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DEVELOPING MARKETING STRATEGY
CASE: COMPANY PROVIDING HEARING CARE SOLUTIONS

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DEVELOPING MARKETING STRATEGY – CASE COMPANY PROVIDING HEARING CARE SOLUTIONS

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Business environment is nowadays very complex and in a status of continuous change. Information flood from all possible mediums makes it difficult to companies to differentiate from competitors. It requires more skills to be able to adapt in the situation. If they are not able to adapt it might even threat their survival. Marketing tools which were successfully used earlier might not be suitable on today's world. The purpose of this study is to create a certain guideline and plan how the case company can adapt to its changing business surroundings.

Public health care is in the state of change. Fast population aging is increasing amount of patients in Finnish hospitals. Current structure is under pressure and needs corrective actions which started already by former government. Case company has been functioning successfully in hearing care market which is facing changes in the near future. To adapt to the future development it needs to rearrange its functions to be able to continue business successfully.

This study is structured around four questions: Where are we now? Where do we want to be? How we will get there? Did we get there? Case study method was chosen to be able to deeply understand the process. Case study also illustrates the research process and ties it strictly to business environment. Marketing strategy process is based on analysing surroundings and company itself. In these analyses I used many different models for example Porters five forces and scenario analysis.

Data collection methods are qualitative due to the nature of the research. Focus is on documents, archival records and interviews. I interviewed three persons which have long and versatile experience from hearing care market. Interviews were analysed through content analysis method.

The outcome of this study is a marketing strategy which is a guiding tool how the company will function in the changing environment.

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1 INTRODUCTION

Approximately 15 % of world’s population has some degree of hearing loss. Mainly hearing problems starts after 60 years of age but there are already signs of it after turning 50 years. The problem originates from the degeneration of cochlear nerve and labyrinthine fistula. Problem is very common and relates to aging and it is estimated that around half of the population over 75 suffers from it in certain stage (Salonen 2013, 11).

Hearing loss is an issue which involves many people. It is not just the actual person who suffers hearing problems but it also has affection on the surroundings. Families, colleagues and friends are also touched by this problem when communicating with a person who has a hearing loss. At first the problems usually concern the social life. You do not hear well in noisy environments like restaurants, shops and large meetings. Then you start to avoid these occasions. This stage will take on average seven years before you seek help and start using a hearing aid.

Population in Finland is aging and this development is fastest in Europe at the moment. It challenges the existing health care system. In this economic situation financing of health care need to be restructured. It will raise prioritising questions like where to allocate more resources and which functions could be arranged some other way. What part of the health care should be operated through public sector and are there processes which could be managed by private companies? This has been an ongoing process for couple of years and some practical solutions and processes have already been developed.

Phonak Finland is a company which provides hearing care services. Market where Phonak operates has been steady for many years but in the future there are some question marks because of the above mentioned reasons. How to adapt in changing environment? Should Phonak focus on certain operations and is there anything where to withdraw? These are strategic questions which have an effect in every level of the company and therefore needs careful consideration.

This study is about how to create a marketing strategy in changing environment and what are the reasons why marketing strategy should be created in the first place. It is also an illustration of the situation where a company needs to choose what will be the leading thought which to follow.

For practical reasons I will do the research in Phonak Finland where I am working and that way I am able to study the process in practice and get proper feedback on time. As part of the results of this study will be very critical information for the company therefore I need to present some results as an appendix of this study and these will not be publicly available.

2 BACKGROUND

2.1 Hearing service markets

Market for hearing care in Finland is in a state of change. Historically hearing care in Finland has been executed by the governmental hospitals. Even now around 90 % of the hearing aids are dispensed through these hospitals.

Finnish population is aging and the aging development is fastest in Europe. According to Central statistical office In July 2012 population of over 65 years old reached one million (Yli 65-vuotiaita... 2012). This aging development challenges society in many levels. The work for arranging the health care services in new way has already started by the former government with SOTE reform but as we all have seen from the news it has been very difficult.

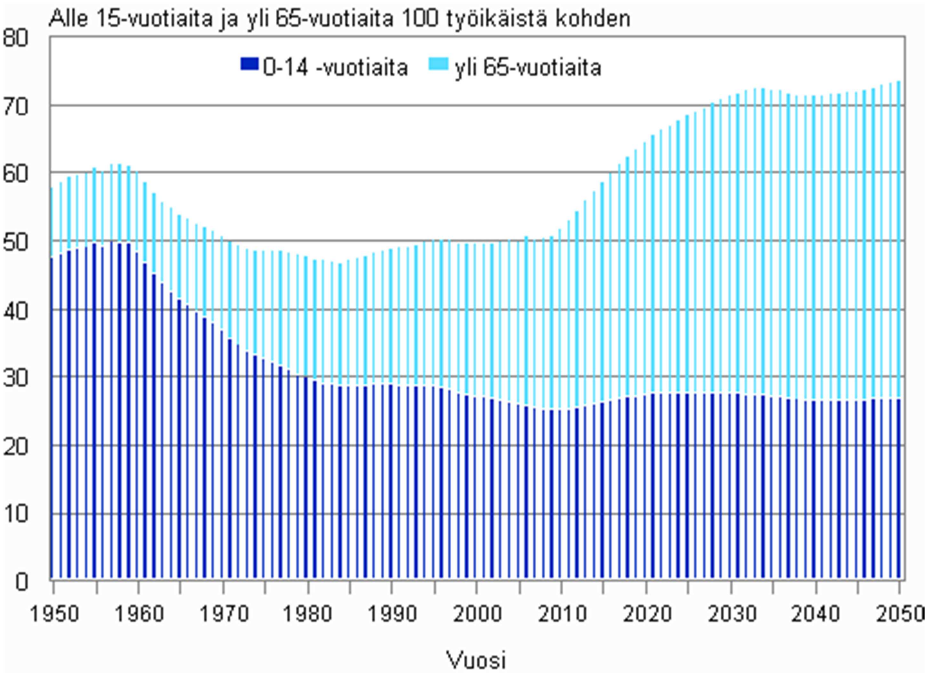

Figure 1. Population maintenance relation in 1950–2011 and forecast for 2012–2050 (Väestöllinen huoltosuhde 1950-2011... 2015)

The problem with Finnish health care is the multichannel financing. There are many different instances involved in different levels. State, municipalities, KELA and private quarters like households and insurance companies participate on financing. This makes the system very complicated and unequal. The efficiency also suffers from the fragmented structure.

The cost of health care is rising in fast pace. Complex technical solutions for different surgical operations are very expensive. Efficiency of the hospitals is not in a best possible level. As the population is aging and the expected lifetime is increasing the demand for health care services will rise in the near future. This means that present health care system is challenged and needs to be restructured.

Hearing aid services are classified as a special health care treatment. It means that service is provided on the central hospital and university hospital level. Usually patients are diagnosed to have hearing problems by general practitioners who will give referral to hearing center of central hospital in local health district. The hearing specialist will then examine the hearing and provide an audiogram from the patients hearing. According to the audiogram the hearing device will be fitted for the patient, which basically means choosing the right hearing aid and programming it suitable for the type and level of hearing loss.

In March 2005 statutory care guarantee came into effect. It meant that in unhurried care situations patients are guaranteed to have a medical care in special care treatment within 6 months (Laki kansanterveyslain muuttamisesta 855/2004). Before the guarantee in worst cases the patient needed in some municipalities wait more than a year to get the treatment for their hearing loss. When the guarantee became lawful the central hospitals started to correct the situation by outsourcing the fittings to private clinics. Audionoms in some hospitals changed to private business and opened private practices specialising on hearing aid fitting.

Nowadays the cost pressure is one of the main aspects to direct the resource planning in governmental hospitals which has led them to outsource their fittings more. Now the fittings are managed with tender offer system to save the expenses. In this situation to win a bid the private fitter needs to offer as many fittings as possible to reach a profitable level. Increasing amount of fittings has had a negative effect on the service quality. Cost pressure and the outsourcing have forced the hospitals to reorganise their functions to adapt to the situation. Hearing aids are purchased through tender offers where price is nowadays the only criteria how the suppliers are chosen. In tightening competition the hearing aid providers offer economy class hearing aids to tender to be able to win a bid and sign the agreement. Organisational arrangements and tight competition on tenders have also affected negatively to hospital service quality and to the quality of hearing aids dispensed from the hospitals.

Above mentioned reasons has led to situation that some people have started to buy their hearing aids and hearing services straight from the importers and private clinics to get state of the art hearing aids and top quality service.

2.2 Unit of analysis

The company in this case study is Phonak Finland which is a Tampere based provider of hearing care solutions. It is focused on Finnish wholesale market of hearing aids and hearing care solutions. Lately it has started to provide these services also to end-users.

Phonak Finland is a subsidiary of Sonova Group which is the global manufacturer of hearing care solutions. Company was founded in 1947 in Zürich under name AG für Elektroakustik. Today Sonova sales is 2,035 billion CHF and it employs over 10 000 people in over 90 different countries (Website of Sonova, 2015).

Today Sonova operates through four core brands: Phonak, Unitron, Advanced Bionics and Connect hearing (figure 2). Phonak is the oldest brand for Sonova. It introduced the first behind-the-ear (BTE) hearing aid, Super-Front in 1978. It was in frontline on digital sound processing as it introduced first fully digital hearing aid Claro in 1999. Phonak also holds strong position on wireless assistive devices, which are supportive products for hearing aids in challenging hearing situations like on the phone, watching TV or noisy environment.

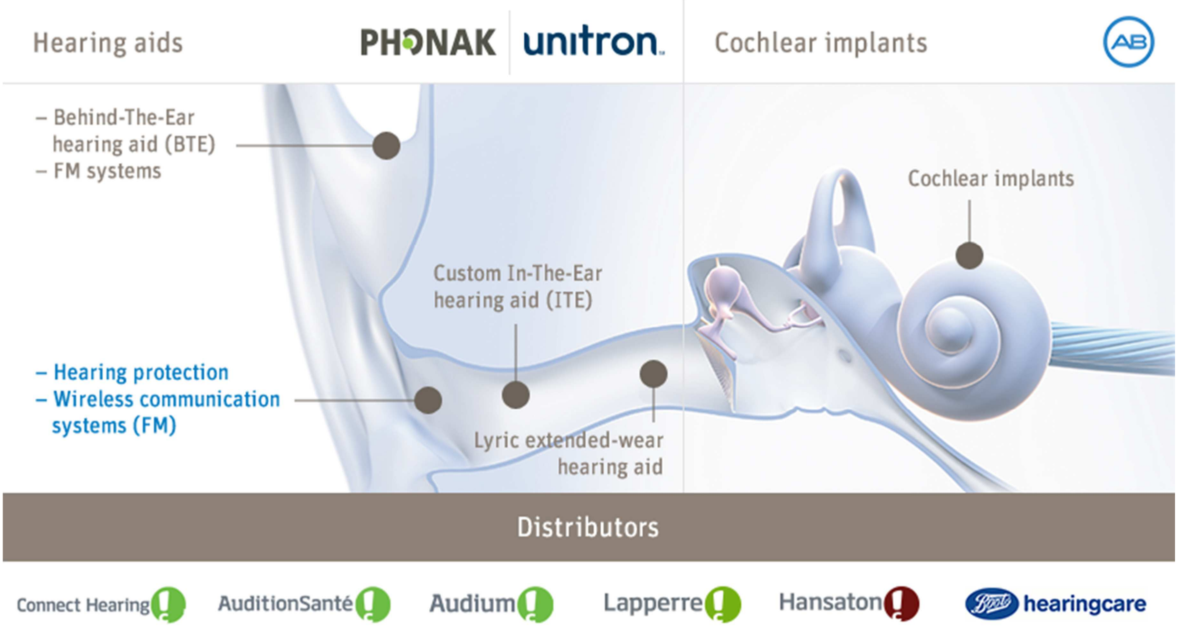

Figure 2 Sonova Brands

Unitron is originally Canadian hearing aid brand which holds its headquarters at Kitchener Ontario. Unitron was acquired to Sonova in year 2000. Back then it was the 7th biggest hearing aid provider in the world as Sonova (Phonak at the time) was the 5th. This was a big step for Sonova to reach the top level in global hearing aid market. Unitron was also seen very attractive acquisition as it holds strong position in world's largest hearing aids markets in US (Website of Unitron, 2015).

Advanced Bionics is a producer and seller of cochlear implant systems in the world. It is founded in 1993 in California by an entrepreneur Alfred E. Mann. Its core focus is on creating implantable devices for severe hearing loss. Sonova acquired company on 2009 (Website of Advanced Bionics, 2015).

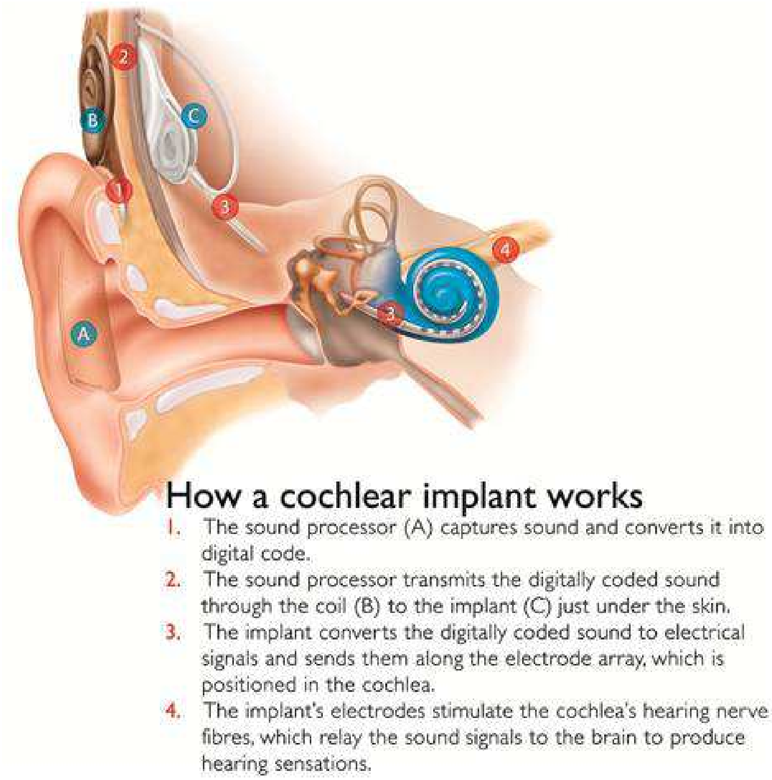

Figure 3 Cochlear implant

Cochlear implants are used for profound hearing loss or severe hearing problems when the ordinary hearing aid does not help. Cochlear implants are electronical devices which bypass the damaged part of inner ear and provide electronical impulses directly to auditory nerve (figure 3) (Website of Advanced Bionics, 2015).

Connect hearing group is Sonovas main retail brand focusing on providing hearing services directly to the public. Connect hearing is a hearing care professional service network which also works through few national brands for example Audium in Scandinavia, Hansaton in Germany and Boots hearing care in UK (Website of Sonova, 2015).

3 THEORETICAL FRAMEWORK

“Whatever failures I have known, whatever errors I have committed, whatever follies I have witnessed in private and public life have been the consequence of action without thought.”
Bernard M. Baruch

Theory is very often defined by analysing the distinction between theory and practice. I hold more the opinion that there should be tight linkage between these both concepts. Above is a quote from American statesman Bernard Baruch about essence of strategy with concepts thinking and action and I think that on this quote thoughts equals theory and action equals practise. Theoretical framework is a backbone of this study which gives straight guidelines how to proceed.

In this chapter I will first define the main concepts related to this study before introducing the framework based on four elementary questions. Then I will present the analysis and models which I will use as tools during the process.

3.1 Main concepts and definitions

Significant part of the theoretical framework is the main concepts. People perceive and build understanding of the world through concepts. Here I will present the main concepts concerning development of marketing strategy. These concepts are strategy, marketing strategy and competitive advantage.

3.1.1 Strategy concept

The word strategy can be originated from the Greek word strategos which means a general in command of an army (West, Ford and Ibrahim 2010, 36). Strategy is historically a military related term which is later adapted to business. It was first said to be appeared in business literature in 1952 by Professor William H. Newman. In the beginning the term was used to describe plans how to achieve organisational goals. Later it was defined as a set of rules to guide the organisational behavior (Ansoff 1988, 78). The base for this definition was derived from decision making theories. It means that company needed to do strategic, operating and administrative decisions to achieve its objectives. Strategy was said to be deliberate and could be executed in stable strict way.

Next step was to add new dimension to strategy thinking, the change. Business world has turned out to be more complex, faster developing and with a more frequent changes. This requires great ability to adapt to ever changing conditions. Henry Mintzberg, a Canadian academic, introduced his 5 P's of strategy model where he defines strategy in 5 different categories (Mintzberg 1987, 11):

1. Plan
2. Ploy
3. Pattern
4. Position
5. Perspective

Mintzberg argues that strategy can be a plan, some kind of guideline to deal with the situation. Plan is processed in advance and developed consciously and purposefully. This is very conservative definition of strategy and in this case term deliberate can be used to describe the nature of the strategy. Strategy is also a ploy, a specific move intended to defeat a competitor.

In next category Mintzberg extends the definition when he states that strategy can also be pattern in a stream of actions. It means that it can be a certain behavior whether it is intended or not. The core of this thinking is that as a plan strategy is nothing until it is realized. That way the focus is on action or pattern of actions as he argues and can be intended as a strategy even though it is not planned. This strategy type he calls emergent strategy opposite of deliberate. I understand it in the way that for example in the fast changing vivid business environment where competition is strict, the operations are formed to certain pattern in order to overcome competitors even though there is no preceding plan.

Mintzbergs fourth definition is that strategy can be a position meaning that strategy is to locate the organisation to the certain place in the environment. He also states that strategy is therefore "mediating force" between the organisation and the location. It could be a plan to establish a plant to the environment where certain raw material, which is essential for production, is easier to acquire.

Last category is that strategy is a perspective. It means that strategy is a way how the individuals, who form the strategy in the organisation, perceive the world. For example some organisations are formed focusing in marketing, others can be focus on engineering to create winning product and some companies focus on building production as efficient as possible to overcome the competitors. Mintzberg emphasize here that strategy is an abstraction which exists in the minds of interested parties but the important part is that this perspective is shared among the organisation (Mintzberg 1987, 16).

3.1.2 Marketing strategy

Marketing is essential part of the organisational strategy. The object of the strategy is often related to customers, products, competitors and the markets and in this sense these are the operators with which the marketers interact in their every day job (Aaker 2008, 15).

Marketing strategy was earlier defined merely as how product, price, promotion and distribution (the marketing mix) should be used to achieve the marketing objectives (West, Ford and Ibrahim 2010, 40). That was more like creating a basic marketing plan. Later the definition was enlarged to cover also more strategic concepts of marketing like segmentation, positioning, product life cycle, market share and competition. Marketing strategy was seen as means to identify the target markets through these concepts and that way direct the marketing mix activities to right direction. Also the competitive advantage, which will be defined in more detailed way in next chapter, was added as an important part of the marketing strategy.

Mooradian, Matzler and Ring define marketing strategy in a form of 6 questions (Mooradian, Matzler and Ring 2012, 2):

1. Who the firm will serve (customers, segments)
2. When the firm will serve (what “occasions” the firm will target)
3. Where the firm will do business
4. What needs the firm will meet
5. How the firm will serve those customers and needs
6. Why the firm will do these things

These questions are giving answers to what are the two essential marketing strategy concepts: target segments and competitive advantages. Mooradian et al. adds here also a third dimension which they call singularity. It means that marketing strategy should be unique or singular meaning it should be “different from the competition’s in some way that some segment of customers will value” (Mooradian, Matzler and Ring 2012, 2).

3.1.3 Competitive advantage

Charles Darwin already defined what competitive advantage is in his evolution theory. He stated that most successful individuals are those who have competitive advantage over the others (Wilson and Gilligan 2005, 396). Competition is also the main concept which determines business success or failure. Main goal is to outperform the rivals by creating a competitive advantage.

Michael Porter states in his book about the competitive advantage that it is value which the company creates for the customers and which exceeds the cost the company is paying when creating it (Porter 1998, 3). Value is what the customer is ready to pay from the product. According to Porter there are two different motives which drive the customer for purchasing the product: lower price as compared to other products or a product with superior benefits compared to other products. These are the characteristics which Porter suggests which would be the main strategies to achieve competitive advantage and which he calls generic strategies:

1. Overall cost leadership
2. Differentiation
3. Focus

I will present Porters generic strategies more thoroughly in next chapter.

Essence in Porter’s definition is the value and he establishes it from his value chain analysis (Porter 1998, 36). He categorises organisational functions to nine activities which are either primary or supportive activities. Primary activities concerns bringing in the raw materials, turning them in to product, distributing, marketing and selling the products and finally the after sales service. Supporting activities mainly enables the primary activities to function properly. Idea on Porters value chain analysis is to identify the activities and focus on their cost management and performance individually to create the competitive advantage. More on value chain analysis in next chapter.

One of the main points in Porter's thinking about competitive advantage is sustainability. Competitive advantage should be sustainable compared to competitors. It should be something that is not so easily imitated (Porter 1998, 20). If the competitive advantage is simply formed for example from a product it could be easily copied by the competitors and erode the profitable market very quickly.

3.2 Strategic analysis and models

This study will be structured and followed by widely used strategy framework by presenting answers to four questions: Where are we now, where do we want to be, how we will get there and did we get there?

