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University of Applied Sciences

Degree Programme in International Business

Ilpo Siitari

MARKETING COMMUNICATION TOOLS AND MEDIA SELECTION FOR  
COMPANY X

Bachelor's Thesis 2013

## ABSTRACT

KYMENLAAKSON AMMATTIKORKEAKOULU

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SIITARI, ILPO

Marketing communication tools and media selection for  
company X

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Ulla Puustelli, Senior Lecturer

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This thesis gives a market overview on paint and protective coatings used on yachts and leisure boats in the emerging Russian market. This study considers effective marketing communication tools in the Russian market, focusing on a major city. The company's focus is both on private end-users as well as on shipyards.

The aim of the study was to consider available marketing communication tools for a company with limited resources at hand for introducing a new product line to the market. Secondly, the study considers if that kind of product line has possibilities to be successful in the given market area.

The study was carried out during the author's practical training in the case company, and is based on observations, conversations and other findings on how the given market works. Research was mainly conducted as a desk study. Gathering information on the given market faced a few obstacles, since the market is nearly non-existent and reliable information was hard to find.

The study shows that the market has potential and the customer base is on growth. The conclusion of the study was that the case company should focus on leisure yacht repair yards with a direct approach and to introduce a product marketing package to support a direct approach.

## TIIVISTELMÄ

KYMENLAAKSON AMMATTIKORKEAKOULU

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Opinnäytetyö antaa yleisnäkymän jahtien ja huviveneiden maalien ja suoja-aineiden markkinoille Venäjällä. Opinnäytetyö arvioi eri markkinointitoimien tehokkuutta Venäjällä, keskittyen erityisesti suureen kaupunkiin. Yrityksen kohderyhmänä ovat erityisesti yksityiset loppukäyttäjät ja pienvenetelakat.

Tutkimuksen tavoitteena oli tarkastella mahdollisia markkinointikeinoja rajalliset resurssit omaavan kohdeyrityksen näkökulmasta, kohdeyrityksen tuodessa uuden tuotelinjian Venäjän markkinoille. Toinen tutkimuksen päätavoite oli arvioida markkinoilletulon kannattavuutta.

Tutkimus toteutettiin kirjoittajan perusharjoittelun ja syventävän harjoittelun aikana kohdeyrityksessä, ja siksi tutkimus perustuu suurelta osin havaintoihin, keskusteluihin ja muihin huomioihin markkinoiden toiminnasta. Tutkimus toteutettiin pääsääntöisesti kirjoituspöytätyönä. Tiedonkeruu osoittautui haasteelliseksi, sillä markkinat ovat toistaiseksi lähes olemattomat, ja siksi luotettavan tiedon saaminen oli hankalaa.

Tutkimus osoitti markkinoiden potentiaalin ja asiakaskunnan olevan kasvussa. Tutkimuksen tulos oli, että yrityksen tulisi keskittyä huvijahtien korjaustelakoihin ja lähestyä niitä suoramarkkinoinnilla. Yrityksen tulisi kehittää markkinointipaketti suoramarkkinoinnin toimintojen tueksi.

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# 1 INTRODUCTION

## 1.1 Background

This research starts from basics introducing the modern marketing and marketing communications to company executives, to support their decision making. Marketing is essentially and simply put managing profitable customer relationships. The main target of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering satisfaction. (Kotler & Armstrong 2004, p. 4.)

Marketing is not an exact science but rather a free form art. The aim of this art form is to change people's minds or to maintain their mind-sets if they are already inclined to do business with you. (Levinson 2009, p. 3.) Customers are in the main role in modern marketing and company's ability to reach buyers and managing relations with customers define the success of the company's marketing.

This study was commissioned by company X, a company importing and selling paints and protective coatings. In a few years the company will start its own production in Russia. This commission was contracted during the author's practical training period with the company during the second and third quarter of 2012.

The need for such study comes from company X's desire to gain better foothold on their rather new market segments and considering new possibilities to improve their marketing means. To fulfill this desire, company X needs new cost effective marketing communication tools in order to reach their potential customers, at first in major city region. company X has been into Russian market for more than two decades, but with new product line it is yet to really define its market position and marketing means, so the aim of this study is to give them ideas how to market their product line.

## 1.2 Thesis objectives and research questions

The aim for this study is to consider and determine effective marketing communication tools for company entering to market with new product line and with limited resources. Secondly, the aim is to define whether the market has potential to

be entered into in order to have profitable market entry. The objective for this thesis is to consider and find effective marketing means for company, using the case company as baseline. To achieve this goal, the following research questions were identified to support the objective of the thesis:

1. How should the company approach the given market with the new product line and limited resources?
2. Does the market have potential and is the market entry profitable?
3. What are the most efficient marketing communication tools available for the case company X in major city area?

### 1.3 Research method and data collection

Deductive approach deduces from the more general findings to the more specific while inductive reasoning starts from specific observations to broader generalizations (Burney 2008). Deductive study method is used in this research because it aims to find effective marketing tools for small companies from a large pool of marketing tools using marketing tools selection, also known as marketing mix as framework for theoretical side.

Research starts from general ideas and classic definitions for what is marketing, what are tools of marketing planning, and then moves to what marketing means are available for companies with limited resources in Saint Petersburg region. The research method used is qualitative research to support understanding how marketing works in Russia in Saint Petersburg region. This method was chosen since most of the work done is desk work and the case company's information is gained through discussions and internal documents.

Data on the case company was collected during internship in the company between 15 March 2012 and 15 August 2012 and data is based on discussions with Country Director, Marketing Director, Marketing Manager, Sales Manager as well as on company's annual short term plans, company sales report and other reports from the duration of co-operation between the company and author. The data of the market area



was collected by observing how other companies in field yachting products and other paints and protective coatings market in the area and by conducting a desk study.

#### 1.4 Scope and limitations

The study focuses on finding effective marketing communication tools for the case company to be integrated in its new operations. The case company's product range and company's desire to use a small marketing budget as possible are used to limit what marketing methods and on what operating area are included to scope of this study.

The company operates on paints and protective coatings market with large variety of overlapping products and focuses on business-to-business as the desired customers. The company has also desire to enter into business-to-consumer segment with its new product range. As the focus is on small companies' cost effective marketing means and ideologies are the main focus points for the study. Company X 's corporate policies on internal information and financial statistics limit the amount of company information author can reveal in this study. The study will proceed in the following order: what marketing is, what factors affect companies marketing communication tool selection, and whether certain marketing means will fit to corporate set strategy. After these are defined, the case company is presented in further detail, and how the case company can use the different marketing means available is further discussed.

#### 1.5 Thesis structure

The thesis is divided into 7 parts: chapter 2 contains the theoretical framework; chapter 3 introduces the case company; chapters 4 present market analysis; chapter 5 presents the target setting for marketing communication tools; marketing possibilities found for the case company are represented on chapter 6. Chapter 7 discusses findings of the study.

## 2 MARKETING PLANNING

This chapter presents the theoretical side, which is crucial for developing communication plan and selecting marketing communication tools. “The management process of anticipating, identifying and satisfying customer requirements profitably” (CIM 2001). The main idea in this interpretation of marketing is that the customer and the customer satisfaction is in the main role for long term customer relationships and by that, maximizing the profit. The modern customer-oriented marketing model offers opportunities to companies to create lifelong business relationships using smart marketing methods.

Armstrong defines marketing as a process of managing profitable customer relationships. This can be understood that marketing is a social and managerial process in which individuals and groups obtain what they need through creating and exchanging products and value with others (Armstrong & Kotler 2009, p. 37).

Marketing is a process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that fulfill individuals’ and companies’ goals (Harvard Business Press 2010, p. 4-5).

Simply put, the marketing process starts from gaining the understanding in the marketplace and customers' needs and wants. Based on gained understanding, the company designs a customer oriented marketing plan which leads to building an process integrated marketing program that delivers superior value to customers. Through provided superior value, company builds profitable customer relationships. (Armstrong & Kotler 2009, p. 38-39)

The starting point for marketing planning is asking the questions

- Where we are now?
- How did we get here?
- Where are we heading?
- Where would we like to be?

- How do we get there?
- Are we on the course?

These questions define a good path from forming a business mission to implementing and controlling the resultant paths. Questions are important, since they serve two purposes: first, they provide a systematic framework in order to understand the analysis and decision-making processes in marketing planning and second, they provide a framework how the key elements of marketing are tied together. The key elements of marketing planning process are shown on figure 1. (Jobber 2001, p. 35)

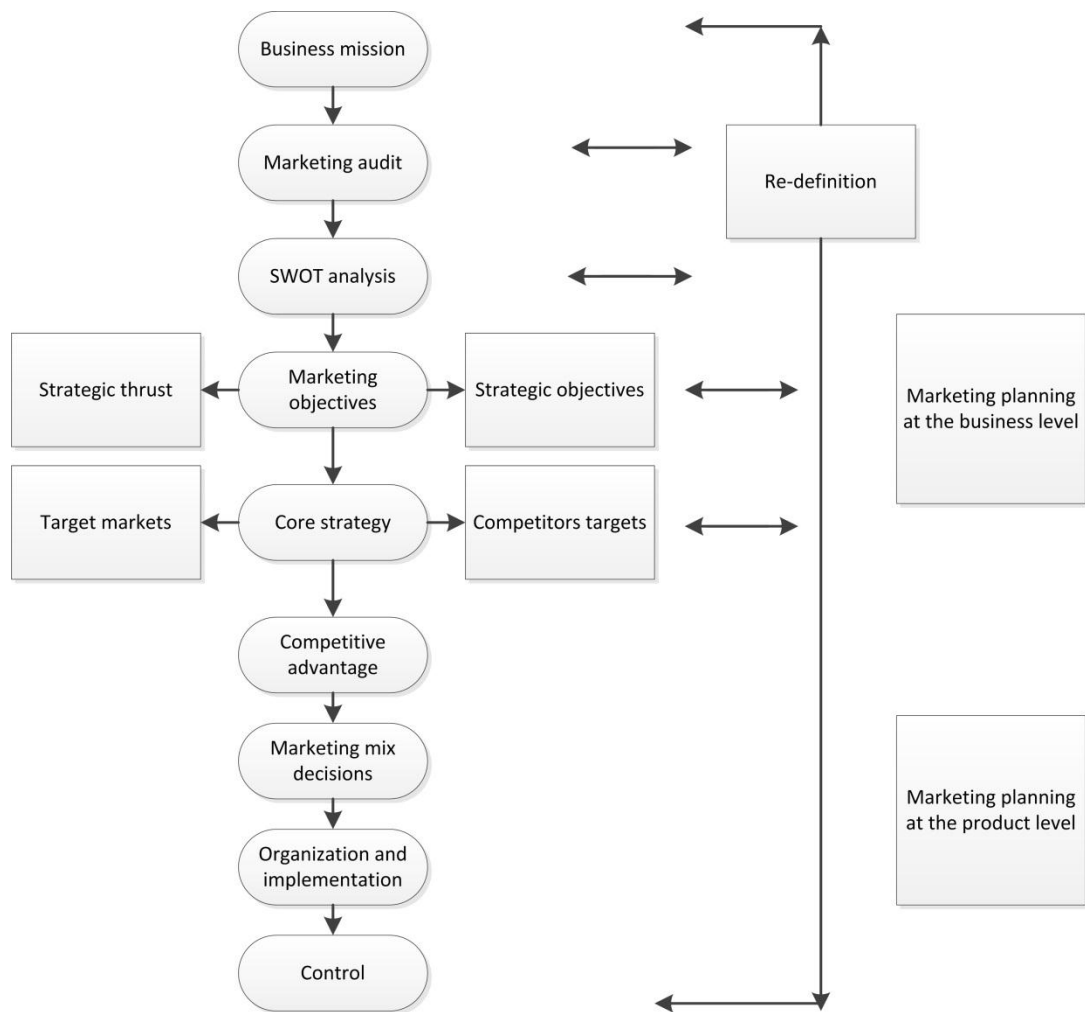


Figure 1, Marketing planning process (Jobber 2001, p. 36)

## 2.1 Segmentation

Market consists of customers that differ from each other in a way or another. Customers may differ in their needs, wants, resources, education level, and geographical position. Segmenting the market, company divides pool of customers,

which have at least one connecting feature into heterogeneous groups. Formed groups help company to reach specific group more efficiently and effectively with goods that match their unique needs. (Armstrong & Kotler 2009, p. 199)

Buyers can be divided into segments by many ways, and it is even recommended that the marketer experiments with different types of segmentation variables. Major variables are geographic, demographic, psychographic and behavioral. Geographic segmentation divides the market into different geographical entities by using: nations, regions, states, cities or neighborhoods as limiting factors. Demographic segmentation divides the market into groups using variables such as: age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality as group limiting factors. Psychographic segmentation divides the market into groups by using social class, lifestyle, or personal characteristics as group limiting factors. Behavioral segmentation divides the market into group by using their knowledge, attitudes, uses, or responses to a product as a group limiting factor. In order to be useful, the market segments have to be measurable, accessible, substantial and differentiable. (Armstrong & Kotler 2009, p. 200-205.)

