COMPETITOR ANALYSIS

Company X

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Bachelor's thesis
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Degree Programme in International Business

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ABSTRACT

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Company X

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The purpose of the thesis was to create a competitor analysis of the market of stainless steel swimming pools for the commissioner Company X, a company that will be set up in the near future. The thesis aimed at finding out the commissioner's assets in producing stainless steel swimming pools as well as defining its competitive advantage. This was done by identifying the relative strengths and weaknesses of the main competitors named by the commissioner. Moreover, the purpose of the thesis was that by utilising the information presented in the thesis, the commissioner could find competitive ways to position itself in the market.

The theoretical part of the thesis consisted of the theory of competitor analysis and financial statements. The competitor analysis for Company X was done by analysing the commissioner's four main competitors based on their organisational structure, image, and competitive positioning. On the grounds of such information two most significant competitors were identified and further assessed based on their financial statements. In addition to the information presented in the competitors' financial reports, the data in the competitor analysis was obtained from materials provided by the commissioner and competitors' websites.

The competitor analysis implied that Berndorf Bäderbau and SteelPool Sweden AB were the commissioner's biggest competitors. Out of the four main competitors named by the commissioner Berndorf Bäderbau stood out due to its comprehensive product portfolio and long operating history in the field of swimming pool construction. SteelPool Sweden AB was seen as a threat to Company X because of its nearby location relative to that of the commissioner. What is more, appreciating sustainability was considered as a competitive advantage for SteelPool Sweden AB.

The results of the thesis suggested that the commissioner has the needed potential to succeed in the market of stainless steel swimming pools. As swimming pools made of stainless steel offer several benefits in comparison to swimming pools constructed of other materials, the demand for them is likely to increase in the future. Therefore it was considered rational for Company X to enter the market. Moreover, the encompassing knowhow of stainless steel by the to-be owners of the company, as well as being the sole provider of stainless steel swimming pools in Finland were considered as the company's assets. Due to a confidentiality agreement some parts of the thesis are excluded from the public version.

Key words: competitor analysis, financial statement analysis, financial ratios

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1 PREFACE

1.1 Objectives and Methods of the Thesis

The aim of this Bachelor's Thesis is to create a competitor analysis of the market of stainless steel swimming pools for the commissioner Company X which is a company that will be established in the near future. The objective of the thesis is to find out important information about the competitors of the business and thus help the company better position itself in the market. The aim is, that by utilising such data the company will be more successful in the market place once it has been set up. The thesis will also aim at revealing the possible blind spots and competitive advantage of Company X's competitors.

The commissioner has named four companies which it considers as its biggest competitors. As the market for stainless steel swimming pools currently remains unestablished in Finland, all the competitors are foreign companies. In the thesis those four competitors and their relative strengths in the market are analysed based on their organisational structure, image and the way they position themselves in the market. What is more, financial information of the two main competitors is used to analyse such companies in more detail. In addition to data presented on competitors' financial statements, judgements are made on the basis of the commissioner's internal information and the information on company websites.

The theoretical frame of reference of the thesis consists of the theory of competitor analysis and financial statements. In the theory of competitor analysis different models for analysing competitors as well as routes to competitive advantage are presented. The theory of financial statements delves into the financial statement analysis and the financial ratios used to analyse the performance of companies. Such information will be utilised when evaluating the competitors of Company X.

1.2 Structure of the Thesis

The competitor analysis for Company X consists of six parts. After the preface the commissioner of the thesis, Company X is introduced and some basic information of the market of stainless steel swimming pools presented. The third part, which starts the theory of the thesis, begins with the definition of competitor analysis. Then the components of competitor analysis are discussed. What follows is an introduction to different models of competitor analysis. At first Porter's five forces framework is presented together with his idea of the generic competitive strategies. After that Cvitkovic's performance profiles are talked about. Next, Aaker's competitor analysis and Rope's model for analysing competitors are explained. What ends the third part of the thesis is an introduction to the SWOT Analysis, a commonly used tool for analysing a business as well as the environment it operates in (Laitinen & Isoviita, 1998, p. 82). The fourth part focuses on the theory behind financial statements. First, the financial statement analysis is discussed and after that, financial ratios, the tools for analysing the performance of companies, are presented. In the next phase the main competitors of Company X are analysed based on Aaker's competitor analysis presented in the theoretical part of the thesis. After that the financial performance of two of the competitors is assessed and the reasons behind the commissioner's competitive advantage presented.

2 COMPANY X

2.1 The Company

Confidential

2.2 The Market of Stainless Steel Swimming Pools

Stainless steel can be considered as an optimal material for the construction of swimming pools. Whether intended to interior or exterior use, a swimming pool can be made using stainless steel as the construction material. Stainless steel offers a wide variety of benefits when it comes to its usage as the material for constructing swimming pools. Stainless steel lasts for a long time and does not need to be maintained the same way as pools made of other materials, eliminating high maintenance costs. What is more, stainless steel swimming pools offer hygienic benefits. As cleanness is a crucial factor in different therapy facilities and pool applications the use of stainless steel can be considered an advantage due to its excellent bacteria, algae and virus removal. Moreover, stainless steel offers design advantages. As a result of the flexibility of the material, additional features, such as fountains and other creative elements can be built and attached to stainless steel swimming pools. For this reason, especially theme parks are heavy users of stainless steel swimming pools (International Molybdenum Association).

3 COMPETITOR ANALYSIS

3.1 Definition of Competitor Analysis

Competitor analysis aims at determining and understanding the sources of competition in a market, as well as the ways in which companies interact with each other while seeking to develop their competitive position (Chen, 1996, 100-101). A competitor analysis observes the operating habits, objectives, and strategies of current and potential competitors. The analysis also tries to reveal the strengths, weaknesses, market shares and sizes of a company's rivals. In the short run, the key competitors for a company are the ones that are the most similar to the company itself (Aaltonen, 2013, 12).

If a company wishes to succeed, it has to outperform its competitors. That is why the competitive landscape and other factors affecting competition have to be analysed every once in a while. Factors that especially need analysing are the points connected to the regulation and freedom of competition (Laitinen & Isoviita, 1998, 58). Laitinen and Isoviita (1998, 58) state that the names and the amount of competitors, competing products, the nature of competition, that is foreign and domestic competition, the threat of potential entrants in the market as well as the competitive roles of companies are factors that should be investigated in a competitor analysis. Moreover, the authors stress out that a company's competitive position is based on neither coincidence nor bad luck. It follows from a long-term purposeful process and keeps changing constantly (Laitinen & Isoviita, 1998, 58).

3.2 The Components of Competitor Analysis

Competitor analysis can be considered to consist of four different components: future goals, assumptions, current strategy and capabilities. By going deep into these factors a company can gain some insight on the response profiles of its rivals (Porter, 2004, 48). Next, all the four components are analysed in detail.

3.2.1 Future Goals

Competitors' future goals can act as signals of how happy the competitors are with their current state as regards to their position in the market and the profit they have made. These factors, on the other hand, can be seen to imply the likeliness of the fact that a competitor will decide to shift its strategy to another direction. Moreover, awareness of the goals of one's rivals helps in forecasting how a competitor might react to strategic changes (Porter, 2004, 50) Despite the fact that it is common to focus on analysing the competitor's financial goals, in order to be able to comprise a proper and thorough picture of a competitor's goals, also objectives concerning market leadership and technological position as well as a competitor's goals to carry out its social mission should be investigated (Porter, 2004, 51).

