Modern trends in B2B marketing and advertising in Finland,

Case: Lahden tyokalupiste -Toolpoint
ABSTRACT

In this thesis the author after being motivated by the quick pace at which the world of businesses has to adapt to, decided to explore the unseen, and in a way mysterious yet intriguing, actions that take place behind the scenes of mainstream consumer oriented marketing. After rather interesting research, the result that derived from the combined knowledge was that industrial marketing is, in a way, based on how well the individuals working for the company actually do the tasks assigned to them. In cases that involve consumers the marketers have a very difficult, yet massively targeted, task, for example, to go fishing, in industrial marketing, the marketer has to fish for sharks.

After careful research, the author was able to find and gain information on a very successful yet small family-run company, which sustained the economic crisis, and is planning to expand. The owner and CEO of the company is a very smart and experienced man, since he has been in the field for more than 20 years. The ideas, thoughts and opinions he offers, for the purposes of this thesis in addition to the interviews, are an invaluable asset for any student that wishes to gain working experiences in industrial markets. Through this contact, the author was able to realize how industrial marketing is actually set, since the interviewee’s venture is totally based on individually achieved sales and customer retention.

Keywords: Business to business marketing, market segmentation, face-to-face contact, customer relationships, marketing trends, Toolpoint
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1. INTRODUCTION

1.1 Background of Thesis

Marketing has been evolving for many years now. In these years, many different uses and kinds of marketing have surfaced, each pointed at their own special audience, in order to be successful. In a country as evolved and modern as Finland, where technology is a part of everyday life, it is only natural that new marketing trends and methods are introduced to keep up with the times. Out of the many marketing methods used, the one that is always in the background and is pinpointed to an exact audience, of maybe a few thousands of people is business to business marketing; still it is responsible for many changes in people’s lives as it affects consumer habits through the manufacturer/producer.

In this thesis, the real-life example used will be a rather small yet successful company that is involved in the constructing supplies business (Toolpoint). This company uses business to business (B2B) marketing mainly in order to produce sales and profit. B2B marketing or industrial marketing, is based on personal contact between the seller or manufacturer and the buyer in order to create contacts, undergo negotiations, and finally complete the deal and is very different from the media based consumer marketing, in which psychological influence from third parties plays a big role.

This subject was chosen by the author in order to express an opinion, concerning the importance of business to business marketing in modern times, and to state how can every business interested in industrial sales, to benefit from the marketing strategies used by such a successful entrepreneur.
1.2 Thesis Objective

The objective of this thesis is to theoretically study the modern ways of business to business marketing and advertising, identify the strategy used by the study case and present them. The secondary objective is to improve the marketing strategy already in use, by altering the methods in use at the moment, if needed and adding new ways to approach new customers or creating long term relationships with the already existing ones.

The main objectives that will be covered in this thesis are divided into the following research questions:

- What are the most efficient ways of business to business marketing
- Which are the target groups to which the products of the company address to (market segmentation)
- Could the segment be reached more efficiently
- What forms of marketing are available for the company to use

The author will mainly concentrate on Business To Business marketing because of the nature of the Toolpoint business, which addresses to companies mostly.

There will be no financial calculations, due to obvious reasons, and to preserve the confidentiality of the information kindly provided.
1.3 Theoretical Framework

As stated before, marketing is an essential tool for every company that wishes to create profit whatever they might be offering. From the author’s point of view, Marketing cannot be defined as simply as a business term, it is much more and includes many aspects and fields that need attention, in order for the marketing plan to be successful. (George J. Avlonitis and Spiros P. Gounaris 1995)

In times of economic crisis, such as the one our world is facing now, many companies are struggling to survive. Competition is growing, profits are declining and the need for successful marketing has become more dire than ever before. It is clear to all that if a company wishes to maintain its market share and even expand, it must use all resources available, but most importantly the spirit of the entrepreneur.

In this thesis the author will present the actions of one of the most successful local entrepreneurs, and describe the ways they use in order to keep their business productive and thriving, even in such difficult times. By actions are meant the marketing plan, the agreements and above all, the means used in order to maintain their brand name and their credibility towards a shrinking market.

This thesis will contribute, to the general knowledge of marketing, the specific strategies used in modern marketing and advertising, that are effective in Finland and will provide essential information and “tips” to any entrepreneur that wishes to keep their company profitable and growing. These tips will be a useful tool, to improve all the aspects in their marketing mix, in order to be more attractive to customers, gain understanding of the new marketing trends, enhance their segmentation and their approach of business to business marketing, as well as introduce themselves to e-commerce if they have not done so yet.
Finally and after having analyzed the already existing and used methods, the author will suggest new marketing and advertising approaches, which will benefit and renew marketing plans that are already used by companies.

1.4 Research method and Data collection

The author will be using many different resources in order to analyze the meaning and implementation of modern marketing, as well as, providing sufficient information on the company under examination.

The internet will be the main tool used for the research on modern marketing techniques including literature, journals and articles provided on the school online library service, as secondary sources of information concerning the newest ideas in marketing, as well as, articles from the author’s personal collection in order to provide a broader view concerning time of the subject.

As primary sources, the author has arranged a series of meetings with the manager and owner of the company, the staff and a few of the most loyal and important customers of the firm, in order to gain complete understanding of the ways the company operates. The author will be interviewing and observing the company for a total of two months which will provide the information needed to complete the research analysis.

