

Saimaa University of Applied Sciences
Faculty of Business Administration Lappeenranta
Degree Programme in International Business

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Marketing Mix and Differentiation. Case Company X

Thesis 2014

Abstract

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The purpose of the study was to examine a new market area and possible obstacles and opportunities. The objectives were to analyse the internal and external environment by means of SWOT and PESTEL analyses, as well as competitor value curve analysis. In addition, the marketing mix concept was investigated and differentiating features were extracted. The study was carried out in cooperation with Company X, which is a women's apparel store, established more than one hundred years ago in Germany.

Information was gathered from literature, Internet resources, personal meetings with the company's representatives and business negotiations. The literature review was based on secondary data, including books, magazines and electronic libraries. Data for the empirical analysis was collected from the Company's documentation and primary data, as well as secondary data from the resources above.

As a result of this study, a location for Company X's branch was found and renting agreement was signed. Probable threats and difficulties were analyzed, and the potential competitors were mapped. Also, differentiating characteristics for the shop were identified, in order to distinguish from the rivals and not to suffer from their pressure.

Keywords: Positioning, Competitor analysis, Location, Differentiation, Target group, Strategy, Distribution, Pricing

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1 Introduction

Establishment of something new is always a fascinating and interesting task. Therefore, when Company X suggested to participate in opening a new store, the topic for the thesis was created. The thesis is written in cooperation with Company X, which is a women's apparel store, established more than one hundred years ago in Hamburg, Germany. Nowadays the company has many branches all over the world operating on a franchising basis. One of the franchisees, which is located in Russia, is planning to open a store in a new market in Helsinki, Finland. So, when Company X offered a project to investigate the new market and analyze the possibilities to open a shop in Helsinki, the work began.

The thesis considers theoretical concepts of marketing strategy, differentiation features and marketing mix, including place, price, production and promotion. In addition, the empirical part covers Company X's marketing mix analysis, as well as PESTEL, SWOT and competitor analyses, and the results of the investigating work.

1.1 Objectives and background information

The initial purpose of the study is to help the case company to expand its business by means of preparing a marketing mix analysis, learning about the competitors, and finding the differentiation aspects.

Company X is a clothing brand located worldwide. The story of the company started with knitted pullovers. Today, in addition to its outstanding competence in knitwear, the brand features a broad range of fashion items for trendy and quality conscious women.

The Russian franchising branch was founded in 2010 as an independent subsidiary. The representatives of this subsidiary want to investigate the data about the potential market. In the nearest future, there are possibilities to expand the business into Finland, the Helsinki region. The main goal of the thesis is to analyze the possible obstacles and opportunities before entering the new market, and to study the marketing mix 4P's for this store. In other words, the task is to

assist the store to eliminate the basic mistakes in the expanding process; to get to know the surrounding, the potential segment's tastes and expectations; and identify the distinguishing characteristics for the potential customers.

It deserves to mention that the product in this study is the shop, and not what the shop sells. Certainly, the commodity plays an important role in the analyzing processes, but not a central one.

Therefore, a detailed consideration will allow the store to start the business in the new area with knowledge of the local nuances and preferences, to allocate the costs in a competitive way, and to sell and create profit.

1.2 Delimitations of the study

The research will contain a marketing mix analysis, considering price, place, product and promotion from the theoretical and empirical points of view. For a better understanding of the rivals' behavior and the store's own performance in the market there will be SWOT and PESTEL (ESTE) analyses prepared. These will be considered only from the practical points of view. The study is mostly focused on the economic and sales issues, and thus political and legal parts will be eliminated. The prices for the products will be analyzed and compared with the competitors' ones, as well as discussed in the thesis work and suggested to the representatives of the company. However, there is no legal basis to set the price without the owner's permission.

1.3 Research questions

The main research question is "How to plan a successful expansion of the business to a new target market?" The sub-questions that support the investigation process are the following:

- What makes the product unique?
- What is positioning in the new market?
- How does the product differ from the competitors' products?
- Why should the customers buy a certain Company X's product?

- What are the obstacles and benefits for Company X establishing operations in the Helsinki region?

1.4 Theoretical aspects and models

The major goal of the theory part is to introduce the marketing concepts that will be subsequently applied in practice. These are marketing mix, marketing strategy, value proposition, positioning and differentiation.

Marketing mix model will include a detailed interpretation of the following aspects:

- Product, where the customers' expectations for the product, the appearance and quality of the product, possible warranty issues; customer service and support will be discussed. The target is to answer the following questions as well: What features should the product have in order to satisfy the local customers? How to differentiate the goods from the rivals' products?
- Place, a precise statement where to locate the store and produce the best sales results, choosing between a shopping mall and a separate boutique; whether to use online sales, catalogues, or direct sales; how to assess the right distribution channels; sales force service; which kind of channels to use; storage and logistics.
- Price, where the following issues will be considered: the ideal price which the customer is ready to pay and the seller is ready to obtain; pricing strategies and gaining the market share; financing and allowances.
- Promotion, how and when to get across the marketing messages to the target clients; which methods of reaching the customers to use in an appropriate mode (TV advertising, press releases, radio, billboards, word-of-mouth, public relations); and finding the time for the right promotion program.

The marketing strategy chapter will reflect the consideration of how to achieve the balance between resources, costs and sales, and setting a sustainable competitive advantage.

The differentiation chapter defines the company's benefits of its products and services. Therefore, this chapter is aimed to find the uniqueness of the product and then to turn it into the customers' wish to buy.

In the modern society with a broad offering of everything we need or want, just being aware that a certain product exists is not enough to force people to purchase the product. Thus, the ability to show the actual difference is a crucial factor in a buying decision. Thereby, much attention will be paid in the study to positioning and differentiation aspects. Positioning is a statement that points out the target segment and the ways to achieve this segment; the competitors and the methods of being different from them; the customers and why they should purchase exactly one product instead of another (Lilien & Kotler 1983).

1.5 Research methods

The references include data sources such as the books, internet pages as well as personal meetings with the shop's representatives. Thus, the research comprises gathering the needed data from the resources and a deep analysis of this information. In order to obtain empirical data, the thesis presents the observations from business negotiations with local representatives. In addition, empirical data is obtained by means of analyzing e-mails and personal communicating during the spring period 2014. Therefore, the study provides reliable and valid information.

2 Marketing strategy

When learning about a business company, one may hear about its strategy, vision, mission, and goals. There appears the question – what is strategy? Is it important for a company to follow it? Does it refer to the company's financial results?

Let us consider the basic concepts. Vision is a statement of what the company will be in the future. This statement defines the firm's long-term desires, aims to accomplish customers' future needs and wants. Mission, oppositely, explains the company's present values and purposes. Marketing strategy implies plan-

ning the actions to create and sell a product or service. Marketing strategy can be viewed through the lenses of marketing mix and its four elements: uniqueness and differentiation, target audience, pricing policies, positioning and location, branding and image. (Ashe-Edmunds 2014.)

Figure 1 below illustrates the connection between the main organization issues.

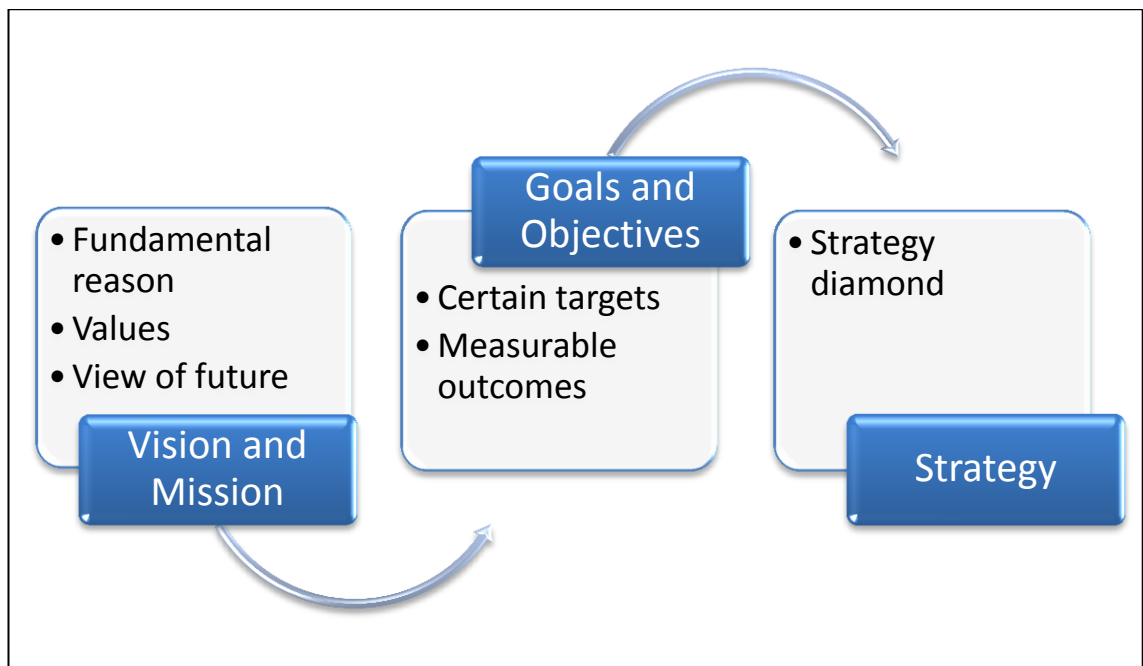


Figure 1. Vision, mission and strategy (Carpenter & Sanders 2007, p. 71)

According to Carpenter and Sanders (2007), strategy is the coordinated means by which a firm achieves its goals and objectives. In other words, the company plans and sets the aims in order to create a sustainable business for a long-term period.

Strategy consists of five elements, and they can be reflected as a Strategy Diamond, as shown in Figure 2. The aim of this concept is to ensure the strategy is able to answer the questions that are critical when doing business, and formulate and implement a strategy (Carpenter & Sanders 2007, pp. 38 - 41).

