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# Analysis and Development Recommendations for Increasing Effectiveness of Marketing Plan

Case Company: Multitronic Oy

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## **ABSTRACT**

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The main purpose of this study was to examine the current marketing communications of a local computer electronics reseller called Multitronic Oy. The focus of the thesis was on the sales of the company's online store. Despite the overall boost within the industry during the last five years, Multitronic has not shown significant growth in sales.

The Theoretical framework introduced the reader to the theory and basic tools of marketing planning process. In the empirical study financial results of the company as well as its customers, competitors, marketing activities and marketing budget were analyzed in order to provide recommendations for the development of a new marketing plan.

During this study several problems were found in the company's existing marketing activities. Most of the problems are caused by lack of employees, insufficient organizational structure and ineffective allocation of marketing budget between various marketing communication channels.

The results of the analysis and recommendations for the development of the new marketing plan were proposed and approved by the chairman of the board of Multitronic Oy.

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Keywords                      Analysis, marketing plan, marketing communications, digital marketing, online advertising

# CONTENTS

## ABSTRACT

1	INTRODUCTION.....	8
1.1	Research Objectives.....	8
1.2	Structure of the research.....	8
1.3	Research Methodology.....	9
1.4	Limitations.....	9
2	THEORETICAL STUDY.....	10
2.1	Strategies.....	10
2.1.1	Corporate strategy.....	10
2.1.2	Business strategy.....	11
2.1.3	Functional strategy.....	11
2.2	The role of marketing planning.....	11
2.3	Current situation analysis.....	13
2.3.1	SWOT.....	13
2.3.2	PEST- analysis.....	15
2.4	Market and consumer analysis.....	16
2.4.1	Market characteristics.....	16
2.4.2	Market changes.....	17
2.4.3	Market share.....	18
2.4.4	Consumer characteristics and needs.....	18
2.4.5	Competitor analysis.....	18
2.5	Segmentation.....	20
2.5.1	Market segmentation.....	20
2.5.2	Targeting strategy.....	23
2.5.3	Positioning strategy.....	25
2.6	Marketing plan objectives.....	26
2.6.1	Financial objectives.....	27
2.6.2	Marketing objectives.....	27
2.6.3	Societal objectives.....	27
2.7	Marketing Mix.....	28

2.7.1	Product .....	28
2.7.2	Price .....	28
2.7.3	Place .....	29
2.7.4	Promotion.....	29
2.8	Marketing communications .....	29
2.9	E-communications .....	31
2.9.1	Search engine marketing.....	31
2.9.2	Display advertisement.....	32
2.9.3	Social media marketing.....	32
2.9.4	Viral marketing .....	32
2.9.5	Email marketing.....	32
2.10	Results measuring.....	33
2.10.1	Metrics .....	33
2.10.2	Forecasts .....	34
2.10.3	Budgets .....	34
2.10.4	Schedules .....	35
3	EMPIRICAL STUDY .....	36
3.1	Multitronic Oy .....	36
3.1.1	The company's activities.....	37
3.2	Multitronic financial results analysis.....	39
3.2.1	Monthly sales analysis .....	41
3.3	Competitor analysis .....	42
3.3.1	Large companies .....	43
3.3.2	Medium-sized companies .....	44
3.3.3	Small companies .....	44
3.3.4	Competitors' efficiency analysis.....	45
3.4	Consumer analysis .....	47
3.4.1	Analysis of Multitronic website visitors by gender .....	47
3.4.2	Analysis of Multitronic website visitors by age .....	49
3.4.3	Average purchase value analysis .....	51
3.5	Marketing communications and advertising budget analysis.....	53
3.5.1	Advertising budget.....	53

