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Market analysis of wooden frame home sales in Leningrad region

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Abstract

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The purpose of this study is to examine the fit between the product and the market in Leningrad region. The target area is the Russian buying behavior and how it is influencing on the lack of demand in wooden frame house industry. The market survey is made for Kastelli Sales House to improve the sales and demand on the industry.

Problems are concerned on wooden frame market in Russia and the lack of demand. It is being focused on suppliers, customer behavior, competitors, marketing methods and collaborator analysis. Solution for decreasing sales is tried to find from these segments.
The market is analyzed from the perspective of wooden frame house, detached house, and middle class families.

The data for the study has been collected through annual reports from Solntse, Kastelli Sales House and Wooden Association (AWH); annual reports from 2010 to 2012, and a RTS Finnish report 2012 and a Russian Research Techart report 2011.

During the survey, it found out that there were several options to improve business in Leningrad region for Kastelli Sales House.
The results are presented by comparing those to Finnish results so that the reader can see the difference between the Finnish and Russian market.

Key words words: market analysis, Russian markets, market research, wooden frame houses

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1 Introduction

Detached houses can be produced from brick, wood or log, but groundwork is made from wooden frame panels or log. This project work is focused on wooden detached houses which are built by using wooden frame panels. From the view of the detached houses (all materials), wooden houses (also log), constructions (built houses) and wooden frame houses are analyzed in the Leningrad region's market. Conclusions are made by based on the project work in the end. The case company, Kastelli Sales House, produces only wooden frame houses.
For the thesis, export managers from companies and construction managers were interviewed in Finland and Russia.
Oil and gas prices are influenced on purchasing power by economic recession. The oil and gas prices are followed by the Russians and the stock markets are followed by the citizens of European Union (Solovjova 2013).
Comparison between Finland and Russia is made to clarify the difference between these two markets to the reader.
The construction boom took the part since 2008. Demand of architecture and professionals in constructions industry was increased; graduating percent on construction field increased till 22, 0 % in total, of which architects and professional constructers increased till 33, 4 % from 2005 to 2009 (Helsingin kaupunki 2010, 35).
Foreign labor was in high demand and most of the construction workers were from Moldova and Ukraine, until the economic recession affected to the foreign labor market by changing the demand: Total labor market decreased and demand of Middle-Asian workers increased over the Moldova and Ukraine (Helsingin kaupunki 2010, 38).
Living standards in Russian are used to apartment houses instead of detached houses (1-2 floors). Generally, the rent rages are from 300€-500€ (studio) to 800€-1200€ (good apartment).
459 cottages and houses were bought by Russians from Finland in total in 2011. The total amount was announced under 400 cottages in 2009 and 2010. In 2008, nearly 800 estates purchases (lands, houses and apartments) were made by Russians in Finland. The uncertainty of finance as a reason for investments is estimated by Gorshkov. 1-2 % of all estate purchases are made by foreigners in Finland, which 70% are Russians (Helsingin Sanomat 2012).

2 Planned Methodology

Russian markets were entered by a Finnish company, Kastelli Sales House, a few years ago; the demand of wooden frame houses was mediocre and the prices of houses are increased by taxes, transport, regulations and tariff.

It is noticed that Russian houses have problems with sealing, supply of heat and exterior were constantly under construction. Houses and lands would be suitable for detached houses, if those are taken care of.

All information is gathered from Kastelli Sales House, Solntse and Wooden Association (AWH). Some of the information is gathered from professors in St. Petersburg State University of Economics and Finance. The professors have worked in different industries in foreign countries. This thesis is written from the view of Kastelli and it examines the fit of the product and the Russian market.

During the project work, the information of competitors is gathered from Leningrad region and they are presented by SWOT analysis.

Russian wooden frame markets, Russian purchasing power, competitors in the market, supply and demand are discovered as the main in this market survey.

3 Execution

According to author Arto Lahti (Strateginen yritysanalyysi 1988), the task of market analysis is to identify the companies surrounding the market. How the market is defined and how big are they, what level of development of the market, how the market can be segmented, what is the market segment size and growth rate, what are the needs and characteristics of the segments, how do the segments' needs and characteristics change over time, how to segments have been used are answered by the good market analysis.

Articles in newspapers, concerning the wooden frame houses and detached houses in Russia are collected materials for this thesis work.

Documents from AWH and Solntse are discussed about markets, marketing, consumer behavior, supply and demand. Most of them are based on the view of wooden houses, and concerning years of 2010 and 2011.