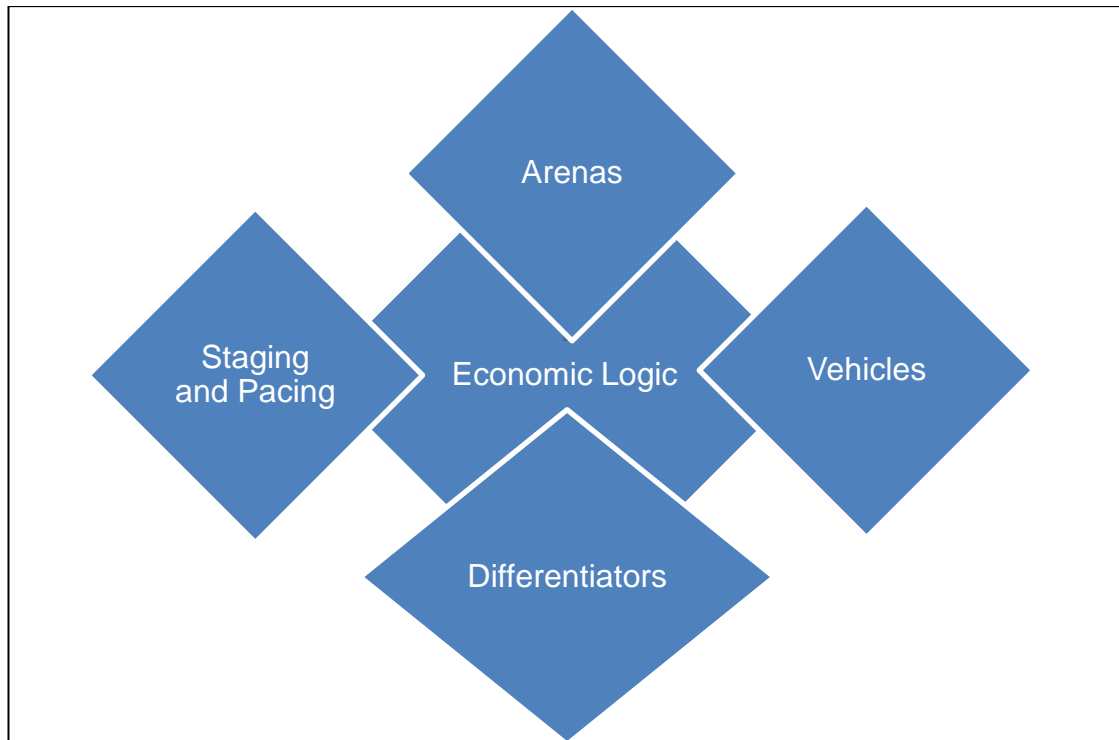


Figure 2. The business strategy diamond (Carpenter and Sanders 2007, p. 39)

According to Carpenter and Sanders (2007, pp. 38 - 41) arena means all the activities in which the firm takes part – product categories, distribution channels, market segments, core technologies, and so on. The main question is “Where will we be active?” Vehicles imply all the methods to enter and participate in the arena. The main question is “How will we get there – by means of acquisition, franchising, or internal developments?” Differentiators are the features that distinguish the organization from the rivals. The question here is “How will we win the market place?” Staging and pacing refer to timing of strategic moves. The question is “What will be our speed (e.g. of expansion) and movements?” Finally, economic logic reflects the methods of earning money by implementing a strategy. The main question is “How will we obtain our revenue?”

3 Marketing mix

The elements of marketing mix are correlated, and thus the actions made for these elements increase each others’ effectiveness. Consequently, the collec-

tive effect of the elements is much higher than the effect from the separately considered variables. When using marketing mix, the emphasis should be placed on the relationship between the elements and their joint influence on the purchasing capacity. The mutual interaction can be examined through the following units: consistency, integration and leverage. Consistency implies the logical thinking between the collaboration of the elements. It is logical to set a high price on a high-quality product, or to use cost-efficient ways with mass-distributed goods. Integration means balanced coordination of the elements in the marketing mix. For instance, expensive promotional costs can be equalized with a high selling price. Leverage shows the beneficial points to support using the elements. If one of the elements has more effective results than others, it is vital to invest more into this element in order to get superior results. For example, whether sales and discounts bring more profit than mass-media advertising, it will be wise to pay more attention to the price element and not to promotion. (Hanna & Dodge 1997, pp. 2 - 7.)

3.1 Price

Pricing reflects the company's estimation of demand, supply, rivalry, governmental terms and issues, the company and product image, brand, goals and strategies (Marcus & Tauber 1979, pp. 48 - 49).

Among all the elements of marketing mix, price is the only one that generates revenue, whereas product, promotion, and place incur expenses. In order to succeed in a market, companies aspire to focus on superior product offerings, better services in a combination with more efficient pricing strategies. As stated by Hanna and Dodge (1997, pp. 14 - 16), pricing is one of the most visible elements reflecting on the company's performance and profitability level. Indeed, how to find out if the company performs well? The revenue exceeds the expenses. The convenient price allows the customers to buy a product and the seller to obtain profit.

Price allows evaluating the amount that the client is ready to pay for the product or service. However, the price should cover the costs of production and give

revenue; otherwise, it is useless to have a business. Thus, what is the ideal price? (Hanna & Dodge 1997, pp. 14 - 16.)

“Successful pricing bridges the gap between internal costs and external market demand to achieve a positional advantage” (Hanna & Dodge 1997, p. 2). Indeed, the optimal price is the one that allows yielding revenue over a long period in a coexistence with restrictive conditions of costs and market area. Pricing policy frequently depends on the competitors’ behavior, which has an essential influence on adjusting the price. Knowing the rivals’ tendency for price changes is a key issue when creating a differentiating feature for the company. However, it is also an advantage to possess the data of the rivals’ costs structure and capacity utilization. Nowadays this information can be obtained from the companies’ web sites and annual reports that are public data. By means of having this information, it is easy to estimate the price fluctuations and the increase of prices for covering the costs of production for a certain period of time. (Hanna & Dodge 1997, pp. 16 - 17.)

Previously in this chapter there was a mention of such a phenomenon as pricing strategies. Let us consider it more closely. In order to succeed in the market and gain profits, companies apply different kinds of methods when setting the prices. These are the following:

Skimming. This strategy means the establishment of a high price on a new product in order to get bigger revenues at the beginning while the competition is still not strong, and then the gradually decreasing the price. Companies that are presenting an innovative or original product usually apply this pricing strategy at their first steps. Later, when the competitors are going to enter the market and present substitutes or similar products, the company has to change the strategy to a long-term one. (Hanna & Dodge 1997, pp. 84 - 85.)

Prestige pricing. The company sets high prices on the products to increase a fair reputation and brand image. By means of that strategy, the company sells the prestige and respect the customers get after the purchase. Frequently the high price is the motivation to buy, because the purchaser acquires the satisfac-

tion and self-affirmation in the social surrounding's opinion. (Hanna & Dodge 1997, pp. 85 - 86.)

Penetration pricing. This strategy suggests using the low price (lower than the rivals' have) aiming at getting a vaster market share. The method may result in enormous costs and even losing the customers due to lack of quality. However, the strategy can be applied widely and successfully in the mass market of newly established inexpensive goods. (Hanna & Dodge 1997, p. 86.)

Expansionistic pricing. This type of price setting is a more intensive form of a previously mentioned strategy – penetration. The company uses mostly low prices with the purpose of obtaining a mass market. The main difference from the penetration strategy is that the product is already established, thus the consumers get the same goods but at relatively lower prices. (The Tudog Group 2014.)

Preemptive pricing. This type of pricing involves setting low prices by the biggest companies, in order the small firms to disappear due to unmanageable expenses. Hence, the possible competitors experience the unattractiveness of the market share and therefore, necessity to retreat. (Hanna & Dodge 1997, p. 87.)

Extinction pricing. This strategy infers a temporal decrease in the prices to eliminate the rivals, and then, renewal of the prices again to the profitable level. This method may be harmful to the company applying it; therefore, only one or two products within the range of goods can be used for this strategy. (Hanna & Dodge 1997, p. 88.)

3.2 Product

“Product is the goods or services offered for exchange” (Marcus & Tauber 1979, p. 38). Product is an initial part of marketing mix. It is anything the company can offer to the clients to satisfy their requirements. There are many models for product classifications. More precisely they are presented in the Figure 3.