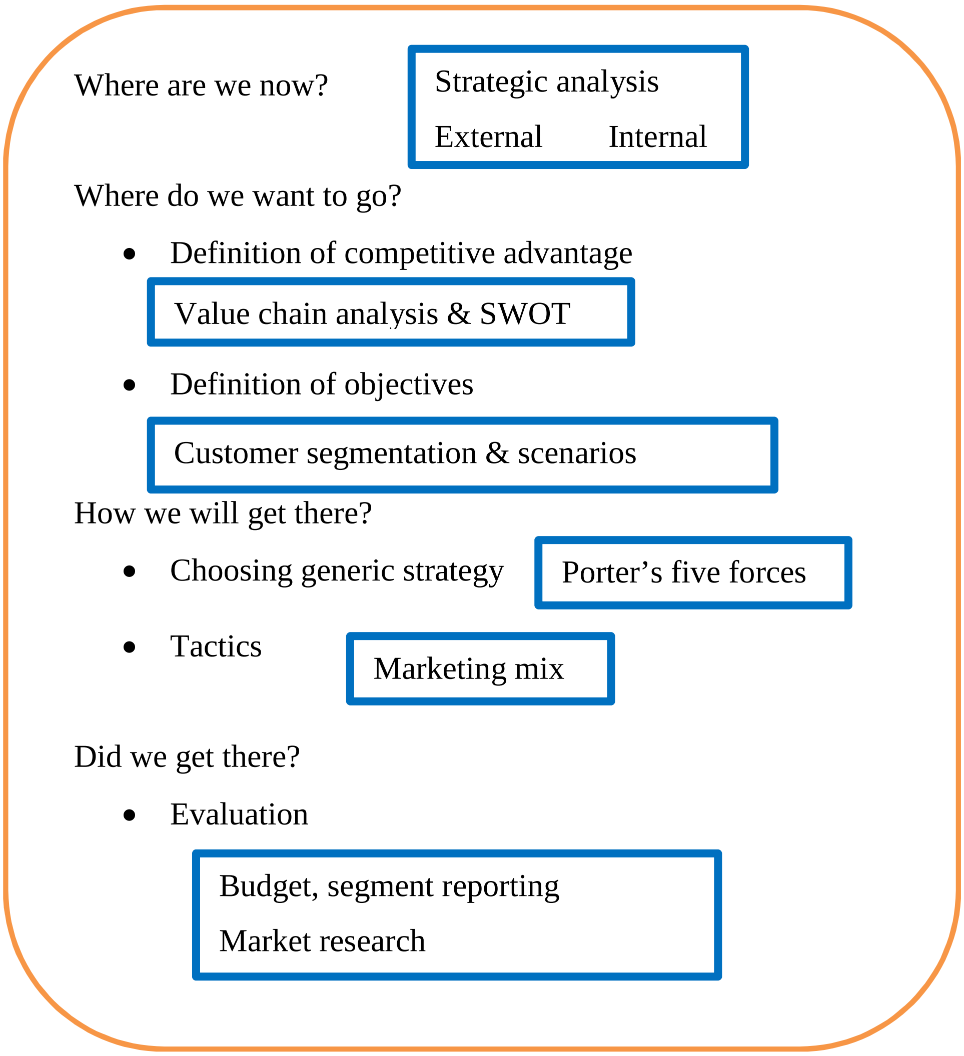

Figure 4 Strategy framework

First question indicates the situation were company should be fully aware about the surroundings where they function. It is the base layer where the future strategies are constructed. This knowledge can be obtained by performing strategic analysis from business environment and internal resources. It is divided to two different dimensions: external and internal analysis.

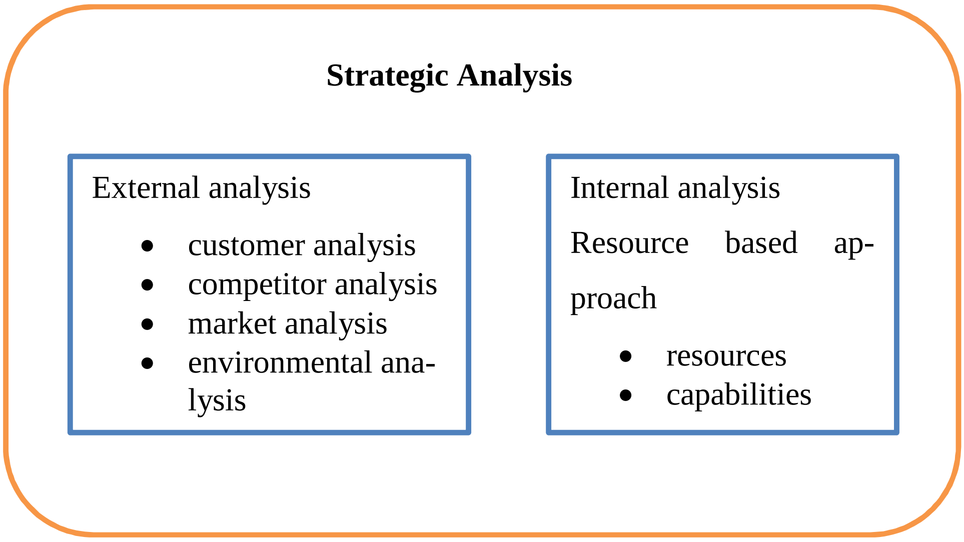

Figure 5 Strategic analysis

External analysis (figure 6) consists of company's external environment. Customer analysis covers thorough breakthrough of company's customers where main point is the customer buying behaviour and buying process. Customers will be assessed through segmentation analysis.

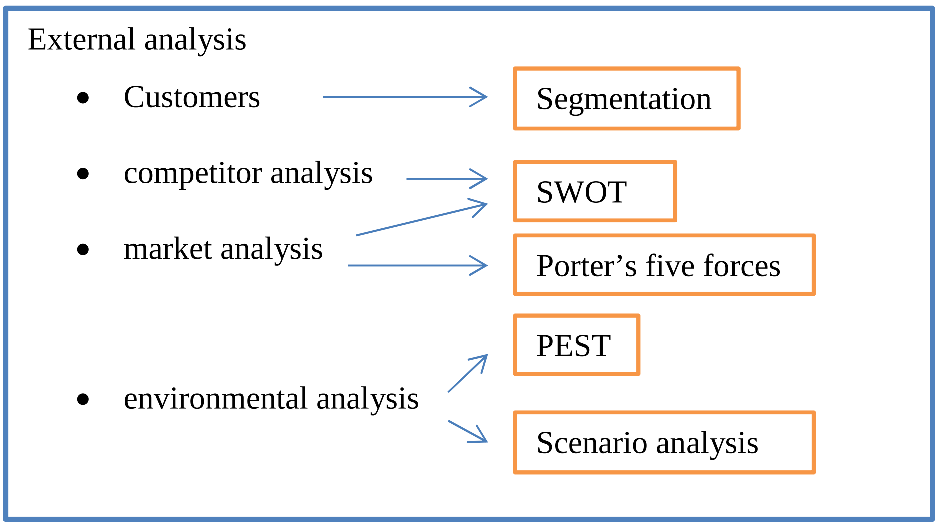

Figure 6 External analysis

The first point of competitor analysis is identification of the main competitors. Mapping of possible potential competitors and new entries is the next step. Also there will be assessment of their strength and weaknesses.

Market will be analysed based on its size, competitiveness and profitability. Market competitiveness will be inspected through Porters five forces of competition model (Porter 1980, 5).

Last of the external analysis concerns the assessment of the environment. Environment analysis will be based on PEST and scenario analysis.

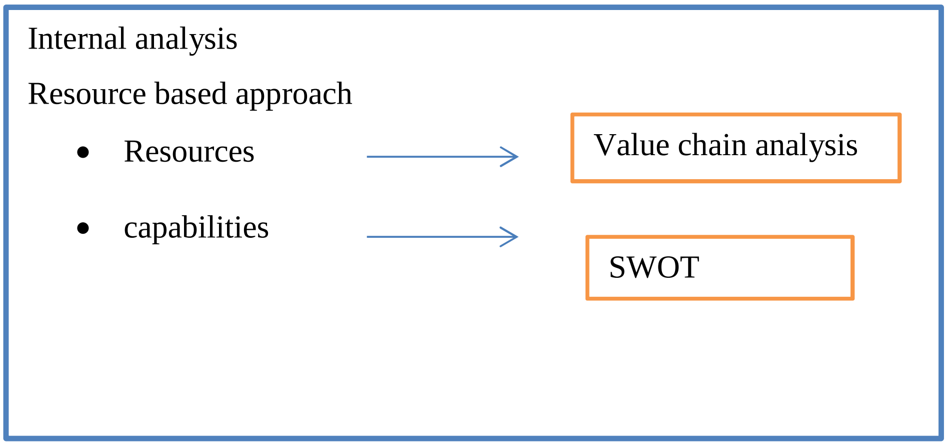

Figure 7 Internal analysis

Internal analysis (figure 7) is focusing on the company resources and capabilities. As the main focus is to create a marketing strategy with competitive advantage the internal analysis in form of strengths and weaknesses will be based on the threats and opportunities in the market. Company resources will be studied with Porters value chain analysis.

Second question, where do we want to be, focus on strategy formation. Mooradian, Matzler and Ring define four steps to strategy formation; identifying competitive advantage, segmenting, targeting and positioning (Mooradian, Matzler and Ring 2012, 29). Competitive advantage is something that company does better than its competitors. Segmentation is to divide mass of customers to customer groups of different characters to be able to manage it easier. In next chapter there is wider information about segmentation. Customer segmentation is the base of defining targets and positioning the product at the market.

Third question, how we will get there, focus on selecting and implementation of the marketing strategy. Strategic options are discussed through Porters model of three generic strategies (Porter 1980, 35).

Main theme in implementation of marketing strategy is marketing mix. Marketing mix is a concept derived from Jerome McCarthy's paradigm of 4 P's of marketing.

Last question, did we get there, emphasise on controlling and evaluation of the marketing strategy. It will be based on managerial controlling methods and evaluation through budgeting tools.

3.2.1 Customer segmentation

Buyers are different in the way they do the purchasing. There are different needs, locations, practices how to buy, resources etc. To be able to cope with larger buyer masses and serve the customers better marketers divide the buyers to different groups, segments, which are homogeneous and holds similar characteristics. Segmentation will answer the question: What customers will we serve (Kotler & Armstrong 2012, 190)?

Customer segmentation in consumer based business is basically done by analysing customer characteristics. Characteristics can be specified by identifying certain variables that describes the customer characteristics (Winer & Dhar 2011, 90). These variables in consumer markets fall to four major categories presented in figure 8.

Demographic segmentation split markets in different segments based on the variables age, race, ethnicity, income, education, occupation family size, family life cycle, religion and social class. Demographic segmentation is the most usual way to segment the customers as these characteristics are easier to measure (Kotler & Amstrong 2012, 191). Psychographic variables divide buyers by personality attributes, motives and lifestyles. Marketers try to appeal by building a picture of certain products being part of certain lifestyle, personal characteristics or patterns of living. For example certain types and brand of clothes are linked to people who do snowboarding. Geographic segmentation divides the markets by different geographical units. Companies localise their products, advertisement, promotion and sales to meet the needs of these areas. Behavioural segmentation divides buyers how they response and use the products. Some buyers purchase the product in bigger numbers, some are loyal to brand, some sought for benefits etc.

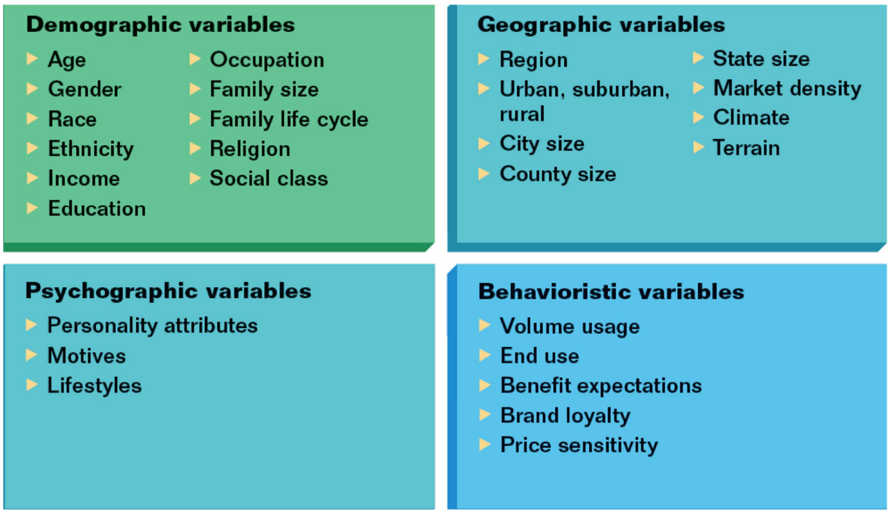

Figure 8 Consumer market segmentation variables

Segmentation for organisational customers is done the same way as it is done for consumers meaning analysing the customer characteristics and variable which describes them. Because the buying behavior is little bit different compared to consumers the industrial variables are divided to 5 categories:

1. Demographics. Company size, industry type, geographic location, number of employees.
2. Operating variables. Dimension of customer's operations. For example what technologies customer is using, how many of your services/products customer is using etc.
3. Purchasing approach. Which customers focus on price, which on quality? Which customers have centralized their purchasing, which customers buy by site?
4. Situational factors. Customer's delivery speed needs, order size needs or particular uses of the product
5. Personal characteristics. For example customers attitude to risk taking -> early buyer of new technology.

(Winer & Dhar 2011, 130)

There are several ways of segment the customers but it needs also to be useful. Kotler defines five different requirements for effective segmentation (Kotler & Amstrong 2012, 208):

1. Segments should be measurable. The size, purchasing power and profiles of segment should be measurable.
2. Accessible. The markets segments can be reached and served.
3. Substantial. Segments are large or profitable enough to serve.
4. Differentiable. Segments respond differently to different marketing acts.
5. Actionable. Effective programs can be created to serve and attract segments.

When the segments are defined they should be evaluated. Evaluation is done by collecting existing business data on the segments. How much they have created sales, what are the growth rates, what is the profitability etc. Segments should also be examined from structural point of view meaning considering their attractiveness. Segments could be even analysed by using Porters five forces analysis. What is the competitive situation in the segment? Are there possible substitute products? Do the customers have strong bargaining power (Kotler & Amstrong 2012, 209)?

Finally company should also consider the segments from their resources point of view and how they match their long term targets. There is no point to focus on a large segment if there are not enough resources to manage it. After evaluation company will select the suitable amount of segments as a target.

3.2.2 Porter’s five forces

One of the elementary tasks when creating a strategy is to position the company to its environment. Structure of the business environment determines the possible goals and strategies for the company. It has also a strong influence on a long run profit possibilities.

Michael Porter introduced in his book competitive strategy the five forces which define the state of competition in an industry (figure 9).

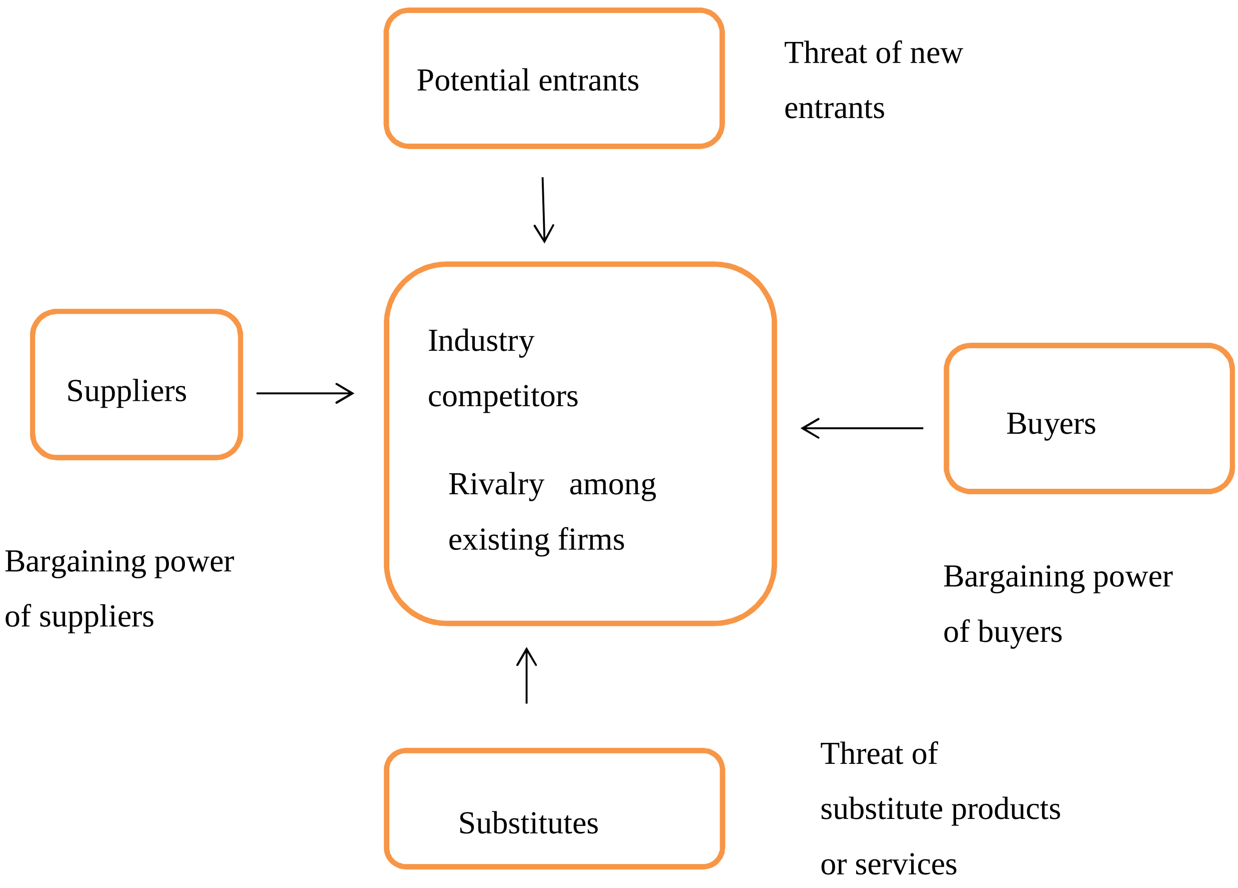

Figure 9 Porter's five forces of competition model (Porter 1980, 5).

These five forces determine the structure of an industry. Porter states that the main strategical goal is to position itself on the industry in a way that a company is able to defend against these forces and influence them for its own favour (Porter 1980, 4). According to the Porter the positioning should be done by identifying these forces from the market and reflecting them against own strengths and weaknesses. By presenting these forces he wants to extend the concept of competition wider than the traditional definition including not just competitors but also customers, suppliers, substitutes and potential entrants to the same picture (Porter 1980, 6).

Companies seek for new markets to expand their market share. Usually new entries come to the market with substantial strength by offering new capacity. Goal is to gain market share and the main way to do that is to reduce prices which will change the balance of the market. Entering depends what are the barriers of the market for new entry.

Porter defines 7 major sources of barriers to entry (Porter 1980, 7):

1. Economies of scale
2. Product differentiation
3. Capital requirements
4. Switching costs
5. Access to distribution channels
6. Cost disadvantages independent of scale
7. Government policy

Economies of scale mean the cost advantage achieved by producing larger amounts and that way decreasing unit costs. Company can enter to the market on large scale and use full benefit of the cost effect which might end in fierce rivalry from existing competitors. Another mode is to enter small scale and accept the cost disadvantage. There is also other cost disadvantages which can be barriers for entry and which does not necessarily depend on economies of scale. For example products which are protected with patent rights work as a cost based barrier for new entry. Product differentiation means that existing rivalries have already achieved position for their brand through long term marketing activities. New entry might need to spend heavily on creating brand awareness and to overcome existing customer loyalty. Entry on new market can also demand heavy capital investments to compete. Cost for customer to switch existing product to a new may also be a barrier for a new entry. Governments can also through their operations create barriers to entry. They use licensing and quotas to limit the number of the players in the market.

Rivalry among existing firms in the market takes different forms for example price competition, advertising battles, extended warranties, increased customer service and product introductions. It occurs when companies try to look for better position on the market (Porter 1980, 17). When doing this the companies form a pattern of action and reaction which makes them dependent on each other. For example in situation like price competition the cuts in prices are spread among the rivalries rapidly.

Porter states that tight rivalry is result from markets structural factors (Porter 1980, 18). When there are numerous amounts of rivalries in the business the competition is probably tight. It can also be tight among smaller amount of companies in case if they are approximately same size and compete on the same resources. If the market growth is slow the competition on market share will also be tight. When there is slight possibility to differentiate products and switching costs are very low likelihood for tight competition is high.

High exit barriers may also have an increasing effect on competition. If the business requires specialized assets with high cost of transfer or there might be costly labour agreements the companies will tolerate lower profitability which increases the competition.

Substitute products are products that can perform the same function as the existing products in the market. They limit the profits what the companies are able to get from the market. Substitute products become attractive when the prices of the existing products increase over the level where substitutes are affordable (Porter 1980, 23). Profitability of the market is dependent on the position of substitute products. To improve the profitability of the market means that companies should collectively position their products in relation to substitute products. Positioning could mean for example collective actions on advertising the existing products or improvements on product availability. How to identify increasing threat of substitute products? Increasing quality of substitute products is increasing the threat. For example increasing quality of networks provided by telecom companies has improved availability of movies and music for customers significantly. It has been a severe threat for the film rental businesses. The changes in switching costs for the customers will also increase the threat. The lower the switching cost the higher the threat.

Buyers exercise bargaining power by pressing down price level, demanding superior quality, ask for more services and play the suppliers against each other. Buyer’s power on the market depends on its market situation and what is the relative importance of its purchases compared to its overall business (Porter 1980, 24). Buyer is powerful if its purchases consists a relative large share of sellers sales. Also if the product sold in the industry represents a large fraction of buyer’s costs or purchases. In that case the buyer will focus more on the purchases to get best possible price and that way increase the competition. If the products are standard, undifferentiated and the switching costs are low the buyer may easily choose alternative products. If the industry offers low profit the purchasing costs will be pressed down which will increase the competition. Buyer can also threat with backward integration by intending to produce the product itself and that way compete with the existing sellers. If the product is unimportant or does not have a significant effect to the quality of buyer’s product it will increase competition In this case it is fairly easy for the buyer to find an alternative product (Porter 1980, 25).

Suppliers exercise bargaining power by threatening to raise the prices or lower the quality of the products. If there are just few powerful suppliers and numerous fragmented buyers the suppliers can dominate the industry and increase the competition. If the industry is not important customer for the supplier and customers are more independent on supplier's products the supplier exercises bargaining power. Also when supplier's product is important for the buyers business the competition will increase. Supplier can also differentiate its products and build switching costs into the products and that way decrease buyer's opportunity to seek for alternative products (Porter 1980, 28).

After analysing the five forces of the competition in the industry the company needs to define their strengths and weaknesses. These results will give guidelines how to position the company in the industry and how to adapt against the different competitive forces.

3.2.3 PEST

The general context of the environment where company or brand operates has significant effects on company strategies. Companies need to know what is going on their business environment. As this context is fairly large and very complex it needs logical tool to go through the important elements. PEST framework is a suitable tool to analyse company overall surroundings. PEST is an acronym from political, economic, social and technological environments.

Political environment shapes up the surroundings where companies operate. It creates the legislative framework where companies and individuals act. Strategist should be aware of the political and legislative environment and especially how it will develop in the near future. The key issue is to determine, what will be the main political and legislative factors that might affect the industry in forth coming years (Mooradian, Matzler and Ring 2012, 68).

As political environment also the economic environment have a remarkable effect on the company surroundings. Economic variables such as inflation rate, unemployment rate, government debt, interest rates etc. indicates the shape of national economy and also forms the political and legislative development. Economics have nowadays remarkable effect on political decision making. Marketing strategist should be aware of the economic situation and its impact on political and legislative structures.