Market segmentation reveals the opportunities available for the company's market segments. These opportunities have to be evaluated in order to decide which and how many of segments the company can serve best. Segment evaluation bases on three factors: segment size and growth, structural attractiveness, and company objectives and available resources. Segments to target would ideally be the ones having right size and desired growth rate. (Armstrong & Kotler 2009, p. 208-209)

A company should target segments in which the company is able to generate the greatest customer value and sustain it over time, put in other words, create sustainable and valuable customer relationships. A company with limited resources might decide to serve only one or few segments, in which the market entry does not require vast resources as with more wide or booming segments. Most companies enter a new market by serving a single segment, and if this proves successful they add segments. (Armstrong & Kotler 2000, p. 51-52.)

Market positioning aims to make a clear, distinctive, and desirable place or image for a product in the minds of target buyers, in relation to competing products. This way, a marketer plans positions that distinguish and separate their products from competing

brands and give them greatest strategic advantage in their target market segments. In positioning its product, the company first identifies possible competitive advantages on which to build the position. To gain such competitive advantage, the company must offer greater value to the chosen target segments, either by charging lower prices than competitors or by offering more benefits to justify higher prices. Effective positioning begins with actually differentiating the company's marketing offer so that it gives consumers more value than they are offered by the competition. Once the company has chosen a desired position, it must take determined actions to deliver and communicate that position to target consumers. All of the company's processes should be integrated to set marketing plan to support the chosen positioning strategy. (Armstrong & Kotler 2000, p. 53-54.)

## 2.2 Operational environment through SWOT and PEST analysis

Operational environment is where the company operates. It copes with market and competitive situation of the industry; how they might change in the future and how the changes affect the company (Anttila 2007, p. 25-27). A company that is aware of the market situation can anticipate and prepare itself for possible changes in demand and supply. Whereas company analysis studies strengths and weaknesses, market analysis concentrates on opportunities and threats; opportunities to be exploited profitably and threats to be prepared for mistakes or avoid them. (Finnvera 2001, p. 51.)

Strategic planning of a company should begin with observing and evaluating strengths, weaknesses, opportunities and threats studied in previous steps of business planning (Kamensky 2008, p. 29-30). Several alternatives exist among from which to choose different product solutions, market segments and operative approaches. In other words, strategic planning and setting objectives mean choosing a direction and making decisions for future based on acquired information. Vision is a long-term view how company sees its operations and an ultimate purpose of the company in the eyes of top executives and owners. Objective, value and strategy selections therefore should support the vision fulfillment. Furthermore, in proper strategic planning, it is critical to discuss about alternatives and back-up plans. (Finnvera 2001, p. 73-80.)

SWOT analysis is a tool used to audit company and environment it operates in. It is the tool used in first stage of planning and helps focusing on key issues. As seen on table 1, SWOT stands for strengths, weaknesses, opportunities, and threats. Strengths

and weaknesses are internal factors. Opportunities and threats are external factors. Goal of SWOT analysis is not only to match the company's strengths to opportunities, but also to reduce weaknesses linked to threats. Strengths in SWOT refer to internal strong points that company possesses to serve its customers, to compete with its challengers and to achieve its objectives. They are distinctive capabilities to the company that offer the company advantage over the competition in the market. Weaknesses on the other hand point out internal limitations in resources and capabilities compared to competitors that may interfere with the company's performance. Opportunities determine how the company can grow within the marketplace. Threats are external factors that can weaken the company's performance (Kotler 2000, p. 65)

Table 1. SWOT model (modified from Armstrong & Kotler 2009, p. 85)

	Positive	Negative
Internal	<b>Strengths</b>	<b>Weaknesses</b>
External	<b>Opportunities</b>	<b>Threats</b>

## PEST analysis

PEST analysis is often linked with SWOT analysis, since both tools provide analysis on business opportunities for companies. What differs is that PEST analysis is often referred to provide bigger image on market, as the SWOT analysis is more focused on micro environment. Acronym PEST stands for political, economic, socio-cultural and technological analysis. The political factor takes the political atmosphere on country or regional level into account, what kind of mindset contenders have on business, possible changes in legislation or taxation policies, business regulation, and how fast can the political atmosphere change. The economic factor considers state of economy, growth rate, exchange rates, purchase power, and credit policies. Socio-cultural factors consider demographics, population statistics, religions and beliefs as well as employment patterns and job market trends. The technological factors consider change in technology and how it might effect on company actions, competitors level

of technology, focus of research, infrastructure and on infrastructures change (Jobber 2001, p. 119-145)

### 2.3 Marketing mix

To start the marketing planning, company needs to set out goals for the marketing plan and the customer segments the plan targets. After the targets are set, the company starts to create a marketing plan to design integrated marketing mix, based on company's understanding of customers. Most common elements included in marketing mix are product, price, placement and promotion – better known as 4P's of marketing. (Armstrong & Kotler 2009, p. 79) These 4P's are four key decision areas that marketers must manage so that they satisfy or exceed customer needs better than the competition. (Jobber 2010, p. 17)

The product part decision involves deciding what goods or services should be offered to a group of customers. Product decisions also include choices regarding brand names, guarantees, packaging and the services that should accompany the product offering. Price represents a unit basis what the company receives for the product or service that is being marketed. The factors that influence on pricing setting are: discounts and allowances, level of list price, payment periods and credit terms. Promotion decision has to be made with respect to the promotional mix: advertising, personal selling, sales promotions, public relations, direct marketing and online promotion. By these means the target audience is made aware of the existence of a product or service. Place involves decisions concerning the distribution channels to be used and their management, locations of outlets, methods of transportation and inventory levels to be held. The objective is to ensure that products and services are available in the proper quantities, at the right time and place. (Jobber 2010, p. 17-19)

Modern marketing is based on customers and customer relationships, so a fifth P can be added for personnel or people, as shown on figure 2. The personnel are an important competitive factor in both product and service oriented companies, because people working in the companies make the products, adjust the prices, manage the communication and maintain the customer relationships. Personnel skills affect the company's success greatly. According to modern marketing ideology every employee of the company should be taking part in the marketing and it's not just up to the marketing department. This mindset leads to need of improvement in internal

marketing. Personnel play important role also in creating a service environment that affects how well customers like the company and its services. (Bergström & Leppänen 2004, p. 147- 148)

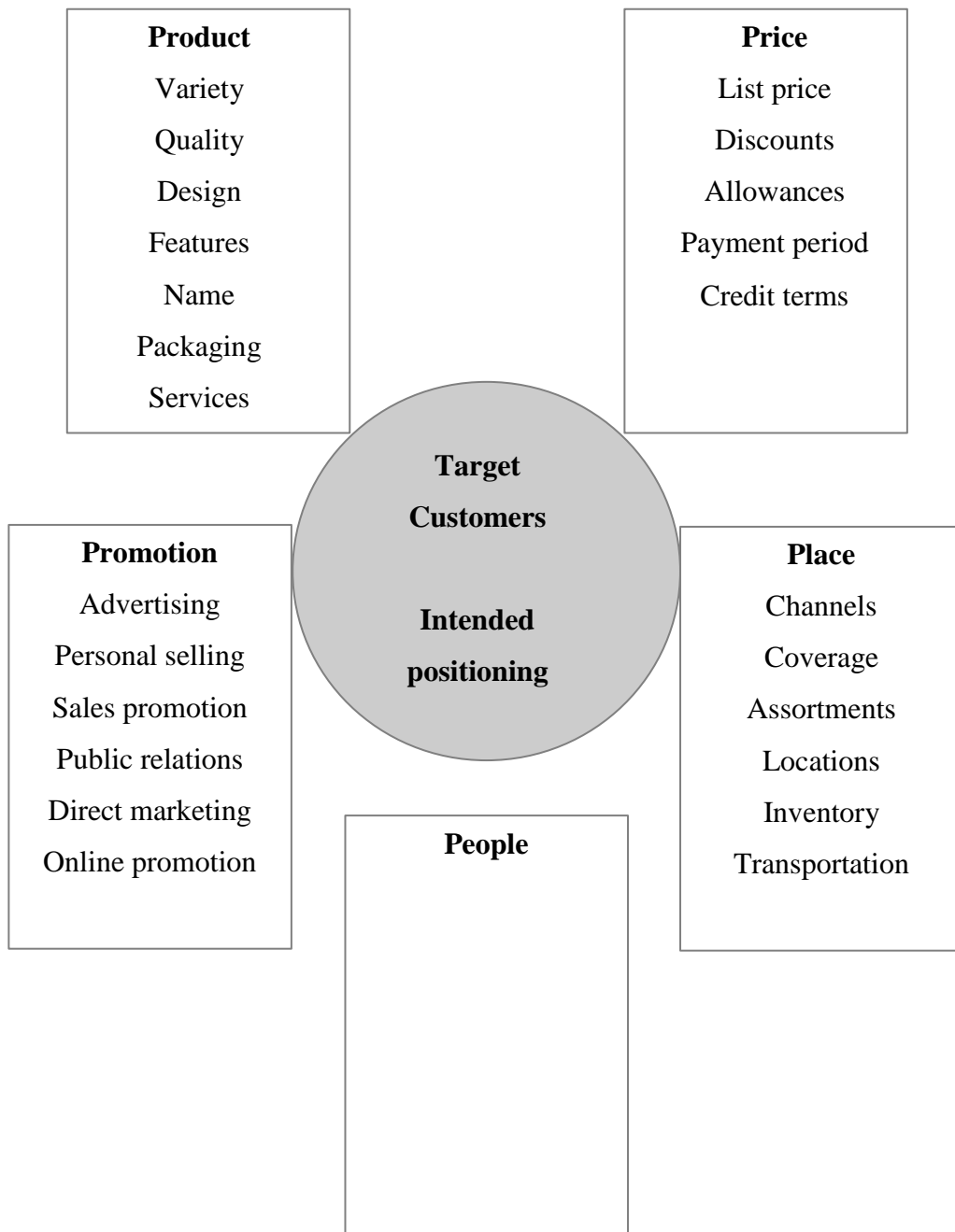


Figure 2, 5P's of marketing mix. (Modified from Armstrong & Kotler 2009, p. 83)



## 2.4 Targeting consumers

In modern customer oriented marketplace companies must win customers from competitors and maintain their loyalty by delivering greater value than competitors. The key element for satisfying the consumer and maintaining loyalty is to understand customer's needs and wants. Companies also have to know that they cannot satisfy all consumers in a given market, or at least not all buyers in the same way. Each company must divide up the total market, select the most profitable, target segments and design strategies for serving chosen segments better than the competitors do. This process involves three steps: market segmentation, market targeting, and market positioning. (Armstrong & Kotler 2000, p. 50-51)

## 2.5 Choosing communication tools

Marketing communication tools are groupings of similar mediums of marketing available on selected market. Marketing communication tools can be divided into different categories, but main categories are media marketing and direct marketing. After deciding the goal of marketing, target segment and initial message of the advertisement the company chooses the marketing media they will use. Choosing the media type is called inter-media decision, this means choosing the type of media to be used. Choosing individual channel or distributor for the advertisement is called intra-media decision, this mean choosing a certain medium to display the advertisement. (Lahtinen & Isoviitta 2001, p. 180)

When building effective marketing, it's important for the company to find marketing message and media which reach the desired segment most efficient way. Companies can choose from media marketing: advertisements in newspapers and other printed media, television advertisements, movie advertisements, radio advertisements, outdoors- and traffic advertisements, online advertisements.

Companies usually choose one or two main marketing media in which they strengthen with other marketing means according to selected market segment and situation. (Bergström & Leppänen 2004, p. 281) One way to group marketing communication tools is to divide mediums to E-media tools, mini-media, maxi-media, non-media, info-media and human-media communication tools. Groups are specified starting from chapter 2.5.1.

Small companies tend to use local marketing communication tools such as local newspapers and direct marketing. Selected media should fit company's desired image and the products desired image among the consumers. (Bergström & Leppänen 2004, p. 343)

When company starts to make decisions about what marketing communication tools to use, following factors effect on company consideration: attributes of company or product been advertised; market's and competition on these markets; aim of the marketing; target segment and how the selected media can reach this segment; timing; and budged.

The key issue is how well certain media can reach the selected market segment and how well it keeps the form of the message company wants. Media's ability to reach consumers can be measured by how much coverage the selected media has among the selected segment, by how many of the media's users are members of the targeted segment or by how many times people can see or hear the commercial. (Bergström & Leppänen 2004, p. 343-344)

#### Marketing communications mix

Marketing communications mix delivers messages and related media in order to communicate with market. Marketing communications can be seen as one P of marketing mix, the promotion. In marketing communications mix the promotion is divided into seven parts, including advertising, public relations, direct marketing, e-marketing, personal selling, exhibitions and sales promotions as seen on figure 3. Marketing communications is more focused on company's product and service itself compared to corporate communications where the focus of communications is the company itself. Marketing communications is firstly focused on generating demand and product and service positioning while the corporate communications focus on issue management, mergers and acquisitions. (Fintrack 2011)



Figure 3, The promotion mix (Fintrack 2011)

### 2.5.1 E-media marketing

E-media marketing offers large potential for reaching customers from nearly any profession or field of interest. E-media marketing is very cost effective, but one should keep in mind no matter how good your web site or pod cast is no one will know it's there unless you advertise it with some other media. Internet is a direct marketing mean, so it should be approached as such. The main rule for online marketing is the so called rule of the thirds: company should determine the budget they have for online marketing, then company invests one third in developing their site, one third in promoting company site, and one third in maintaining the company site. The rest of the E-media marketing communication tools are mentioned on table 2. (Levinson 2009, p. 215-217.)

