

KYMENLAAKSO UNIVERSITY OF APPLIED SCIENCES

International Business, Kotka

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STRATEGIC MARKETING PLAN – RUSSIAN MARKETS

Case: Sankari Oy.

Bachelor's Thesis 2011

ABSTRACT

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Strategic Marketing Plan – Russian Market.

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As construction volumes in Finland decreased due to the 2009 economic recession, architecture and design companies turned their eyes to foreign markets in pursuit of more customers. The experience and know-how harvested from domestic markets may well be used in carefully selected foreign markets as soon as there is a throughout marketing plan that covers the necessary strategic decisions a company has to take into consideration.

This thesis aims to cover the actions that architecture and design company Sankari Oy should take into consideration on the strategic level when pursuing entry to the Russian market. The starting points for this thesis were the company's current situation and offerings and the prerequisites created by them matched with requirements present in the target market area. Through analysis, the previously mentioned aspects formed into ingredients for a present situation analysis for the case company, Sankari Oy.

Substantial emphasis was placed on an environmental analysis of the Russian market and overall development of construction industry in the target country during the past years and in the near foreseeable future. The analysis of the present situation with market environmental investigation combined functioned as the stepping stone towards a strategic marketing plan.

In terms of actions that should be undertaken by Sankari and included in their strategy, a few arose in importance over others; good understanding of target market and deep customer intimacy. In addition, a company should master segmentation, positioning and targeting effectively. The previously mentioned aspects combined with innovative differentiation and effective marketing communication lay the prerequisites for profitable marketing strategy and prospective competitive advantage in the chosen market.

TIIVISTELMÄ

KYMENLAAKSON AMMATTIKORKEAKOULU

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Rakennusvolyymi Suomessa kääntyi taantuman myötä laskuun ja arkkitehtuuri- ja suunnittelutoimistot etsivät asiakkaita muilta markkinoilta. Suomen markkinoilta hankittua osaamista voidaan hyvin käyttää hyödyksi tarkoin valituilla ulkomaan markkinoilla, mutta onnistunut liiketoiminnan laajennus toiselle markkina-alueelle vaatii markkinointisuunnitelman, joka tuo esille keskeisimmät ja tärkeimmät huomioonotettavat strategiat.

Tässä opinnäytetyössä perehdyttiin toimenpiteisiin, joita arkkitehtuoriosakeyhtiö Sankarin tulee ottaa huomioon strategisella tasolla pyrkiessään avaamaan tietä Venäjän markkinoille. Lähtökohtana työssä oli yrityksen nykytila, sen tuotteet ja näiden luomat edellytykset yhdistettynä kohdemarkkina-alueen luomiin haasteisiin. Näistä osa-alueista saatiin analyysin kautta ainekset strategisen markkinointisuunnitelman lähtökohta-analyysille.

Työssä perehdyttiin myös erityisen tarkasti kohdemarkkinamaan, Venäjän, toimintaympäristöön ja yleiseen rakennusalan kehittymiseen siellä. Lisäksi kartoitettiin tulevaisuuden mahdollisuuksia perehtymällä lyhyen tähtäimen ennusteisiin rakennusalan kehittymisestä Venäjällä. Kohdemaan toimintaympäristön kartoitus, yhdistettynä yrityksen nykytila-analyysiin, toimii lähtökohtana Sankari Oy:n strategiselle markkinointisuunnitelmalle.

Tärkeiksi osa-alueiksi nousivat kohdemarkkinoiden tuntemus ja erinomainen asiakastuntemus. Lisäksi yrityksen tulee hallita segmentointi, kohdentaminen ja asemointi tehokkaasti. Edellä mainittujen yhdistäminen innovatiiviseen tarjonnan erilaistamiseen ja onnistuneeseen markkinointiviestintään luo edellytykset tuotteelle markkinointistrategialle ja kiistämättömälle kilpailuedulle valituilla markkinoilla.

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1. INTRODUCTION

The immense Russian market is very appealing for a vast variety of company's offering different kind of products and services. However, due to a different business atmosphere and diverse set of rules and regulations, one must compose a throughout plan in order to make the market entry successful and as little hazardous as possible. The first step was to measure where the company is standing now through a present situation analysis. This analysis defines the current company profile, the products and services they are offering, level of expertise within employees, fact figures concerning economic and personnel issues and finally the importance of key personnel handling business. The next phase was to investigate Russia as a market place for the products the case company is offering. This is followed by a sum up of company's strengths and weaknesses compared to potential competitors in the target country which contributes to the basis of the actual strategic marketing plan.

This thesis is aims to create a realistic marketing plan for architecture & design company Sankari Ltd to enter Russian markets.

1.1 Significance and goals of the thesis

The purpose of this thesis was to create a sound strategic marketing plan for architecture & design company Sankari Ltd in their pursuit to enter Russian markets with their services. The emphasis was placed on current situation analysis, market environment research and finding suitable strategic decisions based on those factors.

2. THE COMPANY

Architecture & Design Company Sankari was established by four architecture students in Helsinki in 2008.

During the initial phase of their business, they mostly drafted building permit pictures for individual consumers who planned to build simple constructions on their own piece of land, such as garages, larger sheds etc. These permit pictures are required by permit authorities when an individual plans to build larger constructions on one's piece of land. Later on, as more experience was gained by the founding members, they started to gain more demanding tasks from a now wider customer assortment. The following tasks consisted of designing and drawing detached houses for individual customers and to taking part in bigger planning projects; such as the new wing at Helsinki-Vantaa Airport. By this time, the company had already acquired an office from central Helsinki, enabling the possibility to invite customers for a visit and enhancing the professional image of the company. Architecture & Design Company Sankari is situated in central Helsinki area and the company office is in Ullanlinna. (Interview. Klaus.T)

2.1 Products and services in general

Sankari offers a variety of architecture and design services for customers. These products contain for example building permit pictures for consumers who apply construction clearance from permit authorities. Permit pictures are charged on the basis of a fixed amount of euros per square meter of the desired construction. Basic building permit picture does not contain calculations concerning strength of materials, but the calculations can be added to the service for extra cost. Personnel at Sankari are also qualified to design houses and other constructions to match customer's needs and expectations.

In addition to construction designs, Sankari provides also landscape planning services for individual and public customers. Landscape planning services contain for example; designing an outlook for a park, designing yard for a certain housing cooperative, drafting a plan for an industrial centers environment. These landscape planning services came to Sankari's selection later on, after the founders learned that it was often more convenient for the customer to centralize ac-

quisitions to one architecture company, which would then design the house and the environment surrounding it if the customer requests so. This proved to be beneficial for the company too, as the employees gained more experience in the field of landscape planning and were able to widen their selection of services hence broadening their potential customer range. According to the interview of one of the company founders (Klaus. 2010), the importance of providing inclusive design packages for the customers was quickly realized within the company. This meant that being able to merely draw and design houses or cottages was not necessarily enough if the company wished to cope with the competition in that field of business. (Arkkisankari)

This realization led to yet another expansion to their services selection, interior design. Sankari is able to decorate a detached house or public construction in all aspects. They can choose the furniture, wallpapers or paint colors, floor materials, tiles for bathrooms, fireplaces and all other articles related to interior decoration. At the moment Sankari is using services of an external interior decoration designer, but there is an intention to include one to permanent Sankari staff in the future. (Klaus. 2010)

In the future, Sankari is also planning to include three-dimensional modeling to service selection. Three-dimensional modeling enables much more accurate illustration of the object compared to traditional two dimensional pictures. According to the interview, 3-D modeling would provide immense benefit for the customer and as a result, for the company too. Three dimensional modeling enables the possibility to inspect the house from all angles and directions, including the interior space. This would make it much easier for the customer to comprehend the overall outlook of the house and its dimensions. Interior design could also be included to the 3-D picture, hence making it easier for the customer to decide color schemes and floor materials, in addition to furniture placements. Finally, with three-dimensional modeling technology, it is possible to view the house in its natural surroundings. These attributes mentioned before enable to present a com-

prehensive design plan for the customer, who might not understand technical drawings that well. It also makes it possible for Sankari to combine the three main areas of expertise into a more easily sellable service package. The costs for three dimensional modeling and rendering software and equipment are relatively high, so the acquisition of these is not topical yet for Sankari. (Klaus. 2010)

2.2 Products and services listed

Sankari offers a vast variety of architectural and design services for individual and corporate customers. These services include design of the following living quarters and premises: maisonettes, all residential buildings, leisure villas, business premises, yards and gardens, alteration of intended use, basic renovations and expansions and area planning. (Arkkisankari homepage)

For construction businesses, Sankari offers a different set of services. BIM consultation and BIM modeling services are one of the hit products for Sankari. BIM stands for Building Information Modeling and it basically means producing data of a building during its lifecycle and enables the possibility to select correct building components to be used. Other services provided for construction businesses are building drawings, visualization, building measuring and documentation in addition to brochures and marketing material services. (Arkkisankari)

3. PRESENT SITUATION ANALYSIS

Before a company can successfully move to another business region, it must clearly define the current situation and the overall readiness to achieve new accomplishments. Strategic marketing planning must be preceded by an analysis of the current situation the company is in the terms of marketing. This analysis contains issues about the performance of the company and employees, products and services and product portfolios. (Horner&Swarbrooke,2005, 149-151)

3.1 Company performance

At the moment, the company is handling all inquiries that are directed to them by the customers. Incoming revenue is steady and there is enough work to keep all hands relatively busy. However, according to interviews (Klaus. 2010), the founders are slightly concerned about the company visibility in the markets. Until now, the company has relied heavily on the word of mouth marketing and exhibition presence when it comes to promotion. The methods mentioned before go well with the means of business preferred by the Sankari founders, as they have a preference of more intimate way of doing business with customers. In addition, Sankari has a simple website with employee contact info, list of targets they have worked upon, list of services available and short company introduction.