Competitors' goals can take several forms. Business unit goals, such as contracts made with other firms, may restrict the actions a competitor can take. In addition some debt agreements may act as limits to a company's goals (Porter, 2004, 53). When investigating a competitor's goals one should also find out whether the competitor has created a certain pattern which it follows when it comes to its strategy or the way the company is operated. Furthermore, if it can be seen that a competitor has indicated special interest towards certain locations or has presented strong point of views of product characteristics, such as design and quality of its offering, such factors should be taken into account when trying to determine a competitor's future moves (Porter, 2004, 51). Examining competitors' future objectives is vital for the success of a firm. By having a clue of how a competitor is likely to act in the future a company can avert making strategic moves that may hamper its competitors from achieving their goals which might cause tensions between the two companies (Porter, 2004, 58).

3.2.2 Assumptions

Recognising the assumptions competitors possess can be separated into two sections, the competitor's assumptions about itself and the assumptions it has about the industry and other companies that compete on it (Porter, 2004, 58).

The competitor's assumptions concerning itself, such as the way it perceives its current state, act as guidance to its behaviour. A firm can, for instance, consider itself as an industry leader or a low-cost producer (Porter, 2004, 58). According to Porter (2004, 58), "If it sees itself as a low-cost producer, for example, it may try to discipline a price cutter with price cuts of its own".

The importance of investigating different kinds of assumptions is advantageous for a firm since it can reveal a competitor's so called blind spots. Blind spots consist of zones in which the competitor misses to realise important events, such as a strategic move, doesn't understand them correctly, or their understanding takes a long time (Porter, 2004, 59). As Porter (2004, 59) puts it, identifying such areas "…will help the firm identify moves with a lower probability of immediate retaliation and identify moves where retaliation, once it comes, is not effective."

3.2.3 Current Strategy

The third component that should be analysed when familiarising one with a competitor's operations is the strategy the competitor is currently following. The most benefit it can give to a firm if it is considered as the main operating principle the company follows in all of the functional areas it operates in. What should also be considered is how the company intends to connect those with each other (Porter, 2004, 63).

3.2.4 Capabilities

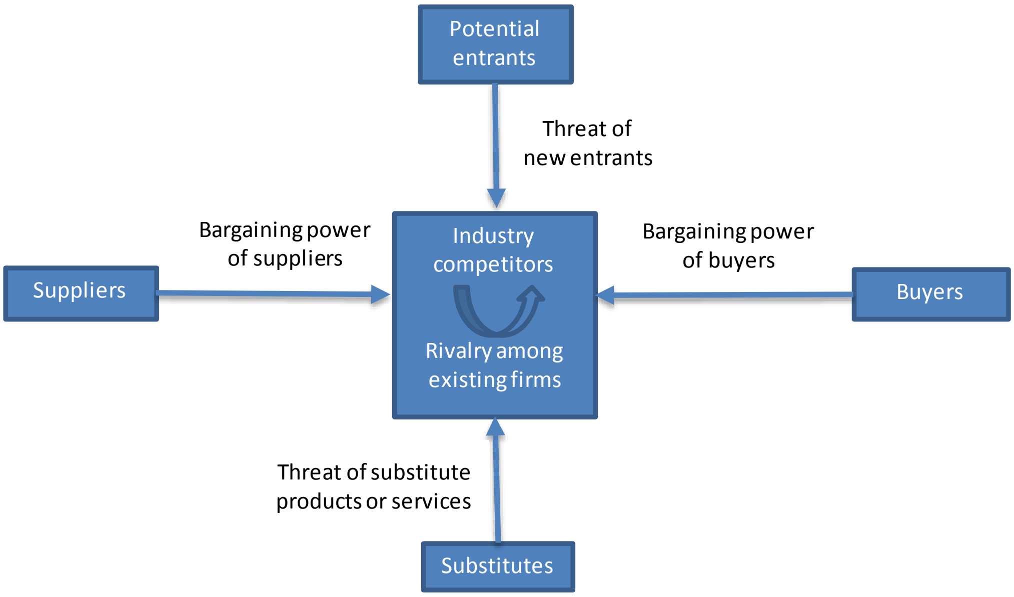
All the three aforementioned components of competitor analysis, a competitor's goals, assumptions, and current strategy, will have an effect on the competitor's counteractions, for instance, the characteristics and probability or such actions (Porter, 2004, 63). The section of competitors' capabilities contains several different subsections that help an analyst determine the strengths of a competitor. Core capabilities refer to main strengths and weaknesses of a company and its abilities in each operational area. Ability to grow, on the other hand, deals with the competitor's capabilities when it comes to labour, talent and plant throughput as well as whether a rival will gain more or lose some of its capabilities if it grows its operations (Porter, 2004, 65). The quick response capability measures the competitor's ability to fast react to other firms' strategic moves. The answer the quick response capability gives is dependent on factors, such as whether the company has excess cash on its disposal, whether it is able to borrow money and whether it can easily modify its levels of production and start to produce more. The competitor's ability to adopt to change reflects the competitor's possibilities to reply to changes in the surrounding environment. Such changes include, for example rises in wage levels, new technology that leads to a need to customise production processes, and a high inflation. Also the competitor's cost composition has an impact on its reactions (Porter, 2004, 66).

3.3 Porter's Competitor Analysis

The structure of an industry firmly affects the strategies a firm can utilise when competing in a market as well as the competitive rules that take place. In addition to competitive forces inside an industry also forces outside it can oftentimes have remarkable effects on a company's operations. As it is typical for such forces to affect all the companies operating in a certain industry, what really matters is what kinds of different actions firms take in order to handle them (Porter, 2004, 3).

Porter has identified five components that all affect firms' operations in a market; threat of entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among current competitors, and out of these five forces constructed a model known as the five forces framework. Together the five forces have an effect on the components of return on investment, such as industry pricing, costs, and the investments needed in order to compete in a market, and therefore the forces can be seen to determine the profitability of an industry (Porter, 1998, 5).

Porter's model suggests that competition in an industry is not restricted to the competitive actions rivalries within it take, but instead other stakeholders, such as vendors and companies showing interest in the industry also act as competitors. This kind of an extensive view to competition is often referred to as extended rivalry (Porter, 2004, 6). The five forces framework makes it possible for a firm to identify issues that strongly affect the competition in the industry it operates in. Moreover, it helps indicate the strategic choices a company can make, that would be likely to lead to an improvement in the profitability of the overall industry and more importantly, the profitability of the company (Porter, 1998, 7) Porter's five forces framework is presented in Picture 1.



Picture 1. Porter's Five Forces Framework (Ohvanainen, I. & Perez Rosenström, R. 2011, 15)

3.3.1 Industry Rivalry

One of the most crucial factors affecting the ability of a firm to succeed in a market is the overall attractiveness of the industry. The company must be able to attain a deep understanding of the competitive rules that take place in the industry and which therefore have a strong effect on the attractiveness of the industry (Porter, 2004, 4). If the rivalry in an industry is on a high level it is likely to increase costs of different business functions, such as advertising, product development and sales force (Porter, 1998, 5). The structure of an industry can be seen to determine the intensity of competition that takes place in an industry. If commanded by a couple of large companies holding great market shares on a global scale competition in an industry is likely to be vicious. On the other hand, if there are plenty of players in an industry and the market share of each firm is rather small, competition between companies tends to be weak (Murphy, 2005, 24). The determinants of industry rivalry include the speed of industry growth, differences in products, the amount of fixed costs the firms face as well as industry growth rate, to name a few (Porter, 1998, 6).

3.3.2 Threat of Entry

The threat of new firms entering the industry is crucial in the sense that it influences a company's pricing decisions by limiting the maximum prices companies can charge. Threat of entry also determines the investments companies need to make in order to keep the industry unattractive in the eyes of potential entrants (Porter, 1998, 5). The scope of the threat of new entrants is dependent on the prevailing entry barriers. If there are high barriers for entry in an industry it can be extremely challenging if not impossible, to create a presence in a market (Murphy, 2005, 24). Factors that make it difficult for new companies to emerge in an industry include, for example, large capital requirements, prevailing economies of scale, possibility of vindictive behaviour or cost advantages enjoyed by the industry's current players (Porter, 1998, 6).