Social and cultural aspects form the framework of our everyday life. We use manners, social norms and values when we try to understand and explain the surroundings. These are the facts that also shape our consumer behavior which makes them highly important for marketing strategist to understand (Mooradian, Matzler and Ring 2012, 69).

Marketing strategist should also be aware of the technology and innovations. Technological progress has had deep effect on our society in recent years. Computers and mobile technology are said to cause industrial revolution which has changed our working culture and everyday life. As population is aging in western countries technology development is changing health care industry as new innovations are making the life of elderly people easier.

3.2.4 Scenario analysis

Scenario can be defined as description of possible future situation. It can also be defined broader as being more like a description of development of paths and driving forces which lead to certain future situation (Kosow & Gassner 2008, 11). Porter defines scenario as "discrete, internally consistent views of how the world will look in the future, which can be selected to bound the probable range of outcomes that might feasibly occur" (Porter 1980, 234).

Scenario analysis is a tool to use for studying the possible future predictions. Scenario is not just an image of the future. The focus in scenario analysis is more on the causal processes which might result a certain future image (Kosow& Gassner 2008, 11).

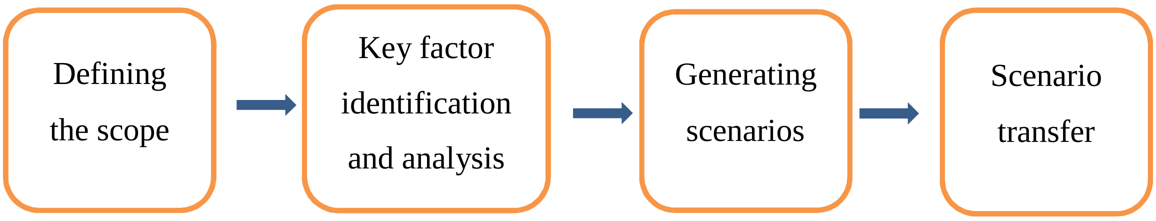

Figure 10 Phases of Scenario analysis

Scenario analysis is basically done in four steps (Figure 10). It starts with defining the scope of the scenario. What will be the purpose why scenarios are built? What are the limits for scenario building? What are the subjects to be left out of the scenario building? As in every research it is also important in scenario analysis to set the limits what to investigate in order to keep up the rigour (Kosow& Gassner 2008, 26).

Second phase sets the basement for the scenario analysis. Key factors are different variables, drivers, developments and trends which basically form the scenario. Identification and analysis of these key factors is usually the most time consuming phase of scenario analysis. It is usually done in form of certain desk research. Information can also be gathered through workshops or surveys (Kosow& Gassner 2008, 27). In this research I will conduct few in-depth interviews to gather information mainly for the external analysis. This information will also be used here to identify the key factors for different future scenarios in hearing aid markets.

Third phase is to form the scenarios. Scenarios are built by working with the key factors and condense them into a sort of possible future development, a scenario. The number of scenarios should be limited so that the process is manageable and focus stays on the core matters. Usually there will be two to three scenarios build. Aaker suggests three different scenarios: optimistic, pessimistic and most likely (Aaker 2008, 92).

Last phase in scenario analysis is to relate the result in to action. Idea is to test for example the existing strategy to different scenarios (optimistic, pessimistic and most likely one) to be able to find the strength and weaknesses of the strategic choice. Other way is to choose one scenario and build the strategy based on the facts and trends of that possible future prediction.

3.2.5 Value chain analysis

Foundation in Porter's value chain analysis is that competitive advantage should be understood by analysing company activities thoroughly. He points out that company should not been seen only as a whole but the analysis need to be done on more detailed level. Porter links his generic strategies closely to value chain analysis by stating that cost advantage and differentiation can be based on these analyses (Porter 1998, 33). He states that for example a low cost distribution system or a superior product design can be developed through analysing systematically the basic business activities. These business activities should be studied through strategic perspective.

Company's value chain is part of the value system where its activities are closely linked to for example supplier's activities. This can also be seen that company's activities are linked to buyer's value chain. Porter points out that understanding these linkages also is a source for competitive advantage (Porter 1998, 34). Value chain should be constructed in business unit level so that the perspective is not too wide.

Porter's thinking in value chain analysis is based on the amount which buyer is willing to pay to the company for a product or service. Value is measured as revenues and to be a profitable the company needs to create more revenues what is the cost of creating a product. Value chain analysis illustrates this total value where activities are physical and technological activities which company performs and margin is the difference between total value and cost of these activities (figure 11).

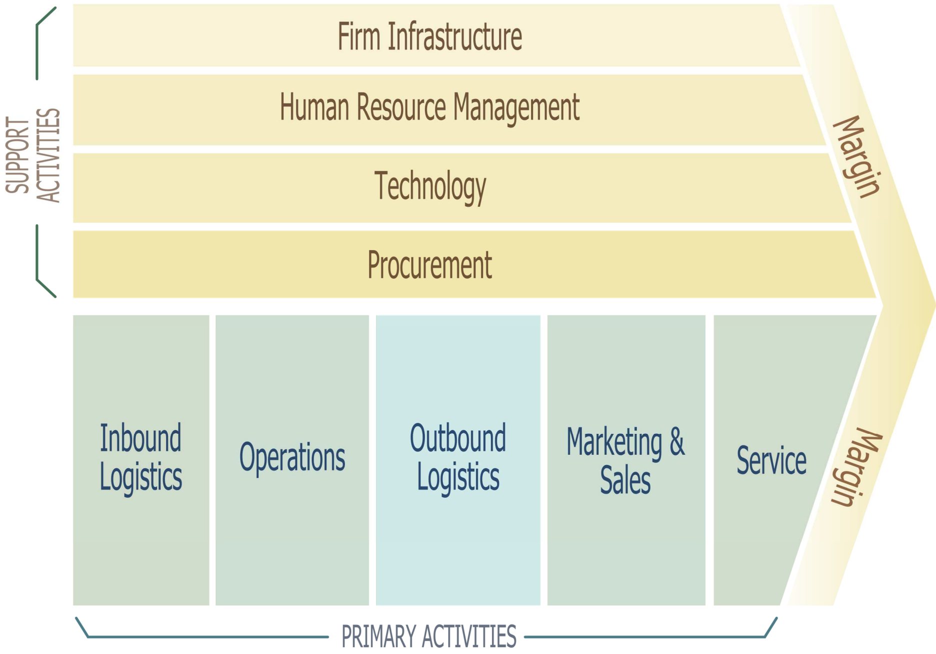

Figure 11 Porter's value chain analysis (Porter 1998, 37)

Porter divides activities to primary and support activities. Primary activities consist of physical creation of the product, sales, transferring to buyer and after sales service. Support activities support the primary activities. Porter divides primary activities to five generic activities which can be derived in every company (Porter 1998, 39):

1. Inbound logistics. Receiving, storing and internal transportation of the product
2. Operations. Production, assembly, packaging, equipment maintenance, quality assurance and all other inputs related to producing the product.
3. Outbound logistics. Distribution of the product (picking, packing, order processing, delivery to the customer).
4. Marketing and sales. Market segmentation, targeting, positioning, sales management, advertising, product and brand management.
5. Service. After sales service, repair and maintenance, customer training.

Support activities can be categorized to four generic activities:

1. Firm infrastructure. Planning, finance, quality control, accounting, information management etc.
2. Human resource management. Recruitment, training, development and compensating people.
3. Technology. Research and development, product design, process improvement, IT development.
4. Procurement. Acquiring resources for primary activities as selection of suppliers, negotiation of quality, prices, delivery terms etc.

Defining the value chain starts with identifying the value activities. All these value activities are based on different individual activities which should be then defined. For example generic activity marketing and sales could consist of marketing management, advertising, sales force administration, sales force operations and promotion (Porter 1998, 46). Everything that company does should be isolated as an activity. According to Porter activity should be isolated if:

1. It has individual economics
2. High potential impact of differentiation
3. Represent a significant or growing proportion of cost

Basically it means that activities are isolated according to its potential to create competitive advantage and importance as a building block for company's generic strategy.

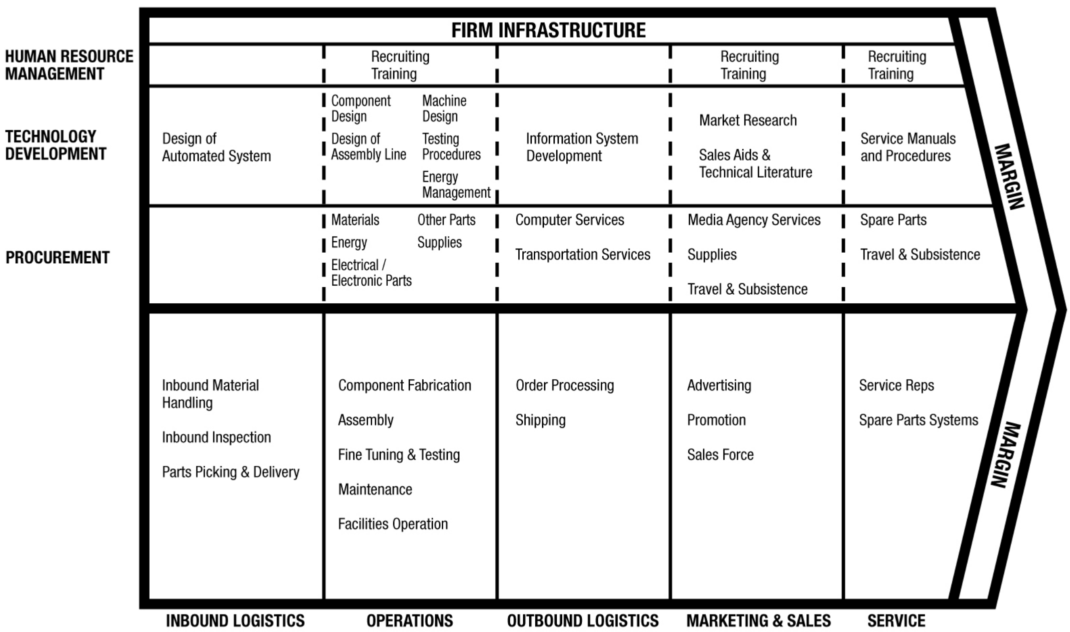

Figure 12 Example of a value chain (Porter 1998, 47)

Some of the activities could be placed in different generic value activities. In every case the activity should be considered from the competitive advantage point of view to which category it should be placed. For example order processing could be either outbound logistics or marketing & sales activity.

Competitive advantage is based not only to different activities, but there is big potential in linkages between different activities and these should also be analysed thoroughly. Linkages are common usually between support and primary activities. For example development of logistics information system will have an effect on order processing or sales force training will affect on how sales trips are organized (Figure 11). Linkages exist also between supplier and the company or between the company and sales channel. For example supplier's delivery system can be strongly linked to company's order processing system. Optimising these systems may create competitive advantage.

3.2.6 SWOT

SWOT is one of the most often used business analysis tool. It is an acronym of strengths, weaknesses, opportunities and threats. It is valuable tool in analysing own company, competitors and also the market (threat and opportunities). As it is widely used in many different areas it is also sometimes used in very shallow way. To avoid this it should be done thoroughly and consider in every point what is the strategic value and what is its importance to achieve competitive advantage.

SWOT is usually divided to from company point of view to internal part (strengths and weaknesses) and external part (threats and opportunities). Wilson and Gilligan summaries SWOT from marketing strategy perspective in following way (Wilson & Gilligan 2005, 53):

- Strengths are areas of competence that always must be looked at relative to competition and are the basis for competitive advantage
- Weaknesses indicate priorities for marketing improvement and highlight the areas and strategies that marketer should avoid
- Threats are trends within the environment with potentially negative impacts that increase the risks and hinder the implementation of strategy
- Opportunities are trends within the environment with positive outcomes that offer scope for higher levels of performance

External analysis (figure 6) should be based on tracking the trends and developments within the market. These should be assessed and categorized either as opportunity or threat and then plan if organisation should capitalize the opportunity or what would be the way to minimize the impact of the threat.

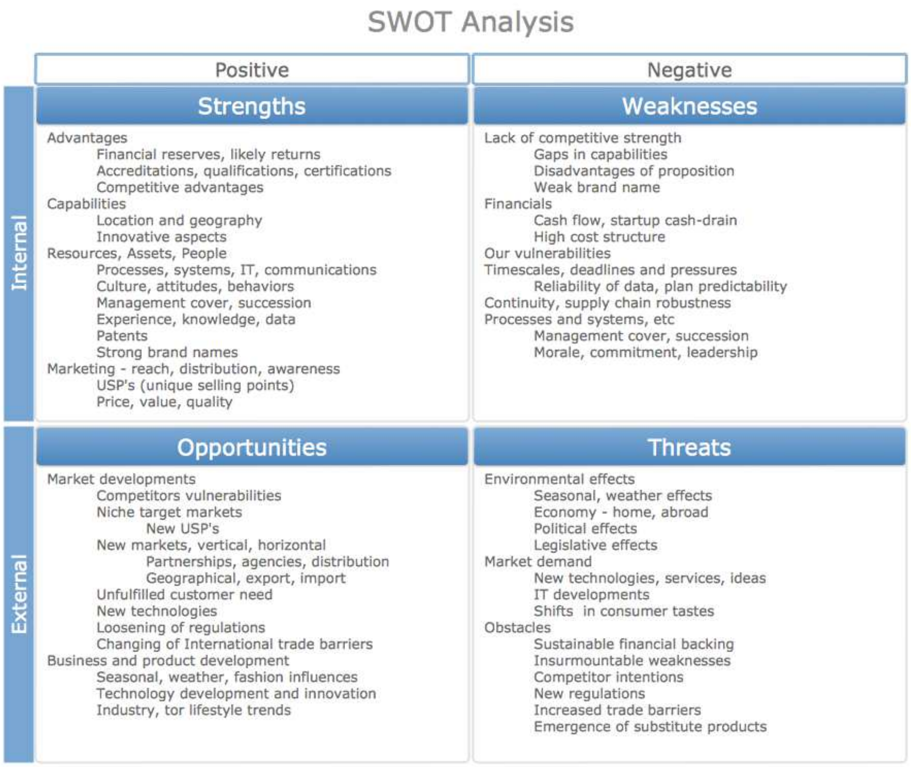

Figure 13 Swot analysis matrix

Market is usually full of opportunities but the organisation is not always capable of turning these opportunities to competitive advantage. Therefore the internal part of the analysis (figure 13) will illustrate what is the organisations position to meet the opportunities and threats. Internal analysis should not just be a list of organisational strength and weaknesses. They should be assessed keeping in mind what is their relative importance in market. Also they should be compared with the competitor's strength and weaknesses to be able to identify the possible competitive advantage.

Wilson and Gilligan also points out that SWOT should be assessed also afterwards to improve it by thinking:

- Has the relative importance of the various elements been identified?
- Have the implications of each of the elements been examined?
- Does the management team really recognize the significance of the elements?
- Have attempts been made in the past to manage the SWOT outcomes proactively?

(Wilson & Gilligan 2005, 63).

3.2.7 Porter's three generic strategies

In his book about competitive advantage Porter defines that to gain above average performance company should focus on sustainable competitive advantage, which in his definition are low cost or differentiation (Porter 1998, 11). Porter argues that this competitive advantage is a result from industry analysis, the way how company can cope with the 5 competitive forces. Sustainable competitive advantage is developed also how company is able to exploit its strengths and improve its weaknesses in the market. It seems that Porter defines the company's position in the market mainly through three elementary tools: 5 forces, SWOT and three generic strategies.

Porter models his generic strategies through sustainable competitive advantage. He argues that generic strategy is cost leadership, differentiation or focus strategy (figure 14).

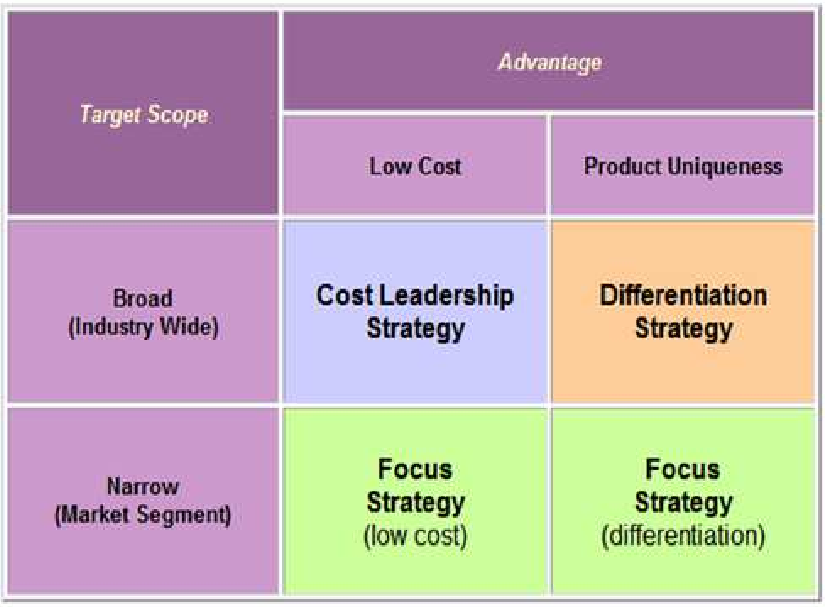

Figure 14 Porters model of three generic strategies (Porter 1998, 12).

In his analysis Porter divides the scope how competitive advantage is set as company's generic strategy. Scope can be either broad industry wide or narrower defined by market segment. Broad industry wide scope means that company strategy will be based only either on cost leadership or differentiation. Narrow scope means that company will focus partly on low cost and differentiation depending on the market segments.

Cost leadership indicates that the company is setting its goal to be the low cost producer in the industry. This usually means that the company is able to use economies of scale and perform on wide markets to get this position. It will maybe have a technological advantage or essential access to raw materials which makes it possible to dominate in the market. Company should be able to uniquely keep the cost leadership position as if there is other companies also acting as cost leadership the competition will be fierce and diminish the industry profitability.

Porter defines differentiation as uniqueness which company tries to seek on the market by certain dimensions which are valued by customers (Porter 1998, 14). Uniqueness can be reach in many dimensions. It could be the product, dealer system, service, the way company is marketing its products etc. This uniqueness should be very clear compared to competitors that it is possible to price it on high level. It should be also something which is difficult to copy by the competitors. The cost of creating this uniqueness should not exceed the price level which customers are willing to pay.

Focus strategy is based on accurate segmentation of buyers. Strategist chooses one narrow segment and forms its product to meet exactly the needs of this certain segment. Focus strategy can be either cost focus or differentiation focus strategy. Company can focus to be a cost leader in this certain customer segment or differentiate its product according to the customer needs in a certain customer segment. Company does not to be cost leader in the industry if it just focuses on one segment (Porter 1998, 15).

Main goal in being successful on either generic strategy is the sustainability. Strategy should be built up the way it is not easy to imitate. Porter states that best way to avoid imitation is to continually improve the sustainable competitive advantage created and that way makes it more difficult to copy.

3.2.8 4 P’s of marketing

The four Ps of marketing mix was launched already in 1960 by marketer McCarthy and it consist of four substantial elements of marketing: product, price, place and promotion. The principal purpose of marketing mix is the creation of demand for product or service. When designing these four Ps the environmental facts of competitive, political, social, legal, technological and economic should be taken into account (Wilson & Gilligan 2005, 497). Effective marketing mix has four different characteristics to achieve high synergy:

1. Matches customer needs
2. Creates competitive advantage
3. Matches the resources available in the organisation
4. Well blended so that each element contributes to a single consistent theme

To achieve this marketer needs to have a clear understanding of what the mix is designed for and what facts promote and which prevents the organisational capability (Wilson & Gilligan 2005, 536).

Kotler defines product as anything that can be offered to the market for attention, acquisition, use or consumption and that might satisfy a want or need (Kotler & Armstrong 2012, 232). Product is therefore not only a tangible physical product but it can also be a service, event, person, place, organisation, idea or a mix of these entities. Usually product includes many of these elements. Kotler divides product to three different layers which are core customer value, actual product and augmented product (figure 15).

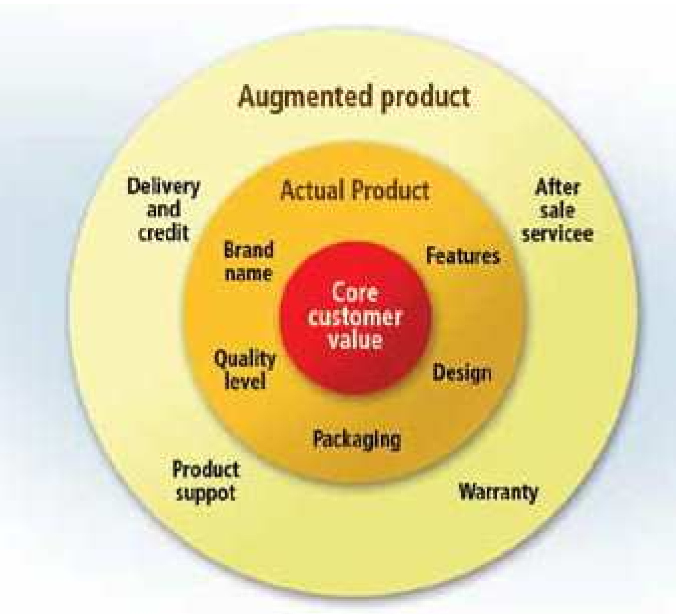

Figure 15 Three levels of product (Kotler & Armstrong 2012, 234)

Core customer value consists of the benefit which customer is looking for. There is the basic core want or need the customer want to satisfy. Actual product consists of packaging, design, brand and product features. Augmented product consist additional features like warranty and after sales service.

Price is very important part of marketing mix. Historically it has been the major factor affecting the buyer to choose the product. Kotler defines price as the sum of all the values that consumer exchange over the benefit of having and using the product or service (Kotler & Armstrong 2012, 307). Price is the only element in the marketing mix that produces revenue. All the other elements generate costs (Kotler & Armstrong 2012, 309). It is also most flexible element as it can be changed rather quickly. Pricing decisions are made in companies through considering both internal and external factors (figure 16) which means that it is very delicate element needing lot of focus.