This includes placing a stand at architecture, construction or other associated exhibition and meeting potential customers personally. Preferred way is to hand out company leaflets personally and arranging meetings with the clients, hence creating more personal relationships from the very beginning. In addition, the before mentioned word of mouth channel has brought them several clients and the importance of good quality and the reference value of it have been clearly recognized at Sankari. (Klaus. 2010)

3.2 The business portfolio in theory

The business portfolio analysis aims to measure company's current business and product portfolio and provides vital information for manager's decision making concerning current products and investments. It helps the managers to decide which products need more investments, which less and which not at all. In addition, it provides decision making tools for growth strategy planning. (Kotler 1999. 96)

Business portfolio is a collection of products and businesses that form the company and the best kind of portfolio combines seamlessly company's strengths and weaknesses to the opportunities in the market place. In addition it helps the managers to put more effort and resources to the profitable and strong products or businesses and helps to identify the weaker products that can be removed from the product selection of the company. Dropping non-core businesses or products usually strengthens the company's current business portfolio e.g. Volvo in Sweden. Volvo decided to get rid of its holdings in consumer products and pharmaceutical products, in order to be able to pay greater attention to its core businesses; car, truck and bus manufacturing and operations. (Kotler 1999, 96)

3.3 Identifying key businesses

The first step in the business portfolio analysis is to identify key businesses. Managers must recognize the most important and core businesses that act as the base plate for the company; these are also known as strategic business units or SBU's. An SBU may stand for a whole business division, a product line or even a single product or brand.

Once these SBU's are identified, the next step is to investigate and assess the level of attractiveness each SBU is enjoying in the current market environment and then decide how much each SBU needs or deserves support. The purpose of this method is to find ways for the company to use its strengths in the most efficient way to exploit the opportunities in the market environment. Standard business portfolio analysis methods evaluate SBU's on the basis of two important aspects; the attractiveness of the overall market or industry the SBU is situated in and the strength of the SBU in that particular environment. In some companies this classification is executed unofficially, when the managers merely glance upon the selection of businesses and products within the company's selection and use their own judgment to decide the amount of support each business division or individual product receives support. However, other companies decide to

use formal business portfolio planning methods in order to gain most reliable outcome possible. (Kotler 1999. 97)

One of the best known business portfolio planning methods is the Boston Consulting Group Box, which is also applied in this thesis.

3.4 The Boston Matrix

As figure 1 below illustrates, the Boston Matrix allows the company to classify all its strategic business units according to growth-share matrix.

The vertical axis illustrates the market growth rate, providing information about the market attractiveness in the market environment. The horizontal axis shows the amount of relative market share, communicating the measure of company's strength and position in the markets. When the growth-share matrix is divided as seen below, four different types of SBU's can be identified.

Stars are products or businesses with high a growth rate and high market share rating. Star products usually require substantial amount of investments to support their rapid growth rate. After the initial high growth rate, their growth will slow down eventually and they become low growth rate and high market share products; cash cows.

Cash cows are products or businesses with low growth rate but high relative market share rating. These products or businesses are usually more mature and already successful enough to stand on their own. They need less investments and support to hold their current market share rating. In addition the cash cows function as the "safety net" of the company by producing the steady income needed by the company to cover costs and support other SBU's in need.

Question marks are products with high growth rate but with low market share. These products or business units are problematic for managers, as question

marks require substantial amounts of financial support just to keep their market share and increasing market share is yet more expensive and risky for the company. Managers should therefore pay extra attention to question marks and think hard which ones are best to leave out and which ones have the potential to become actual Star products.

Dogs are businesses or products with low growth rate and low relative market share. They may be self sufficient by producing enough revenue to support their own existence but it is likely that they do not have the potential to become real cash generators at any point. (Kotler, 1999. 97-98)

Next step is to put Sankari's current products into the Boston Matrix and to measure the current shape of the company in terms of the services they provide.

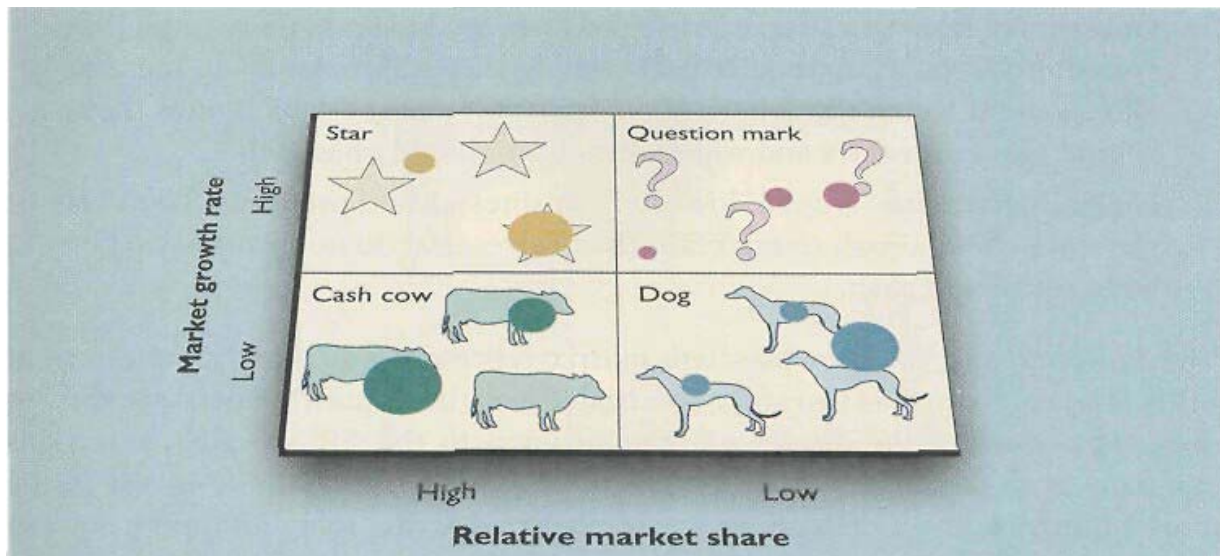


Figure 1. The Boston Consulting Group growth-share matrix (Kotler, 1999)

3.5 Sankari products & the Boston Matrix

Star-product for Sankari would be the three BIM services mentioned before in chapter 2.3. They have high growth rate and high market potential, but constructing BIM-plans is time consuming and therefore it requires a lot of investments to carry them out.

Cash cows are businesses or products with low growth rate and high market share, mature and already successful business units. For Sankari, cash cows are the basic design plans for residential or non-residential buildings in addition to building permit pictures. They provide the steady income for the company and act as a safety net to ensure steady revenue. With cash cow –generated income, companies are able to support stars in their initial and expensive growth phase.

Question marks are products that have high growth rate and low market share. The name derives from the fact that these products are tricky for company management, as turning question marks into stars takes time and money and not all have the potential to become cash generating star products. For Sankari, one question mark is including three dimensional modeling services to their list of services in full. It takes relatively large amount of investment to support the product through initial phase to becoming a potential star product. But future prospects show green light and demand for 3-D modeling services exist in the markets.

Dogs are business units with low growth rate and low market share rating and they may be successful to the extent of being self sufficient. For Sankari, dog-products are the interior and exterior design services as independent offerings.

3.6 Sankari and GE-Matrix

Another and more sophisticated approach to portfolio analysis is the GE-Matrix or sometimes known as the GE / McKinsey matrix.

It is a nine-cell portfolio tool and it takes analysis further than BCG-matrix, except due to the amount of cells, but also when it comes to axes on the grid: there are Industry attractiveness and business unit strength whereas BCG-matrix studies market growth rate and relative market share. (QuickMBA. 2010.)

The matrix was originally designed due to the fact that many company managers were struggling with inadequate business information available from BCG-matrix; BCG-matrix deals mostly with articles of trade not with strategic business units or brands. (Marketing Teacher Ltd. 2010.)

The two axes mentioned above, industry attractiveness and business unit strength can be divided down into more precise factors found under them. Industry attractiveness can be determined by the following factors; market growth rate, market size, demand, profitability within industry, competition within industry, opportunities in global scale and environmental factors or PEST factors. Business unit strength consists of factors such as; market size, growth in market share, brand equity, access to distribution channels, production capacity and available profit margins compared to competitors.

The actual meaning of the matrix is that different business units may be plotted into the matrix by certain figures that illustrate three characteristics; market size, market share and expected position of the SBU in the future. After this, three strategic decisions can be made for each SBU in the matrix according to their position.

Example Matrix		Business Unit Strength		
		High	Medium	Low
Industry attractiveness	High	GROW	GROW	HOLD
	Medium	GROW	HOLD	HARVEST
	Low	HOLD	HARVEST	HARVEST

Figure 2. Example GE-Matrix

Figure 2 above illustrates which SBU's are worth growing, holding and which ones should be harvested i.e. left out of the offering list. (Kotler, 1999. 96-97)

For Sankari and its offerings GE-matrix operates as follows:

- **GROW:** For Sankari, the services or SBU's worth growing are BIM services due to the high attractiveness and medium strength and 3-dimensional modeling services due to high growth potential in the markets in addition to available profit margin after the initial investments have been covered. In addition, Sankari should grow their basic offerings, residential and non-residential building planning even further due to high business unit strength and good growth potential
- **HOLD:** SBU's worth holding are permit pictures due to steady income they already provide and average to low attractiveness and business unit strength

- HARVEST: SBU's not worth growing or holding are exterior and interior design works as independent offerings but they can be kept as a part of turn-key design projects.

3.7 Level of expertise in the company

Even though the company members have not yet graduated with their degree in architecture in Helsinki, they have already all been involved in the field of work for several years, gaining adequate levels of know-how. This is possible due to practical training periods and demanding practical assignments in studies.

According to company representative interviews (Klaus. 2010), the founders of Sankari have even found it useful that they are still studying at the University while they have a business up and operational. Thus they are able to grasp the latest updates concerning their line of business while still studying the field in the University. Hence they are able to provide latest design solutions for the customers who seek modern approach.

4. MARKET ANALYSIS: RUSSIA

Russia is an appealing market place for various companies due to its vast population and huge market size. The Russian population rises up to over 139 million people offering a vast customer base for products and services that foreign companies have in their selection. For a Finnish company, such as Sankari, location is also crucial factor as two of the major Russian cities are within easy reach from Finland via train or air plane. These major cities are St.Petersburg with over four and a half million people and capital Moscow with over ten million inhabitants. (CIA – The World Factbook: Russia)

However, entering the Russian markets does not come without obstacles and risks and therefore a throughout study of the market environment in this particular

line of business is needed. The following chapters will give deeper insight in the factors that should be taken under consideration by an architecture and design company planning to enter the Russian market.