3.3.3 Threat of Substitutes

The companies operating in an industry do not just compete with each other. In real life there are several other firms in a market that produce products that can be used as substitutes to a company's offering. Due to the existence of such products firms are not able to charge as high prices as they probably would be willing to, and therefore substitutes can be seen to restrict the level of profit achievable in an industry (Porter, 2004, 23). The elements that determine the threat of substitution consist of the tendency of buyers to replace a product with a substitute, the cost of switching to another product, and the prices of substitutes (Porter, 1998, 6).

3.3.4 Bargaining Power of Buyers

Buyers affect the profitability of an industry in several ways. They demand products that are of better quality, make confrontations between companies and oblige the companies to drive down their pricing (Porter, 2004, 24). A buyer group being powerful tends to have an impact on investments and the cost structure of a company due to the fact that the more powerful the buyers are, the more expensive is the service they ask for (Porter, 1998, 5). A buyer is said to possess a high level of bargaining power if its purchases account for a large quantity of the seller's sales (Porter, 2004, 24). When it comes to a buyer group purchasing products that are standard by nature, it is often considered powerful since such a group usually acknowledges the fact that it can easily change between two suppliers if one supplier charges too high prices. Also if the purchase the buyer makes requires a lot of capital or a large amount of its costs arise from the purchase the bargaining power can be extensive since such a buyer easily gets pedantic of prices. Moreover, being able to change its supplier without high switching costs contributes to the buyer's bargaining power (Porter, 2004, 25). Lastly, if the buyer has complete information its situation can be considered better since it can more easily make sure it won't be charged higher prices than others. For these reasons a firm should always pay attention to which companies it targets its products to, since by identifying buyer groups that are the least able to affect it harmfully a firm may be able to enhance its strategic position in a market (Porter, 2004, 26).

3.3.5 Bargaining Power of Suppliers

The ways by which the bargaining power of suppliers usually occurs are price increases and reduction in the quality of products offered by suppliers (Porter, 2004, 27). For instance, the prices of raw materials as well as other inputs used in a firm's production process tend to go hand in hand with the level of bargaining power of suppliers (Porter, 1998, 5). Oftentimes the factors that lead to suppliers dominating a market are similar to those that make buyers dominant: a supplier group possesses a lot of bargaining power if the industry the supplier operates in consists of only a couple of firms and if there are few substitutes to its products. As a result, if the product the supplier produces is crucial to the buyer and there are not many producers the supplier is rather powerful in the market (Porter, 2004, 27). A way for a supplier to increase its power in a market is to differentiate its offering from that of other firms or to build up switching costs. If a supplier's products are unique or if its customers are likely to face high switching costs when changing to another supplier, buyers' chances of switching supplier decrease (Porter, 2004, 28).

3.4 Generic Competitive Strategies

After identifying the five competitive forces and determining the way they affect the conditions in a market the next step in analysing a company's competitive strategy is the position it holds on the market. The way how a company is positioned has a strong effect on the levels of profit it can achieve. A firm that is able to correctly position itself in a market may be able to gain high levels of profit in spite of industry profitability not being very high. The fact that can lead a firm to enjoy such profit margins in the long term is sustainable competitive advantage. Although the strengths by which companies differ from each other can take several forms, two competitive strategies, cost-leadership and differentiation, can be said to exist. Once the way in which a company aims to achieve profit that is above the industry average is combined with these basic forms of competitive advantage we get the three generic competitive strategies, differentiation, cost leadership, and focus, that help a firm gain above-average profits. All the three generic competitive strategies take a different view to achieving competitive advantage. According to both cost leadership and differentiation this is done by taking a wide and extensive view to industry segments whilst in the focus strategy the objective is to find achieve either a cost advantage or a differentiation in a small customer segment (Porter, 1998, 11). Companies may take advantage of more than only one of the strategies. It is possible for companies to combine two modes of competing or even exploit all the three strategies. If a firm has a broad selection of different products in its offering it may use one strategy for one of its products and for other parts of its portfolio utilise other strategies (Murphy, 2005, 21).

3.4.1 Cost Leadership

Having a cost advantage means being able to take advantage of a lower cumulative cost structure than competing firms. The problem of cost leadership is the sustainability of such a strategy. A firm will be able to maintain its position as a cost leader only if the sources by which it has achieved cost advantage cannot be easily copied by rivals. According to Porter (1998, 97), this strategy "…leads to superior performance if the firm provides an acceptable level of value to the buyer so that its cost advantage is not nullified by the need to charge a lower price than competitors."

A company can achieve cost leadership in two different ways. First, it can control its cost drivers. Controlling such value activities that tie a lot of capital and the cost of which accounts for a high amount of a company's total costs, can act as a way to cost leadership since a firm may be able to significantly reduce its cost structure. Secondly, a company can modify its value chain. By doing so, it can find new and more efficient modes of advertising, distributing, and producing its products and therefore gain cost advantage (Porter, 1998, 99).

3.4.2 Differentiation

If a firm provides its customers with something unique, it follows the differentiation strategy. Usually this kind of uniqueness is achieved by finding out what the possible buyers would consider valuable instead of just charging low prices. If a company succeeds in differentiating its offering from those of other firms, it is able to place a price premium on its products, to get buyers purchase higher amounts at a certain price, or to receive other benefits that may, for example, show as buyer loyalty (Porter, 1998, 120).

Differentiation, although considered as a rather effective way to competitive advantage, is still not often gone enough into detail. Especially the factors that would possibly lead to differentiation are not investigated thoroughly and firms tend to consider the physical characteristics and marketing as the main sources for differentiation. However, this source of competitive advantage should be considered more broadly, as the way to differentiate one from the competitors may be possible through a myriad of other ways, such as coming up with something unique in the company's value chain that can contribute to the value of the buyer (Porter, 1998, 120).

3.4.3 Focus

When compared with the two other types of competitive advantage, focus strategy can be considered rather different since on the contrary to cost leadership and differentiation the exploiter of the strategy only targets a narrow segment. The company using focus strategy as a way to achieving competitive advantage selects only a few customer segments and develops a strategy with which it is able to satisfy the needs of such segments. The aim of a company following focus strategy is to achieve a sustained competitive advantage in the target segments selected despite lacking a competitive advantage in the whole market (Porter, 1998, 15).

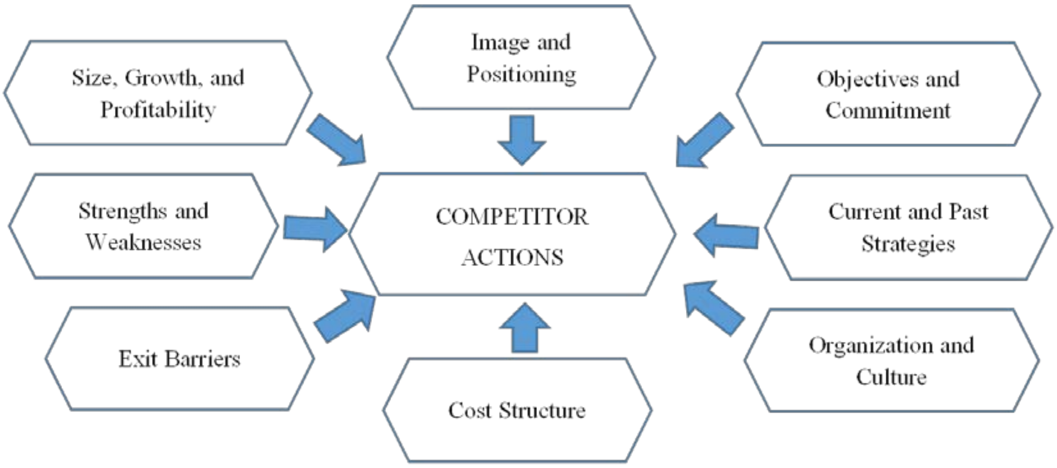
The focus strategy can take two forms, cost focus or differentiation focus. If a firm follows a cost focus strategy its objective is to receive a cost advantage in the narrow segment it has chosen for its target segment. This strategy takes advantage of the differing attitudes to cost in segments. Differentiation focus, on the other hand, refers to a company's aims to achieve differentiation in the segment targeted. The possibilities of this form of focus strategy lie in the special wants and needs of some segments (Porter, 1998, 15). If a company decides to use focus as its strategy to competitive advantage it has to make sure its target segments clearly differ from other segments. If it fails to do this, there is a great possibility that it will not succeed in its efforts to achieve competitive advantage (Porter, 1998, 16).

