieve the common goals. It is important to train, motivate and encourage your personnel. The correct management and fair wages will create a strong loyal team, which will be a competitive advantage for the company. And the staff's loyalty is essential to any business, as they perform the brand itself and can significantly affect the revenues.

3.6 Physical evidence

Physical evidence is one of the important factors that can influence the choice of a certain product or service. "This refers to the way your product, service, and everything about your company, appears from the outside" (Master class management.com, 2014.)

This concept refers to the appearance of the location and atmosphere, which affects the customers' perception of the product or/and service. Physical evidence includes location, building, furniture, design, service image, colours and all the tangible items that are associated with the product or service, e.g. promotion materials, bags, cards, souvenirs, etc (Cowell 1993, pp.228-230.)

Physical environment such as the ambience, spatial layout and corporate branding is very important to customers (Marketing teacher, 2014). For example, the nice building itself, convenient location and the number of available free parking spaces will make shopping more attractive, rather than in inconvenient location.

The indoor design of the premises is very significant as well. It concerns the design, appearance, furniture, lighting, conditioning, temperature, music, smells, etc. The customers' ambience should match with the product or service concept and should be comfortable and convenient. The spatial layout or functionality is also rather important; it should also match with the needs of the premises and business concept, functional and comfortable both for the customers and the personnel. The corporate branding includes the signs of business, its signage: packaging, trademarks, posters, banners, logos, etc. These elements are crucial for customers' perception of the brand and brand's differentiation (Zeithaml 2006, p. 215.)

3.7 Process

The ways of delivery the product or service to the customer is crucial for any company. The process represents the total concept of operational management, how does the whole system works. It refers to the information flow, product and service performance, availability of the product or service, ordering, information flow, delivery processes (Cowell 1993. pp.73-74.)

The process element of marketing mix refers to the integration of all marketing activities aimed on delivering a product or service to the customer, controlling

them and evaluating the achievement of the marketing objectives (Marketingteacher.com, 2014).

According to Cowell 1993, the management of the process consists of eight stages such as planning and control, planning of operations, design of layout and maintenance, time planning, control of inventory, quality control, control of operations and forecasting.

These stages are aimed on maintenance of operation flow within the company, matching the goals of the business and delivering the product to the customers in a proper time. The operational management considers the design of facilities where the product or service are performed, control of availability of products or services, control of quality of performed operations, accessibility to information flow to all the participants, monitoring the operations and forecasting of the demand. (Cowell 1993, p.243)

4 Case company.

The Company X was founded in Lappeenranta, in March 2013 by two Russian entrepreneurs. The idea of the shop originated due to the strong relationships with partner manufacturers in Europe. They guaranteed a persistent and reliable flow of out-dated European collections of apparel for low prices. This partnership gave an idea of an outlet store in Finland. Therefore, according to these circumstances the whole business concept was planned starting with the product.

After the owners evaluated the offered stock of goods, the target audience became obvious. Due to the number of different brands specialised in different fashion departments, it was decided that the Case Company would offer the product to women from 25 to 75, and to men from 20 to 75. Also, there was a full size range of different apparel, so it made possible to serve the customers with a great variety of sizes. Due to the chosen location in Lappeenranta, it was possible to serve both Russian tourists and Finnish locals. Those both groups are important for the company. The Finns represent more constant customer

flow, they buy in smaller quantities and they concern about the quality and the producers. The Russian tourists appear periodically, it is possible to notice the correlation between the certain days of weeks, holidays and the number of Russians in the store. However, the Russians often buy in larger quantities and they are concerned about prices and promotions.

The location of the store was chosen due to the narrow range of choice of premises in Lappeenranta mainly, but still there were requirements for the location. Firstly, the company looked for spacious shop in one of the popular shopping areas in the city. Secondly, they wanted to have a warehouse in the same building. After considering of alternatives, the premises in Myllymäki shopping area were chosen.

5 Marketing mix analysis. Case company.

5.1 Product. Case Company

Company X offers a wide range of high-quality apparel for men, women and kids. All the goods are delivered from the manufactures in Germany, Holland and the USA. The quality of the goods is high and the brands are quite familiar to European customers. Because the goods are often belong to the old collections, the purchase prices are low and it helps to maintain the fair prices in the store.

Despite the fact that the models are out-of date, clothes are of very high quality and the textiles are very good. Therefore, the target audience of the shop are people from 25 to 75 who value comfort, quality, fair pricing and are not concentrated on luxury and pop brands and fashion. The main brands are: GreenHouse, Monki, FriendTex, Cheap Monday, Vero Moda, Ralph Lauren, Fresh Made, Sublevel and etc.

The shop offers a wide range of different products: textiles, jeans, coats, suits, sweaters, accessories and so on. The other competitive advantage of the company's core offer is a wide range of sizes: from very small to extra large.