In this case study, the method of research used will be the qualitative as the
sample will be a small one but investigated in depth, in order to gain sufficient information. Throughout the thesis the deductive method of research will be used which through the analysis of general views concerning marketing will, then gradually focus on business to business marketing, and finally on the specific company chosen by the author.
2. BUSINESS TO BUSINESS MARKETING AND SEGMENTATION

2.1 Market segmentation

Every market has many different kinds of customers with different needs, and suppliers with different products. Each of those suppliers, has to understand which needs the customers have, and which of those needs can be satisfied with the product offered. In most cases, when a company wants to segment, a vast number of individuals, usually they consider demographic features of the sample as well as regional preferences and culture. (Green 1977; Wind 1978)

In households most of the times purchases are made just by one person because of the nature of the product purchased (clothes, food, supplies, medicine, etc.). When it comes to businesses a purchase, is no longer a simple transaction but an investment, an investment that is expected to produce profit, by being used in the production process, so when a company is segmenting a market, they have to consider different features and face different challenges than they would do with ordinary people.

When segmenting an industrial market, a company has to consider three main aspects of the market participants:

- Location
- Company type
- Behavioral characteristics

**Location**

Location, sometimes, has a very important role in the final decision of which supplier the company is going to use for its purchase, due to the fact that in industrial markets the volumes are greater, and the transportation costs added to the basic price alter the total cost of the investment. It is very common in some industries for different firms to cluster geographically, in order to create regional
demand, so that it will be easier and cheaper for them to transport the goods purchased there.

**Company type**
Companies have many differences between them, when it comes to purchases, mostly according to their size, the industry in which they operate, the unit that makes the decisions, and the purchase criteria taken into account.

**Behavioral characteristics**
The purchase behavior is the most important aspect the supplier has to take into consideration, and track in order to be able to address efficiently to each case. Such characteristics are:
- Usage rates
- Buying status (potential, first-timers, regulars)
- Purchase procedure and method
  (Y. Wind & R Cardozo 1974)

Another important factor in the market segmentation is the competition which will try to offer the same or more than the original company, in order to get a larger market share. In industrial marketing, as stated before, each company must be seen as an individual and treated differently from the others, in order to establish long-term relationships and loyalty. The company must excel in sectors that the competition cannot copy unless they create it themselves from the start. This is simply explained in the chart below.(Mc Bourney & Clutterbuck, 1988)
After having completed a general categorization of the companies that are the main possible customers, the segmentation focuses on more specific details and characteristics of each company separately.

- Operating Variations:
  Companies that are included in the target segment may differ in many aspects of their operating procedures; such aspects could be technology, User/non-user possibility, capabilities. Technology is about the extent at which the company needs technologically advanced solutions, depending on their field of work. User possibility refers to the fact that companies often re-sell the equipment to other companies, or consumer never actually using it. Finally, capabilities refer to the fact that according to the size and work of each company, the needs for equipment or services change, so the seller has to choose whether to have few large scale customers or many small scale customers.

- Situational factors
  Companies may find themselves in a variety of situations and adapt their purchases according to their needs at the time. Taking that into account, the seller can decide whether or not to serve urgent orders or excessive (in
volume) purchases or focus on specific features and uses of the product sold.

- Personal characteristics:
  Taking into account that each potential customer in industrial segmentation is a company or organization, the seller, must always keep in mind that the organization is represented and run by humans, humans with personalities and attitudes. According to this approach, the seller can choose whether to sell to risk-taking customers or to loyal and trusted customers or to customers that could pose competition in the future if they have a similar or same business. (Y. Wind & R. Cardozo 1974)

2.2 Industrial market segmentation and challenges

The main challenge that all companies face when segmenting, is the collecting of information. It is close to impossible to be able to collect and sustain data for all your possible customers, since it is very hard to find any that will willingly disclose important information concerning the company, since it will be very easy for any competition that may exist to anticipate and steal possible breakthroughs and innovations the company may have in mind. That leads to one sole outcome of the whole case. Industrial market segmentation, after categorizing and picking all the potential customers that fit the model of products or services sold by the segmenter, is based on intuitive selection and of course on the personal relationships that have been or will be built during the negotiations and deal using the contact methods the companies will choose. (Wind, Y. 2006)
Other than that, there are a few more challenges that industrial market segmenters face, compared to the traditional segmentation of business to consumer segmentation. The challenges are mostly around the structure of the modern business decision making process, the complexity of the segments, and of course as stated before, the fragility and sustainability of long term personal relationships between the seller and the customer.

**Industrial markets involve complex decision-making processes:**

Most individuals often complete their transactions by themselves, they decide and act according to what they want and even within families it is one person that makes the final decision. When it comes to businesses though, the case is totally different, other than low-value, low-risk items such as paperclips, the decision-making unit in businesses is far more complicated. The purchase of a piece of property, equipment or service may involve technical experts, purchasing experts, board members, production managers, as well as health and safety experts, each of these participants having their own set of (not always evident) priorities.

Segmenting a target audience that combines all of the following characteristics: multifaceted, complex, and years of expertise in the specific field is an extremely demanding task. In the end the segmentation shifts from the business to the experts that will evaluate and hopefully approve the offer and complete the transaction. However, it is not the people but the entire mechanism of evaluation, within the target companies that is segmented according to their needs and behaviour in the market up to the segmentation date.
**Businesses as buyers are more ‘rational’**

The view that corporate buyers are more rational than consumer buyers is perhaps controversial, but generally true. Would the consumer who spends 500E on a branded leather jacket that is less warm and durable than the 50E jacket right next to it, make a similar decision in the workplace? Consumers tend to buy what they want but corporate buyers generally buy what the business they are representing needs.