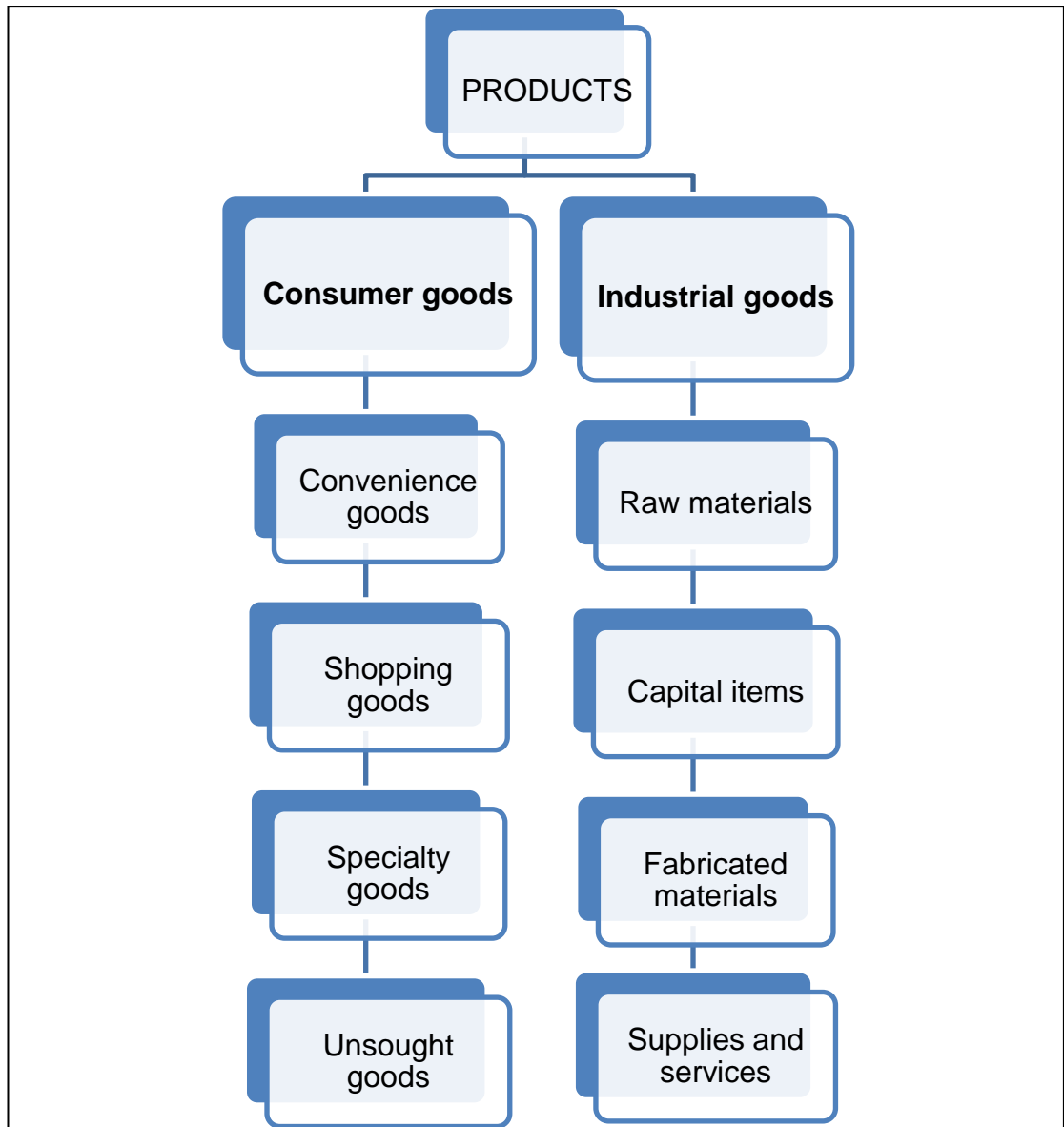


Figure 3. Product classification (Marcus & Tauber 1979, p. 40)

According to Hundekar (2010), a product has three dimensions: managerial, consumer and societal. Managerial dimension covers the basic conditions (physical attributes or intangible skills and services), the services related to goods, package, brand and image, product life cycle, planning and development. In other words, this parameter includes all the activities that assist in issuing the product in interaction with the customers' desires and tastes. Consumer dimension means selling not the product but the benefits of the product. A product can be viewed as a number of symbols or meanings that appeal to the

consumer. People purchase things not only for the main aim of the product (e.g. a car as a vehicle) but for the distinguishing features or benefits (e.g. a fast car, a luxurious car, a safe car). Societal dimension refers to the favorable and useful realization of the product by the surrounding area. Propitious and well-disposed products always meet the society's wishes and satisfy two major social interests: immediate fulfillment and long-run consumer welfare. (Hundekar 2010, pp. 160 - 170.)

The following illustration in Figure 4 shows a summary of product dimensions.

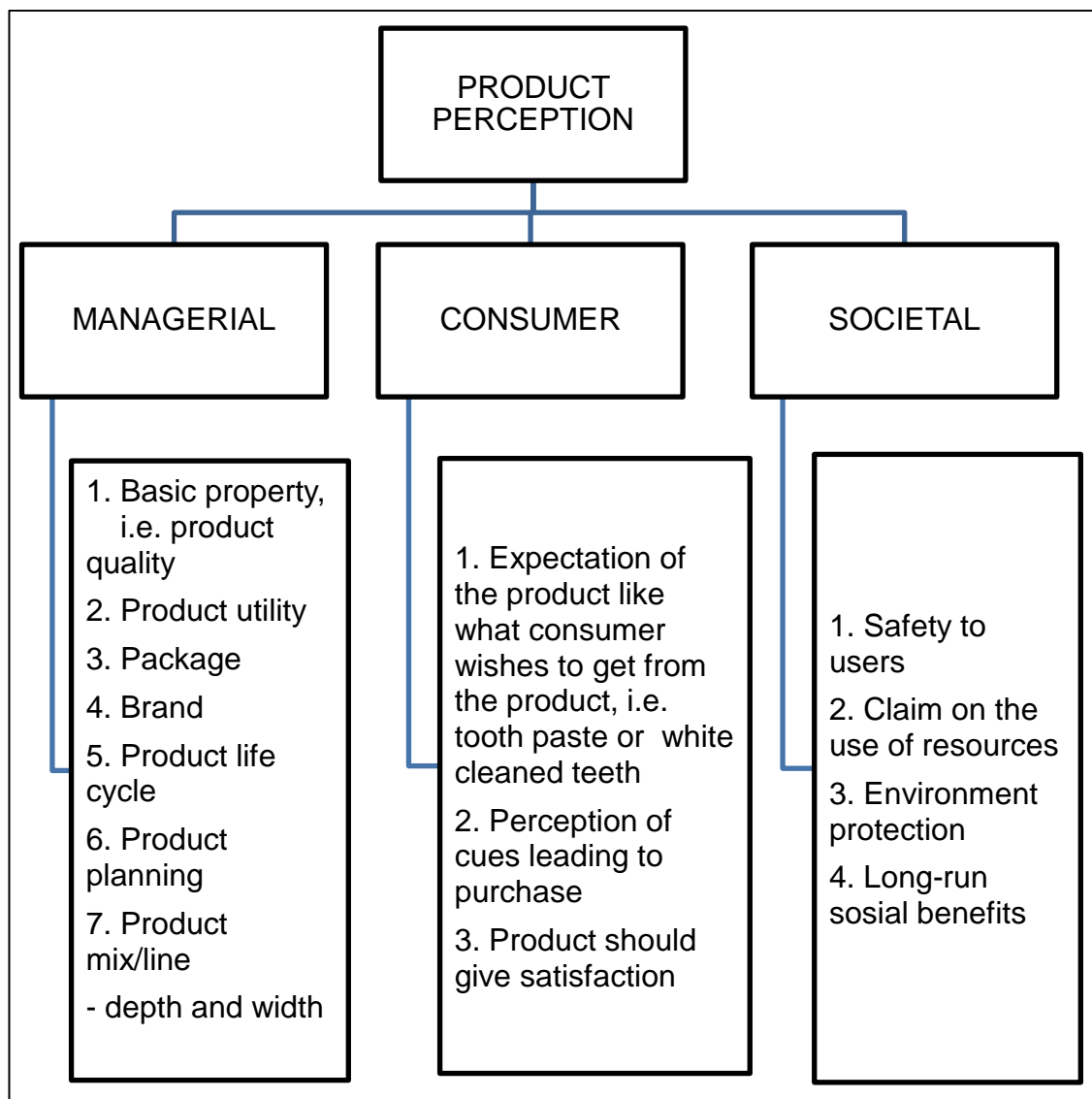
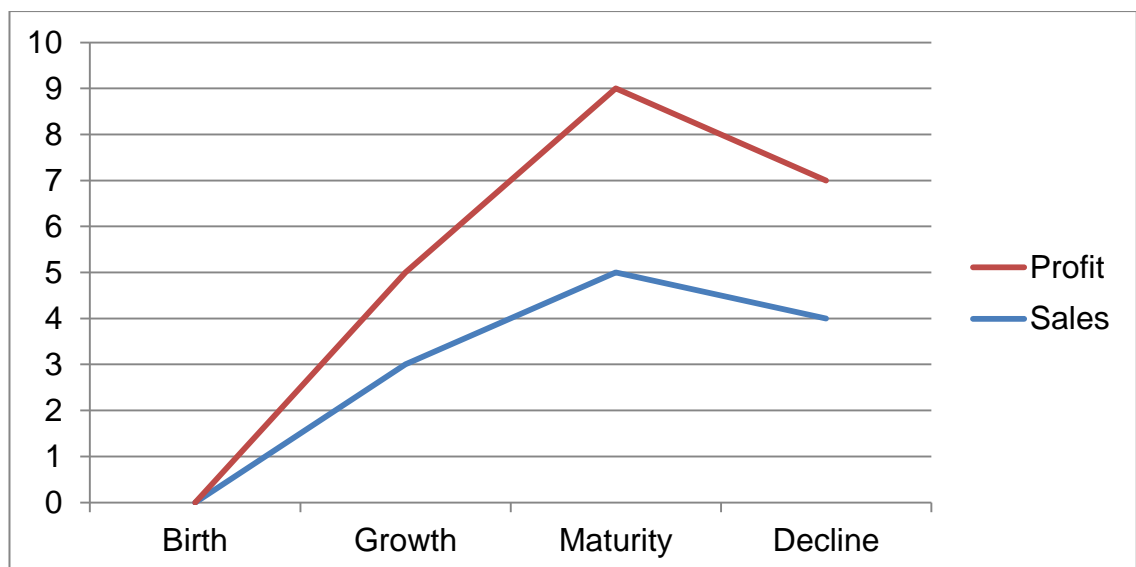


Figure 4. Product dimensions (Hundekar 2010, p. 169)

These three dimensions once again prove that the purchasers are interested in what the product does, what it means to the buyers and how it meets the social and psychological requirements. However, the needs and expectations tend to change occasionally, and so the product is requested to develop a plan or strategy to keep a pace with the demand. (Hundekar 2010, pp. 170 - 173.)

Product plan is a firm's strategy to sell its goods. The plan should include such features as product line, consists of related goods that satisfy similar needs in market segments, or product mix where the different assortment is offered under one brand name. The following characteristics are also presented and analyzed: packaging, branding, labelling, after-sale service, product innovations and development, research and improvement. All these features allow the company to create a successful product strategy to comply with the needs and desires. (Hundekar 2010, p. 51.)

Another important issue in the product concept is its life cycle. As described by Jobber and Lancaster (2003), the product life-cycle concept derives from the awareness that the goods are guided by a certain pattern over time in terms of profit and selling. The model consists of four stages: birth or introduction, growth, maturity, and decline, as illustrated in Graph 1.



Graph 1. The product life-cycle

Jobber and Lancaster (2003, pp. 16 - 18) define the stages as follows:

- Introduction (birth). In this stage, the business is just established and the products or services are introduced to the audience. It is vital to represent a product from the favorable side, to convince the market that the products is worthy of purchase. The revenue level is not high due to lack of awareness about the launched product.
- Growth. During the developing period, the company starts to make high sales, and the assets invested in promotion gradually return in the form of increasing turnover and, thus, profit. This phase encourages the firm to leap forward and pay more attention to the sales volume, rather than to quality maintenance.
- Maturity. This stage shows the attractiveness of the market for the competitors, inspired by the high sales and increasing profits. Therefore, the company seeks for the new pricing strategy as well as technological improvements and product modifications, due to pressure from competitors.
- Decline. A company enters this stage when the customers are no longer interested in the product. The sales begin to decrease and the company has two choices – either to close down or to be reborn.

