

Exploration and Analysis of Market Growth Opportunities in
the Tractor Municipality Segment in Germany

Case Company

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Master's Thesis of the Degree Programme in International Business Management

Master of Business Administration

TORNIO 2014

ACKNOWLEDGMENTS

I would like to thank the Case Company for providing me the brilliant opportunity to work on the municipality project as an outsider from the organization. Furthermore, I would like to thank Mr. Vladimir Ryabov, the thesis supervisor and Mrs. Pirjo Alatalo, the Professor of English language from Lapland University of Applied Sciences for the valuable support and feedback during the process.

Last but not least, I would like to thank my husband Perttu for his patience, encouragement and support during the studies and in finalizing the Master's Thesis. Without him helping to take care of our two daughters this dream would never have come true.

ABSTRACT

LAPLAND UNIVERSITY OF APPLIED SCIENCES, Business and Culture

Degree programme:	Master of International Business Management
Writer:	Jenni Korhonen
Thesis title:	Exploration and Analysis of Market Growth Opportunities in the Tractor Municipality Segment in Germany – Case Company
Pages (of which appendices):	154 (61)
Date:	28.3.2014
Thesis instructor:	Vladimir Ryabov
<p>The main objective of the thesis is to identify market growth opportunities and the structure of the competitive environment, as well as the characteristics of the competitive environment for the Case Company's products in the municipality segment in Germany. The achievement of this main objective is supported by the analysis of the current market position of the Case Company in the segment. The Case Company is an international tractor manufacturer having a relatively low market share in the focus market Germany.</p> <p>The research is based on a qualitative single case study. The theoretical framework was created by theories on market analysis and growth strategies as well as by relevant articles, books and studies. Furthermore, the empirical data was collected through semi-structured interviews as well as the author's own observations. The results of the analyses include evaluations on the external and internal environment of the Case Company. The development plan is formulated by exploring the most suitable opportunities generated.</p> <p>The results of this study indicate that the Case Company has currently a solid market position. According to the thesis findings, the approaches that best suit the Case Company's strengths, objectives and strategy are relating to the specialization to meet the segment requirements and further development of the current product portfolio.</p> <p>A further study should include analyses of financial information of the Case Company and the current competitors. Chapters 2,5,6,7 and 8 are not published in their full length in the Library version because the information in them is classified as confidential. Chapters 2,5,6,7 and 8 are attached in the Appendices in their full length. The Appendices are not published. The References section is not published in its full length in the Library version. The interview questions and the detailed notes of the interviews are published only in the full version of the thesis.</p>	
Keywords: market analysis, competitor analysis, market growth, market penetration	

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1 INTRODUCTION

The motivation and background, as well as the research objectives and questions for this research are discussed in this chapter. To conclude, the research methodology is introduced and the structure of the thesis is explained.

1.1 Background and motivation

Internationalization is seen as a natural step into expansion and growth among business enterprises in today's business life. Nevertheless, having a market share in a foreign country may be difficult to achieve and attain, not to mention how to increase the market share in a turbulent market environment. Enterprises make strategic decisions based on the information they receive from the foreign market, about its attractiveness, competitors and customers. External and internal analyses are important in assessing the market environment and the company internally, more specifically in terms of its own performance and competence in relation to those of competitors'. Market analysis helps attaining the necessary information on the target market along with the threats and opportunities that may arise and are to be considered in strategic decision-making. Moreover, according to Aaker and McLoughlin (2010, 60-61), the primary objectives of market analysis are determining attractiveness of a market to current and potential participants and understanding the dynamics of the market.

Strategic decisions on a target market are based on a series of factors, i.e. the dynamics of the market, such as Aaker and McLoughlin (2010, 61) identify them as being the market size, growth rate, profitability, trends and developments, industry cost structure, distribution systems and key success factors (hereinafter KSFs). In addition to the market analysis, competitor analysis helps building a strategy that supports the company's business model and future plans and foremost, aids in assessing the competitive environment. Competitor analysis as a part of the external environment of a company examines the dimensions such as product scope, technological capabilities and geographical reach (Kaplan & Norton 2008, 48-49).

This research focuses on an international tractor manufacturer (hereinafter Case Company) having a relatively low market share in the target market Germany. The

company seeks ways to increase its market share in the municipality segment which refers to municipal maintenance work performed by tractors. Herewith municipal maintenance work includes snow ploughing, sanding, front-loader work, street cleaning and roadside maintenance. The general aim of the research is to examine the current status of the municipality segment for tractors in Germany and to exploit and analyse the possibilities for market growth of the Case Company in the target market and the specific segment.

The motivation for this research derives from the author's past experience in the road maintenance business and Germany. Moreover, the project is seen as a beneficial opportunity to utilize the past experience and knowledge, combined with new aspects related to the current studies, to create something new and help the Case Company creating a development plan they can utilize in the near future as was discussed above. The practical value of the topic is a remarkable motivator for the research work. The Case Company is interested in the topic as they are finding out ways to create growth in the municipality segment in Germany. Based on internal information from the Case Company and sales figures from the previous years, they possess a weak position in the target market currently and, therefore, want to exploit what the market has to offer for them and to find out whether they can meet the demands of the market. This project is a part of wide global operations to exploit possibilities for creating growth in the Case Company's current markets. There is a clear demand for developing the Case Company's operations in order to position itself increasingly visibly in the target market.

1.2 Research objectives and questions

This research explores and analyses market growth opportunities in the tractor municipality segment in Germany. The main objective of this research is to identify these market growth opportunities and the structure of the competitive environment, as well as the characteristics of the competitive environment for the Case Company's products, specifically municipal maintenance work tractors, in the municipality segment in Germany. The achievement of this main objective is supported by the analysis of the current market position of the Case Company in the municipality segment in Germany.

The current market share of the Case Company is relatively low as will be discussed in the following chapters. The reasons behind this need to be researched and analysed, as well as the ways in which the Case Company's organization is operating and the possibilities of developing further its functions. In addition, it is essential to specify the structure of the competitive environment in the municipality segment in Germany through customer, dealer, competitor and key implement manufacturer analyses. The following research questions are addressed.