The mix of brands helps to serve different demands: for kids, youngsters, adults and aged people with different sizes and needs. Because of different customers' demands and needs, the company has a wide range of brands, which specialise in different areas of fashion industries.

The other valuable advantage of the outlet shop is that this apparel is not going to lose its "fashion ability". The models of Case Company inventory collections are basics and classic that hardly will be out-dated. Financially, it is very important for the company because the value of the inventory does not decrease dramatically after the season passed. Therefore, the company can continue selling the same stock for a longer period. Unfortunately, usually this practise fails in the fashion industries, because the companies should follow new trends and adopt collections. Sometimes, when the trends are coming back it is possible to sell the same inventory again, but usually it requires a long period of time.

For Company X it is easier to solve this kind of problems, its customers know in advance that the assortment is out-dated and the customers are more concerned about prices than trends. For example, if the entire winter assortment was not sold out during the wintertime, it would be packed back to the warehouse and wait its turn until the next winter season.

According to Kotler's multi-layer product concept, Company X does not only sell the apparel. The most important competitive advantage of the company is the service coupled with the product itself.

5.1.1 Mistakes in product mix.

As it was mention before the business concept was born due to the availability of cheap and qualitative goods. One of the settlement's conditions was to buy an enormous quantity of goods in order to achieve economies and small price per unit. Due to the size of the quantity, approximately 150 000 units, it was hard to control the size range and patterns. Also, selling of this number of clothes requires longer period of time than one year for a brand new company.

Therefore, the purchase of such a large quantity deprived the company of season renewals.

The analysis of the customer feedbacks revealed that customers are interested in an assortment that changes more often, wider size range and a wide assortment of seasonable goods. These unstructured conversations with customers revealed the mistakes in the product mix that should be corrected.

The first mistake refers to a large capital that was paid for the party of repeatable stock, which lead to the second forced mistake. The second one occurred because of the shortage of free funds; there was no capital to purchase new season items. The third mistake refers to the lack of size range of the models.

The other problem with purchasing of large stocks turned out to be amount of defective items, which were not suitable for selling and therefore increased the cost per unit for the whole delivery.

5.1.2 Required actions

In order to improve the product component of the marketing mix three main mistakes were revealed. The most reasonable solution for this situation would be to sell out a noticeable part of the inventory in order to free some capital and invest it in new garments. The recommended actions for further purchases are:

- Pay attention to the seasonality of purchased clothes
- Pay attention to the size range
- Pay attention to the quality
- Pay attention to the price per unit

Several ways of gaining funds for investing in improvement of product mix were considered. The company is considering the B2B segment to sell out part of the stock. However, it requires much time and luck to find other business interested in a wholesale trade. The other possibility is to ask for a bank loan, but due to

the economic circumstances in the region it is almost impossible to receive desired credits.

The other idea for the case company is to split the stock in different collections. Therefore, the idea is to select several pattern lines and to change them more often. Also, it is important to change the arrangement of the products in the shop. These efforts will help to create a feeling of novelty among the customers and will keep their interest in the brand, while the company is dealing with financial issues.

5.2 Price. Case Company

Due to the market positioning as an outlet store, the case company strives to keep the low prices in the shop. Nowadays, there is a tough competition on the apparel market and therefore it is important to maintain the attractive prices. At the same time the prices should be competitive and cost-driven as well, in order to cover the expenses and bring profit.

At the moment the case company follows the market penetration strategy in order to attract more customers. Because of the low purchase prices of the goods it is possible to maintain the lower price levels than the competitors. Also, the company uses promotional pricing as well. The company always creates various discounts for certain groups of goods.

The price setting method is cost-driven. It considers the direct costs of goods and their transportations. Furthermore, it includes indirect fixed costs such as renting, personnel salaries, taxation, insurance, electricity and etc. The company uses a mix of competition-based and cost-based approaches. The cost-based pricing method is based on the number of variables and fixed costs, expected sales and costs per unit. The low level of unit costs allows setting the prices lower than competitors' ones. However, the low prices on the Finnish market are not a panacea; the other components of the marketing mix are more crucial for the Company X at the moment.

5.3 Place. Case Company

5.3.1 Location

The Case Company is located in the shopping area Myllymäki three kilometres from Lappeenranta city centre. It is quite a popular place among the local and international consumers. The size of the store is 1100 square meters in a small shopping building, which is divided in four stores. The shop has its own warehouse and office premises.

The company's target consumers are Finnish and Russian men and women from 25 to 75 years. Mainly, all of the Russian tourists come to Finland by car or by bus, therefore they have an ability to move freely and visit the store. The Russian tourists in Lappeenranta region are looking for cheap and qualitative goods. Therefore, this region is a perfect choice for the location of an outlet shop. The majority of Finns come by car and it is easy for them to reach the Myllymäki shopping area. Due to this fact the store provides a spacious and free parking for their customers.