The duration of each stage varies broadly by the types of business. Some products stay in the maturity stage for up to ten years, such as salt. Others become obsolete due to innovation technologies. Nowadays, thanks to marketing, it is possible to prolong the age of the stages by means of marketing mix cooperation and changes, and an overall improvement of the company concept. (Jobber & Lancaster 2003, pp. 16 - 18.)

3.3 Place

Place as an element of marketing mix is one of the most significant in the whole concept. Over years, it was assumed that it is needless to pay attention to this element. Once choosing the location and the distribution channels, the business could concentrate on other marketing mix elements more precisely. Nevertheless, the interaction and connection between the four elements, and not their

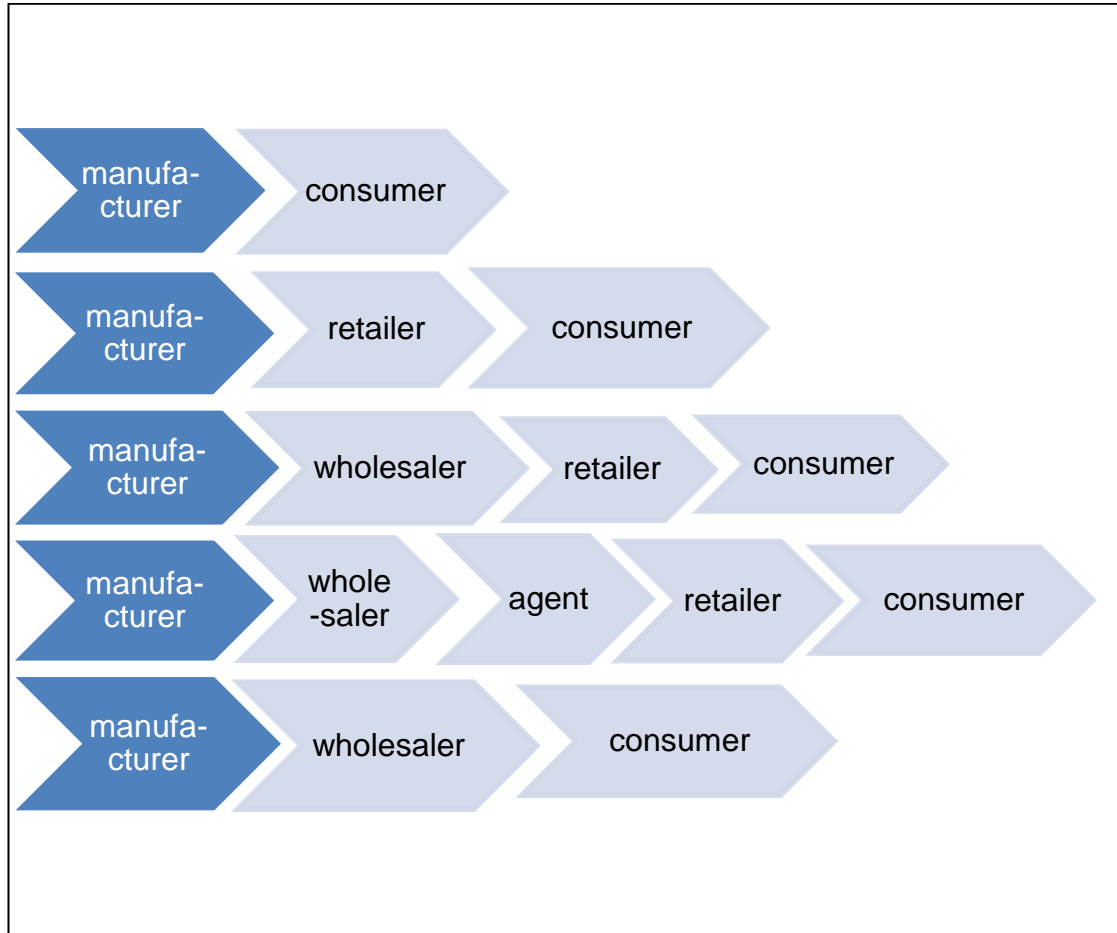
separate consideration, makes the whole model work successfully for the business. (Jobber & Lancaster 2003, pp. 15 - 16.)

Currently, distribution appears as a crucial part of the company's strategy. The common meaning of distribution is linked to all those activities that assist in delivering goods and auxiliary necessities from the producer to the final buyer. The selection of the channel depends on the location of the store and the factory, if any exists. The channels can be short, when the distribution is handled directly from the producer to the client, or long, by means of intermediaries. In other words, the company may choose between exclusive distribution, where a limited number of intermediaries are recruited or intensive distribution, where it is necessary to have a large number of channels. (Jobber & Lancaster 2003, pp. 22 - 23.)

According to Hundekar (2010), there are five most common ways to supply the market, to make a route from the producer to the final client. The first channel allows selling the products directly from manufacturer to consumer. This distribution way is the shortest for the goods travelling to the market. Also, this way enables to trade small quantities due to low costs of delivery. The second route of distribution is used with the support of a retailer. By means of this channel, the goods flow from the producer to an intermediary, and then, to the final client. It is convenient to apply this type of a channel when the manufacturer produces large quantities of goods and the shelf-life is short. Thus, there is no need to use a separate storage space if all the products are delivered to the retail stores. The third way comprises inclusion of a wholesaler into the chain of manufacturer-retailer-consumer. This option is one of the most popular ones among grocery and drug stores. The wholesaler can support in a promotional campaign if the product line is narrow, and can provide local storage space. The fourth route adds an agent as an intermediary between the wholesaler and retailer. This way is used when the range of goods varies widely. In order to succeed, the agent uses different wholesalers for different product lines, which in turn, use their retailers in the final sale to the customers. Finally, the fifth channel of distribution includes only three parties: producer, wholesaler and ultimate consumer. This way is suitable when the buyer is a government, educational institu-

tion or another large organization. Thus, it is the preferred channel to deliver goods in large quantities to a large buyer. (Hundekar 2010, pp. 165 - 168.)

Graph 2 below shows the distribution channel variations:



Graph 2. Distribution channels

Besides the selection of the distribution channels, the policies and terms of delivery must be considered as well. International commercial terms have been established to help the buyer and seller allocate the responsibilities. These are the rules that define when the duties for delivery switch from the seller to buyer, and thereby reduce misunderstandings and possible conflicts. The most recent version was updated in 2010 and is widely used by traders all over the world (Incoterms 2014.)

Likewise, it is vital to pay attention when choosing the location for the company. A right selection allows the firm to reduce costs of promotional campaign and

customer attraction, as well as distribution chains and product innovations. It is wise to find a place where the customers will want to buy the product; no one needs bottles of water during a flood or a fur coat in Africa. Therefore, location is a powerful tool and significant aspect in creating the marketing mix concept. (Marcus & Tauber 1979, pp. 51 - 54.)

3.4 Promotion

Promotion is a way to communicate with the customer. It involves information, the message, that needs to be sent to the audience (receiver), and a sender, who in turn gets the feedback from the receiver in the form of a buying decision. (Jobber & Lancaster 2003, pp. 23 - 24.)

Based on Hundekar's theory (2010), promotion contains four elements: personal selling, advertising, public relations, and sales promotion. All these forms of communication aim to familiarize the potential customer with the product and convince to purchase it.

Personal selling implies oral communication and individual sales, and the presentation of goods by means of psychological pressure and influencing the clients' uncertainty in their needs for the product (Hundekar 2010, pp. 150 - 152). Usually the supportive actions for personal selling involve finding a potential client, awaking the interest to the product by showing the product attributes and advantages, convincing the client to purchase, and guaranteeing the after-buying satisfaction. This type of promotion needs strong salespeople, with a psychological training background as a benefit, who are able to find the weak spot in the customer and press on it forcing to make a purchase. (Marcus & Tauber 1979, pp. 45 - 47.)

Advertising is impersonal communication and promotion of goods by using an advertising agency or a sponsor in mass media. In contrast with personal sales, advertising is objected to reach a wide audience with different perceptions and attitudes. Thereby, it is essential to create a universal effective and clever advertisement in order to attract as many potential customers as possible. (Marcus & Tauber 1979, pp. 45 - 47.)

Publicity or public relations also refer to impersonal communication and promote high sales, though on a non-monetary basis. Press releases, current news and public announcements allow the company to promote its product and create an increasing desire to search for this product. However, publicity may be both favorable and unfavorable, so the company should watch closely for the information flows that go out of the company and become common property in press and mass media. (Marcus & Tauber 1979, pp. 45 - 47.)

Sales promotion covers such activities as exhibitions, demonstrations, samples, premiums, displays and many other techniques that persuade a client to make a bargain. As a rule, these actions are applied in cooperation with the previously mentioned promotional elements to intensify the effect and build a positive image of the company. However, relying too strongly on the promotional campaign leads to commoditization, which means concentrating on deals and offers distracts the customers from the brand. (Marcus & Tauber 1979, pp. 45 - 47.)

To conclude, the most critical factor is to sell the benefits of the product. The customer should have an intense reason in order to choose a certain product, and the main task of promotion is to provide the customer with this reason.

4 Differentiation and positioning

4.1 Positioning

Why the customers should buy a certain product? How does the product differ from the competitors' ones? What makes it unique? By means of asking these questions, one can see the need of writing a positioning statement for the company. First of all, what does the term positioning mean? Positioning is a statement that points out the target segment, the ways to achieve this segment, the competitors and the methods of being different from them. It also tells the customers why they should purchase the product instead of the rivals' ones. The positioning statement tends to vary over time. Ignoring the changes in the market will cause the difference becoming irrelevant for the clients. (Trout 2008, p. 12.)

One of the major points is not try to satisfy all the wishes of all the consumers; this will cause the losing of uniqueness. So, how to create this uniqueness? As was mentioned in the book *Differentiate or die* (Trout 2008), nowadays it is a problem for many companies to differentiate themselves from their competitors. Advertising agencies spend large sums of money on promotion campaigns, purposely the consumers to be aware of the company and the services. Hence, people become aware of the company and the products, but this is not enough in the modern world of competition. Awareness will not force people to purchase certain goods. Thus, the ability to show the actual difference is a crucial factor for a buying decision. (Trout 2008, pp. 17 - 18.)