4.1 Construction business in Russia

In 2009, construction business and construction volumes shrank in Russia due to the global economic recession. This was the first time in this decade, when the construction volumes shrank in comparison to the preceding year. However, in the year 2010, construction industry is again recovering and gains extra benefit from the several construction projects supported or directly funded by the Russian government taking place in the near future. The main emphasis of the construction projects taking place in the foreseeable future is within civil engineering and residential buildings markets, whereas non residential buildings will gain less attention. (Obetkon,2010. 2.)

4.2 Facts and figures about the Russian construction industry

The year 2009 was the most difficult year for the Russian construction industry during the current decade. In the year 2009, the construction volume plummeted 18.4% and during the first three quarters of year 2010, the reduction was merely 0.8 percent, as figure 3 illustrates. This recovery leads to the fact that construction companies in Russia are now more confident about the future prospects and some of them have obtained contracts worth several billion dollars, enabling them to hire more workforce and acquire more construction machinery and equipment. (Obetkon,2010. 2.)

The economical downturn acted as a wakeup call for the government and emphasized the importance of state support for the construction industry. The global economic recession led to the situation where the flow of incoming private investments into the construction industry became substantially weaker, hence

handicapping the whole business. In this dire situation, the state reacted and launched several state-funded projects in the fields of residential building construction and development of overall infrastructure. (Obetkon,2010. 2.)

In the field of civil engineering, the most prosperous ongoing projects are connected to the preparations for the 2014 Winter Olympics in Sochi, with 17.5 billion dollars allocated budget from the state, for the years 2011-2013. Other significant projects are linked to the 2012 APEC (Asia-Pacific Economic Cooperation) summit that takes place in Vladivostok and the 2013 Universiade in Kazan. These projects are considered as top priority and necessary funding is already secured for the execution of the projects. (Obetkon,2010. 3.)

Russia is a country that had mostly operated with considerable budget surplus during the past years and it is now facing a new situation due to the recent economic downturn. The deficit in Russia's current budget leads to the fact that the Russian government is only able to support such construction projects that are classified as top priority. This had lead to the situation where the Russian government is actively encouraging private sector to take more part in the construction business through so called PPP's or Public-private partnerships. Some PPP's have already proved to be fertile and a number of concessions have been granted to future projects. These projects include for example; the first section of a motorway between Moscow and St.Petersburg (2 billion dollars), improvement of Pulkovo Airport (1.8 billion dollars), 720 million dollars for Odintsovo Bypass and the Western Highspeed Diameter (budget unknown).

In addition, the legal framework around PPP's has been under constant improvement, aiming to make it even more appealing for investors, construction companies and other relevant parties. (Obetkon,2010. 3.)

Construction projects are usually very expensive and parties carrying them out might not have the necessary funding at their disposal, so loans are needed in order to secure funding. During the year 2009 obtaining credit was behind a great

struggle and many private property developers found it difficult to continue their operations. Luckily for the private sector in construction industry, credit has become easier to gain recently and this foretells better future for the industry. As an example, between January and September in 2010, the amount of money loaned for construction purposes increased tenfold, reaching 16.7 billion dollars. (Obetkon 2010, 2.)

With the state support, new housing construction industry has avoided suspected downturn which could have been severe without the state intervention. Year 2010 reached the same level with 2009 and a slight increase of 2 per cent is forecasted for 2011. According to the facts stated above; it is likely that construction industry sees growth again in the year 2011. (Obetkon 2010, 2.)

Construction output in Russia (RUB bn and real y-o-y change), 2005-2010

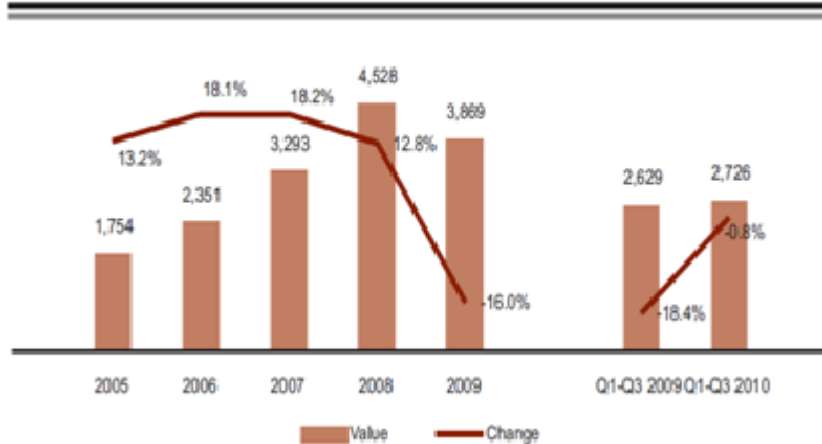


Figure 3. Construction output in Russia. (Obetkon 2010)

4.3 Market environment

One of the key issues in market potential research is to determine the actual market areas where the product or service the company is offering is perceived as desirable. In addition it is important to study; population of the market area, their needs, their buying power in addition to buying and consuming behaviors. In

addition it is important to forecast demand, calculate companies market potential and draft a risk analysis of the target country. (Suvanto & Vahvaselkä, 1993. 105)

4.3.1 Market potential in Russia

In this chapter; market potential is investigated from a general point of view, covering the whole Russia and related to certain big cities that will be mentioned separately. The main emphasis is to measure market potential in the major cities of Russia that are within easy reach from Finland; St. Petersburg and Moscow for example. Information for this study is collected from expert-interview carried out in December 2010 and January 2011 via Skype. In addition, some figures and facts are collected from statistical databases. Interviews followed no official outline but were carried out in more conversational way. The main emphasis was to find out about the most appealing market areas for architectural services in Russia. Questions related to population, buying behavior, buying power and the overall attractiveness that Finnish architectural design enjoys in Russia. (Interviews Klaus. 2010 and Afasanayev 2011)

Information obtained from the interviews supports the facts stated in the chapter 4.2. Construction volumes are increasing thus generating increasing demand for architectural services in Russia. Demand varies from public construction projects to individual construction projects of residential buildings or summer houses and villas. For example Lemminkäinen, a Finnish construction company active in Russia, states in its review that the construction levels of residential buildings is increasing steadily in Russia during 2010. (Lemminkäinen. 2011)

According to interviews, Finnish design is quite desirable in Russia and it is perceived as fresh and of good quality. This applies at least to residential buildings and log cabins.

In 2010, Finnish Forest Research Institute carried out a research about the possibilities for a Finnish wood construction business to be successful in Russian markets. This relates for example to the log cabin design mentioned above but also provides some general information about the attractiveness of Finnish design. According to the study there is demand for Finnish design in Russia in the area of wood construction. Finnish design is often perceived more expensive but still appealing due to its unique and innovative nature. In addition to the previous ones, research report urges companies to exploit the possibilities that lie within Finnish know-how in landscape planning. (Metla. 2010)

4.3.2 Russian population and buying behavior

Russia has a population of 139 million people and that alone makes it an appealing market place for numerous foreign practitioners of business, especially since the trend of more open markets has been going on since the 1990s. (Region-Media 2009.)

Russia, as all nations and cultures in the world, has different kinds of consumer behavior areas or consumption styles. According to an on-line report (Region-Media 2009), there are seven identifiable consumption styles present in Russia. Even though the following information may not be fully accurate and scientifically valid, it still provides valuable information about the different customer groups that have to be taken into consideration by companies. In addition, the following information relates more to the consumer product area, but the group characteristics provide valuable information about the purchasing power and decisions making process among different group members in addition to providing help where to locate different group members. The seven groups are introduced in the following paragraph in addition to estimated percentage shares for each group in the whole country and in Moscow. (Region-Media 2009.)

The traditional way of studying market structure and segments; via demographics, gender, age and income distribution, is not the only way of doing things. In the study drafted by Region-Media in Russia, approach relies more on the consumption habits and styles thus highlighting the meaning of lifestyle in consumer behavior. In addition, suppliers of products or services should consider alternatives for aiming only for the largest segments as they might not hold the strongest potential for companies. (Region-Media 2009.)

The first group is called the Innovators, held 8 per cent share in the whole country and 18 per cent share in Moscow in 2001 and 15 percent share in the whole country a year later. Typical features for this group are that people in it have significantly higher purchasing power than average inhabitants have and purchasing behavior is significantly innovative. The average age in Innovators group is rather low, as nearly half of the group members are under 30 years old. Previously mentioned higher purchasing power can be explained by the fact that half of the group consists of business people or white-collar workers. In addition, one third of the group members live in major cities within Russia. (Region-Media 2009.)

The second group is called Spontaneous, with 19 per cent share in Russia and 23 per cent share in Moscow and is mostly dominated by men. This group has average purchasing power and buying behavior tends to move towards innovative purchases. In addition, the time factor is highly important and Spontaneous consumers often purchase goods impulsively. Large portion of this group consists of working force with secondary education and there are almost 1.5 times as many unmarried people in Spontaneous group as in the sample average level. (Region-Media 2009.)

Third customer behavior group is called the Ambitious and it is a bit smaller cluster, holding 11 per cent share in the country and 9 per cent share in Moscow. Consumers in Ambitious group have a strong tendency to innovative buying behavior but their buying power is weaker compared to groups mentioned before in

this chapter. Large proportion of Ambitious group members lives in regional capitals and major industrial cities or other administrative centers. When making purchasing decisions, Ambitious purchasers rely heavily on advertising and product visibility. (Region-Media 2009.)

Next consumer behavior group is called Traditionalists and it holds relatively large share of consumer base both in Russia and in Moscow, percentages being 16 per cent and 20 per cent. Their consumer behavior is rather traditional thus making their consumer potential relatively low. This is due to the fact that half of the group consists of retired individuals and a vast majority of the group has a tendency of being loyal retail outlet customers that have roots in the Soviet ages. (Region-Media 2009.)