Corporations and businesses, also make purchases of such expensive and seemingly unnecessary products but they do serve a purpose in the business life, the purpose of corporate image and satisfaction of the employees that feel they are placed in a unique and thriving organization. However, it is much less common for businesses to make such movements than individuals, therefore segmenting a business audience based on needs should be easier than segmenting a consumer audience considering rationality. (b2binternational.com 2012)

In business-to-business markets the most critical step in order for the segmentation to be properly conducted, is to identify the drivers of customer needs. These drivers, are often simple matters that play a big role for the company, such as purchase volumes, organization size or operations. These drivers however, provide a vital clue when predicting the needs of the organization and therefore creating the segment in which it will be placed

**Business-oriented products are often more complex:**

Just like the decision-making unit, in business-to-business markets, the business-oriented products are often far more complex and specialized, since they are
adressing to businesses and of course experts. Even important consumer purchases such as cars or electrical appliances, tend to be chosen based on rather simple criteria. Conversely, even the simplest of business-oriented products might have to be integrated into a mechanism of evaluation, making the involvement of a qualified expert a necessity. Whereas consumer products are usually standardized since they are made in a mass production line, business purchases are frequently tailored to the needs of the business.

This raises the question as to whether segmentation is even possible in such markets, since every customer has complex and completely different needs. If the case was such that every business had totally different needs, the segments would be as many as the customers, therefore making targeted targeting and segmentation impossible. However, there are companies in the business to business markets, that either due to their size or relationships, have managed to create a segment of their own for themselves becoming important enough to be treated differently from the other customers, they became ”key” customers. Beneath these key customers, however, lies the majority of companies some of which have similar enough requirements to be grouped into segments.

**B2B target audiences are smaller than consumer target audiences:**

Almost every business-to-business market exhibits a customer categorization that confirms the Pareto Principle (80:20 rule), meaning that a small number of customers dominate the volume of sales. Since the number of customers is very limited, compared to business to consumer sales, it is not unusual, for even the largest of business-to-business oriented companies, to have a maximum of 50 customers that more than compensate for the limited customer list dominating the
majority of sales. It is important to notice, that the volume and quality of data is such that does not allow the excessive building and monitoring of segments in most cases, so achieving the effective conditions to support sales on more than 3 or 4 segments is often impossible.

**The importance of personal relationships in business to business markets:**

When operating in the business to business sales and marketing, the firm is bound to have some regular customers, that have proved loyal over the years. After numerous transactions and successful deals, they are bound to have created some level of personal relationships, sales and technical representatives of the firm visit them often, and they have also met the managing directors or owners probably. People communicate on first-name basis. Personal relationships and trust slowly, but steadily, develop. (David Ford 1980)

That is where the first segmenting implications arise. To begin with, while the degree of relationship may vary from one segment to another, most segments in most business to business markets demand a minimum level of personal service, considered the psychological need to trust in an individual in order to complete a large scale transaction. This raises an issue at the very foundations of segmentation – everyone may want a personal relationship, but who is worth according to sales the time, effort and expenses the personal relationship needs and most importantly if not already given, who is willing to pay for it? This is where the company must make firm choices, measuring the odds, foreseeing the demand and long term relationship and finally deciding to offer a relationship only to
those who’s purchase will be worth the resources or to those that will pay the appropriate premium for it. On a practical level, it also means that the firm must also conduct a market research in order to find out exactly what kind of ‘relationship’ will satisfy each customer.

To a premium segment supposively the most profitable and with the most long-term potential, it may consist of regular face-to-face visits, even if that means going abroad, whilst to a price-conscious segment which is only interested in getting a good deal in terms of price and delivery a quarterly phone call would suffice.

**Business to business buyers are longer-term buyers**

Although consumers often purchase items such as houses and cars which are considered long-term purchases, these incidences are relatively rare compared to the frequency businesses have on such purchases. Long-term purchases – or at least transactions which are expected or set to be repeated over a long period of time – are much more common in business-to-business markets, where machinery, components and continually used consumables are considered either capital or investments from which the business will gain profit. In addition, the long-term products and services purchased by businesses are bound to require service back-up from the supplier more often than in consumer markets and that is not because of poor quality or malfunctions, but because of the long-term nature of the goods. (b2binternational.com 2012)

A computer network, a new item of machinery, a power plant or a fleet of limousines, usually require far more extensive aftersales service than a house or the single vehicle purchased by a consumer. When businesses repeat their purchases (machine parts, office consumables etc) will also require ongoing expertise and services in terms of delivery, implementation/installation advice and many other services that are less likely to be demanded by consumers.
This leads to the fact that the buyers in a way demand "exclusive" treatment that the company has to offer in order to keep the frequent sales. In a way this makes segmentation a lot easier. When the segments are firm and are subject to little or no change over time, means that once an accurate segmentation has been established, it evolves relatively slow and is therefore a durable strategic tool. The risk, in this strategy, is something which is evident in many industrial companies. Business-to-business marketers, tend to rest on their success and already built relationships and the attention they pay to the changing needs and characteristics of the customers is insufficient on the long run. This can have grave consequences on the profitability of a segment, since customers are still getting the treatment they are used to getting perhaps without needing it or paying for it anymore.

2.3 Business to business marketing

The conception of industrial marketing around the 1990s as a separate form of marketing from the traditional business to consumer marketing, was and remains a breakthrough since it has uncovered a vast research field with potential to grow even bigger than the original idea of consumer marketing itself. (Webster F. E. 1978) It is important to note, that there are in fact differences, both between the markets each marketing technique explores and between the techniques used to explore and unlock them. (McTarish E. and Maitland Ang. 1980)

Industrial marketing is described in a few words as the way a business uses to identify and satisfy the needs of other businesses using its products and services in order to gain profit. (Swartz G. 1990)
In order to get a deeper understanding of the marketing between businesses think of everyday clothes. Most of them are made of cotton. Cotton begins as a plant in a farm, then it is bought as raw material from some company that through its process turns it into cloth, then it is bought again by another company which tailors it into actual clothes and then the clothes are bought and distributed to companies that put them on shelves for us, the simple consumers to buy. In every step of the above chain value is added to the original cotton until it is finalised into the product sold to the consumer.
The overall demand of the businesses for raw material derives ultimately from the demand of the customers for clothes, but none of them buy the materials unintentionally. In each step of the process value, is added to the original product and then it is sold in order to generate profit. Between each step of the chain, the connecting factor is industrial marketing. Of course the markets involved are significantly smaller and the customers much fewer than in mass marketing, but

Figure 2. The textile value chain and value addition (iin.com.pk 2012)
the volumes purchased are equal. Since the 1990s the years that passed showed exactly how important and genuine business to business marketing was after all and evolved into a necessity for almost all businesses that respect themselves and want to evolve. However, Business to Business marketing itself is still evolving to keep up with the times and of course all the technological, as well as, scientific changes, that are boosting its efficiency and reach to much higher levels.

