



# **STRATEGIC DIFFERENTIATION IN PROMOTIONAL PRODUCT INDUSTRY**

Case: High Peak Finland Oy

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Bachelor's thesis  
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national Business

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**ABSTRACT**

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This Bachelor's thesis was created for High Peak Finland Oy. The company supplies promotional products, gifts and giveaways in the B2B market. This work includes a study conducted on customers' decision making, buying processes and preferences. The objective of this thesis was to create suggestions and recommendations for the management to consider concerning High Peak's strategic direction. As the promotional product industry is highly competitive, the host company expressed its interest in differentiating itself from rest of the competition.

Carefully analyzed study results coupled with known theories and practices were applied into devising concrete advice and recommendations. A vast look on the host company's operations was under consideration in the thesis. The work includes notes and thoughts of development points around different themes.

Conclusions and development suggestions circle around essential themes in High Peak's operations: customer classification, service offerings, sales efforts, website design, and a wholly differentiated strategic direction are discussed in the thesis. These results will be presented to the host company's management.

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Key words: strategic planning, competitive strategy, differentiation

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## 1 INTRODUCTION

High Peak Finland Oy is a Finnish family owned business based in two offices; one in Tampere and the other in Espoo. Founded in 1998 by CEO Jukka Lylykorpi, the company started as an importer of commercial gifts and giveaways.

Today, High Peak Finland Oy employs around 15 people and in 2012 created a turnover of three million Euros. The current form of the company is a supplier of B2B giveaways, promotional products and commercial gifts. The company also supplies several customers with work clothing. High Peak Finland Oy (referred to as 'High Peak' later on) has established itself as a well-known trustworthy supplier with a strong foothold in the field.

The primary goal of this thesis is to solve the research problem: 'How can High Peak differentiate itself from competition through strategy?' A study on customer decision making, experiences and preferences was conducted to get valuable insight on the matter. Based on the study, the author will create suitable improvements and alternative solutions in making the strategy more competitive.

The main objective is to improve or create a new company strategy through careful research and analysis of customer opinions and experiences. Secondary objective could be articulated as gaining important information directly from customer companies that can be applied to company sales efforts

This work includes themes varying from company- and environmental analyses to recommendations and discussions on competitive advantage by implementing a competitive strategy. Throughout the thesis a touch on research results is firmly kept. Some thoughts are solely based on the results, some ideas spring from applying known theories on strategy. A conclusions and discussion part in the end will try to answer all the questions assessed here in the introduction.

## **2 RESEARCH PHASE**

### **2.1 Scope and limitations**

The thesis starts with introducing the research phase, which is later on analysed carefully. This section describes the research periods objectives, process and methods which lead to study results assessed further on in this thesis.

This thesis is created so that the host company can assess their company strategy objectively from the viewpoint of an outsider. The thesis has many different suggestions for improvement; however, they should be carefully thought through and discussed with the author before put into action. Included are ideas for improving certain themes, but also compliments of factors which are already carried out well. The thesis is therefore not a strategy plan itself.

The research included 40 customer companies throughout the country, varying in size from small to large. Several of them are situated either near Tampere, Helsinki or other bigger cities, as they are the main operating locations of High Peak. This leads to the conclusion that the results may reflect the views of companies operating in larger cities. Companies located in other areas may have different views and opinions.

### **2.2 Data collection**

The questionnaire was designed by the author with the input and help of the CEO Jukka Lylykorpi, and an outside business consultant from Aava & Bang Rami Lepistö. A preliminary interview was done with CEO Jukka Lylykorpi in order to get insight into the current and future strategies of the company, but also to form the questionnaire. As the questionnaire took form, it was decided a qualitative research would be most beneficial. As Burns & Bush (2010, 235.) state; qualitative research allows rich insight into consumer behaviour. The final questionnaire then consisted of nine questions, each providing valuable information concerning the topic. Questions circled around themes of customer preferences and values, decision making, overall buying processes and how cus-

tomers choose their suppliers. They were chosen so that a wide image of customer behaviour could be formed, through which High Peak's strategy could then be modified.

It was agreed that the most profitable results would surface through qualitative questions where the respondents could describe their feelings, and answers overall in a more precise manner. Respondents would be more likely to answer an interview, than to fill out an email survey.

Telephone interview was decided due to the qualitative nature of the questionnaire, but also to give the customers a good image of the company, keep costs to a minimum, and to have profound and descriptive answers. Conducting the research via telephone interviews proved to be efficient, as most phone calls eventually lead to interviews. Customers also expressed interest in the company outside the interview and some interviews lead to actual sales as well.

Data collection was divided throughout two weeks of time. The research sample of 65 companies consisted of firms of all size and magnitude; however, a careful selection method defined the list. An even amount of companies were chosen at random; around 20 companies each categorized by total sales volume. Three categories; A, B, and C were implemented here. The customers creating the most sales were included into A category, the second most into B, and the companies creating the least amount of revenue were added into C. Prospective companies were also included into C category. A more defined look into customer analysis and ABC classification can be found later on in chapter 3.2.3. However, the main idea here was to define a large enough sample which would be viable in representing the whole customer population.

### **2.3 Research process**

The actual research process circled around the two weeks of time that the interviews took. The list of 65 companies eventually lead into 40 actual interviews, with four refusals and 21 unanswered. A contact person defined by High Peak's sales personnel was always contacted first. Usually this proved to be the correct respondent, however; some connected the phone call forward to the most suitable person. As the questionnaire was formed in a qualitative manner, it meant that the answers were written down while the

interview was underway. This was done on printed questionnaire documents designed for the purpose. The replies were then afterwards added onto an electronic file for safe-keeping and easier access. The interviews varied from 8 to 15 minutes in duration and no calls were recorded.

No incentive or reward was promised to the customers for answering the interview. However; a high response rate (60%) could have been achieved due to numerous reasons. It can be quite safely assumed that the most probable or distinctive reason is the method; a telephone appointment or interview takes the respondent's full attention and is harder to pass or postpone than an email survey. Several respondents actually reserved time for the interview from their schedule. How well a face-to-face interview could have succeeded, is unknown. It's certain, though, that it would have taken several times more time as the telephone interview.

Afterwards, quite gratefully, the CEO decided all the respondents should be rewarded for their time and input. All customer respondents received a retro phone handset as a gift (Picture 1).



Picture 1. Retro phone handset. (High Peak photo directory, 2012).

### 3 COMPANY ANALYSIS

#### 3.1 Company overview

This section of the thesis focuses on understanding and explaining High Peak's operations, company plans, strategy and policies.

High Peak Finland Oy is a Finnish family owned company, founded in 1998. Situated in Tampere and Espoo, it employs around 15 people. In 2012 it created a turnover of around four million Euros. The company is one of the oldest and well-known companies in the industry due to its long history.

High Peak started as an importer of commercial gifts and giveaways, but customers consisted mainly of retailers. Throughout the years the company evolved, and is now a B2B supplier of giveaways, promotional products, commercial gifts and work clothing. The wide product selection varies from pens, notebooks, and electronic gadgets to clothing, barbeque equipment, and even umbrellas. The selection withholds thousands of products and every week something is added through customer inquiries. (Lylykorpi, J. Appendix 1.)