At the same time, theory background was completed. Theory background is based on market analysis subject and its factors. After this, to analyze the materials as a professional point of view was possible. The aim was to find something that have not realized or understood before. Personal Russian knowledge and review materials in different positions are taken into account during the period.

After project work, it is reported on to the company and given them improvement ideas.

Figure 1: Leningrad region (Google maps)

The St. Petersburg region, formerly known as the Leningrad region, is used term in this thesis work.

4 Theoretical background

Market survey can be carried out in the countries where is freedom of speech and opinions. Market survey is discussed about identifying, measuring and describing key market segments' behavior and attitudes. Profitable markets, interpretation of market data, analyzing potential market areas, identifying and evaluating and markets for products are estimated by market research. Measuring consumer preferences, identifying changes in competitive activity and sales forecasting are also wanted to find out.
Market survey is made for organizations, which are expanding their business into new market areas, or it is done as a follow-up after clearance of export preparedness.
Benefits of market analysis are that organizations know where to put their efforts, provides information on strategic business areas, their success factors and the importance of activity (MarkInvest 2012).

4.1 How market analysis is done?

Knowledge of companies, earlier experiences and measurements are affecting on how market analysis will be done. The measurements are usually used to premeasured, if turnover has decreased during the last year or if the company has put on effort in wrong resources.
The strategic business areas and business ideas are also taken into account by companies, when planning the market analysis. The solution is also influenced by markets, products, approaches, goals, strategy, timetable and budget.

Analysis is started by building an export strategy, and after that, it is focused on strategic business areas. Secondly, it is being clarified if there is demand for products and what is the competitiveness on the target market. Products are illustrated on BCG growth-share matrix. In the end, strategy and budget is planned (MarkInvest 2012).

Figure 2: BCG growth-share matrix

Products are described by question mark if they are low market share, but high growth. Heavy investment in order not to be liquidated is demanded by the products.
Products with low market share and low growth are described by a dog. Cash flow in order not to be liquidated is assured by the products.
Products with high market share, but low growth are described by cash cow. Low investment with a high profit is combined for the products.
Products with high market share and high growth are named as stars. Most cash cows are become from stars after a certain time, for example Apple's products (Kotler, Armstrong 2009, 66).
Wooden frame houses are marked as a question mark at the moment on the Russian market. There might be a star effect and unexpected growth rate or it might be a dog effect.
The highest volume of potential customers is sold detached houses by Kastelli Sales House in Finland. In this case, the highest volume covers the rich families and the poor families in Leningrad region.
Kastelli Sales House is offering a big range of detached houses from modern to ecological. Kastelli Sales House is not able to make houses for rich families, because usually they want house that covers over 300 square meters and something special for it, which cannot be executed because of the regulations in Finland. Houses will come more expensive not only for the client but also for the company. Lot of effort from the company is taken to arrange these

kinds of situations. The poor families will not buy anything because they are not having enough capital. Middle class is categorized as a rare in Leningrad region. A middle class family includes 3-5 members with a balanced lifestyle and economic situation. The increase of middle class is hampered by economic recession and all its impacts.
Target customer is interested in ecological and environmental friendliness detached houses that will keep their value during years. Architecture, delivery time, individual budget and durability are also affecting on customer’s decision whether to purchase or not.
When it is come to positioning of the product, relevant buyers are Russian middle class families from Leningrad region. Houses are ecological, made professionally, guaranteed and keeping their value during the years.

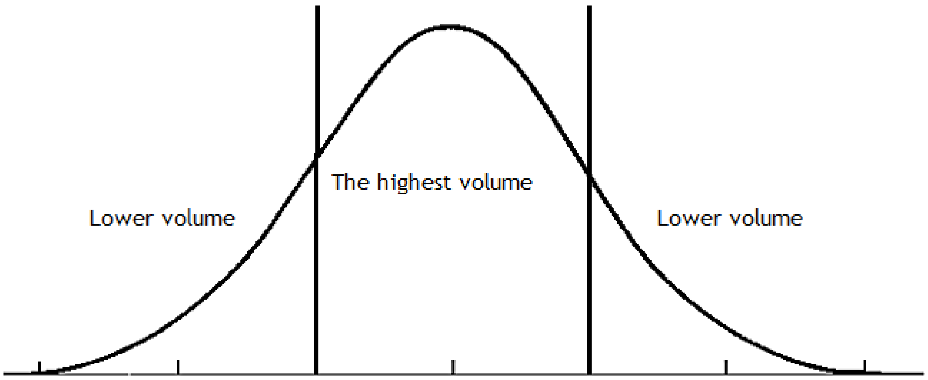

Figure 3: Customer segmentation (Gauss curve)