1. How is the Case Company positioned currently in the target market and the tractor municipality segment in Germany?

To answer this question, a market analysis is conducted combining the relevant aspects of the municipality segment in Germany, the Case Company and the target market. The Case Company is examined by defining its current market share, its current business actions in the market and by analysing how the current product portfolio meets the demands in the market. The analyses of the market and the segment support the Case Company analysis by defining the present trends, demands and KSFs.

2. What are the development/growth opportunities in the tractor municipality segment in Germany for the Case Company? How do the Case Company's products meet the demands in the segment?

These research questions identify and analyse the market growth opportunities, the structure and the characteristics of the competitive market environment for the Case Company's products, specifically municipal maintenance work tractors.

3. How can the present market share be increased in the municipality segment in Germany in case development/growth opportunities exist for the Case Company? How can the current capabilities be controlled and utilized differently to broaden the market position?

These research questions help identifying what is required from the Case Company in case there are opportunities for growth and development in the market. Furthermore, the

question concentrates on exploring what kind of a development plan the Case Company should elevate in order to meet the demands in the market.

1.3 Research methodology

This research is based on a single case study. It includes research and development work and has a practical focus in the study. Theoretical generalization of the results is not the goal of this research. Thus, the results are analysed primarily from the practical applicability point of view as it was requested by the Case Company. The practical work in this research is based on and supported by the literature analysis. The theoretical models for market and competitor analyses are based on relevant literature in these areas. Literature on the topics of strategic market management, market analysis as well as growth strategies has been utilized.

To collect field data necessary for analysis, this research utilized semi-structured interviews with area sales managers, top dealers and key implement manufacturer, i.e. attachments manufactured for the use in a tractor such as snow ploughs and scrapers involved in the municipality segment. Furthermore, customer satisfaction surveys for Germany provided by the Case Company were utilized for acquiring information on the Case Company. Market research provides data for the analysis and correspondingly, based on the analysis, development possibilities for the Case Company are proposed. Research methodology is described in details in Chapter 3.

1.4 Structure of the thesis

The Case Company profile, municipality maintenance related products and the current status in the target market are presented in Chapter 2. Chapter 3 describes the research methodology conducted for completing the thesis research. In Chapter 4, strategic market analysis and growth strategy concerning the key concepts of this research are explained. Market analysis including the municipality segment in Germany is described in Chapter 5. Moreover, the customer, dealer, competitor and key implement manufacturer analyses are described in Chapter 6. Chapter 7 concentrates on the possibilities and capabilities for growth in the target market. The findings of the

research and the subsequent discussions of the thesis are constructed in Chapter 8 including the development plan put forward for the Case Company. Finally, Chapter 9 presents the conclusions drawn from this work.

Chapter 2 includes the Case Company profile, municipality segment related products in the Case Company, tractor models ideal for municipality maintenance work and tractor implements for municipality maintenance work. Chapter 5, as the title indicates, includes market analysis for the tractor municipality segment in Germany and is regarded as intra-company knowledge and hence, not public. Correspondingly, Chapter 6 includes the customer, dealer, competitor and key implement manufacturer analyses and are correspondingly regarded as intra-company knowledge. Furthermore, Chapter 7 includes the possibilities and capabilities for growth in the focus market and Chapter 8 includes the development plan. Therefore, the topics in Chapters 2,5,6,7 and 8 are respectively written out in Appendices 1,2,3,4 and 5. The appendices are separated from the thesis and correspondingly, due to the issue of confidentiality, are not published through the Lapland University of Applied Sciences Library database. Moreover, the References section is not published in its full length in the Library version due to the issue of confidentiality. The interview questions and the detailed notes of the conducted interviews are published only in the full version of the thesis.

2 CASE COMPANY BACKGROUND

The general profile of the Case Company, its municipality segment related products and the company's status in the German market and in the municipality segment in general are introduced in this chapter.

In compliance with the Case Company's instructions, the Case Company background is regarded as confidential information. Deriving from this requirement, the market analysis findings and results are written in Appendix 1 which is not published through the Library databases of Lapland University of Applied Sciences.

3 RESEARCH METHODOLOGY

The research methodology and the research methods and techniques are described in this chapter. In addition, justification for the selection of the methods is provided as well as the plan for data collection and analysis.

3.1 Case study method

A case study as a research method seeks to explain some present circumstance and to retain holistic and meaningful characteristics of real-life events by “how” and “why” questions. The questions are explanatory and deal with operational links needing to be traced over time. (Yin 2009, 4, 9.) As this research work seeks to find answers to questions put forward in a real-life situation and concentrates on one specific company, the case study method is selected. Furthermore, the research questions identified assume descriptive and explanative goals of the research which is also consistent with the case study research approach.

The Case Company’s product marketing managers and specialists are interviewed in an open manner to gain a common understanding of the current situation of the company in general and in the German market. Furthermore, a specific group of dealers, selected as the best 19 German top sellers within the past two years, are interviewed as well as the German importer and its area sales managers. Key tractor implement manufacturers, gathered from the dealer and area sales manager interviews, are interviewed and discussed with to gain a deep understanding of the municipality segment and customers’ behaviour in the buying process. Customer satisfaction surveys available from the Case Company are utilized for acquiring information on how the customers perceive the Case Company, its services, products and actions in general in the target market within a specific period of time. To improve validity of the tools used, the work uses triangulation in data collection.

Triangulation is the most desired pattern for dealing with case study data (Yin 2012, 104) and thus provides the basis for this research. Triangulation is the usage of evidence from multiple sources in which all sources point to the same set of events, facts or

interpretations. There are six common sources of evidence in doing case studies, i.e. direct observations, interviews, archival records, documents, participant observation and physical artifacts. (Yin 2012, 10-13.) This research uses a combination of interviews, document reviews, i.e. e-mails, reports, customer satisfaction surveys and participant-observation in which the writer is identified as a researcher but also fills a real-life role in the scene being studied (Yin 2012, 10). According to Yin (2012, 182-183), using multiple sources can strengthen the evidence for case studies and the data will be more trustworthy as of to any single source.