It is a goal of many companies to build a business that operates on a global scale. It can, however, turn up really expensive and time consuming to establish an appearance universally and despite all efforts it may be extremely difficult to accomplish. The fact that it is often more likely to earn a high return on investment fast and easily when investing in a certain segment instead of targeting the whole market, also advocates exploiting the focus strategy (Murphy, 2005, 22).

3.5 Cvitkovic's Performance Profiles

The concept of performance profiles developed by Cvitkovic is a graphical presentation that describes a competitor's strengths and weaknesses with respect to the critical abilities and skills affecting competition. The model gives an idea of how a competitor is likely to act in the future, and also helps companies determine their own strengths and weaknesses. According to the method, profiling competitors consists of three steps. The first step is about recognising the four key components that influence competition; marketing, technology, production and management. In the second phase, each of the components is determined an indicator of success whereas in the third phase the links between strengths are identified. In the fourth and the last step a company determines an average performance level to each of the components. Once such a profile is constructed of all of the competitors, the performance of each of the competitors can be compared to the average performance of the overall industry (Pitkäniemi, 2007, 12-13).

3.6 Aaker's Competitor Analysis



Picture 2. Understanding the Competitors (Aaker 2008)

In his competitor analysis, David Aaker considers competitor actions to be affected by eight components. One of the components of Aaker's competitor analysis is a competitor's size, growth and profitability. Factors, such as a competitor's current level of sales and market share as well as their growth can act as guidance to the competitor's business strategy. If a company holds a powerful market position or has been able to grow at a good speed it is likely to be a strong competitor. What follows size and growth is profitability. A business can benefit from its profitability especially when wanting to obtain outside capital in order to make investments (Aaker, 2008, 45).

Another component Aaker introduces in his competitor analysis is image and positioning strategy. A company should monitor its competitors' image and brand personality in order to be able to better position itself in a market. By revealing a competitor's weaknesses a firm may be able to build up competitive advantage or differentiate itself from competition. The third component, objectives and commitment, reflects the importance of being aware of a competitor's goals since they act as a forecast of whether the competitor is satisfied with its performance or whether it is likely to make strategic changes. After objectives and commitment are identified what should be noted are the competitor's current and past strategies. Especially the strategies that have failed should be paid attention to since it is probable the competitor will not make the same mistakes again. What is more, by familiarising oneself with the competitor's new market moves a company can predict a competitor's future growth directions (Aaker, 2008, 46-47).

The fifth component in Aaker's model is a competitor's organisation and culture. According to Aaker (2008, 47), "Knowledge about the background and experience of the competitor's top management can provide insight into future actions." Moreover, the culture of an organisation comprehensively affects its strategy. Cost structure, also a component of Aaker's competitor analysis can give some insights to the competitor's future pricing decisions as well as staying power. Exit barriers, on the other hand, reflect a company's commitment as they may play a significant role in enabling a business to withdraw from a market. The final component in Aaker's competitor analysis consists of the strengths and weaknesses of a competitor. Awareness of a rival's strengths and weaknesses may provide new viewpoints to a firm which also enable it to utilise new strategies (Aaker, 2008, 47).

3.7 Rope's Model for Analysing Competitors

Rope (1999) has developed a model for analysing competitors. The model is done in Finnish and is called kilpailijakartta. According to Rope (1999, 42), it is possible for a company to analyse competition by listing its competitors that conduct business in the same industry and then determining the market share and turnover of each competitor, as well as the growth of their market shares during the past two or three years. Based on such information, the model suggested by him can be constructed. The purpose of the method is to describe the speed of growth and the market share of companies operating in a certain industry with respect to the industry's average growth rate and competitors' market shares (Rope, 1999, 42).

The model can be used in analysing which competitors currently outstand in volume development. The model, presented in the form of a figure, also indicates which of the competitors will probably become the challengers or losers of an industry, those that are likely to act slowly to changes in an industry as well as those who are expected to become the big players. The aim of the model is to find out why some companies outperform other firms and what the reasons for the failure of some companies are (Rope, 1999, 43).

3.8 SWOT Analysis

One of the most well-known methods for analysing companies is a SWOT Analysis which helps companies combine the analysis of environment and the analysis of the company itself (Lahtinen & Isoviita, 1998, 82). Keller and Kotler (2012, 70-71) define SWOT Analysis as a way of assessing a firm’s external and internal environments. The analysis consists of two sectors, the external environment analysis and the internal environment analysis. The external environment analysis focuses on determining the opportunities available for a firm in its external environment and the threats it may face there. Internal environment analysis, on the other hand, is about evaluating a company’s internal strengths and weaknesses which is something that should be done by all firms (Keller & Kotler, 2012, 70-71).

The name SWOT Analysis stems from the abbreviations of words strengths, weaknesses, opportunities, and threats. In SWOT Analysis opportunities are defined as the external factors that help a company achieve its goals. Threats also arise from the external environment but hinder the achievement of goals. Therefore, a firm should aim at turning such threats into opportunities. Strengths, on the other hand, consist of the internal factors a firm dominates in, and contribute to the creation of a company’s competitive advantage. Weaknesses reflect the internal problems that may make it more difficult to a firm to create sustainable competitive advantage (Lahtinen & Isoviita, 1998, 83).

4 FINANCIAL STATEMENTS

4.1 Introduction to Financial Statements

A company's financial statements are composed on the basis of accounting (Kinnunen, Laitinen, E. K., Laitinen, T., Leppiniemi & Puttonen, 2010, 14). Legal financial statements consist of a balance sheet, income statement, statement of cash flows and notes to the accounts. The purpose of the balance sheet is to describe a company's financial position on the closing of the accounts. Income statement, on the other hand, describes how a company's financial result during its fiscal year was formed. The statement of cash flows explains the way a company has acquired finance and how it has used its funds during the fiscal year. Notes to the accounts fulfil the information presented in the balance sheet and income statement (Kinnunen et al., 2010, 16).

4.2 Financial Statement Analysis

A financial statement analysis describes a company's economic performance. The aim of the analysis is to rank companies based on their financial performance. The analysis is done by modifying the information presented on a firm's financial statements and is exploited in order to get more simple information on a company's financial situation in order to be able to make a certain decision (Järvinen, 2003, 16-17). Robinson (2012, 2) states that the purpose of a financial statement analysis is to assess the previous, current, and future performance and financial position of a company by utilising the information presented on its financial reports. This is done for the sake of making economic decisions, such as investment and credit decisions. What are also in the interests of analysts are the elements that may cause risks to the company's performance and financial position in the future. To analyse the performance of a company analysts evaluate the firm's possibility to achieve positive cash flows and the overall profitability of the business (Robinson, 2012, 2).

There are two main ways in which the data on financial statements can be seen to fulfil the information needs of a company's stakeholders. The first one relates to the needs of the firm's investors to be convinced of the fact that the firm's management has properly taken care of the company’s funds and other resources. This perspective is referred to as the stewardship focus (Kinnunen et al., 2010, 47). Another main role of financial statements is to provide useful information to the possible future investors of a company. This view is oftentimes named the investment focus of financial statements (Kinnunen et al., 2010, 48).