Next group is called Self Realized and it is somewhat linked to the Traditionalist above. Consumers in Self Realized group have almost as traditional way of consumer behavior as in Traditional group, but Self Realized members have stronger consumer potential and high buying power. This group comprises mainly of mature age people and women have slightly stronger representation than men. Advertising might have negative impact with this group as it has the biggest share of people downright annoyed by advertisement campaigns. Notable feature in this group is that they place great value on quality and reliability of goods. (Region-Media 2009.)

The biggest cluster in Russia is called Settled, with 25 per cent share in Russia and 21 per cent share in Moscow. Consumers in this group have average consumer potential and their consumer behavior is rather traditional; new products generate low interest and their consumer preferences are already distributed among existing brands and products. (Region-Media 2009.)

The last consumer group, Thrifty, is also the smallest one and it accounts for eight per cent in the whole country and one percent in Moscow. People in this

group have the lowest consumer potential of all groups and their consumer behavior is quite traditional. The education level is low and the group consists mostly of people living in villages or small towns. Price is the most important factor when making purchasing decisions. (Region-Media 2009.)

The groups above are one way of dividing individual consumers and potential customers into behavior groups. But this thesis handles such services that individual customers are only a part of the whole customer portfolio and taking part in public project is a different case and requires different kind of approach. The public sector's situation in construction business has been introduced in chapters 4.1 and 4.2 and necessary actions and possible partnerships will be discussed later in this thesis in the actual strategic plan.

4.4 Demand analysis in theory

When a company is measuring its current or future operational environment, demand analysis is one of the key actions to be carried out. In order to be able to measure the actual demand potential, one must be capable of estimating the current size of markets, market growth potential and speed and ultimately own share of markets in the initial phase, when talking about a new market entry. According to Kamensky (2000), a lot of errors are made in the demand analysis process. The first obstacle is in many cases the failure to estimate market size correctly, usually in a way that one's own position is estimated too strong and overall market size is estimated insufficient. Kamensky lists some reasons that are behind this phenomenon, such as; incorrectly defined market concept, weak knowledge of markets in general and the tendency to perceive self stronger than one actually is.

Due to the previously mentioned reasons, many companies fail to forecast demand level correctly. In many cases the companies rely on current and past

trends and neglect to study markets in terms of ascending and descending demand trends. (Kamensky, 2000. 117)

4.5 Competition analysis in theory

Competition analysis is also one of the most crucial issues a company must carry out both in domestic and especially foreign operations. Competition analysis should be increasingly based on the needs that rival companies are satisfying and really understanding those needs. (Suvanto & Vahvaselkä, 1993. 105)

According to Kotler (1994. 224-225), there are four types of competition, based on the degree of product or service substitution; brand competition, industry competition, form competition and generic competition. Brand competition is the level where a company may see its competitors as companies who offer similar products to same customer base with more or less similar prices. Industry competition is when a company sees its competitors in more broad perspective; competitors are all companies making the same product or the same class of product. In industry competition level, a company making automobiles might see all other car manufacturers as potential competitors.

Form competition is even broader concept; here a company would see all companies that provide the same service or produce the same product as competitors. Basically this means that a car manufacturing company would not only compete against other car manufacturers, but all companies that manufacture means of transportation; motorbikes, bicycles, all-terrain vehicles etc.

Generic competition is the broadest approach to a competitive atmosphere. It means that a company competes for all consumer money and against all other purposes consumers have to use their money.

According to Porter (1980. 48), there are four components in a competitor analysis that should be taken into account; competitor's future goals, current strategy, assumptions and capabilities. Understanding these four components enables the

company to gain knowledge of the so-called response profile of the competitor; understanding of how the competitor will react to changes in the industry or broader market environmental changes.

In the Porter's (ibid. 50-51) framework of competitor analysis the first step, analyzing competitors' future goals, is considered by Porter to be of great importance. This is because knowledge about competitors future goals provides information on whether the competitor is satisfied with current situation or not and whether it is likely that the competitor will change strategy. Moreover, insight into a competitor's future plans helps to foresee how they will react to other companies who are changing strategies in order to gain more market share. Companies with different future goals react differently to external threats the competitors pose and some retaliate easier than others.

The second component in competitor analysis by Porter (ibid. 58) is about the assumptions; the ones the competitor has about itself and the assumptions the competitor has about the overall industry and other companies within it. Every company has assumptions about its own situation and these assumptions may or may not be accurate and true. Whether they are true or not, they still guide the way the company operates. When it comes to false assumptions that a company has about its situation, these are the weak points where clever competitors may attack. As Porter puts it; if a company falsely thinks that it is enjoying the strongest customer loyalty within markets, it may not react if a competitor is cutting prices to gain market share. This is due to the fact that false assumption of strongest customer loyalty causes the company to think that a price cut by a competitor has little impact to its business.

The third component Porter (ibid. 63) includes in his framework is identifying the current strategies that the competitors are using. Porter suggests that strategies should be understood as the key operating functions related to different areas of

business and how the competitors are pursuing to combine these to a functional entity.

The fourth and final step of competitor analysis by Porter (ibid) is identifying the capabilities of the competitors within the market area. As the previously mentioned goals, assumptions and current strategy will provide information about the nature and likelihood of a competitor's reaction to another company's action; capabilities will provide information about the actual capability to react. When studying capability, one must then study competitors' strengths and weaknesses. And this can be done by examining competitor's position in the markets related to the five competitive forces. (Porter, 1980. 63.)

In addition to the above mentioned, one should analyze the overall competitive atmosphere in the target country or market area. This analysis should unveil the competitor companies, their products and services, their market shares, what is the nature of the competition etc. In addition, it is important to study the marketing methods the competitors are using; pricing, advertising, distribution, product strengths and quality. (Suvanto & Vahvaselkä, 1993. 106.)

4.6 Competitive atmosphere: Russia

Due to the highly specific nature of the case company's business, coming up with precise competition analysis with current resources proved to be impossible. Case company Sankari should invest into a professional analysis if the company representatives find it necessary. The following information, about competitive atmosphere in architectural design business, is drafted from information gathered from personal interviews and e-mail questionnaires sent to Russian architecture & design companies. (Afasanayev. 2011)

Due to the emerging construction business in Russia, the Russian architecture companies are naturally pursuing deals on every level of the business. When it

comes to public sectors projects, the Russian companies hold advantage in achieving deals. This is due to the fact that even though the Russian government has made efforts to lower investment and entry barriers, public sector projects are still somewhat barricaded by protectionism and this hampers foreign companies' prospects of getting deals related to public projects. (Afasanayev. 2011)

As mentioned in chapter 4.5, there are four levels of competition. Competition in architecture and design services falls into industrial level of competition, where company sees all companies that produce similar products as competitors. In Sankari's case, rivalry may come from several companies as Sankari offers wide range of services, listed in chapter 2.3. One construction project might gain offers from individual companies offering narrow selection of services. One company might send a quotation about overall design, another one about interior design and third about landscape or yard planning. In such case the level of expertise of rival companies with narrower service selection is naturally higher, but Sankari is able to provide a much more comprehensive package with price benefits to the customer.

Competitive atmosphere in residential buildings for individual customers is considerably easier to approach as there are no official or unofficial barriers to enter the markets, except the ones mentioned in chapter 4.8. In addition, as stated in chapter 3.2.1; Finnish or Nordic design is perceived as attractive in Russia. However, competition in this sector is heavy and local companies have the advantage of local know-how and common language with customers.

Pricing in architecture and design services in Russia varies a lot depending on the location and in major cities prices are quite high. But pricing does not always follow traditional pattern in Russia and in this business. If the customer is of great wealth and he or she wishes to build a new extravagant house; price is not a problem. Actually greater price works as a status amplifier thus creating interesting twist in pricing methodology.

Overall competitive atmosphere in Russia is challenging for a newcomer company, especially if the company lacks suitable contacts or partners. Public projects are labeled by biased attitudes and deals are handed more eagerly to local service providers and private sector consumers have more than a few architectural design offices from which to choose from. (Interview Afasanayev M. 2011)

4.7 Business environment analysis in theory

Business environment analysis aims to explain how different kind of environmental factors affect the actual business one's company is going to make in the area. According to Rope (2003. 66-67), these factors are divided under two levels; international level and market level. International level includes political factors, integration (European Union for example), international databases, fiscal policies and currency rates etc. Market level contains factors about; changes in consumer behavior, customs, competitor action directions, economical environment and technological development.

A business environment analysis should also contain insight to target country's institutional operational environment. Each country's societies contain certain kind of institutions, permanent bodies within society. Examples of institutions are government and its power, laws and regulations, treaties concerning international trade. In addition, in certain areas of business there might be contracts that bind businesses in a certain industry, price recommendations or restrictions for a product or service, regulations dictating competitive atmosphere and special customs duties. (Suvanto & Vahvaselkä, 1993. 109.)

In addition to the above mentioned, understanding foreign culture is important when planning to establish business abroad. Culture consists of values and beliefs and it dictates the most suitable way of living for individuals. Cultures can be divided into various subgroups; industrial culture, national culture, corporate cul-

ture etc. Any company practicing or planning to practice international business should be aware of cultural aspects and more importantly; cultural differences. Although the target country could be geographically in close proximity to company home country, cultural differences may still be significant. When talking about corporate or business culture, it is at least important to know the things not to do, in order to prevent one from insulting the foreign party. (Suvanto & Vahvaselkä, 1993. 110.)

The target country's institutional and environmental factors are usually seen as restrictions or obstacles blocking the way to a smooth way of doing business. This the case usually with companies who have not done their homework related to target country's conditions. For a company well aware of target country's institutional and environmental factors, those factors can be a useful competitive advantage. This kind of company is able to function more efficiently according to the expectations that are present in the target country. In addition, knowing the circumstances of a foreign country promotes the image of a customer oriented company that has gone the extra mile to study these issues. (Suvanto & Vahvaselkä, 1993. 111.)

4.8 Business environment analysis: Russia

According to the 1993 Constitution; Russia is a democratic federative state with a republican form of government. State power in Russia is divided between three branches; executive, legislative and judicial. (Gerendasi, 2010. 7.)

The business atmosphere in Russia has improved significantly since the transition from a centralized and planned economy to a free market. During the recent years, many reforms have been carried out in order to make Russia more appealing for companies to do business in. These reforms include enhanced and fairer taxation system with more transparency and higher level of integration with global markets in addition to improved customs practices. However, despite the reforms

towards more free and transparent economy and business climate, doing business in Russia does not come without obstacles. Many foreign companies are scared off by the high levels of corruption and bureaucracy in addition to poor legal safeguards. (Gerendasi, 2010. 15-16.)