3.5.2	Marketing communication channels analysis .....	54
3.5.3	Measuring the effectiveness of marketing communication channels .....	58
3.5.4	Effectiveness of online marketing communication channels.....	59
3.5.5	Effectiveness of traditional marketing communication channels	60
3.5.6	Effective marketing communication channels.....	61
3.5.7	Ineffective marketing communication channels .....	62
3.5.8	Solutions to problems with ineffective marketing communication channels .....	63
3.6	Problems of Multitronic.....	65
4	CONCLUSION .....	67
4.1	Summary.....	67
4.2	Proposals.....	68
	REFERENCES .....	70

## **LIST OF FIGURES AND TABLES**

<b>Figure 1.</b> Hierarchy of strategy.	p. 10
<b>Figure 2.</b> The marketing planning process.	p. 12
<b>Figure 3.</b> Multitronic SWOT analysis	p. 15
<b>Figure 4.</b> Five levels of market definition	p. 17
<b>Figure 5.</b> Multitronic product class, categories and brands.	p. 19
<b>Figure 6.</b> Major segmentation variables for consumer market.	p. 21
<b>Figure 7.</b> Multitronic customer segmentation by age and generation.	p. 21
<b>Figure 8.</b> Segment targeting coverage strategies.	p. 24
<b>Figure 9.</b> Multitronic and iTronic stores, and service centers	p. 38
<b>Figure 10.</b> Multitronic organizational structure	p. 39
<b>Figure 11.</b> Multitronic Oy turnover in the last 5 years	p. 40
<b>Figure 12.</b> Multitronic Oy change in turnover for the last 5 years	p. 40
<b>Figure 13.</b> Multitronic Oy net profit in the last 5 years	p. 41
<b>Figure 14.</b> Multitronic year over year monthly sales	p. 42
<b>Figure 15.</b> Competitors	p. 45
<b>Figure 16.</b> Output per employee formula	p. 46
<b>Figure 17.</b> Output per employee for competitor's companies	p. 47
<b>Figure 18.</b> Multitronic gender segmentation	p. 48
<b>Figure 19.</b> Acquisition and conversion of website visitors by gender	p. 49

<b>Figure 20.</b> Number of sessions done by different age groups	p. 50
<b>Figure 21.</b> Acquisition and conversion of website visitors by age	p. 52
<b>Figure 22.</b> Average order purchase value	p. 54
<b>Figure 23.</b> Marketing budget allocation	p. 56
<b>Figure 24.</b> E-commerce conversion rate	p. 62
<b>Figure 25.</b> Multitronic digital communication channels conversion	p. 64
<b>Figure 26.</b> Visitors traffic (Similarweb, 2016)	p. 65

# **1 INTRODUCTION**

This chapter introduces the reader to the thesis objectives, its structure, research methods and the limitations which were applied during the thesis project.

## **1.1 Research Objectives**

The case company for this thesis project is Multitronic Oy. Multitronic is a growing company which primary focuses on selling computer electronics. The company headquarters is located in Vaasa, Finland. With one of the largest portfolios of products available in its segment in an online store, a recently updated website and twenty-year history, company is struggling to increase its sales among consumers.

The main objectives of this thesis project are (1) to analyze the current marketing activities of Multitronic Oy, (2) find problems which affect the effectiveness of current marketing plan and (3) develop possible solutions which will increase the effectiveness of future marketing activities. The research also aims to find a solution on how to increase company brand awareness with the current marketing communications tools.

## **1.2 Structure of the research**

The structure of this research is based on the traditional report model, with introduction, theoretical and empirical study, and a conclusion.

The theoretical part of this study familiarizes the reader with the key tools used during the marketing planning process. This part of the thesis is divided into ten subchapters.

The empirical study is based on different quantitative analyses of Multitronic's business, financial and marketing performances. The research includes an analysis of current company activities, its financial results, the market and competitors, consumers, marketing communications and advertising budget. At the end of theoretical study problems which were found during the analysis of above mentioned topics are presented. The empirical study is divided into six subchapters.

The conclusion will summarize the results of the analysis of the thesis project and state the development proposals for the case company on how to improve current marketing activities.