Table 2. E-media marketing tools. (Based on Levinson 2009, p. 217-251)

E-media marketing tools	
Marketing mean	Function
List building	Collecting customer database

Pod and nanocasting	Distributing video and audio commercials and infomercials
E-mail	Direct contact to buyers
Website	Can be seen as virtual premises for the company
Search engine optimization (SEO)	Makes company more popular within searches through search engines
Brochures	Company and product presentation, raises awareness of potential prospects
Classified Advertising	Short advertisement in paper or online aimed towards people who are already buying
Signs	Gets prospects attention and spreads information through signs
The yellow pages	Advertisements made to be used in yellow pages company directory
Ad words	Search engine powered classified advertisements

### 2.5.2 Mini-media marketing

Mini-media marketing tools are found on table 4. Connecting feature between mini-media marketing tools is that they all require little financial resources in comparison to maxi-media communication tools. (Levinson 2009, p. 97-157)

Table 3. Mini-media marketing tools. (Based on Levinson 2009, p. 97-157)

Mini-media marketing tools	
Marketing mean	Function
Face-to-face marketing mean	Personal selling method
Business cards	Hold company information and open possibility to use backside as mini circular

Personal Letters	Direct marketing method
Telephone marketing	Direct marketing method
Circular	Short company presentations, raises awareness of potential prospects
Brochures	Company and product presentation, raises awareness of potential prospects
Classified Advertising	Short advertisement in paper or online aimed towards people who are already buying
Signs	Gets prospects attention and spreads information through signs
The yellow pages	Advertisements made to be used in yellow pages company directory
Ad words	Search engine powered classified advertisements

### 2.5.3 Maxi-media marketing

Maxi media marketing refers to the mass-marketing media such as newspapers, TV, radio, newspapers and direct mail marketing. By definition maxi-media marketing is the play field of major players, but when used correctly it can be effective tool for small company's marketing. Mistakes are very costly on the field of maxi-media. Maxi-media marketing is centered on two things: Selling and creating powerful desire to buy. Maxi- media marketing enhances the success of mini-media marketing, for example hearing a radio commercial will make people think of the flyer they have read. (Levinson 2009, 161-162) The maxi-media marketing tools are found on table 4.

Table 4. Maxi-media marketing tools. (Based on Levinson 2009, p. 161-212)

Maxi-media marketing tools	
Marketing mean	Function
Journals	Advertisements in printed form, success defined by choice of: circulation and ad design

Television	Advertisements in video form, can be direct marketing by design
Radio	Advertisements in audio form, strong as a direct marketing mean
Direct mail marketing	Tool for defining potential customer groups and tailoring messages directly to them

#### 2.5.4 Non-media marketing

Non-media marketing is form of marketing that requires no special media, it deals within common operations of company. Non-media marketing is done by using such areas as service, follow up, word to mouth, basically non-media marketing is creating satisfied long term customers and using them as a marketing tool. Non- media marketing has low if any extra costs for the company, but requires investment of time, energy, imagination, and information from marketer. Focusing on these non-media means are more likely to make small companies known to people than some of the paid media means. The non-media marketing tools are listed on table 5. (Levinson 2009, p. 283.)

Table 5. Non-media marketing tools. (Based on Levinson 2009, p. 283-298)

Non-media marketing tools	
Marketing mean	Function
Service	Improving chances for making sales, creates possibility for referrals
Follow up	Keeps customer relationships alive, increases possibilities for additional sales
Word of mouth	Referrals satisfied customers give to their friends and peers

### 2.5.5 Info-media marketing

Info-media marketing focuses on spreading information of your products and services through interaction with potential customers. Info-media marketing is usually done by demonstrating your products in front of audience. Ideology behind the info-media marketing is that with correct information, if disseminated properly will lead to sale. Info-media marketing does not tax the company's budget much so the info-media means can become a cost effective part of company's long-term marketing plan. (Levinson 2009, p. 252.) Info-media marketing tools are listed on table 6.

Table 6. Info-media marketing tools. (Based on Levinson 2009, p. 259-267)

Info-media marketing tools	
Marketing mean	Function
Free demonstrations	Increase prospects interest towards the company and its products by giving buyers chance to test out the products
Speaking at the clubs	Increasing buyers interest towards the company by offering information about company and products it offers
Customer interaction	How customers are treated, aims to create satisfied customers

### 2.5.6 Human-media marketing

Human-media marketing focuses on people and ideas. Human-media marketing is available to all kinds of businesses and they are several ways to create and improve people's vision of your company. Human-media marketing means have the potential to transform a business. (Levinson 2009, p. 268) Human media marketing tools are listed on table 7.

Table 7. Human-media marketing tools. (Based on Levinson 2009, p. 268-282)

Human-media marketing means	
Marketing mean	Function
Sales representatives	Increases the company sales, commission free
Employee attire	Creates professional image for your company
Customer interaction	How customers are treated, aims to create satisfied customers



### 3 THE CASE COMPANY

This chapter presents case company's current situation, global product portfolio and introduces targets set for marketing communication actions. Furthermore this chapter gives explanations on the most used acronyms in this research. Based on company X's global marketing plan for strategic period 2013-2016, main objectives are:

1. Grow in distribution
2. Increase market share (in key markets)
3. Grow sales in Professional segment

Several company X's existing markets are turning to be mature, meaning hard competition which in some cases leads to narrowing margins. That is why it is important to focus on markets with growth potential. (Jansson, 2012)

Marketing actions should be seen as investments, with expected return and with clear target: increase of sales. Investments to marketing actions are specified in budget calculations, and budget calculations found in yachting short term targets are used as expected returns on investments (ROI). In mega yacht (MY) segment, the aim of marketing is to make decision makers more aware of company X's products and products qualities, and to improve relations with decision makers in new building and repair yards. In leisure yachting professional (LY Professional) segment, aims are basically the same as in MY: making decision makers (in this case they can be end-users also) more aware of company X's products and their qualities, to improve relations with decision makers of distribution channels. In Leisure Yacht do-it-yourself (LY DIY) segment, the target is to improve awareness of company X's products and qualities, to affect buying decisions of end-customers and to build solid distribution network through relation improvement.

Company X yachting product portfolio is mainly divided in two parts: leisure yachting (LY) and mega yachting (MY). Leisure yachting can be divided in two parts, professional and DIY. One key challenge in yachting segment regarding market entry is assortment complexity, which is demonstrated on LY product chart, table 8.

Table 8, Company X's leisure yachting (professional and DIY) product portfolio

Type	Yachting			
	Fibre Glass	Wood	Steel	Aluminium
Antifouling				
Self-polishing	Antifouling A	Antifouling A	Antifouling A	White and grey
	Antifouling A (ecological)	Antifouling A (ecological)	Antifouling A (ecological)	Black and grey
	Antifouling A (low copper)	Antifouling A (low copper)	Antifouling A (low copper)	White
	Antifouling B	Antifouling B	Antifouling B	
	Antifouling Spray	Antifouling Spray	Antifouling Spray	
Hard	High-speed	High-speed	High-speed	White and grey
	High-speed (ecological)	High-speed (ecological)	High-speed (ecological)	
	High-speed (low copper)	High-speed (low copper)	High-speed (low copper)	
Thin Film	Ultra hi-speed racing	Ultra hi-speed racing	Ultra hi-speed racing	
Primers & Undercoats				
Two-Component	2K Primer		2K Primer HB Primer	2K Primer
One-Component		1K Primer 1K primer spray		
Topcoats				
Two-Component	Top coat A Top coat B	Top coat A Top coat B	Top coat A Top coat B	Top coat A Top coat B

One-Component	Top coat C Top coat D	Top coat C Top coat D	Top coat C Top coat D	Top coat C Top coat D
Fillers	LW Filler EF Filler ER Filler GC Filler	LW Filler EF Filler ER Filler GC Filler	LW Filler EF Filler ER Filler GC Filler	LW Filler EF Filler ER Filler GC Filler
Wood & Varnishes		Varnish A Varnish B Glossy oil Teak oil Mahogany restorer Teak cleaner Teak sealer		
Osmosis	Anti-osmosis epoxy Epoxy B			
Boatcare				

To overcome this challenge, one solution is to drop out excess products. This minimizes product overlapping and makes selection making easier for customers.

Table 9, Company X's mega yachting product portfolio

Type	Mega yachting
------	---------------

Antifouling	Self-polishing antifouling Self-polishing polymer antifouling High-speed antifouling
Primers & Undercoats	Two-component epoxy anticorrosion 1 Two-component mastic anticorrosion Two-component epoxy-vinyl anticorrosion 3 Two-component epoxy primer 2 Two-component polyurethane undercoat 4
Topcoats	Topcoat A Topcoat B Metallic topcoats
Fillers	Filler A Filler A for hot climate conditions Filler B Filler C Filler D

Assortment complexity is not challenge for MY segment on same scale as it for LY, as seen on table 9. Products are more purpose and result specific, which eases selection making.

In Russian market, customs duties are heavy and certification is needed to import and sell both LY and MY products. Therefore company X yachting division product portfolio in Russia is advised to be as on table 11 for first three (3) years. (Galkin, 2012)

Table 10, Company X's yachting product portfolio for Russian market

Type	MY	LY (Professional and DIY)
Antifouling	Self-polishing antifouling	Antifouling A Antifouling B Ultra hi-speed racing Hi-speed
Primers, Sealers and Undercoats	Two-component epoxy anticorrosion  Two-component epoxy-vinyl anticorrosion  Two-component epoxy primer  Two-component polyurethane undercoat	2K Primer  HB Primer  1K Primer
Fillers	Filler A  Filler B  Filler C	LW Filler  EF Filler
Topcoats	Topcoat A	Topcoat A  Topcoat B
Varnishes	Varnish A, Varnish B	

Compact product line requires less initial resources, regarding import and import taxation. Furthermore, it is advised to focus on proven key products and possibly later on introduce new products to portfolio if the market entry shows positive results.

#### 4 MARKET ANALYSIS

Russia's leisure boating markets have started to develop in 2000, and experienced a boom in 2004 as a fashion trend. (Khalina, 2009) However, the leisure boat market experienced a two-year lull between 2009 and 2011, now the market is on the rise again. The same lull effect is visible also on Russia's overall paint and protective coatings market during the same period of time. Drop may be explained by financial crisis Russia encountered in years 2008-2009 which affected greatly on purchasing power of Russian ruble in comparison to dollar and euro making importing expensive and therefore raising the end customer prices. (Khalina 2009) This same lull in market can be seen in Handelsbanken's estimate on Russia's overall paint and protective coatings market development. (Figure 4, Handelsbanken 2009) Even though it represents paint market as total, the trend can be estimated to be to same direction with yachting related paints and coatings. (Jansson, 2012)

Development of boating culture in Russia is reflected by emerge of Russian middle class. Nowadays typical Russian leisure boat customer is middle-class family man, who purchases boat ranging from 30.000 to somewhat 500.000 USD. Somewhat 2 to 4 per cent of Russians have a sophisticated boat. Sales grew by 20 percent since the beginning of 2009 for Burevestnik Group, the country's largest boat importer. (Khalina, 2009)

While boats made in Europe and America are considered superior and far outnumber Russian-made vessels, the country's nascent boating industry is growing. (Narizhnaya, 2011)

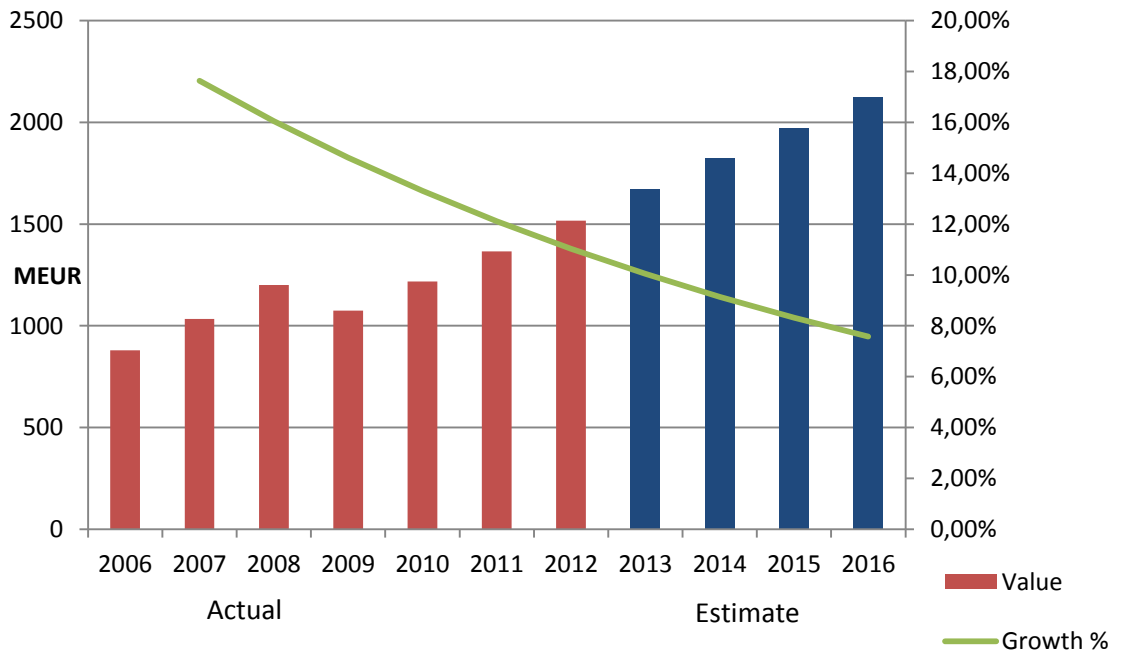


Figure 4, Total market value of protective coatings in Russia. Modified from Järvinen, 2009

#### 4.1 SWOT analysis

Table 11 represents the SWOT analysis for mega yachting product range, and table 12 for leisure yachting (both professional and DIY). Strengths, weaknesses, opportunities and threats are rather similar for both segments.