When planning to do business in Russia, one must study the laws and regulations that have or may have effect on the business activity. In Russia, a governmental regulator body called Federal Antimonopoly Service or FAS, dictates the competitive rules in the country and it has the power to prevent unfair competition. FAS holds the rights to audit any company's activities regarding competitive performance and it also may request necessary documents and information for the audit. If a company violates competition laws it may become subject to heavy penalties placed by FAS. On company level and in certain situations; FAS may place heavy fines for the law violating company, even 0.15 percent of company's raised revenue from a certain market. In addition, Russian Criminal Code places criminal liability for company managers found guilty for breaking or competition laws. (Gerendasi, 2010. 17-18.)

There are also certain pricing regulations for some industries. In general, this means price control, where companies have to set prices to a level dictated by state tariffs, apply to industries that are perceived as natural monopolies. These natural monopolies include for example; electricity generation, railway operations and gas production. (Gerendasi. 2010. 18.)

Property markets have also improved in Russia due to reforms in that area. In 2001, the introduction of Land Code of Russian Federation was a major step in improving legal framework related to property markets and making market reform happen in Russia. Nowadays, majority of land is not privately owned but held by federal, regional or local parties. This is not the case when it comes to buildings and premises, which are still widely in private ownership. The Russian law does not place restrictions for Russians or foreign parties' land acquisition, excluding

the land areas that are categorized as agricultural land with production purposes. Even then the land may be within free use of the purchaser, if the land is first reclassified to another purpose category. Therefore Russians and foreigners may obtain land held by public parties for construction or development purposes, in case there are no restrictions dictated by the Land Code. Once the land has been acquired, the party planning to develop or construct property must follow planning regulations in order to carry out the planned project. These planning regulations used to be rather complex and there were several variations of them depending on the location where the project took place. In December 2004, the New Town Planning Code was introduced and it brought clearer and more transparent regulations administrating construction permit and facility commissioning permit acquisitions. Before January 2007, multiple appraisals were required for project design documentation and construction permit applications. The reform that took place in January 1st 2007 replaced the mountain of documents and reviews to a single state examination or “state appraisal” carried out by a state representative hence making the whole process a lot easier. In addition, since January 1st, there are no longer requirements for licensing for certain construction actions. These actions include engineering surveys, preparing construction project documentations and construction works. Instead of licensing requirements, executing party has to be a member of a self-regulating organization. Finally, Russian law allows parties to use real estate pledges as loan security and legal framework of mortgage-backed loans guarantees is improving hastily. (Gerendasi. 2010. 18-19.)

The previously listed issues, together with the construction industry review and forecast, promote assumption that construction industry is doing well in Russia. The reason for this is that construction volumes are increasing and executing construction projects has been made easier with legislative and economical reforms in the country. Construction projects need building permit pictures, design pictures and other architectural services, so there is a demand for such services.

According to Russian law; both Russian and foreign companies and individuals can perform currency transactions freely and without restrictions, including loan transactions, guarantee trading and advance payments on import and export matters. However, if the loan transactions are carried out between residents and non-residents or payments are made under foreign trade contracts, Russian residents should act according to certain requirements dictated by Russian currency control legislation. In some cases the Russian resident side of the transaction must draft a transaction passport and deliver necessary documentation for a dedicated bank in order to provide evidence of the legal basis of the transaction. (Gerendasi. 2010. 28.)

5. SUM UP

This chapter aims to combine characteristics of the case company and the desired market environment, Russia, and to find the strengths, weaknesses, opportunities and threats related to this business endeavor. For the purpose of this thesis, 8-field SWOT analysis suits purpose better than the traditional SWOT analysis with only four dimensions; Strengths, Weaknesses, Opportunities and Threats. 8-field SWOT for Sankari is on the next page in figure 4.

5.1 8-Field SWOT: Sankari & Russia

<p style="text-align: center;">INTERNAL</p> <p style="text-align: center;">EXTERNAL</p>	<p>I. STRENGTHS (S)</p> <ul style="list-style-type: none"> - Appealing Nordic design - Broad selection of services - Capacity for inclusive package 	<p>II. WEAKNESSES (W)</p> <ul style="list-style-type: none"> - Experience - Local know-how - Language barriers
<p>III. OPPORTUNITIES (O)</p> <ul style="list-style-type: none"> - Partnerships - Increasing volumes in construction - Estate legislation - Loan policies 	<p>V. SUCCESS FACTORS (S+O)</p> <ul style="list-style-type: none"> - Competitive advantage of broad selection and strong service image - "Turnkey" packages for customers 	<p>VI. WEAKNESSES TO STRENGTHS (O+W)</p> <ul style="list-style-type: none"> - Entry via partnership - Local representative to provide local know-how - Constant learning process
<p>IV. THREATS (T)</p> <ul style="list-style-type: none"> - Protectionism - Legislation - Competition & pricing - Invoicing issues 	<p>VII. THREATS TO STRENGTHS (S+T)</p> <ul style="list-style-type: none"> - Close collaboration with governmental representatives - Striking to competitors weak points 	<p>VIII. POSSIBLE CRISIS SITUATIONS (T+W)</p> <ul style="list-style-type: none"> - Public interference - Governmental pressure - Invoices not paid by customers

Figure 4. 8-field SWOT

5.2 Sankari's SWOT : Sections I - IV

Sankari's strengths are mostly linked to the services they provide; services are of good and appealing origin, with broad selection and they provide the possibility to offer an all-inclusive package for a customer when it comes to design work. In

addition, broad selection enables the possibility to contact more customers with various needs and this leads to wider customer base and strong reference value in the markets.

Weaknesses relate to know-how of the company personnel related to the desired market place. Russia has a business mentality of its own and local know how is important when conducting business there. In addition, a foreign business without Russian language skilled employees might face problems when interacting with Russian customers. Sankari is also juvenile company when it comes to the age of the company and professional background of the employees.

Opportunities of the market place are multiple. Construction volumes are increasing and it has been made easier for people to own land and gain loan for housing projects. Sankari is already able to provide a throughout and inclusive design packages, but partnerships might enable the possibility to offer a real turnkey housing services for customers.

Threats for Sankari are linked to the governmental and legislative parts of the target market country in addition to competitive atmosphere and invoicing problems. For example; entering to public projects might be difficult due to the protectionism and public interference. Legislation might also change rapidly and cause harm to foreign business practitioners in Russia. In addition, collecting money from customers might be a problem and many companies have experience of this. If a customer decides not to pay from a completed work, collecting the money might be really difficult.

5.3 Sankari's SWOT : Sections V - VIII

Success factors for Sankari include the broad selection of services and the competitive advantage brought by them. As mentioned earlier, Sankari is able to provide really conclusive packages to customers in Russia who, according to a San-

kari company representative, value turnkey packages highly. In addition, Nordic design is enjoying strong image within Russian customer's minds.

Section VI in the eight-field SWOT above focuses on turning weaknesses into strengths. As mentioned in the previous chapter, Sankari's weaknesses are related to local know-how in the planned market place. One way of tackling these issues would be to seek local representative to help Sankari out in finding the right channels marketing and to help them with language related problems. Other method, which would decrease operating freedom of Sankari, would be to enter the markets via partnership with e.g. constructing company. The level of experience of Sankari representatives can be enhanced by constant learning process and changing the company image within customers' minds can be done by demonstrating previous project outcomes as quality references.

Section VII of the chart above digs into the methods of turning threats into strengths. Threats relate to governmental and legislative issues in Russia and the possible obstacles they may place to entering to market or to doing profitable business there. Close collaboration with local governmental or municipal representatives in charge of issues related to this particular business would help Sankari to stay on top of things when it comes to legal customs. Threats generated by competition can be tackled by further competition research and by striking to competitors weak points via tactical maneuvers; pricing, differentiation, focus etc. Invoicing issues may be handled via local representatives who know how to proceed if a customer refuses to pay the invoices in time.

Finally, section VIII in the chart introduces possible crisis situations that may occur in the market place. These crisis situations might draw from public interference of protectionist nature, such as substantially high import taxes for services or other public or legal actions aimed to hamper business in the country.

6. STRATEGIC MARKETING PLAN

A strategic marketing plan should answer at least two major questions; how is the company going to deal with the competitive environment and how is the company going to support its daily operations. Competition in various fields of business is very strong nowadays and being able to sell ones products in a way that outmaneuvers competitors is very important. In addition to a sound strategy, every company also needs adequate resources to support daily operations and to carry the actual strategy out. (The Business Resource Software. 2011.)

6.1 Competitive advantage & generic strategies

On strategic level, competitive advantage methods can be divided into 2 generic strategies; cost leadership and differentiation strategies. Cost leadership means that a company is able to deliver same product or service qualities as competitors but at lower price. Differentiation means that a company is able to deliver product or service qualities that exceed those of the competitors are delivering. Cost leadership and differentiation are known as positional advantages as they describe the position of a company in the market place. (QuickMBA. 2010).

Rope (2003. 147-149) talks about nearly the similar kind of strategies as the ones above, based on Porter's views. In his book, Rope talks about price strategy rather than cost leadership and about refining strategy rather than differentiation strategy. The differences between these are that Rope pays closer attention to short term pricing strategies rather than costs involved in production. Refining strategy differs from Porter's view of differentiation strategy in a way that Rope thinks that differentiation is not always enough. If the product quality that is differentiated is something that customers do not perceive as important, then the strategy is not effective. Refining strategy concentrates more on the task of making products and services better in the eyes of customers.

Third generic strategy is known as the 'Focus' –strategy which is sometimes excluded from the generic strategies list. It is more sophisticated and intense strategy than the ones mentioned before. Focus strategy is about targeting a very narrow market segment in a way that competition is not possible or probable. Even though the market size is small, the absence of competition keeps the profit margins high. (The Business Resource Software. 2011.)

After generic strategy selection is carried out, the company should select from a selection of related operational strategies. One of these is how the company is going to execute the pricing of its products or services. (The Business Resource Software. 2011.)