Generally, buying behavior is affected by cultural factors, social factors, personal factors and psychological factors. Such as buyer culture, subculture and social class are included into cultural factors. Group, family and status are classified into social factors. Occupation, age, economic situation, lifestyle and personality are included into personal factors. Motivation, perception, beliefs and attitudes are included into psychological factors.
Before purchasing, customer needs to understand personal needs and wants. Information search and evaluation of alternatives is started. Then comes purchase decision and post purchase behavior as latest in the process.
The demand is influenced by economic situation, social class and the lifestyle of family. Psychological factors are related as individual need, which cannot be determined from outside (Kotler, Armstrong 2009, 159-177).

4.2 Data collection methods

Interviewing methods: interviewing individuals, attitude measurement, projective techniques, interviewing groups. Postal or self-completion research, diary panels, telephone research, observation research.

4.3 Distribution channels

Distribution channels are important to company's results and often are not paid enough attention. Contracts with franchisees, independent dealers or large retailers cannot be replaced in the short term. Pricing, advertising or promotion programs can easily be changed if the company controls the whole chain till the final user (Kotler, Armstrong 2009, 363).
New channels can give an opportunity to develop new competitive strategies for company.

4.4 Influencing factors

Purchasing power is influenced by economic belief to the future, confidence to the government and the decision-makers (Lotti 2001, 40).
Knowledge of the overall market is taken part of market analysis (Lotti 2001, 49). Companies, products, brand positions are recognized by the overall market and these are compared to main competitors. Markets in democratic countries are influenced by education, ageing population, cultural approach and opinions of citizens.
Overall markets, market shares, constructions, in the view of builders, and opinions of constructions, brands and competitors are searched in market surveys.
Effective measures of sales and market share are found out easily, because it is a seasonal need for companies. By these kinds of information, planks in sales and the necessary actions are recognized (Lotti 2001, 58).
Benchmark is used to target competitors and their actions in the same field of the market. Early days companies are familiarized into the companies and learning directly from them. Usually when it comes to competitors' analysis, there is used SWOT-analyze (A. Humphrey); strengths, weaknesses, opportunities and threats (Lotti 2001, 60-61).
Nowadays customers are the most influential to organizations; with customers is created the value to the business or it is increased. A social network is established by company, customers and subcontractors are established (Lotti 2001, 64).

4.5 Methos of measurement

Timetable is influenced by data collection methods so market survey should be organized well before start. The researcher needs to know, what measurements is being used, how it is analyzed and how the information will be gathered. The whole survey is based on solutions, which need to be discovered.
The methods of market analysis can be used as wanted; mixed or omitted.

4.5.1 Continious Research

It is indicated and measured functions over a certain time in continuous research. The continuous research is divided into off-the-peg or desk research. It is used by companies whom are anticipating to their industry (Crouch, Housden, 17; Lotti 2001, 107-110).

4.5.2 Desk Research

Desk research is dived into two sectors; internal desk research and external desk research. Internal research is confined to the company's own activities and to organize the collected data in the way of useful and usable.
External research is mostly used by government, but also by trade companies, trade publications, banks and offices. However, external research is divided into three parts: online desk research with gathered information from Internet, government published data with gathered information from government, and customer desk research with directly gathered information from customers (Crouch, Housden 2003, 17-18).

4.5.3 Field research

Field research is divided into two kinds of primary researches; off-the-peg and made-to-measure. Field research is concerned with generation and collection of original data. Organization decides what kind of information is important, where and from whom it is gathered and then the data reached. Face-to face interviews, telephone, direct observation and postal surveys are used methods for gathering data.
Off-the-peg is generated by researchers and the collected data is bought as ready. Syndicated research and Omnibus research are typed as services that off-the-peg is focused on.
Omnibus survey is used in regular period with same questions and target groups.
In syndicated research, the data is collected by a research agency and sold to all interested companies.
Made-to-measure is done by paying to research agency and all needed information is gathered by agency's action. Professionally designed, built and produced exactly to respond company's needs are made for companies as a time saver (Crouch, Housden 2003, 18-19; Lotti 2001, 108-17).