As it was mentioned earlier, positioning is a way to situate the company in relation to its rivals. Hence, the main goal of positioning is to lessen the competitors' pressure and thereby increase sales and revenue. Michael Porter's generic strategies may support to find a favorable location for the company. These strategies include five elements, comprising low-cost, differentiation, focused cost leadership, focused differentiation, and integrated positions. These positions rely on economic logic (the company's resources and capabilities) and scope of arenas (broad and niche markets). (Carpenter & Sanders 2007, p. 172.)

Carpenter and Sanders (2007, pp. 173 - 178) refer to Porter (1980), who has said that there are two ways for the company to create a competitive advantage, either through lower than rivals' cost structure, or through the differentiated product, when the customers are willing to pay more for this difference. In other words, the company can gain a competitive advantage by means of two variations: to compete on differentiation or cost.

Figure 5 displays the illustration of the generic strategies. These strategies are considered form narrow (focused) and broad points of view. They are the following: low-cost leadership, differentiation, focused cost-leadership, focused differentiation, and integrated position.

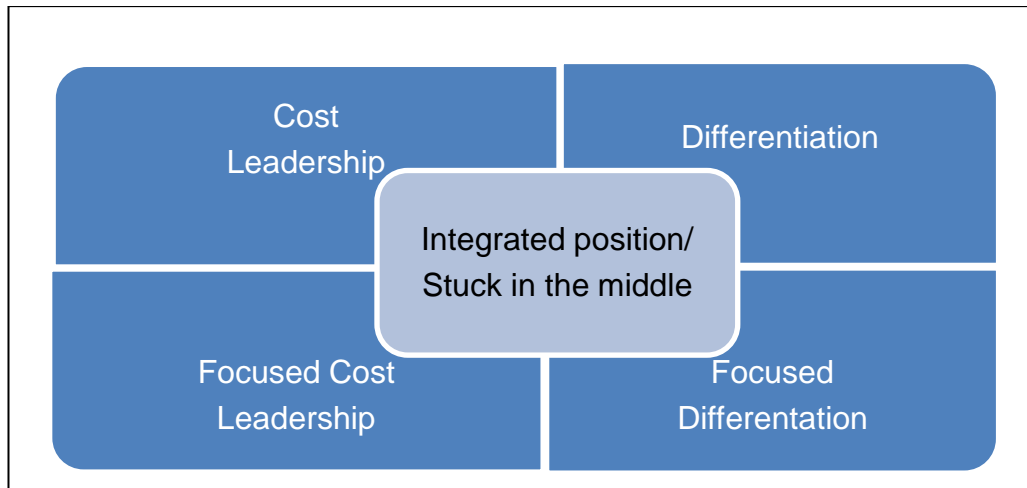


Figure 5. Generic strategies

Low-cost leadership is a position that allows an organization to produce the goods while keeping total costs lower than the competitors' do. Thus, the company is able to sell bigger volumes at lower prices, which creates a competitive benefit. Furthermore, it is not necessary to set the prices much lower than rivals have, but they can be close or almost equal. Instead, the company saves money on production, quality and technology, eliminating some features and services, which allow allocating surplus resources into future initiatives. According to Carpenter and Sanders (2007, p. 175): "Because taking a low-cost position requires sacrificing some features or services, firms... try to satisfy basic rather than highly specialized customer needs."

Differentiation position represents a company's ability to use a point of uniqueness for which the clients are ready to pay. Successful implementation of this strategy allows the company to set the prices higher than average and even over those that rivals have. Indeed, this is a justified act – to cover the costs for creating the additional peculiarity the company needs to obtain revenue from the consumers. Consequently, there are two crucial steps for establishment of the prosperous differentiation position: satisfaction of the customer's needs in a different extraordinary way that varies from what competitors do, and hence inducement of the customers to be willing to pay a higher price for this uniqueness. (Carpenter & Sanders 2007, pp. 176 - 177.)

Focused low-cost leadership means manufacturing of goods in a low-cost way while concentrating on a narrow market segment. That is to say, this position enables the company to behave the same way as when applying a broad low-cost leadership strategy. The company tends to exclude auxiliary features and meet only the basic customer needs, though aiming on a narrow market area. (Carpenter & Sanders 2007, p. 177.)

Focused differentiation implies the introduction of the product or service with unique features in a narrow market area. It is logical; the higher the prices for unique products, the less people are able to pay for it. Thereby, the company applying this strategic position targets to a limited and narrow segment. (Carpenter & Sanders 2007, pp. 177.)

Finally, integrated position signifies the implementation of all the positions, where the elements of one strategy support the elements of another one. This type of positioning is the most problematic to apply due to difficulty in keeping costs on a low level and using an expensive differentiation point at the same time. On the one hand, this may cause a collapse or bankruptcy of the organization, which cannot successfully exploit low-cost and diversification strategies, i.e. it becomes "stuck in the middle". On the other hand, there are many examples of companies flourishingly combining these two opposite strategies. Toyota sells luxurious cars of perfect quality and saves money by means of locating the factories in the cheap labour areas. Also, McDonalds trades inexpensive food but shows strong branding and trademark image by means of using both strategic positions. (Carpenter & Sanders 2007, pp. 178 - 179.)

4.2 Positioning statement

The main aim of the positioning statement is to give a message to the audience. The audience should understand this message; hence, it should be clear and make sense in the context. Then, the statement should be different from the competitors' one. It reflects the uniqueness of the company. This step is one of the most difficult ones from the marketers' point of view due to obstacles in finding an appropriate differentiating statement. Creating one powerful difference allows the company to drive into the minds of the consumers deeper than

spreading hundreds of distinguishes. Further, it is significant to furnish evidence. The customer wants to see proof of the distinguishing feature; otherwise, the message might be considered as a deception. Finally, the audience needs to be informed about the difference. By means of showing in the advertisements, telling in the brochures and magazines, writing on the web sites about the differentiating specificity of the company, the consumers will be familiarized with the products. (Oster 1990, p. 233.) Trout (2008, p. 79) has summed it up well: “You can’t overcommunicate your difference.”

4.3 Differentiation

As was defined by Levitt (1991), differentiation is one of the most significant tactical and strategic activities in which companies should regularly engage.

According to Trout (2008), there are a few concepts that do not help organizations to create a differentiating idea, but cause harm instead.

Firstly, quality and customer orientation are hardly ever a way of differentiating. Nowadays excellent customer-service is a must for each company, it is a necessary attribute that should not be considered as a point of differentiation. (Trout 2008, pp. 35 - 44.)

Secondly, price as a differentiator often leads to bankruptcy. Due to everyday fluctuations in the market and rival pressure, a company should conform and keep a balance in order to stay competitive and not incur losses. When the price turns into the main message of the company, the opportunity to show their own uniqueness minimizes. (Trout 2008, pp. 55 - 65.)

It would be wrong to say that differentiating with a price is impossible. However, price should help to distinguish only as an auxiliary tool. Certainly, high-quality goods should be expensive. Historically, people tend to pay more for high-grade items, but this superiority should be apparent and visible somehow. Possessing high-priced products also means owning prestige. Wearing expensive watches, driving expensive cars – these factors reflect the status of the owner, which he definitely wants to show. Thus, when price is used as a supportive tool to the

differentiation, such high-valuable products should propose great prestige to the buyer. (Trout 2008, pp. 55 - 65.)

Another problematic way to differentiate is a broad assortment. Many stores offer a wide product variety of every sort and kind concentrated in one place. These types of shops are convenient from the customers' point of view as there is no need to spend time and money on searching diverse goods in diverse shops. On the other hand, the problems in managing the endless shelves and storages can become frustrating. Personnel places more emphasis on putting everything into the right places and finding the requisite commodity instead of catering for the customers properly. Hence, the customer service suffers in this type of a shop arrangement, and thus the ability to keep the client loyal is almost equal to zero. (Trout 2008, pp. 67 - 69.)

Below there are a few suggestions for how to create a successful differentiating idea.

1. Being the first

A new product or service is always a benefit for the company to convince the client in the perfection of their choice. Being first gives the advantage to get into the consumer's mind faster instead of attempting to persuade someone that your company offers a better product than the one who was the first. (Trout 2008, pp. 93 - 102.)

2. Owning an attribute

Attribute is a distinguishing feature that shows the singularity and originality of something. Possession of an attribute provides the company with a guaranteed success in seeking for the way to differentiate. Usage of a feature opposite to the competitor's one is an effective way to compete against the rivals. An attribute may be set based on the competitor's imperfection as well. This method will allow to show the peculiarity of one's own product to the competitor's disadvantage. (Trout 2008, pp. 103 - 111.)

3. Being a leader

People tend to follow leaders. Leaders on the market are those who own the biggest share, have high sales and a respectful status. Thus, one way to success is to show the greatness of the company and the goods, not be afraid to brag about high revenues and forget about shyness. The actual reason that makes a company powerful is the position it gains in the customers' minds. In fact, the company may not be a leader, but in order to succeed they need to force people to believe they are a leader. (Trout 2008, pp. 117 - 123.)

4. Heritage

People incline to trust experience. Existing for a long time means that the company knew and knows what it is doing. The fact the company was established many years ago gives an image of trustworthiness and credibility towards its clients. The company may not be a leader in sales or in market share; however, one can recognize the firm holding a position of a leader in longevity. Thus, the heritage of the company gives it an impressive advantage over the rivals in a differentiating point of view. On the other hand, having a long history is not always enough due to progressiveness of the nations. The crucial point is to combine the traditions and the headway. (Trout 2008, pp. 125 - 131.)

5. Market specialty

When someone sees the nameplate on a door "Specialist in the field of...", he or she immediately thinks about the great erudition and competency of the person behind the door. Those who are concentrated on a specific activity or product impress the consumers. People tend to think such people are experts in what they do. Psychologically, it is common to have an outlook of deep familiarity as a preference over basic general knowledge. For instance, the retail industry, namely big department stores, suffer nowadays because of not being precise and detailed. It is difficult to distinguish oneself as a place that sells everything and simultaneously to prosper. (Trout 2008, pp. 137 - 143.)