Table 11, SWOT analysis for mega yachting product line

##### Mega yachting

		Strengths	Weaknesses
Internal		Global Image	Delivery times from Europe
		Contacts with shipyards through marine projects	Low brand recognition
		High quality products and services	No dedicated local yachting website

External	Stock and tint mixing machine	
	Premium brand	
	<b>Opportunities</b>	<b>Threats</b>
	Mega yacht market is very compact, easy to focus	Dominating position of competitor A
	Market demands for alternative supplier	Low no. of new building projects
		Tendency to order yachts abroad – low amount of new building and repair docks

Table 12, SWOT analysis for yachting professional and DIY product line  
Leisure yachting

Internal	<b>Strengths</b>	<b>Weaknesses</b>
	Company X marine reputation	Delivery times from Europe
	Wide product range	Low brand recognition
	High performance anti fouling products	No distribution network
	Stock and tint mixing machine	No dedicated local yachting website
	<b>Opportunities</b>	<b>Threats</b>



External	High market growth rate	Competition from established brands
	Targeting boat producers and boat importers	Low prices of competitors' products
	Distributors of boat equipment are looking for new paint brands to be introduced to market	

Operating model for company X is currently importing paints from manufacturing plants located in Europe. Delivery times cannot be much shortened, but come around is possible through intellect planning of stocks in warehouses. Stock size and circulation should be optimized so, that shortage does not occur. Just-in-time delivery and supply chain should be optimized. Avoiding shortage and having customer desired products on stock is the key to success. In situations where delivery times are too long, customers tend to change provider.

As seen on table 12, low brand recognition is barrier for success especially in yachting (DIY) segment, but affects also to mega yachting and yachting professional. Tools for improving brand awareness are found later on this marketing plan.

Lack of local dedicated web page should be fixed as fast as possible, since customers with limited interest towards products may want to find more information about them, but not always through a call to local dealer. Killing merging interest of potential customer is disastrous mistake for rather unknown product with growth targets.

Low price of competitor B products should be solved through a workaround, where company X's focus is not lowering prices of own products, but instead delivering extra value through combining product range products to achieve outstanding results. Combination strategy, known as bundling, is described in more thorough manner in chapters "Product" and "Yachting Package". Lack of distribution network is major issue to overcome in order to expand LY segment sales.

## 4.2 PESTL analysis

This analysis covers external influences on business environment company X yachting division in Russia is acting. These external influences are political, economical, social and technological.

### Political and legal

Russia's entry to WTO lowers trade barriers, most likely import taxation policies. This far, import tax policies have not been predictable, making it difficult to keep import, and therefore business, costs stable. (Galkin, 2012) Expected major improvement for companies having import activities is stabilization of import taxes – leading to predictability for import costs. Predictability is important factor, since it helps keeping both margins and end consumer prices more stable and company controlled.

Company X has initiated a project to build a manufacturing plant close to major customer area. Products made in Russian Federation do not need expensive certification. Lowering of trade barriers including heavy import taxation and having own manufacturing plant in Russia does not only bring competitive advantage through avoiding taxes, but shortening supply times. WTO membership may affect in the form of more stable taxation of raw materials imported for paint manufacturing, lowering production costs and allowing either higher margins, or more preferably lowering market prices. That is because growth in market share is gain customers in Russia prefer cheaper products in DIY leisure yachting segment.

Another aspect to consider is tendency of Russian government to financially support local producers. This phenomenon has been seen clearly in case of saving AvtoVAZ's production in Russia. And according to Russian Market Study by Ernst & Young, government's role was significant in providing many companies financial assistance as part of government's anti-crisis policy in years 2008-2009. Poor financial situation of some enterprises allowed state-owned corporations to consolidate their attractive assets. (Ernst & Young, 2012)

### Economical

Russian economy was hit hard by the 2008-2009 global crisis as oil, gas and other commodity prices went down. Central Bank of Russia spent approximately \$200 billion of their reserves in 2008 to slow down the devaluation of Russian Ruble. The government also allocated \$200 billion to Russian banking sector in order to increase bank liquidity and aid Russian companies with strategic importance which were unable to pay their foreign debts at the time. (Cooper, 2009)

Economic decline bottomed out in 2009 and the economy began to grow during the Q1 of 2010. High oil prices (\$110 per barrel) in Q1 of 2011 helped Russia to recover from the crisis and to gain spent reserves back. Russia's main future challenges are shrinking workforce, high corruption level and difficulty of accessing capital for small and mid-sized companies. (CIA, 2012)

Key expectations for positive economic growth of Russian economy are that there will be a rise in both imports and exports. Growth prospects will continue to depend on commodity prices in world market, especially on gas and oil since they are Russia's main exports.



Figure 5, Russia's GDP development (Trading Economics, 2013)

Russia's WTO membership is expected to lower import taxation, as mentioned before. This may also have effect on how yacht owners register their yachts. Many - most likely Russian customers – buy their yachts to nearby countries i.e. to Finland or Turkey. This behavior is explained by tax evasion through not registering yachts to Russia.

Change is crucial, because yachts registered in Russia, most likely stay longer periods of time in Russian territory. This gives advantage for local yacht repair services, since easiness and nearby location are key elements when customers are choosing companies for regular paint and repair works.

WTO membership with lowered trade barriers can also bring new players not only to yachting market, but also supportive market such as yacht paint market.

## Social

Improving quality of life and rapidly emerging middle class creates nationwide rise in average income level. Rise of income level gives bigger variety of free time activities to spend money, given good example of leisure activities as yachting which is expected to have major growth rate in following years. (Moskvitch, 2011)

Yachting has not long roots in Russia, mainly because of historical facts. Ownership of private leisure yacht was simply not possible during Soviet times. Now, since middle class quality of life is steadily improving, search for new leisure activities is also in rise, which may give foothold to yachting and therefore supportive products such as company X's. (Galkin, 2012)

## Technological

Improvement of Russian e.g. transport infrastructure will have great impact on business environment company X is currently acting on. Due to long distances and bad condition of roads, delivery times to other parts of Russia are extremely long. Long delivery times leads to need of having warehouses on key areas. Limitation of this delivery model is balancing between keeping stock sizes profitable and reacting to altering demand quickly enough. On yachting, delivery times are one key element affecting to customers buying decisions.

Improvement of infrastructure allows better price efficiency of logistics through shortening delivery times and allowing warehouse stock sizes to be shrunken to optimal. Theory of logistics says that warehouse stock should be as small as possible while avoiding shortage and keeping stock cycle as short as possible, promoting importance of just-in-time delivery. (Tyrväinen, 2010)

### 4.3 Competitive analysis and landscape

Competitive analysis conducted for this marketing plan is based on Porter's five forces model (figure 6).

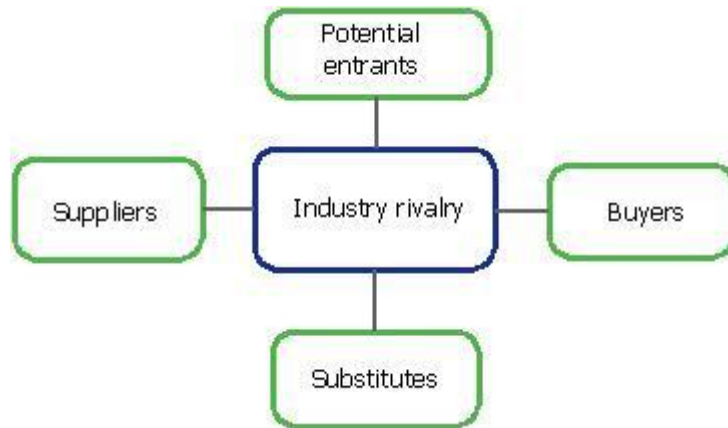


Figure 6. Porter's five forces model (Porter, 2008)

Number of potential entrants may rise affected by Russia's WTO membership lowering trade barriers and by growth rate of yachting market in Russia. Industry rivalry is rather high at all other segments except MY, which might lower other companies interests in entering Russian market. For completely new entrants in yachting paint business, entry barriers are high. That is because product technology is partly patented and requires specific industrial plants for processing. For already existing yacht paint companies, entry barriers are still high due to certification process and difficulty of finding solid relationships with distributors.

Buyers have lots of power, since buyers are price sensitive and usually make purchases in large quantities. High buyer bargaining power is also indicated by similarity of products on market.

Substitutes do exist in nearly every industry. Threat of substitutes is lowered by relatively high brand switching costs – but is raised by similar products, both in price and qualities. High switching costs mean that all major paint providers have paints to be easily repainted with their own products, and when changing the provider the whole surface has to be completely cleaned.

Suppliers' power to industry's rivalry is not relevant, since nearly all of companies providing yachting paints are backwards vertically integrated so, that supplier and

sales agents are part of same corporation. If supplier prices go high, they tend to affect every company's pricing in this industry.

#### 4.3.1 Market size and rivalry

Total yacht paint market is estimated to be approximately 185 000 liters annually. Number is derivate of boat type segmentation, shown in figure 7, and estimated interval of painting need. (Galkin, 2012)

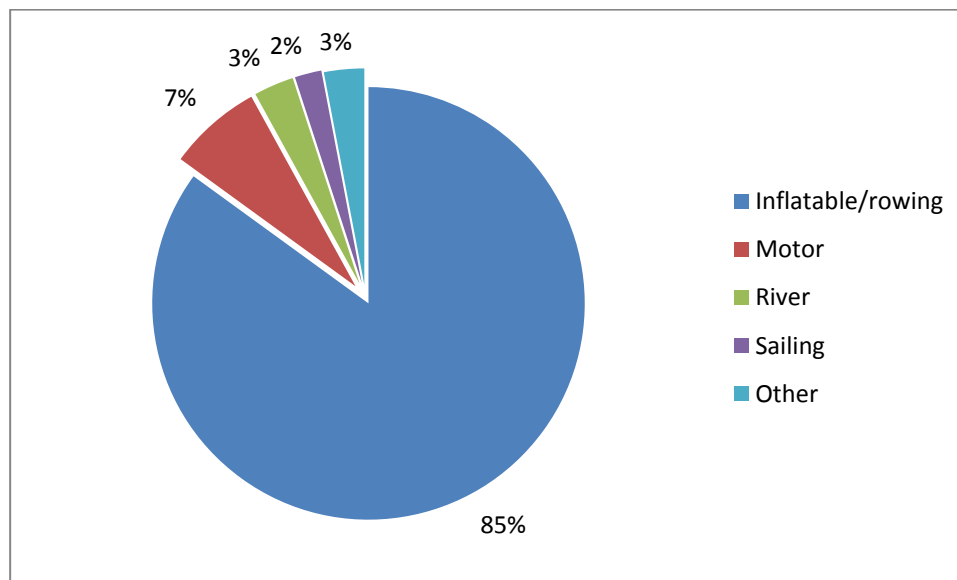


Figure 7, Estimate of boat type segmentation in Russia 2011 (Galkin, 2012)

As seen in the figure 7, majority of boats are small and the segment is further divided into rowing and inflatable boats. Inflatable boats are not on target focus, since they cannot be painted by company X's products. Nevertheless market is currently small and geographical distances are vast, constant growth rate in Russian yachting markets indicate ascending markets for supportive products such company X's yachting product range.

#### Benchmarking

Main question in benchmarking is "how". How did current market leaders get their position?

Market leader in MY segment is competitor A, owned by Scandinavian based global group. Competitor A is focused only on yachting paints, as group with its own brand is producing decorative paints, performance coatings and specialty chemicals.

In Russian MY segment, main things to understand are

- Direct supply chain, need of good personal relations to buyer
- Purchase key factors are relations, references, price, guarantee
  - Currently company X can provide references and guarantee
- Technical service and support

Yachting professional segment is more scattered, giving three major suppliers with less dominant position over market. Main supplier is Scandinavian based competitor B with approximated market share of 40%.

LY DIY segment is dominated by local producers. Competitor C has 8%, competitor B 3%, and other imported in total 5%. Dominating position of local producers is explained by their low prices, not high quality. For customer low price / low quality relation can make reasonable customer value, especially when speaking of small and low price category leisure boats.

Gaining in-depth understanding of these companies business and finding answer to question “how” will give valuable information how emerging business should be dealt with.