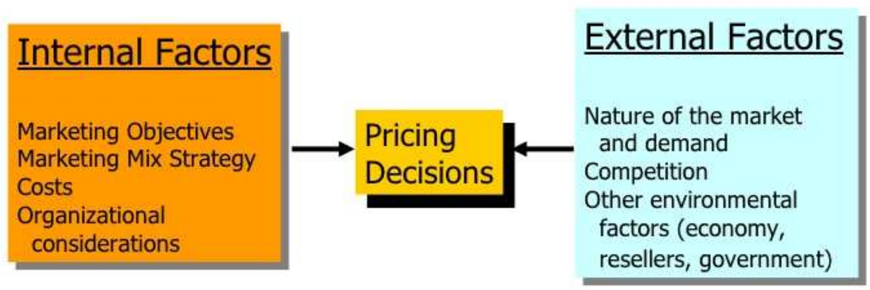

Figure 16 Factors affecting pricing (Kotler & Armstrong 2012, 309)

Third element in marketing mix, the place, stands for products channel of distribution. Winer & Dhar defines distribution channel as the system which customers have access to a company's product or service (Winer & Dhar 2011, 341). Making the product available for the customer means building relationship not only to consumer but also to resellers and suppliers. Kotler illustrates these relationships by dividing them to different channel levels (figure 17).

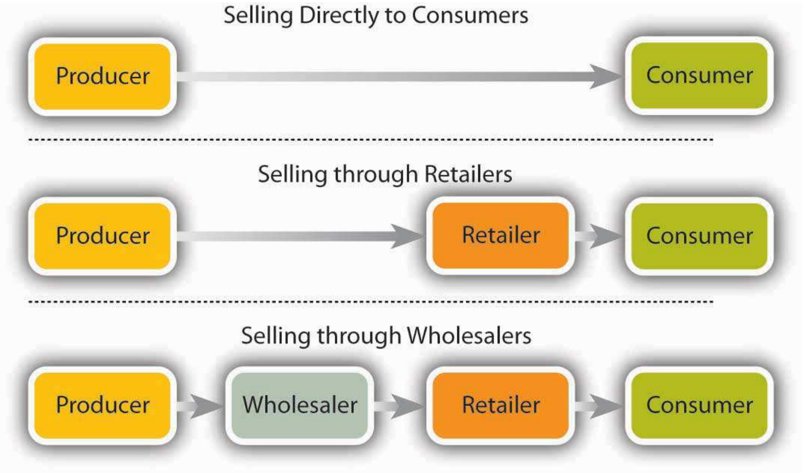

Figure 17 Three basic channel levels (Kotler & Armstrong 2012, 363)

Company's channel decisions are important as it has direct effect on other marketing mix elements as well. Pricing depends on whether company is dealing with discount distribution chains or special high quality shops. Sales force and sales communication depends on how much training and support different distribution partner needs (Kotler & Armstrong 2012, 362). The essence of using a channel partner is that they add value through their expertise and efficiency on making goods available to the consumers. Kotler points their importance through microeconomics point of view where distribution channels transfers assortments of products made by producers into assortments wanted by the customers. Basically producers make narrow assortments in large quantities and consumers want wide assortments in small quantities. Distribution channels act here as brokers who buy large quantities from different producers and break them down to a broad assortments and small quantities wanted by consumer (Kotler & Armstrong 2012, 363).

Fourth element is promotion which basically means all communication to deliver the desired message to the market (Winer & Dhar 2011, 281). Promotion basically consists of five different categories (Kotler & Armstrong 2012, 427):

1. Advertising. Prints, television, radio, internet etc.
2. Sales promotion. Premiums, discounts, coupons etc.
3. Public relations. Pres releases, sponsorships, special events etc.
4. Personal selling. Sales presentations, trade shows
5. Direct marketing. Internet marketing, telephone marketing, email marketing etc.

Marketing communication has last decades changed more and more from mass marketing to target marketing. It means that the focus in marketing is building closer relationship with narrowly defined target group. This has led to more focused and targeted communications. It also means that the all communications should be integrated to avoid different types of messages which could be confusing the consumer. Kotler presents six steps of developing effective communication to be able to integrate the communication and understand better the costumer (Kotler & Armstrong 2012, 432):

1. Identify the target audience
2. Determine the communication objectives
3. Design a message
4. Choose the media
5. Select the message source
6. Collect feedback

McCarthy’s four P’s of marketing is very used tool and there have been many different variations and further developments of it over the years but I still believe it is very useful tool for marketers. It is quite simple but it has the basic elements to build up marketing function to any size of a company.

4 PURPOSE AND OBJECTIVES OF THE STUDY

4.1 Purpose of the study

What is the importance of a strategy to the company? Between 1986 and 1996 a study of 160 companies was carried out (Nohria, Joyce, and Roberson 2003) to investigate what successful companies have in common. The result was that the winning organisations succeeded in 4 primary management practices: strategy, execution, culture and structure. Strategy is therefore one of the main fundamentals of success in business life.

The fundamental aim for company strategy is to create sustainable competitive advantage. To reach this destination company should understand the business surroundings and with its resources meet the needs of the customers (West 2010, 7). Marketing in its wide definition is therefore seen as a major component in strategy development. It plays important role not only at the functional level but also in business and corporate level (West 2010, 44). This role arises from the nature of its function as being in interaction with customers and competitors.

Market for hearing care in Finland is in a state of changing. For many years hearing care has been executed by the governmental hospitals based on public funding. Lately the national economy has been in the state where public sector is growing in very fast pace (public expenditure from 2007 47,4%/GDP to 2012 56,6%/GDP) (General public expenditure by function, 2013) compared to the GDP, which in these circumstances means that adjustments to the public sector service structures needs to be made.

Case company, Phonak Finland, has historically been successful in hearing care markets which have been mainly tender driven governmental business. Now the market is in the state of change due to the changes in Finnish public health care. This has led to changes in end user purchase behavior and increased the private market of hearing care services. In this changing market environment the company needs to rearrange their focus from being supplier to governmental hospitals to being more and more also a supplier for private entrepreneurs, clinics and users of hearing care services. This is a strategic change in the company as they need to rethink their functions and resources. They need to ask themselves what is the best way to offer services to end users? What would be the most efficient distribution channel? How to arrange advertising? What should be the correct pricing level? These are typical marketing questions and should be answered based on a full scale analysis of the business environment. Analyse the markets, what forces drive the markets, study who are the main competitors and what is their possible act on the market, who are the customers etc. The purpose of this study is to create a certain guideline and plan how the company can adapt to its changing business environment.

Finnish national economy is in the difficult situation. GDP has dropped 1, 2 - 1, 5 percentage during last two years (Bruttokansantuote supistui 1,2 % viime vuonna, 2014) and unemployment is increasing. Historically larger companies have dominated the economical field. The focus has been on larger companies when government has been deciding the economical guidelines how to create wealth and employment. Lately more and more the focus has started to shift towards smaller companies when their role as an employer is notified. According to central statistical office in 2012 Finland had 322 184 enterprises of which 99, 8% (321 562) are classified as small and medium sized enterprises (under 250 employees) (Yritysten henkilöstö väheni...2012). Their economic significance for Finland is important as lately these companies have been responsible of creating the new jobs. Finnish economy is very dependent on exporting but unfortunately SME: s share of export is modest. According to the latest customs statistics it was 13% (Tavaroiden ulkomaankauppa yritysten...2014) of total export. Due to this development government has tried to find solutions to support SME:s exporting and growth development. As noticed earlier one of the most important concepts for successful companies is strategy (Nohria, Joyce, and Roberson 2003). Because of the importance of SME sector to Finnish economy and the significance of strategic work for success, I also wanted to study how marketing strategy work is done in a small company. What are the obstacles faced during the process? What are the major problems? How to overcome? Another purpose of this study is to find out how marketing strategy process is done in smaller company. It will give this study a possibility to generalize its findings also to other small companies.

4.2 Definition of research questions

Creating a marketing strategy is a large process which will reshape the company functions. It can also change company working culture as some of the functionalities may need to be restructured. It will involve many different personnel levels horizontally from managers to workers but also vertically for example in daily processes of marketing and logistics departments. Therefore the reasons for changing or creating marketing strategy should be investigated thoroughly.

Markets are dynamic as they are in the continuous state of change. There is constant flow of new products, services, business models, ways of advertising etc. This change is fed by different kind of forces like rapid technology development, trends, crises, wars, disasters etc. (Aaker 2008, 1). If the companies are not able to adapt their business to this change it might even thread their survival. Marketing strategy should be a guideline how company should adapt to the changing market environment. To be able to reason the need for creating a marketing strategy, I will analyse thoroughly why Phonak Finland needs marketing strategy which is the first research question.

Marketing strategy process has a certain kind of structure. Basically the structure is very similar even though there are many variations.

Mooradian, Matzler and Ring present the process (Mooradian, Matzler and Ring 2012, 7) in following way:

1. Situational assessment
2. Strategy formation
3. Implementation
4. Documentation, Assessment and Adjustment

I will structure this study according to widely used strategy framework which is based on the process presented above and which is formed to give answers to four different questions:

1. Where are we now?
2. Where do we want to be?
3. How we will get there?
4. Did we get there?

By going through this framework I will answer my second research question: How marketing strategy is formulated?

4.3 Objectives of the study

General objective of the study is to create a marketing strategy to case company. It is logical result from the above defined research questions:

Why case company needs marketing strategy?
How marketing strategy is formulated?

Marketing in its widest definition is the major component in strategy development. Creating marketing strategy is the major tool for the company trying to adapt on changing market situation.

General objective of this study is generated from specific objectives which will give clear view what this research is about. Specific objectives are derived from the question framework presented above. First specific objective is to identify the present situation where the company is by creating a strategic analysis of the business surroundings and the company.

Second specific objective is to identify the targets and goals for the marketing strategy through segmentation and scenario analysis. These two specific objectives will cover the first research question why Phonak Finland needs marketing strategy. Third specific objective is to select specific marketing strategy to Phonak Finland through Porters generic strategies model and implement by establishing suitable marketing mix through 4P model. Last specific objective is to establish suitable controlling and evaluating tools for the marketing strategy. Unfortunately time is limiting factor in this study and therefore there is no possibility to evaluate thoroughly what kind of results the implemented new strategy will give and how will it effect on company performance in the changing market.

All these four specific objects cover the second research question how marketing strategy is formulated. These specific objectives form the general objective of the study: Marketing strategy.

5 RESEARCH METHODOLOGY

5.1 Research methods

When choosing methods for the research the researcher should start the selecting analysis by considering what will be the view how the study is reflecting the phenomena. By choosing the research philosophy the researcher will choose in which way he or she will approach the problem, what methods are used, how the data is collected and what is the researcher’s role on the subject. Research philosophies are basically divided in two different categories: Positivism and interpretivism.

Positivism rests on the fact that the world is external and objective unit and therefore observers are objective and independent. Saunders et al. use term social actors when describing human relationship with studied phenomena. In positivism social entities exist in reality external to social actors concerned with their existence (Saunders, Lewis and Thornhill 2009, 108). In order to get valid results the researcher should be distinct from the object of the research. Positivist science is relating to the facts and causes. It is common philosophy in natural science where objective of the research should be law-like theory which can be generalized to the same kind of phenomena. Positivist research focuses on objective facts and tries to explain the external world with causal relationships between the facts (Carson et al. 2005, 5). Basically data is gathered with mathematical and statistical methods.

Interpretivism is an opposite philosophy for positivism and it seeks to deep understanding of the phenomena under investigation. It includes consideration of different actor's realities, taking account of different contexts of the phenomena and interpretation of different data (Carson et al. 2005). According to interpretivist philosophy it is important to study subjective meanings motivating the actions of social actors in able to understand these actions (Saunders, Lewis and Thornhill 2009, 111). In interpretivist philosophy the researcher is deeply involved with the subject researched.

The key for the research design and methods is the research topic and research questions. It will define the research philosophy in which way the phenomena and the construct of this study will be seen.

Research method should be derived from the research philosophy, research questions and the topic. Robert K. Yin outlines (Yin 2003, 5) that research method should be chosen based on the three conditions:

What is the type of research question?
What is the extent of control a researcher has over actual behavioural events?
What is the degree of focus on contemporary as opposed to historical events?

The basic categorization of research questions is who, what, where, how and why. What, who and where and their derivatives how much and how many, are types of questions which are likely to be used in survey based research (Saunders, Lewis and Thornhill 2009, 144). The answers to these questions can be measured in quantitative way. The goal for this type of research can be comparison of an occurrence, it will describe prevalence of some phenomena or result should be predictive of some outcomes (Yin 2003, 6). Quantitative research therefore results theories or models which are based on empirical data. Quantitative research derives from the positivist research philosophy. How and why questions are more explanatory and more concerned reaching in-depth understanding of the phenomena (Carson et al. 2005, 66). Yin argues that why and how questions are more suitable for qualitative methods as they deal with operational links needing to be traced over time rather than measuring prevalence or frequency of some event (Yin 2003, 6). Qualitative research tries to understand deeply the studied phenomena. Qualitative research derives from interpretive research philosophy.

The extent of control over behavioural events means that is the researcher able to manipulate the behavior directly, precisely and systematically (Yin 2003, 8). This can be done for example in experimental research in laboratory. It is also possible in social experiment where researcher will “treat” different investigating groups in different ways.

The subject of the study defines if the researcher has a possibility to access to actual behavioral events. The subject might be a historical event which means that the researcher needs to focus only to primary and secondary documents as evidence and there is no possibility to focus on contemporary events because these actions exists in the past.

Yin summarises that case study should be applied as a method or more like research strategy when “how and why questions is being asked about contemporary events within some real life context over which the researcher has little or no control” (Yin 1991, 20). Objective of case study is to understand deeply a certain phenomenon. Woodside uses word sense-making when he describes case study research. He states that it is about sense-making of the processes created by the individuals in the organisation (Woodside 2010, 6).

Case study research is usually based on the extensive amount of material as there is possibility to use many different methods to collect information. Due to the large evidence case study research might suffer lack of credibility and therefore the research process and design should be explained thoroughly (Aaltola and Valli 2001, 160). Saunders et al. emphasise that to increase the credibility and quality of the research the investigator should focus on reliability and validity (Saunders, Lewis and Thornhill 2009, 156).

Reliability means hear that objective is to conduct the research in a way that later investigator should be able to get same results and observations from the same case and same data. The key is to document the proceeding of the investigation in a way that the successor could be easily taking the same steps when conducting this research and that way exclude the absence of random error. Silverman argues that there is always a possibility of underlying assumptions. He suggests that to minimize it the investigator should always tape-record all face-to-face interviews and provide long data extracts from the transcripts for the reader (Silverman 2005, 221). Gibbert and Ruigrok states that keywords in reliability of the case study are transparency and replication (Gibbert and Ruigrok 2010). It can be improved by "careful documentation and clarification of research procedures". They also encourage the researchers to organize a database from relevant material (recordings, transcripts etc.) which may be used by later investigators.

Validity means here that is the study really generating the results, which it was supposed to get according to its objectives, purpose and research questions. Validity is usually problematic to verify in case studies. Generally it is divided to three different categories: Construct validity, internal validity and external validity (Yin 2003, 35).

Construct validity refers to research's capability of generating accurate objective results. Problem with case study research has been the development of sufficient set of actions and not just subjective judgements (Gibbert and Ruikgrok 2010). The reader of the research cannot be absolutely sure if certain type of developed action or event in case study is objective truth or if it is just an investigators impression of the situation (Yin 2003, 35). Gibbert and Ruikgrok suggest that to ensure construct validity researcher should look at the phenomena from different angles by using different data collection strategies and methods. Another suggestion is to establish clear chain of evidence from research questions to conclusion. Basically it means distinct representation of objectives and methods of the study but also thorough discussion of data collecting methods and data analysis.

Internal validity concerns the causal relationships between variables and results. It relates strongly to data analysing phase. If the case study is descriptive and exploratory in nature and therefore does not make any causal claims the internal validity cannot be applied (Yin 2003, 36).

External validity refers to generalization of the results. Case studies are being criticized that the findings are not appropriate for generalizing outside the case which is being studied. Gibbert and Ruikrog argue that the key here is to see that there are two types of generalization: statistical and analytical (Gibbert and Ruikgrok 2010). Statistical generalization is basically used in surveys and it refers to generalization of observation to a population.

Analytical generalization refers to generalization of a theory where priority is the interpretation of the evidence (Aaltola and Valli 2001, 163).

Case study has traditionally been slightly unrecognized as a research strategy for several reasons. Main reason is usually the lack of rigour in methodology. To avoid these problems it means that there must be extra focus on creating research design and structure. Robert K. Yin presents main components of research design (Yin 2003, 21) in his book about Case study research:

1. A study's questions
2. Its propositions if used
3. Its unit of analysis
4. The logic linking the data to the propositions
5. The criteria for interpreting the findings

Proposition in case study directs attention to something that should be examined within the scope of study. One of the problems with case studies has been the large amount of material which cannot be linked to the study. Proposition will guide the study to certain limits. It will reflect a theory which forms basis for the study and it also points out where to look for relevant evidence (Yin 2003, 22).

5.2 Data collecting methods

Case study research enables multi-method use when collecting evidence. Yin is listing six sources of evidence when conducting case study research: documentation, archival records, interviews, direct observations, participant-observations and physical artefacts (Yin 2003, 85). Using different kind of methods is also a validation issue as stated in the research methods section above. Yin also emphasise, that interviews are the most important source of evidence (Yin 2003, 89).

Documentation is the basic secondary form of data used as evidence on caser study research. Documentation consists of:

- Letters, memos, agendas
- Proposals, internal company records
- Newspaper clippings, articles and community newsletters

Yin advises to use documentation critically as they are typically processed bearing in mind certain target audience or certain purpose which makes them possibly affected by bias of the writer (Yin 2003, 86).

Archival records are secondary data which is usually in the form of computer files and records (Yin 2003, 88) and are usually quantitative information. Archival records could be:

- Survey data
- Organisational records like budgets and quantitative reports of company performance
- Maps and charts

Archival records are important source of this study for same above mentioned reasons as documentation

Interviews are usually the main method to collect data in case study research. As earlier was defined that case study is a method where objective is to understand deeply a certain phenomenon. The best way to collect deep information about the phenomenon is to interview different people involved in the situation. Deep interview will give information how they understand it, feel it and perceive it. The focus therefore in interview is to get inside someone’s head and that way understand how they interpret the situation (Carson et al. 2005, 73). If the interview is informal in nature the researcher need to be very careful not to bring their own perspective or unconsciously try to effect on interviewee’s opinion on the subject matter.

Interviews can vary in different forms. They can be very long informal discussions where the interview does not have any predefined structure. The focus is to find out how the interviewee perceives the chosen subject. On the contrary interview may have a clear structure, where interviewer follows certain procedure and has ready questions around the subject (Carson et al. 2005).

Interviews can also be done with more interviewees simultaneously, so called focus group interviews. Carson defines focus group interview as simultaneous involvement of a number of respondents in the research process to generate the data (Carson et al. 2005). The main character and essence of the method is to encourage the interviewee to interact with other group members and that way create the data. This is the strength of focus groups when compared to individual interviews. Each member of the focus group interacts with each other and that way feeds new ideas and information and through this group dynamics new ideas are created. It is also said that focus group is cheaper to arrange as individual interviews as it takes only time of one interview and also the transcription workload will be lighter. This is of course true if the interviewees are easy to gather and arrange the interview (Carson et al. 2005).

Direct observations are basically observing the phenomena “on-site”. Observation can be whether very formal or informal. Formal observations include creating strict observation protocols and strict measuring for example certain behavior, Informal observation can be done for example during the visit to do the interview (Yin 2003, 92). Participant observation means that the investigator is participating in certain event, for example meeting, and when being actively involved to meeting the investigator is doing also the observation work (Yin 2003, 94).

5.3 Analysing the data

The interviews are basically analysed by processing a content analysis. The first part of the content analysis is to categorisation of the data. Second part is to attach these categories to segments or parts of the transcript data (Saunders, Lewis and Thornhill 2009, 492). Categories should be derived from the data itself or from a certain theory which could be chosen as a basis of the research and which therefore would create a framework and structure for the whole study. Categories should be used as codes which can be attached to the parts of data and they should form a coherent whole around the subject. Unit of data can be number of words, sentences, number of sentences or paragraphs of text (Saunders, Lewis and Thornhill 2009, 493). The main object is to fit these units of data to the categories. Now the data can be reorganized according to the different categories. Through this categorization the researcher should try to find themes and patterns from the data and that way start to forming explanations for the research questions and objectives.

5.4 Research process

In this research I will study marketing strategy process and create a marketing strategy for Phonak Finland. To be able to formulate the marketing strategy I need to deeply understand how the process works. The first step for the process is the strategic analysis of company's external surroundings. It consists of market, customers and competitors. These entities are socially constructed and formed the way the social actors perceive the reality. For example customers as social actors will perceive the reality in their own way. They will interpret the different situation and form their view according to these interpretations and act accordingly. To understand the actions I need to understand the reality of the customer and that way deeply involve with the customer way of thinking.

The purpose of the study is to create a guideline how to adapt to changing business environment. It requires deep understanding of surroundings and answers to why and how questions. Analysing the business surroundings, the market, competitors etc. is basically analysing contemporary events which has a deep effect on what the company should do and which direction to go. The researcher has in this case no possibility to control over these events which shape the surroundings of the company. The research philosophy in this study is interpretive and case study research strategy is used. Case company Phonak Finland is used to illustrate deeply the process of creating the marketing strategy. Data collecting methods will be qualitative. I will concentrate on documentation, archival records and interviews as data collecting methods.

The study will be founded on general proposition to use as a direction and guideline. The general propositions will be based on the findings of earlier mentioned research done by Nohria, Joyce, and Roberson who stated that the winning organisations succeeded in 4 primary management practices: strategy, execution, culture and structure. Strategy and especially marketing strategy in its widest definition is therefore one of the main fundamentals of successful enterprises. I will also lean my study to other specific theories which are acknowledged and used widely in marketing research.

As this study is strongly related to the case company, Phonak Finland, I find the internal documents very useful evidence. The progress of hearing aid markets in the near future is very dependable on the development of public sector health care issues. As the public health care is in a state of change and it is current issue so to be able to implement the strategy to this situation it needs close surveillance what is going on in the business. Newspapers and article are excellent sources for this kind of information.

I will use information from sales budgets and reports to give a clear picture of company's position in the market. Yearly performed company's global internal marketing survey will also give valuable information about Phonak Finland and its customers view on it. Statistical data will provide extensive picture of health care in Finland.

One of the main goals of this study is to understand the situation in hearing aid markets. As stated earlier hearing aid markets in Finland are dependent on what is happening in the public health care in near future. To understand the situation deeply I will conduct 3 interviews with individuals who have gained expertise on hearing care markets from different perspectives. First person to interview is Tapani Katajisto, the sales manager of Phonak Finland. He has been working for Phonak from 2002 and has 25 years of experience in hearing aid markets. Tapani has been mainly working with public sector hospitals and knows thoroughly the sales process between vendor and public sector customer. Second person is product manager Tiina Pekkala. She manages BTE and ITE hearing aids in Phonak Finland. She has 15 years of versatile experience working in different positions in the industry. She has strong public hospital background and she has also gained experience from the private sector. Third person is Timo Ylihakola who is country manager of Phonak Finland. He has 25 years' experience from the hearing care industry.