3.2 Qualitative research

This research works with mostly qualitative empirical data available in different formats. The research work is of practical nature and therefore empirical data collection is necessary to acquire the relevant information on the subject. As argued above by the statements of Yin, it is natural to use triangulation in this research work to provide trustworthy and stronger evidence for the case study. A business-related case study research, according to Eriksson and Kovalainen (2008, 116), is often practical, providing results that present complex business issues in an accessible and down-to-earth format. The research seeks to produce qualitative information that is not aiming for generalization, but to exploring and understanding a single case (Eriksson & Kovalainen 2008, 116, 119-121). A single case refers to an intensive case study research in which the aim is to learn how a specific and unique case works. Moreover, the overall purpose is to explore the case in its economic, social, cultural, technological, historical and physical setting. (Eriksson & Kovalainen 2008, 118-120.) Taking into account the above mentioned aspects, qualitative research is the best suitable research method for this research which is based on a single case study.

Theory is an essential part of the case study research. Eriksson and Kovalainen (2008, 121) argue that a typical challenge for an intensive case study research is “to relate theoretical concepts with empirical investigations that engage their readers to learn and take action”. Yin (2012, 27-28) on the contrary argues that the reliance of theoretical concepts to guide design and data collection is one of the most important strategies for conducting successful case studies. Moreover, theory may help pointing out how and

why the eventual findings might be expected to be relevant to other similar situations or conditions and correspondingly, help increasing the value of the case study (Yin 2012, 29).

3.3 Data collection

Referring to the previously identified six sources of evidence by Yin (2012, 10-13), there are three principles of maximizing the benefits of the sources via validity and reliability. The principles are identified as the use of multiple sources of evidence, creating a case study database and maintaining a chain of evidence. (Yin 2012, 114-124.) Multiple sources are used in this work and it has allowed to address a broader range of historical and behavioral issues (Yin 2012, 115). A case study database refers to organizing and documenting the data collected and it is a natural choice for this research due to the retrieval for later inspection and scrutiny. Correspondingly, maintaining a chain of evidence is also an essential choice for this research work as it allows the reader to follow the derivation of any evidence from initial research questions to ultimate case study conclusions. (Yin 2012, 120-122.)

Interviews are used in this research as one of the main sources of information and thus the interviews serve as the primary data for the empirical data collection. Interviews are used in business research due to their efficiency and practicality in collecting information in a form that cannot be found in a published form (Eriksson & Kovalainen 2008, 80-81). Qualitative interviews are divided into structured, semi-structured and unstructured interviews. This research uses mainly semi-structured interviews which are guided although provide the possibility to alternate wording and order of questions. (Eriksson & Kovalainen 2008, 80-82.) Unstructured interviews utilize guiding questions, but explore a topic intensively and are highly individualized and relevant for both the interviewer and the interviewee. Open questions at the end of each interview are utilized to elaborate discussion of the questions and to emphasize subject themes that the interviewees may find relevant for discussion. (Eriksson & Kovalainen 2008, 82-83.)

The data collection for the theoretical part of this research is carried out by reviewing literature on the topics of strategic market management, market analysis as well as growth strategies. Correspondingly, the data collection for the Case Company part is conducted mainly by semi-structured interviews which are organized and structured target specifically, i.e. with relevant and respective questions for area sales managers, top dealers and key tractor implement manufacturers. Comparisons are made within the sample groups to identify common answers in relation to the Case Company and the market in the opinions of the interviewees. Moreover, the comparisons are made to achieve the objectives of the work and to gather information which help identifying possible problems and common features raised for discussion in the answers. In addition, the Case Company related data are collected also through participant and direct observations in meetings as well as by the analysis of written reports and company related material, such as marketing material, project reports and customer satisfaction surveys. Some of the material is available to the public, however most of it is company confidential.

The interviews assisted in collecting primary data to provide practical evidence for the research. The area sales managers were chosen as the interviewees as they are in contact with the customer base on a daily basis and are the most professional to answer questions relating to the municipality segment and the Case Company's competency in the field. The top dealers were selected on the grounds of the sales figures from the past two years. The key implement manufacturers were chosen based on the interview findings from the two previous interview groups. The interviews were planned beforehand with the Case Company's product marketing managers in order to focus on the most relevant aspects to this research. The interviews with the area sales managers and the top dealers were carried out mainly over telephone, but also via e-mail and the time used for the interviews extended up to an average of one hour.

The method of implementation for the interviews was chosen as mentioned above due to the limited time the interviewees had available and also due to the distance between the interviewer and the interviewees. The interviews were carried out in a semi-structured manner and were spoken in German. The answers were accumulated in a form of a detailed notes and were checked for correctness with the interviewees at the end of the interviews. The translation of the detailed notes into English was carried out

by the author of this research and the 100% agreement between the two languages was checked by a principal lecturer of the Lapland University of Applied Sciences.

The key implement manufacturer interviews were carried out in English in an open non-structured manner face to face by the Case Company's product marketing manager in an international exhibition taking place in Germany. The answers were saved as a memo by the interviewer and provided to the author of this research for further utilization. Furthermore, the sales director of the German importer was interviewed face to face in an open non-structured manner by a manager from the Case Company's sales engineering department. The answers were saved as a memo by the interviewer and provided to the author of this research for further utilization. The aim of the interview was to gain a holistic perspective of the German market related aspects in general and to contrast the findings to the area sales managers' interview findings which are providing perspectives from different regions across the country.

3.4 Data analysis

The data collected are reflected upon theories and business models, such as the SWOT analysis, for strengths, weaknesses, opportunities and threats, Porter's five forces model, PESTEL analysis, for political, economic, social, technological, environmental and legal factors, and Blue Ocean Strategy. More specifically, the Case Company is assessed with the help of SWOT analysis, to find out the current status the company possesses in the target market and the segment under analysis in this research. Additionally, the SWOT analysis helps pointing out the opportunities for the Case Company in the target market and the municipality segment once the interviews have been carried out. The customers and competitors are analysed through the Porter's Five Forces model and moreover, in assessing the results on the competitors, the same theory is used for analysing the empirical findings of the interviews. The exploitation of the overall conditions of the market is based on the author's study through the Internet and with the help of the PESTEL analysis. In addition, the Blue Ocean strategy is utilized to broaden the market perspective and to help cutting out the elements that do not create value for the Case Company currently.