4.5.4 Ad hoc research

Ad hoc is used as an unidentified research. In ad hoc research, any kind of data is used. Ad hoc presents a territory, where no one has ever been before or there is no proper market yet. New area might be unstructured, new or indefinite (Crouch, Housden, 17; Lotti 2001, 117).

5 Using research for market analysis

Problems

What is Kastelli's customer segment and position in the market?
What kind of demand is there for wooden frame houses?
What competitors are in the market?
Market size (current and future)
Market growth rate
Distribution channels
Market trends

Data requirement

How big is the market?
Is the market growing or declining?
Who are the competitors in the market?
What kind of frame houses there are? (Log, brick, wood)
Do Russians prefer to move in ready-made houses or do they prefer to build by themselves?
What costumers respect most in houses? (Energy efficiency, price and value, architecture, ecology)
Market characteristics

Data sources

Collected data from Mr. Gendler and Association of Wooden Housing
Desk research; customer desk research

6 Wooden frame market

6.1 Business environment

Detached houses are the most promised construction market in Russia. Despite the stagnation of the market of detached houses, the construction area exceeded 43% in a total; it is only 4% less than during the economic recession in 2008. The changes of the market volume are easily responded by wooden industry; if the total input of detached houses falls by 3%, the wood falls by 10% in the same period of time. The detached houses are increased by 5% with a stable demand during the year, only 10.5% decline in reselling houses in 2010 and increased 9% in 2011.
Wood is related to a significant advantage compared to other materials; it takes less energy and growing demand. That is related to the system of mortgage lending for the purchase of

detached house. Increasing demand is affected by wealth and interest of better living conditions.
Brick building is in the favor of the southern residents, even though brick factories have closed as high energy consumption in Western countries (Annual report 2010; Annual report 2011; Wooden Association 2011).
The market of houses is predicted to instant growth after year 2013; from 5.5 % in 2013 to 12, 1 % in 2014 (Wooden Association 2011).

6.2 Supply and demand

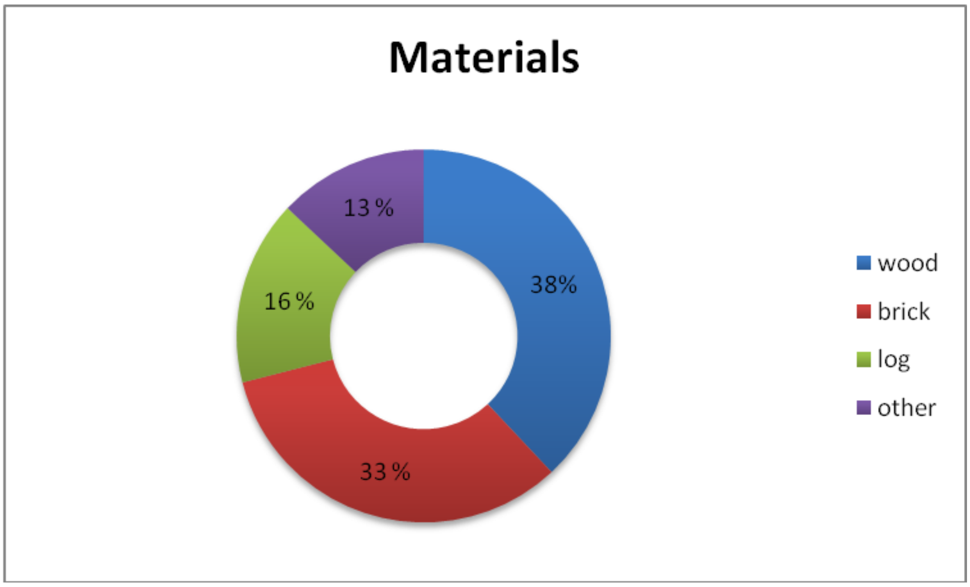

Figure 4: The most used materials in constructions in 2011 (Annual report 2011)

The wood is known as an easy on the pocket material in construction all over Russia. Demand of the wood is also affected by long lasting life, availability and usability. It is a main construction material in countryside. Moscow and Leningrad regions are more important to detached house industry than St. Petersburg or Moscow, because the lands in the city of St. Petersburg and Moscow are used only to build apartments (Prudnikov, Dmitriev 2006).
Brick is used material in apartments building and it was the most popular material till 2006; 55% were built of brick, and 35% were built of wood and log (Stroitelstvo v Rossii 2004).
Log is used material in cottages around Russia and preferred because of the outlook. Cottages are located in several hours form the city center, in suburbs. Other materials can be concrete, for example.
The buying decision is influenced by the value of the house; if the value of house is kept during the years. To the value of the house is affected by location, quality of materials and constructions.
Decision of the buyer is also influenced by experience of work and the market reputation.