The interviews will be in semi-structured form. The aim is to perform the interviews face to face but the limited amount of time and possibility to arrange the proper meetings can result that part of the interviews could be conducted via email or telephone. Interviews will be conducted around three different themes (figure 18) which are main dimensions of hearing aid markets.

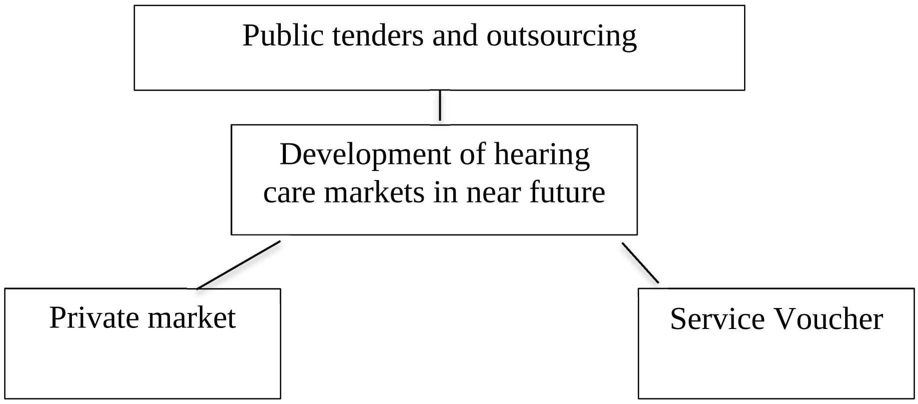

Figure 18 Interview themes.

Face-to-face interviews will be recorded and notes will also be taken be able to give overall picture of the interview situation.

Interview data will be studied through content analysis. The categories of the analysis will be derived from the text and use here above mentioned themes of the interview. The main codes in this analysis will be therefore public tenders, outsourcing, private market and service voucher. Results of the interviews (appendix 6, interview content analysis) will be used on different strategic analysis mainly on market and environmental analysis and especially on scenario analysis.

6 STRATEGIC ANALYSIS

6.1 External analysis

External analysis forms the solid basement where the company strategy can be build. Every company should be aware what is happening in their business surroundings. To understand thoroughly the environment gives better opportunities to find a pathway to success. External analysis consists of customer, competitor, market and environmental analysis.

6.1.1 Customer analysis

When performing customer analysis segmentation is the basic tool to understand and administrate wide amount of customers. Customers are analysed by dividing them to different groups, customer segments, based on what is their characteristics.

Phonak Finland operates in two different markets which can be characterized as organisational and consumer markets. Organisational customers are hospitals, clinics and hearing care providers and they count well over ninety percent of the revenues. Consumer markets consist of end user customers who purchase products through web shop, shop or direct ordering. Currently this group is representing small share of the revenues but it is growing in fast phase.

Governmental hospitals are the main customer group for Phonak Finland. They are fairly homogenous customer group with similar characteristics and buying behavior. Finland is geographically divided to six different special health care districts (figure 19) which are formed around University hospitals (Helsinki HYKS, Kuopio KYS, Oulu OYS, Tampere TAYS and Turku TYKS). Ahvenanmaa forms its own Swedish speaking district.

These special health care districts or combinations of them act as buying groups for special health care services. The buying group put out the tender for supplying hearing aids to all hospitals on that district. As these districts are large and consist of many central and regional hospitals they represent a significant buying power. Suppliers are generally chosen by technical feasibility of the hearing aids and price. Suppliers should also be able to support training for hearing center personnel, service training and enable technical assistance on the phone during the office hours (appendix 1). Technical feasibility is inspected by KTTR which is a national working group of hearing experts from university hospitals in Finland. All the hearing aids need to be approved by KTTR before they are able to be offered on tender.

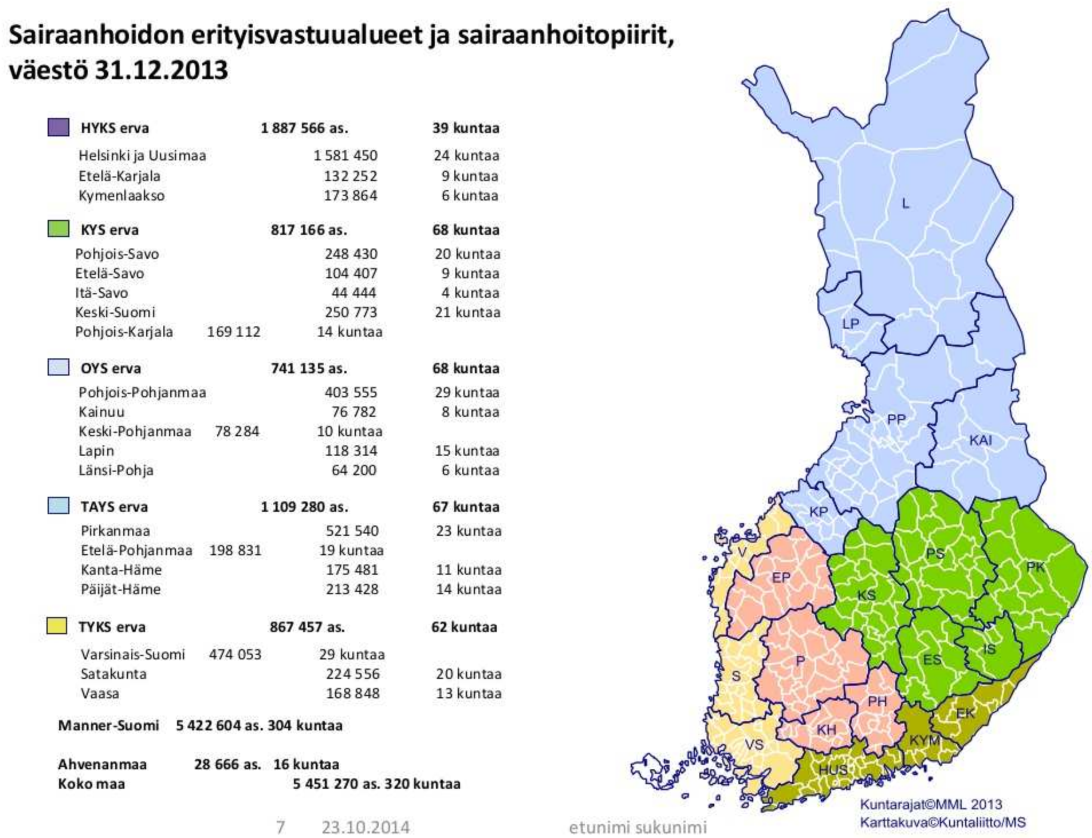

Figure 19 Special health care and hospital districts

The governmental hospitals are the major customer group for Phonak Finland. These hospitals are generally quite homogenous group. There are no significant demographical differences between the hospitals. Helsinki University hospital is the largest unit and it has a bit different status compared to others because of special services which are provided and its significant research function but from the hearing care point of view the hospitals are demographically very similar. The functions and administration of governmental hospitals are strictly defined through the health care legislation which makes their functionality similar despite of location. Their purchasing approach is also similar as they centralize their purchases and use the tender system where the price is today the main criteria. Situational segmentation characteristics are also very same. There are no special requests for example on order size, speed of delivery etc.

The differences between governmental hospitals lie on operating and personal segmentation characteristics. Municipalities are responsible of organizing special health care treatment for its inhabitants in Finland. Hearing care services among other special health care is provided by university hospitals, central hospitals and regional hospitals. As the urbanisation is the global megatrend the economic activities are centralized to the bigger cities and in Finland in southern part of the country. This development results that in different parts of the country the age breakdown of population is different. Some parts suffer from removal of working age inhabitants and therefore population is aging which sets resource and financial pressure for arranging the health care services. The financial situation in some municipalities and regions in Finland have an influence on how the health care services are arranged. Hospitals day to day activities are run by medical superintendent who allocate the resources depending on which activities are on top of the prioritice list. Also the hearing center senior physician’s focus on certain activities has an effect on how hearing services are arranged.

These reasons basically form operational and personal differences in governmental hospitals. Some of the hospitals use exactly the products existing on suppliers accepted tender offer product lists. Some of the hospitals on the other hand use more widely the product assortment of these suppliers which has agreement. In tender offers the hearing aids are usually classified from two to three different classes according to the technical performance. By analysing the sales of hearing aids in these different classes for example from last 12 months it is possible to map which hospitals use wider assortment. This analysis results two different purchaser profiles which can be used as different segments on this customer group.

Retail hearing aid market is divided to two different customer groups. There is couple of private hospital chains in Finland which are mainly focusing on attractive occupational health services. These companies generally employ audiology services in major cities just to complete their health care services and they usually try to collect the insurance company customers through their occupational health services. Other customer group in retail market is private hearing centers which provide hearing aids, fitting services and other hearing care products to public. These hearing care centers were mainly established when statutory care guarantee came to effect. This process guaranteed that individuals should get treatment within 6 months. Governmental hospitals started to reduce their queues by outsourcing hearing aid fittings for private sector to be able to serve within 6 months. Audiologists from governmental hospitals switched to private sector and started to manage hospital queues by fitting their hearing aids. Mainly cash flow in these companies is still coming from outsourced fittings but they have been able to get also insurance covered customers and customers who pay from their own pocket. Some of these companies have merged and formed hearing care chains and also some of them are acquired by the hearing aid companies so that they are able to control more the sales of their own brand in private markets. Private market is still quite small which means that in resource point of view the segmentation should today be kept very simple because of small resources of Phonak Finland. Main criteria would be here also the purchase behavior. By analysing the sales figures and the usage of consignment stock it can be seen which companies will strictly try to sell only own brand. Some of the companies use consignment stocks to just keep the assortment wide and that way give to customers' impression of being an independent hearing care provider.

Individual end user customers who buy their hearing aids and services directly from the private market are a growing customer group. As the hearing aid is possible to get for free from the governmental hospitals the customers who finance their purchase out of their own pocket and purchase from private sector demand top level service and state of the art technology. They are willing to invest on their health and welfare. Some of the individual customers are able to get reimbursement for purchase of hearing care services. Insurance company's cover the purchase when hearing is damaged due to for example job related accident. It is also in some cases possible to get reimbursement from state or municipality. Sometimes also private companies are willing to sponsor hearing aid services for their employers.

There are currently three different sales channels for end user customers: the shop, direct order and web shop. Basically web shop and direct orders serve customers who purchase hearing care accessories like batteries, hooks, wax filters etc. Shop serves the customers who purchase hearing aids and accessories. As the relative amount of the individual end user customers is still fairly small there is no use especially from company resource point of view to divide these customers to too numerous segments. Basically the own pocket customers are demographically very similar. Hearing aid users are mainly in the same age group. These customers invest on their welfare and they are active who want to still fully participate in working life or their hobbies. Customers who get reimbursement do not necessarily demand any extra service or top quality products. Sometimes the reimbursement provider might restrict the amount of the reimbursement in which case the purchased device is defined according to the amount of the reimbursement. End user customers should therefore divide to two segments based on purchase behavior. Customers who purchase from own pocket and customers who get reimbursement for their purchase.

Customers of Phonak Finland can be divided to six different segments. On customer group of governmental hospitals there is two segments. Hospitals who strictly use hearing aids offered in tender and the hospitals which use the whole assortment of accepted supplier. Retail market consists of two segments: truly brand independent hearing centers and hearing centers focused on one brand. Individual buyers can also be divided to two segments: customers who pay the hearing aids from their own pocket and customers who are able to get reimbursement from different instances.

6.1.2 Competitor analysis

Competitors shape company’s external business surroundings. When creating strategy to business unit one major part is to get to know your competitors and try to find out what would be their next step in the market.

Phonak Finland functions in complex hearing care market with different customer segments. Markets are mainly dominated by the governmental hospitals but also the private sector with private dispensers and end user sales has increased its significance. There are four main competitors which has same kind of business model and structure in the market: Oticon, Kuulotekniikka Hakala, GN Resound and Widex. These companies present the major hearing aid brands in Finnish hearing care markets: Oticon, Bernafon (Kuulopiiri owned by Oticon Oy), Siemens (Hakala), Resound and Widex. Hansaton is also one of the major brands but it was acquired by Sonova in 2015 (Website of Sonova 2015).

All the other companies are subsidiaries of international brands except Kuulotekniikka Hakala and Kuulohansa. These international brands have all their own strategies and ways how to function in different markets. Finland is quite small market and basically seen as part of the Scandinavian market. In international point of view these Scandinavian markets are quite mature western type of health care markets where expectations are mainly to generate steady cash flow. Overall in Scandinavian markets there is no potential for high growth which means that these markets are not seen as attractive target for new business investment. Basically the subsidiaries are expected to deliver steady cash flow at diminishing cost level. This will probably set pressure from parent companies to these subsidiaries so that they manage their functions with accurate cost level.

Oticon Finland is part of the Danish hearing health care company William Demant holding. It was founded in 1904 by Hans Demant and the company was named as Oticon. The idea developed as his wife had a hearing loss. He first started to import hearing aids to Denmark. As Oticon faced supply difficulties during the war they started to manufacture hearing aids. In 1954 they expanded to US market. In 1977 they opened research center Eriksholm in Denmark to focus more on research and development of hearing aids (Website of William Demant holding 2015).

In the 80's Oticon was market leader in hearing aid business but it started to face sales, cost and organizational problems. In 1988 they recruited a new CEO, Lars Kolind, to turn Oticon to a new direction. After couple of years heavy cost cutting phase Kolind introduced new organizational system called spaghetti organisation. Idea was to replace the hierarchical job structure to project based organisation where each employee will work through different often cross-functional projects. The focus was also on paperless office and IT. Aim was to increase productivity 30% (Jung Kirk, Skydt Ganderup 2014, 17).

In the nineties group was very active in the market and it acquired Swiss based hearing aid producer Bernafon (Kuulopiiri representative in Finland) and Phonic Ear. It was also listed in Copenhagen stock exchange. In next decade they focused on to build up their diagnostics division and acquired Interacoustics, Amplivox and Grason Staedtler. In 2003 they also established joint venture with German Sennheiser Elektronic. Lately they have invested to Oticon medical which is focused to bone anchored hearing solutions and cochlear implants through acquisition of Neurelec (Website of William Demant holding 2015).

Today William Demant is the second largest hearing care company in the world. It performs through four operational activities: Hearing devices, hearing implants, diagnostic instruments and personal communication. Oticon is their main hearing aid brand. They have invested heavily on research and development activities and as a starting point for that was establishing the Eriksholm research center. During the last years they have focused on using end users as part of their research and development. They actively use their 1000 user test panel, in-depth and focus group interviews to get feedback from end users to product development. Their slogan is “People First” which clearly indicates their RD work.

Oticon has during its late decades shown to be eager to adapt its organisation according to the ongoing business surroundings and taking risks when stepping into the new areas of business and operations. Good example is investment on independent RD center Eriksholm in 1977. They were already on that time investing on research and development but they decided that they would benefit more from independent research center which would focus on customer’s needs and use external international researchers. Other example of adaptation is taking a new step to totally reorganise company working structure by adapting the spaghetti-organisation in the beginning of the 90’s (Jung Kirk, Skydt Ganderup 2014).

Nowadays they have changed their strategy because of the new market situation. Denmark has been always the most important market to Oticon and they have started to use operations in Denmark as benchmark when adapting to the new markets. Denmark, as in all the Nordic markets, has powerful governmental presence in the health care markets. Medical device purchases In Denmark is done by a company called Amgros which purchases medical devices and material on behalf of public hospitals through the tender system. As in Finland nowadays the most important criteria to get the agreement with Amgros is price which in this overall tight competition situation have a diminishing effect on hearing aid price development. There is also quite strong private sector with private dispensers but basically this market functions based on government subsidy granted to hearing aid dispensers per fitted hearing aid. Before 2013 subsidy was 5607 DKK per ear but 1.1. 2013 it was reduced to 4000 DKK for treatment of one ear and 2350 DKK for two ears. This had remarkable effect on price level in private market (Jung Kirk, Skydt Ganderup 2014,19).

Due to these market changes Oticon started to adapt its functions to more suitable in the market situation. They cut their sales force and diminished and adapted their assortment offered to dispensers. They also reduced their earlier heavy investments to product design where they had won earlier international design prices. Amgros is in their tender's classifying hearing aids according to the level of patience hearing loss and communication needed. Oticon adapted to the situation and started to use this Amgros classification in their product development system. They also started to strengthen their presence in value chain and provide more service to the private dispensers and even acquire them to their own retail chain (Jung Kirk, Skydt Ganderup 2014, 39).

Oticon's strong ability to adapt in different market situations indicates what they would also target in their Finnish subsidy. Of course the Finnish market is not seen as attractive growth area which can effect on their desire to direct and be involved in their subsidy but as the market is somehow very similar as in the other Nordic countries the targets would be very similar. Heavy cost cuts and product development adapted to Amgross product categorisation indicates that in Finnish governmental markets the aim would be to focus on cost management and offer products in lower prices to be able to win a bid. Government tenders covers major share of the market which means that the volume for business needs to be generated by winning the tender bids. Price is the major criteria whenever the technical requirements are passed. Oticon has also possibility to offer broad assortment of products companied by their other brand Bernafon.

In Denmark Oticon basically uses focus strategy as their generic strategy because the business is clearly divided to two different markets: Governmental public market and private market. In public market Oticon is focused on cost leadership as the main Amgross tender criteria is price. In private market they focus on differentiation as there are better possibilities to increase profitability because of the higher margins. In private market Oticons strategy is based on better marketing material, extra training and broader general support to private dispensers. On lower profit volume based governmental market all these general support to clinics has been reduced significantly. The main goal in Oticons differentiation strategy is to increase quality of products and services to end users. This has led to taking steps toward forward integration in the market. Oticon has started to acquire hearing aid dispensers in Denmark in order to secure its strong presence. They want to make sure that their main suppliers in private sector do not fall to use the products of the competitors (Jung Kirk, Skydt Ganderup 2014, 38). These strategy options would indicate also the target setting in Finnish private market. There could be more focus on better general support for the most profitable private dispensers in form of marketing co-operation and marketing material. Forward integration is also possible by acquiring dispensers to ensure their full presence. Acquisition of Oulun Kuuloke couple of years ago and adding it under Kuulopiiri would indicate possible structuring of a hearing care retail chain.

Kuulotekniikka Hakala is independent representor of Siemens hearing aids in Finland. Siemens has been the pioneer of the hearing aid industry. It launched already in 1913 the first industrially produced hearing aid. World war two destroyed almost completely the plants and it was 1951 when the next Siemens hearing aid was launched. In seventies Siemens expanded its functions to US and Asia. 1980’s was a decade of acquisitions in Siemens. They expanded their activities by acquiring hearing aid brands Rexton, Audio service and A&M. Last years they supplemented their product portfolio for two more brands: Hear USA and Audibene. They are hearing care service providers acting in US, Germany, Netherlands and Switzerland (Website of Sivantos 2015).

Siemens has already many years in the past tried to sell its Audiology business. In the end of 2014 Siemens finally sold its audiology solutions division to Swedish investment company EQT and the Strüngmann family. The new company is named as Sivantos and it will continue to market and sell all the Siemens brands. The goal for Sivantos is to be the number one hearing aid provider in the world and it is expected to be listed in the near future (Website of Sivantos 2015).

Sivantos acts in the market through their 6 brands. Siemens is their premium brand. They have a long history and well-known brand which is seen as a presenter of quality products. This wide brand recognition is definitely a competitive advantage for Sivantos. Audio Service is brand which is focused on ITE (in-the-ear) hearing aids. It has built up its brand on focusing to good relationships with private dispensers. Rexton is a hearing aid brand which is well known in US. A&M is low cost brand with focus on emerging markets. Hear USA is US wide network of independent hearing aid dispensers and service providers. By acquiring Hear USA Sivantos is executing forward integration in order to keep their brands strong in US retail market. Audibene is fairly new company as it is founded in 2012. The company is focused on online hearing care and it is global leader on its field (Sivantos enters strategic partnership...2015).

Sivantos has a great history with its premium brand Siemens and their goal is to reach again the global number one position which they have lost during the last decade. Their last acquirement of Audibene seems to indicate their interest in future online markets. Audibene is a platform of hearing services which is focusing on first time users. Customers are getting hearing care support online and via telephone from hearing care specialists. Also a wide network of hearing professionals enables face-to-face hearing services.

Kuulotekniikka Hakala has been successful on adapting rapidly to different market changes. They have focused on private hearing market by opening up a few hearing care service providers across the country. They have also been very active on government hospital outsourced fittings. They have also introduced their Rexton brand in governmental tender markets. They seem to aim to be the number one actor in private hearing care markets.

GN Resound Finland is a part of Danish company GN Store Nord. Its history dates back to 1869 when its predecessor Great Northern Telegraph Company was established. Until the world war two GNTC developed to one of the leading telegraph companies in the world. After the war they focused on FM radio communication and telephone connections. In 1977 GN acquires Danish hearing aid producer Danavox which is a start for developing GN’s hearing care division. In the 80’s GN formed its functions to two different divisions: hearing care (GN Danavox) and wireless headsets (GN Netcom). In the 90’s GN acquires American based hearing aid company Resound and GN’s hearing care division is named as GN Resound. They also acquire Danish audiological company Madsen electronics and expand their hearing care division with diagnostic equipment. In the new century GN acquired American Beltone hearing aid brand, German Interton hearing aid brand and Jabra which represents headsets to strengthen their both divisions. In 2007 GN and Sonova agree on sales of GN resound hearing care division but German cartel office succeed to cancel the deal based on the Sonovas dominant market position. GN resound remains GN Store Nords hearing care division (Website of GN Store Nord 2015).

After the Sonova deal was cancelled by German cartel officials GN resound focused on restructuring the company and getting back to growth path. It launched strategy program for 2010-2013 called Smart which was focused on restructuring the company to meet the challenges. The 2014-2016 strategy program is called Innovation & Growth where the focus is on commercialisation and innovative products. Resound has focused on their product development to connectivity and they have developed the first hearing aids which communicate with Apple products (Website of GN Store Nord 2015).

GN Resound Finland is active in both markets private and governmental tenders. They have been able to get in on tenders country wide and due to this they increase their revenues 28% last year. Tender business is price sensitive which has decreased profitability (appendix 2 financial analysis). They have also been very active in private sector. Strategic agreement with Pohjola insurance company has made possible to increase their market share on insurance covered hearing aid sales (Katajisto 2014).