### **1.3 Research Methodology**

The research of this thesis project is based on the quantitative research method. In the theoretical and empirical sections quantitative data will be analyzed and presented with charts, graphs and tables. Quantitative data is obtained from company's own financial and sales statistics as well as third party services which company is currently using, and still as from selected internet based open resources.

### **1.4 Limitations**

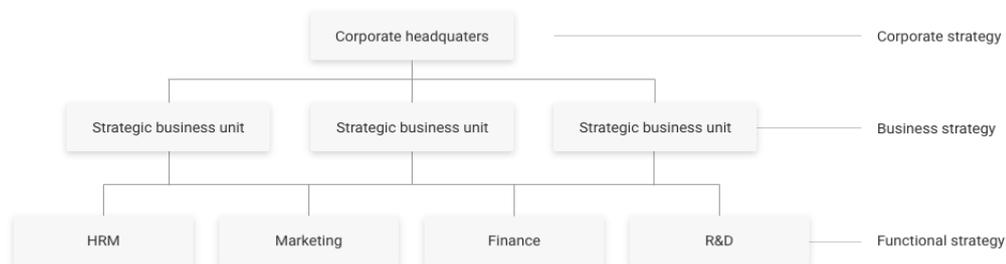
Since this thesis project is based on a real case company, limitations are made in order to prevent possible harmful impact on Multitronic Oy. The limitations are applied to the numeric values in consumer, marketing communications and budget data analyses. Most of the numeric values in above mentioned analyses have been replaced with percentage values.

## 2 THEORETICAL STUDY

This chapter introduces the reader to the basic theory behind the creation of a sustainable marketing plan for the company. It also provides definitions of the main terms used in marketing. The theoretical study is divided into ten sections or sub-chapters, starting with an explanation of different strategies which have to be built within a company and ending with measuring the results of marketing plan implementation.

### 2.1 Strategies

Kotler and Armstrong (2006) define strategy as a plan of a company's overall mission and objectives. The word "strategy" originates from the Greek word *strategos* and means "leading the army". According to West, Ford and Ibrahim (2010, 36), strategy exists at multiple levels within an organization as illustrated in **Figure 1**: corporate, business unit and functional. The three levels of strategy form a hierarchy of strategy development within any corporation. They interact closely and constantly, and must be integrated for company success.



**Figure 1.** Hierarchy of strategy. (West *et al.*2010, 38)

#### 2.1.1 Corporate strategy

Corporate strategy outlines the strategy and vision of a company. It is a set of decisions that determine the objectives and economic and non-economic results which

a company intends to achieve. “Corporate strategy describes a company overall direction in terms of its general attitude toward growth and the management of its various businesses and product lines to achieve a balanced portfolio of products and services.” (West *et al* 2010, 37)

### **2.1.2 Business strategy**

Business strategy, which is sometimes referred to as competitive strategy, is usually developed at divisional level and it emphasizes improvement of the competitive position of a corporation’s products or services in the specific industry or market segment served by that division. (West *et al* 2010, 38) Business strategic unit determines the way of achievement of corporate objectives by integrating various functional activities.

### **2.1.3 Functional strategy**

Functional strategy is defined as an organizational plan for improving performance of marketing, financial, production and research and development departments by managing their various activities and cooperation. (West *et al* 2010, 38) Functional strategies determine specific ways on how to help a business in implementing its strategy. (Yourbusiness.azcentral 2016) For instance, if a business has a strategy to increase its presence or expand to a specific market, a marketing functional strategy is developed to find a way how to promote a business in that specific market.