Another important issue of choosing the location was surrounding stores, which has own loyal clients. The closest neighbours of the Company X are: Musti&Mirri, Gigantti, Erätukku, Lidl and Luhta Outlet. Strategically such neighbours attracts a lot of customers daily and provide customers to the Case Company store as well.

5.3.2 Appearance

The shop appearance is an important characteristic of the company's image. The site characteristics of the place were quite poor from the beginning. Inside the store was empty and too spacious with grey metallic walls. Lot of customers claimed that it looked more as a hanger than as a store.

The company was eager to improve the perception of the store and implement a set of suitable activities. Due to the fact that the improvement of appearance

is costly it was decided to implement the most necessary and low-prices steps and left aside the most expensive actions.

The large outdoor and indoor banners were designed and installed on the walls and windows. They create a cosy atmosphere in the shop and reducing the image of the empty warehouse. Also, this improvement helped to attract the passing by customers.

5.3.3 Problems of the Location

As it was already mentioned the narrow range of choice compelled the choice of location. The total premises space is over 1500 square meters with a competitive rent and tough liabilities. At this moment the rent of such a large store is unbearable for the company. The customer flow is not big enough to achieve high revenues and cover the expenses.

The other mistake of the place selection was the decision to locate the store and warehouse in the same premises. Renting the warehouse far from the store location would help to decrease costs of rent and would still be comfortable, because the store does not require the constant replenish of the assortment.

5.3.4 Further recommendations

Therefore, there is only one solution for this situation and it is to find a better location with a smaller area and/or lower renting price. According to the experience of the Case Company there are recommendations for further selection of premises:

- Pay attention to the actual required selling space
- Pay attention to the renting prices
- Pay attention to the neighbouring stores
- Pay attention to the facilities: lightning, parking, landscape, social facilities for personnel
- Pay attention to the appearance of the premises

5.4 Promotion. Case Company

Promotion in Company X considered as a corner stone of all business operations. After all the other processes in the company were adjusted one problem is still unsolved – how to attract decent attention and required amount of customers. After operating almost one year on the market, many of locals claim that they discovered the store occasionally. Furthermore, accordingly to feedback from personnel many of Russian tourists also found out about the store occasionally while they were passing by. All this data is an evidence of poor promotion mix.

From the very start of Company X, the management of the company tried to improve communications with customers and attract more clients to the store. All the possible forms of promotions were applied in practice, except PR and sponsorship.

The Figure 1 represents the implemented activities by months observed by the author. The circle symbol corresponds to the on-going promotion, and the symbol's absence refers to the absence of this promotion.

	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Go-shopping.fi	•	•	•	•	•	•	•	•
Katalog.fi	•							
Vkontakte	•	•	•	•	•	•	•	•
Facebook	•	•	•	•	•	•	•	•
Official web-page	•	•	•	•	•	•	•	•
Shopping Navigator	•	•	•	•	•	•	•	
Tour-navigator	•							
Terve magazine	•							
Finnish trade magazine	•							
Leaflets	•					•	•	•
W-O-M	•	•	•	•	•	•	•	•
Billboard	•							
Sales Promotion	•	•	•	•	•	•	•	•
Personal Selling	•	•	•	•	•	•	•	•

Figure 1. Schedule of implemented promotions.

5.4.1 Advertising

The Case Company X tried advertising in a variety of magazines for Russian tourists in Finland. These magazines are free of charge and mainly distributed in shopping centres in Finland, near the boarder crossing points, trains, airports, etc. The advertising in the magazines is quite costly. There is a list of the magazines where the ads where published: Terve, Shopping Navigator, Shopping guide, Stop in Finland, Finnish Trade Route, Tour Navigator. All the ads in these magazines contained the detailed information about the store, products, prices, discounts and location.

The billboard advertising was implemented from June to August. The content was very thorough. It had a bright logo, the company's principal activity, location and guiding lines how to find the store and the campaign slogan "New outlet store in Lappeenranta! Constant discounts!" However, this advertising was not as affective, as it was costly. Also, the billboard was located in front of one of the border-crossing check points at Russia side, where the tourists are concerned about their speed limit and passport check.

The TV and radio commercials were neglected due to the high prices and inability to predict the effectiveness of this advertising.

A large part of the promotions was aimed on marketing communications through social networks. Official webpages in Vkontakte, Facebook and Instagram were also created. All these activities aimed at spreading the information about the company, achieving WOM and attracting more customers to the store. The development of cyber relations with target audience is a time-consuming process. It requires maintaining the content, adding picture, creating interesting news and actions to maintain the users interest.