Investors are the main users of the information on a company’s financial statements. Institutions that have borrowed capital to a company are especially interested in the company’s financial solidity. In the short term slight variations in a company’s solidity do not affect the creditors’ position. If the solidity, however, gets worse in the long run it may weaken the company’s ability to meet its obligations. Equity investors are concerned with the profitability of the company, since only a profitable company is able to pay dividends to its shareholders in the future. An essential factor affecting the value of a share is the company’s future prospects. Thus, a company’s financial solidity is also in the interests of its shareholders. The competitors of a company are usually interested in many kinds of information interpretable on financial statements. Data, such as changes in market shares and investments in research and development can turn out to be useful when a company sets its own objectives. For customers, the information presented in the financial statements tends to be in a minor role since they usually are able to switch to another supplier rather easily. However, when dealing with transactions that tie in a lot of capital, the role of financial information increases and also customers of a company may be interested in utilising such data as assistance in decision making (Järvinen, 2003, 15).

4.3 Financial Ratios

Ranking companies according to their performance is often considered an extremely difficult task (Cinnamon & Helweg-Larsen, 2006, 67). As Cinnamon and Helweg-Larsen (2006, 67) state, “… that is why accountants have invented financial ratios – to allow us to compare one company’s performance with that of another.” Financial ratios can be used to describe and analyse a company’s finances and operating conditions. Financial ratios are especially useful when wanting to compare companies with each other, when describing the history of a company as well as when trying to come up with improvement suggestions for a company’s operations. Furthermore, financial ratios help an analyst to take into account the size differences of companies and possible changes in the time value of money. Financial ratios can also be utilised when describing a firm's risk, vulnerability to go bankrupt, efficiency, and other factors that are useful for the reader of financial statements (Leppiniemi, J. & Leppiniemi, L., 2010).

Financial ratios are usually divided into three sections; profitability, liquidity, and solidity. Out of these components profitability focuses on determining a company's playing field, whilst liquidity and solidity are concerned with a firm's finances (Leppiniemi, J. & Leppiniemi, L., 2010). In addition to profitability, liquidity and solidity, also a company's size and growth rate can be analysed to determine its success (Kinnunen et al., 2010, 53). Next, all the four components are discussed in more detail.

4.3.1 Size and Growth

Each company sets goals for its operations. A large part of these objectives is linked with the company's growth and size. Even though both a company's size and growth are often considered as indications of its success a single, commonly used indicator for measuring a company's size does not exist (Kinnunen et al., 2010, 53). The most frequently used means for measuring a firm's size is its sales. Other commonly used measures include the company's product portfolio, the amount of sites, and brand awareness (Cinnamon & Helweg-Larsen, 2006, 69). Also the amount of personnel a company employs can sometimes be used to measure its size, especially when the purpose is to describe what a company's meaning is as an employer (Kinnunen et al., 2010, 53).

When comparing the performance of companies, one of the most commonly used way of measurement is the amount on personnel that works for a company. The ratio number of the personnel means the average amount of staff a company has employed during its fiscal year. Frequently, also the number of personnel at the end of the fiscal year is stated in the financial statements. What may, however, hamper the ability of a person to compare different companies with each other is the fact that some companies employ part-time workers. This should be taken into consideration when calculating the average amount of employers a firm employs (Leppiniemi, J. & Leppiniemi, L., 2010).

4.3.2 Profitability

Among growth another central objective of a business is to ensure the profitability of its operations. Not only does profitability determine the continuity of the business, it is also the basis for its value (Kinnunen et al., 2010, 55-56). It is possible to measure profitability both in the long term and short term. The financial statement analysis, however, takes a short term view to measuring profitability. The long term profitability and its development can be found out by comparing the results from several sequential years (Niskanen J. & Niskanen M., 2013, 57).

The profitability ratios are mainly focused on measuring how profitably and efficiently a company operates in the market (Seppänen, 2011, 71). To determine the profitability of a company during its fiscal period it is possible to calculate different rates of return on capital. The rates of return on capital are usually differentiated from each other on the basis of the extent to which the company's investors are taken into consideration. The Return on Assets ratio (ROA) considers all of the company's investors whilst Return on Equity (ROE) only the equity investors (Kinnunen et al., 2010, 57). The Return on Assets is calculated by contrasting a company's operating result with the entire capital it has used in its functions (The Committee for Corporate Analysis, 2006, 66). The ratio describes from the point of view of managers how much the company has earned profit with all of its investments disregarding the source of finance which has been used. The result the ratio gives can be seen to reflect the ability of a company to profitably and efficiently manage the firm. The Return on Equity, on the other hand, measures the amount of profit a company has been able to produce to the capital investment of its owners (Seppänen, 2011, 72). The required Return on Equity percentage is dependent on how much return the owners ask for. It is, however, of utmost importance that a company earns profit since it must be able to pay off its loans and to maximise the welfare of its shareholders (The Committee for Corporate Analysis, 2006, 68).

4.3.3 Solidity

Solidity is oftentimes referred to as a company's long-term ability to meet its obligations. A factor that can be considered to characterise a company's solidity is a company's possibility to obtain new foreign capital in case either the company's financial situation or operational plans it require. The solidity of a company is a measurement of the risk to finance the business; the lower the solidity the higher is the risk, and vice versa (Leppiniemi J. & Leppiniemi L., 2010).

All businesses face risks, and a company's ability to put up with risks plays a major role especially when there is an economic downturn. In such instances, a company is more likely to be able to profitably continue its operations if it has been able to build up a strong capital structure. If a firm holds a lot of equity in its balance sheet compared to the amount of foreign capital it is better able to endure losses than a firm that already is strongly indebted. Moreover, the cost of foreign capital is likely to me smaller if a firm solidity is on a proper level (Kinnunen et al., 2011, 62).

A company's solidity is usually measured with ratios that describe a company's capital structure. Commonly acknowledged ratios include, for instance, the Equity Ratio and Relative Indebtedness (Kinnunen et al., 2011, 63). The Equity Ratio describes the amount of a company's balance sheet that consists of equity while Relative Indebtedness compares a company's debts to its turnover (Seppänen, 2011, 85). A company with an Equity Ratio above 40 % can be considered to be in a good financial position. The Equity Ratio between 20 – 40 % is classified satisfactory whilst ratio under 20 % is poor (Committee for Corporate Analysis, 2006, 70). When it comes to the Relative Indebtedness, the higher figure the ratio gives, the more in debt is the company (Niskanen, J. & Niskanen M., 2013, 59).

4.3.4 Liquidity

Liquidity ratios focus on determining a company's ability to meet its obligations in the short term. The most commonly used ratios are the Current Ratio and the Quick Ratio (Murphy, 2005, 158). The Quick Ratio, according to Committee for Corporate Analysis (2006, 75)"… measures the company's ability to meet its short-term liabilities purely from its current financial assets." On the contrary to the Quick Ratio, when calculating the Current Ratio also inventories are classified as short-term assets (The Committee for Corporate Analysis, 2006, 75). The Quick Ratio can be considered a stricter way to determine a company's liquidity than the Current Ratio since it excludes inventories from short-term assets as they cannot always be easily realised into cash (Niskanen, J. &

Niskanen M., 2013, 62). Theoretically, the minimum requirement for both ratios is 1,00 since for a company to be liquid the short-term assets should cover the short-term debts. However, the liquidity of a firm can be assumed satisfactory if its Quick Ratio is between 0,50-1,00 and Current Ratio between 1,00-2,00 (Kinnunen et al., 2011, 67-68). Factors that can be seen to reflect that a firm holds a good liquidity position are an ability to on time pay off maturing debts as well as having unused overdraft limits. What can, on the other hand, act as a sign of a weak liquidity position are late payments and the usage of expensive outside capital as a source of financing (Committee for Corporate Analysis, 2006, 75).