6. Preference

People do know what they need, but do not know what they want. They need to buy food to survive, but they want to spend an evening in a restaurant or fast food canteen with all their variety of dishes. Often people want to possess the same product as many have already become those many cannot be wrong in their choice. In that way, preference is what most people think is correct. By means of mentioning the product is recommended by an institution or is people's first choice one gains a perfect idea about how to differentiate the product. Human beings tend to follow the crowd, and when the crowd uses the product, or even adores it and recommends it as well, this product will be bought by others. (Trout 2008, pp. 145 - 154.)

7. Product innovation

Developing the product may be considered as a differentiating way if everyone knows about the innovative feature. Firstly, this could be a technology which is patented. It is not important for the customers to understand how a new technology works, but what advantage it gives for them instead of the old product version. Certainly, the new feature should be reflected in the positioning statement in order to create value for this updated commodity. Secondly, the new feature can be made by hands, or in other words, handmade. Handcrafted things give a sense of quality and art. Such products are sold at high prices and people are willing to pay this price basically because of the common feeling that it is worth more and it is better. (Trout 2008, pp. 155 - 163.)

8. Being the latest

In the century of high technologies and innovations, companies produce more and more, and consumers expect new commodities self-evidently. Here comes another way of distinguishing from the rivals. People want to possess new modern goods, without a tint of outmode and obsolescence. A new generation of a product line attracts the attention by showing the improvements, better technologies and all the vogue. Therefore, the next-generation product should be better indeed; otherwise, there is no avail for it. (Trout 2008, pp. 165 - 173.)

5 Company X: overview and background information

The data for the empirical chapters was gathered by means of analyzing the e-mail negotiations, the company's web site and Skype discussions with the shop's representatives. Due to the confidentiality issues, the certain data sources cannot be mentioned in the study, however, the referred information is reliable and authentic.

The company X is a clothing brand that was established in 1901 as a trading organization producing knitted pullovers. The pullovers were then successfully exported to Hong Kong, where sales increased up to over one million pieces of each jumper model. During many years the company was operating on the German market and created a strong brand, which is famous and well-known worldwide nowadays. In 1991, the company started to launch branches around the world, but however, as independent subsidiaries. This type of opening the branches permitted the subsidiaries not to be connected financially and not to suffer in case of difficult international economic situations.

By 2010, the company had already founded franchisees in Germany, Great Britain, Canada, Switzerland, France, Poland and Russia. One of the franchisees, which is situated in Russia, is planning to open a store in a new market in Helsinki, Finland. As the company founder said: "A path is created by someone taking it".

5.1 Target segment

The fashion store's major audience is over 30 years old women who follow the trends without being fashion victims. These women are confident, attractive and courageous, working in stable organizations, knowing the value of time and money. Uncomplicated style with a gentle hint on details, high-quality materials and a perfect fit are the features that the target audience, self-assured ladies, prefer.

Therefore, the customers of the company are active women in the prime of their life. They are able to find a moment and place for family, job, and friends. These women follow the spirit of the time and they like to dress appropriately to their

age class. The colors are supposed to look soft and harmonious, the material should be natural and of pleasing appearance. In addition, the expectation of combining quality and a fair price is one of the crucial hopes of the segment.

5.2 Fashion industry overview

Fashion industry mainly refers to the designing and manufacturing of garments for men, women, and children. Modern people tend to follow trends, established by fashion designers and main brands. However, changes in consumers' tastes and preferences force fashion brands to create new apparels and collections, thus improving the fashion industry. Apparel is the major industry driver, as fashion is dynamic and changes seasonally. Therefore, as fashion is a short-term phenomenon, it is significant for the companies to create a stable strategy and implement it in a way to keep the customers. (BusinessVibes.)

5.3 Marketing mix

5.3.1 Product

The main product in this study in line with the goals and objectives is a future store, planning to launch in a new market area. Inspired by the trends shown in international fashion shows, the design team develops sophisticated styles that excellently reflect the spirit of the times. This has resulted in a typical "Company Look" that astonishes buyers and consumers each season once again.

Sustainability in production is among the most serious issues for Company X. For instance, the basic cotton T-shirts are manufactured only using global organic textile standard (GOTS) cotton from India. GOTS cotton applies the concept of sustainability to the fabrication process. All the steps, starting from planting the cotton until the finished garment, are certified. (Global Organic Textile Standard International Working Group 2013.) The company has also made a valuable and conscious choice not to use or sell real fur. The principle of sustainability does not relate to such material as fur. For Company X, sustainability is a parameter that is viewed as societal dimension, when favorable and environmentally friendly apparel meets the consumers' expectations.

According to the company's politics gathered from the official web site, Company X has always focused on uncomplicated, easy-to-wear fashion apparel. This apparel emphasizes the feminine attractiveness smartly combining a casual, elegant, and exciting style with emotionality, trustworthiness and friendship. This can be considered as a consumer dimension of the products, when the clients make purchases for the product benefits.

"The key to success is not information. It is the people." Company X's American top manager whose name is not mentioned due to confidentiality of data expressed this phrase. People within the company are essential for the success of business. Provision of quality customer service, motivation and contributions to the company's future allows Company X to create a vital managerial dimension. The company's clients find advantage from the outstanding service. Staying close to customers and listening to their needs and wishes is supremely important for Company X.

In addition, the company has a wide clothing range for the target market segments. The assortment consists of casual apparel, denim, formal wear, and accessories. Competition among fashion stores obliges Company X to renew the collections quite often. In addition, in order to retain the clients and follow the fashion, Company X changes assortments every month. Therefore, the time period between launching a new product and its decline is relatively short. Diverse changes and extensions allow the company to increase sales and earn revenues, as well as maintain the brand image in the fashion industry.

5.3.2 Place

Place as an element of marketing mix can be considered from two aspects – channels of distribution and store location.

Company X's apparel is manufactured in Asia due to a cost-saving program. The deliveries are made to Hamburg by ship. Choosing ship transportation was selected due to the considerable size and weight of packages, as well as marine storage location. The packages are stored in a Hamburg warehouse, however not being cleared at customs. Then the packages are transported to the main storage in the Helsinki region, which is probably situated close to the shop

or even in it. During this delivery phase, Company X pays all the import taxes required by the customs. As may be seen in the transporting process, displayed in Figure 6, Company X uses intermediaries' assistance, with a long way of distribution. When choosing the location in Helsinki Company X observes the distribution chain that consists of four parties: manufacturer, wholesaler, retailer and final consumer.

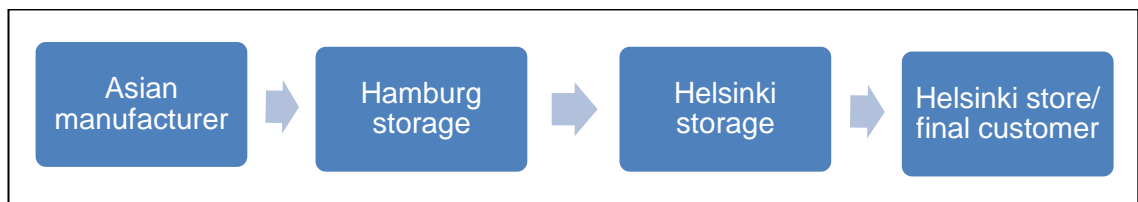


Figure 6. Company X's distribution way

Let us consider another aspect of place as a marketing mix element – location. During doing this study for Company X, the main dilemma was choosing an appropriate location. Finding the right place for the shop is essential. Discovering the correct location allows spending less money on creating awareness about the store and attracting new customers, setting beneficial prices in conformity with competitors' ones, and launching a convenient and cost-efficient distribution channel. Thereby, the choice was done between searching an appropriate place in a shopping mall or being as a boutique on a street. First or all, Company X decided to establish a store in the capital of Finland, which already creates an advantage due to multitude of nationalities and a large number of residents. Thus, research has been done in order to find a proper lessor. An important issue for Company X was to find a balance between a central location and renting expenses. Requests were sent to the major department stores, such is Galleria Esplanad, Iso Omena, Jumbo, Kamppi, Forum, and Itäkeskus Itis. There were long negotiations due to language difficulties, unwillingness of telling rent conditions, and unawareness of the brand in Finland. Finally an appropriate place was found. One of the central shopping malls, Forum, is going to expand in October 2014, and thus will provide a rented space for Company X. The renting price consists of monthly or annual payments (according to agreement), obligatory marketing and service payment, and other expenditures in a compliance

with the terms of the rent contract. According to preliminary data, to neighbour stores are going to be Hennes & Mauritz and Intersport. The figures and numbers are not presented due to Company X's desire for confidentiality.

By means of locating in the center of Helsinki, Company X gains an advantage of guaranteed clients passing by the store. The close location to the train station and major tourist attractions permits to save money on building store awareness and promotional campaigns, and instead concentrating on product improvements and differentiating details.

Also the alternative of being located in the street as an independent boutique was considered during the research. The potential locations were Hietalahdenranta, harbors, Mannerheimintie and Bulevardi. In the course of study, it was found out that the prices for rent are lower than in the shopping malls, but they are sufficiently close. In addition, Company X would have to invest lots of money in a consumer attraction campaign. However, the problem was solved unexpectedly fast; the lack of available premises and a broken appearance played in favor of department stores.

5.3.3 Price

As it was mentioned in the theory part, pricing shows how the organization evaluates its demand, competition, legal issues, brand, goals and strategies. Company X has determined the major factors that influence the firm's pricing procedure. These are the price level of competitors, the purchasing power and capacity, and the varied extra charges on certain apparels.

After launching a new clothing line, Company X applies the skimming pricing strategy. In other words, firstly, the price set on the new apparel is high, until the competition is growing. Then, the prices go down due to arising rivalry. This strategy is not used in connection with each collection update, but when some extraordinary and refined wear is coming out. Prestige or above an average pricing is applied on a permanent basis. Despite the fact that the company's slogan is "...fashion at fair price", the prices are high enough to cover the technology and manufacture costs in compliance with global organic textile stand-

ards. Actually, this fact creates a differentiating feature, for which the clients are willing to pay above average prices.