The CEO Jukka Lylykorpi has seen fit to establish a partner company; Rotor Form Oy to handle a different side of the field. Rotor Form is focused on design products, sports brands and sports equipment, and is currently the only B2B supplier of Suunto watches & heartbeat sensors. Other brands included are Lexon, Wilson and Abacus, for example. Mr. Lylykorpi, while actively involved in Rotor Form's operations, doesn't fully manage the company. Rotor Form's CEO of several years is Sami Eljaala.

A more recent development is a web store for High Peak called PromoXpress. It was created for customers who are looking for a fast and flexible solution and know what they want to order. The service is based on quick delivery times; only one to two weeks at any given time for a wide selection of products. This is a part of their current strategy of focusing on customer service, and creating value for existing customers.



## **3.2 Strategic planning**

Strategic planning defines the company's direction, decision making and resource allocation. It shapes an organization's goals and objectives consistent with the company mission and purpose. Some experts describe strategy as a rational and deliberate process which emerges from experimentation, trial and error. Some place more emphasis on external factors, like the structure of the industry to which the firm belongs, while others place more emphasis on internal factors, like the way production is organized. However, all business decisions are not necessarily strategic; decisions can only be defined as 'strategic' if they involve consciously doing something different from what competitors are doing, and if that difference results in a sustainable advantage. (Porter, M. E. 1996, 8, 10.)

Markides (1998, 252.) reminds that strategic planning should be challenged once in a while. Shifting emphasis towards the 'who' and the 'what' can lead to discovering new customers, products or services.

For High Peak, strategic planning means analytical decision making made solely by the CEO Jukka Lylykorpi. Although, he's not always alone in planning High Peak's operations; outside assistance is sought after in order to find alternative opinions and suggestions. This thesis can be counted as one of such tasks. The following chapters explain how High Peak sees itself in terms of strategic planning.

### **3.2.1 Mission**

The company mission statement consists of a few factors: High Peak is adamant on providing quality products in the B2B market with a wide selection, quick and trustworthy service and delivery. High Peak aims at providing personal service and professional outlook on customer needs and wants. Long-lasting and stable customer relationships are valued high. Flexibility and quality of both products and service are important values for the company.

Current company strategy focuses on complete and quality customer service experience starting from understanding customer behaviour. High Peak wants to differentiate itself

from its competition by evolving from a product supplier into an idea- and solution supplier. Understanding customer companies, their practises, needs and wants makes it possible for High Peak to offer unique service. Often finding out what uses the customer is thinking for the products help in visioning additional suitable products or alternative ideas. This is something High Peak wants to offer. (Lylykorpi, J. Appendix 1.)

### **3.2.2 SWOT analysis**

A SWOT analysis is commonly used in marketing and strategic planning in general. It is a method for identifying an organization's strong and weak points both internally and externally. SWOT stands for Strengths, Weaknesses, Opportunities and Threats. External environment consists of opportunities and threats; changing customer bases or tastes, newly introduced taxes or policies, for example. Lowering prices, introducing new features, customizing a product or providing faster delivery could be ways of discovering opportunities. Internal aspects include strengths and weaknesses, both which are directly traceable back to the company. Limitations in staff, technology, facilities or communication can all be described as weaknesses. Naturally, on the opposite side knowledge, technology, facilities, product or service quality, distribution channels, and able management can be seen all as strengths.

It is imperative for a company to analyse its own position; strengths and weaknesses both internally and externally. Strategic planning should include plans for improving weaknesses and eliminating threats; and conversely building up strengths and discovering opportunities. (Kotler & Armstrong 2010, 77-78; Kotler & Keller 2012, 70-72.)

This SWOT matrix below (Figure 1) is an analysis of the host company. It demonstrates the most important factors affecting High Peak both internally and externally:

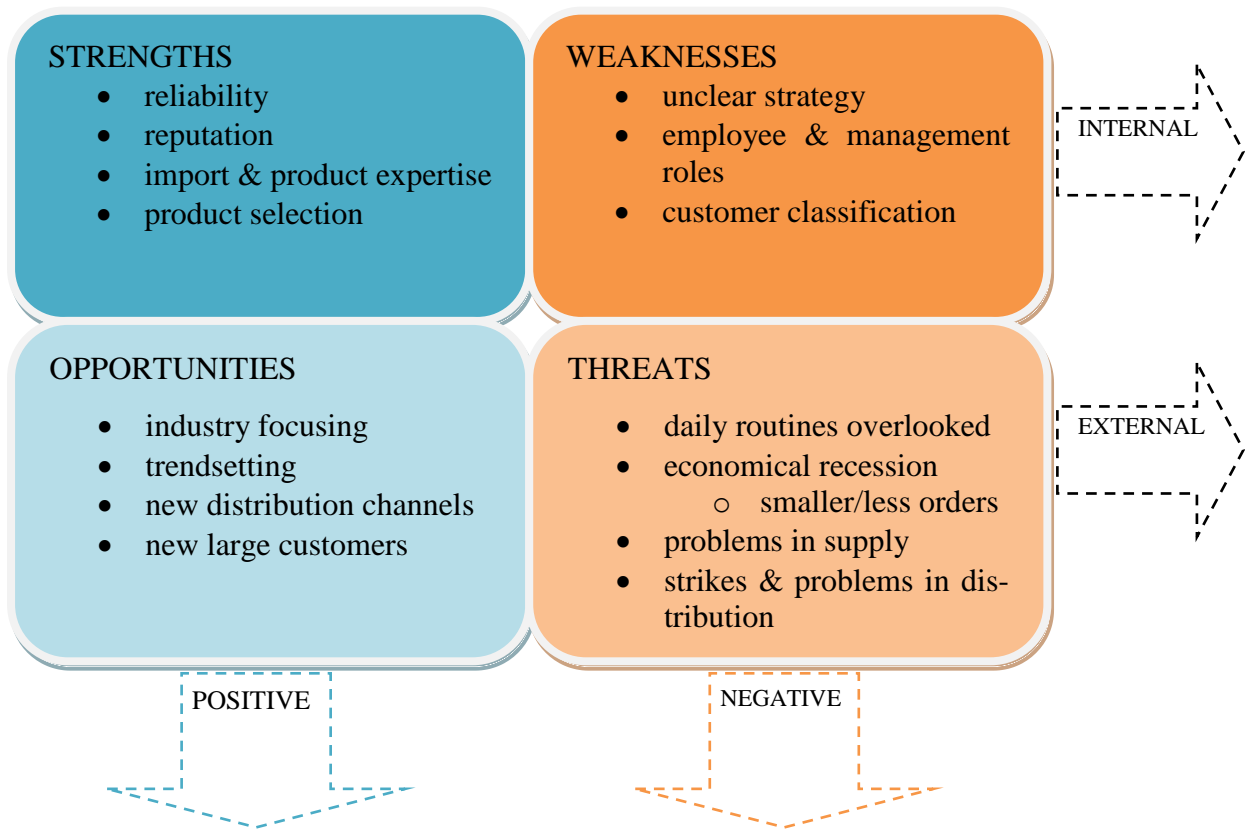


Figure 1. SWOT analysis.

The analysis shows that the positive column includes factors such as reliability, good reputation and knowledge. In opportunities, it's possible through setting new trends with innovative products, and acquiring important large customers from companies falling out of the competition to improve High Peak's position in the field.