The interviews build the basis for identifying the opportunities the market has to offer for the Case Company and for examining what the demands for creating a growth strategy for the future are. Correspondingly, the theory supports the findings by offering solutions for increasing the sales, i.e. achieving market growth in the municipality segment in Germany. The discussion and analysis of the data collected apply triangulation through interviews, reviewing documents and participant observation in order to strengthen the evidence for the research work.

Thematic analyses (Braun & Clarke 2006, 15-22) were utilized in analysing the data for identifying, analysing and reporting patterns or themes from the data for identifying common features. Moreover, thematic analysis utilized in this work included six phases. The first phase focuses on becoming familiar with the data. The second phase helped generating initial codes. The third phase focused on searching for themes and the fourth for reviewing them. The fifth phase helped defining and naming the themes and finally, the sixth phase was to produce a report by finalizing the thematic analysis. Based on the results and theory combined, the aim was to achieve the objectives of the work and thereby, assist in making a suggestion for a development plan for the Case Company.

4 THEORETICAL FRAMEWORK ON STRATEGIC MARKET ANALYSIS AND GROWTH

The theoretical framework on strategic market analysis and growth is introduced in this chapter and the corresponding approaches to market analysis and other business models relevant for this research are identified. The information discussed below are utilized in analyzing the data collected for this research and also during the formulation and suggestion of the development plan for the Case Company.

The theoretical framework of this thesis is based on the concept of strategic market analysis and growth of the market. However, since the main objective is not to create a strategy for the Case Company, it is essential for the commissioner of this work to acknowledge the theory behind the suggested development plan and its key elements. Literature review, according to Eriksson and Kovalainen (2008, 43) refers to the body of research, both theoretical and empirical, that must be consulted in order to develop, understand, investigate and evaluate the research. Furthermore, in qualitative research, literature often emerges as relevant in response to the writer's own empirical data and analysis made (Wolcott 2001, 71, cited in Eriksson & Kovalainen 2008, 283).

4.1 The concept of strategic market management

Strategic management is an essential part of the process after the outcome of this research and herewith the term is discussed from a market perspective, more specifically in terms of strategic market management. According to Aaker and McLoughlin (2010, 10), strategic market management is a system designed to helping the management of a company to create, change or retain a business strategy and to create strategic vision. Strategic vision provides the direction and purpose for interim strategies. The utmost goal is to challenge strategy for it to remain relevant to the changing marketplace, to ensure the organization develops and retains competencies to make the strategy succeed and implement the strategy effectively. (Aaker & McLoughlin 2010, 10.) As a part of strategic market management, the goal is to analyze the external and internal environments of an organization, to identify and assess the outputs, i.e. by the SWOT analysis and lastly, to create, adapt and implement a strategy (Aaker & McLoughlin 2010, 11-13). Deriving from the previous facts it is possible to

state that a successful strategy formulation involves thorough investigation of the internal and external environments of a company. Furthermore, this study aims at making a development plan for the Case Company and the plan is a part of a future strategy process. Therefore the concept of strategic market management is identified and discussed briefly.

This study focuses mainly on the external analysis, but also touches upon some particular areas of the internal environment of the Case Company, such as customer satisfaction, sales, and product quality. To provide additional information on the strategic market management process, the key concepts and strategies the Case Company can pursue to expand its operations in the German market will be identified and discussed in the sub-chapters to follow.

4.2 Approaches to market analysis

There are different ways of examining and analysing a market due to the different purposes the market serves although the underlying idea is to find out the attractiveness of the market. The basic definition and the dimensions as regards to the market analysis were identified in the introduction chapter of this work. This part focuses thoroughly on those market analysis dimensions introduced and in addition, identifying different approaches to analysing a market. The information included in this sub-chapter is utilized when analysing the German tractor municipality market. The dimensions of a market analysis identified by Aaker and McLoughlin (2010, 60) are market size, growth rate, profitability, trends and developments, industry cost structure, distribution systems and KSFs.

The objectives of market analysis are to determine the attractiveness of the market by providing input into the product market investment decisions and to understand the dynamics of the market to guide information collection and analysis. Porter (2004, 365) utilizes broader range of criteria compared to Aaker and McLoughlin (2010) in screening the attractiveness of an industry or a company position, i.e. size, market growth, pricing, market diversity, competitive structure, industry profitability, technical role, social, environmental, legal and human. The former dimensions identified by

Aaker and McLoughlin (2010) are considered as more suitable for this work compared to the latter ones even though some of the additional criteria used by Porter are utilized through the usage of PESTEL analysis. The market analysis dimensions are discussed in detail in the following.

The total sales level of a market is a basic starting point for the market analysis. In addition, it is essential to look at the size and growth characteristics of a market, i.e. what the driving forces for sales trends are. (Aaker & McLoughlin 2010, 60-64). This work identifies the total sales level of the German tractor market. In relation to market growth, it is crucial to consider a usage gap which can cause the market size to be undervalued. The size and prospects of a market can be changed drastically by a new use, new user group or more frequent usage. (Aaker & McLoughlin 2010, 64, 77.) Market growth will be discussed in detail in subchapter 4.3.

Cost structure can be analyzed by examining the major cost and value-added components at each production stage. Herewith, the intention is not to get involved with the cost structure of the Case Company's products as the information is not available, but it is essential to acknowledge that it is one of the components influencing the overall sales and profitability of the company's products. The proportion of value added attributed to one value chain stage can become so valuable that a KSF is associated with it, for example by developing control over a technology. (Aaker & McLoughlin 2010, 70-71.) The Case Company's relationship with some specific complementors, i.e. suppliers of complementary products and services (Ritter et al. 2004, 177), has enabled the company to create patented technologies that create added value for the customers and also a competitive advantage in the technologies used.

Moreover, analyses of possible or emerging changes within distribution channels can be essential in understanding a market and its KSFs. The creation of a new channel of distribution can lead to a sustainable competitive advantage. (Aaker & McLoughlin 2010, 71.) The distribution channels used in the tractor business can be argued to be quite traditional. Companies such as the Case Company, are looking for partners that can cover both sales and customer service for the company's products in extensive distribution channels covering a wide range of customer segments and large geographical areas simultaneously. The Case Company has managed to create a

standardized and transparent process chain for the distribution of its tractors. Monitoring and ensuring just-in-time delivery of the cargo is an essential part of the concept used.