The company's key performance indicators, such as turnover, number of customers, and average receipt amount, can prove the right choices made in the pricing policy. Unfortunately, due to Company X's confidentiality issues, the following figures are given for the years 2010 and 2011, and not for 2013. The turnover for the year 2011 was 5 682 857 euros, while in 2010 it was 5 285 714 euros. The average receipt amount was 188 euros in 2010 and 199 euros in 2011 accordingly. The number of customers was 28 950 in 2010 and 31 542 in 2011.

5.3.4 Promotion

As was explained earlier, promotion is a way of communicating with the customer. The goal of promotion is to give information about a company to the consumer. Therefore, there are three components in promotion: message, receiver and sender.

One of the most important factors for Company X in the promotional part is personal selling. As the potential location allows receiving many customers, and promoting their awareness of the new shop, the store customer service should be excellent. Thus, it is significant to hire a competent sales person, who can provide professional and quality negotiations and influence on the buying decision. The seller ought to know how to present the product from the advantageous side and thus convince the client to make a purchase.

According to the rent agreement, the location of the store is going to be in the extension part of Forum, which will be built to open in October 2014. This information may be news for the shopping mall visitors, so, in order to find the new Company X shop, a map should be provided. The map on the new part of the shopping mall can be made available at the information desk or any other stand. To attract the customers, a "new shop opening soon" phrase could be displayed.

Depending on Company X's financial situation, an impact could be made through impersonal communications, for instance, advertising. Banner advertisements, TV commercials, radio commercials, as well as internet ads and pop-up references leading to the company's web site, are options for Shop X to create awareness about the new store.

An opening event is a great opportunity for the company to announce itself. This event should be planned according to the company's wishes and desires. However, a basic opening event always includes public presentation of the products, company history, expectations, discount campaign, free drinks and snacks, and presents to customers who made a purchase. Awareness about the event will be created by means of press releases and public announcements.

Another way to promote the shop is life placement. Life placement is a technique used by Company X already for a couple of years and proven by successful results. It includes that a few people walk in the department store, sit on the benches, and spend their time in cafes, unobtrusively demonstrating purchases from Shop X. This activity can be done during the weekend, when larger numbers of consumers visit the shopping mall. Such promotion attracts new clients and increases brand awareness. Indeed, as Shop X is going to be a new shop in Helsinki, this technique might be useful and favorably influence the shop's sales.

When determining the sales promotion methods Company X may pay attention to creating displays within the shopping mall guiding towards the shop entrance. Brochures and booklets are another option to make the audience familiar with the products. This can be achieved by cross promotion; booklets can be put or installed in diverse cafeterias, cinemas, fitness clubs, or beauty salons based on a barter exchange deal.

5.4 Differentiation

Differentiation is something that distinguishes an organization from its competitors. As it was described previously, there are some features that rarely may become differentiating factors for the company: quality and customer service, price, and a wide product range. Certainly, these elements are significant and

should be undoubtedly considered; however, they are only part of differentiation, which support the whole strategy.

While analyzing Company X's activities four differentiating characteristics were extracted: owning an attribute, being the first, possessing heritage, and getting preference.

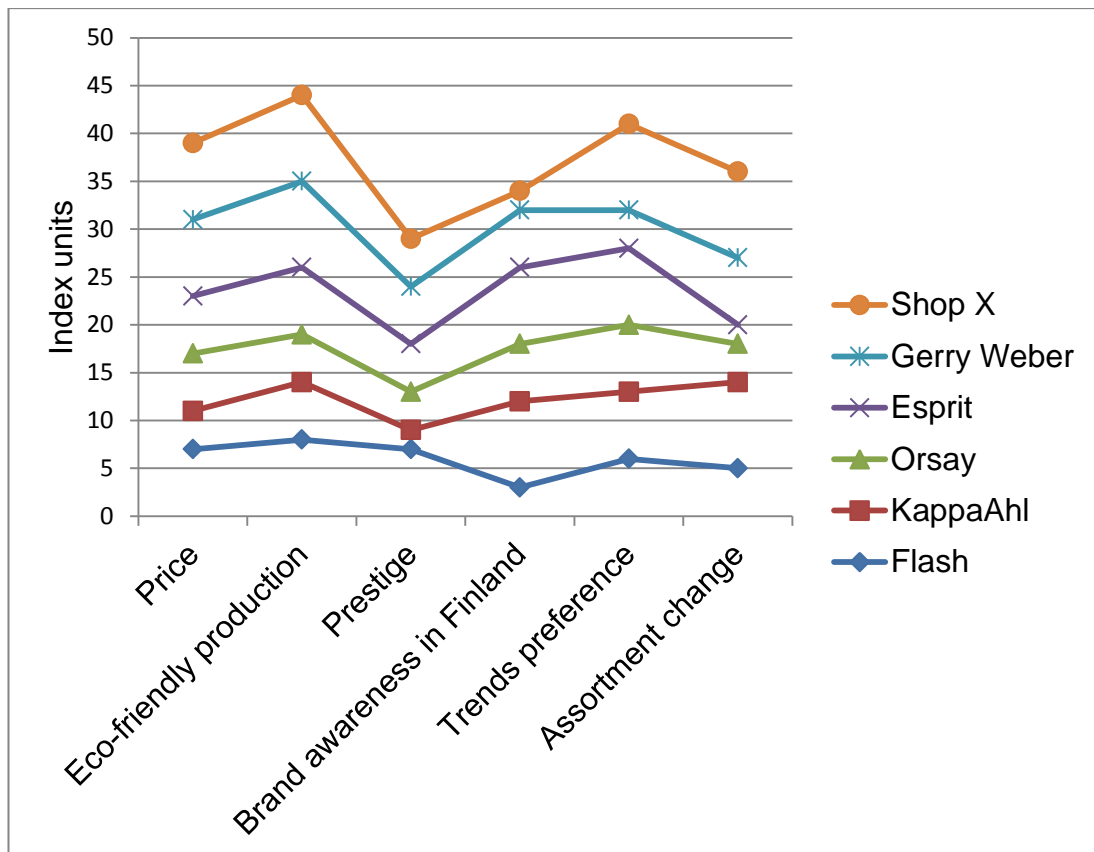
Firstly, according to the Company X's resources taken from the representatives, the company and the store proclaim sustainability in their production; they use only GOTS cotton from India. The Global Organic Textile Standard was established to define the requirements that are recognized internationally to ensure the organic status of materials for apparel. Environmentally friendly textiles and socially responsible manufacture are becoming more and more important for the consumers, and those organizations that participate in GOTS are gaining people's confidence more and more. By means of telling about this factor to the potential buyers, the company is gaining a distinguishing attribute. Especially in the Finnish market, where people prefer natural organic and ecological goods, this attribute is going to be successful. This differentiating feature is going to be unique as well, because it is a rarely applied attribute in the fashion industry. Usually, the organic point can be met in grocery stores. Therefore, Company X can pursue this attribute as being the first in the fashion trade. Certainly, they are not going to be truly "the first", but they can convince the Finnish market about their deep and strong observance of that attribute.

Heritage is another differentiating idea for Shop X. Company X has existed for more than 100 years, and it is a definite point to emphasize when attracting clients' attention. People trust experienced organizations, which seem to be experts in their field. There is no reason to keep silence about this feature. The most successful Finnish organizations have been established many years ago – Fiskars, Kone, Tikkurila, Fazer, Marimekko, Nokia, Valio - and they remind about their age on every advertisement, every brochure, every commercial. The Finnish market believes in heritage and Company X should use it as an advantageous characteristic in the differentiating idea.

The final point to consider is preference. Earlier the marketing mix chapter presented one interesting promotional technique – life placement. Random people walk around the department store holding purchased packets in their hands. These packets, of course, have the Shop X's logo and brand name. Shopping mall visitors note that, and think of going to that shop. People tend to follow the crowd, and the crowd buys apparel from Shop X. Therefore, the promoter's "preference" becomes the customer's preference.

5.5 Competitor analysis

Investigation of the rivals' strategies, goals, benefits and ability to do business allows the company to enter the new market accurately and start to compete in way advantageous for Shop X. Firstly, mainly the organizations located in the same place, in Forum, have been considered. Certainly, other firms are taken into account as well. These are Gerry Weber, Esprit, Flash for women, Orsay and KappaAhl (adult women's department only). These company competitors have been mapped into a value curve according to diverse characteristics, based on the information found on each company's web site. These stores have an approximately equal production assortment, price rates, target audience, strategies, missions, and visions. The information was taken from the companies' web sites. The following graph, Graph 3, illustrates the value curves of how Shop X and the major rivals are behaving in the Finnish fashion industry across the factors of competition.



Graph 3. Value curve for competitor analysis

According to this illustration, the main competitor for Shop X will be Gerry Weber. This firm's value curve almost repeats Shop X's curve, which means these companies have the factors of competition nearly on the same level. Other shops create a competitive arena as well, though their factors distinguish more, but still they have an impact on Shop X activities.

5.6 SWOT analysis

Development is an inevitable part of the company's business. Sometimes it is difficult to find the problem and solve it, but the representatives of Company X feel when something goes wrong. That is where the SWOT tool can be applied. This tool analyzes the current situation of the company in the external environment and internal one. Internal basis reflects defining the organization's strengths and weaknesses, and external basis reflects opportunities and threats influencing the company from the outside area. Table 1 below shows Company

X's internal strong and weak features, and obstacles and prospects of the surrounding area.

INTERNAL BASIS	STRENGTHS	WEAKNESSES
	<ol style="list-style-type: none"> 1) Favorable access to distribution network 2) Broad number of target group 3) Past experience in establishing franchises in a new market 4) Strong attribute – sustainability in production 5) Monthly collection changes 6) Online selling 	<ol style="list-style-type: none"> 1) New personnel – difficulties to find appropriate workers 2) Expenses from training new personnel 3) Unawareness of brand name among potential Finnish sales people 4) Financial issues – accounting in a new currency for the owners of Shop X
EXTERNAL BASIS	OPPORTUNITIES	THREATS
	<ol style="list-style-type: none"> 1) Successful creation of brand awareness in the Finnish market 2) Stable economy in the country 3) Rare currency fluctuations 4) Favorable physical environment – attractive central location in a well-known shopping mall in Helsinki 	<ol style="list-style-type: none"> 1) Possible increase of trade barriers (import taxation) 2) New unknown brand name for Finns 3) Difficulties in legislation (registration requires to have at least one Finnish citizen in the board of directors) 4) New market and new unfamiliar competitors

Table 1. SWOT analysis of Shop X

Thus, according to Company X's policy, the shop's main internal strong feature is a convenient distribution system. As the main storage is located in Hamburg, Germany, it is easy to deliver products within the European Union. In addition,

the Finnish market consists on mainly adult consumers, which creates an advantage to include more people into the target group. Company X already has experience in establishing new stores in diverse markets all over the world, so the benefit is a skillful entrepreneur. In compliance with Company X's strategies and objectives, there is a variety of new apparel, changing every month. On-line shopping allows the company to increase revenue through social networks.