However, the negative column implies some concern. As High Peak is currently in a developing stage; moving from smaller to larger in size has brought some confusion in terms of employee roles and moreover; strategy. According to Lylykorpi (Appendix 1), a danger of daily routines being overlooked is of the concrete concerns. This is also due to confusing roles and responsibilities of both staff and management. External threats consist largely of economical factors, which have already had an effect. Further on in this thesis, there are recommendations on how to implement a working strategy in order to prepare for such difficulties.

### 3.2.3 Customer classification

The SWOT matrix in the last chapter also identified customer classification as a weakness. This chapter explains why.

High Peak uses a customer classification mode which divides the customers into five different categories. Based on stars, a five-star rating is given to customers with the largest sales volume or potential sales volume. Conversely, a one-star rating is for companies that only bring minute revenue in form of sales. This rating system is rather unorganized and doesn't draw a difference between actual customers and prospective customers. Therefore, a five-star rated company might have not placed a single order. This system makes it difficult for the management and sales personnel to objectively visualize which companies actually are the most important and require the most focus. The rating policy is wholly based on the electronic management and client system eKansio.

In ABC classification, three or more classes for customers are identified. While the method is often used in inventory management, in customer classification it divides an organization's customers into categories based on their importance. Customers in A category are the most valuable and bring in the most revenues. Conversely, customers in B and C categories gradually bring in less revenue and are therefore less important. It must be granted, though, that use of time and resources should be considered as well when ranking customers. For High Peak then, implementing the ABC classification could provide a valuable base for maintaining relationships, making sure the most important customers are kept happy, and so that employees know which customers to focus on. Special services could be provided just for companies with the A-classification, for example: more flexible payment conditions, faster delivery, smaller sets, customer events and so on. (Sakki 2009, 168-170.)

Client classification also allows for closer inspection of the customers. C-class clients often take a lot of time to service; due to late payments, changes in orders etc. Yet they only bring in small volumes of sales. Therefore, it would be ideal for High Peak to make even drastic decisions concerning who they are spending their time on; most of their time should be spent servicing A and B-class clients. A C-classed customer should be dropped if one should become a nuisance.

## 4 ENVIRONMENTAL ANALYSIS

### 4.1 Promotional product industry

This part of the thesis introduces thoughts and ideas based on the research. Customer replies are analysed and recommendations or strategies surface concerning operating in a vast competitive environment. This section starts with identifying how competition is built in the promotional product industry.

The B2B promotional product and giveaway industry is large in size. This is because practically all companies, varying from tiny sole-proprietorships to large organizations use some promotional products. Whether it's just pens and Post-It notes, completely customized outdoor equipment or designer fabrics, most companies feel the need to advertise and promote their business through giveaways and gifts. Today, the selection of promotional products is immense. Anything can be printed with company logos or slogans, and distributed in various different occasions. Suppliers have to stay innovative and find ways to beat their rivals in the industry somehow. Figure 2 below explains how customers choose their suppliers:



Figure 2. Q7: How do you select a certain giveaway supplier?

Out of 40 customer companies, 14 respondents mentioned either pricing or service as the most important factor in a giveaway supplier. 11 interviewees mentioned previous experience with a supplier, making it almost as important. It can be concluded that the competitive environment is driven by price competition, but at the same time companies need to maintain and offer good, quality service. Interestingly, it seems the industry is filled with companies made with the same mould. Most companies share almost identical product offerings, similar pricing, and services. This makes it increasingly easy for customers to change suppliers. Obviously companies possessing some unique service offering therefore have an edge. Companies should realize what their unique features are, and exploit them in acquiring market share.

#### **4.1.1 Competition & Five forces**

This chapter explains how competitive environments are built, and how High Peak should operate in its own industry.

According to Porter (2004, 4.) competition inside an industry is rooted in its underlying economic structure and goes beyond the behaviour of current competitors. Industry structure has a large influence on determining the competitive rules inside the field. These elements combined with forces outside the industry reveal possible strategies and possibilities for companies to aim towards. The state of the competition depends on five basic competitive forces which are unique, but always present in every industry. In layman's terms, this means there is more to competition than just companies trying to increase sales and get a high market share. Different forces affect competition, regardless if they are constantly visible or not. Figure 3 below demonstrates these forces:

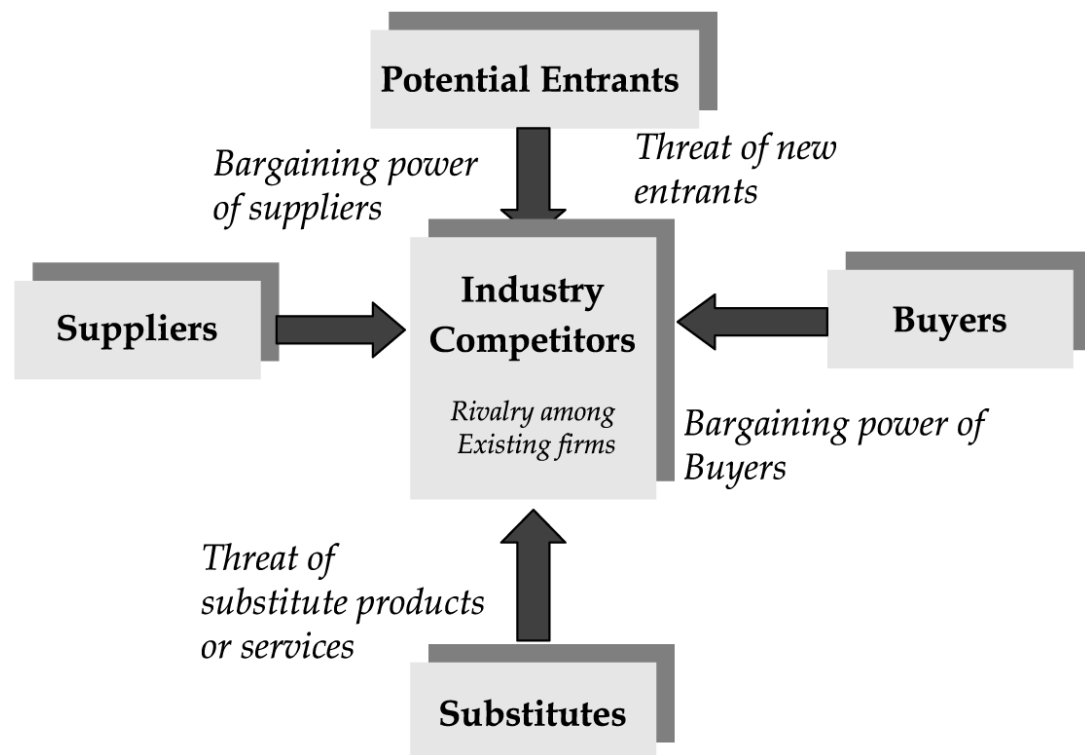


Figure 3. Porter's Five Forces model. (Karagiannopoulos, Georgopoulos & Nikolopoulos 2005.)

As shown in Figure 3, the five competitive forces include bargaining power of both suppliers and buyers, threat of substitutes and new entrants, and lastly rivalry among existing firms. Porter (2004, 4.) states that the goal of competitive strategy for a business unit in an industry is to find a position where the company can best defend itself against these forces or influence them in its favor.

In the giveaway product industry the bargaining power of buyers is a quite large, whereas suppliers normally have only little influence. Threat of substitute services is currently quite low in the industry as well. This leads to the conclusion that the largest forces are rivalry among firms and bargaining power of buyers. Focusing on these two major forces inside the industry, strategies should include factors which give advantage towards both competitors and customers.