2.4 Modern Business To Business marketing trends

With the socio-economic crisis coming to its end and the companies coming back from recession to growth, the marketing experts are coming up with new areas of industrial marketing to focus on and trends for the society to follow in order to evolve and enhance the science to further levels. According to the author these are the most interesting and innovative trends to be followed for the last and current year after evaluation and research.

Marketing trends for 2011

1 – Use of social media in the search for possible customers
Social media has proved to be a very useful and successful tool in traditional marketing, the few years it has been in use. However it has not yet been trusted by firms in the search of new customers, because it is mainly targeted to consumers and individuals and used by businesses mostly for promotion tactics towards the consumers.

As of 2011 Social media will make a strong entrance in the field, in order to reduce expenses for the companies shortening distances between them. It will be more tightly integrated into traditional tactics, such as email and webcasts as another channel to broaden the reach of messages and drive conversions. This also signifies, that the media itself must evolve and that more stringent demands for proof of return on investment and revenue impact will be placed on the social media investment. (4socialmediaconsulting.com 2012)
2 – Individually targeted content marketing

The new tweak in business to business marketing, will be targeted content marketing. This means that, companies will implement marketing strategies, that will focus the information offered concerning their products, according to the needs of each customer separately. The tactic of course seems very hard and much more expensive than the traditional ”one-way” content marketing, since the same product will have to be marketed in many different ways, in order to attract each customer with pin-point accuracy. This will enhance the clue of individuality and ”special services offered” since each marketing effort will be unique and will require research, on each customer, as well as, emphasis on the information and services offered, that according to the marketer interest each customer the most. 

(Wind, Y 2006)

It is clear, that such a huge step in marketing, is very important to be adopted by all businesses, as soon as possible, since all other competitors that implement it beforehand, will attract a large volume of customers, leaving a very limited market share for the ones that introduce it late.

(everythingtechnologymarketing.blogspot.fi 2012)
3- Focus on marketing quality

As stated before, the recovery of most markets was accelerated in 2011, so the companies are looking to boost their attitude towards customers and not to reduce their costs so much anymore. Marketing itself, is entering a new era and outdated norms such as "Last click attribution" (not only for digital advertisement) alone are going to be considered as "dinosaurs" of the trade. It is not that companies are drawing their attention from sales, but that the entire process of marketing must regain its former value beginning from the consideration phase.
(everythingtechnologymarketing.blogspot.fi 2012)

All the work from the point of when the customer starts looking for a product or service, to satisfy their needs, should be considered as important as the part of the decision making and the transaction. Interest for a product is not built in the end of the marketing phase, but throughout it.

4 – Focus on and measurement of lead quality

Up until now the sole purpose of marketing was to increase the interest of the customers, for the product marketed. This strategy, led to attracting an excessive amount of leads, or in other words interest. As stated before, interest is an important part of marketing, if that marketing effort actually leads to sales. Having focused on the lead quantity though, marketers gave little attention to the quality, and the actual potential or will of each customer to buy the marketed product wasting valuable time and resources of the sales departments of each
company. Now, with the introduction of marketing automation tools and lead scoring technologies on one side, and tougher requirements for demonstrating program return on investment on the other side, lead quality is going to become a critical evaluation and performance metric in 2011.

5 - Focus on sales enablement

Entering the new era of marketing and sales, an introduction of the next generation of marketing and sales forces must be made. Marketing efforts and lead quality may create perfect conditions between the two sides, but in the end it is sales that matter. And if sales cannot close the deal, all the above are wasted. What businesses need are modern educated and motivated staff, ready to dive into the situations, and make what they have been trained to do best. Marketing and sales, have to start working closer, in order to be ready for the upcoming meetings and negotiations. Preparation, updated way of thinking and modern education, are the key factors for the success of each member of a company, that respect theirselves and their work.

Tom Pisello, made an important subject to the B2B Marketing Community, by presenting a recent survey by IDC which found that 24% of B2B buyers, found that the sales representatives are not prepared for presentations at all. 30% indicate that they are somewhat prepared, and only 29% indicate that they are well prepared. Any serious buyer that is looking to make an investment, will require equal to his or more effort from the selling representative he is adressing since if everything goes according to plan, the outcome will benefit both sides. What is needed is a rotation in the system of staff within the company, with new and enthousiastic people, eager to learn from the already existing and experienced staff and given the chane present their skills and possibilities.
(contentmarketinginstitute.com 2012)
Marketing trends for 2012

The current year, is mostly focused on adaptation to the last. Thankfully, it was a successful year for business to business marketing, as all trends found their way into the system and evolved into necessary tools. One of the most important and upcoming themes, was content marketing. Content marketing started being widely used in 2011. Thanks to technology, the content was much easier to spread and as anticipated it became more and more important for buyers proving it in the 2012 GlobalSpec research. For orders that cost less than 1000E 83% of the buyers stated that they review three or less pieces of content, in order to find what they are looking for. However, for orders that exceed 10000E 70% of the buyers state, that they review a minimum of four contents during their market research. (Globalspec 2012)
This clearly states that the more content the company has available for the potential buyers, the more effective the marketing and attraction methods are to the rest of the business world, where the potential customers are. This is even more important, if you consider the online possibilities offered by technology, which will be mentioned later on since 85% of the engineers, worldwide state that they first look online for information, components, suppliers, specifications for products etc. and out of the 81% that use internet for their research 78% is looking for instruction manuals and 77% for pricing information. The volumes are too great to go unnoticed. (Globalspec 2012)

It is obvious that the more content of a company’s work is online and available to search engines and blogs the more customers and potential orders will be received. This does not by any means lead to a whole new programming, businesses simply have to break down their databases and spread particles in strategical places, in order to be more accessible by the public.