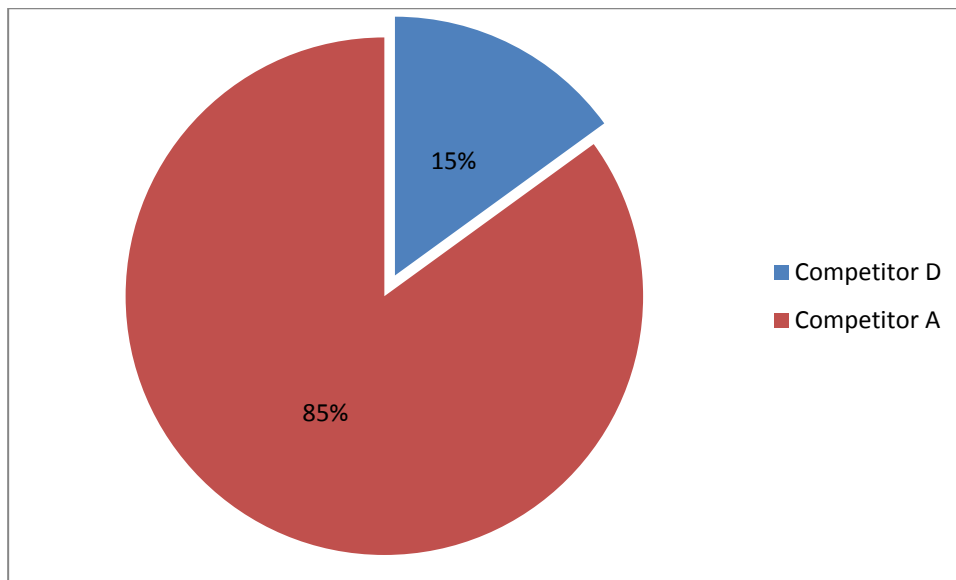


Figure 8, Estimate of MY market share in Russia 2011 (Galkin, 2012)

As seen in figure 8, the Mega Yacht segment is game of two major players in Russian market. Both producers competitor D and competitor A are not-Russian companies and therefore their paints are imported.

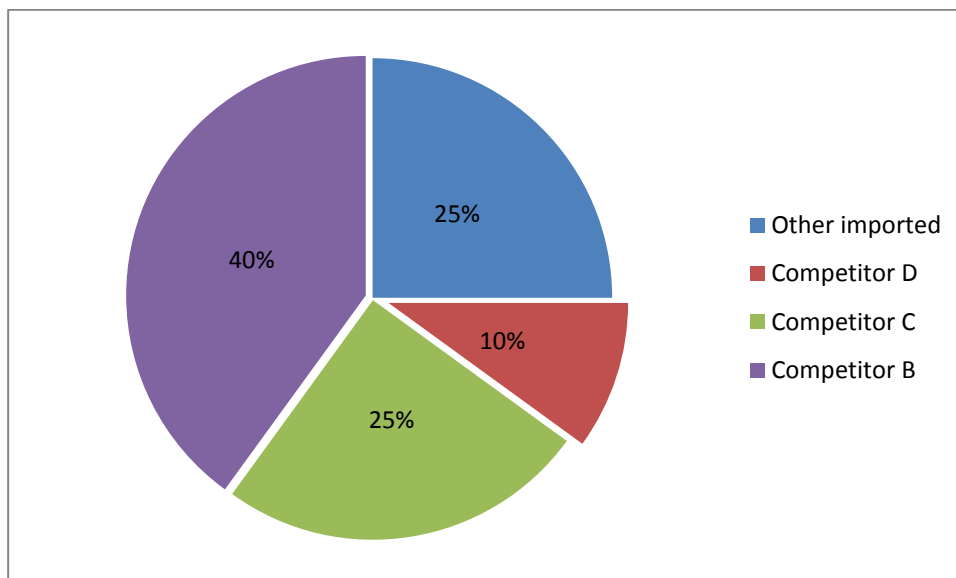


Figure 9, Estimate of LY Professional market share in Russia 2011 (Galkin, 2012)

On yachting professional segment the market share is a bit more divided between different companies, as seen on figure 9. As on mega yachting segment, also on this segment all paints are imported.



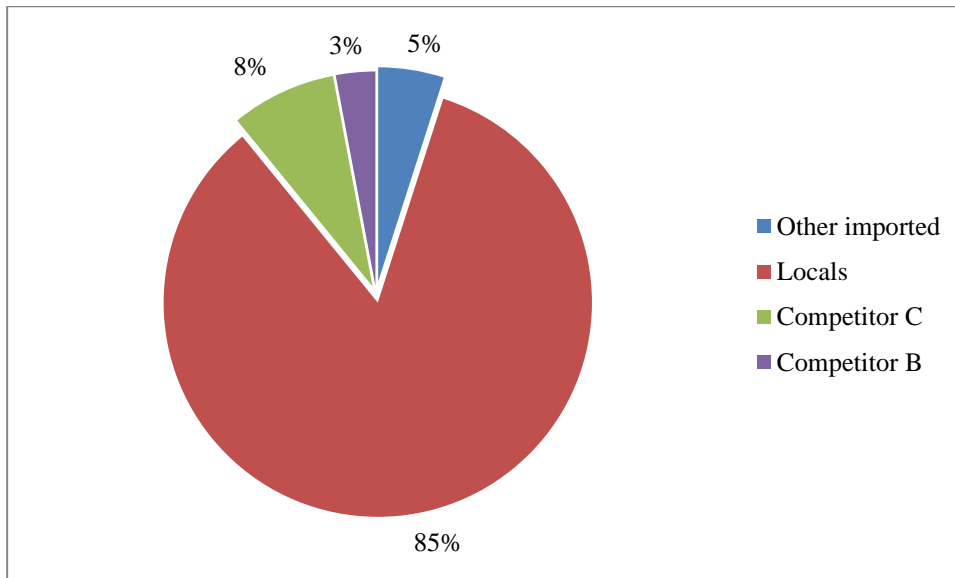


Figure 10, Estimate of LY DIY market share in Russia 2011 (Galkin, 2012)

Leisure yachting do-it-yourself is dominated by local producers, as seen on figure 10. Imported paints have market share of 15% and Russian produced paints 85%. This clearly implies that imported paints cannot compete with price in this price sensitive segment.

## 5 STRATEGY SETTING

### 5.1 Segmentation

Table 13, End-customer segmentation (Mukhina & Selivanovskih, 2012)

Segmenting method:	<b>Geographic</b>	<b>Demographic</b>	<b>Psychographic</b>	<b>Behavioral</b>
Answers to:	Where they are?	How are they?	Who are they?	What do they want?
MY	Mostly in Moscow, also in Yaroslavl, Severodvisnsk and Schisselburg close to St. Petersburg	Mostly men, decision makers in MY building, aged 35 and up	Want to provide quality projects for customers	High quality
LY	In bigger cities, shores of big	Mostly men, decision makers		Good price/quality

Professional	rivers, lakes or sea(s)	in NB or repair yards, owners of yachts, aged 35 and up		relation
LY DIY	All over Russia, riverside, seaside or lakeside	Mostly men, owning yacht, usually educated, aged 40 and up	Owners of lower price category leisure yachts, free time and fishing	Good price/quality relation, preferring lower prices

As seen on table 13, end-customer segmentation shows that average end-customer of yacht paints is middle aged man, living in one of the biggest cities in Russia at waterside. End-customer of MY and LY Professional segments usually has higher than average income, and for them the quality is more important feature than price. In LY DIY segment, the end-customer has average income level and in this segment the price/quality relation is important.

Table 14, Industrial customer segmentation (Mukhina & Selivanovskih, 2012)

Industrial market segmentation					
	1. Demographics: industry, company size, customer location	2. Operating variables: company technology, product/brand use status, customer capabilities	3. Purchasing approaches: purchasing function (PF), power structure (PS), buyer-seller relationships (PSR), purchasing policies (PP), purchasing criteria (PC)	4. Situational factors: urgency of order (UO), size of order (SO), product application	5. Buyers' personal characteristics: character, approach
MY	New building shipyards  Size varies from 20 persons to hundreds	High technology and necessary equipment  High brand use status  CC: understanding project, making some decisions	Key Account (MY)  PF: Necessary for production  PS: Buyer (shipyard), strong influence from applicator  PSR:  PP: Strict (big or	UO: Rather urgent, ordered project per time  SO: Big order size, orders infrequent	Risk averse, approach with sample packages and references to encourage testing

			<p>multinational), loose (small company)</p> <p>PC: Delivered quality, customer value</p>		
LY	<p>Shipyards (NB &amp; repair) and applicators, from 1 to couple of dozen</p> <p>Distributors varying from small to large multinationals</p>	<p>Medium to high technology, usually necessary equipment</p> <p>Medium to high brand use status</p> <p>CC: Work order, understanding project, making important decisions,</p>	<p>Direct Account &amp; Key Account (Distr.)</p> <p>PF: Necessary for production (shipyards)</p> <p>PS: Buyer (shipyards), strong influence from applicator; Buyer (distributor) influence from sales forecast</p> <p>PSR:</p> <p>PP: Loose (shipyards), strict (distributors)</p> <p>PC: Price/profit, customer value</p>	<p>UO: Rather urgent (yards); non-urgent (distr.) if they have own stocks</p> <p>SO: Medium order size (yards) with infrequent orders; Small/medium order (distr.) with frequency</p>	<p>Shipyards more risk receptive since projects smaller, distributors risk receptive</p>
DIY	<p>Distributors varying from small to large multinationals</p>	<p>Low technology</p> <p>Low brand status</p> <p>High need for customer capabilities</p>	<p>Key Account (Distr.)</p> <p>PF: Necessary for maintenance</p> <p>PS: Buyer (distributor), influence from sales forecast</p> <p>PP: Strict (distributors)</p> <p>PC: Price/profit</p>	<p>UO: Non-urgent</p> <p>SO: Small/medium size order with frequency</p>	<p>Risk receptive</p>

Industrial customer segmentation in table 14 defines the customers with whom company X will parlay. In MY segment the buying entity will be new building or repair shipyard specialized in mega yachts. These shipyards are located mostly in Saint Petersburg and Moscow regions. They have high understanding of painting processes and have experience in different paints, and therefore these shipyards have some influence over paint selection. MY shipyards usually purchase large amounts of paints per time, but purchases are infrequent.

Complete opposite from MY segment is LY DIY, in which the end-user does all the selection process of paints, needs to have knowledge how to apply paints and buys small amount of paints per time. LY Professional is in between of these two opposites. In LY Professional segment end-user has some interest on paint and brand selection, but does not paint the yacht by himself.

There is an assumed inverse correlation between price of yacht and willingness for DIY repaint, presented in figures 11 and 12. (Selivanovskih & Galkin, 2012)

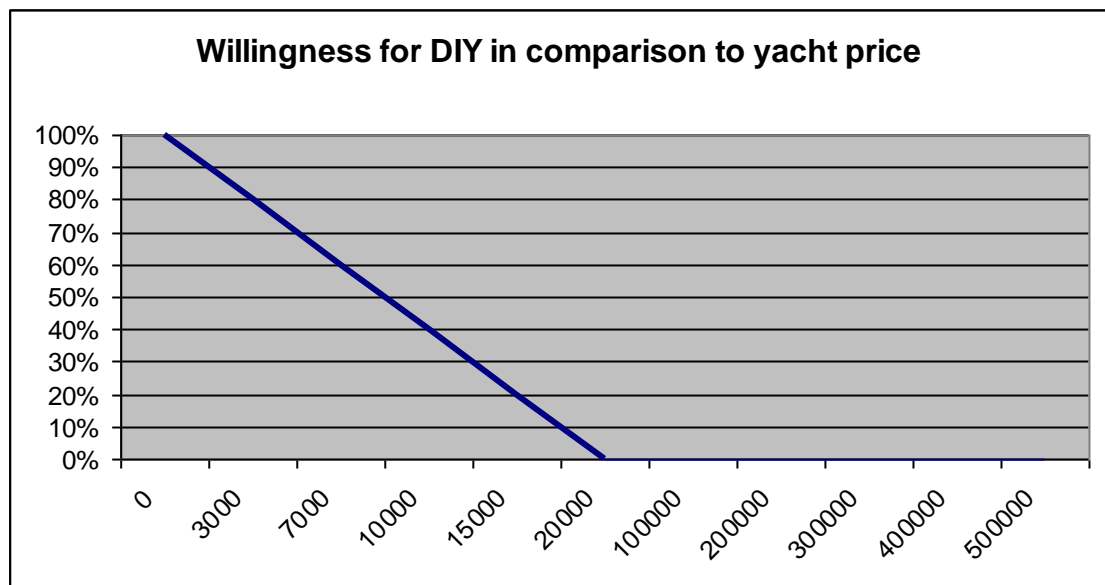


Figure 11, Assumed willingness for DIY in correlation to yacht price (Selivanovskih & Galkin, 2012)

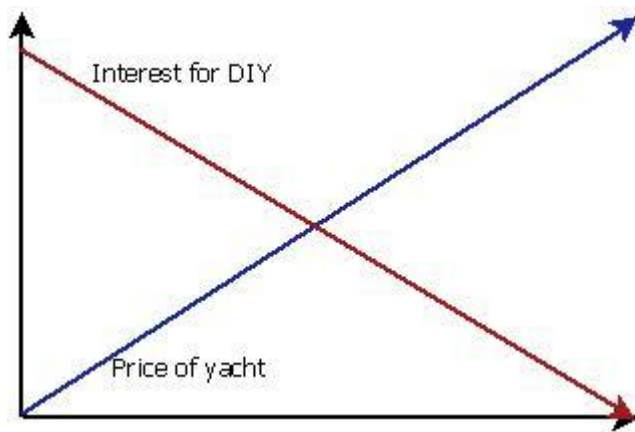


Figure 12, Assumed inverse correlation between interest in DIY and yacht price (Selivanovskih & Galkin, 2012)

This means, people who own yachts priced higher than 20 000 eur (780 000 rub) most likely are not interested in repainting their yachts by themselves. Paint works are given to repair and paint yards, which also have from medium to high level of influence in paint selection. Taken from assumption, these repair and paint yards are important target segment.