Aaker and McLoughlin (2010, 72) argue that a discussion of market trends can serve as a useful summary of customer, competitor and market analyses. Market trends focus on change and drive growth and also reward those who develop differentiated strategies and fads to attract investments. A real trend can be detected by answering three questions as follows: what is driving it, how accessible is it in the mainstream, and is it broadly based. (Zandl 2000, 30-35, cited in Aaker & McLoughlin 2010, 72.) Trends in the tractor business can be argued to be relating to the outlook of the tractors, such as colors, shapes and ergonomics as well as technologies used, for example automated steering, high-flow hydraulics and increased horsepower. The trends relating to the Case Company's products and the market are discussed further in Chapter 5.

KSFs are assets and competencies that provide the basis for competing successfully and they are divided into strategic necessities and strategic strengths. The set of these assets and competencies developed in a competitor analysis provide the base from which the KSFs can be identified. (Aaker & McLoughlin 2010, 73.) Protection of the factors is important in addition to identifying new emergent ones. The roles change within product life cycles, as for example in industrial firms where technology and innovation are important in introduction and growth phases. (Aaker & McLoughlin 2010, 73.) KSFs can be related to core competences which are a significant source of competitive differentiation and hard to imitate (Prahalad 1993, 45) and deliver additional value for the customers in the end. For providing an important output for the market analysis, it is important to identify the KSFs and also to project them into the future and to identify emerging ones (Aaker & McLoughlin 2010, 73).

Profitability can be estimated by adopting the Porter's Five-Factor Model of Market Profitability, more commonly known as the Porter's Five Forces Model as illustrated in Figure 3 which focuses on estimating the profitability of an average firm. The attractiveness depends largely on five factors that influence profitability: existing competitors, potential competitors, substitute products, customer power and supplier power. (Aaker & McLoughlin 2010, 68-70.) The five forces model calibrates the

attractiveness of an industry and helps to identifying specific forces that shape the industry, either favorably or unfavorably (Kaplan & Norton 2008, 48).

Moreover, the collective strength of the five forces determines the ultimate profit potential in the industry which is dependent on the industry structure. The key for a successful competitive strategy is to analyze each of the forces and to find a position in the industry where the company can either defend itself against those factors or influence them in its favor. (Porter 2004, 3-4.) According to Porter (2004, 49), a framework for competitor analysis includes four diagnostic components, i.e. future goals, current strategy, assumptions and capabilities. Correspondingly, the understanding of these four components will allow to predict informally what the competitor's response profile is and to forecast future industry conditions.

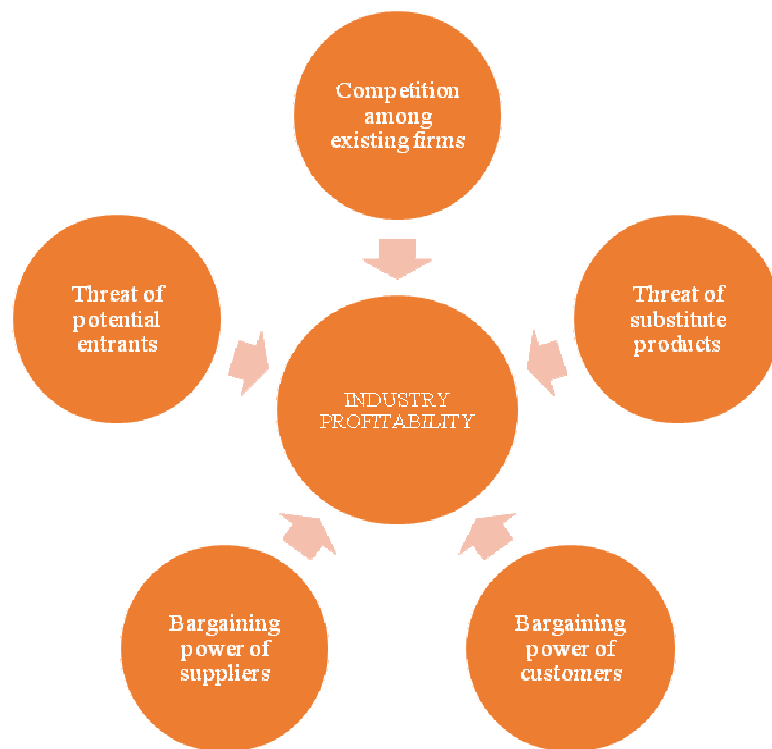


Figure 3. Porter's Five-Factor Model of Market Profitability (modified from Porter 1985, cited in Aaker & McLoughlin 2010, 68).

Another way of analysing a market is to examine it through the PESTEL analysis which concentrates on the external environment changes and components vital for the strategic market analysis. The data collection on the external environment is a continuous process as the market environment changes and the strategy of a company should develop

accordingly in order to create success. In order to analyse the market accurately it is essential to look at the political, economic, social, technological, environmental and legal conditions that influence a company directly and indirectly. The conditions have a different level of impact on a company and correspondingly the factors are outside the control of a single company (Free Management Books 2014b, 10).

Political conditions include for example trade regulations and tariffs and economic conditions cover for instance efficiency of financial markets and infrastructure quality. Correspondingly, the EU has its common rules which are binding Germany. Furthermore, social conditions provide information on demographics, culture and entrepreneurial spirit (Kaplan & Norton 2008, 48; Free Management Books 2014b, 12-15.) Technological conditions include for instance technological developments, impact of technology on cost structure and value chain structure as well as on product offering. Environmental conditions relate to the natural environmental issues such as waste, energy and environmental footprint. (Kaplan & Norton 2008, 48.) Moreover, technological conditions are considered carefully in assessing future operations as new opportunities can help gaining a larger market share and correspondingly lead to a competitive advantage (Free Management Books 2014b, 16).

Legal conditions play an important role also within the EU as domestic laws are binding companies on their foreign territory. Legal aspects include aspects such as pricing regulations, taxation, industrial safety regulations and product labelling requirements (Kaplan & Norton 2008, 48). The legal aspects in this work will be looked into mainly from the German market and German law regulations' perspective and will touch upon areas such as product and traffic regulations. Some of the legal aspects will be contrasted to Finland to provide a benchmark to compare to.