Although the network is a very good start, networking itself, using social media is not the only means that should be used since social media is great for networking, but it is not seen a trustworthy or serious enough tool to support their marketing endeavors. It is possible to develop in such a tool later on, but for now the most commonly visited locations online concerning researchers and buyers mostly from the industrial and engineering business, are Industry-specific webpages, online catalogues, search engines, supplier’s websites and occasional newsletters they receive.

It is important for companies, to measure and make sure they are using the correct amount of resources in the channels they are operating, for the results they are getting from the marketing in those channels. An overload of a single semi-developed channel with information spending lots of resources on the way may
not always bring the desirable results leading to variations from the original
budget, as well as, a waste for the company’s resources.

After all researches have shown that a stunning 98% of the engineers worldwide,
visit work-related sites, at least two times a week, and 63% visit six or more.
However, without using the correct methods, a market as vast as, this cannot be
segmented easily, since industrial markets are much harder to satisfy, unless each
customer is addressed individually, this is where the full use of the network
potential may prove essential for the marketer.

After creating connections and a positive climate using the social media with
other businesses, then it is much easier to send either automated or manual
newsletters with information, according to their needs on the company’s
movements, or new products which is both an easy and cheap way to keep in
touch, as well as, occupy the potential customer, giving them information that are
much different when seen in mass-visited websites, than practically summarized
in a carefully conducted e-mail.

Finally the last and one of the most important aspects of marketing for this year, is
to firmly connect marketing with sales, in order to show the managing directors
and generally the “C-suite” that the new ways of marketing are in fact beneficial.
It is far easier to do a statistical analysis, and figure out the return on investment a
marketing plan will have nowadays, since it is almost completely automated.
Creating and sustaining a viable plan, while constantly evaluating and reporting
on it, makes a perfect line to be followed by all marketers. This way the original
plan can be tweaked at any time, without getting off target according to the
marketer’s needs, and in addition if measured and calculated correctly the return
on investment indications will allow the directors, to approve, of any budget shifts
towards the program’s needs, since it will be profitable and sustainable.
(everythingtechnologymarketing.blogspot.fi 2012)
2.5 The importance of face to face contact in business to business marketing

The past few years, have been a major turning point for most companies, and cutting down expenses, was one of the outmost important priorities for most of them.

One of the most expensive yet totally necessary actions for every company’s marketing sector, especially in business to business marketing, is face-to-face contact. By many it is considered an outdated tool of communication that can simply be replaced by technological means, since the interaction online can offer the video, audio and in cases even the virtual space the attendees of the conversation desire.

However, it is only natural, that a habit that started and is imprinted in the human dna, cannot be erased within a decade. Humans have learned to and will interact much more efficiently in person, and that does not include the factors of culture, language or technological knowledge. It is a matter of psychology, and instinct we were born carrying.

According to the author, the main factors that influence marketing efforts and can make a difference between in-person and online live interaction are the following.

Attention
When talking in person with anyone it is much easier to attract the co-speaker’s full attention to you, and of course to the message you are trying to deliver through the conversation. This is much more important taking into account, that when marketers offer information, it is information concerning a product they want to sell.

Positive emotions during and after the conversation:

No one can deny that a little chit-chat in the cafeteria or in a meeting with a colleague of another firm, does not cheer up their day during and after the conversation, since it leaves a positive image on the memory, as a pleasant yet serious exchange of ideas, with a person of the same intellectual level, with the same interests, while engaged in the task each one’s firm has assigned to them.

Building networks and relationships

Sustaining a relationship, at least business-wise is much easier if the individuals have already met in person. Although social media offers vast potential in the field of keeping relationships and networking, it is almost impossible to produce the effect of an actual live conversation, even if the individuals can see or hear each other through the computer. Imagine how different the image anyone creates in their minds, will be if they meet them in a café in oppose to the internet, and how easier it will be, to introduce them to their cycle as a person they have actually met and know.

Psychological point of view
According to a research conducted by Cornell university of hotel administration in coordination with Maritz (sales and marketing service provider), Individuals engaged in a virtual environment conference or interaction are much more likely to filter information unconsciously, and also engage in other activities at the same time (multitask). According to the author, this leads to a temporary storage of the information, without being able to be inserted in the long-term memory of the individual.

The secret of live communication lies in the sum of emotions generating when experiencing a live event. All the actions that may take place during a meeting, the meal, a speech, an exhibition of ideas, and the chit-chat during lunch stimulate the brain generating the feeling of originality, and that stimulation is that allows the mind to open and accept and retain any new information or knowledge delivered. These emotions tend to be somewhat “contagious”.

This means that we tend to pass our current mood to other when being around them or interacting with them. The research also showed that relationships, built in person, are a lot firmer and have much more long-lasting potential than the ones created virtually. That piece of information was obtained from people that were attending an annual conference, and anticipated to meet again with the colleagues they had met before, since they knew they would only see them once a year. These relationships only grow stronger each year the conference is held, even though the individual kept little or no contact when apart.