## 5.2 Product life cycle

company X yachting product portfolio's products' life cycle is depending on use and segment category. In LY DIY, product life cycle is one year, meaning customers' moment of buying is most likely on spring time. Moment of buying sets needs for marketing campaign to hit customers before and at time they make purchasing decisions.

In LY Professional and MY, life cycle is from a year up to three years. This means purchasing window is open regularly and is easy to forecast, especially in case of long customer relationships. These purchasing windows are the key moments in order to keep profitable customer relationships.

Annually this means consumption of 185 000 liters. Consumption rate is on rise, since yachting as industry is on growth. On product level, product life cycle - development need for new products – is defined globally. Generally this means having 2-5 new innovations yearly in product portfolio. Innovations usually contain localized products to fulfill environmental legislation requirements.

### 5.3 Choosing potential strategy

Potential market approach strategy is done by using Porter's generic model for strategy selection (table 15):

- Company X cannot be price leader in LY segment, because of import taxation and rather high operation costs. On MY segment, price leadership is not as relevant as it is on LY segment.
- Company X's product portfolio for Russian market is already broad to be considered as focused
- Company X yachting should choose differentiation strategy, where company and products differ from others by brand image or product quality

Table 15, Competitive advantage model

Competitive advantage			
	Lower Cost	Differentiation	
Competitive Scope	Broad Target	<b>Cost Leadership</b>	<b>Differentiation</b>
	Narrow Target	<b>Focus</b>	

### 5.4 Positioning strategy

Company X's yachting products should be positioned in Russian market by following

- High price
- High value for customer
- Good price/value ratio

This position strategy is due differentiation strategy, since company X cannot compete in price and niche targeting is not profitable on current market situation.

Company X's aim is to provide high quality and top performance products to quality concerned customers, both in LY (professional and DIY) and MY segment. Marketing actions' task is to convince customers that paying premium price gives premium results.

Benefits driven to customers are top notch protection for their vessels, easiness of repainting if company X provides paints earlier, and safe purchase through guarantees if paint work is done under representative supervision.

## 5.5 Direction and objectives for marketing communications

For strategic period 2013-2016, focuses are

- Grow in distribution
- Increase market share in key markets
- Grow sales in LY (Professional and DIY) segment

Challenges for strategic period of 2013-2016 are:

- Market trend, which is down in most of the focus markets
- New countries need significant support to penetrate and develop the market
- Marketing understanding throughout the organization

### 5.5.1 Long term marketing objectives

Long term objectives are to establish solid distribution network throughout Russia. Distribution network will supply paints for ship yards, applicators and retailers. Company X still remains to have own key accounts to reduce delivery times and to keep pricing more flexible.

In LY segment growth target is set to an average of 160% yearly, three years in row, between years 2013 and 2016. Growth target in MY sector is 7% yearly on period of 2013-2016.

Another long-term objective is to create a network of ship yards exclusively using Company X's products. This cannot be implemented before product portfolio for Russian market is wide enough. Exclusive yards should be dealt with as they were key accounts, providing them flexible pricing and 15/30 days credit payment option.

### 5.5.2 Short term marketing objectives

Short term marketing objectives are objectives that are fulfilled in a year period. During short strategic period of 2013, target set in business plan is to grow in LY DIY sales from zero to 55 000 euros annual sales. (Jansson, 2013) This needs rather aggressive marketing approach in order to gain foothold to intensify sales even more on years to come.

According to the business plan, certification process is already started on selected yachting products, which allows them to be sold in Russian markets. Process should be completed by 2013 – then the products are ready to be introduced to the market. (Jansson, 2012)

Possibility of creating Yachtig Package also to Russian markets. Package idea is mentioned in corporate marketing plan, and is mostly aimed to newcomers in DIY sector. Bulking (packaging) could be also used in creating for example yearly boat care pack, including filler(s), primer and topcoat. Adding antifouling as option.

### 5.5.3 Financial objectives

On the financial side, the target is to keep business growing while maintaining earnings before interests and taxes (EBIT-%) level over 10%. Higher values (25%-35%) are better for company, but makes end-customer prices to rise notably. Price changes are best to be made yearly and in accordance to corporate concept. (Jansson, 2012)

Financial objectives presented in marketing plan are a straight derivate from company X's Russian branch business plan.



Table 16, Budget for strategic period 2013-2016 (Galkin, 2012)

MY+LY P&L 2013 - 2016 Estimate In thousands euros ('000 eur)	2013	2014	2015	2016
Sales – LY	0	55	180	320
Sales – MY	180	200	210	230
<b>Sales MY + LY</b>	<b>180</b>	<b>255</b>	<b>390</b>	<b>550</b>
<b>Gross Profit</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Gross Margin</b>	<b>x-%</b>	<b>x-%</b>	<b>x-%</b>	<b>x-%</b>
Warehouse costs	10,7	15,3	23,4	33
Transport costs	1,8	3,1	4,7	6,6
Other operative and administrative costs	X	X	X	X
<b>Total costs</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>EBIT</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>EBIT %</b>	<b>x-%</b>	<b>x-%</b>	<b>x-%</b>	<b>x-%</b>

Earnings before interest and taxes (EBIT) margin for each year in strategic period is on healthy basis and in accordance with corporate set target. Growth estimate for LY segment is rather high, from zero sales to annual of 320 000 euros in next three years. (Table 16)

## 6 MARKETING MIX

### 6.1 Product

On the first phase company X should focus on promotion of coatings and fillers. Boat care products are dropped off from product portfolio because of low competitive advantage over locally produced products. Especially European market leading products should be promoted with references “best in test”.

Current product variety is rather relevant, since overlapping products do not exist. New products to be introduced to market later on are:

- Color AF
- Semi-flat varnishes for interiors
- Flat / semi-flat MCI topcoat
- Metallic topcoat

Following the overall company X innovation strategy, yachting focuses on delivering innovations that are relevant to the market and that the customers are willing to pay a premium price for.

New products to be launched in year 2013, which should be considered to Russian market, are

- Easily applicable topcoats
- Next generation antifouling

Market analysis in Russia should be conducted immediately when new global product launches are announced to decide whether innovations have potential on Russian market or not. If they have, certification process should be started relatively fast in order to have products on market on relevant time.

Technical service and support to projects plus after sales services in mega yachting and yachting professional. After paying expensive paints and paint work, customers tend to expect guarantees.

Company X provides liability of guarantee if painting process is done in accordance of paint guides and supervised by representative. Supervision is crucial in Mega Yacht building or repair works, improving quality of work and giving chance for company X to provide guarantee if anything has went wrong.

Table 17, Company X yachting and mega yachting product portfolio

Type	MY	LY (Professional and DIY)
Antifouling	Self-polishing antifouling	Antifouling A Antifouling B Ultra hi-speed racing Hi-speed
Primers, Sealers and Undercoats	Two-component epoxy anticorrosion Two-component epoxy-vinyl anticorrosion Two-component epoxy primer Two-component polyurethane undercoat	2K Primer HB Primer 1K Primer
Fillers	Filler A Filler B Filler C	LW Filler EF Filler
Topcoats	Topcoat A	Topcoat A Topcoat B

Varnishes	Varnish A, Varnish B
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Table 17 shows recommended product portfolio for company X's yachting division in Russian markets for period of 2013-2016. Products are chosen so, that the amount of different products stays in minimum and still covering all areas of yacht painting. Narrow product portfolio does not tie financial resources as much as wide, since there is less products to be certified for Russian markets and stock sizes can be kept small.

## 6.2 Price

Pricing strategy is aimed for premium pricing. This means pricing methods are not cost driven by production, logistics or other costs, but by means of confirming company X's position as a premium brand. To comply with position as a premium brand, all supportive activities and materials also have to be of premium level.

Bundling products with discount could be used as a penetrative strategy. Concept is called "Yachting Package", aimed especially for newcomers in LY DIY market. Two kinds of packages should be created, one with dedicated antifouling included and one without. Limited time discount gives foothold to market, and discount rate is to be lowered during the time.

When good relations with suppliers and key accounts are established, credit terms should be revised. For small quantities, prepaid method works fine. For bigger and/or constant orders payment terms could be 14/28 x% days, meaning 14 days of interest free payment after delivery and later 14 days with variable but reasonable interest rate. Rate should be calculated in accordance with that time general interest rate level and yearly volume of account, measuring loyalty level. (Jansson, 2012)

Accounts should be divided same way as they are divided in corporate plan, adjusting required purchase levels to be more relevant with planned sales. As seen on table 19, group A customer makes annual purchases more than 75 000 euros, Group B customer 25 000 – 75 000 euros per annum, and Group C customer less than 25 000 euros per annum. (Galkin, 2012)

Table 18, Credit terms for customer groups (Galkin, 2012)

Group	Annual volume	Payment term	Discount
A	>75 000 eur	30	Minimum price
B	25 000 - 75 000	14/30 x%	Net price
C	<25 000	Prepaid	Market price

As mentioned in long term marketing objectives, company X is increasing prices every year, considering inflation rate and corporate set target. Increase of prices should be implied once a year, so that prices keep constant during a year.

### 6.3 Place

The overall strategy for LY is to secure a sustainable and profitable business by building up strong, loyal and financially healthy distributors. The target for Russian market is the same as overall corporate strategy, to build up good relations with distributors. Distributors will make big part of purchases, and along with distributors, company X should find own key accounts.

LY DIY is rather marketing intensive segment, where retailers have lots of power to affect customers buying decisions. It is important to win sales persons on company X's side, that they could recommend company X's products to customers. On business-to-customers business, sales persons' recommendations can turn customers head and alter their original intense of purchase.

- Distribution channels
- Location
- Availability
- Transportation

## 6.4 Promotion through marketing communication tools

This chapter presents numerous proposals to be implied in order to achieve targets set on company's short term plan. Importance of follow up and ROI calculations cannot be empathized enough, since follow up gives valuable information how to change marketing strategy along with changing trends and habits, and marketing ROI clearly shows which actions are worthy to be continued, which ones are to be cancelled and new ones to be developed.

Questions that have to be answered are: Why would distributors want to have company X's yachting products on their inventory? Because they think they can sell them forward and make profit with them. How to make decision makers believe they can make money out of company X products?

### Personal letters

Personal letters aimed towards potential key accounts. Personal letter should be sent in corporate envelope so that receiver and address are hand written. This makes letter more personal and improves chances of receiver opening the letter versus obvious mass mailing advertisement. (Parantainen, 2009)

Letters should be written in a way, where company X shows interest in customers' advantage instead over company's own. Problem in this communication tool is that using generic envelopes is not part of corporate strategy, and therefore company X branded envelopes and prints should be used. To overcome this challenge is to use personal letters in combination of "marketing package", delivering pleasant surprise in branded package.

Follow up of return rate is extremely easy, responses in relation to sent letters.

Ordinary letter is better than email, sending costs are low and quality brochures can be easily sent. Problem of emailed marketing letter is that it is easily defined as spam and receiver never opens the letter – leading to missed contact. (Parantainen, 2009)

## Email

Three main types of email marketing letters are newsletter, transactional letter and direct letter. Newsletter is regularly sent letter to subscribers, and it may contain latest company news, product launches, hints & tips, and special discounts.

Transactional letter is email sent after some action between company and customer is made, for example order or payment confirmation. Due to higher open rate compared to newsletter (51.3% compared to 36.6% for email newsletters), transactional letters should be deployed for marketing purposes also. Letter can include latest offers and discounts, preview of latest newsletter, and option for subscribing to mailing list.

(Referral Candy, 2010)

Third form of marketing email is direct email, where message is sent to so called cold contact, without consent to receiving marketing emails from sender. Only way using direct email without causing risk for brand image is to find anticipated customers, assumed customers who want to receive marketing email, who may find provided material useful. For example, brochures can be sent by direct way – but better practice would be sending brochures by traditional mail. (Fairhead, N. 2003)

Email marketing is one of the most cost efficient marketing methods company can choose. According to research done in 2011 by DMA (Direct Marketing Association), average ROI of email marketing is \$40 per spent \$1. According to same research, there are estimates of ROI declining to \$35/\$1 ratio by year 2016. According to DMA study, internet marketing will surpass email marketing in lead sales by the end of year 2012. (Brunlow, 2012) A 2011 business survey by Ireland's Marketing Institute saw 84% claiming email marketing was important or very important to their marketing strategy. (The Marketing Institute, 2012)

Separately, non-email Internet marketing, which includes display, search and social networking, is expected to surpass direct mail in sales for the first time next year, according to the study. (McGill, 2011)

Main principles of email marketing are:

- Never send not-wanted email

- This means buying emailing lists is useless and may even damage brand reputation as flagging sender as spammer. Email list is to be acquired through existing contacts, and
- Provide relevant information, e.g. new products, tips, news
- Pick schedule, weekly, twice a month, monthly – longer interval is better; on B2B best time to send is between Tuesday and Thursday, either at 9.30 in morning, or after lunch 14.30 (Best Practices for Email Marketing, (iContact, 2009)
- HTML design, with plain text back up. Newsletter is to be designed in accordance with company X corporate image (colors, font types, logo)
- New sender mask, e.g. communications@ company-X.com
- Provide unsubscribe –option, and make it visible
- Create recipient list – buying or renting is not an option
- As long as value is provided, consumers will be willing to be exposed to a few advertisements

Main milestone to overcome is to create initial buzz for inbound interest, which leads permission for sending marketing emails. The case company should start to exploit it's existing customer base and start weekly news letters, in which the company offers updates from their actions, invitations to paint schools and offers information of products.