5.4.2 Distribution of leaflets

The most effective and cost efficient type of advertising for the company turned out to be the distribution of leaflets. It requires the investments in printing and

salary of the person who delivers the leaflets. From March 2013 to August 2013 the leaflets had poor design (Appendix 1) and the flyers were delivered to the doors. During that period the company's brand book was not ready yet and therefore, the logos and corporate design were quite simple. Furthermore, when the first quantity of leaflets was created the sales promotion had not been implemented yet. Therefore, the flyer only offered a 20% discount of the purchase with this coupon and the information of the company. As long as the leaflets were delivered to the random flats in Lappeenranta, the recipients' attention was not focused on the message. Due to the low rate of return of the flyers, this method was suggested ineffective. Moreover, this activity set aside the Russian part of the target audience.

The next leaflet campaign started in January 2014. The layout of the flyer was changed; it became brighter and it was designed in corporate style (Appendix 2). It was decided to distribute the leaflets on the streets directly to people. The points of delivery were in the city centre, near the popular shopping places. The content of the flyer contained the information about company, location, prices, discounts and promotional campaign conditions. The campaign offers a gift to any customer, who would show the flyer at the shop and whose purchase would be over 20 euros. This campaign was aimed on measuring the effectiveness of the distribution of the leaflets and on stimulation of sales.

5.4.3 Personal selling

Personal selling is very important in the case company and competitive advantage. Many of Finnish apparel stores in the mass-market segment do not put an effort on training the personnel; they do not offer help and guidance to the customers. The Finnish consumers are accustomed to this situation, at the same time the Russian customers are waiting for help and constant attention.

Starting a conversation and building trust with the potential client is very important. This practise helps to perform the product better, advise customers

and convince them to buy. This method brings customer satisfaction and creates positive WOM.

5.4.4 Sales Promotions

The most powerful tool in promotional mix is sales promotion. It can stimulate the purchasing process and attract more customers. The management of the company decided to implement drastic sales promotion and announced the 50% discount of all the prices starting in the August 2013. This action actually increased sales.

After the results of the promotion were evaluated it was decided to maintain the discounts in the store and to set the new prices of the next collections in accordance with the discount.

5.4.5 Evaluation of the promotional efforts.

All the promotional efforts should be constantly monitored, in order to improve them promptly and to control the costs. The assessment of the promotion effectiveness was usually conducted in two approaches. The first refers to the collection of the feedback from the personnel and the filled questionnaire forms (Appendix 3). The second assessment refers to the analysis of sale figures in correlation with time periods.

The Chart 1 represents the increase in sales by months. It does not provide the direct correlation between the promotion schedules (Figure 1) and sales, because there are a number of other activities that affect sales. For instance, holidays, seasons, weather, personnel, political events and etc. However, the chart represents the approximate correlation and provides an opportunity to evaluate substantially the results.

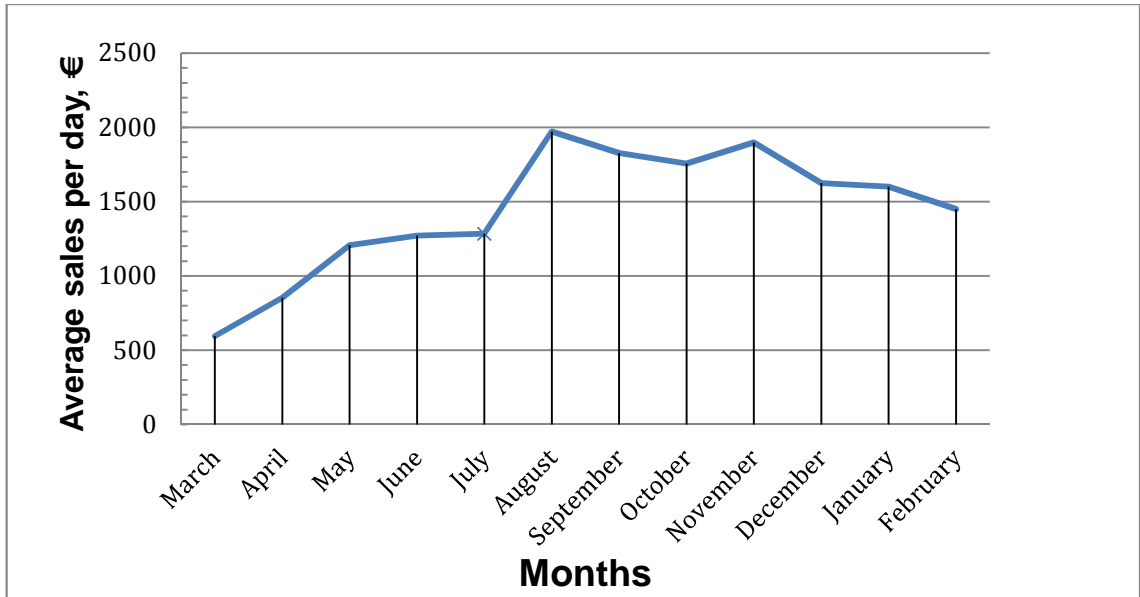


Chart 1. Average sales per day in euros by months.