4.3 Concept of market growth and market penetration

As identified previously in this work, market growth is one of the key dimensions of a market analysis. The information discussed in this sub-chapter is included when analysing the Case Company and the target market as well as in framing and suggesting the development plan. Pleshko (2006, 14) discusses the alternative conceptualizations

relating to growth and points out four different focuses, i.e. a product focus, a marketing mix focus, a product-market focus and a product-market-technology focus. Correspondingly, market growth is divided into three focus possibilities for the company, i.e. existing market segments, new market segments as well as both existing and new market segments (Pleshko 2006, 14). The growth strategies identified by Aaker and McLoughlin (2010, 194-195) are energizing the business, leveraging the business, going global and creating a new business. Herewith, energizing the business can be seen as the most appropriate way to create growth for the Case Company as the route to energizing can be pursued by innovating to improve offering, energizing the brand and marketing or increasing existing customers' usage (Aaker & McLoughlin 2010, 195).

The central issue in terms of market growth is related to the estimation of the market size in the future. At its best, the optimal situation would request a firm to identify and avoid or disinvest declining situations and to identify and invest in growth contexts. However, growth situations are attractive, but can also involve substantial risks. (Aaker & McLoughlin 2010, 65-67.)

Kotler and Kotler (2013, 25) relate risks to a reducing growth as economic slowdown, a new aggressive competitor in the market place, changing buyer tastes and a decline in a company's brand freshness (Kotler & Kotler 2013, 25). Moreover, Ansoff (1957, cited in Pleshko 2006, 14) suggests the safest growth option as to adopt a market penetration/saturation strategy whereby a company's existing customers increase their usage and in addition, the company takes over a few new customers from its competitors. A suggestion with a slightly heightened risk is to adopt the market development strategy of attaining new channels, new geographical areas or new types of customers for the current product portfolio of the company. Producing completely new products, different versions of existing products or different quality levels of existing products would be the following suggestion allegedly containing increased risk. (Ansoff 1957, cited in Pleshko 2006, 14.) A diversified approach with new product developments for new markets within a related product-market is the highest risk level according to Ansoff (1957, cited in Pleshko 2006, 14). Thereby, product-market growth strategies can generally be classified into two categories: growth realized through a focus on products and growth achieved through a focus on markets (Bradley 1991; Tull

& Kahle 1990, Ansoff 1957, cited in Pleshko 2006, 14). Correspondingly, Aaker and McLoughlin (2010, 73) identify the risks under three categories as shown in Figure 4.

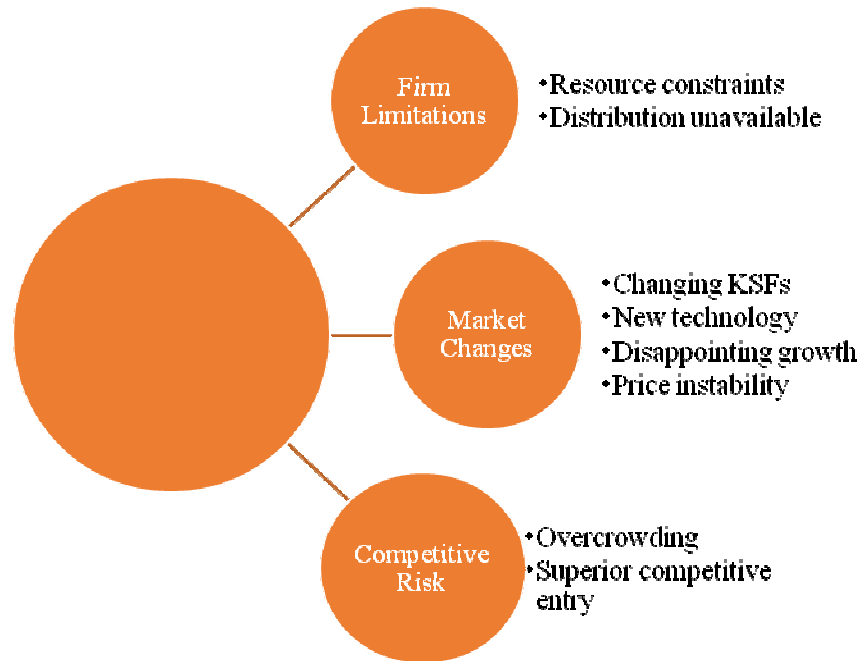


Figure 4. Risks of High-Growth Markets (modified from Aaker & McLoughlin 2010, 73)

Figure 4 depicts the competitive risks, i.e. overcrowding, superior competitive entry, market changes, i.e. changing key success factors, new technology, disappointing growth, price instability and firm limitations, i.e. resource constraints, distribution unavailable. All the risks identified in Figure 4 can be relevant for the Case Company and therefore, it is essential to look at them in detail.

It can be argued that the risks are also to be considered in more stable markets in terms of growth as the turbulence may influence the market environment even though Figure 4 identifies the risks relating to high-growth markets. Competitive overcrowding, according to Aaker and McLoughlin (2010, 74), is probably the most serious risk in a market, i.e. the sales volume is insufficient to support all competitors. This risk also relates to superior competitive entry in which a company's position in a market can be threatened by a competitor entering the market with a product that is demonstrably superior or that has a distinctive cost advantage (Aaker & McLoughlin 2010, 74-75).

Moreover, new entrants create capacity, the desire to gain market share and often substantial resources (Porter 2004, 7). Turbulence in the market environment, caused for example by micro and macroeconomic forces, can give the grounds for the composition of the market forces to change. Therefore, market changes may aid a company to pursue growth as a means of new technology and changing KSFs for example. The risks can be turned into benefits by utilizing the gap that is created from constraints for another company. The company's own resources among other factors can hinder the company from creating growth in a market.

Market growth correspondingly can be estimated by looking at driving forces for sales, leading indicators and analogous industries. Leading indicators, such as demographic data and sales of related equipment, can assist in forecasting and predicting turning points in market sales. (Aaker & McLoughlin 2010, 66, 77.) Transitions in maturity and decline in market sales are important indicators of market health and nature and their beginning phases can be identified with the following indicators: price pressure caused by overcapacity and lack of product differentiation, buyer sophistication and knowledge, substitute products or technologies, saturation, no growth sources, and customer disinterest. The maturity and decline phases are often accompanied with changes in KSFs. (Aaker & McLoughlin 2010, 67.)