Practical application: Sankari Oy

As the case company of this thesis, Sankari, is not a big enterprise and therefore it lacks the power of price bargaining. Due to the previously mentioned feature, the selected competitive advantage strategy is differentiation and the actual strategic and operative decisions will be described in detail later in this thesis.

6.2 Pricing strategies

Pricing strategies can be roughly divided into three different types; skimming, market penetration and comparable pricing strategies. Skimming is a pricing strategy where prices are set high and this action is justified by sufficient amount of differentiation in the line of offering. Skimming is usually used when quick cash income is desired and any significant market penetration is not within top priorities of the company. (The Business Resource Software. 2011.)

Market skimming is also, as the name suggests, about skimming layers from the market place. Practitioners of skimming initially set the prices as high as possible without losing the comparison of price versus benefits against its competitors,

thus making the product appealing to a certain layer in the consumer base. After the sales slow down; price-skimming company lowers the prices just enough to attract a new layer of customers, who are now ready to adopt the product at a new price. Kotler justifies price skimming strategy under four conditions; there has to be a sufficient number of potential buyers with high current demand, unit costs must stay low enough, higher price must not draw attention of more competitors and the high price must promote the image of a superior product quality-wise. (Kotler, 1994. 493)

Market penetration strategy is the opposite of market skimming and it promotes the meaning of setting prices very low. Market penetration strategy aims at an eventual market leadership through rapid market penetration achieved by low level pricing and this leads to the fact that a company following this strategy has to be prepared to a low income near future. (The Business Resource Software. 2011.)

Comparable pricing strategy is basically about pricing ones offering comparably to the ones that competitors and market leaders are offering. In this scenario the market leaders have created an image of pricing into buyers' heads and a company doing comparable pricing has to compare the benefits provided to the pricing. (The Business Resource Software. 2011.)

Practical application: Sankari Oy

The pricing strategies were introduced in chapter 6.1.1 and the first of them was skimming strategy. Briefly, it means that prices are initially set high and then later on lowered in order to skim layers of the market place. Skimming would be a suitable pricing strategy for Sankari because they provide appealing Nordic design and target consumers with premium needs and high purchasing power. According to an interviewee who was interviewed for this thesis, Russian customers who know exactly what they want and are ready to pay good price for premium

services place great emphasis on offering pricing. Higher prices are considered as guarantees of good quality or unique nature of an offering in addition to the fact that paying high prices for a service, such like architectural services, is considered as a status booster for the consumers. Another argument for skimming and higher pricing is that Sankari is able to provide relatively all-inclusive design package for individual consumers planning to have a residential building constructed, at least in design-wise. Consumers with strong purchasing power and premium taste often like to have turnkey solutions at their disposal and Sankari is prepared to provide them; Sankari staff is ready to design the house, interior decoration, building permit pictures and landscape planning. Should Sankari decide to enter into a partnership with constructing company, and then the package could include construction also and really turn into a comprehensive turnkey offering. With skimming strategy, Sankari would be able to pick the customers with high purchasing power and premium taste from the market place and then lower the prices eventually to attract next layers of consumers in the terms of purchasing power and taste. Skimming, as illustrated before, works when Sankari targets individual consumers with premium taste. However, if Sankari decides to pursue public projects or B2B sales, then the pricing has to be done accordingly to governmental regulations and competitive atmosphere in that sector.

6.3 Promotion

In order to be able to sell a product or service, the buyer has to be aware of its availability in the market place and the buyer does not know that unless he or she is told so. This is when the meaning of promotion enters the picture. Promoting walks hand in hand with advertising and there are two basic concepts or strategies related to promoting; push and pull strategies. Push strategy is about using all possible channels to promote the offering and “pushing” the product to the market place. This strategy usually requires that the company executing the push strategy gives the promotion channels some incentives to promote the offering. These incentives may be discounts or other promotional tools. Push strategy also

has one distinctive feature; if the channels used are, for example, television or radio, the buyer may not interact with the offering provider thus making the promotion non-interactive. Pull strategy on the other hand requires direct and mutual interface between the company and end customer. Heavy attention to advertising is required and the goal is to get the customers to request and pull the product through the delivery channel. (The Business Resource Software. 2011.)

One way to approach promotion is through a concept called promotion mix, sometimes called marketing communication mix. It has five major tools under it; advertising, direct marketing, sales promotion, public relations and personal selling. Advertising is about delivering a message through a paid and non-personal message. Direct marketing is about usage of telephone, mail, e-mail and other non-personal contact methods to communicate with specific customers. Sales promotion is a collection of methods that encourage potential customers to try the product, these methods include; product samples, exhibitions, demonstrations, discount coupons, gifts etc. Public relations tools aim to promote the image of the company or individual products through various actions; seminars, sponsorships, press visibility, charity and lobbying. Finally; personal selling is the event where the seller and end customer meet face-to-face in a sales meeting, sales presentation, exhibition or trade show. (Kotler,1994- 597)

Practical application: Sankari Oy

In chapter 6.1.2, two basic promotional strategies were introduced; push strategy and pull strategy.

Pull strategy fits better for Sankari as architectural services already require strong interface between the provider and the customer due to the complex nature of the offering. Pull strategy relies on heavy advertising with preferably interactive nature, such as customer meetings and sales promotion events, in order to get the customer to pull the demand through the supply chain.

Promotion mix is a very useful collection of promotional tools for a company and in Sankari's case the promotional mix is approached as follows.

Advertising for Sankari is important as mentioned before, in order to get the attention of potential customers and to create the relationship required for successful business making. Advertising in the line of architecture usually does not include mass advertising in mass media, such as television and radio, but more personal ways of communication. Leaflets and brochures would be the best way of delivering the messages to customers and these documents would preferably be of case-by-case tailored for each customer with own needs. Sankari representatives have found it useful to provide customers with these tailored brochures due to the fact that then the interaction is highly personal with customers. However, naturally, first Sankari needs to gain access to close proximity of potential customers in order to measure their needs and wants.

Sales promotion is the method of providing incentives to potential customers in order to encourage them to try out a product or a service or at least encourage them to find out more about the offering. Suitable sales promotion methods for Sankari would, again, be the personal ones; attending to exhibitions and gaining visibility that way, organizing demonstrations, providing free sample services, organizing events with corporate customers etc.

Public relations and direct marketing do not provide useful application to Sankari, as architectural services are not meant for direct marketing and Sankari is not in the position of organizing seminars or participating in sponsorship programs.

Last but not least, there is personal selling. The most important promotional tool for Sankari as personal selling is an act of face-to-face business interaction.

Methods under the term personal selling are sales presentations, sales meetings, incentive programs, samples and participating in fairs and trade shows.

(Kotler, 1994- 597)

This is the actual way for Sankari to promote its offerings; gain customer attention with advertising and sales promotion and then deepen the relationship with personal selling and tailored brochures that meet the customer needs.

6.4 Product

It is also very important for the companies to know, that which product qualities make them strong in the market place. Some factors that should be considered are;

- What benefits do the consumers gain from using the product or service?
- How the product or service is differentiated from the competitors' offerings?
- What is the amount of potential substitutes?
- How should the product function and look in order to be appealing for the public?
- How soon can the potential customer business expect to gain return from their investment to the product

The ones mentioned above are examples of the product qualities a company should investigate and try to develop products that have positive responses for the questions above. (The Business Resource Software. 2011.)

Practical application: Sankari Oy

Product in this particular case is an intangible service but it still needs to contain some qualities in order to make it appealing for the markets. As mentioned in chapter 6.1.3, a product needs to be designed in a way that it answers questions regarding what kind of benefits do customers gain by using the product and how should the product look like or operate.

In Sankari's case, the answer to the questions stated in chapter 6.1.3 are as follows:

- What benefits do the consumers gain from using the product or service?

By using Sankari's architectural and design services, the customers gain access not only to fresh Nordic design, but also to a wide selection of services that may be combined to a near turnkey offering or a customer may choose from them according to current needs.

- How the product or service is differentiated from the competitors' offerings?

Sankari's offering line differs from competitors ones in a way, that they provide wider selection of services than average competitor. Services vary from traditional design services, through landscape planning to complex B2B offerings

- What is the amount of potential substitutes?

Competition in this field is harsh and substitute services are available in the markets. On the other hand, the area of industry here is so narrow, that substitute products are easy to identify. There are no "hidden" substitutes in the markets.

6.5 Service marketing mix: three additional P's

The traditional marketing mix, consisting of four P's, needs additional components when talking about marketing services and in more detail; expert services. Four P's; product, price, place and promotion, are designed to depict competitive methods used in tangible product marketing. When it comes to marketing of services, intangible offerings, there is a need to include competitive methods in the mix which correspond better to the character of services.

Compared to traditional marketing mix, the extended marketing mix consists of three additional P's;

- People
- Process
- Physical evidence

Three new P's, changing the overall marketing mix to seven P's, are introduced in more detail below. (Ylikoski 1999, 211-212)

Company personnel are a vital part of service the company is offering and it helps to concretize the intangible offering for the customer. In addition, existing customers are very important parts of competitive advantage and they act as a message of the company performance. Satisfied customers spread word and create important reference value for the company. Therefore it is important that company personnel are motivated, trained properly, cooperative and skilled in interaction. Customers, company personnel and other interest groups constitute the fifth P in the marketing mix; People. (Kuusela 1998, 100-101)

Processes are the mechanisms, procedures and functions that actualize the service offering and help the customer to concretize it. Processes should be divided into two sub-layers; visible and invisible for the customers. Customers have difficulties in understanding the deficiencies within invisible parts of the processes and mistakes caused by errors within invisible layer are troubling for the customers. They do not see the cause of the error and therefore they cannot understand it properly. This highlights the meaning of orderliness within process planning to avoid time consuming and expensive mistakes and remakes. Documentation should be precise and service production processes can be elaborated with blueprints and job descriptions in order to provide clearer picture for the customer and to emphasize the presence of people in the process of delivering expert services. Service processes can be standardized for better time efficiency and steady quality or made more complex for better ability to serve detailed individual needs. Usually standardizing is the more efficient and profitable method, but some customers may see over standardizing and simplifying as decreasing level of service quality. (Kuusela, 1998. 102-106)

Even though services are immaterial offerings, companies should pay attention to the visible messages related to services. Visible messages can be company premises, marketing material, home pages, personnel behavior and company documentation. In addition, customers usually value service and interaction of

certain style and rate; therefore company personnel should standardize operation policies so that customers can get the same level of service from each member of personnel involved in customer service. These previously mentioned concepts are parts of the last P; Physical evidence. (Kuusela, 1999. 108-109)

Entry plan is not included in this thesis as it will be covered in more practically oriented operative plan that bases on this strategic plan.