Another key factor in the process of interaction is trust. Trust can only be built between two people through live interaction and not virtual conversations. People will always have their reservations, when interacting virtually, either due to the fear of the unknown, or due to the fact that us humans simply trust people a lot easier if we meet them in person. Trust, is one of the outmost important assets any marketer should be looking, especially in business to business marketing, since it
is trust that will ultimately close the deal, create the basis for a long-lasting relationship, as well as giving the customer to suggest the marketer’s offer to other potential customer’s unreserved thus forming a potential networking channel. (Erin Biba 2011)(Barbara Richman 2012 pg1-3)
3. TOOL BUSINESSES IN FINLAND

3.1 BTB Marketing in Finland

A small market concerning tools, such as the Finnish one, does not leave much space for the companies operating in it, to move freely and implement large scale marketing strategies, mostly because the demand for actually professional quality hardware is rather limited. The conventional tool demand however, is mostly serviced by already set chains of department stores, which include in their wide range of items such tools for everyday use.

However, the customers according to the owner of the case company, fall under three major categories. The first is the customers who either for hobby or to satisfy their daily needs for henchwork around the house, buy mainstream tools to make things easier for them.

The second category includes both the small businesses that need professional tools in small amounts, to satisfy their needs, and the large businesses that occasionally need an addition to their stock or a number of products, to satisfy their current demands.

The third and last category, includes the large scale contractors, which make the biggest orders, and account for the largest share of the company’s revenue. Out of the three categories, the only ones that can and it is profitable to actually be retained and create some kind of customer relationship or invest in customer loalty, are the second and third.(Interview with Juha Sihvonen 2012)
The truth is, that the success of the firm, is based on the fact that it has differentiated its services towards the customer, in such a way that has become unique thus leaving no room for opposition and competitors.

3.2 Marketing strategies

Generally, the main players in the Finnish market, are big retailer chains that often operate in other countries, as well that have the ability to supply the market with large amounts of their firm’s hardware. The marketing strategies that are used in this sector, are rather outdated. They try to hit the market and compete the other chains, using the very low prices they can offer for a moderate quality of goods.

However they offer the image of a well established, worldwide-known firm, on which the customers can trust. This does not necessarily mean that there is any kind of relationship or trust built between the firm and the customers, and the personal element that is the key to transactions between businesses is, in a way, missing.

The marketing techniques used, are split into two large categories and then into smaller branches for each category.

**Personal contact marketing**

In the form of direct personal marketing, these firms use on-the-spot marketing during which, the customer can visit one of the many retail points of the firm, choose what they want with the help of a sales assistant of the firm, and then choose a payment and delivery schedule, or cash and carry all the goods if the quantities allow it. During this procedure, the customer is in a way treated
individually, since they get some assistance from a sales representative but it lacks personal contact, since every customer is treated in this same way, so even though from a company purchase someone would expect co-operation, they receive plain old mass-marketing, that is rather obvious to the experienced eye, as well as disappointing for a multinational firm, that has decided and planned to venture in a country like Finland. (David Ford 1980 pg339-353)

**Electronic marketing**

The internet is widely used for the marketing and aftersales services of these firms, since besides the official websites the companies have, they operate blogs and chatrooms in which the customer can talk to experts working for the firm, in order to get information and suggestions, as well as comparisons concerning the products they are planning to purchase, as well as opinions, and discussions with other customers that have already been using the specific machinery. The customer can also find information and solutions for the aftersale services through the internet, but it is mostly redirected to contact numbers or addresses probably for the reduction of aftersale costs. (Robin Lowe & Isabel Doole 2007)

3.3 Comparison to case company

Although the businesses under examination target small or big entrepreneurs, which will use the products in their production operations, there are important differences, both in the products sold and in the quality, and extent at which the services provided towards the customer, both in the marketing and during the purchase procedure phases alike.

According to the author’s opinion and experience throughout the study conducted, in order to attract and maintain customers from the market pool available in Lahti,
and in towns similar to Lahti concerning size, the marketing strategies used, must be much more direct and "close" to the customer, both in terms of availability and personal contact. When deciding on a purchase which will in its way define the production process, and cost of the entire operation, it is much more appeasing to have the opinion, guidance and of course advice of a well-known and in terms of size similar entrepreneur. In other words, customers feel much more secure when they have discussed and decided with the owner of the provider on what is the best solution for what they are planning to purchase, rather than when they are dealing with the "cold" contact with a sales associated, who is simply appointed there by the administration. (Morgan, R. & Hunt S. 1994 pg 20-38),

As stated before, business to business marketing, even in cases that the size of the market makes it difficult, should be individually oriented, in order to be able to state that the company has done its best for the sake of the customer and their operations, so in that way, it is bound to attract more and retain most of the customers already associated with. (Anderson, E. & Weitz, B. 1992 pg 18-34)

The authors’s opinion, is that the big retail chains operating in Finland, have lost their connection with the rest of the market, because of their lack of interest in individuality, or perhaps they do not see profit in such movements, however other smaller businesses, that have and are still treating the customer as if they were co-operating and with relationships that rise above sales-purchases to advice, show us the contrary.
4. CASE COMPANY (TOOLPOINT)

Figure 5. Photograph of the main plant of the case company in Lahti taken during winter (Toolpoint.fi 2012)

(The following information presented is based on the interview with Juha Sihvonen CEO of Toolpoint in March and April 2012)

The company under examination in this thesis is Toolpoint, a very successful family venture, that happens to be the biggest non-chain entrepreneur in the Finnish tool market. Due to the nature of their business, Toolpoint use mainly business to business marketing as 96% of their sales are accounted on other businesses or entrepreneurs. All the information stated in this thesis, were provided by the owner and general manager of the company, they are realistic and true.
4.1 History

The entire business including the idea and the development, began from the owner and general manager. After completing his degree on economics and business, he decided to acquire some working experience by working in companies owned by friends for four years. During this time he started to realize and correct many financial and management errors that occurred, as well as paying attention to the market growth and the new ways the companies had to come up with in order to increase their sales.