5 COMPETITOR ANALYSIS FOR COMPANY X

The competitor analysis for Company X is constructed on the basis of Aaker's competitor analysis and the theory behind financial statements, both discussed previously in the theoretical part of the thesis. At this stage the companies are analysed by utilising materials provided by the commissioner and the information provided on companies' websites. At first, all of the competitors named by the commissioner are introduced and analysed based on some of the relevant components of Aaker's competitor analysis. After this, two firms that are considered as the most important competitors for Company X on the grounds of Aaker's competitor analysis are analysed more thoroughly based on their financial information. At the end of the analysis Company X's competitive advantage in relation to its competitors is presented.

5.1 Competitors of Company X

The companies that can be considered as the closest competitors for Company X are Berndorf Bäderbau, SteelPool Sweden AB, Diamond Spas and Steel and Style. In Finland the business concept of stainless steel swimming pools remains unique and the companies that at the moment operate in the swimming pool market in Finland mainly use concrete as the construction material for their products. Within Europe there is some competition but as the manufacturing process of stainless steel swimming pools requires special equipment and extensive knowledge of the raw materials not very many companies are able to enter the market (Company X).

5.1.1 SteelPool Sweden AB

SteelPool Sweden AB is the only relevant competitor for Company X that is located in the Nordic countries. As the name of the company implies, SteelPool Sweden AB is based in Sweden. The company produces all of its products in Eskilstuna, Sweden. Currently SteelPool Sweden AB employs about 20 people (SteelPool Sweden AB).

The strategy of SteelPool Sweden AB is to manufacture stainless steel swimming pools and spa facilities. In addition, the company provides its customers with swimming pool appliances and renovates already existing swimming pools. According to the company, all of its products are designed by an architect on the basis of customer needs. What is more, SteelPool Sweden AB offers ready-made decision solutions for customers who necessarily do not need tailored products. A part of SteelPool Sweden AB's strategy is to aim at fast and cost efficient service. For steel and welding products the company offers as long a warranty as 15 years (SteelPool Sweden AB).

The image of SteelPool Sweden AB is enhanced by the fact that the company can be considered as an environmentally friendly organisation: the company holds both ISO 9001 and ISO 14001 certifications. The customers of SteelPool Sweden AB are located both in Sweden and abroad. The company's clientele consists of both public and private buyers and includes, for example, construction firms, cities, and municipalities. When it comes to the public organisations as the company's customers, especially swimming pool renovations are popular. Many previously made swimming pools are not made of stainless steel and are therefore not as long-lasting as stainless steel pools. Due to the heavy usage rates of such public pools and the material they are made of reparations need to be made from time to time. If a private person is interested in purchasing a swimming pool the company provides the pool complete with appliances as well as takes care of electrical and filtration installations. In addition to public and private swimming pools, the company also manufactures therapy pools. Such pools can be utilised, for instance, in hospitals as well as used in rehabilitation of dogs and horses. All the therapy pools can be customised according to customer needs: a lift or an underwater mirror can be attached to the pool or a movable floor assigned, to name a few customising options. SteelPool Sweden also has many kinds of additional products in its offering, such as toys, ladders, rails and bridges. What is more, the company offers a possibility for people to rent a temporary pool (SteelPool Sweden AB).

5.1.2 Berndorf Bäderbau

When it comes to the size, growth, and profitability of Berndorf Bäderbau, the company can be considered a major player in the field of swimming pool production. Berndorf Bäderbau, based in Austria, operates both domestically and internationally. Up to this day the company has manufactured over 6500 swimming pools which have come in various different sizes and shapes. During the past fiscal year the company's turnover was 40 million euros (Company X).

Berndorf Bäderbau has been the leading manufacturer of swimming pools since 1960. The current strategy of the company is to focus on stainless steel swimming pools. During the first ten years of its operation Berndorf Bäderbau used aluminium as the main raw material for its swimming pools. In the beginning of 1970s the company was, however, able to enjoy product advances that made it possible for it to start manufacturing swimming pools of stainless steel (Company X).

Berndorf Bäderbau is a part of a large organisation called Berndorf AG. The company's headquarters as well as its production plants are located in Austria. In its home markets, which in addition to Austria include Switzerland, Germany and Italy, the company has an own sales network. In other areas Berndorf Bäderbau operates with a network of strategic partners. Being a part of a large group can be considered as an advantage for Berndorf Bäderbau since it is able to enjoy both financial support and an extensive amount of information from the parent company (Company X).

The company divides its target markets into four groups: households, public customers, hotels, and customers in need for therapy and health pools. In the household segment Berndorf Bäderbau offers three different pool models the depth and width of which can be tailored according to the customer's needs. Products offered to public customers include public swimming pools and thermal springs that consist of a wide variety of different pool types. Such pool types include, for instance, sports and competition pools, diving pools, teaching pools, sauna plunge pools, children's pools and footbaths. For hotels the company provides a large range of different features and equipment that can be attached to the swimming pools (Company X).

5.1.3 Diamond Spas

The image of Diamond Spas can be considered excellent. The company has succeeded in several competitions and is highly valued by many interior design associations. This can be considered as an enormous advantage since it is likely to contribute to the success and demand for the company's products. Diamond Spa's offering is divided into three segments: custom spas and hot tubs, custom pools, and swim spas. In addition to private consumers the company's clientele includes five star hotels and spas which can be seen to reflect the high quality of its products and the valuation of them by such firms (Company X).

When it comes to the company's strategy, Diamond Spas promotes itself as a company that specialises in planning and production of tailor-made home spas. The company heavily utilises customer feedback in its marketing strategy. It has received a lot of positive testimonials from its customers. As word-of-mouth marketing can be seen as one of the most effective ways of contributing to customer demand, this can be considered as a major asset for the company. What is more, the marketing communications of Diamond Spas is really efficient (Company X).

As an organisation Diamond Spas is rather young. The company was established in 1996 and is based in the United States. The company's personnel consist of 16 workers. In addition to the founders the company employs different sales managers, project managers, supervisors, product engineers, technicians and financial managers. The wide variety of professions inside the company can be seen to ensure that there is an extensive amount of knowledge in the company (Company X).

5.1.4 Steel and Style

Steel and Style is a product concept developed by a French businessman Philippe Duffau. The company focuses on the production of swimming and spa pools made of stainless steel. At the moment, all of the company's products are manufactured in France (Company X).

Steel and Style positions its products to especially appeal to the needs of high-end customers. This is accomplished by combining elegance with modernity. The company's marketing activities can be seen to contribute to the formation of the company's positive image. In its promotional activities the company emphasises the high value of its products as well as the unique benefits of stainless steel as the construction material for swimming pools. All in all, Steel and Style's marketing material is of extremely high quality. Moreover, the company utilises videos as a part of its marketing which is something many of its competitors do not do (Company X).

Steel and Style's strategy is to produce products that possess unique, clean lines and represent geometrical architectural design. One can add a personal touch to the swimming pools manufactured by Steel and Style by adding various kinds of patterns, friezes, and colours. At the moment Steel and Style does not have a wholesale or a distribution network through which it would distribute and sell its products to the market. The company is, however, visibly represented at different kinds of exhibitions (Company X).