The Russian middle class is growing up and Finnish investors are putting effort on this chance (Rakennuslehti 2008).

Reliability of the house factory is announced as the most important factor as investing house in Finland. General quality, space solutions, and suitability to the environment are announced as important factors (RTS 2011).

Price and power savings are influenced by a fear to pay extra energy during the winter. Closer attention is also attended to decoration and insulation materials by customers (Wooden Association 2011). The most influential factors to invest a house in 2011:

1. Value
2. Quality of materials and durability
3. Professional experience
4. Architecture
5. Environmental friendliness
6. Energy efficiency

Price and power savings are influenced by a fear to pay extra energy during the winter. Closer attention is also attended to decoration and insulation materials by customers (Annual report 2011; Wooden Association 2011).

Rate	Region	Amount of built wooden houses in 2011	The share of wooden houses in the total input in 2011, %
1.	The Republic of Bashkortostan	7491	53,7
2.	Nizhny Novgorod region	6191	63,7
3.	Moscow region	6111	43,0
4.	Kemerovo Region	3189	68,6
5.	Tyumen Region	2842	54,5
6.	Republic of Buryatia	2794	95,7
7.	Leningrad Region	2778	64,1
8.	The Republic of Tatarstan	2247	31,2
9.	Omsk Region	2027	53,0
10.	Republic Yakutia	1954	94,6

Table 1: Demand of constructions in 2011 (Annual report 2011)

The highest standard of living regions, such as Moscow and Leningrad region, are carried by private constructions.

Constructions of wooden houses in the suburbs declined in 2010 in Russia; 626 houses are constructed less than last year. At the same period of time, the numbers of constructions of wooden houses are increased by 455 houses in Leningrad region, but the leading position is not reached.

Siberian, Volga and Urals Federal Districts are registered as the strongest positions in wood industry. Most of the wooden houses are being built in the Republic of Bashkortostan (Volga Federal District).

The log house market is leaded by Finnish companies; Vuokatti, Honka and Kontio. Long experience of markets, relationships, properly constructed marketing, big capital and money to invest in exhibitions, PR and education are worked as benefits from them (Wooden Association 2011).

Production of detached houses are increased from 16 % to 20% during 2006-2007, and decreased by 4% in 2008. Debt, financial crisis, the difficulty of loan, shortages of property, high price of properties, difficulties in electricity and water constructions, lack of construction materials, high price of materials and houses are reasoned for demand. Fearfulness of building houses is related to completion (SVKK 2009, 124).

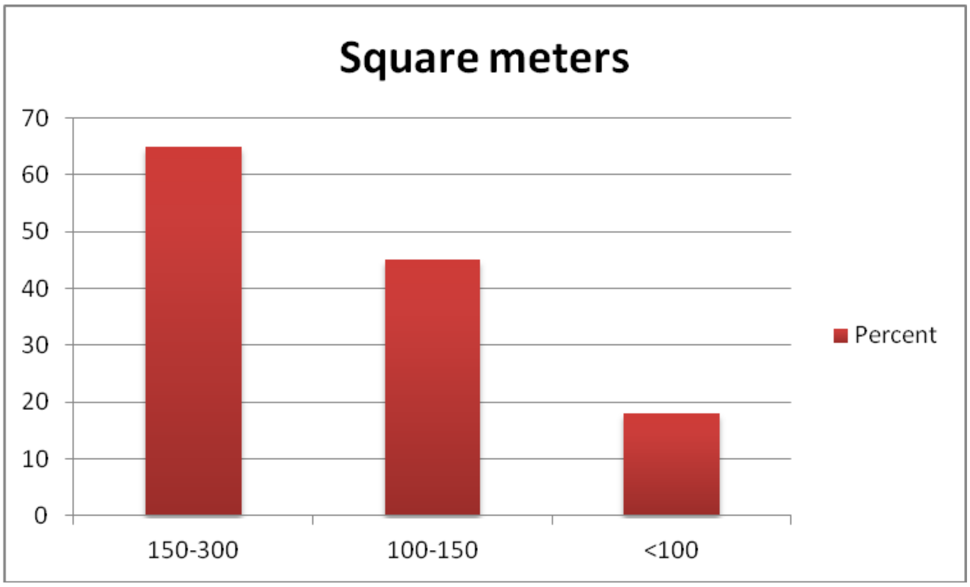

Figure 5: Frame house square meters sizes as percent in 2011 (Annual report 2011)

150-300 m2 houses were interested by 60 % of customers in 2010 and 120-220 m2 houses were interested in 2011. Approximately 45% of customers were interested in 100-150 m2 houses. Less than 100 m2 houses are voided demand for houses and those are interested by less than 20 % of customers.