For example, it is obvious that the sales promotion affected sales dramatically, in comparison with the July average sales and the sales increased almost twice in August. It was assumed that the sales promotion was a key factor, because the season assortment was the same as in the previous month, no change in the personnel, the weather and other environment conditions were approximately the same.

Also, this data shows that the other marketing activities do not have such noticeable effect on the sales. Therefore, some of them were rejected or improved.

The reduction in sales from November 2013 to February 2014 can be explained by the vulnerable economic situation in Europe and especially in Russia. Due to the fall in exchange rates, the amount of Russian tourists decreased significantly and it lead to enormous losses on the particular markets.

Chart 2 represents the statistical data obtained from the personnel in period from August 2013 to February 2014. The personnel was asked to interview the clients how they discovered the store and to collect this information. Every day the filled forms, see Appendix 3, were collected and submitted for the research.

In the research 2118 answers were registered, and 85 forms filled by the personnel.

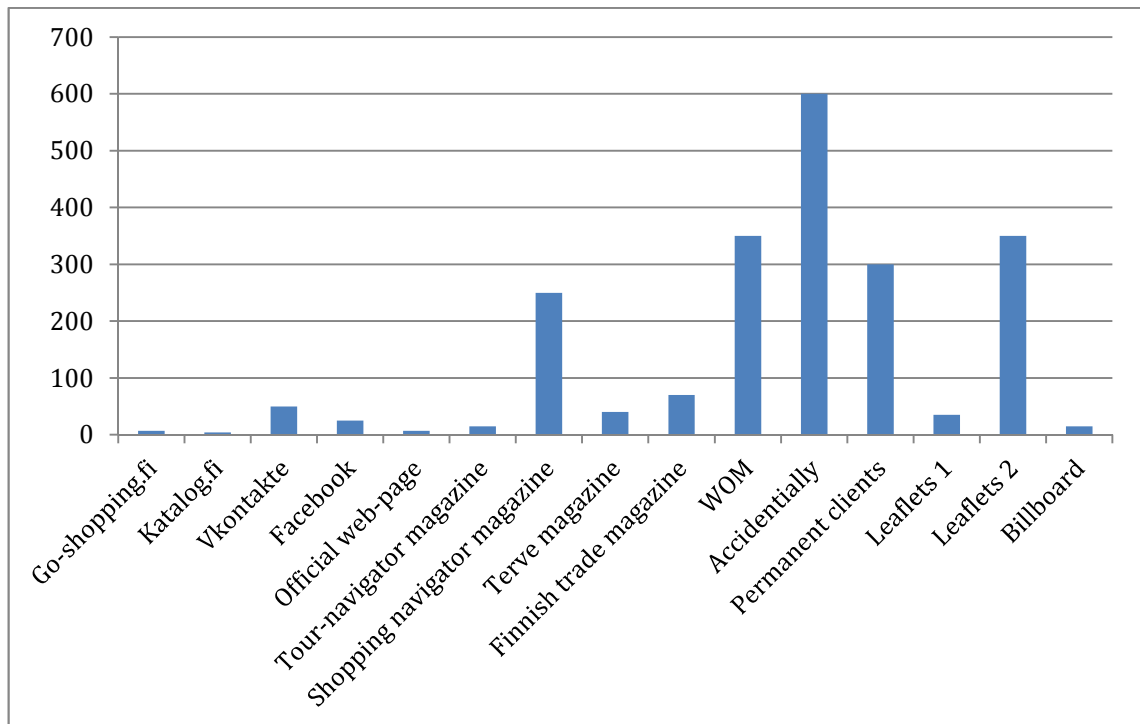


Chart 2. Correlation between the number of respondents and information source.

This data helps to reveal the most powerful promotion tools that help to attract customers to the company. Chart 2 shows that the advertising in the Shopping Navigator magazine was the most successful and the distribution of leaflets type 2. Also, the most effective tools proved to be the less expensive. The success of WOM and the number of loyal clients refer to the successful choice of product, pricing and personnel in the marketing mix. And the number of respondents who discovered the company accidentally refers to the good location choice.

Due to the all analysed outcomes of the implemented marketing activities the promotional mix of the company was corrected. The most successful practices such as, advertising in Shopping Navigator, distribution of leaflets and personal selling and advertising through social networks were decided to be continued.

The other promotions were stopped due to the lower rates of efficiency and lack of budgeting.

5.5 People. Case Company

The people element of marketing mix is essential to Company X. Both personnel and customers have a crucial part in all business operations.