Widex Is one of the six global leading hearing aid companies in the world. It was founded in 1956 by two Danish men Erik Westermann and Christian Topholm. Both worked in Oticon, Topholm as factory manager and Westermann as export manager. Widex is still a family business where Westerman and Topholm families are heavily involved.

In 1990 Widex patented a new technology based on computer modelling when manufacturing shells, earmoulds and earpieces. It transformed the way how the manufacturing was done in the whole industry (Website of Widex, 2015).

In 2001 Widex established a research and development center ORCA in Chicago. Later in 2007 it expanded to Europe when ORCA Europe was opened in Stockholm. ORCA is focusing on audiological research, hearing aids and fitting (website of ORCA, 2015).

In 2012 Widex acquired Italian hearing aid company Coselgi. In Finnish hearing aid market it is positioned as low cost hearing aid. Widex is the fifth largest brand in Finland. Lately it has had some problems as there has been lack of personnel.

Further competitor analysing is attached in appendix 2 financial competitor analysis and appendix 3 competitor strength and weaknesses analysis.

6.1.3 Market analysis

Hearing care market in Finland is divided to two different sub markets. Patients are able to find assistance from either public or private hearing care providers. Generally hearing care is provided for free from public sector hospitals. Aging population has stressed the public health care services which have led to longer queues in hospitals and decrease in service quality. This development enables the growing of private sector hearing care services.

There is no reliable information available on the size of Finnish hearing care market. Mainly markets are estimated through the decisions of governmental hospital tender agreements but as the quantities of purchased hearing aids are generally suggestive there are no accurate figures about the size of the hearing aid markets. International research company iData focused on medical device markets establish its estimates mainly on population statistics and fitting rates. Market potential can be measured by estimating the amount of hearing impaired population which in western countries is approximately 15 % of the whole population. I-data has estimated that on 2015 there would be around 156 000 hearing aids on the market (I-data Research, 2011). Hearing aid suppliers does the estimate of the market size through tender agreement documents, own sales figures on private market, official information of company financial statements and assumed market shares of the competitors. Estimate for the market size in 2014 varies from 40 000 - 47 000 hearing aids (Ylihakola 2015).

There are 8 major hearing aid brands which compete actively on Finnish hearing aid markets. The companies representing these brands are generally speaking quite small. On average they employ less than 20 persons and their revenues are under 5 million EUR. Majority of the companies are subsidiaries of global hearing aid producers with subsidiaries in several countries which all basically functions in national level only. This prevents them to expand over national borders and that way focus only on national markets which makes the exit barrier fairly high. The companies are generally quite homogenous what comes to the size and none of them is in superficial position or exercise bargaining power as a supplier. Hearing aids are the main product what these companies offer to the market and count major share of their revenues. The sale of hearing aids is mainly price driven and there is little room for differentiation. There is practically no switching cost for the buyer of the products which keep the competition tight. All the products offered in Finnish market are basically on good quality level and due to the strict global competition new features are rapidly copied to all brands.

Markets are dominated by the governmental hospitals where over 90 % of the hearing aids are distributed. Governmental purchases are executed through tender agreement system where agreements are done generally for 2 to 3 years. Over the last years the main and nowadays the only purchasing criteria is the price of a hearing aid. Tenders are arranged in 6 different purchase areas which are mainly formed around the university hospitals. Tenders are remarkable source of income to these hearing aid companies and for example two year contract with major purchase area might mean 10-15% of the revenues for these companies. Recently governmental purchase groups have reduced the number of the companies with which they execute a deal and this way a governmental hospital exercise remarkable bargaining power. This has led to tight price competition between the rivaling companies. Some of the companies have offered cost conscious brands to be able to win a bid and keep sustainable profitability level. Tight price competition on the market will presumably in the long run mean possible exit for one or two hearing aid brands.

In private hearing aid market there is around 15 different hearing aid providers. As the market is still quite small the rivalry is not yet as strict as in governmental markets and due to the situation in governmental market there is possibilities for growth. There is increasing amount of end-users who want to have good service and top quality hearing aids which they are not able to get from the public sector because of the strict price competition and cost cuts. This attracts hearing aid providers as the good quality products enables better profitability.

Competition in the government driven hearing aid market is tight. Tender offers lower the price level and late development of choosing fewer suppliers for governmental hospitals will inevitably tighten the competition and lower profitability of the market. This tight market situation does not really encourage new entrants to the markets. In theory there would be a possibility for a cost conscious market entrant if the hearing aids pass the technical requirements stated in request for quotation. Generally all the hearing aids which are offered to tender should be approved by KTTR which is a national work group of hearing experts from university hospitals in Finland. If the hearing aid is approved by KTTR and pass the technical requirements of tender it can be offered. The hospitals also demand that the companies should be able to offer hearing aids in all three classes and usually both BTE (behind-the-ear) and ITE (in-the-ear) hearing aids. These classes are based on the degree of hearing loss. So basically there is a possibility for new entrance to the market if they have a broad assortment of hearing aids which receives the KTTR approval, pass the technical requirements and are able to press price level lower than the competitors. Basically there are no switching costs as the price is the main criteria and the brand awareness is very low. End users are not able to influence on which brand they would like to use as hospital personnel will make the decision for them. Decision is usually based on the share which the brand receives in the tender agreement.

Private market for hearing aids is in the phase of development because of the strong pressure in governmental markets. The present actors in the market are very small with tiny resources. Current cash flow in the market does not enable building of a brand or nationwide distribution channels. Price level is high as the customers demand top level products and service which the governmental sector in general is not able to offer. One bottleneck for the operators in the market has been the lack of audionoms. There is lot of retiring audionoms in the governmental hospitals and training of new specialists has not been so efficient which has led to this current situation. That is clearly one barrier of entry to private market. Private market is still very modest and not so attractive for the bigger players but they probably follow the development of Finnish hearing care markets. For example British spectacle chain Specsavers is the main hearing care provider in UK private market (iData, 2011). If the markets in Finland would develop to more favourable way Specsavers is in a good position as they have already around 50 shops in Finland and strong brand (Website of Specsavers, 2015).

Hearing aids in general are not threatened by substitute products. Cochlear implants would be seen as a substitute product but as it is used basically for deafness and severe hearing loss they are used for patients in the different category of hearing loss which cannot be helped with a hearing aid. There are totally new types of hearing aids which could also be seen as a substitute products as for example Lyric by Sonova. Lyric is a hearing aid which is placed very close to eardrum and it is therefore totally invisible. This is often very important criteria for the hearing aid users. It can be worn months at the time and as there are no battery changes it makes it very comfortable for the user. It is for mild or moderate hearing loss and as the price level is fairly high it cannot be seen yet as a real threat for conventional hearing aids.

Lately there have been several researches concerning cord stem cell treatment ability to intensify to help the body heal itself. In 2005 clinical trials were done to research newborn stem cell therapies for damaged tissue. In 2014 Florida Hospital for Children in Orlando and Cord Blood Registry launched a study of the use of cord blood stem cells to treat children with hearing loss (Study uses cord blood stem... 2014). Earlier some research done with animals has shown that cord stem cells are able to heal the damaged hair cells in the inner ear. Basically the treatment can be done in the future with individuals own cord stem cells which in that case will eliminate the risk of infection and rejection problems detected with the stem cell treatments. It will probably take many years before cord stem cell treatment could be substituting the current hearing aid treatment for the hearing loss. It might be substitute in the beginning for cochlear implant treatment for young children in the near future.

6.1.4 Environmental analysis

Environmental analysis is divided to two parts. In the first part I will explain Phonak Finland's business environment through PEST-analysis. Sonova has structured their business in a way that there is 100 % owned unit on every national market they operate. It means that mainly Sonova subsidiaries focus only on their national environment. In some of the cases there can be one unit operating on larger areas. Phonak Finland is responsible for Finland's national market and there is no possibility to enter outside Finnish borders. As Finland is modern, demographic, politically stable and economically strong country there is no reason to do excessive PEST analysis. In the second part I will focus more on business environment by constructing scenario analysis based on the semi structured interviews.

Politically Finland is very stable parliamentaristic society based on Montesquieues tripartite system where legislative, executive and judiciary power is separated. In Finland peoples elected parliament is executing the legislative work with certain minor role also at the president. Parliament elects the Prime minister who forms government which uses executive power. Judiciary power is exercised by independent courts of law.

Health care in Finland is executed by municipalities. This was legislated 1972 in National health act which changed the whole health care system in Finland. Before the change health care was arranged by municipality doctors. New act stated that municipalities are responsible of arranging health services by establishing health centers (Kansanterveyslaki 66/1972). Health care law defines how the health care should be organized in municipalities. Medical device law states a specific regulation how patient's rehabilitation should be planned and provided with aid of medical devices. This law is guiding the hearing care services.

There has been a lot of political movement around health care lately. Finnish economy has been struggling along with all the other European economies which have pressured the state economic budgeting and planning. Even though there are problems Finland is still seen as a strong economy because of the robust economic fundamentals (Website of World economic forum, 2015). Finland is ranked as world 8^{th} competitive country in the world. Main reasons for Finnish economy weakening are according to World Economic Forum poor development of key exporting industries (information technology and paper industry) and economic shock of one of the largest trading partner Russia. OECD also points out the problems related with Finnish fast increasing aging population (Health at a glance 2013). It challenges the society as old age dependency and pension costs are increasing. It will put pressure on the health care system as demand for health care services will increase while the financing of the services is struggling due to diminishing economy. Characteristic for the Finnish aging problem is also the weak figures on expected healthy life (Leikola 2011). We top in life expectancy years but we fall down on expected healthy life (Health at a glance 2013). This means that we have a large early retiring aging population which also uses relatively often the health services. One of the recommendations from OECD was also to enhance the public sector efficiency. The late and present government is targeting efficiency with their reform of social welfare and health care.

The reform of social welfare and healthcare started during the former government. To be able to keep up the level of good service quality the size of municipalities should have been increased. Government tried to do it by forcing the municipalities to join with each other but it did not succeed. Now the new government outlined the reform from new point of view by setting the responsibility of arranging the services for independent areas which would be large enough to be able to keep up the good service level (SOTE ja itse-hallintouudistus, 2015).

One of the main problems in the present social and health care system is the multichannel financing of these services. Financing is collected from 6 different sources which are municipality and state financing, statutory and voluntary insurances, employer and customer payments (valtioneuvoston viestintäosasto, 2015). New proposal for financing is based on either state financing or to proposal that these independent areas would be granted the power of collecting taxes. Government has outlined though that whatever way the financing is enforced there is no possibility to raise labour tax or total tax ratio. This will probably lead to an extensive tax reform and if the development of the social and welfare systems has been difficult so far the tax reform will also be problematic to lead through.

Another remarkable reform is the free choice where a patient would like to get the health services. It has been valid for the public health care from the beginning of 2014 but the new outline would also make possible to choose from the private provider. In these cases also the money follows the patient principle would be valid which basically means that publicly financed health care services should also be possible to choose from private side. That would most likely to have an effect on private hearing care markets.

Different cultural values and manners effect on customer needs and therefore they are very important for the marketing strategists to understand. Gert Hofstede is social scientist who has developed a system to measure the cultural dimensions of different countries. The dimensions in his study are: power distance, individualism, masculinity, uncertainty avoidance, long term orientation and indulgence. Finland is usually geographically grouped as a Northern Europe country and Nordic Countries are usually seen culturally very homogenous area. There are though some differences and on figure 20 there is comparison between Finland and Sweden according to the Hofstede’s model.

With the term power distance Hofstede means attitude of the culture on fact that all individuals in society are not equal. Finland is scoring low as on all the other Nordic countries also where equality is one of the main principles in society. Hierarchies are disliked and informality in communication is a basic rule.

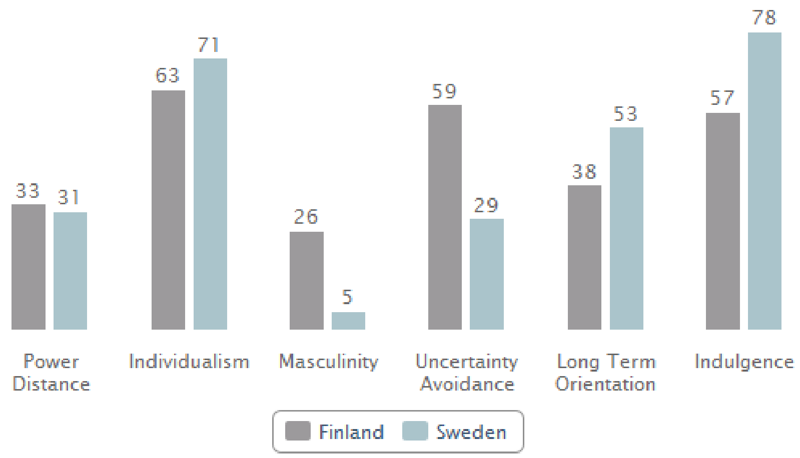

Figure 20 Cultural dimensions of Finland and Sweden according to Hofstede.

Finland is seen as individualistic country where people are expected to take care of themselves. This is very western European characteristic and when compared more on western European context Finland is not seen distinctively an individualistic country (France 71, Italy 76, Denmark 74 and UK 89) so there might be also some collectivism in Finns.

In masculinity Finland scores low as all the other Nordic countries where femine values caring for others and quality of live obtain. Conflicts are solved by compromising and through negotiations. Free time and flexibility are favoured.

Uncertainty avoidance means how the culture confronts uncertainties. Cultures with high uncertainty avoidance maintain codes of behavior and beliefs and are intolerant for unconventional behavior and ideas. There is need for rules and innovation may be resisted, precision and punctuality are respected and security is important. This is where Finland differs from other Nordic countries.

In long term orientation Finland scores low meaning that Finns are normative and prefer to maintain traditions and norms and are suspicious to societal changes. Comprehensive work for long term focus is low and quick results are appreciated.

Indulgency is the extent where people try to control their impulses and desires. Finland is seen and indulgent country where society tends to allow people to enjoy life and have fun. Freedom and leisure time is strongly valued and children are raised in free way (Website of Hofstede 2015).

Finland is technology driven country. It invested 3,309 percent of its GDP in research and development in 2013 which means fourth position on top OECD countries (Gross domestic spending on research, 2015). Finnish technology industry counts 45% in goods and 50% of the services from total export (Suomen teknologiateollisuuden vuosikirja, 2014). Even though Finland is quite conservative and traditional country as it was seen on Hofstede's analysis above Finns tend to absorb new technology and technical devices.

Scenario analysis is a tool to analyse future development by creating different possible future outcomes. I will first discuss about the key factors and variables which will effect on future hearing care market. Then I will present three different scenarios what would possibly be the market development in the hearing care business. In this analysis I will investigate the possible outcomes in 4 to 5 years period of time. Markets are driven by the governmental hospitals and their purchases via tender system. As approximately 90% of the hearing aids in Finland are distributed through this channel it is the main question to predict what will happen with the public sector hearing care in the future. The development in public hearing care sector will also form the private hearing care market. There is unquestionably strong linkage between these two sectors therefore it is important to understand the development when planning strategy for the business. I will not predict here what will be the Finland's national economic state in the next years so macroeconomic development will be out of scope on this analysis. The starting point for this scenario analysis is presumption that Finnish economy will be in stagnated state for next few years which is generally the view in many economic forecasts. I will also not trying to predict technical development in forthcoming years which probably will have an effect on future development in hearing care. This scenario analysis will be based on the analysis I made so far in this study and to the three semi-structured interviews I presented in methodology chapter.

Main driver for future hearing care markets is the aging population in Finland. According to OECD the development is one of the fastest in Europe (Health at glance 2014). Finnish statistical office estimates that on year 2020 the amount of over 60 years old will be 1,6 million and over 75 years old half a million (figure 21). The population over 60 years of age will therefore increase 8.5% in next 5 years. Mainly hearing impairment starts at the age of 60 years and according to study by Jaakko Salonen approximately 50% of over 75 years have a hearing impairment which requires rehabilitation (Salonen 2013, 11). This aging development challenges the public health care and is generating the present health care reforms.

The increasing amount of patients needing hearing care services and the ongoing problematic financing will pressure the hospitals to rethink their focus and service arrangements. At the moment hearing care is categorized entirely as special health care. All the interviewees were of the opinion that age related hearing care should be managed in municipality level by local health centers and district hospitals (Ylihakola, Katajisto and Pekkala 2014). Central hospitals and university hospitals should focus more on hearing problems of children, people of working age and special hearing problems. Ylihakola estimates that 70% of the patients could be the ones suffering from age related hearing problems. How the hearing care of that patient group will be arranged will also have a considerable effect on hearing care markets.

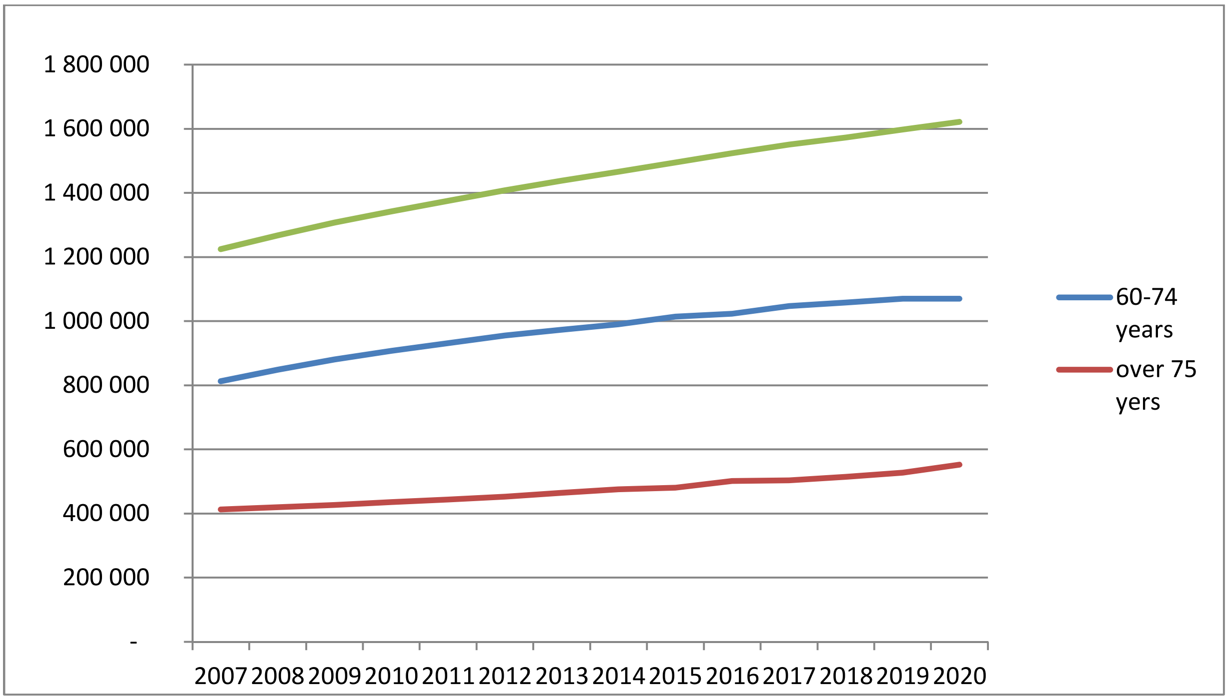

Figure 21 Finnish population over 60 years of age (Tilastokeskus)

Tenders are the tool which public sector has used successfully on their procurement activities. Success is based on the way how it has been used to purchase larger volumes and that way press down the price level. Special health care has developed more and more to technologically orientated direction which has had significant effect on cost level. Now the major share of municipal income is used on special health care and when income has diminished as state financing is cut the tender procurement is being emphasized to decrease costs (Mattelmäki 2014). Tenders also have an effect on how private market is formed. To be able to keep up good profitability the hearing care providers try to offer hearing aids which are not top models or with best possible quality. This will drive part of the patients to private sector to get state of the art products and individual service. How the procurement is arranged in governmental hospitals in next few years will therefore form also the private hearing care market.

Health and wellness is a global megatrend. People in western countries are more willing to invest on their own wellbeing. The increasing amount and value of leisure time drives people to invest on their wellbeing and health to be able to more enjoy the leisure time activities. Rapid development of health care devices and overall awareness of different technical aids increase interest to spend on them. This megatrend has had slow but visible effect on hearing care markets. The status of hearing aids is little by little changing from sign of disability to just technical aid (Palmer 2014).

In 1st of August 2009 the act of service voucher was launched in Finland (Laki sosiaali- ja terveydenhuollon palvelusetelistä 569/2009). It means that municipality pledge to compensate part of the social and healthcare costs purchased from private sector by launching vouchers. This voucher system when expanded will more than likely have remarkable effects on companies who sell health care devices. Instead of offering for example hearing aids for government hospital tenders the company would act with end users in cooperation with municipalities. Municipality will decide who will be the supplier of the service or product by accepting the producer who will fulfill the criteria or through competitive bidding. It will also decide the value of the voucher. Usually it is defined to same value as municipality would pay when acquiring the service from for example local central hospital. If the customer wants to have better quality products or services they will pay the difference from their own pocket.

Outsourcing is a tool which hospitals use to manage their queues. Outsourcing has generated the private market in Finnish hearing care. In March 2005 statutory care guarantee came into effect (Laki kansanterveyslain muuttamisesta 855/2004). It meant that in unhurried care situations patients are guaranteed to have a medical care in special care treatment within 6 months. Before the guarantee was placed in certain areas the waiting time in worst cases was more than a year to get treatment for the hearing loss. First the hospitals tried to manage the situation by offering different compensation packages for their own staff to do extra hours. As the volumes grew they started to purchase ear mould production outside the hospitals. As that was not enough to manage the queues they started to purchase fitting services from private providers and that was the starting point for development of private market (Pekkala 2014).

In first scenario autumn 2016 government bill on welfare and health care gets stuck in parliamentary processing. Opposition does not have faith on financing package as first of all they think the structure will increase the costs and secondly the suggested cost saving program is not credible and the targeted 3 billion EUR cost saving cannot be reached. The bill will be rejected and parties fall into endless dispute about the model of financing the reform. Finally it will be left to next government after the 2019 election.

In governmental hospitals the amount of patients is increasing due to the aging development and better product awareness on new patient generations. There is emerging need for audionoms and to cope with the situation extra audiology courses are arranged to get new personnel.

"...there is severe shortage for persons. Lots of audionoms are retiring..." (Pekkala 2014).

Age related hearing care is more and more delegated to municipality health centers where audionoms are performing hearing tests, taking models for earmoulds and managing also the patients control visits.

"*...in Oulu city hospital hearing center they hired already audionom to do the first visits of patients with age related hearing impairment where hearing tests are done and the model for earmould is taken. University hospital is then fitting the device and hearing center takes care of the control visit..."* (Pekkala 2014).