After four years as an employee, he decided to employ himself starting a business, of which he held 50% and two of his friends equally shared the rest. In the very short period of seven months, after realizing that without total control of the company he could not take it further, he bought out both his partners, and in 1988 lahden tyokalupiste was born. Originally the company opened a 52m² store in Vesijarvenkatu, and after four years moved to a larger store of 200m² in the same area in which they stayed for three years until they expanded that store to 500m² in 1995.

From 1995 until 2004 and having entered international commerce including Sweden and Germany, according to the owner, the company flourished from any point of view for 9 consecutive years. As an investment in 2004 they decided to create just outside the city of Lahti an even bigger and ever-expanding building to house their needs and the means to achieve the goals. From 2004 and for two years the profits take a dramatic increase of 40% and the number of employees rose from 7 to 12.

In 2008 making another successful investment they decide to expand their business in Helsinki, creating the largest family owned business in the country.
and in the professional equipment sector. The company has pretty much remained the same since then although both departments are constantly expanding to meet increasing demand.

4.2 Business field

Having started in the tool business, the company soon became big enough to be able to offer general construction equipment, varying from uniforms and components to complete professional machinery. The main target group that represents 96% of the company’s sales, as stated before, is businesses of any kind, constructive, equipment producers, even competitors on some occasions of logistics planning failure.

The company operates both in the field of individually supplying businesses separately, with their necessary production equipment, as well as taking on entire equipping of contracted works, either by using competitive terms on the agreement, or through the relationships created with the customers that are undertaking the contract.

The owner also stated that in some occasions, they have co-operated with the Finnish state by supplying equipment for construction, but it has not been as profitable as the normal customer supply, and also on top of that, it required much more effort to actually close the deal. In any case, the firm wishes to build its success on customer loyalty by retaining their already existent market share and expanding it. The Finnish state is apparently not a good option in which to invest time and effort, in order to build and sustain healthy business relationships, at least in the construction field.
It is essential to note that besides two major construction equipment providers for which the company has the exclusive representation in Finland, almost all of the other suppliers act as competitors of the company, since they operate in the country normally with their own retail stores or representatives. The two providers for whose products the company has exclusive rights on, produce the maximum profit and provide the ultimate satisfaction and security for the customers, since the products are lifetime guaranteed, and is of the highest quality and capability that can be found in the field.

4.3 Current situation

At the moment, the company is on a steady development and expansion course. First of all, in order to enhance the internationality of the firm, the name changed from Lahden Tyokalupiste to Toolpoint. At the moment the company is in the top 3 of the privately owned businesses in Finland and that is not planned to change.

The company after dominating the market of Lahti, does not see any more potential growth in this specific market area, so after closing a successful year with a nearly 20% increase in sales in the region of Lahti, the company is currently planning its expansion in the Helsinki area, and the much bigger market located there. The goal is set to expanding sales by a 30% up to an optimistic 40%, which the CEO finds achievable, but very demanding concerning the effort that must be put in marketing and obtaining a sufficient market share to support their goal.
In the future planning, the firm wishes to set a foothold in the Russian market, because the CEO sees a lot of potential in the growth of the country and its market. At the moment, the only important relationship with the country is that there are a number of suppliers from which the company buys equipment.

However the Russian market is already very competitive and it will be hard to create an opening, since the marketing of the firm is based on face to face contact.

The CEO is at the moment thinking of cutting down the firm’s expenses to a minimum halting most investments, since there is a climate of insecurity created by the economic crisis. He expects that a mere 5% of the companies will make the correct moves to last the economic crisis and come out rising again.

4.4 Marketing means

Figure 6. The link to the online shop of the case company as viewed in the company website (Toolpoint.fi 2012)

The firm has so far based on face to face contact and company image, in order to attract and retain its customers. The owner and the staff have worked very hard to achieve their goals and to create a trust for their services, choices and advice in the customer’s minds. Since the company addresses mostly to businesses and business owners the human contact is essential and dominant.
The image of the company is created in a very smart way, serious yet accessible and serving. It is one of the few companies that allow the customers to view and know the names of all of their staff creating the impression of a small traditional business. That is created in such a way that when the customer needs any information, advice that will lead to a potential purchase, he will not address to a company but to another person. Ultimately all of the customers get to talk to or meet the owner and CEO which makes him look accessible, and makes them feel more important and somewhat treated during their purchase.

The firm has also chosen to sponsor the local hockey team (PELICANS), in an effort to become visible in a common place and topic that almost all businessmen and business owners share here in Finland.

Concerning the modern marketing means, the firm has chosen to enhance its image, by creating a very attractive and carefully planned site, that is not built to promote internet sales, although the option of online purchases is available but gives a few facts on the company, pictures, contact numbers and e-mails of the staff including the owner, as well as a detailed categorized catalogue for the customers to browse.

When asked about the social media marketing or blogs, the CEO answered that it would be a waste of time to try to reach such a specific target audience through a mass social networking system, instead it is much more efficient to create a very good image, that will attract the customers we want either by word of mouth or by meeting us and observing our work so far.
5. NEW SUGGESTIONS FOR TOOLPOINT MARKETING

The firm is already doing a very good job in the field of tools with an efficient use of resources generating a good number of sales, a very successful and smart marketing plan, as well as an established and trusted brand name. However, according to the author, there are a few solutions that would benefit the firm and help its expansion both in Finland and in other countries on the long term.