The personnel in the case company consist of three shop assistants, a warehouse worker and an administrator. The responsibilities of the day to day operations in the company are distributed accordingly. The shop assistants are very important for marketing. They perform the product, communicate with clients, affect sales directly and provide the information flow to the management. The Case Company provides a constant follow up for the clients. The sellers have to meet the customers, offer them help and advices. The main task for the personnel is to start a conversation with the customer, discover his or her needs and close the deal. Therefore, the staff recruitment is a very complicated and time-consuming process. Taking into consideration to the company's needs and the requirements of the management team, the framework was established:

- Politeness, courtesy, openness
- Honesty
- Diligence
- Ability to listen to customers, identify the needs of customers
- Experience in sales (knowledge how to start conversations, how to offer products or services, how to close the deal)
- Experience in fashion industry (knowledge about textiles, materials, sizes, etc.)

At the moment the personnel of the case company meet the requirements and effectively influence the sales. This asset is a valuable advantage for the case company. The consumers enjoy the high-touch approach and create positive WOM. This helps to attract more customers, improve company image and achieve loyalty.

The warehouse worker supports the invisible part of delivering the product to the customers. His duty is to maintain the availability of the products in the shop. He processes the orders from the shop assistants, replenishes the required items and controls the inventory state.

The administrator controls the paperwork, dealing with authorities, maintaining the whole business operations, monitoring the sales and inventory.

The customers are very important to the Case Company. They share opinions and spread the information about the company if they are satisfied. Therefore, the company tries to suffice the requirements of every client.

5.6 Physical Evidence. Case Company

Physical evidence is very important in an apparel industry. Nowadays, customers pay a lot of attention to the appearance of the store, ambience and convenience.

As it already was mentioned, the store's appearance was not attractive enough. Due to the lack of capital, there was no interior design, there was a lack of beautiful stands and no spatial layout was considered. The store was very grey and depressing; the clothes were allocated messy and complicated from the customers' point of view. These factors affected the clients' perception of the store. According to customers' feedbacks collected by personnel, some customers perceived the store as a second-hand or open-market store. Thus the company lost clients only because of the appearance of the store. After careful consideration of desired future state of the shop appearance and amount of free capital, it was decided to improve several actions.

Firstly, the outdoor and indoor banners were designed and installed to the walls and windows. This action improved the overall perception of the store, made it brighter and more attractive.

Secondly, the special layout of the store was reconsidered. The shop space was divided into several zones: kids' apparel, men's apparel and women's apparel. This simplified the navigation in the shop and increased the functionality of the premises.

Thirdly, a company's signage was created. All the attributes of the corporate style were designed and implemented, such as packaging, posters, banners, signs and etc. The brand packaging is very important for apparel stores; it creates additional advertising and pleases the customers.

5.7 Processes. Case Company

The case company process represents the customers experience in the store during the purchase. It includes the availability of the product, matching their demands, service provided by the sellers and handling the complaints. The well-established process element of the marketing mix is significant for the company. It supports the whole marketing mix.

The processes within the case company are integrated and well-coordinated. The customers' satisfaction and demands are constantly analysed in order to reveal the aspects that should be improved. The demands and analysis of the inventory contribute to the purchase processes. According to this data the ordering is formed. After the orders are ready, the administrator forwards them to the supplier. The supplier organises the delivery to company X through outsourced logistics companies. The received goods are carefully checked in the warehouse, counted and registered. Then the items go on sale. These processed are shown in Figure 2.