As can be seen in the Table 1, there are a few major weaknesses that might stress the shop. Finding the right people and training qualified personnel is a tough and costly task for the company. However, this weakness can be transformed into a strength and improve the company's internal situation. In addition, as the owners of the shop have experience in doing business in the Russian market, difficulties with understanding and implementing a new currency and accounting rules may occur at the beginning.

External environment may have a big impact on the shop's ability to do business. The main obstacles that may occur, not because of the company's faults, are negative changes in import taxation policies and procedures, Finnish registration terms and conditions, new unknown competitors and lack of brand awareness in Finland. Though, the last point can be turned into an opportunity when presenting the company from the positive, beneficial side. In addition, Finland has a stable economic situation, where the main rates do not fluctuate often, which creates an auspicious environment to do business. The potential location of the shop, in the Forum shopping center, supports drawing attraction to the new shop in Helsinki.

5.7 PESTEL analysis

Macro environmental factors are external forces that cannot be controlled by the company. These factors strongly influence the company's business operations (WiseGEEK 2014). Figure 7 illustrates the macro environmental factors affecting a company.

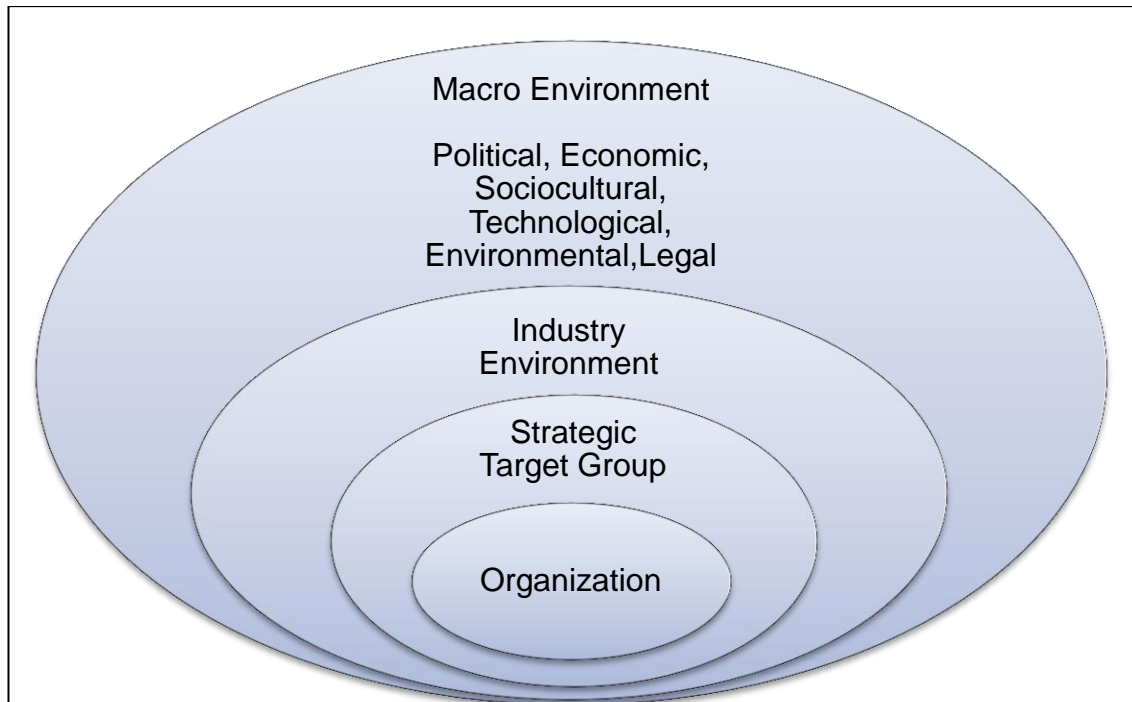


Figure 7. Organization and the surrounding area

In order to formulate an effective strategy for the shop, Company X should understand the external environment. This external environment provides the company with opportunities and obstacles that may cause fluctuations in the firm's profitability and sustainability. PESTEL analysis is a tool supporting the organization's ability to do business. Due to the limitations of the study, this analysis will consider ESTE issues only.

According to the trading economic rates (Trading Economics 2014) and statistical data (Labor Force Survey 2014) the following figures display Finnish economic environment:

- The local currency, euro, is becoming strong due to the recent economic circumstances: the Olympic Games in Sochi with main investments in euros and dollars; the political situation in Crimea; the boycott by the USA; depreciation of ruble towards dollar and euro).
- The inflation level in Finland is 1.3% (31.03.2014), which shows the stability of the currency in this country, in comparison to the inflation rate in Russia (6.9%), Sweden (-0.2%), and Germany (1.04%).

- A Finnish labor force survey shows that the number of unemployed people was 252 000 in 2013, which is 16 000 higher than in 2012. Thus, the unemployment rate in 2013 was 9.5% and 9.0% in 2012 accordingly.
- The gross domestic product growth rate is falling during 2014 on 0.3%. The decrease started in 2013, and continues in 2014.
- However, GDP per capita in Finland (recorded in 2012 in US dollars) is equivalent to 312% of the world average.
- Import prices have decreased in 2014 and stayed 116.90 index points (previously they were 117.00i.p.).
- Consumer spending decreased to 21 512 million euros from 21 659 million euros during 2013. Also, consumer confidence dropped to 3.70 index points in April 2014 from 8.50 in March 2014, which is not a positive point.

Sociocultural environment has been analyzed by means of consideration the materials given by the company`s representatives:

- As Company X`s target audience consists of over 30 years old women, the local trends among this target group are calmness and comfort from the one hand, and quality and easy design on the other. This fact allows the company to join the Finnish fashion industry and retailers easily without being ignored.
- The Finnish nation is senescent, which means that there are more adults and old people than young people.
- Helsinki is the place where business is concentrated. People earn money and can afford to spend it on expensive apparel.
- Usually local people do not wear a uniform at work, except for safety-protecting clothes. Business organizations are steady in the personnel clothing preferences, only asking for official business style.

Technological environment:

- The major research areas in Finland are the forest, metal and alternative energy industries. Yet the government is interested in sustainability and

organic material certifications, which gives an advantage to Company X as a member of GOTS.

- Considering Finnish fashion industry`s technology as a product with its own life cycle, one may say, that this product has a birth-growth developing stage that allows to assume an increase in future investments into technologies.
- Taxes in Finland are on increase, and they may go up in the fashion industry apparel as well.
- Finland is a modern country, where almost everyone has access to the Internet and information technologies. Thus, social networks as a promotional tool for Company X can be considered as well.

Environmental issues:

- “Green planet” is one of the most significant considerations in Finland; creation of ecologically clean and recyclable products is necessary to succeed in this region.
- Company X does not use real fur because of sustainable production reasons. Finland frequently takes part in Greenpeace campaigns, protecting animals from being used to manufacture goods. Thereby, this gives a benefit for Shop X.
- According to Finnish regulations and statistical information, people tend to purchase materials that can be then recycled and disposed. Company X produces exactly such kind of material.

6 Conclusion and results

The main task in this research was to examine the potential market for an expanding organization. In addition, a precise analysis of the company`s location was among the most significant aspects, due to the owners` wish to find the best place for the shop. It was obvious that being in the right place is essential. Finding the correct location reduces the costs of promotion and distribution. There were two choices where to locate the store – a shopping mall or a separate street boutique. As a result, after the business negotiations with the poten-

tial property owners, the choice fell down on Forum. This department store has a central location and is well-known among the capital residents.

Another important aspect that was inspected during the study was an analysis of the shop's strengths and weaknesses and the environment's opportunities and threats. This analysis has illustrated the company's internal strong side – convenient distribution system. The target audience, over 30 years old women, is another advantage. Experienced company representatives are skillful enough to lead the business in a new market. As a proof, this has been reflected in the sales figures for the previous years. However, a few harmful points were revealed a negative influence on Company X' operations. Expanding always incurs expenses, and it is vital to estimate the probable costs of personnel training and changes in accounting and legal systems due to the new environment.

Analysis of the surrounding arena suggested that the company is ready to deal with the potential harms, costs and rival pressure. External environment may have a big impact on the hop's ability to do business. Thereby, the main trading and economic rates in Finland were presented in order to support the shop owners` price setting actions. The analysis of macro environmental issues or PESTEL (ESTE), gave Shop X recommendations for how to perform in the new area conditions and what to expect from the Finnish region.

The study included also an exploration of the competitors' strategies, goals and benefits, which were illustrated in a value curve in the competitor analysis chapter. The shop owners in their further activities can consider the potential rivals. This analysis reflected the main parameters that rivals may influence on the shop`s sales conditions.

It is highly recommended to apply the differentiating ideas that could distinguish the shop from the rivals, which were considered in the competitor analysis. As a result, four distinguishing factors for Shop X were identified: owning an attribute, being the first, possessing heritage, and getting preference. Some of these differentiators are stronger than others; however, only practice and real application can show the effectiveness of each one.

To conclude, in order to create a successful expanding process, the company needs to analyze the external and internal environment, map the competitors, find distinguishing features, examine their own production process and technology issues, as well as find a right location and right distribution channel.

On commission by Company X's enquiry, the above issues were examined in this thesis work. It is the company's option to apply the recommendations and data gathered in the research process. One of the recommendations has already been applied – rent agreement. Therefore, the potential location of the store is Forum, starting from October 2014. Consequently, the company's present activities reflect that the research concepts and investigations are reliable.

All in all the topic of the thesis was stimulating and the tasks to investigate and analyze the new market for a new franchisee were done with enthusiasm, pleasure and experience.

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