Buyers drive down prices through competition, demand better quality or service, and play competitors against each other. These buyer groups, if powerful, can alter the industry structure. Typically in the promotional product industry, buyers have no or little switching costs, and can easily alternate between suppliers. As already established in the above chapter, customers valued pricing and service the highest when selecting a

supplier. Because of this, price competition is, indeed, intense. Most companies have brought their pricing down a notch, sometimes near the limit of profitability. This is one of the reasons High Peak needs to differentiate itself from all competition, thus also creating more returns. After all, it's not beneficial for a company in the long run to compete around boundaries of profitability. The strategic direction most suitable for High Peak is positioning the company in a way its capabilities provide defense against the existing array of competitive forces. (Porter, M. E. 2004, 25.)

In reality then, this means positioning High Peak strategically smart. Realizing and implementing its competitive advantage will create a barrier which protects and absorbs some of these attacking forces present in the industry. Ideas on such positioning can be found later on under section five of the thesis.

#### **4.1.2 Industry evolution**

This chapter sheds light on the promotional product industry evolution and how sales efforts can influence a company's success.

Figure 2 in chapter 4.1 showed also the importance of reliability and sales efforts (nine to ten replies each). According to Lylykorpi (Appendix 1), the giveaway & promotional product industry has changed immensely in the past 15 years. It has developed into a proper sales orientated industry where sales efforts highlight a company's success. The amount of products available has multiplied in an increasing manner every year and industry product selections are huge. Lylykorpi (Appendix 1) concluded with saying he believes the industry will focus increasingly around the big players in the future.

The promotional product industry is roughly in a phase of slow industry growth. It has matured and turned more into a competitive game of market share and position. Such phase has its challenges but also some benefits. In this industry both the entry and exit barriers are rather low, which means new entrants may easily enter, but at the same time others will leave. In this model, few larger players control the industry and smaller ones come and go, trying to get their slice of the pie. This also highlights the importance of sales efforts and quality service. Such environment doesn't have room for sloppy effort. (Porter, M. E. 2004, 22.)



Trends, and moreover demand shapes industries with a large influence. They change with lifestyle changes, tastes, philosophies, technology and social conditions of the buyer population. For example; environmentally friendly products and services have been popular for a few years now in various industries. Trends in need affect single products and companies as well as whole industries. In the promotional product industry trends have a large effect as well. Some products are included in selections and sold constantly, and some products only exist for a brief period but are sold in great numbers. Contrary to popular belief, trends can be created by suppliers as well. This is where sales efforts could pay off. Pushing a certain idea or theme in company sales efforts could start a snowball effect, where few companies display or give new products away; others want to have the same product themselves. (Porter, M. E. 2004, 165-166.)

Figure 4 below supports this assumption. It demonstrates how customers prefer doing business with suppliers; most prefer to contact the supplier themselves and react to sales efforts:

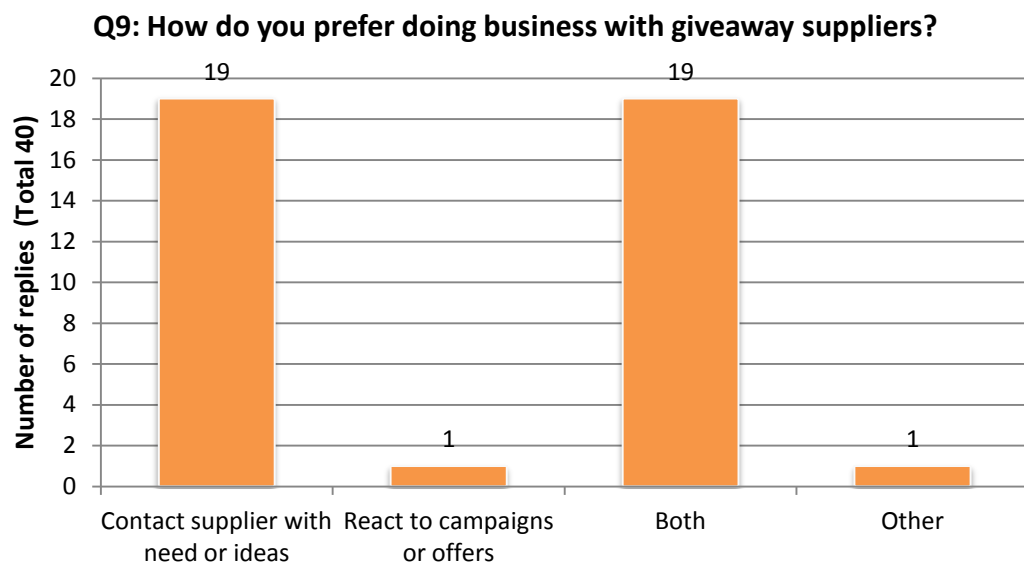


Figure 4. Q9: How do you prefer doing business with giveaway suppliers?

When a large part of the answers include contacting the supplier with an idea and reacting to campaigns or offers, it should be noted that the importance of sales efforts is rather great. Consequently, a focus on communication and sales tactics should be considered. Regardless who makes the initiative, the sales personnel at High Peak should be all able to carry out different sales tactics. Perhaps a resource allocation on employee training is suitable here. Also noteworthy is that several customers admitted to reading High Peak newsletters and campaigns, but still asking for competitive pricing from

competitors. Making sure campaigns and offers actually are competitive or hold some unique benefit should also be on top of High Peak's to-do list.

## 4.2 Customer analysis

This chapter handles the values and preferences of the customers. A detailed look on customer decision making and buying processes is under observation here. In addition, recommendations based on the results are found in this part as well.

One of the research goals was to map out customer decision making, for example; why do they order certain products, what makes a product good, and how do they select a certain supplier. Understanding customer companies and their decision making creates High Peak a possibility for considerable advantage over their competitors. Figure 5 demonstrates how companies use promotional products:

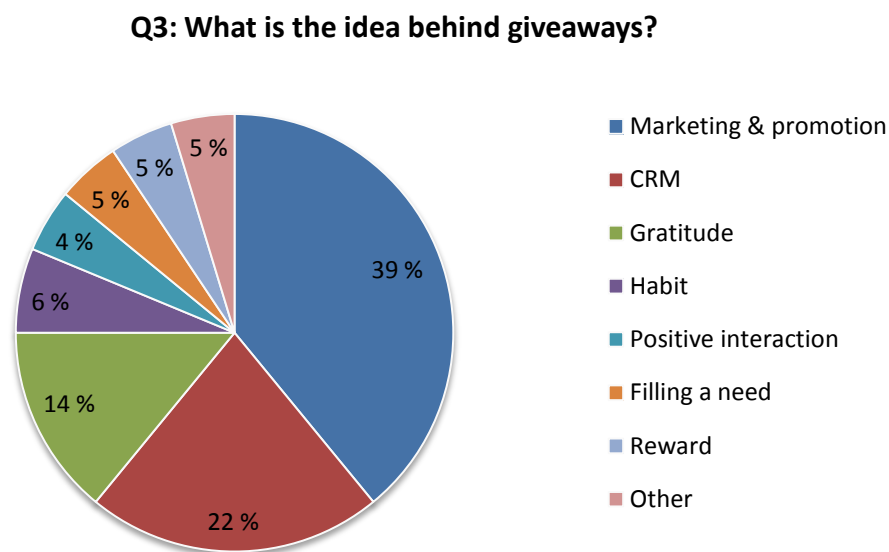


Figure 5. Q3: What is the idea behind giveaways?