5.1.5 Choice of the Main Competitors

On the basis of the discussion above two of the competitors of Company X were chosen for a more detailed observation which includes analysing the financial information of the companies. These two firms chosen to be analysed more thoroughly are SteelPool Sweden AB and Berndorf Bäderbau. The main reason that contributed to the choice of SteelPool Sweden AB as one of the commissioner's most important competitors was the fact that SteelPool Sweden AB is the only relevant competitor operating in Scandinavia. Due to this there is a possibility that people in Finland and elsewhere in the Nordic countries may choose SteelPool Sweden AB over Company X if they prefer its products. What also affected the choice was the 15-year warranty SteelPool Sweden AB offers for its products. Offering such a long warranty can be considered to reflect the company's trust towards its products and may therefore contribute to consumers' willingness to make a purchase from SteelPool Sweden AB. In addition, being an environmentally friendly company can be seen as one of SteelPool Sweden AB's assets since sustainability and environmental consciousness have become extremely important factors in determining consumers' purchase decisions.

Berndorf Bäderbau was chosen for a closer analysis since it has several decades' experience in the field of stainless steel swimming pools. During its operation, the company has produced thousands of swimming pools and can therefore be considered as a well-known and trusted player in the market. Also the large turnover of 40 million euros during the past financial year provides possibilities for Berndorf Bäderbau. What is more, the company is a part of the large organisation, Berndorf AG, from which it is able to enjoy both financial and informational support, which makes it a strong competitor.

5.2 Analysis of Financial Statements

As Berndorf Bäderbau is a part of an organisation called Berndorf AG, only the financial information of the parent company was available. For this reason, the company's financial status assessed on the basis of the parent company's financial report. This does not fully imply the financial position of Berndorf Bäderbau since the Berndorf group comprises several subsidiaries, but gives some guidance on where the company currently stands. The financial reports of SteelPool Sweden AB were available in Swedish Companies Registration Office. The figures in SteelPool Sweden AB's financial statements are expressed in SEK but in order to be able to make comparisons between the companies the figures are converted into euros. The financial reports used to assess both of the companies are the reports prepared for the fiscal year 2012. The financial statements of the companies also include some figures from years 2009-2011, making it possible to draw conclusions on the development of the businesses. In the analysis the companies' size and growth, profitability, and solidity are assessed. Liquidity ratios are excluded in the analysis.

5.2.1 Size and Growth

A company's sales are often used to measure the size of the firm. As the financial information of Berndorf Bäderbau is only available in the form of a consolidated financial statement of Berndorf AG, comparing the two competitors based on sales does not lead to very rational conclusion. It can, however, be stated that the sales of Berndorf AG declined from 528,5 million euros in 2011 to 496,0 million euros in 2012. Nonetheless, the company's sales have clearly increased from 2009 when they amounted to 337,0 million euros (Appendix 1). During the fiscal year 2012 SteelPool Sweden AB's turnover increased from the previous year. In 2012, the company's turnover amounted to 1 602 027,06 euros (SEK 13 938 116) while in 2011 the same figure was 1 330 882,61 euros (SEK 11 579 078) (Appendix 2).

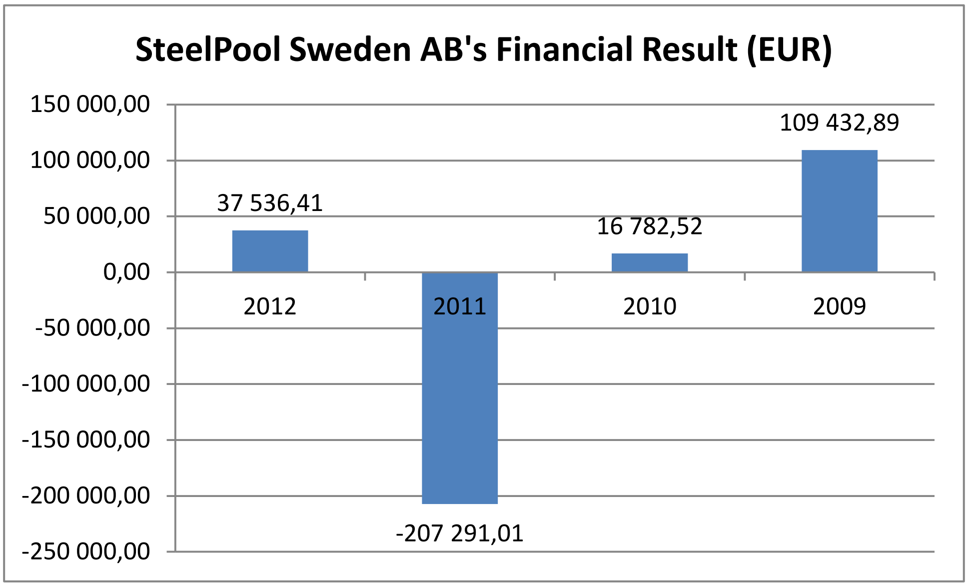
Also a company's product portfolio can be seen to reflect a company's size and growth. The product offering of Berndorf Bäderbau is very extensive. The company manufactures swimming pools for almost every possible situation and context. The pools manufactured by Berndorf Bäderbau include:

- Swimming pools
- Sports and competition pools
- Diving pools
- Water slide exit pools
- Teaching pools
- Pools for non-swimmers
- Adventure and multi-purpose pools
- Plunge pools
- Sauna plunge pools
- Swim down pools
- Children's pools
- Therapy, health and wellness pools
- Saltwater pools
- Whirlpools
- Footbaths
- Hotel swimming pools
- Pools for roof terraces
- Private pools

SteelPool Sweden AB also manufactures various kinds of pools. In addition to public and private swimming pools the company is a producer of therapy pools and various kinds of additional products, such as toys, ladders, rails, bridges and rehab products. Moreover, SteelPool Sweden AB offers an ability for its customers to temporarily rent a swimming pool to be used, for instance, in competitions. Although the product portfolio of SteelPool Sweden AB is not as widespread as that of Berndorf Bäderbau, the fact that the company offers such additional products and the renting service is really an asset for SteelPool Sweden AB (SteelPool Sweden AB).

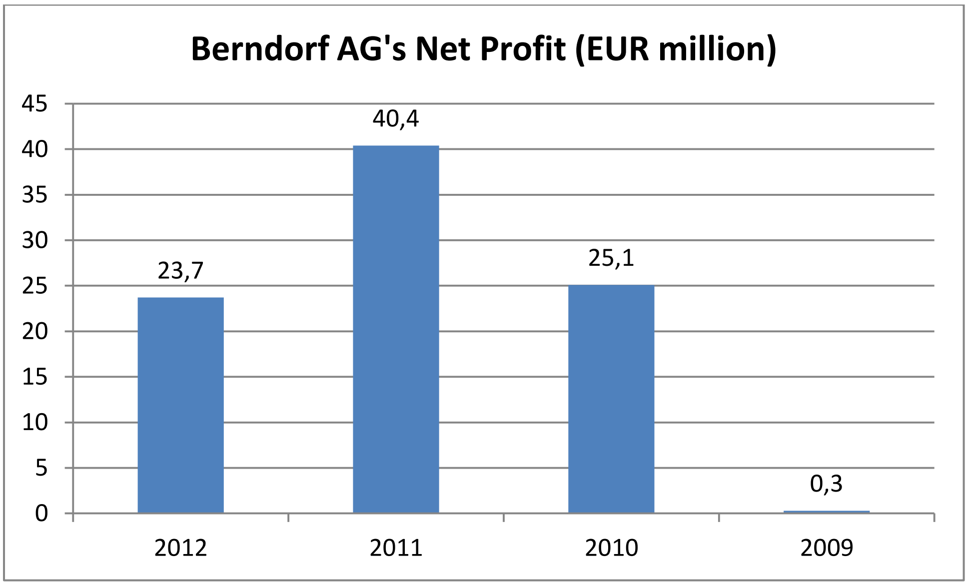
5.2.3 Profitability

Picture 3 shows the development of SteelPool Sweden AB's financial result from year 2009 to year 2012. Comparing the firm's financial results from the four years it can be seen that the company's profitability has largely decreased from 2009. In the financial year 2011 SteelPool Sweden AB made a loss of about 207 290 euros. In 2012 the company was, however, again able to operate profitably (Appendix 2).