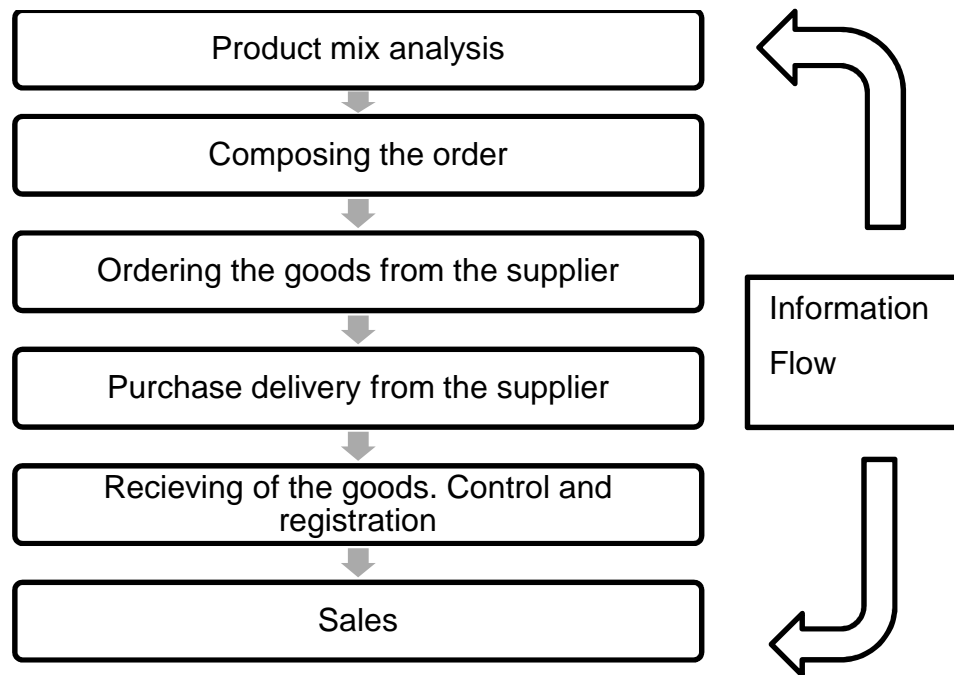


Figure 2. Processes of the Company X.

In overall the processes in Company X are well established and integrated. The management of the operation flow considers the service performance, availability of the product, quality of the products and services, information flow within the distribution channel and between the participants.

6 Recommendations

The complete analysis of the Company's X marketing mix revealed some aspects that can be improved. The product element of the mix should be corrected. Due to the large quantity of stock it is recommended to split it in smaller parties in order to respond to the assortment renewals. Additionally, the management was recommended to pay more attention to the size range and seasonality of the apparel. Another suggestion is to consider the B2B markets in order to sell out a part of the inventory and free some liquidity.

The pricing of Company X is reasonable and does not require any changes at the moment. The Place element of the marketing mix can be considered as a main failure of the whole mix, due to high costs. The case company is recommended to change the location to smaller premises.

The promotions of the Company X are quite successful and have brought certain results. During the research some actions were carried out and the results were measured. It is essentially for the company to focus on successful promotion tools and constantly assess the progress.

The personnel and process elements are well established in the marketing mix and demonstrate the success and good support to other elements. The physical evidence of the marketing mix requires changes. The special layout and ambience in the store suffers from the absence of design and furniture. The case company is recommended to consider purchasing of newer stands for the shop.

7 Conclusion

Thorough marketing planning is significant for businesses. It requires the consistent analysis of target markets, segmentation, target audience and marketing mix. The marketing mix of the company should match the marketing objectives with the final goal to strengthen the position on the market and serve customers better.

Evaluating and understanding customer demands is very important for successful marketing strategy. The identification of the customer is essential in order to establish of the marketing mix and improve it constantly.

The extended marketing mix consists of seven concepts: product, price, place, promotion, people, physical evidence, and processes. The success of the marketing mix refers to the communication between the elements and integrity. All in all, the marketing mix performs the mix of marketing decisions with a common goal to create brand loyalty and awareness.

The research question of the thesis project is “How can the marketing mix of the company be improved in order to enhance the customer loyalty and increase revenues?” The thesis answers to this question by considering the importance

of the marketing mix and its core elements thoroughly. During the research it was revealed that all the components of the marketing mix elements are aimed at customer satisfaction and clients' attraction. Therefore, the improvement of the marketing mix leads to increase of customer loyalty, number of customers and as a result to larger revenues.

The objectives of the study were reached in the project work. The aim of the thesis was to create a set of marketing activities aimed at the improvement of the company's image, increase the awareness and attract more clients. It was reached through careful analysis of the marketing mix, detecting its weak spots and improvement of the current state. Some of the actions were conducted and assessed and further recommendations were provided.

The practical meaning of the work is significant for the Case Company X, because it includes an actual analysis of the marketing mix, implemented improvements and recommendations for further improvements. The fundamental marketing problems were discovered during the research and the framework for enhancement created. Furthermore, the thesis work can be actual for further research of the similar problems or for other apparel companies.

Figures

Figure 1. Schedule of implemented promotions.

Figure 2. Processes of the Company X.

Charts

Chart 1. Average sales per day in euros by months.

Chart 2. Correlation between number of respondents and information source.