Growth patterns can be seasonal or cyclical (Porter 2004, 370). The market sales of the Case Company can be identified as cyclical as after an incline there has been a decline in the past four years in the monthly volume of the tractors sold. The growth can be correlated to high seasons although the main pattern is cyclical, following the same type of cycle yearly. The patterns follow seasons as customers have the tendency to purchase new equipment for coming seasons and before the end of the financial period. Investments during a high season are fairly rare. The cyclical sales are typical for the total market in Germany, the highest sales occurring in the spring season (VDMA 2014a).

Market penetration, as identified previously in this work, refers to achieving more usage from existing customers and taking over new customers from competitors. Moreover, expansion is argued to be difficult at least in relatively stable markets as it means extracting market share from others and can lead to increased competition. Takeover on

the contrary is considered as a means of high cost. (Mintzberg et al. 2003, 123.) Market penetration is an essential part of the Ansoff Matrix (Figure 5) which provides a framework enabling growth opportunities to be identified either through existing or new products or in existing or new markets. Herewith the focus is on existing markets and in existing or new products with the strategy alternatives being market penetration or product development as shown in Figure 5. As product development is an ongoing process in the manufacturing industry and can be executed on the side of a market penetration strategy, the approach to market penetration strategy will solely be discussed here.

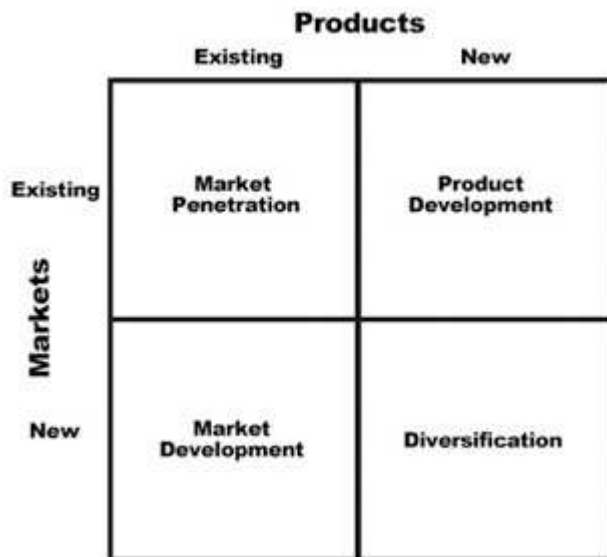


Figure 5. The Ansoff Matrix (modified from Ansoff 1965, cited in Free Management Books 2014a).

There are four different approaches in implementing the market penetration strategy which are identified as selling existing products or services to existing market to achieve growth in market share, securing dominance of growth markets, restructuring a mature market by driving out competitors or increasing usage by existing customers. (Free Management Books 2014a.) Increasing the market share of current products concentrates on a combination of competitive pricing strategies, advertising and sales promotion. Securing dominance of growth markets on the contrary approaches a new demographic for the product, such as a new age group. (Free Management Books 2014a.) Furthermore, restructuring a mature market by driving out competitors approaches the market aggressively by promotional campaigns and pricing strategies,

i.e. by attaining market share from competitors. Increasing usage by existing customers refers to using tactics such as loyalty schemes, adding value to current product or making for example technological changes to the product to encourage added usage. (Free Management Books 2014a.)

Taylor (2012, 22) combines the Ansoff Growth Matrix to Abell's Model (1980, cited in Taylor 2012, 22) in his approach to competitive improvement. The new approach replaces the markets by customers and the focus in the market penetration approach would correspondingly be on existing products and existing customers. Market development on the contrary would focus on existing products and new customers. That approach could be utilized in targeting a new segment of customers, for instance customers who have previously not been using tractors for municipality maintenance work.

The underlying idea in market penetration in the approach of Taylor (2012, 23) is to utilize core competencies such as existing competitive advantage to increase market share by selling more to existing customers without sacrificing return on sales. However, if the company does not hold sustained competitive advantage, market penetration requires the creation and implementation of a competitive improvement plan at the strategic business unit level (Taylor 2012, 23). The key in a successful market penetration strategy, according to Free Management Books (2014a) is to have detailed knowledge of the market and competitors as well as successful products in the market the company is familiar with. Herewith market analysis plays an important role in attaining the intelligence through market and competitor analyses.

5 MARKET ANALYSIS FOR THE TRACTOR MUNICIPALITY SEGMENT IN GERMANY

The aim of this chapter is to utilize the thematic analysis in analyzing the tractor municipality segment in Germany and furthermore, to answer the first research question of this work. The theory and models used for the analysis are identified in the subchapters below. Furthermore, each subchapter provides information on how the theory and models are applied and moreover, how the data is analyzed. The detailed notes of the interviews conducted, the documents reviewed and participant observation are utilized as a means of triangulation in analyzing the tractor municipality segment in Germany. The practical value of the analysis correspondingly, will be provided in Chapter 7.

In compliance with the Case Company's instructions, the market analysis for the tractor municipality segment in Germany is regarded as confidential information. Deriving from this requirement, the market analysis findings and results are written in Appendix 2 which is not published through the Library databases of Lapland University of Applied Sciences.

6 CUSTOMER, DEALER, COMPETITOR AND KEY IMPLEMENT MANUFACTURER ANALYSES

The correlating analyses of the tractor municipality segment in Germany are described in this chapter. More specifically, the chapter provides the analyses on the customers, dealers, competitors and the key implement manufacturers. The theory and models used for each analysis are identified in the subchapters below. Furthermore, each subchapter provides information on how the theory and models are applied and moreover, how the data is analyzed. The detailed notes of the interviews conducted, documents reviewed and participant observation are utilized as a means of triangulation in analyzing the customers, dealers, competitors and key implement manufacturers. To conclude, the subchapters contribute the practical analysis for each network group. The practical value of the analysis correspondingly, will be provided in Chapter 7.

In compliance with the Case Company's instructions, the customer, dealer, competitor and key implement manufacturer analyses are regarded as confidential information. Deriving from this requirement, the Chapter 6 is written in Appendix 3 which is not published through the Library databases of Lapland University of Applied Sciences.