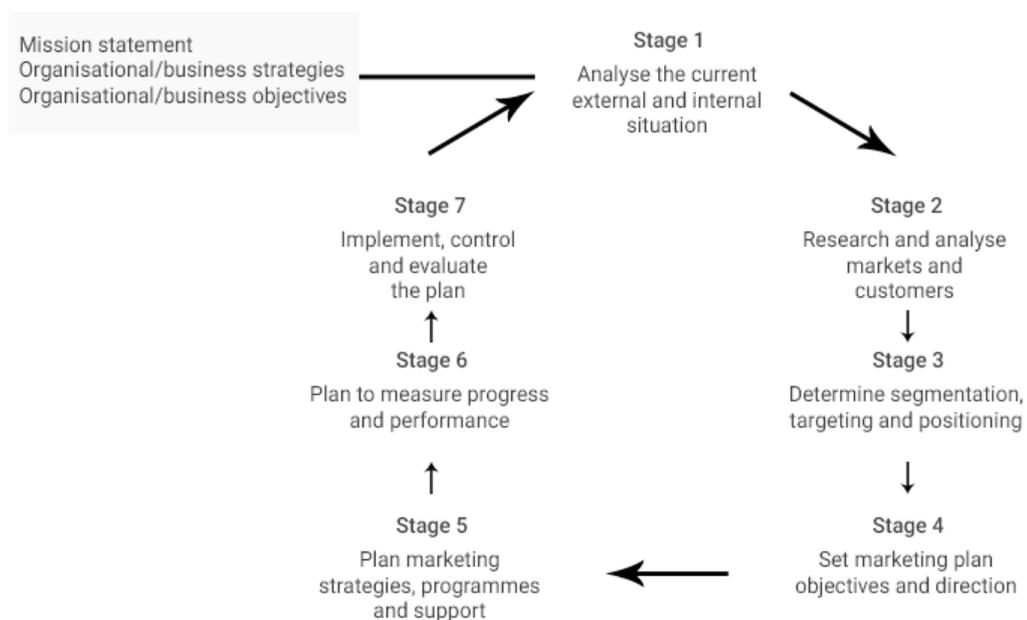
## **2.2 The role of marketing planning**

While marketing strategy is the set of objectives which a division is facing to achieve, a marketing plan is the roadmap that guides marketers and helps to execute this strategy.

Based on Wood (2010,2), marketing planning is the structured process that leads to a coordinated set of marketing decisions and actions for a specific organization and over a specified time period.

Marketing planning is an essential area of any business. It identifies potential customers, helps to reach them, retain and make them loyal so they buy repeatedly. At the same time, it helps the company to be aware of and prepared for potential problems which may occur on the market and react to that in advance. A marketing plan as well as the functional strategies should be adjusted if deviations from the initial planning occur.

There are seven stages which every marketing plan should have, depicted in **Figure 2**, starting from analyzing the current situation and ending with evaluating the marketing plan. (Wood 2010, 5)



**Figure 2.** The marketing planning process. (Wood 2010, 5)

By analyzing current situation internally and externally company can define trends which may influence business process. (Marketingplannow 2016)

The market and customers should be analyzed for a clear understanding of who the company's potential customers are, what and how they buy, which markets they form, what their expectations and needs are, and how to make them buy and be loyal.

As soon as the company is aware of the potential customers, it should group them in different segments to target them effectively. Consumers will not start buying without a proper positioning of the product, which means each product or brand should be positioned in mind of each customer segment.

After market segmentation and positioning are defined, marketing goals and objectives should be set to help a business unit to achieve its mission.

Products or services will not be sold without a marketing mix and proper marketing communication. A company should create certain marketing strategies with the help of marketing tools to achieve its marketing objective set earlier.

In order to understand effectiveness of marketing plan, a company should define certain ways on how to measure performance towards set objectives.

The final stage is to implement marketing plan in real life, find ways to control the process and evaluate if changes are needed.

### **2.3 Current situation analysis**

When creating any kind of a strategy, managers should be aware of the surrounding environment. In this subchapter an internal and an external environmental analysis will be presented. The chosen methods for conducting the analysis are SWOT and PEST.