Picture 3. The Development of SteelPool Sweden AB's Financial Result (Appendix 2)

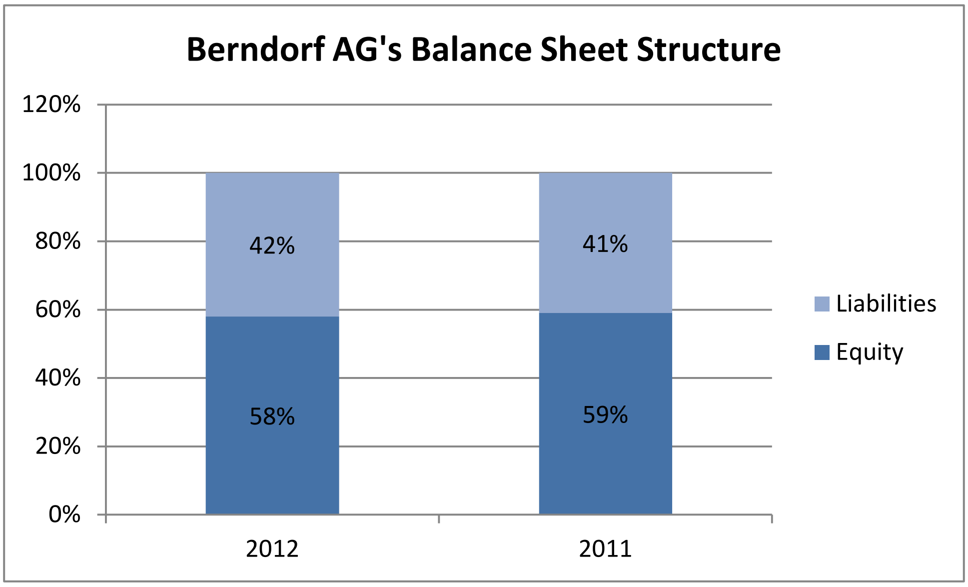
Berndorf AG's net profits from 2009 to 2012 are expressed in Picture 4. Berndorf AG has been profitable during the whole four years. According to the company's annual report of 2012 the year 2011 was the most successful in the company's history. In the beginning of 2012 the group was able to continue its success but towards the end of the year the order intake of Berndorf AG saw a decline of 10% from the previous year as a result of the economic downturn (Appendix 1).



Picture 4. The Development of Berndorf AG’s Net Profit (Appendix 1)

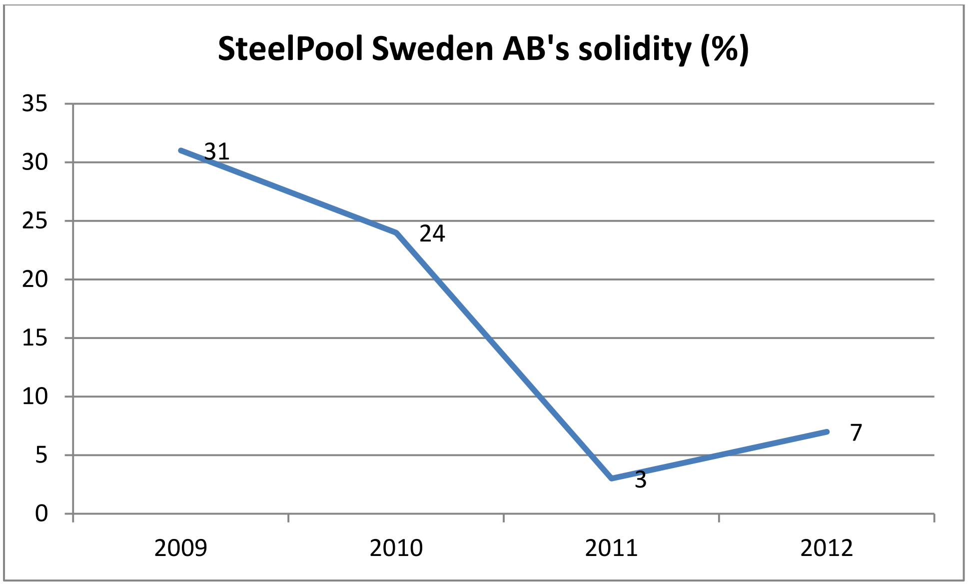
5.2.4 Solidity

Berndorf AG’s solidity can be observed by analysing the organisation’s balance sheet structure which is shown in Picture 5. Berndorf AG’s equity ratio for the year 2012 was about 42%. All in all, the group has been able to maintain an equity ratio of a little bit over 40% since 2009 (Appendix 1). As an equity ratio above 40% is considered good, the capital structure of Berndorf AG is rather positive and the fact that it has been able to maintain the ratio on the same level for several years can be seen to reflect the company’s financial stability. Having a strong capital structure is also an asset for Berndorf AG since it enables it to better survive in a recession and endure losses as well as acquire foreign capital at a lower cost.



Picture 5. Berndorf AG's Balance Sheet Structure (Appendix 1)

The solidity of SteelPool Sweden AB is shown in Picture 6. The company's solidity has seen a large decrease from 2009 when it amounted to 31%. A reason for the rather good figure in 2009 is the fact that in 2009 the company was able to operate profitably and made a profit of 109 432,89 euros (SEK 952 099). Since then SteelPool Sweden AB's solidity has been decreasing and reached its bottom in 2011. In 2012 the figure, however, began to increase (Appendix 2). As solidity reflects an investor's risk to finance a business a low solidity may make it difficult for SteelPool Sweden AB to acquire foreign capital.



Picture 6. The Development of SteelPool Sweden AB's Solidity (Appendix 2)

5.3 Discussion Based on the Financial Reports

The financial statements of SteelPool Sweden AB indicate that the company's financial result is not at the moment as good as it was a couple of years ago. The company's profit of 37 536,41 euros in 2012 is only approximately 34% of the profit of 2009. What is good, however, is that the company was able to make a profit in 2012 after the unprofitable year 2011. One reason that may possibly have affected the company's poor financial result in 2011 is the economic downturn. It should, however, be noted that while SteelPool Sweden AB made a loss in 2011, the same year was the most successful in the history of Berndorf AG. However, the financial result of Berndorf AG includes the profit of all of the group's subsidiaries and therefore SteelPool Sweden AB's negative result cannot perfectly be judged only based on that information.

SteelPool Sweden AB's solidity has dropped dramatically from the year 2009. As solidity can be considered to reflect a firm's ability to meet its obligations in the long run, this may act as a signal to investors that the company is not the best possible investment option. However, the solidity of SteelPool Sweden AB started to slightly increase again in 2012 and may possibly continue growing in the coming years making the company seem more attractive in the eyes of investors.

The effects of the recession can be assumed to have an impact on the performance of Berndorf AG as well. According to the organisation's annual report, the company's order intake decreased as much as 10% in 2012 as a result of the economic downturn. The annual report of Berndorf AG also implies that Berndorf Bäderbau was faced with necessary cuts in its operation in 2012 as a result of the collapse of the market of swimming pool construction. In the annual report it is also stated that in order to grow its operations in the future, the company is executing a restructuring programme that will make it possible for it to serve new business segments (Appendix 1). Thus, it can be expected that Berndorf Bäderbau will continue to be a strong player in the market of stainless steel swimming pools also in the future. Although Berndorf AG's sales decreased in 2012 it is not a factor that should be worried about since the main determinant for the loss in sales was the economic recession.

6 CONCLUSION AND COMPETITIVE ADVANTAGE OF COMPANY X

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APPENDICES

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Appendix 2. SteelPool Sweden AB's Financial Statements 2012 1 (11)