7 POSSIBILITIES AND CAPABILITIES FOR GROWTH IN THE FOCUS MARKET

The purpose of this chapter is to provide the options to creating growth. The chapter is divided into two subchapters to reflect the possibilities and capabilities for growth in the focus market and moreover, to provide the answers for the second research question. The information for this chapter was gathered from the interview findings from the areas sales managers, the sales director of the German distributor, top dealers in the market as well as the key implement manufacturers. The semi-structured interviews were used as a research technique to collect the empirical data. The main focus of the data collection was on exploring the development and growth opportunities in the tractor municipality segment in Germany for the Case Company. Moreover, the interviews were used to explore and analyze the growth opportunities and possible developments from the areas sales managers' and dealers' perspective. The theory and business models utilized for this part reflect on practicality, i.e. how the theory and business models can put into practice.

To answer the second research question of this work, i.e. what are the development and growth opportunities in the tractor municipality segment in Germany for the Case Company and how the products meet the demands in the segment, the market growth opportunities are identified and analyzed. Furthermore, the structure and the characteristics of the competitive market environment for the Case Company's products, specifically municipality maintenance work tractors are identified and analysed.

In compliance with the Case Company's instructions, the possibilities and capabilities for growth in the focus market are regarded as confidential information. Deriving from this requirement, the Chapter 7 is written in Appendix 4 which is not published through the Library databases of Lapland University of Applied Sciences.

8 DEVELOPMENT PLAN

The conclusion of the main empirical findings is discussed in this chapter. The chapter provides the answer to the third research question and as a conclusion, the suggestion for a development plan is put forward.

In compliance with the Case Company's instructions, the development plan for growth is regarded as confidential information. Deriving from this requirement, the Chapter 8 is written in Appendix 5 which is not published through the Library databases of Lapland University of Applied Sciences.

9 CONCLUSIONS

The conclusions on the exploration and analysis of the market growth opportunities in the tractor municipality segment in Germany for the Case Company are discussed in this chapter. Furthermore, the areas for further study and exploration are suggested.

A single case study was chosen for the market analysis as it was reflecting a real-life situation in the Case Company. The work provided an opportunity for doing partly an exemplary case study of the German market and the municipality segment as a part of a larger international project taking place in the Case Company. A fully exemplary case study would have required the case to be significant in terms of rarity and involving national interest. The case can be argued to be of exemplary nature to the Case Company. The case study considered alternative perspectives into creating growth and the evidence was provided by the interviews held as well as the author's own observations.

A market analysis is an all-encompassing market scan-through when considering all internal and external factors impacting on a company's strategic decisions and performance. The aim of this work, however, was to include all relevant aspects for making a market analysis of the German tractor market and the municipality segment in general. More specifically, the main objective was to identify market growth opportunities and the structure of the competitive environment, as well as the characteristics of the competitive environment for the Case Company's products, specifically municipality maintenance work tractors. The analyses helped addressing the key issues relating to growth as well as to the Case Company's product portfolio.

Deriving from the analyses and the main findings, it can be argued that there is no single way to create growth in the market. The development to growth can be achieved through a chain of successfully managed proportions of a corporate strategy. Moreover, the structure, systems, people and culture inside the organization help supporting the growth strategies. The approaches that best suit the Case Company's strengths, objectives and organization are relating to the specialization and further development of the current product portfolio. Moreover, in order to achieve growth, there is an essential demand and need to be fulfilled for increased specialization towards municipality

programme that provides support for the customers throughout the whole sales and support process. The existing products and distribution may be the solution in the short run. However, in order to create increased value inside the network, it may be necessary to look into new distribution channels and cooperation partners for the implements as well as to create a strategy that supports the German distributor comprehensively. Correspondingly, the German distributor is the contact maker in the market and needs support from the factory to serve customers professionally. Moreover, as the market environment changes on a continuous base, it is necessary to revise strategy and the market factors influencing it.

Customization can help to meet the differential needs of customers across countries, regions and even contracting fields. The Case Company has well adopted customization as a corporate strategy and some of its functional areas are a surplus for the customization brought to another level. Customer needs and values are in the core of the company strategy. However, standardization can achieve significant economies of scale and many companies are aiming at cutting costs and creating efficiency by standardization. The Case Company has taken a different perspective into building and sustaining its strategy to conquer new emerging markets and segments. The need for creating growth in the German tractor market is central to the future planning of the company and the utmost goal is to create growth in the existing markets. Resources must be well utilized and the key is in managing the network properly and efficiently.

To conclude, there are some limitations related to this research. This work presents the findings of the market analysis based on the literature reviewed, interview findings and observations made during the process from an outsider perspective. At the time of completing the work, the Case Company is making actions to utilize its opportunities and to fill out the gaps in the German market. Recently presented new tractors meet the demand identified with the help of the interview findings along with internal investigation in the municipality segment. Furthermore, the new strategic approach to customization provides the way to satisfy the specific municipality maintenance work related requirements in the first place. The cost of customization may be a stumbling block for some customers, although customers seeking for better functionality and effectiveness are probably willing to pay for the extra.

Further development alternatives are numerous. In order to gain a deep understanding of the current actions in the focus market and to have profound knowledge on how to create growth in the German tractor market, the analyses should look into the financial information of the Case Company and of the current competitors. Moreover, Competitive Intelligence could be utilized frequently to gain information on the current actions in the market and moreover, on the competitors.

Customization is a way to elevate the level of the current product portfolio and a way to differentiate the Case Company from its competitors, although the market is dynamic and the differences are minor between the top ten companies. The Blue Ocean Strategy provides a good benchmark for future strategies despite of the fact that herewith the information available does not provide a sufficient level to enable to create such an innovative strategy and moreover, to make the strategy beneficial.

Furthermore, due to the extensive nature of the market analysis, it is highly challenging to conduct a thesis research that covers all aspects relating to the market and exploring the growth opportunities. This work has provided a vast amount of information on the Case Company and its business network factors. The ultimate goal of this work was to provide information on the German market and the growth opportunities for the Case Company's product marketing department and the German distributor aside. Therefore it is desired that some of the information derived from this work will be found beneficial for the parties involved and can assist in building up a strategy that supports both the Case Company's and the German's distributor's visions and strategy.

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