Practical application: Sankari Oy

Training and self development should be constantly ongoing processes for Sankari personnel. This is to ensure that level of service remains at a high level even with more complicated inquiries and challenging personalities among customers. If certain scenarios are not encountered yet but are imaginable and possible, it could be wise to draft case material and rehearse basic actions proactively. These cases could include coping with different kind of customers, replying to reclamations, reporting changes etc. The main point is, that the level of customer service must be premium at all situations, because word travels fast in the market. This brings us to the issue of existing customers and reference value brought by them.

Architecture companies usually maintain records from their previous business for future reference value. These records are called reference or customer portfolios and they provide important information about existing or previous customers. Existing and previous customers are also efficient practitioners of word-of-mouth marketing and therefore service should be carried out until the end and even further in order to deliver superior customer value and gain good reputation within markets.

Processes should be well designed within Sankari service offering selection. Sankari personnel should pay extra attention to polishing invisible layers of proc-

esses in order to prevent mistakes that are both confusing and inconvenient for the customers. Process details should be well organized in order to prevent time consuming and potentially expensive mistakes from happening; Sankari cannot afford failing initial projects if they wish to enjoy the benefits of good reputation. Documentation should be precise and Sankari should draft blue prints and job descriptions for customers along the progress of the projects. This kind of transparency and informative communication tightens the relationship between Sankari and customers' thus generating trust and emphasizing the presence of people within the process. With standardizing, Sankari should be careful. Even though standardization saves time and money, Sankari cannot afford to lose the competitive advantage of close customer relationships and innovative and fresh design. It might be reasonable to standardize some very basic offerings in order to conserve time for the actual creative design work but no more simplification and standardization is necessary. In addition, as mentioned in previous chapter, simplifying and over-standardizing creates an image of decreased level of quality.

With experience of creating marketing material for companies, Sankari should be able to draft superior brochures and other marketing communication tools for customer's eyes. These are examples of physical evidences of service offerings. In addition, Sankari should pay attention to standardizing operation policies, so that every member of personnel is able to provide the same rate and style of services. This helps the customers to contact anyone from the company and at all times, even though the original company contact person would be out of reach.

6.6 Segmenting, targeting and positioning

Russia is a vast country with large population thus making the market broad and customers dispersed, numerous and with different kind of buying behaviors. Some competitors may be more efficient in serving customers in certain areas than others and therefore a company should not try to compete through the whole market place. A wise company would identify the most attractive market

segments it can serve most efficiently and therefore be able to handle competition better too. (Kotler, 1994. 264)

Following the introduction above, Kotler defines the STP-marketing as “*the heart of modern strategic planning*” (Kotler, 1994. 264).

Companies find it increasingly disadvantageous to practice mass marketing and are embracing target marketing more eagerly. Target marketing helps the sellers to identify marketing opportunities better and it enables the possibility for the sellers to come up with a correct and tailored offering for each target market without scattering resources on a vast market area. Target marketing has three steps: market segmentation, market targeting and finally market positioning.

6.6.1 Segmentation

Markets are combination of buyers with different kind of attributes; buyers may differ in their needs, wants, buying behavior, buying practices, buying power or geographical location for example. Segmenting with different attributes leads to different kind of segments; segmentation via age and income leads to demographic segments for example. Each of these previously mentioned attributes may be used to identify and segment a market.

Every market can be divided down into market segments and eventually into even smaller entities; niches. A niche is even more narrowly defined group than a segment and buyers within a niche seek a special combination of product benefits and niches can be found by providing and promoting even more detailed product characteristics. When segments may attract several competitors, niches attracts fewer competitors or even none at all and niche marketers usually know their niches well enough to justify premium pricing for their offering. (Kotler, 1994. 268)

As discussed earlier, various different variables are used to segment a market and these variables fall into two broader groups: consumer characteristics and consumer responses. Consumer characteristics can be broken down into geographic, demographic and psychographic characteristics, digging into consumers' location, age, gender, lifestyle and income attributes for example. The other option is to form segments by looking at how consumers respond to product benefits, brands or use occasions. Once the segments are formed, company representatives try to seek whether different consumer characteristics are associated with consumer response profiles. With this kind of survey, sellers may find out if people who seek low prices over high quality are differently represented in different demographic segments. (Kotler, 1994. 270-271)

Practical application: Sankari Oy

Segmentation procedure for Sankari is carried out with the methods of consumer characteristics and consumer responses. The purpose is to identify different market segments related to existing variables within total customer base; geographic location, income, buying attitudes, life style etc.

The first variable investigated is the geographic location. Segmentation via geographic location means that market is divided into geographical units, such as; states, nations, cities or even neighborhoods. The company may choose, according to its resources and objectives, whether to operate in one or several geographical segments. (Kotler, 1994 , 270-271)

For Sankari, geographic segments facing their needs and resources would be major cities within close range and easy transportation from Finland; Moscow, St. Petersburg and other major cities with over one million inhabitants. Price levels in those major cities are higher than in rural area thus making the likelihood of strong presence of high purchasing power buyers bigger.

Demographic segmentation divides markets into smaller segments based on the demographic variables, for example; age, gender, income, family size, occupation, education etc. Demographic variables are the most popular characteristics to differentiate customer groups as wants and preferences are often strongly linked to demographic variables. (Kotler, 1994 , 270-271)

Demographic segmentation was briefly discussed in chapter 4.3.2 where consumers were divided into groups based on their consumer behavior, education, buying power and geographical location, giving deeper insight to segmentation process and moreover to targeting. From those customer behavior groups, Sankari is interested in Innovators and Spontaneous. In addition to previously mentioned buying behavior segments, Sankari should pursue segments based on psychographic segmentation; life style and benefits. Life style variable closely relates to the buying behavior styles introduced in chapter 4.3.2 and Sankari searches open minded buyers with desire to try out something new; Nordic design houses with fresh design patterns. Through benefits variable, company is able to classify buyers according to the benefits they seek through buying a product or a service. For Sankari, benefit seeking characteristics could be; differentiated design, possibility for an all-inclusive design package and flexible service.

6.6.2 Market Targeting

After the segmentation is carried out and a company now knows how many and what kind of segments are facing it, the company now needs to evaluate which segments to target and how many are reasonable to target. (Kotler, 1994. 270-271)

When evaluating different market segments, a company has to look into three segment characteristics; segment size and growth, structural attractiveness of the segment and how these link to company's objectives and resources. (Kotler, 1994. 280-272)

Segment size is a relative concept and finding the right size depends on the seller company's size also. Large companies seek segments with large volumes and small companies tend to avoid large segments as they require more resources. Segment growth usually is a desirable characteristic as companies usually seek growing sales and profits, but growing segments also attract more competition. (Kotler, 1994. 280-272)

Even though a segment may be of convenient size and has desirable growth potential, it may still lack profit potential for the seller company. According to Porter, there are five forces that determine the profit potential of a segment; the five forces that are also represented in chapter 4.5 and picture 4 below. Forces are:

1. Threat of intense segment rivalry: where the segment is unattractive due to heavy competition
2. Threat of new entrants: segment is unattractive due to potential new competitors entering the market
3. Threat of substitute products: Segment is unattractive because there are substitutes available for the product a company is offering
4. Threat of growing bargaining power of buyers: Segment is unattractive due to the fact that buyers have strong bargaining power and they try to bring prices down and demand more quality and better services.
5. Threat of growing bargaining power of suppliers: Segment is unattractive because suppliers have the power to raise prices or reduce quantities.

(Kotler, 1994. 282-283)



Figure 5: Five forces analysis. (Competitive Strategy, 1980)

Company objectives and resources need to be taken into consideration by the company, even if the segment is of correct size, growing and structurally attractive. Some segments, appealing even, may be dismissed by the company because the structure does not match with company's long term objectives or the segment may be too challenging for the company with current resources. (Kotler, 1994. 282-283)

Segment selection is the final stage in segmentation process; a company must now choose which segments to pursue. There are five patterns to segment selection; single-segment concentration, selective specialization, market specialization, product specialization and full market coverage. Single segment concentration is the simplest pattern and then the company chooses only one segment and pursues leading position in the segment. Selective specialization is where a company chooses several attractive segments that are in line with its objectives and every selected segment is a potential money maker. This method divides resources but it also divides risks; if one segment proves to be a bad apple, there

are others to gain revenue from. Product specialization pattern means that a company concentrates on making a product to be sold for several segments, creating a strong image in a narrow product area. Market specialization pattern means that a company concentrates on serving several needs of a certain customer group, thus generating strong image within that customer group. Full market coverage means that a company tries to serve all customer groups with all the offerings they might need and this pattern is possible for large corporations only. (Kotler, 1994. 284-285)

Practical application: Sankari Oy

After the segments facing the company have been identified, it is time to measure which ones and how many are suitable to pursue. As discussed in the previous chapter, there are following potential segments facing Sankari;

- Geographically; Moscow and St.Peterburg
- Demographically; Well earning, innovative, well educated people with premium taste and readiness to pay for differentiated offering
- Psychographically; People with fresh lifestyle and appreciation for good quality and easiness of purchase
- Buying behavior; Innovative and Spontaneous people

The next step is to measure the previously mentioned segments in terms of the three segment characteristics. Segment size is the first characteristic and as discussed earlier, the most suitable segment size for any company is a relative matter. In Sankari's case it is not wise to pursue the biggest segments in the markets, due to the relatively small size and limited resources caused by that. Segment growth however is appealing characteristic for any company, Sankari included, as more profit is the generic target for all companies. Finally, segments need to be evaluated through the characteristic of structural attractiveness and five forces related to that. For Sankari, threat of substitute products is the most dangerous aspect; Sankari aims to attract and outmaneuver competitors with dif-

ferentiated design and offering and other exotic service providers in the same segment would be challenging.