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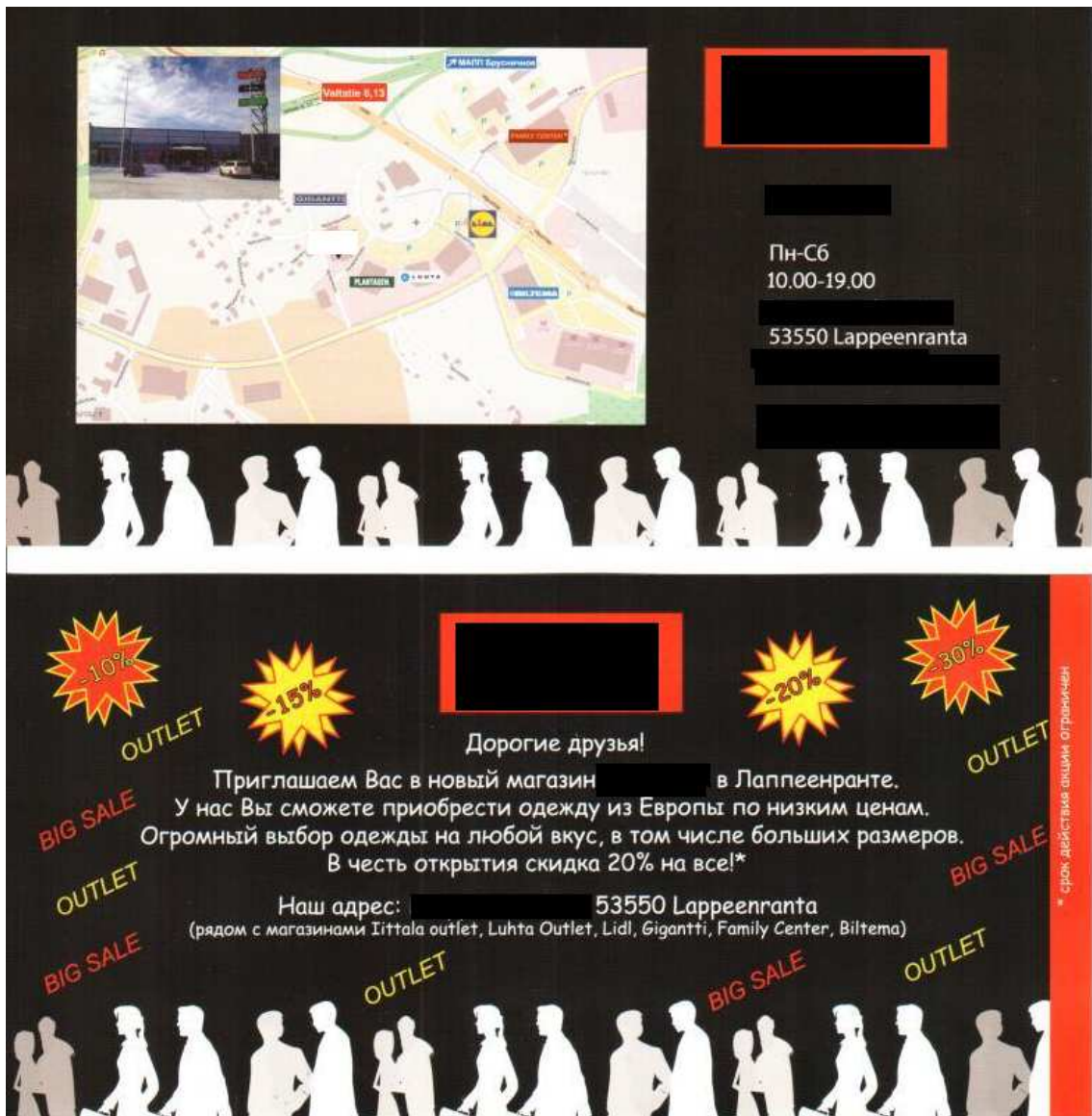
Appendices

Appendix 1: The Leaflet N1, Both sides.

Appendix 2: The Leaflet N2, Both sides.

Appendix 3: Forms for personnel

Appendix 1: The Leaflet N1, Both sides.



Appendix 2: The Leaflet N2, Both sides

**UUSI
OUTLET
VAATELIIKE**

**LAADUKKAAT MIESTEN, NAISTEN JA LASTEN
VAATTEET EUROOPASTA! TERVETULOA!**

Vero Moda
GreenHouse
FreshMade
CheapMonday
Monki

**-50%
-70%**

NÄYTÄ MAINOSLEHTI JA SAAT LAHJAN KAUPAN PÄÄLLE!
* - OSTOESIMANNE TUOTTEITA 20€

FARKUT alk. 5,95€ T-PAIDAT alk. 2,35€
NEULEET alk. 3,50€ TAKIT alk. 13,50€

**НОВЫЙ
OUTLET
ОДЕЖДЫ**

**КАЧЕСТВЕННАЯ МУЖСКАЯ, ЖЕНСКАЯ И ДЕТСКАЯ
ОДЕЖДЫ ИЗ ЕВРОПЫ! ДОБРО ПОЖАЛОВАТЬ!**



ПРЕДЪЯВИТЕЛЮ КУПОНА ПОДАРОК ПРИ ПОКУПКЕ!
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КУРТКИ от 13,50 € <http://vk.com/>**




Appendix 3: Forms for personnel

Data: _____																
Information Source:																Total:
Go-shopping.fi																
Katalog.fi																
Vkontakte																
Facebook																
Official web-page																
Tour-navigator magazine																
Shopping navigator magazine																
Terve magazine																
Finnish trade magazine																
WOM																
Accidentally																
Permanent clients																
Leaflets 1																
Leaflets 2																
Billboard																
Name of the interviewer:																
Signature:																