#### Follow up call

Follow up calls after certain period of time, to ask if receiver got the letter, brochures, marketing package or an invitation to Paint School. Follow up calls can also be used in MY and LY Professional customer segment to ask how is the project going and if everything is fine with provided paints.



Interaction helps to keep customer relations alive and gives possibilities for additional sales.

### High quality brochures

High quality company brochures translated into Russian. While creating the brochures, one should keep in mind narrowed product portfolio on Russian markets. It is neither necessary nor good to introduce products to customers, which are not available to them. In addition to brochures, simplified version of paint guide should also be translated and printed. Simplification means dropping out products which are not on Russian market and furthermore removing excess technical details, which are not interesting to customers. This kind of information consists of spraying pressure, spraying angle and other appliance related information. Paint guide is mainly aimed towards LY DIY segment as promotional communication material to be available at retailers.

### Marketing package

Creating marketing package which is to be sent directly to decision makers. Package should include e.g. presentation of company X's yachting products and successful projects, personal introduction letter aimed straightly to receiver and written in close manner, brochure of current product line and brochure of choosing right products to right situation, a paint guide.

At first phase, marketing package should be sent to potential key accounts and potential distributors. Later on, on second phase, marketing package should reach retailers and sales personnel in accordance to set target "win their heads".

Marketing package should also contain references from delivered projects, in this case from all over the world. References sent should match in size and class that yard (NB or repair) is acting on. International references do work, but using local projects as references should also be considered as soon as first projects are completed.

### Suggestion for content of marketing package

- Personal introduction letter written for receiver

- Short presentation about company X yachting in CD/DVD form, including references from successful projects
- Samples of selected products, selection to be made according to receivers interest
- Brochure of whole product line in Russia
- Paint guide
- Invitation to Paint School (applicators)

Marketing package should be sent in branded package (box), made from quality cardboard. Box color should be company X –blue with company X logo featured on top of the box.

Packages should be sent via FedEx, DHL, or other reliable and well known logistics company. Having recognized partners also improves brand image of company.

Introducing Yachting Package to Russian market can be seen as market penetrative strategy through bundling. Package is mainly aimed towards newcomers in DIY sector so, that package includes main important elements in painting boats. Packages should be two kinds, one for river and lake use, and another for sea use with antifouling product included.

Pricing strategy should be shaved so that buying package is cheaper enough compared to buying products separately, and pricing can be used as aggressive penetrative strategy through limited time introduction discounts. Yachting Package should also include step-by-step instructions for painting and repainting, instructions for removing old paint and doing proper preparations before applying paints.

Sample packages of main products sent to key customers, ship and service yards.

Sample packages should include small amounts of company X yachting's key products:

- Test winning antifouling
- Racing antifouling for high speeds

- One or two-pack epoxy
- Fillers
- Top coat

For MY segment, sample package content is to be chosen regarding what kind of project history is and what kind of projects are now going on. Sample packages should always be accompanied with introduction letter, held or sent presentation, brochures and paint guide, and invitation to paint school.

### Paint Schools

Invitations should be aimed towards workers in mega yachting and yachting professional segments, mainly in new building yards and repair yards. Paint Schools should provide new and interesting ideas, methods and products for applicators, or otherwise they will not be attractive to the target group. Answer to question “Why should I take part in company X’s “Paint School” needs to be relevant for applicators, otherwise interest for participating might turn to be low. Paint school should be held either in Saint Petersburg or in Moscow, where the targeted segments are.

### Translation of web page

Web page <http://www.company-X.ru> yachting section should be translated into Russian. If customers’ interest raises to level that they want to read more about products and producer, but are not interested enough contacting sales channels, it is important not to kill merging interest by not providing information to potential customers.

Related to web page translation is search engine optimization (SEO). SEO is important for potential customers to find information about company X and company X’s products. Currently search “Company X” in Google.ru and Yandex.ru gives only secondary information about company and its products. For strengthening the image and brand, company’s web page should be the first, the most preferred hit, on search results, secondary information should come afterwards.

Cost of SEO is dependent on who does it. Professional SEO optimization is rather expensive – but SEO can be done to some extent with current employees. Secondly, since <http://www.company-X.ru> is part of corporate web page, SEO should be asked at corporate level first.

## Slogan

Company X's slogan has reference to preserving valuables, and therefore suits rather well in yachting segment. Slogan should be included in advertisements and in company communication. Examples are brochures and paint guides, where company X logo is used.

There is a need to translate slogan into Russian, but English version should be more visible. Best practice is to use company X's slogan followed by an asterisk, with Russian translation available in smaller size. This goes especially in printed media advertisements. Reason for using English slogan in advertisements is that it connects buyers thoughts to the idea that company and its brand is European – which in many other fields is sign of quality products.

## Ad words and Direct

Ad word on Google and Direct on Yandex marketing is aimed towards DIY segment, which has biggest growth pressure. Example key words, which are to be translated in Russian, could be yachting, yachts, service, repair, paints, boat paints, paints for boats, paints for yachts, sailing.

Cost of ad word marketing and search engine classified advertising is dependent on media hits. Company pays for amount of real clicks on advertisement. Follow up of efficiency is easy, and changes to classified ad text can be made weekly to see which selection of words gathers most interest and therefore works the best. Conclusions of best words selection can be exploited and expanded in personal letters and later on in printed media advertisements. (Un, 2013)

Price for media hit is higher than in printed media, but users clicking on ad words are more likely to become customers than readers of printed media. Price can be up to few euros per click, but in company X's case most likely to be 0.05-0.10 euros per click.

In Yandex Direct, PPC (price per click) is even lower. (Yandex, 2012) Costs are easy to control, e.g. by setting daily/weekly budget. Costs naturally get higher in accordance with raising awareness of company X's products – since growing awareness usually leads growing amount of search engine searches, therefore to more visibility and to higher amount of clicks. (Un, 2013)

### Info-media

Info-media tools can be implemented in several different ways. One efficient way would be providing paint guide and application tips for free on web pages and as give-away brochures at retailers. For example, application tip materials should be branded as company X, but it is not necessary to attach advertisements to it. Providing seemingly non-selfish and professionally made tips gives professional image of the brand.

In addition, paint selection tool should be available. Idea is to make selection of paints easy as possible for customers. On first phase, customer chooses from which material yacht is built on, then usage conditions, need for antifouling products or not, type and size of yacht to calculate paint need and so on. Result screen shows not only recommended products - only one per category, bigger selection confuses customer - but also describes recommended tools for application and gives opportunity to locate closest dealer.

One other form of PR is featured articles in journals and web pages. Articles need to be professionally written and to provide new and interesting news or point-of-views. Articles can also be used as advertisements in journals with bought space and visible branding. This kind of advertisement article doesn't need to be real article, but more preferably an interesting short story related to yachting. These articles are better known as advertorials.

Articles and application tips could also be rolled on new dedicated web page. Web page address shouldn't indicate page is owned by company X, but color scheme and font types should follow corporate directions. Company X logo could be at the center bottom of screen. If people reading contents find them interesting, they will find out by whom information was provided. Providing reliable and trustworthy information helps building professional image for company X yachting brand.

## Word of mouth

Word of mouth is important factor in all markets with all products. People tend to follow others' opinions and recommendations, especially relatives' and friends', prior purchase. That's why it is important to build good brand image of company X's yachting products.

This applies especially for LY product segment, since potential customers may want to search information about products, and e.g. find discussion forums with comments and experiences. Other, even better form of word-of-mouth are printed articles, for example product tests where company X yachting products are reviewed – preferably with good reviews. These are articles in which company X provides the text and photos with subtle references to company but in which clear connection between the text, company and advertised products is not visible. The catch for journals is that they get free, quality stories with already chosen photos which all they can claim as their own property. These opinions do matter when it comes to forming buying decisions.

Word of mouth efficiency in internet can be monitored with Net Promoter Score – calculations. Service divides customers in three groups by answer “How likely is it that you would recommend [Company X] to a friend or colleague?” Scale is from 1 to 10, and groups are promoters (9-10), passives (7-8) and detractors (0-6). Simple task for company is to raise number of promoters and lower detractors. (Dessel, 2012)

## Note about social media

Social media, such as Facebook, VK, LinkedIn, Pinterest, Google+, Twitter and YouTube are efficient in enhancing brand awareness campaigns, especially in B2C business. Media can be used also to deliver messages to B2B customers, while search engine advertisement still remains more efficient in this segment.

Main thing to notice is estimations that activity (likes, fans, created content) is taken in consideration when search engine shows search results. In other words, it means static pages are dropped from top results and (inter)active pages with recommendations and followers are lifted higher. On economic point of view, it is cheaper for company to engage social media than rise biddings on search engine advertisement. Interactive engagement (if done properly) in social media also creates

so called buzz, word-of-mouth style references, where interesting marketing campaign spreads fast.

Main problem lies in average user demography and desired target segment. Take the average yachting journal reader profile to create average yacht owner in Russia: male, aged 31 and up, middle-classed and most likely highly educated. From social media channels mentioned above, mainly YouTube and LinkedIn are used by people aged 31 and up. LinkedIn is strictly business only social media, used mostly in Europe and America. VKontakte, nowadays VK, is really widespread in Russia, but user demography shows that only 4.4% of users fit in average yacht owner age group – and from 4.4% only less than half are men.

If target segment would be closet to average user profile of media, then selected social media should be used. This applies e.g. in situation if company X decides to bring decorative paints to Russian market.

#### Customer relation management system

Need of building up customer relation management (CRM) system for tracking sales to key customers. Through tracking, it is possible to estimate when window of purchase is most likely to open, and system reminder allows sending offer or reminder just before customer asks for it. System doesn't need to be expensive CRM software, information can be exported from ERP to basic excel table showing estimates of who buys what, when and how much. Pre acting to customers' moment of buying is really important in building long lasting customer relations.

On customer's side, key for successful purchase is its easiness. Especially purchase managers are loaded with different offers.

#### Exhibitions

The case company should participate to yachting exhibition once a year. One to consider is Baltic Boat Show in Saint Petersburg. Boat show is taking place on 31 May – 3 July 2012. Taking part for year 2013 is already too late, but plans to participate in 2014 should already be revised.

More famous is the Moscow Boat Show, but there is great amount of companies participating and it is really difficult to get visibility with low budget participation. That in mind, it is not recommended to participate in Moscow Boat Show at this phase of company X yachting. In accordance with company's short term plans, in the first phase company X should consider participating exhibition in co-operation with distributor to reduce costs. From year 2015, target EBIT should allow participation as company X's Russian branch itself.

## Advertisements

(Classified) advertisements put on specialized journals, such as Yachting and Yacht Russia. Selection of journals to have advertisements in is important, since company X yachting's target is to be in premium class. That is why selection of journals Yachting and its products are being advertised should uphold the same prestigious image.

Contact price calculations are following

Table 19, Advertisement prices for journal "Yachting" (Yachting, 2012)

	-10% from 1st advertisement	-10% from advertising in two consequent issues	For 4 issues (January – August)	65350 Copies, CP/Issue	
Gatefolder at cover	506 x 330	22 846,15 €	43 407,69 €	89 100,00 €	1,36 €
1st cover	260 x 330	21 230,77 €	40 338,46 €	82 800,00 €	1,27 €
2nd cover	260 x 330	18 242,31 €	34 660,38 €	71 145,00 €	1,09 €
3rd cover	260 x 330	13 384,62 €	25 430,77 €	52 200,00 €	0,80 €
1st center spread	520 x 330	21 923,08 €	41 653,85 €	85 500,00 €	1,31 €
2nd center spread	520 x 330	16 615,38 €	31 569,23 €	64 800,00 €	0,99 €
3rd center spread	520 x 330	15 000,00 €	28 500,00 €	58 500,00 €	0,90 €



center spread	520 x 330	13 269,23 €	25 211,54 €	51 750,00 €	0,79 €
1/1 page	260 x 330	9 576,92 €	18 196,15 €	37 350,00 €	0,57 €
1/2 page	260 x 165 (horizontal)	5 423,08 €	10 303,85 €	21 150,00 €	0,32 €

Table 20, Advertisement prices for journal “Yacht Russia” (Yacht Russia, 2012)

	Price	<b>10% – first advertisin g display</b>	20% – advertising for 3 issues	<b>30% – advertising for 6 issues (January- July)</b>	25 000 Copies, CP/Issue
1/1 type page 215x280	4 800,00 €	4 320,00 €	11 136,00 €	19 824,00 €	0,19 €
1/2 type page 215x140 110x280	2 700,00 €	2 430,00 €	6 264,00 €	11 151,00 €	0,11 €
1/3 type page 215x95 70x280	2 050,00 €	1 845,00 €	4 756,00 €	8 466,50 €	0,08 €
<b>1/4 type page 215x70 110x140</b>	<b>1 250,00 €</b>	<b>1 125,00 €</b>	<b>2 900,00 €</b>	<b>5 162,50 €</b>	<b>0,05 €</b>
Classified					
horizontal, mm vertical, mm					
<b>1/2 type page 215x140 110x280</b>	<b>1 250,00 €</b>	<b>1 125,00 €</b>	<b>2 900,00 €</b>	<b>5 162,50 €</b>	<b>0,05 €</b>
1/3 type page 215x95 70x280	850,00 €	765,00 €	1 972,00 €	3 510,50 €	0,03 €
1/4 type page 215x70 110x140	550,00 €	495,00 €	1 276,00 €	2 271,50 €	0,02 €
1/6 type page 110x95 70x140	410,00 €	369,00 €	951,20 €	1 693,30 €	0,02 €

1/8 type page 110x70	350,00 €	315,00 €	812,00 €	1 445,50 €	0,01 €
1/12 type page 70x70	270,00 €	243,00 €	626,40 €	1 115,10 €	0,01 €
1/16 type page 55x70	200,00 €	180,00 €	464,00 €	826,00 €	0,01 €

Yachting and Yacht Russia both claim to be quality journals for people interested in yachting. Yacht Russia's reader profile according to their advertisement section is following:

Table 21, Reader profile of Yacht Russia (Yacht Russia, 2012)

Average buyer	
Age	45 years
-30	15%
31-45	45%
46-	40%
Women	15%
Men	85%
Higher Education	87%
Readers of every issue	55%

With reader profile statistics, it's easy to calculate that having advertisements on two successive issues receives two times 25 000 issues minus regular 55% percent, accounting new 30 000 to 35 000 media hits after second issue. Number of new media

hits declines fast, since 55% percent of readers read every issue – but value of reminder should not be forgotten.