#### **2.3.1 SWOT**

Every organization should evaluate its internal strengths and weaknesses with external influences such as opportunities and threats. SWOT analysis tends to help marketers to evaluate all these processes (Kotler & Armstrong, 2011). An internal audit covers company's strengths and weaknesses based on resources, capabilities and previous performance, while external audit focuses on opportunities and threats which occur outside of the company. (Wood 2010, 29)

SWOT analysis, presented in **Figure 3** will be carried out based on a two-year working experience of the author in Multitronic.

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- Product range</li> <li>- Location</li> <li>- Customer loyalty</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- Human resources</li> <li>- Waste of resources</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- Development of webshop</li> <li>- After sales</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Large retailers</li> <li>- Price war</li> </ul>

**Figure 3.** Multitronic SWOT analysis

The major strengths of Multitronic are product range, location and customer loyalty. Multitronic has one of the biggest ranges of products available online on the consumer electronics market in Finland with new products become available daily. All of Multitronic stores are located primary in city centers where almost none of other consumer electronic stores are present. Since majority of working places are located in the city, it makes it easier for people to visit a store after work on the way back home. With more than 20 years' history, Multitronic has established good relationship with customers and gained their loyalty, especially in the company's home city of Vaasa.

When it comes to weaknesses, continuous product range expansion creates additional work load for personnel. With the limited amount of human resources in the company, it makes it harder to update product information, do product mapping, follow up pricing and sales statistics and to create and maintain advertisement campaigns. Another weakness company is struggling with is a lack of professional knowledge in marketing and programming, which leads to investing a lot of resources and effort into problem investigations and finding possible solutions. Lack of organizational structure, strategies and boundaries for employees entails chaotic work principles, which significantly decrease the effectiveness of the business.

Multitronic external analysis shows that there is a huge potential for webshop development with the support of outsourced employees or companies. Continuous growth in consumer electronics industry reveals new needs for after-sales services such as consumer electronics repairs, maintenance and accessories.

The biggest threats for Multitronic are coming from larger retailers. Companies such as Gigantti, Power and Verkkokauppa.com are constantly expanding their line-up of products, number of stores across the country and they are also getting more marketing support from vendors. Due to higher incoming stock value and products turnover, large retailers can pretend to have a better purchase price for products, therefore they are more flexible with keeping the prices low for the consumer.

### **2.3.2 PEST- analysis**

PEST analysis is used to identify only external factors influencing an organization's macro environment. The four components of macro environment are political, economical, social-cultural and technological. Several external factors which might affect Multitronic company based on PEST analysis are:

#### **Political**

- Continuous increasing tax obligation
- High level of bureaucracy
- Weakening relationship with main business partner – Russia

#### **Economical**

- Continuous recession in Finland
- High labor costs
- The US dollar is tightening its grip on the global financial system and continuously growing against other currencies such as Euro or Swedish krone,

as a result the pricing for imported products in Finland continue to increase. Due to higher import pricing, retail price raising correspondingly

- Absence of import duties for goods transported within EU and EEA gives consumers wider range for ordering goods

### **Social**

- Bilingual country with Finnish and Swedish official language
- High educational standard provide an opportunity for business to find appropriate candidates for work.
- Sustainable social security system provides equal rights, welfare and financing for society