5.1 Open trainee positions

In many companies trainees are considered to be the staff that will at a very low cost carry out time-consuming and low-priority jobs, so that the more valuable experienced associates of the firm are free to carry out more important tasks.

However companies that are small in size, and can only have one or two positions open for trainees, can use the entirely different education and modern way of thinking of the new generation of economists to gain valuable ideas and insight into the upcoming trends and the flow of the system in general. Especially trainees that would come from a school of international business would have in a very important role in the development and course of any company, that actually wishes to invest in new minds and in progressive thinking. Although inexperienced, the ideas of a modern economist when blended with the expertise of a seasoned chief executive, will provide the company with a very innovative and productive plan. (Srinivas B. Prasad 2005 pg1-7),
5.2 Enhance internet marketing

Although the company has already started promotion through the internet, other than an attractive and very carefully created website, it cannot offer much more. It is that the company should consider introducing new marketing means, into its arsenal using the internet such as:

**Include more information in the webpage concerning the products**

The webpage provides a short description of all the products available, but nothing else besides that. If the company site can provide the potential customers with engineering reviews, comparisons, news on the tool industry such as awards or competitions, that would make the site much more interesting and attractive, as well as, useful for the customers that do their first market research online. With the current pace, the world is heading to digitalisation especially in developed countries such as Finland, there is going to be a lot more people visiting the internet for almost all of their everyday occupations as well as market research. So by enhancing the site the company can find more potential customers, that will then be stunned by the extensive services provided by the human staff.

**Company forum**

A forum operated by the company, can provide the customers with an easily accessible channel into the company. There they will be able to discuss with themselves and with the operator on their purchases, ask for advice, make suggestions, and of course it will give the company both critical feedback almost for free, as well as provide with a monitorable space for the company, to get new ideas and enhance their after-sale services.
Promote hobby-tool purchases

According to the owner the company’s sales to customers other than businesses only account for 2% of their income. Compared to their success in the industrial market this shows, that the company’s effort in this particular field is the minimum, and that there is a lot of unexplored potential to use their already established and known name, to gain a respectful portion of the hobby-tool market, that is mostly owned by the big retailer chains, that cannot get the relationship and attention the firm has established, using its services and connections over the years. A strong entrance would signify the potential growth of the company, as well as reassure the customers of the company’s posture and position in the market.
6. CONCLUSIONS

The central idea of the thesis is to describe in which way and at what level, the modern marketing trends influence the marketing strategies of companies in Finland. Although, a very specialized and limited sector, the tool business offers a very indicative sample, of how medium sized businesses, target their marketing plans and strategies, according to the areas they consider to be most profitable.

Most retail chains, are interested in the mass marketing, in order to attract a large number of customers, that are everyday people while the case company of the thesis, is mostly interested in large scale sales with a limited amount of customers, that they wish to retain by offering overwhelming services, and creating a very friendly and welcoming climate. Concerning the case company and their endeavors so far, everyone can see that the owners and operators are well-trained and experienced professionals, that have so far excelled in the field they have been trying to dominate.
7. SUMMARY

In this Thesis there is an extensive presentation of industrial marketing as a concept, its importance in the modern business world and how it is implemented nowadays throughout the world.

Business To Business marketing represents the lever behind all major and minor transactions that take place between companies. It is essential to understand the magnitude of the flow of products, services and money that occurs between businesses and how important it is for each business separately, to be able to stand out of the mass and attract a sufficient marketshare in order to produce profit.

The challenges a marketer faces when operating an industrial marketing plan are in a way similar to the challenges of traditional marketing, however, industrial marketing is much more individualistic and is mostly based on relationships and appearances of the business representatives. This makes personal contact and it’s techniques an essential tool for anyone that wishes to undertake any industrial marketing plan. The thorough knowledge and understanding of the business, the product offered and the industry in general represent the common skills that any marketer should have.

The case company and it’s operators represent the finest samples of experience, intelligence and entrepreneurial way of thinking. The company itself never stopped growing and has achieved in a field that is considered dominated by larger international corporations that could offer a more attractive price but lacked both the knowledge of the market and the mood to treat each costumer as if they were partners. The competitive advantage of the company is positioned within its name and service, that competitive advantage was created by the will of the owners to excell in their field.

The suggestions made aim at assisting the company to enter the information era and focus on customer loyalty and satisfaction. The main point is to continue what they have perfectly been doing and become known to the wider public attracting even more costumers.
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APPENDICES

APPENDIX 1. Series of interviews with the CEO and owner of the company Juha Sihvonen and Mikko Sihvonen second in command during March and April of 2012 and August 2012

1. When did you start your business and how many years have you been in the business field?

2. What inspired you to take the decision to start this kind of business?

3. Was it easy from the beginning?

4. How many employees do you have?

5. What comprises your target market?

6. Since the 96% of your sales are based on B2B marketing which marketing method have you used?

7. Which method of marketing in B2B makes a business to succeed?

8. How important is the ‘’image’’ of your company?

9. How important is face to face contact in your business?

10. Are you using any new marketing trend for your B2B marketing?

11. Which are your main customers?

12. Which are your main suppliers?

13. Have you ever worked with the government and how profitable was it?

14. About your competitors, is there any direct competitor who is doing the same thing as you?
15. How high is the competition right now and which are the strengths of your competitors?

16. What makes your business more competitive than others?

17. Is there any product you sale that no one from your competitors has it?

18. Are you using internet for your sales or for your advertising?

19. What methods of promotion are you using?

20. Besides the renovations you have done lately are you planning any new investment for the next years?

21. Have you ever worked with the government and how profitable was it?

22. Do you see any chance of growing in Lahti business area or in Helsinki?

23. Did the crisis affect your business?

24. What do you think for the future will be the most suitable tool for B2B marketing?