As shown in Figure 5, the majority of respondents with 39% of replies feel that marketing and promotional aspects of giveaway products are the most important. This goes hand-in-hand with the traditional thinking of giveaway products. Followed with a large percentage, CRM (Customer Relationship Management) with 22% of replies also falls in the same category. Retaining good relationships with customers also partly compli-

ments the advertising ideology. It also shows that companies are truly concerned with holding on to their customers and want to show that they appreciate their business. This idea is strengthened by the third most popular reply with 14%, gratitude is also one of the main ideas behind giveaways.

Looking at the results from question three, it can be assessed that marketing and promotional aspects coupled with relationship management are most companies' main objectives when using High Peak's products. A second question (Question 6) with slightly different focus was created in order to see inconsistencies and perhaps to receive differing replies.

Looking at the replies in Q6: 'What message or feelings do you want to deliver to the receiver?' it's perceived that the two dominant attributes are positive interaction (24%) and brand awareness (23%). This could be translated as will to create a positive image for the receiver both from the gift itself and the company giving it. Brand awareness, or promotional value is truly a favoured characteristic. Other replies following with 13% and 8% are appreciation and gratitude. These reflect the idea mentioned in the previous chapter; how highly customer relationships are valued. Interestingly, innovation or differentiation neither did receive large support. Apparently, only a small number of companies feel that differentiating themselves from competition and demonstrating innovative thinking is the essential message to be delivered through giveaways.

Before concluding this section, one look at decision making and ordering times is demonstrated here. Figure 6 introduces decision making mechanics in terms of timing, and other influencing factors:

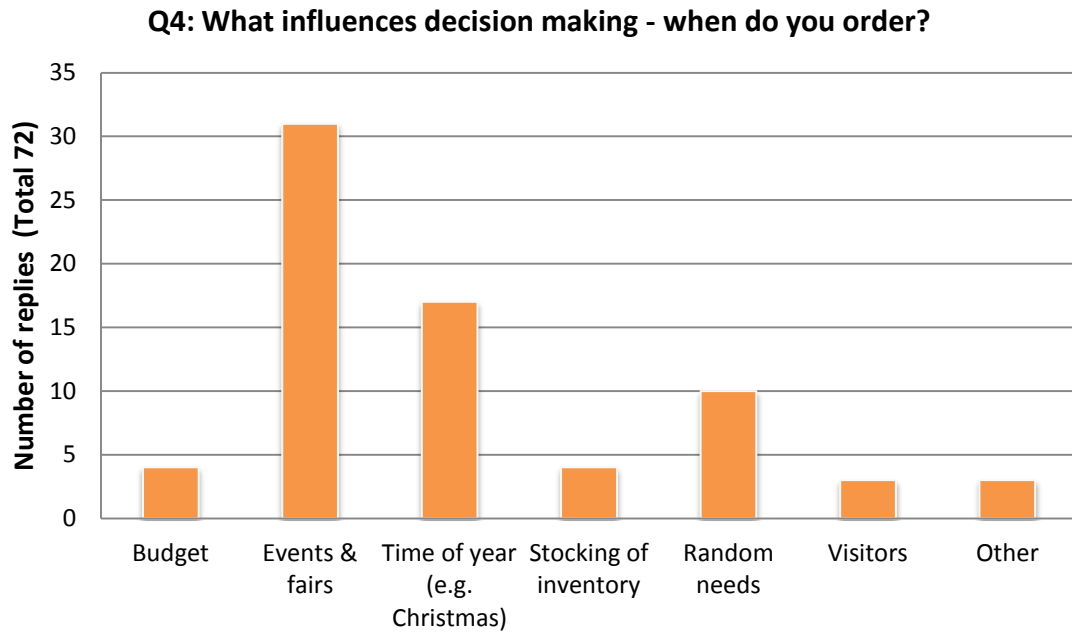


Figure 6. Q4: What influences decision making – when do you order?

In Figure 6, the dominant answer from most respondents was that they order mostly for various events or fairs. Varying from trade shows and exhibitions to smaller events, 31 replies stated that this is the reason most products are bought for. This coupled with the second most popular answer, time of year with 17 replies, themes of marketing and creating brand awareness surface again. Albeit, Christmas is a time of giving, however in business there is always a second idea behind everything. Studying the previous responses it can be summed that advertising and CRM purposes control this holiday as well.

These results also include a hidden suggestion for High Peak to consider. Since events and fairs are predominantly the most important times for their products, why is High Peak not a part of some events themselves? Having a small stand at the largest exhibitions, coupled with a rotation of sales personnel and new innovative product suggestions could boost High Peak's sales immensely. Having ready-made product selections and offers or campaigns exclusively for event participants or guests could be a wise investment. Such sales campaigning wouldn't require lots of resources, or many hours put in by staff. A team of two employees could handle even a larger exhibition or event.

To conclude the section, understanding decision making mechanics is imperative information for High Peak. This information, while not ground breaking or totally unex-

pected, is still valuable in creating a new, more competitive strategy for High Peak. Interesting is, how actual customer responses compare to current strategy and perceived assumptions about the industry.

#### 4.2.1 Values & preferences

This chapter aims at unravelling customer values and preferences. This information is beneficial as it reveals what characteristics interesting products have.

The beginning part of the questionnaire focused on mapping out customer values product-wise. This information is rather interesting and beneficial as the current product selection counts close to five-digit numbers in quantity. Gaining insight on customer preferences would help in designing more precise product offers and campaigns. Figure 7 shows what kind of qualities customers expect from their promotional gifts:

**Q1: What qualities does a good promotional gift have?**

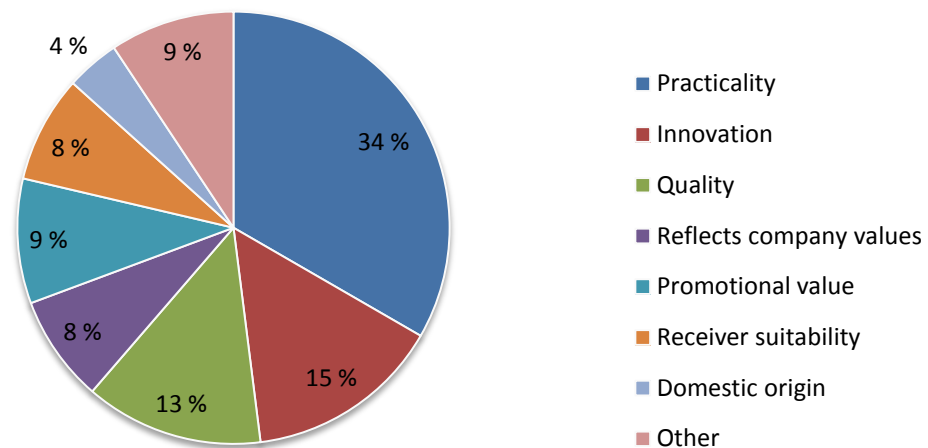


Figure 7. Q1: What qualities does a good promotional gift have?