The wooden constructions are been the most popular and stable leader in the category of "one house for one family" for several years.
It is made a query for potential Russian customers in 2010; do they prefer a permanent or a seasonal residence. The query was replied by 95 % of 100 %; 90% replied that a permanent residence and 10% answered that a seasonal residence is more valued (Annual report 2010).

6.3 Competitors

The information for SWOT analysis is gathered from competitors' websites. Website and website's outlook, promises to customers, how the company is different, channels to sell their products and customer-orientation is estimated as the view of ideal Russian customer for Kastelli.
The ideal customer is a middle class Russian family with 3 to 4 members and a stable economic situation. The family is interested in detached house (100-150m2), which is ecological, guaranteed, energy efficient and has a suitable price.
Turnover of the companies is not given. All conclusions are made by website.

TK DOM

Strenghts	Weaknesses
- Modern - Promising and good reputation - Sellls house packages - Guarantees 5 years from every built house - Customer-oriented - Distribution channels - Customer relationships - Market position	- Only big houses - High prices for middle class family - Lack of new products (ecological and energy efficiency)
Opportunities	**Threats**
- Opportunity to expand their business and get more clients - Competition weaknesses - Sales - Products - Market position for growth	- Competitors from Europe with better knowledge - Market position - New technology - Falling Sales - Cash flow - Financial resources

Table 2: SWOT analysis of TK Dom

Reliability, availability, ecology of houses, quickness in building, energy efficiency and perfect quality of the material are promised by TK DOM. The customer-orientation is taken into account; the planning process is made with customer, possibility to visit the design factory and to visit the construction site to assess the quality of construction and assembly.
TK DOM is known as an old company and over 9 years' experience in particular industry. Every built house is guaranteed for 5 years by the company and it is announced more than 200 satisfied customers, 3000 square meters of production space warm, protection from the weather, cooperation with Swedish production facilities.
High quality and excellent customer servant is promised by TK Dom. The company is holding a competitive advantage of being local. The promising outlook is given by representative and up-dated website.
Detached houses are huge and pricey so those are not bought by middle class families.

HAUS-KONZEPT

Strengths	**Weaknesses**
- Promising fast building - Distribution channels - Customer relationships - Market position	- Confusing website - Many different segments for confusing the customers - Lack of new products (ecological and energy efficiency)
Opportunities	**Threats**
- Segments that have benefits - Competition weaknesses - Focusing on brand - Sales - Products - Market position for growth	- Uncomfortable website for customers - New technology - Falling Sales - Cash flow - Financial resources

Table 3: SWOT analysis of Haus-Konzept

The well-known company is founded in German and has expanded their business industry to Russia. Their distribution channels and selling methods are not to be found from website. 2 types of houses are offered; complete detached houses and complete construction set for house. Three different types of price range are included for each house. The complete house as an example:
BASIC, 11,300 rubles for 1 m2
COMFORT +, 13 500 rubles for 1 m2
BUSINESS, 16 500 rubles for 1 m2

Haus-Konzept is awarded company for the 1st place in the best detached house construction project implementation (2010) and for the use of innovative technologies in detached house building industry (2011).
Houses are measured from 87m2 to 330m2, so smaller families are taken into account as well. Guarantees are not mentioned.