The best time to start advertising campaign is at the start of year. The campaign should start early enough to raise awareness before season for repair and repaint of yachts start. Having a six-month-campaign in Yacht Russia costs 5 162 euros, excluding taxes. Contact price per issue is approximately 0,05 euros, a lot cheaper than on its competitor journal “Yachting”. Contact prices don’t tell the whole truth, since calculations are for ¼ page advertisement (non-classified) – advertisement can easily be skipped due to small size and rather random placement in journal. (Tables 20 & 21)

There are cheaper journals to advertise in, e.g. Водный Базар “Water Bazaar”, journal for classified advertisements on second hand yachts – but image of the journal does not necessarily support company X’s corporate target set to premium.

Table 22, Water Bazaar advertisement prices (Water Bazaar, 2012)

	20 000 Copies, CP/Issue	Six-month-campaing costs			
1 page	210/297	62 000 r	1 589,74 €	0,08 €	9 538,46 €
<b>1/2 page</b>	<b>180x130, 88x263</b>	<b>31 000 r</b>	<b>794,87 €</b>	<b>0,04 €</b>	<b>4 769,23 €</b>
1/3 page	180x87	23 000 r	589,74 €	0,03 €	3 538,46 €
1/4 page	88x130	18 600 r	476,92 €	0,02 €	2 861,54 €
1/6 page	88x88	12 740 r	326,67 €	0,02 €	1 960,00 €
Photo and logo on the cover	210/297	273 700 r	7 017,95 €	0,35 €	42 107,69 €
2nd cover	210/297	109 500 r	2 807,69 €	0,14 €	16 846,15 €
3rd cover	210/297	95 800 r	2 456,41 €	0,12 €	14 738,46 €
4th cover	210/297	136 900 r	3 510,26 €	0,18 €	21 061,54 €

2 pages (spread)	420x297	93 000 r	2 384,62 €	0,12 €	14 307,69 €
Solid insert	210/297	92 000 r	2 358,97 €	0,12 €	14 153,85 €
Solid insert (spread A4=format A3)	420x297	184 000 r	4 717,95 €	0,24 €	28 307,69 €
Priority placement (2nd or 3rd covers + 1 page = spread)	420x297	120 900 r	3 100,00 €	0,16 €	18 600,00 €

Advertisement prices in “Water Bazaar” are generally cheaper in cost/media hit ratio, but it should be kept in mind that Water Bazaar is mostly considered as “classified” media, featuring advertisements for customers already buying something. By the words of Water Bazaar’s representative “The target audience of the magazine is: the buyers and sellers of vessels, lovers of water activities, sailors, captains, market participants (producers, distributors and dealers of vessel related equipment)” (Table 22)

Classified advertisements could be used to support other marketing actions in year 2012 – and to focus on journal advertisement from the start of 2013. Advertisement sizes to consider are full and half page, especially in case of Water Bazaar.

### Advertisement design

Company X’s corporate identity is to be used in advertisement design. Corporate identity means specific logotype, slogan, typeface and template. All relevant information and advertisement templates are found under intranet and marketing materials. Intranet also provides stock photos, which can be used as basis for advertisement creation. Advertisement design can be done in-house to reduce design costs.

Decision to be made is whether to promote single product at a time - or company X yachting in general. Best practice would be to introduce one product per advertisement, and keep advertisement campaign running for half a year.

Advertisement design depends on media. On classified ads, design should trust on power of single image, preferably a yacht where product is or can be used, accompanied with product name, smaller image of package and company X corporate logo with slogan. On journal ads, column type advertisement should be implemented at least once during half year campaign. Column type advertisement should include catching photo, but keeping text on main focus. Design can be borrowed from company X's advertisement materials, where different projects are introduced. Most important part is finding reference projects, from which photos can be used with permission.

Stock photos can also be used. Stock photo prices vary from free to 50 euros per photo. Possible stock photos should be asked at corporate level, if they are available. Stock photos cannot be found under intranet and photo bank.

Other issue which came up while designing advertisement drafts was that corporate advertisement templates are done with proprietary Adobe InDesign software, and can be opened and edited only with that. Workaround that I developed for making drafts was that I took measures, approximate placements, font and colors from corporate identity page – and designed drafts with open source limited copyright software Inkscape.

## Signs

Advertisements in signs, also known as billboards, should be considered as marketing mean starting from year 2013. Sign advertisements should be located nearby or inside marinas, to be targeted specifically to target segment. Other places to consider are at confirmed retailers and yards, signs placed at parking lots and exterior walls.

Visibility and knowledge of existing products increases chances of sales, especially on situations where end-customer has only decided to buy paints without thinking producer any further. In situations where product range is wide and products are rather similar, customer subconsciously prefers “familiar” brand or product. Familiarity advantage should be exploited through several communication channels simultaneously.

## Service and support

Technical service and support to projects plus after sales services in mega yachting and yachting professional are important in building long lasting customer relationships.

Service and support means having specialists available for important customers to provide know how and best practice information on application of company X products. Practice can also be reached to supervision of certain projects to make sure everything is done in order.

Proper pre work and paint work makes sure customers get what they expect to get from company X's products – high quality.

## Face-to-face

Face-to-face as marketing communication tool means representatives having company visits. Visit should include presentation about company X and company X's yachting products; attributes of products including pros and, if asked, cons also. Presentation should be energetic and last maximum of 15 minutes.

Representative visiting company should have “marketing package” as company giveaway. Contents of package are described on earlier chapter. Circular company presentations helps to establish interactive relations with potential buyers, in this case ship yards and distributors.

## 6.5 People

Based on authors experience in Russian working life, especially the older businessmen tend to think that modern marketing communication tools are not the way how business is done in Russia. According to several conversations the author had with experienced business-to-business sales and marketing managers, the general opinion was that personal relationships are the key element in establishing and maintaining profitable customer relationships.

This rises to question how personal relationships which are relevant to business are built. Some of them are genuine friendships and may reach further in the past – and some are regular sales person-customer relationships. Especially the sales managers were not eager to share their experiences with author how they established their contacts, but strong assumption is through direct marketing, e.g. personal letters and telephone marketing which both are common practices in business-to-business.

## 7 CONCLUSION, FINDINGS AND RECOMMENDATIONS

This chapter analyses the data and findings made in previous chapters and based on them offers answers to research questions proposed at the beginning of the thesis. At the end of the chapter topics for future research are presented for the case company, as this thesis focuses on the company's current marketing situation.

### 7.1 Research questions and findings

1. How should the company approach the given market with the new product line and limited resources?
2. Does the market have potential and is the market entry profitable?
3. What are the most efficient marketing means available for the case company X in major city area?

The first research question has been answered through market analysis for the case company. The analyzing process took into account the operating environment, internal and external considerations and the resources available at hand for their marketing actions. The analysis showed that the segment to focus on is the LY professional segment, which has quite divided market share between several companies and which is not too price driven segment. For the case company, avoiding price driven segments is important, since the case company cannot compete, for example, with local producers in retail prices.

The second question is answered in the market analysis part. The market is rising with general level of quality of life in Russia. Emerging middle class seeks ways to spend free time and yachting as a hobby has potential to raise interest within population. The market entry can be profitable if the product line is kept compact at the start. This is important, since compact product line will reduce certification fees, transportation costs, cost of stocks and lastly, direct advertising costs. When taking look into planned budget (table 16, p. 49) with sales forecasts, the market entry is profitable. Profitability is dependent on success of market segmentation and market share company X succeeds to have.



The third question was the primary focus of this study. How to select effective and financially non-burdening marketing communication tools? As a company with limited budget and personnel available at hand, company X has basically no access to mass media marketing means, so local marketing means and direct marketing were recommended as the main marketing means for the new marketing plan. Company X offers specialized and use-specific products with clear main marketing segment of desired end-users, which makes directing of marketing actions easy as these segments tend to have interest in high quality protective coatings. This brought direct marketing into focus as main part of marketing communication tools selection and in selecting most effective communication methods. Choosing marketing package and info-media as the tool to be used with this direct marketing campaign offers the most value to the case company since it has several different products with detailed technical brochures which can be sent directly to LY professional decision makers.

Table 23, Recommended marketing communication tools to reach set segments

Segment				
MY	LY professional	LY DIY	Marketing tool	
Decision maker	Shipyards	Shipyards		Direct marketing, marketing packages and personal relations, info-media
	Naval Architect	Naval Architect		Direct marketing, marketing packages, personal letters and by advertisements, info-media
	Applicator	Applicator		Direct marketing, paint schools, marketing packages and advertisements, info-media
	Owner representative	Owner	Owner	Exhibitions, advertisements, web pages and search engine advertisements

Based on customer segmentation presented in chapter 5.1 and marketing communication tools presented in chapter 6.4, the table 23 shows which marketing communication tools are recommended to reach targeted decision makers in each segment. In MY, decision makers are naval architects, applicators and owner representatives. Shipyards can be reached with marketing packages and personal

relations; naval architects with marketing packages, personal letters and by advertisements; applicers with paint schools, marketing packages and advertisements; owner representatives with exhibitions and advertisements.

In LY Professional, decision makers are the same as in MY, except owner usually don't have a representative. Owner's choice can be influenced through exhibitions, advertisements, web pages and search engine advertisements. In LY DIY, decision maker is always owner, which can be influenced through exhibitions, advertisements, web pages and search engine advertisements. On mega yachting (MY), segmentation is clear: companies that are able to build mega yacht class vessels in Russia.

On leisure yachting, main target segment is middle-class man with family, aged from 30 to up. Segment derives naturally from average leisure yacht owner profile. This segment is reached through distributors and retailers supply chain. Using distributors as main supply channel is simple solution but increases end user prices – which are crucial factors for customers in DIY segment. Other LY target segment is companies located in Russia building and repairing leisure yachts.

Even company X business is big in general, yachting and mega yachting segments are small and so are budgets. That means marketing actions in yachting segment should be price effective. In case of company X yachting, maxi-media marketing means should mostly be dropped off due to their high costs.

And even so, return on investments on marketing should be tracked. This means reflecting current sales to marketing efforts and costs of marketing materials. Calculations should be done periodically since return is not immediate. Return on investments' performance is nevertheless not only measurement, since at first year company X yachting department needs also to focus on raising awareness in Russia. Corporate concept sets target for company X's yachting products to be in premium class, marketing means chosen must support the target. Since company X's yachting and mega yachting products are not well known on Russian markets, one of the main needs is to improve brand awareness of potential customers.

Advertisements in the local and country wide journals, such as Yachting, Yacht Russia and Water Bazaar were proposed as a strong marketing mean, the strength of the journal advertisement is in its possibility to alter the message and design of the

advertisement between every print of the paper. The journal advertisement should be started from low cost level, such as in journal Water Bazaar and to change in more country wide publications whenever the company's budget allows. Condition for investing in more expensive medias, is that if it reaches enough of the target segments. Using these two new marketing means and re-enforcing them with marketing means already in use in the current marketing plan created the new marketing plan for company X.

Traditional mass-media marketing means are not reachable for the case company, and therefore direct marketing, marketing packages, personal letters and advertisements, info-media, paint schools, exhibitions, web pages and search engine advertisements as tools are on current situation the most effective tools for case company's marketing. It should not be forgotten, that there are as many working marketing communication tools mixes as there are companies, so the main factors in small company marketing are the vision and innovation of marketing personnel.

This vision was formed through the practical training period with the company and desk work on small company marketing, and this vision is intended to give the company leadership new options when they redesign the marketing, as the company wanted when it commissioned this study from the author.

#### Suggestions for further study

Since this is a commissioned thesis, the main scope of the research is limited to the case company, its opportunities in its selected market area and among target segments. Conducting the practical training with the company gave the author a concept of the specialized paints and protective coatings market in Russia and especially in major city area and further deskwork built the author's vision for the marketing opportunities of the case company.

A further study can be conducted when measuring the performance of proposed marketing means, if they are implemented in company's operations. Furthermore, with results known, alternative means can be considered.

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