Procurement of hearing care is arranged by tenders and there are now three purchase groups to cover the whole country.

" ... I could think there will be two to three tenders but clearly lesser than today..." (Ylihakola 2014).

Tender requirement for newly launched products and tense competition on large tenders has resulted that two brands have exit the Finnish market. 2018 a new brand from China is launched through Finnish agent with broad assortment and very competitive prices. They conquer market share in fast phase with efficient logistics and extremely low price level which attracts the governmental hospitals. To be able to compete the existing major brands narrow their organisations to be able to cut the costs and respond to competition. Logistics, service and administration is centralized in European service centers and increasing amount of customer support is processed through web portals.

In second scenario the welfare and health care reform is progressing on timetable. After the 2015 difficult decision on quantity of regions, the negotiations start to progress in time. There is good spirit and consensus between government and parliament which simplifies construction of the difficult financing issue. In the beginning of the 2016 the government decides the distribution of workload between municipalities and autonomy regions based on the request on comments from municipalities and federations of municipalities. The financing package is then formed where autonomy regions get the power to collect taxes. As agreed the free choice of provider for the patient between public, private and third sector actors comes into effect. Welfare and health care reform takes place on time starting 1st of January 2019.

The quantity of hearing impaired who seek for care increase significantly due to the aging population and growing awareness of hearing care treatment. As the technology and design of hearing aids has improved exceedingly the threshold of seeking help has lowered. Due to the increase of patient quantity in special healthcare the workload needs to be rearranged between special and basic health care. Aged related hearing care is directed to municipalities and specialized health care is focusing on children's and special hearing impairment problems.

“...central hospitals and university hospitals will take care of the children, possibly working age and disabled hearing impairment patients. In some of the hospitals the “easy” cases are already outsourced...” (Katajisto 2014).

There is lack of audiological experts in Finland as the education of audionoms is not in sufficient level. This effect on municipalities’ ability to arrange services needed. That is why in some of the municipalities services need to be outsourced to private sector.

“...if we think about the smaller municipalities they are not able to arrange these services. For example in 2013 TAYS shifted over 65 years old hearing impaired patients to municipalities and Ylöjärvi got hundreds of patients. As they were not ready to suddenly take care of these patients they needed to outsource the service to private sector...” (Ylihakola 2014).

The lack of resources and knowledge needed in the municipalities means that the outsourcing is managed by the 15 new welfare and health care districts which are based on the 18 autonomy areas. In areas where the need for assistance is acute, the health care district arranges the tender where three to five private providers are chosen to arrange the hearing care services in municipalities.

In these municipalities the financing will be arranged through service voucher system. End user will be the owner of the device and therefore responsible of all the service which is out of scope of the warranty. Health care district defines the value of the service voucher which is close to the fee paid when purchased from special health care sector. The fees and the providers are published when the tender process is ready.

“...service voucher will be one financing mean for purchasing of hearing aids as it is already used in certain operations in special health care. Before that the problem with the ownership of the device must be solved. Maybe it will like in Sweden where the end user is the owner of the device...” (Ylihakola 2014).

In third scenario also the welfare and health care reform progress right on the schedule as in second scenario and takes effect on 1.1.2019. Anyhow the health care costs have risen in rapid pace due to the expensive special health care. New treatment methods and technological development increase the cost level. Increasing amounts of patients, as indicated in population aging statistics and weak figures in expected healthy life, need more care and that way increase the health care costs. Health care reform was not able to cut the cost 3 billion as targeted by the government. Hospitals need to rearrange radically their processes. They focus more on demanding special care treatment and therefore part of the treatment is relocated to basic health care, private and third sector providers. As basic health care does not have adequate resources, age related hearing care is outsourced to private sector. Patients are able to get imbursement in the form of service voucher. Opticians and pharmacists enter to the market.

”…older people need the service to be nearby available and for example pharmacists and opticians have already extensive shop coverage also in the smaller towns...” (Katajisto 2014).

There is a lack of audiology professionals so the opticians and pharmacists purchase audiological services from audionoms who circulate the regions selling their expertise through web based reservation system. Opticians and pharmacy personnel are trained to do the basic customers service.

“…there is one audionom who circulates the places like the eye-specialists do and shop staff takes care of basic services like changing hooks and hoses, earmould modelling, selling batteries...” (Katajisto 2014).

6.2 Internal analysis

Internal analysis is focused on company’s capabilities and resources. These attributes should be examined from the competitive advantage point of view. What are the capabilities which give advantage on the market compared to competitors? Are there any resource gaps that might prevent company to achieve the targets? Basic tools for this analysis are SWOT and value chain analysis. SWOT shall be used in internal analysis only from the strengths and weaknesses point of view.

6.2.1 Resources

Phonak Finland is small organisation which main function is distribution of Sonovas products to Finnish hearing care markets. Strict value chain analysis in companies this size should not to be done in too detailed level. If for example in some of the activities there is FTE (full time equivalent persons) of 0.5 then the detailed investigation with full scale financial analysis is not meaningful.

Phonak Finland's primary activities consist of inbound logistics, outbound logistics, sales & marketing and service. These activities have direct contact to customer base. Support activities are firm infrastructure, human resource management, technology and procurement.

Inbound logistics and outbound logistics are managed with the same personnel as it usual is the case in the companies this size. Inbound logistics consist of receiving and storing the products. Physical size of the products is very small and therefore does not need remarkable space for storage which makes the storage costs low. There is no production on site as the company acts as distributor of the products. Outbound logistics consists of picking, packing and delivery of the goods. Same personnel manage the inbound and outbound logistics in the same space and therefore there is a tight linkage between these activities. Development of processes on these activities can be done during the hands on work and therefore information gaps do not exist. Major part of the products which are managed by the logistics is inter-company products which link the inbound logistics tightly to supplier processes. Headquarter observes efficiency of the logistics with monthly KPI reporting for example on stock turn over etc. Compensation of logistics personnel is dependent on how the KPI figures are reached. The share of the 3rd party products is relationally small which does not demand any development of tighter linkage with the suppliers.

Outbound logistics delivers products mainly to governmental hospitals which manage their purchases through tender system. There are some demands on tender agreements which apply to logistics mainly concerning the time of delivery in days (appendix 1 tarjouspyyntö). Part of the deliveries is done through consignment stock system. Goods are delivered to consignment stocks of the clinic and customer will inform when the product is finally delivered to end user and can be invoiced. Consignment stock system is used as sales promotion activity and it is based on the demand of trial time of the hearing aids which is stipulated on law of healthcare instruments. It is very convenient to clinics as they do not need to invest any financial resources to stocks. Control of the consignment stocks is problematic as the customer seldom feels thorough interest to manage these stocks as they are owned by the distributor until the final delivery is done. Here is a need for development of tighter and value adding linkage between the outbound logistics and customer. Outbound logistics also delivers goods to the third channel of distribution, the shop. This is very flexible as the shop is located in the same premises as the logistics.

Sales and marketing consists of sales team which is divided to different areas of responsibilities mainly based on product groups or customer groups. Governmental hospitals purchases through tender system mainly form the processes of sales team. Tender requirements demand certain activities which sales team provides. Main function is the product training. Sales activities are mainly done at these product trainings and demonstrations. There is also couple of national exhibitions for hospital audiologists and hearing center personnel where the sales activities are done. Tender system and tender requirements links strictly the sales team to governmental customers. Tenders not only require the product training but also technical daily support should be provided by telephone (appendix 1 tarjouspyyntö) which takes remarkable share of sales departments resources.

Marketing is mainly managed by sales team members and also by outsourced external consultants. Phonak Finland is lacking marketing resources especially when acting on private market. Private market is different in nature compared with the governmental market and it requires different approach in marketing. At the moment marketing is performed by many different persons in the organisation and basically it is focused only on advertising activities. These activities are triggered by different customer requirements and done based on these requirements reactively whenever there is time to do it and with lack of proper coordination and long term planning.

Service and after sales activities are done by one person service staff with some additional help from sales and marketing function. Service as function is also very much formed by the governmental tender agreements. They strictly define how service and service training for hospital service departments needs to be provided (appendix 1 tarjouspyyntö). Service is also taking part to required technical support by telephone.

Support activities consist of administration personnel and country manager which forms the firm infrastructure. Human resource management is managed through firm infrastructure. As the resources are scarce the human resources management consists mainly of filling up forms and policies send by headquarters HR department. Local training of the staff is not planned or coordinated and it is mainly triggered reactively and usually from the headquarters or other parts of the organisation. Main reason is the tight budgeting which restricts possibilities for local development work. Technology development and support for primary activities is provided by the headquarters of the company. IT development is strictly guided from headquarters. Product training and service training for staff is provided by the headquarters by sending materials and arranging training session in web and at the headquarters. It also provides service manuals and procedures for service work. Market research is managed yearly by headquarters and part of the staff compensations is bound to its results. Procurement is mainly done locally except the certain share which comes from headquarters. Spare parts, part of the marketing material and computers are purchased through headquarters. Purchases are mainly done reactively triggered by needs identified by the personnel. No special procurement processes are used.

There are two strong forces which form the activities of Phonak Finland. Phonak is part of the global Sonova which links the primary activities strictly to supplier and that way forms processes. For the moment Sonovas subsidiaries in Nordic countries are under process changes which will tie them more closely to Sonova processes. Other force is the significant customer group governmental hospitals which through their concentrated procurement system also links the company strictly to their processes and uses strong bargaining power. When these linkages are managed efficiently it will result competitive advantage.

Being a part of global large company the small unit is easily kept busy with corporate policies and directions. This might even weaken the crucial role between supportive and primary activities. This is mainly a problem in firm infrastructure and human resources management when everyday work simply does not enable enough room for development work. Certainly there is much support to primary activities done by the headquarters but these are for efficiency reasons standardized activities which are done the same way in every part of the company. One of the key points in value chain thinking is how the linkages between supportive and primary activities are managed.

6.2.2 Capabilities

Phonak Finland is part of the company which is global leader in the hearing care industry. This position gives excellent base to lean on for competing in the national markets. Sonovas product portfolio is large and strong. The products are not especially superior compared to main competitors but the breadth and depth of product line is extremely good. Sonova is focusing strongly on research and development and it launches new products on high pace. Brand portfolio is strong with two hearing aid brands, cochlear implant brand and several hearing care retail brands. Wide assortment of hearing aids is complemented with digital wireless products and accessories.

Distribution coverage is also strength for Phonak Finland. It acts in three different markets. Phonak Finland has agreement with all governmental buying districts with remarkable share of deliveries. Private market is also well covered but there is also room for improvement. Some competitors have acquired private clinics to ensure the sales of their own brands. This has had a diminishing effect on Phonak sales on private sector. End user sales is covered with own shop concept and web shop.

Organisation is capable even though it is very small. The main value adding functions are well organized and efficient. Logistics works fluently and customer feedback is positive especially when dealing with fast and reliable deliveries. Service function also receives good feedback from customers about rapid and reliable service and good technical support. Sales department which also provides the training of fittings are also ranked as the best in the industry by the customers (Appendix 4 market research). Long term focus on customer relationship is resulting good feedback. Sonova headquarters is investing on product training which results as good knowledge level of sales force.

Main weakness is the thin organisation. Phonak Finland is strictly steered by the headquarters with budget and tight human resources policy. Recruiting is strictly forbidden unless there is immediate effect on sales and it should be clearly verified. As Finland is small market with no significant growth expectations it is not seen as an attractive investment target.

The quantity of the products in the market is increasing in fast pace due to the increasing amount of elderly people seeking solution to their hearing problems. To relieve the cost pressure in governmental hospitals they need to tighten the demands on tender criteria. This means that the price level is pressed down and to be able to keep up the good profitability level the hearing aid providers need to deliver more goods on lower price. The increasing amount of products challenges small organisations. Logistics and service functions need to cope with the increasing work amount and find solutions to manage the growing volume. If there are no possibilities to add more staff, the solutions to cope with the situation needs to be find elsewhere. Basically the solution in these circumstances is to add resources from the other functions. That easily leads to situation where the possibilities to do planning and development of processes diminish as all the resources are bound to every day routines.

Poor resource situation reflects on weak marketing function. Marketing activities are performed sales personnel and outsourced consultants. Marketing in Phonak is basically focused in advertising activities and usually it is triggered from someone's initiative. There is no long term planning and coordination for marketing as a function.

This resource problem also can be seen as vulnerability of the organisation. If someone in the organisation would turn ill for longer period it will have immediate effect on performance. Also shorter periods of sick leaves if recurrent nature will have effect on the organisation spirit when there will be reluctance to constantly help on other functions.

7 FORMULATION AND IMPLEMENTATION OF THE MARKETING STRATEGY

Sonova, the parent company of Phonak Finland, establish its business on its vision and mission. In their website they say that:

"We foster a world in which there is a solution to every hearing loss and all people equally enjoy the delight of hearing." (Sonova 2015).

With this statement they want to communicate that they solve hearing problems of people by offering most innovative technology of hearing aids. Phonak Finland can also apply this from its own perspective by offering wide assortment of good quality products and focus on service by solving problems of different customer segments.

By using this mission as a guiding line the marketing strategy can be formulated by first thinking where the company can defeat its competitors. What is their competitive advantage? Mooradian et al. defines that company has competitive advantage if it has resources or capabilities which are:

1. Valuable in the market
2. Rare
3. Not imitable or substitutable
4. Transferable to other markets or products

(Mooradian, Matzler and Ring 2012, 30)

Internal analysis in previous chapter in the mode of value chain analysis and swot gives a good view what that competitive advantage could be. Also the competitive advantage needs to be think through by choosing the generic strategy. Porter defined three generic strategies (chapter 3.2.7) based on the forces which drive the market (Porters five forces in chapter 3.2.2).

Second phase in the formulation is to target your markets strategy and set the objectives. It sets the direction where to head and define the outcome what to achieve. Overall object should be chosen whether to reach for certain market share or certain profitability. Basically market share is tried to achieve on cost of profitability and other way around. Trying to achieve both objects will probably result confusion. To be able to set the target properly the company needs to know their customers. Which are the customers who to target the strategy and what is also important on which customers it should not. Customer segmentation analysis in external analysis chapter gives a base for this mapping.

After the formulation the company should focus how to position its products on the market and on the customer perception. This needs information about the market. What are the forces that effect on the market development (PEST in chapter 3.2.3) and how it will develop (Scenario analysis chapter 3.2.3)? This last phase is the implementation part where company creates a tactics how to be at the market. Tool for this is the marketing mix which was defined in third chapter.

Phonak Finland's formulation and implementation of marketing strategy is in appendix 5.

8 EVALUATION

In this part I will present basic tools used in the evaluation process. Unfortunately because of strict time limit I am not able to present the evaluation results here.

The marketing budget will be in a central role in evaluation of the marketing strategy. Phonak Finland processes the budgets under Sonova headquarters budgeting guidelines. Marketing budget is based on the marketing plan which is divided to 4 sections: Advertising, PR, exhibitions and material. All the marketing activities are under these headings and the plan is in monthly basis.

Major part of the evaluation will be performed through analysing monthly sales figures. Focus will be on product group and segmental reporting. Product group reporting will analyse different product groups: BTE (behind the ear), ITE (in the ear), Roger-products, accessories and others. Advanced Bionics being a separate unit has its own reports. Product groups are specified in product family level where units, sales in EUR, ASP (average sales price) and gross margin will be analysed.

Segment reporting is based on the segmentation done in customer analysis. Segmentation report will present all segment groups and these are break down on customer level. On segmentation report analyse will be focused on hearing aid sales, ASP (average sales price) and gross profit. Marketing costs will be analysed against these figures.

Sales team will have quarterly evaluation discussions which will be based on segmentation report. In these discussions the focus will be on product mix, marketing costs, targeting and evaluation of past marketing events. Also there will be analysis on training and entertainment level which should be done according to the information given by segmentation report.

Sonova headquarters is also performing yearly market research on company customers. It gives information about company performance for example in different functional level. It also has valuable customer feedback.

9 CONCLUSIONS

Health care is in the state of change. At this moment there are many different working groups in ministries, parliament teams and civil servants preparing different reports concerning new health care districts, administrative reforms and financial reforms. These changes shake the Finnish society up all the way to the constitutional level. New reform will touch remarkable amount of citizens and effect on their everyday life. It will also challenge wide amount of different companies who act around health care cluster.
Changes in the tightly competitive business surroundings enforce companies to rethink their activities and adapt to the reshaped operational environment. The adaptation is much more comfortable if the environment is known and there is more knowledge of the structural dependencies between different actors in the market. Deep understanding of the surroundings simplifies the difficult decision what would be the best way to go.

The general object of this study was to create a marketing strategy to Phonak Finland so that the company is able to reflect to the changes in its environment. Basically the whole process of creating the marketing strategy is important to understand and therefore I pointed out some specific objectives as a guiding line through this thesis. External and internal analysis lays down the foundation for understanding the company position in the market. These analyses also give knowledge to map what will be the development in the near future. That way the targets can be more precise and meaningful. Proper targets and goals assist selecting the right path and which tools are needed when trying to achieve these targets and goals. People and organisations learn from their mistakes and that way it is important to also evaluate the steps which are taken on this path.

Aging of population challenges the present health care system. It increases amount of patients in hospitals. Finland's under average results on expected healthy life figures accelerate the increasing demand of health care services. Reducing amount of working age population erodes the financing of these services. The overall development requires actions which present government aims on its social and health care reform. Conservative government offers solution where also the private sector will play a part. System of free choice of provider would allow also private providers to be one possibility when service is needed. This will change the market especially if age related hearing care will be transferred from university and central hospitals what happened in Tampere a while ago. Patients with age related hearing form a remarkable share of the hearing impaired which will wherever directed change the structure of the market.

Future looks always uncertain and especially in the situations when remarkable structural changes are happening in the environment. Future research is based on researching the present time. In strategic planning the ground work of analysing the surroundings is significantly important. It gives information how to understand the dependencies, linkages and relations between different forces which drive the market. In smaller companies focusing on burdensome analysis is often a resource problem. I many cases the overcoming day-to-day tasks fills up the mind and there is seldom room for proper planning work. It is also sometimes easier and even more acceptable to bury oneself to familiar routines than in vague planning work. In the beginning of this thesis I referred to large research about what successful companies have in common. One of the main characteristics was strategical planning. That research gives strong implication for importance of strategical planning.

One purpose of this study was to find out how strategical planning could be done also in a smaller company. Goal was to structure the marketing strategy process so that it would be suitable to use also in other companies. Perhaps in the future a study could be done focused on developing a kind of a template how to proceed in certain steps to create a marketing strategy.

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APPENDIX

Appendix 1.

Request for quotation of hearing aids and accessories by Pirkanmaa health districts ERVA area.

Elämän tähden

Yhteishankintayksikkö

TARJOUSPYYNTÖ

Pvm 11.6.2015

Numero 7261/ERVA/15

1(8)

Asiaa hoitaa hankintatoimistossa
hankintapäällikkö Antti Vadén p. (03) 311 69785

Kirjallinen tarjous toimitetaan suljetussa tarjoajan nimellä ja tarjousmerkillä varustetussa kirjekuoressa VIITENÄ kappaleena esitteineen. Tarjoukseen liittyvä tuotteiden hinnoittelua koskeva excel-taulukko palautetaan tiedostomuodossa osoitteella tarjous@pshp.fi.

Tarjousmerkki
7261/ERVA/15

Jättöaika
31.8.2015 kello 14.00 mennessä

Ensisijainen toimitusehto
X Toimitettuna perille TOP (vastaanottava sairaala)
(Finnterms 2001)

Osatarjous
Otetaan huomioon
X Ei oteta huomioon

Osoite
Pirkanmaan sairaanhoitopiirin kuntayhtymä
TAYS/materiaalikeskus, G-rak. 2.krs
PL 2000
33521 TAMPERE

Tarjouksessa pyydetään selvittämään:
X Toimitusaika tilauksesta
X Maksuehto
X Pakkaus
X Tuotteen valmistaja

Tavaran toimitusosoite
Tampereen yliopistollinen sairaalan erityisvastuualueen sairaanhoitopiirit/Päijät-Hämeen sosiaali- ja terveysyhtymä

Tarjouksen tulee olla sitovana voimassa
X 31.12.2015 saakka

Hankinnassa noudatetaan julkisten hankintojen yleisiä sopimusehtoja (JYSE 2014 tavarat) ellei muuta ole sovittu.

Tarjouspyyntö käsittää

KUULOKOJEET JA KUULOKOJEIDEN TARVIKKEET

Pirkanmaan sairaanhoitopiirin erityisvastuualueen sairaanhoitopiirien (Kanta-Hämeen ja Pirkanmaan sairaanhoitopiirit, Päijät-Hämeen sosiaali- ja terveysyhtymä) käyttöön hankintakaudella 1.11.2015 – 31.10.2017 (optio 1.11.2017 – 31.10.2018).

KULUTUSMÄÄRÄT

Arvioitu tarve on yhteensä noin 9 500 kuulokojetta vuodessa jakautuen erityisvastuualueen sairaanhoitopiirien kesken seuraavasti: Pirkanmaan sairaanhoitopiiri n. 6500 kpl/v, Kanta-Hämeen sairaanhoitopiiri n. 1500 kpl/v ja Päijät-Hämeen sosiaali- ja terveysyhtymä n. 1500 kpl/v.

Tähän kilpailutukseen sisällytetään 90 % hankintakauden aikana käytettävistä kuulokojeista. Kilpailutuksen ulkopuolelle jäävä 10 % voidaan hankkia tämän tarjouspyynnön luokkien ja/tai sopimustoimittajien ulkopuolelta, perustuen kojeiden erityisominaisuuksiin tai määrältään pieniin erityistarpeisiin.

KOJEILLE ASETETUT VAATIMUKSET SEKÄ OSATARJOUS

Kuulokojeet on teknisten ominaisuuksien perusteella jaettu kahteen luokkaan.

Luokka 1 kojeet
Luokka 2 kojeet

Tässä tarjouspyynnössä sovelletaan EU:n asiantuntijatyöryhmän vaikeusasteluokitusta: 20 - 40 dB lievä kuulonalenema, 40 – 70 dB keskivaikea kuulonalenema, 70 - 95 dB vaikea kuulonalenema ja yli 95 dB erittäin vaikea kuulonalenema.