The leading characteristic for promotional gifts turned out to be practicality with 34% of replies. All of these answers circled around qualities which most could be translated as practicality; important was that the product had some idea or value as a usable item. 15% of replies mentioned innovation, meaning the product should be new or interesting in some way. Third most sought after attribute was quality with 13%. All in all, custom-

ers are expecting a good gift to be practical, of good quality, but at the same time be fresh and exciting.

With similar approach, question two handled giveaways; Q2: ‘What qualities does a good giveaway have?’ Practicality is again the dominant factor, but with a larger percentage; 45% of replies state practicality as important in giveaway products. As in the previous part, innovation comes second with the same 15%. Other attributes with smaller percentages include promotional value, ease of delivery or postage and quality. Interestingly, applying humour (only 3%) in a giveaway doesn’t seem to pay off. It seems that giveaways are so popular these days, it’s less than beneficial to give away products that have little or no practical value to the receiver – companies might be doing more harm than good with lousy giveaways.

Overall then, both promotional gifts and cheaper giveaways have much in common. Practicality is valued the highest; probably because useless items get thrown away – giving a lousy image of the company whose name is printed on it. People are used to receiving items from different events and occasions. Having a product then, which would stay with you, a product that you’d actually use would have immense promotional value. This is definitely something High Peak needs to address in its future strategy in terms of professional service; directing customer inquiries and wishes in a direction which will benefit the customer in the long run. Even though, it sometimes might mean correcting or discussing customer wishes into another direction. Some customers might be offended, if not handled professionally. Naturally, this could also mean deleting items with no or little practical value from their product offering and newsletters. Systematically redirecting offers and selections towards a more exciting and practical direction would keep current customers involved and attract new ones in the long run.

#### **4.2.2 Communication**

This chapter handles the importance of online marketing and communication, based on study results. It reveals how, and with whom High Peak should be communicating with when it comes to customers (or potential customers). The importance of online presence and design is also discussed.

As more and more services are increasingly active online today, it was important for High Peak to get insight into consumer behaviour concerning website usage. The following diagram (Figure 8) demonstrates replies concerning websites:

**Q8: What sort of website would suit your needs the most?**

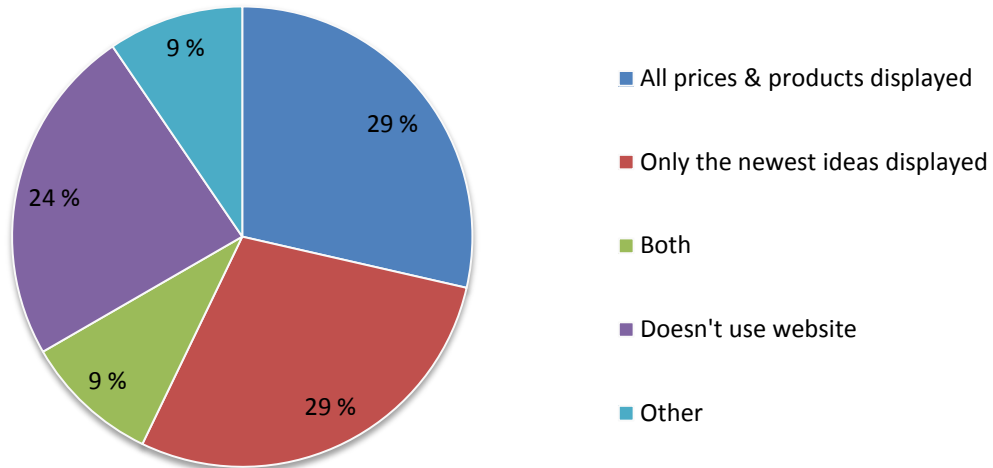


Figure 8. Q8: What sort of website would suit your needs the most?

Results showed quite clearly a division; around one third of respondents would like to see all products and their pricing on the website. One third wanted rather to see new product ideas. Surprisingly, a rather large part, 24% of respondents didn't use the website at all.

These results lead to a conclusion of combining best of both worlds; a website with a section for new product ideas, and a catalogue or a list of the full product selection with a price range. Some respondents also explicitly wished that High Peak's website could be changed into a more user-friendly direction. Based on the authors own experience of the website; search and compare functions should be available as well. This is something many of High Peak's competitors do well. In addition to a website design update, increased focus should be put on search engine optimization. This means when customer use search engines (e.g. Google, Bing) words describing High Peak's services or company would lead them to the website better. Being at the top on search results, could boost up High Peak's sales more than imagined.

However, as many customers don't use the website at all, they are more active communicating, and this should be taken seriously as well. The importance of sales efforts was already handled in chapter 4.1.2, however; a fifth question was conducted to understand who the actual decision makers are (who should be contacted):

Q5: 'Who makes decisions about gifts and giveaways in your company?' With dominant replies (21 replies out of a 52 total) it's easily proved that most companies have decision makers at a managerial level. While not totally surprising, it is noteworthy that a lot of sales efforts aimed at CEO's might be going to deaf ears. Especially in larger businesses this points out that several different branches might all have different decision makers. It would vastly beneficial for High Peak to actively focus its communication more effectively to the correct branch in the decision making tree.

A company called *Sitomo* providing training and coaching for businesses has been working with High Peak for a brief period. One of the key focuses has been communication. Guidance concerning communication includes weekly sessions of analysing employees' experiences and methods, reviewing phone calls, and personal interviews. This sort of training hopefully will boost up High Peak's sales efforts and communication skills in the long run. Questionable is, however; how will the employees welcome such training? A reason for concern also exists of continuity; if the training is not consistent or the process is not followed, employees will quickly fall back to their old comfortable habits. Perhaps rewards or other motivating incentives might increase willingness to improve employee communicating methods.



## 5 COMPETITIVE ADVANTAGE

### 5.1 Competitive strategy

All firms strive for some advantage, something that will grant them the ability to overcome or at least defend competition. Competitive advantage can surface from different attributes; some find advantage from company strengths and weaknesses, some exploit industry opportunities, and some gain advantage by innovating new. (Barney, J. B. 1995, 161.)

This chapter opens up High Peak's strategic decisions, introduces alternative theories and methods, and includes recommendations for change. Based on the results discussed in the previous section, this part is more applied towards competitive strategy. Knowing where to find advantage is an advantage in its own right. Implementing a competitive strategy, however, is a long term road, not a goal.

Porter (1996, 13) believes that deliberately choosing a different set of activities to deliver a unique mix of value makes companies different, thus implementing competitive strategy. Being different often brings its benefits, but also disadvantages as well. Finding a direction for High Peak, which differs from the mainstream industry, is an interesting predicament. The task requires understanding of how to operate in a competitive environment and how competitive strategies are formed. High Peak's current strategy is already aimed towards differentiating their service offering; professional service with customer wishes always first in mind. However, fully committing to a certain strategy is yet to be decided.

In coping with the five competitive forces mentioned before in chapter 4.1.1., there are three generic strategies, potentially leading to competitive advantage over others inside an industry. These approaches are explained below. (Porter, M. E. 2004, 35.)

### 5.1.1 Cost leadership

Cost leadership is defined as having the lowest cost for operating in an industry. Traditionally, this means construction of efficient-scale facilities, cost reductions in most areas, avoidance of marginal customer accounts, product redesign, and other cost minimizing efforts. Having a low-cost position enables a company to receive higher returns, and effectively protects against competitors in cases of price competition.