DITRICH DESIGN

Strengths	**Weaknesses**
- Local company - Offering architecture - Distribution channels - Customer relationships - Market position	- Confusing website - Website is not updated - No selection, example houses, prices - Lack of new products (ecological and energy efficiency)
Opportunities	**Threats**
- Different company - Boarder applications - Sales - Products	- Uncomfortable website for customers - Too modern and expensive for middle class families - Market may not need these kind of companies after increasing middle class - New technology - Falling Sales - Cash flow - Financial resources

Table 4: SWOT analysis of Ditrich Design

The company is founded in 1991 and located in St. Petersburg. Individual architecture as customer prefers is promised on website, which are not only confusing but also null and void. List of detached houses are not available on website. The company is divided into three departments:
House manufacturing and assembling
Furniture
Sawn timber and woodworking supplies (e.g. saw or hammer)

NARODNYI DOM

Strengths	**Weaknesses**
- Reasonable prices	- No introduction to the company

- Updates, offers, campaigns - Good website - 3 different house packages type - Big selection - Local organization - Distribution channels - Customer relationships - Market position	- Lack of new products (ecological and energy efficiency)
Opportunities	**Threats**
- Modern, following trends - Opportunity to expand their business	- Western countries organizations with better knowledge of ecological and energy efficiency construction - New technology - Falling Sales - Cash flow - Financial resources

Table 5: SWOT analysis of Narodnyi Dom

The company's original roots are located in Canada and from the similar climatic conditions as in Russia. The company is known as an innovative constructor.
Three types of houses are sold by Narodnyi Dom:
STANDART, 18 000 rubles for 1 m2
OPTIMA, 20 000 rubles for 1 m2
COMFORT, 22 000 rubles for 1 m2
The installing is not included for the price, but the construction material is included.
Updated website with offers and campaigns are given a representative picture of the company. Introduction of the company or guarantee is not mentioned on the website.
A good selection of houses is given.

STS-ECO

Strengths	**Weaknesses**
- Following and focusing on trends - Offering other services as well - On social media, VKontakt - Experience and knowledge of ecological construction - Customer-oriented, local - Market position	- Confusing website - No big selection - 6 different type of house packages

- Customer relationships	
Opportunities	**Threats**
- Social media gives visibility to company - Opportunity to expand their business	- Website - Western knowledge of construction - New technology - Falling Sales - Cash flow - Financial resources

Table 6: SWOT analysis of STS-Eco

The ecological company is located in St. Petersburg. Individual detached houses and specialization in the construction of environmentally friendly homes with high quality of European materials is offered by the modern company.
Ecological industry is linked to the name of the company, STS-Eco. “Customer’s idea is our performance” is advertised as their motto.
All the modern requirements for environmental, statics and building operations in Europe are taken into account by the company. Customer’s ideas are also taken noticed when planning the construction. The cooperation work is made with Germany (Architekturburo Allgayer, AWS Holzbau Aktiv GmbH), Finland (UPM), and Russia (CIS, Grand Line, BRAAS, and Faeton).
It is not given examples of detached houses or guarantee on website.
STS-ECO can be followed on VKontakt, which is a Russian social network.

LESPROM

Strengths	**Weaknesses**
- Offers and campaigns on updated web paged - Big selection of houses with presentations and price ranges - Customer relationships - Market position - Distribution channels	- Confusing website - High and 1 floor buildings - Not ecological or energy efficiency - Lack of new products (ecological and energy efficiency) and services (long-term customer relationship; guarantee) - No normal houses (100m2-150m2)
Opportunities	**Threats**
- Segments that have benefits - Funding - Products - Sales	- Uncomfortable website - New technology - Falling Sales - Cash flow - Financial resources

Table 7: SWOT analysis of Lesprom

The company is founded in 1999 and it is known for its quality. The company does not hire seasonal workers and are relied on professional builders.
The company is known for reasonable prices: an opportunity to work with intermediaries is avoided by company. Offers and campaigns are mentioned on website.
Fast building, professional techniques, permanent workers, available material and 2 years of guarantee are promised by the company.
Normal houses (100m2-150m) are not announced on the website.

6.4 Marketing

Social media (Internet, websites, advertisements) is announced as the most important factor in marketing. Exhibitions, advertising in magazines, advertising on TV, advertising on transport, and advertising on radio are marketed factors as well. TV is watched 6% more in Russia than in Europe and 36% more in Russia than in Finland (SVKK 2009, 149).
Internet (38%), a friend (27%), exhibition (25%), and brochure (23%) are announced as the most important factors in marketing in Finland. Question was asked from customers, whom were building house. Advertisements on TV were only 1 %, and advertisements in magazines were 5 % in Finland (RTS 2011).