Materiaalikeskuksen yhteystiedot:
Postiosoite PL 2000 33521 TAMPERE
Käyntiosoite Teiskontie 35 33520 TAMPERE
Puhelinnumerot Vaihde (03) 311 611
Faksi (03) 311 65354

Elämän tähden

Yhteishankintayksikkö

TARJOUSPYYNTÖ

Pvm 11.6.2015 Numero 7261/ERVA/15 2(8)

Kojeille ja niiden toimittamiselle asetetut yleiset vaatimukset

- Kuulokojeen tulee olla kuulonhuollon teknologiatyöryhmän ylläpitämään luetteloon hyväksyttynä ja siten täyttää NSH:n yhteispohjoismaiset laatuvaatimukset.
- Tarjottujen kojeiden tulee tulee olla aikaisintaan 2013 tai myöhemmin markkinoille tulleita.
- Samaa kojetta ei saa tarjota eri luokkiin. T/MT ja VC ominaisuuksien olemassaoloa/puuttumista ei katsota eri kojemalliksi. Kuulokkeen vaihtoa ei katsota eri kojemalliksi.
- Kaikissa kojeissa tulee olla T/MT mahdollisuus.
- Takuun tulee olla voimassa vähintään 2 vuotta kojeen luovutuspäivästä ja sen tulee koskea kuulokojeiden kaikkien osien valmistus- ja materiaalivirheitä mukaan lukien mikrofoni, vahvistin ja kuuloke (rite).
- Kaikissa tarjotuissa kojemalleissa tulee olla mahdollisuus tarkastaa lokitiedot.
- Kaikista tarjottavista kojeista tulee olla mallikohtainen suomenkielinen käyttöohje (pyydettäessä ruotsin- ja englanninkielinen).
- Kojeiden mukana tulee toimittaa säilytyskotelo.
- Sovitusohjelman tulee olla käytettävissä vähintään 5 vuotta kojemallin poistuttua markkinoilta.
- Mikäli kojemalli poistuu valikoimasta sopimuskauden aikana, tulee kojetoimittajan tarjota välittömästi uusi vähintään vastaavan tasoinen koje poistuneen tuotteen hinnalla. Kojeen tulee soveltua poistuneen sopimustuotteen lisätarvikkeille. Sopimustuotteen vaihto edellyttää tilaajan hyväksyntää.
- Sovitusohjelmien uusimmat päivityslevykkeet lähetetään viivytyksettä kuulokeskuksiin ilman erillistä pyyntöä.
- Kuulokojeiden pientarvikkeiden (ohutletkut, vahasuojat, paristot, tipit ym.) tilauskaavakkeita toimitetaan potilaita varten kuulokeskuksiin automaattisesti ja erikseen pyydettäessä (Tilaajan ostamat pientarvikkeet hinnoitellaan erikseen hintaliitteen C ja D tuotteissa).
- Korvantauskuulokojeiden hintaan sisältyy asiakkaan valinnanvapaus kuulokojeiden kuorten väriin valikoiman mukaan.
- Kojeen mukana tulee toimittaa yksi levyllinen paristoja veloituksetta.
- Korvakäytäväkojeiden hintaan tulee sisältyä kuorikko, tilanneohjelmat, vahasuojasetti ja pyydettäessä T, VC.
- Korvantauskojeisiin sisältyy koukku/ ohutletku ja tippi, mikäli tarkoitettu avoimeen sovitukseen
- Kuuloke korvakäytävässä kojeisiin (rite) sisältyy kuuloke, tippi ja vahasuojasetti
- Vinkumiseneston, suuntamikrofonitoiminnon ja hälynvaimennuksen on toimittava adaptiivisesti.
- Kaikkia kojeita tulee olla mahdollisuus säätää kolmella eri ottotasolla (hiljaiset, keskivahvat, voimakkaat).
- Korvantauskojeiden kohdalla tulee painottaa paristokoko 13:lla toimivia kuulokojeita.
- Korvakäytäväkojeiden kohdalla tulee painottaa paristokoko 312:lla/13:lla toimivia kuulokojeita.
- Toimittajan tulee toimittaa ajan tasalla oleva kaukosäädinten hinnasto joissa VC ja ohjelmasäädöt. Tilaajan ostamat kaukosäätimet hinnoitellaan erikseen hintaliitteen C ja D tuotteissa.

Kanava = itsenäisesti säädettävä taajuusalue
VC = volume control, voimakkuuden säädin
Avoin sovitus = tässä tarjouspyynnössä avoimen sovituksen kojeella tarkoitetaan ohutletkulla ja ilman henkilökohtaista korvakappaletta (eli ns. tippi) sovitettavissa olevaa kuulokojetta.

Materiaalikeskuksen yhteystiedot:
Postiosoite
PL 2000
33521 TAMPERE
Käyntiosoite
Teiskontie 35
33520 TAMPERE
Puhelinnumerot Vaihde (03) 311 611
Faksi (03) 311 65354

Luokka 1 kojeet, 60 % tarjouspyynnön piiriin kuuluvista kojeista.

KORVANTAUSKOJEET 95 %

6 kojetta, joista
3 lievästä - keskivaikeaan kuulonalenemaan
2 keskivaikeasta – vaikeaan kuulonalenemaan
1 erittäin vaikeaan kuulonalenemaan (ei kuuloke korvassa/rite-kuulokoje, ei ensisijaisesti vain vaikeaan kuulonalenemaan tarkoitettu).

Digitaalinen kuulokoje:

- vähintään 8 kanavaa tai muulla tekniikalla toteutettu vastaava taajuuskohtainen vahvistuksen käsittelymahdollisuus
- kojeissa tulee olla vähintään 3 tilanneohjelmaa
- yhden tämän ryhmän kojeista on sovelluttava myös avoimeen sovitukseen
- yhden tämän ryhmän kojeista on sovelluttava myös ohutputkisovitukseen
- yhden tämän ryhmän kojeista on sovelluttava myös kuuloke korvakäytävässä sovitukseen. Kojeen ja kuulokkeen hinnat ilmoitettava lisäksi eriteltynä. Kuuloke tulee voida ostaa sopimuskauden aikana tarjotulla yksikköhinnalla.
- vähintään 4 kojeessa oltava kiinteä voimakkuudensäätö mahdollisuus, joista 1 erittäin vaikeaan kuulonalenemaan tarkoitettuun kojeeseen
- Kaikissa kojeissa tulee olla mahdollisuus lisälaitteisiin liittämiseen langattoman teknologian avulla. Induktiolla toimiva T-silmukka ei täytä tätä vaatimusta.
- yhdessä kojeessa tulee olla mahdollisuus käyttää lasten korvaan sopivia lasten koukkuja
- kaikissa tämän ryhmän kojeissa potilaalla on oltava mahdollisuus kuulokojeiden väliseen langattomaan bilateraaliseen säätämiseen ilman kaukosäädintä (ohjelmat ja/tai VC)

KORVAKÄYTÄVÄKOJEET 5 %

3 kojetta, joista
vähintään 1 lievästä – keskivaikeaan kuulonalenemaan
vähintään 1 keskivaikeasta – vaikeaan kuulonalenemaan

Digitaalinen kuulokoje:

- vähintään 8 kanavaa tai muulla tekniikalla toteutettu vastaava taajuuskohtainen vahvistuksen käsittelymahdollisuus
- kojeissa tulee olla vähintään 3 tilanneohjelmaa
- kaikissa kojeissa tulee olla T/MT ja VC mahdollisuus
- vähintään yhdessä kojeessa tulee olla mahdollisuus lisälaitteisiin liittämiseen langattoman teknologian avulla. Induktiolla toimiva T-silmukka ei täytä tätä vaatimusta.
- kaikissa tämän ryhmän kojeissa potilaalla on oltava mahdollisuus kuulokojeiden väliseen langattomaan bilateraaliseen säätämiseen ilman kaukosäädintä (ohjelmat ja/tai VC)

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Luokka 2, 40 % tarjouspyynnön piirin kuuluvista kojeista

KORVANTAUSKOJEET 95 %

6 kojetta, joista
3 lievästä – keskivaikeaan kuulonalenemaan
2 keskivaikeasta - vaikeaan kuulonalenemaan
1 erittäin vaikeaan kuulonalenemaan (ei kuuloke korvassa/rite-kuulokoje, ei ensisijaisesti vain vaikeaan kuulonalenemaan tarkoitettu).

Digitaalinen kuulokoje:

- vähintään 12 kanavaa tai muulla tekniikalla toteutettu vastaava taajuuskohtainen vahvistuksen käsittelymahdollisuus
- kojeissa tulee olla vähintään 4 tilanneohjelmaa
- yhden tämän ryhmän kojeista on sovelluttava myös avoimeen sovitukseen
- yhden tämän ryhmän kojeista on sovelluttava myös ohutputkisovitukseen
- kahden tämän ryhmän kojeista on sovelluttava myös kuuloke korvakäytävässä sovitukseen. Kojeen ja kuulokkeen yksikköhinnat ilmoitettava lisäksi eriteltynä. Kuuloke tulee voida ostaa sopimuskauden aikana tarjotulla yksikköhinnalla.
- vähintään 2 kojeessa oltava kiinteä voimakkuudensäätö mahdollisuus
- kaikissa kojeissa tulee olla mahdollisuus lisälaitteisiin liittämiseen langattoman teknologian avulla. Induktiolla toimiva T-silmukka ei täytä tätä vaatimusta.
- kaikissa kuulonalenemaluokissa tulee olla vähintään yksi koje, jossa mahdollisuus käyttää lasten korvaan sopivia lasten koukkuja
- kaikissa tämän ryhmän kojeissa potilaalla on oltava mahdollisuus kuulokojeiden väliseen langattomaan bilateraaliseen säätämiseen ilman kaukosäädintä (ohjelmat ja/tai VC)

KORVAKÄYTÄVÄKOJEET 5 %

- 3 kojetta, joista
- vähintään 1 lievästä – keskivaikeaan kuulonalenemaan
- vähintään 1 keskivaikeasta – vaikeaan kuulonalenemaan

Digitaalinen kuulokoje:

- vähintään 12 kanavaa tai muulla tekniikalla toteutettu vastaava taajuuskohtainen vahvistuksen käsittelymahdollisuus
- kojeissa tulee olla vähintään 4 tilanneohjelmaa
- kaikissa kojeissa tulee olla T/MT ja VC mahdollisuus
- kaikissa kojeissa tulee olla mahdollisuus lisälaitteisiin liittämiseen langattoman teknologian avulla. Induktiolla toimiva T-silmukka ei täytä tätä vaatimusta.
- kaikissa tämän ryhmän kojeissa potilaalla on oltava mahdollisuus kuulokojeiden väliseen langattomaan bilateraaliseen säätämiseen ilman kaukosäädintä (ohjelmat ja/tai VC)

Tarjouksessa on oltava tarjottuna kojeita kaikkiin luokkiin vaatimusten mukaisesti ja kojeiden pitää täyttää tässä tarjouspyynnössä kojeiden ominaisuuksille sekä yleisesti kojeille ja toimittamiselle asetetut vaatimukset. Tarjoajan tulee kirjata tarjouspyynnön liitteelle 2, täyttääkö tarjoamansa tuote tässä tarjouspyynnössä asetettuja vaatimuksia kyllä/ ei. Osatarjouksia ei hyväksytä.

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KOULUTUS JA HUOLTO

Koulutusohjelma ja huollon järjestäminen on osa kuulokojehankintaa. Koulutusohjelman avulla pyrimme kiinnittämään erityisesti huomiota kuulokojeisiin liittyvään koulutukseen ja huoltoon. Tilaaja seuraa koulutusten toteutumista.

Kuulokojekoulutus

1. Koulutus tapahtuu kussakin kuulokeskuksessa vähintään 3 kertaa vuodessa ryhmäkoulutuksena ja lisäksi tarvittava määrä yksilöllistä ohjausta sovitusohjelmien käytön oppimiseksi. Yhden koulutuskerran tulee kattaa kojeisiin liitettävät lisäapuvälineet ja säätimet. Toimittajan tulee järjestää koulutus sairaanhoitopiirien sekä sosiaali- ja terveysyhtymän kuulokeskuksissa.

2. Edellä mainituissa koulutuksissa keskitytään erityisesti niihin kojeisiin, joilla on sairaalan apuvälinekuntoutuksen kannalta merkitystä.

3. Koulutus kattaa kuulokojeiden käytön koulutuksen ja ohjelmoinnin koulutuksen.

4. Toimittajan tulee turvata käyttäjätuki sekä tekninen tuki audionomeille ja huollon vastaaville henkilöille myös puhelimitse arkisin klo. 8.30 – 15.00 välisenä aikana. Toimittajan tulee ilmoittaa sairaaloille tekninen yhteyshenkilö ja tämän yhteystiedot.

Huolto

1. Huoltokoulutus
Huoltokoulutus sisältyy kojeiden hankintahintaan. Huoltokoulutukseen on osallistumisoikeus vähintään kahdella henkilöllä kustakin hankintarenkaan sairaanhoitopiiristä. Koulutus sisältää kojeiden korjaustekniikkaa, testausta ja kojesovitusohjelmien peruskäyttöä. Ensimmäinen huoltokoulutus tulee järjestää kolmen kuukauden sisällä sopimuksen alusta.

2. Dokumentaatio
Jokaisen uuden kuulokojemallin toimitukseen tulee sisältyä dokumentit (huoltodokumentit, osaluettelo, hajotuskuvat ja säätöohjeet), ensisijaisesti suomeksi tai toissijaisesti englanniksi.

3. Lisävarusteet
Toimittaja toimittaa veloituksetta riittävän määrän ohjelmointikaapeleita sekä langattomia ohjelmointimoduuleita kojeisiin, joita ei voi sovittaa kaapeleilla, ohjelmointikenkiä ja sovitusohjelmia sekä mahdolliset erityistyökalut huollolle.

4. Takuukorjaukset
Toimittaja toimittaa pakkaustarvikkeet takuulähetyksiä varten. Takuukorjausten postimaksun maksaa laitetoimittaja. Kuulokojeen takuuaika alkaa siitä päivästä, jolloin se luovutetaan potilaan käyttöön.

Mikäli sama koje korjataan takuuseen laitteiston vian (kuuloke, mikrofoni, vahvistin, kytkin tai painonappi) vuoksi kaksi kertaa ja koje vielä uudelleen rikkoontuu, tulee toimittajan keskustella kojeen korvaamisesta uudella vastaavalla kojeella. Mikäli takuukorjaukseen lähetetyn kojeen korjaus ei mene takuuseen, on otettava yhteyttä sen lähettäneeseen sairaalaan korjauksen sopimiseksi joko laitetoimittajalla tai sairaalassa. Kojetoimittajan tulee ilmoittaa kojeiden huollon sijainti ja kojehuoltohenkilöstön määrä.

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TARJOUKSEN HINNOITTELU

Kuulokojeiden hinnat on ilmoitettava liitteellä 1.

- Annettavat hinnat tulee ilmoittaa arvonlisäverottomina. Esitettyjen hintojen tulee sisältää kaikki tässä tarjouspyynnössä esitetyt tuotteisiin liittyvät ominaisuudet sekä toimittamiseen, koulutukseen ja huoltoon liittyvät kustannukset tarjouspyynnössä esitetyssä laajuudessa. Lisäksi kuulokojeiden hintaan tulee sisältyä käyttöoikeus kojeen sovitusohjelmistoon. Käytössä tulee olla ajantasainen versio sovitusohjelmistosta. Käyttöoikeus tulee luovuttaa Erityisvastuualueen sairaanhoitopiireille sekä niiden nimeämille ostopalveluna hankituille sovituspalvelun tuottajille.
- Tarjoajaa pyydetään toimittamaan tarjouspyynnön ulkopuolelle jäävien kojeiden ja pientarvikkeiden sekä lisälaitteiden hintatiedot tarjouspyynnön liitteen 1 toiselle välilehdelle

Tarjoushintojen tulee olla **kiinteinä** voimassa koko sopimuskauden.

KOJEIDEN TAKUUAIKA

Kojeille tulee antaa vähintään **kahden vuoden** takuu siitä hetkestä, kun koje on luovutettu potilaan käyttöön.

TUOTETIEDOT

Tuote- ja hintatietojen osalta pyydämme täyttämään tarjouspyyntöasiakirjoihin sisältyvän Excel-taulukon (täyttöohje liitteenä) tarjouspyynnön liite 1. Kuulokojeet on ryhmiteltävä teknisten ominaisuuksiensa perusteella tarjouspyynnön mukaisesti kahteen luokkaan. Lisäksi tarjoukseen on sisällytettävä muut tuotteisiin ja niiden käyttöön liittyvät pyydetyt tiedot.

Kirjallisten ja tiedostomuodossa olevien tarjoustietojen ollessa ristiriitaisia pidämme tiedostomuodossa olevia tietoja ensisijaisina.

HANKINTASOPIMUS

Hankinnasta tehdään kirjallinen sopimus. Option käytöstä päätetään erikseen. Mikäli hankintayksikkö käyttää option, sovelletaan optiokaudella sopimuskauden ehtoja. Sopimukseen sisällytettävien tuotteiden kulutusmäärät perustuvat hankintaan osallistuvien laitosten materiaalikirjanpitoon ja niitä voidaan toiminnan niin vaatiessa joko ylittää tai alittaa.

Edellytämme, että tuotteita on käytettävissä sopimuskauden alkaessa.

TUOTTEIDEN TILAUS JA TOIMITUS

Tuotteet tilataan, toimitetaan ja laskutetaan sairaaloittain ja toimituserittäin

Kanta-Hämeen sairaanhoitopiiri
- Kanta-Hämeen keskussairaala

Pirkanmaan sairaanhoitopiiri
- Tampereen yliopistollinen sairaala

Päijät-Hämeen sosiaali- ja terveysyhtymä
- Päijät-Hämeen keskussairaala

Toimitusten tulee pääsääntöisesti olla tilaajalla viiden (5) arkipäivän kuluessa tilauksesta ja maksuehdon **vähintään 30 päivää netto**. Toimittamisesta sovitaan tarkemmin kunkin kuulokeskuksen osalta yhteistyössä hankintatoimiston kanssa.

Laskujen maksatukseen liittyen tarjouksessa tulee ilmoittaa myös verkkolaskutuksen käyttömahdollisuudesta.

Materiaalikeskuksen yhteystiedot:
Postiosoite PL 2000 33521 TAMPERE
Käyntiosoite Teiskontie 35 33520 TAMPERE
Puhelinnumerot Vaihde (03) 311 611 Faksi (03) 311 65354

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TARJOAJAN KELPOISUUSEHDOT

Tarjoajan tulee tarjouksessaan **ilmoittaa** Suomen tai sijoitusmaansa verojen ja sosiaalimaksujen sekä eläkevakuutusmaksujen suorittamisesta samoin kuin kuulumisestaan ennakkoperintärekisteriin. Todistukset maksetuista veroista ja sosiaaliturvamaksuista (verojäämätodistus) ja eläkevakuutusmaksuista on toimitettava vain **pyydettäessä.** Mikäli hankintayksikkö pyytää todistuksia, saavat ne olla enintään 3 kuukautta vanhoja siitä hetkestä, kun tarjoajalta niitä pyydetään. Hankintayksikkö pidättää oikeuden käyttää hankintalain mukaisia poissulkemisperusteita.

Tarjoajan tulee sitoutua eettiseen ja vastuulliseen yritystoimintaan. Tällä tarkoitetaan mm. sitoutumista ihmisoikeuksien ja ILO:n keskeisten sopimusten kunnioittamiseen.

Mikäli tarjoaja tai tarjous ei täytä asetettuja kelpoisuus- tai tuotekohtaisia vähimmäisvaatimuksia, tarjousta ei oteta huomioon tarjousvertailussa.

HANKINNAN RATKAISEMISEN PERUSTEET

Hankintayksikkö pidättää oikeuden valita vähintään kolme tai enintään neljä toimittajaa varmistaakseen riittävän laajan tuotevalikoiman. Sopimuskauden aikana kilpailutuksen kohteena oleva volyymi pyritään jakamaan tasan valittujen toimittajien kesken.

Hankinta ratkaistaan edullisimman hinnan perusteella seuraavasti:

Luokka 1 kojeet:
Lasketaan tarjoajan tarjoamien korvantauskojeiden keskiarvohinta, joka kerrotaan liitteessä 1 esitetyllä kulutusmäärällä.

Lasketaan tarjoajan tarjoamien korvakäytäväkojeiden keskiarvohinta, joka kerrotaan liitteessä 1 esitetyllä kulutusmäärällä.

Tämän jälkeen lasketaan saadut hinnat yhteen, jolloin muodostuu luokkakohtainen kokonaishinta.

Luokka 2 kojeet:
Lasketaan tarjoajan tarjoamien korvantauskojeiden keskiarvohinta, joka kerrotaan liitteessä 1 esitetyllä kulutusmäärällä.

Lasketaan tarjoajan tarjoamien korvakäytäväkojeiden keskiarvohinta, joka kerrotaan liitteessä 1 esitetyllä kulutusmäärällä.

Tämän jälkeen lasketaan saadut hinnat yhteen, jolloin muodostuu luokkakohtainen kokonaishinta.

Vertailuhinta
Vertailuhintana käytetään tarjouksen kokonaishintaa, joka saadaan laskemalla yhteen kunkin luokan 1 ja 2 luokkakohtainen hinta. Tämän jälkeen tarjoajat asetetaan vertailuhinnan perusteella hintajärjestykseen ja valitaan vähintään 3 tai enintään neljä toimittajaa edullisuusjärjestyksessä sopimustoimittajiksi.

Materiaalikeskuksen yhteystiedot:
Postiosoite PL 2000 33521 TAMPERE
Käyntiosoite Teiskontie 35 33520 TAMPERE
Puhelinnumerot Vaihde (03) 311 611 Faksi (03) 311 65354

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PÄÄTÖKSEN TIEDOKSIANTO

Tarjoajan tulee ilmoittaa tarjouksessaan sähköpostiosoite, johon sähköinen päätöksen tiedoksianto voidaan toimittaa. Mikäli osoitetta ei ole ilmoitettu, annetaan päätös tiedoksi sähköpostitse tarjouksen allekirjoittaneelle henkilölle.

LISÄTIEDOT

Lisätietoja antaa hankintasihteeri Taina Kyyhkynen puh. (03) 311 67895.

LIITE PIRKANMAAN SAIRAANHOITOPIIRIN KUNTAYHTYMÄ
Erityisvastuualueen yhteishankintayksikkö

Antti Vadén
hankintapäällikkö

LIITTEET

Liite 1 tuote- ja hintatiedot (tarjoaja täyttää ja liittää tarjoukseensa)
Liite 2 tarjoajalle täytettäväksi tarkoitettu asiakirja (tarjoaja täyttää ja liittää osaksi tarjoustaan)

Appendix 2.

Competitor financial analysis. Excel attachment.

Appendix 3.

Competitor strength analysis. Excel attachment.

Appendix 4.

Sonova market research: customer satisfaction Finland 2014. Powerpoint attachment.

Appendix 5.

Phonak Finland’s marketing strategy. Word attachment.

Appendix 6.

Interview content analysis. Word attachment.