Achieving such a position often requires a high relative market share or other similar advantages. Unfortunately, as the strategy may require heavy investments, it could yield large start-up losses. These losses would be regained as higher returns later on, given the strategy is properly implemented. (Porter, M. E. 2004, 36.)

Figure 2, which was already analysed before, supports this idea. Low operating costs eventually mean lower pricing as well. Pricing was the leading factor in choosing a supplier:

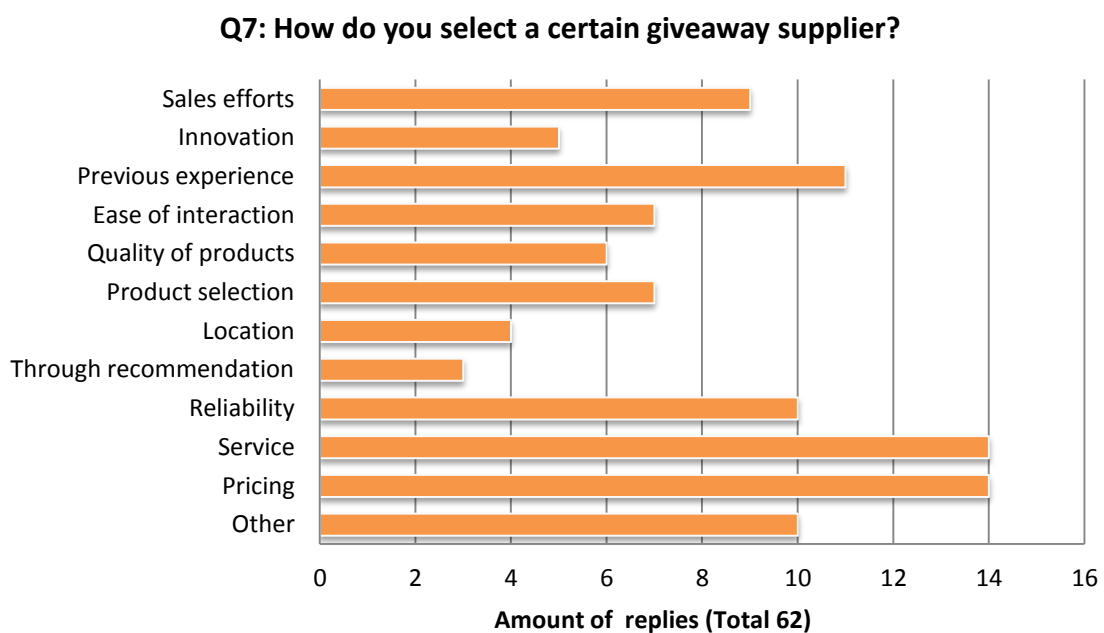


Figure 2. Q7: How do you select a certain giveaway supplier?

As the cost leadership strategy relies heavily on minimizing costs of operating through scale of production, such strategy is hard to implement for a business that provides a service instead of producing anything. Using a different point of view, cost leadership in the giveaway product industry could mean creating exclusive relationships with product

suppliers, delivery companies and couriers, freight and warehousing deals, and minimizing all useless expenses that come from everyday operations.

Cost leadership has several good guidelines, but it would be more beneficial for High Peak to consider a different strategy, but absorb the applicable parts of cost leadership strategy; most importantly to have managerial attention to cost control.

### **5.1.2 Differentiation**

The second strategy is based on differentiating the product or service offering so that it is unique in a certain industry. Ideally, differentiating happens through several dimensions. It involves knowing the customers well and being able to provide special services they cannot get from a low cost provider. The uniqueness can come from several sources; design, brand image, features, technology, customer service or other factors.

Porter (2004, 37) argues that if achieved, differentiation enables a company to fight against the five competitive forces as it creates a defensible position through above-average returns. He also stresses that the strategy doesn't allow ignoring costs, but rather that they shouldn't be the primary concern.

Holding a high market share could be seen as a problem when it comes to achieving differentiation. As the strategy requires a perception of exclusivity, it's incompatible with high market share. This is luckily not a threat in High Peak's case, as the company hasn't achieved a high market share yet. (Porter, M. E. 2004, 38.)

In a service industry like the one High Peak operates in, cost is not the only factor motivating customers. Like assessed in chapter 4.1 (and Figure 2) earlier in this thesis, service was ranked the highest along with pricing. This thinking goes hand-in-hand with High Peak's current strategy of providing professional and wholesome service. Tailoring service directly to each customer section could be the key factor here. As focusing on differentiation will not directly raise costs, but will not lower them either, the competitive advantage would come from each sales person focusing on knowing their customer better than anyone else, thus providing unique service.

The target here could be for High Peak differentiating itself from competition by establishing a unique service palette, which is similar what they have been already doing. Introducing new elements into High Peak's service could make customers change their supplier more easily. Such elements could be, for example, each sales representative familiarising themselves with all of their A-classified customers, so that they know exactly what to offer them. Sales pitches would be high-tuned to their wishes and expectations instead of offering the usual. A totally new form of service is introduced later in chapter 5.2.

### **5.1.3 Focus**

The final generic strategy is focusing on particular group, segment, or market. The previous two strategies aim at achieving an industry-wide objective. Focus strategy, however, is constructed to service a certain target well. The idea is having a narrow strategic target, which is easier to service and provide for. This brings advantage over competitors who try to service the whole industry. The strategy is very suitable for smaller companies struggling to fight against bigger players in a market. It's possible to achieve above-average returns through focus as well; a low cost position with the strategic target or high differentiation. (Porter, M. E. 2004, 39.)

Porter (2004, 39.) feels that focus strategy does however imply some limitations on market share. It provides a trade-off between profitability and sales volume. Eventually broadening a service to provide for more companies will change the strategy's core.

In High Peak's point of view, focus could be a viable strategy, but also a bold move as it could mean losing some customers. Depending what the focus is on, some customers could still be left outside of it. For example: focusing on larger customers and companies only, creating large ready-made product sets or selections with company image could work as a focus strategy. This would mean not serving, or poorly serving smaller companies or companies with smaller inquiries.

## 5.2 Blue Ocean strategy

This chapter identifies an alternative strategic planning method. It's introduced here to demonstrate the importance of looking across industry boundaries, which in the promotional product industry are quite clear and visible.

The term 'blue ocean' originates from the thinking that businesses – virtually the whole market universe is composed of two oceans; red and blue. Red oceans consist of all industries known today. Conversely, blue oceans are the unknown; an untapped market space. Some blue oceans are entered from within the red oceans by expanding industry boundaries. The rest are merely ventured into by innovating something new. Blue oceans, while mostly still uncharted, are unbeatable in the search for opportunity as no competition exists. Granted, when a new company or idea emerges, others are quick to adapt and copy, but in the blue oceans rules for competition aren't set yet. (Kim & Mauborgne 2005, 4-5.)

Kim & Mauborgne (2005, 4-5.) feel that while the blue ocean strategy could bring enormous benefit, few companies have the courage to strive for it. This is strange as many industries known today started as blue ocean companies, if the term had existed back then. The automobile, for example, was considered strange, crude and unlikely to catch on as a concept. Then again, some industries still in great effect today might not exist at all in 50 years. Companies operating today should feel some compulsion then, to venture out of the red ocean and try and create something different in order to create value and advantage.