6.5 Company analysis: KASTELLI

Kastelli Sales House is an old family business and it has been the best-selling wooden frame company in Finland since 1994. The company is known for innovative manners, ecological solutions, professional employees, high quality, experience of building houses and the most pleased customers during the years. Energy efficiency and technical condition during houses' lifespan is guaranteed by the company. Efforts are invested into services for customers; architecture, professional sellers, building services and over 10 different types of houses and villas. All preferences are taken into account; customer can decide from modern to economy. The timetable of construction is counted for customer so that direction can be given. There are three different packages to buy: basic package, all most ready and ready to move in. Basic information for builders and self builders is given on the websites.

Strengths	**Weaknesses**
- Knowledge and experience	- Unknown
- Old business	- Building regulations in Finland
- Agent Solntse in St. Petersburg	- Customs, taxes
- Following new trends	- Difficulty, risk and costs in transport

- Large selection of houses - Professional sellers - Quality guarantee - Adaptable and growing	- Competitors in area - Market position - Sales channels
Opportunities	**Threats**
- New trends - Knowledge and experience - Increasing sales - Unexpected popularity - New market	- Not able to follow sales from close - No demand - Cash flow - New government regulations - Falling sales and profit

Table 8: SWOT analysis of Kastelli

Position of the Kastelli Sales House in the Russian market is good and promising according to SWOT analysis. The company is known as an old, adaptable, trend follower and professional company from Finland. Large selection of houses with professional sellers and quality guarantee are related to the business as an asset. Long-term customer relationships and satisfied customers are attended by the professional sellers.

The building regulations are operated in Finland to build houses by saving natural resources; houses cannot include too many windows as it is not energy efficient. The regulations are to be followed by the companies, even though the houses would be sold to foreign countries. The regulation is categorized as a disadvantage for Katelli Sales House. Customs, taxes and difficulty in transportation are related to weaknesses; the prices and delivery time are increased. Extra costs are taken by driver's salary, gasoline and insurances in long distances. The company is not known in the market, it does not have experience of the market or the sales channels. The weaknesses can be faced by hiring a Russian professional. Sales channels, marketing methods and market position can be found out in advance.

New trends, knowledge, increased sales, unexpected popularity and new market are desired possibilities for Kastelli Sales House on the market. Finnish ecological and environmental friendliness can be marketed as a breakthrough on the market.

Possible threats can be lack of demand, unable to follow the sales, some regulations for foreign companies, cash flow or falling sales. By locating the company into the market, it can follow the sales and make needed actions on time. Hereby threats can be controlled directly by the company.

Kastelli Sales House may get unexpected popularity and turnover in Leningrad region after economic recession or in predicted time, in 2013.

6.6 Collaborator analysis: SOLNTSE

Kastelli Sales House is assisted by Solntse since 2008. Products for exhibitions and process of sales are arranged by the company. “SOLNTSE”-newspaper is published and almost 50 000 pieces were distributed in year 2008 in Russia. 8 detached houses were sold in 2008 and approximately 25 detached houses were sold in 2009.
Website is updated and carried out of advertisements and campaigns. Representing Kastelli Sales House at exhibitions, to build representative detached houses in commercial area and to open a sales office is delegated to Solntse.

7 Conclusions

In this thesis it was found out that the growing city life and urbanization might be the explanation for low demand of wooden houses. Demand is also influenced by economic recession, buying behavior or rudimentary market situation.
The product adapts to the market and fulfills the needs of the customers: ecological, modern, valuable, guaranteed and energy efficient.
Kastelli Sales House could have an opportunity to effect on sales and marketing by expanding their business into Leningrad region. The market could be regarded by the company and a possibility to sell directly to the customer. The prices of houses would decrease by opening a factory and office in Leningrad region. Hereby taxes, customs or transport would not be needed. Kastelli Sales House could bring a new trend to Russia and be the leader of the market by establishing a subsidiary.
Detached houses can also be sold by changing distribution channels: retailers or wholesaler. The products would be sold by retailers to the customers or by wholesaler to retailers’ along to the customers. The profit for middlemen would increase the price of houses. Marketing methods could not be influenced by Kastelli Sales House and unrepresentative houses might be sold.
Kastelli Sales House is able to wide their business into Nizhny Novgorod region or the Republic of Bashkortostan (Table 1: 6.2.1 demand of constructions in 2011) by collaborator, retailer or wholesaler. The price of houses is increased by profit, transport, customs, taxes and employees.
Kastelli Sales House has several options for improve their business and became the market leader in Leningrad region. It also can wide the business somewhere else than just Leningrad.

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Illustrations

List of illustrations, first line starts here, spacing 1

Figures

Tables

Appendices