For Sankari, selective specialization would be the best option in a new market area. Selective specialization means that a company selects more than one segments that may differ a bit from each other, but are all mutually potential and suit the company's objectives and resources.

Segments for Sankari are as follows;

- People living in major cities and with good income and demand for summer houses outside metropolitan area.
- People with premium taste and desire for Nordic design and readiness to pay for exotic design, in addition to the fact that status is important for this group
- People with innovative and bold buying behavior and desire to try something new
- People who appreciate relationship marketing
- People who appreciate turnkey offerings

6.6.3 Differentiation and positioning

Once a company has selected target market it has to commence pricing according to competition and other similar products available in the markets. If there are several competitors pursuing the same target market and all products are more or less alike or undifferentiated, then the customers will buy from whoever has the lowest prices thus causing price reduction for others. If a company can successfully differentiate its offering from others, it may charge premium prices based on the extra value its offering delivers. On broad perspective, there are four generic ways to outmaneuver competitors; deliver better offerings, create new offerings, deliver cheaper offerings and deliver offerings faster. These generic ways have problems though; cheaper is not always good as the lower price may be perceived as a result of lower quality for instance. (Kotler, 1994. 293)

If differentiation is taken further, there are three strategies that can result in a successful differentiation and potential market leadership.

Operational excellence is the first one and it means that a company is able to provide customers with high grade products or services that are easily available and priced reasonably. The second strategy is called customer intimacy and it means that a company knows customers well and is able to respond quickly and effectively to their needs. Product leadership is the third strategy and it means that a company delivers premium products that deliver greater value and quality than the ones of the competitors. (Kotler, 1994. 284-285)

After the company has differentiated its offering from the competitor's ones, it now has to communicate the differences in a way that the offerings occupy a valued place in customers minds. This act is called positioning and it means that a company promotes selected differences that will appeal most strongly within customers' minds. (Kotler, 1994. 284-285)

There are several pitfalls in positioning that a company should avoid but seven positive positioning strategies are found to make it easier for the company to select its own.

- Attribute positioning: Company advertises its product through positive attributes it possesses
- Benefit positioning: Company advertises its product through the benefits it delivers for the customer
- Use/Application positioning: Company advertises its product through usage benefits for the customer; product X is suitable for a customer who seeks quick solutions
- User positioning: Company advertises its product for user groups; Product X serves people who enjoy fresh design
- Competitor positioning: Company advertises that its products have better qualities than the ones competitors are offering

- Product category positioning: Company positions itself through product categories and differentiates itself with unexpected moves
- Quality/price positioning: Company positions itself through image of best value for customer's money

Practical application: Sankari Oy

As discussed earlier, differentiation is the key to justify pricing in the markets and to enhance probability that customers will purchase the target company's offering. If all offerings in target segment are more or less similar, the customers will usually purchase the one with lowest prices. Even though there is one important characteristic in Sankari's segments; targeted customers are willing to pay more, the fact is that they do not do it without justification. No one, no matter how rich and spontaneous they are, make them willing to pay more for less. Previously mentioned four generic ways to differentiate; deliver better offerings, create new offerings, deliver cheaper offerings and deliver offerings faster, do not match Sankari's strategy due to their simplicity. Kotler (1994. 295) mentioned three more sophisticated strategies, which represent more convenient choice for Sankari also.

Customer intimacy strategy suits Sankari well, as the architecture design purchase transaction requires high level of commitment from both parties; supplier and customer. In addition it suits well for Sankari related to its resources; Sankari has limited size and resources and therefore they cannot supply offering for faceless masses. Knowing the customers well and developing close relationships with them provide the extra value for customers exactly how it should be done when a company is of smaller size.

For the service itself, architecture design service, Sankari can seek strategy from product leadership strategy; being able to deliver innovative offerings that outperform competitors offerings. Tools of product differentiation also include certain

features a product or service has. Examples of these features are design, delivery time, image, personnel competence and reliability etc. Sankari can differentiate its offering based on exceptional and innovative Nordic design and flexible consulting services alongside it. (Kotler, 1994. 295)

In addition, Sankari can differentiate through performance quality. Higher performance, made possible by smaller segments and close interaction with customers, often lead to justification for higher prices, positive word of mouth, strong customer loyalty and repeat purchasing. (Kotler, 1994. 298)

After the differentiation has been done by the company, it is time to communicate the differences into customers' minds by positioning strategies.

Among the seven positioning strategies, introduced in chapter 6.2.3, the most suitable for Sankari and its offerings are; attribute positioning, benefit positioning and user positioning. Attribute positioning means that the offering is positioned and promoted through the positive attributes it possesses. For Sankari this means Nordic design, youthful and fresh approach to design work and possibility for turnkey design packages. Benefit positioning means that offering is positioned through the benefits that customers gain by obtaining the offering. For Sankari's customers these benefits are; innovative design that enables them to stand out from the crowd, easiness of use through all inclusive design packages, possibility to close relationship transactions and possibility to get fast response for special and varying needs. Finally, user positioning means that offering is positioned for certain user groups. As mentioned in chapter 6.2.3, for Sankari these user groups could be for example people who enjoy innovative and fresh design.

Communicating the positioning strategies should be executed with care. For Sankari it means paying close attention to customer meetings and possibilities brought by construction exhibitions and fairs.

After a company has selected a positioning strategy it is still vital that it manages to communicate it properly. Target markets must understand the positioning

strategy in order of being able to place value and appreciate it. (Kotler, 1994. 312-313)

6.6.4 Strategic resources

According to Hamel (2000, 75-77), firm specific resources should be carefully mapped and that by changing the resource base can be a way of gaining new and innovative business concepts. Strategic resources can be divided into three sub-levels; Core competencies, strategic assets and core processes.

Core competencies are the processes that the company really knows and masters. A good way to measure core competencies is through a set of questions; what does a company do that is unique, valuable to customers and it may be transformed to meet new opportunities and demand? In addition; what kind of benefits for customers are made possible by the core competencies and how could the company re-deploy those benefits in a new setting or environment? What would happen if a company introduced core competencies in an environment where competitors possess very different skills? And most of all; are there skills that the company is missing and the lack of those skills hamper the overall structure of the company in terms of core competencies. Strategic assets are the resources that a company owns; everything from brands to patents or to customer data, everything that is of value and rare nature. According to this theory, a company must evaluate; what are its current strategic assets, is it possible to exploit them in a new and profitable way and are there new business models available based on current strategic assets.

Core processes are the things that are actually happening within the company; routines and activities aimed to transform competencies, assets and other inputs into value for the customer. Things that a company should consider when core processes are in question; what are the most critical processes and how are they improved over time and can the company radically change the critical processes

and still be able to deliver same value for customers. The same thought applies here as in core competencies; radical change of core processes can be a basis for new business concept innovations and competitive advantage. (Hamel, 2000. 75-77)

Practical application: Sankari Oy

Core competencies for Sankari are related to broad selection of services that can easily be combined into a turn-key design package for customers who value easiness of purchase transaction and possibility to centralize purchase transactions to one supplier. In addition, value is being delivered through flexible service and design is constantly fresh and innovative. In addition, Sankari employees are all capable of handling design details as well as issues related to business transactions; such as drafting quotations, invoicing etc. This makes it easy for Sankari staff to substitute each others in case of absences and enables the possibility for them to work on several projects at the same time without considerable time loss. Customer knowledge is highly important when it comes to the concept of core competencies and that is an asset where Sankari can always improve.

This leads to the second topic of strategic resources; strategic assets. Assets that Sankari possesses are highly motivated and innovative staff and high quality marketing material. Customer data is what Sankari should acquire and it should be precise and up to date in order to gain outstanding level of customer knowledge.

Core processes for Sankari include the assets and competencies mentioned above that can be transformed into value and benefits for the customer by anyone within the company. Everyone in the company is able to handle architectural and design issues and this leads to the core competence of shared know-how mentioned earlier in this chapter.

7 STRATEGIC DECISIONS

This final chapter sums up the previously discussed topics regarding Sankari's strategic marketing plan and introduces some alternative approach models for market entry methods. Based on the business environmental study, the current situation analysis and other topics discussed earlier; there are a number of topics Sankari should take into consideration when pursuing market entry to Russia.

Sankari is not a big company with high existing visibility and the size brings certain limitations for resources available. Networking in the target country is a high priority as it creates possibilities for meeting potential customers without heavy advertising. After the initial customer contacts which hopefully lead to first business transactions, it is easier to come up with new customers. This is due to the reference value and positive word-of-mouth marketing; if the initial tasks are carried out well, word spreads and pull strategy starts to work as demand is pulled through the markets.

One way to network is through partnerships; Sankari could consider teaming up with constructing businesses in Russia, Lemminkäinen for example, in order to gain the advantage of being able to deliver truly all inclusive turnkey project; design and construction work included. Naturally, partnerships may cause loss of independence and control which might lead to loss of flexibility too, flexibility being one of Sankari's advantages. Due to this, partnerships have to be carefully considered before planning to enter one.

Though a brief environmental study has been carried out in this thesis, more thorough one should be executed by the company. Laws and regulations differ from ours and may pose serious threats to business transactions if not understood properly.

Sankari has appealing offering selection and it should be marketed properly and with traditional ways. As Sankari already has experience of making marketing material for companies, it should be able to draft premium quality leaflets and brochures for customer distribution.

Learning process for Sankari staff should be constant in order of being able to keep delivering fresh and innovative design for foreign and domestic customers. Where Sankari cannot compete with resources and volume, it can outmaneuver other companies with unique design and extremely intimate customer relationships.

The next step for Sankari would be to draft an operative plan in order to be able to benefit from this strategic groundwork. Operative plan should cover the actual marketing communication procedures that help Sankari to reach potential customers and other interest groups vital to its business transactions. Usage of agents or other mediators should be considered at least in the initial phase of entry. This relates to another important factor that should be included in the operative plan. Sankari should pursue effective market entry but still be able to maintain control of its operations. Therefore usage of intermediaries should be carefully considered as Sankari prospers in innovation and freedom of action. Those advantages should not be suppressed.

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