According to Kim & Mauborgne (2005, 47-49.) reconstructing market boundaries is imperative in order to break from competition. Managers should systematically look across these boundaries; look across alternative industries, customer segments, and service offerings. This idea put into practice could be what High Peak has been looking for. Crossing the boundaries between promotional product suppliers and advertising agencies or marketing companies could mean High Peak would be able not only to provide products and ideas, but also design and visualize customer brand imaging. Being able to design the outlook for an advertising campaign, for example, means High Peak would make some advertising agencies relatively irrelevant. Having a complete service offering in addition to providing products supporting marketing efforts would make

High Peak unique in its field, and turn the competition around. This idea could be surprisingly easy to execute; hiring an art director paired with an able copywriter would make High Peak a one-of-a-kind agency. Or perhaps a current sales representative possesses hidden writing skills, which could be harnessed here.

Usually the setting is the opposite; marketing and advertising companies are able to provide giveaways and promotional products as well, through suppliers like High Peak. However, companies who don't wish to invest largely on such activities (especially small- and mid-sized companies) could buy the equivalent service straight from the giveaway supplier. Service offering including both the design for an ad campaign or new company image coupled with fresh giveaways and promotional products is a complete service which would most probably suit well into the market.

This suggestion supports an essential part in blue ocean strategy formation: value innovation. It emphasizes the pursuit of differentiation and low cost. Eliminating factors that are taken for granted in the industry lowers costs, and creating something that has never been offered before offers unique value to customers. Value innovation is achieved by a combination of utility, price and cost. (Value Innovation, 2013.)

## 6 DISCUSSION AND CONCLUSIONS

The research revealed useful and even surprising information at times. Most importantly, this kind of information is essential for High Peak's development. With the help of this thesis, High Peak's management can assess and consider different directions for future strategies. In this conclusive section, essential themes, criticisms and suggestions are revised.

As agreed earlier, customer service experience is vital in this industry. Implementing the ABC customer classification could provide a valuable base for maintaining relationships, making sure the most important customers are properly cared for. Something to consider are special services, which could be provided just for companies with the A-classification, and carefully reconsidering C-classified clients' position and importance.

A clear theme highlighted from research results was the importance of sales efforts and communication. Actively promoting certain ideas or themes in company sales efforts might actually create trends in certain customer segments or industries. Coupled with ready-made campaigns and product selections tailored for exhibitions and fairs with High Peak physically present could be immensely successful.

In terms of competitive strategy, differentiating High Peak's service offering seemed like the viable route for competitive advantage. Professional service could be developed in the direction of advising customers, giving recommendations and creating customer-specific selections, instead of merely answering inquiries with simple offers. Differentiating doesn't have to end there, however. Perhaps the most drastic change for High Peak could be widening the service across familiar industry boundaries. This would mean High Peak would be able not only to provide products and ideas, but also design and visualize customer brand imaging; creating a different market space where the lines between advertising agencies and promotional product suppliers turn gray. A completely redefined service offering could attract a whole new group of customers, and/or conversely strengthen current relationships.

Another concrete improvement suggestion surfaced when discussing online marketing and websites. High Peak's problematic Achilles' heel seemed to be its website. Redes-

igning it towards a more user-friendly direction could be vastly rewarding. Suggestions included sections for new product ideas, list of the full product selection, search and compare functions. Increased focus should be put on search engine optimization as well, after all; online search results are vital to success.

High Peak is an able small company. Smart moves and committed decisions will lend wings to a successful future. This thesis recommends this direction should be started with implementing a competitive and agile strategy. Ambitious and aggressive strategic manoeuvres won't necessarily lead to instant success. Nevertheless, understanding the objective, and means to get there, will eventually pay off. As mentioned once before; competitive strategy is a road managers need to follow, not a goal. Understanding there is no ultimate winner's podium in business is no self-evident truth; each entrepreneur needs to realize it on his/her own.



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## APPENDICES

Appendix 1. Interview of High Peak Finland Oy CEO Lylykorpi, J. 2013. Interviewer Muranen, A.

1. Miten ala on muuttunut viimeisen 15 vuoden aikana?

*Ala on muuttunut huomattavasti ammattimaisemmaksi ja totisemmaksi. Työ on ihan oikeata myyntityötä. Tuotteita on tänä päivänä moninkertaisesti enemmän ja valikoimat ovat suuret. Uskon, että ala tulee vielä keskittymään tulevaisuudessa suurten tekijöiden ympärille.*

2. Mikä oli High Peakin strategia alussa?

*Alussa toimimme maahantuojana muille liikelahjatoimittajille. Tämä asettelu onkin nykyään sitten toisinpäin, eli jälleenmyyntiä on vain pieni osa enää toiminnastamme.*

3. Entä millainen se on nykyään?

*Olemme liike- ja mainoslahjojen kokonaistoimittaja. Pyrimme palvelemaan aina mahdollisimman laajasti asiakkaita, ja panostamme palvelun laatuun.*

4. Miksi tämä strategia on valittu?

*Haluamme erottaa itsemme tuotteen myyjästä ratkaisujen ja ideoiden myyjäksi. Yritämme ymmärtää asiakkaan toiveita ja koitamme jopa kartoittaa tuotteen käyttötarkoituksen.*

5. Mitä ovat High Peakin vahvuudet?

*Vahvuuksiamme ovat mm. koko (mikä tuo luotettavuutta), hyvä maine, maahantuontiosaamisemme, sekä tuoteosaaminen. Ammattitaitoinen henkilökunta mahdollistavat nämä.*

6. Entä mitkä heikkoudet?

*Juurikin tämä strategian selvittäminen ja parantaminen. Olemme siirtymävaiheessa pienestä tekijästä suuremman kokoluokan yritykseksi ja se oma suunta on hieman vielä hämärän peitossa. Myös roolien selvittäminen on*

*työn alla. Mikä on minun roolini yrityksessä? Myös vaarana on päivittäisten ruutujen ”väliin putoaminen”, eli ettei niitä laiminlyötäisi.*

7. Miten taloustilanne on vaikuttanut liikelahja-alaan? Entä High Peakin toimintaan?

*Alalta varmasti muutamia tippuu pois, toivottavasti emme kuitenkaan me. Meillä on ollut nyt iso satsaus pääkaupunkiseudun toimintaan, ja toivomme, että aika on oikea. Tilauksissa huomaa kuinka päätöksenteko venyy, tilatut erät ovat pienempiä ja ne tehdään usein aivan viime tipassa. Tämä muihin tekijöihin yhdistettynä johtaa hintojen tippumiseen, mikä tietysti on meille pahasta.*

8. Missä High Peak on 5 vuoden päästä?

*Meillä on tavoite vuodelle 2017 tuottaa 6 miljoonaa euroa liikevaihtoa. Henkilökunnan koko pysyisi samana. Olemme hakeneet muualta alan osaamista sekä valmennusta. Luulen, että muutamilla hyvillä isoilla asiakkuuksilla sinne päästään.*

## Appendix 2. Interview questionnaire.

1. Millainen on yleensä hyvä mainoslahja?
2. Entä jakotuote?
3. Mistä lähtee ajatus lahjaan?
4. Mikä vaikuttaa päätöksiin milloin lahjoja hankitaan?
5. Kuka päätöksen tekee?
6. Mitä lahjoilla pyritään viestimään tai millaisia tunteita herättämään?
7. Miksi valitsette tietyn liikelahjatoimittajan?
8. Millainen nettisivu palvelisi teitä parhaiten?
9. Miten haluatte, että teitä palvellaan?