### **Technological**

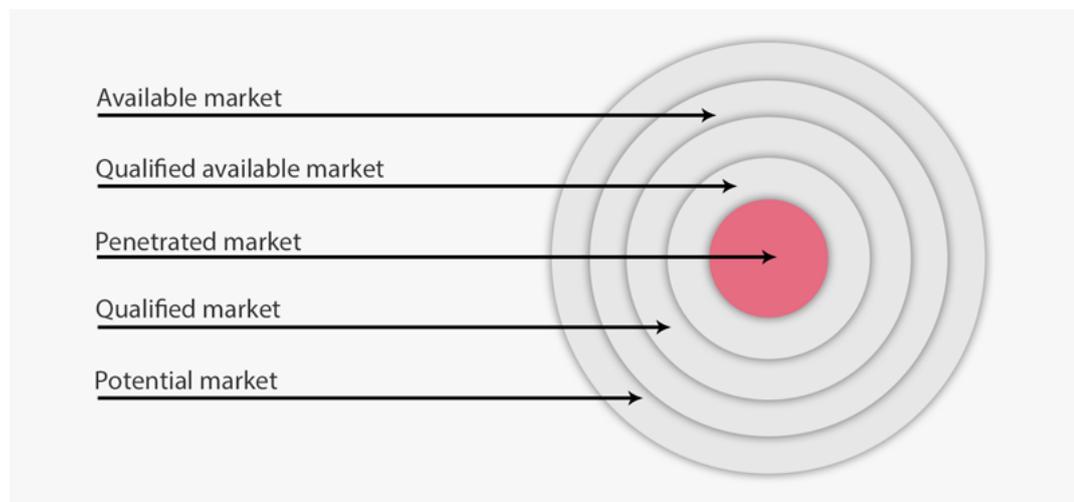
- High integration and adaptation of technologies among consumers
- One of highest internet user penetration rate (92,5%) in the world. (Internetlivestats 2016)

## **2.4 Market and consumer analysis**

Zikmund & d'Amico (2002, 9) define market as a group of potential customers who show an interest to a specific product and have abilities, resources and opportunity to purchase it.

### **2.4.1 Market characteristics**

By defining the market, a company can narrow the marketing focus to consumers that are qualified to buy the product or service. According to Wood (2010, 50), a market consists of five different levels: potential, available, qualified available, target and penetrated. Five levels of market definition are illustrated in **Figure 4**.



**Figure 4.** Five levels of market definition (Wood 2010, 51)

**Potential market** is the total amount of consumers who show interest in particular product or service.

**Available market** is the total amount of consumers who have abilities to purchase product or service.

**Qualified available market** is the total amount of consumers who are not only having opportunity to buy, but also fulfill the requirements which products might have. Strong alcohol can be taken as an example where qualified available market is consumers over 20 years old in Finland.

**Target market** is a target specific group of customers which a company can and would like to serve.

**Penetrated market** is a group of customers who already bought this product.

#### 2.4.2 Market changes

A market is not stable and it is changing correspondently to the behavior of consumers. Consumers are entering and leaving the market daily. External factors described in the section 2.3.2. can also influence market changes. There are two key elements which show the market changes – the number of purchases made and the

number of customers. Marketers follow the change in statistics in order to project future market behavior. (Wood 2010, 51)

### **2.4.3 Market share**

Market changes influenced by consumers as well as external factors affect the market share of the company. Zikmund & d'Amico (2002, 475) define market share as a percentage of total sales value within the market accounted for by a company, product or brand. Significant changes in market share demonstrate problems or opportunities for the company or brand and help marketers to adjust marketing planning.

### **2.4.4 Consumer characteristics and needs**

Fundamental market share changes are caused by consumer behavior. Consumers are not similar and each of them has his/her own needs. Different factors influence what customers are buying and how often they do that. According to Wood (2010, 55) characteristics and needs of the consumer can be divided into different groups: demographical, problems which a product will solve, perceived value of the product and changes in the stated or unstated needs.

### **2.4.5 Competitor analysis**

Total market value is accounted by all companies working on the same market. Several companies operating in the same business and market are competitors. Competition analysis is a fundamental task for marketers, as it gives a better understanding of the market. In order to find a company's competitors three main variables should be taking into consideration: product class, product categories and brands. (Zikmund& d'Amico 2002, 90)

**Figure 5** illustrates that Multitronic main product class is consumer electronics, with the huge range of product categories such as computers, mobile phones, tablets, PC components, monitors, etc. Each of the product categories include certain brands which company is working with. Every company selling products from a

certain product category is Multitronic's competitor. The company's competitors are described and analyzed in section 3.3.

PRODUCT CLASS	PRODUCT CATEGORIES	BRANDS
Consumer electronics	Notebooks	Apple
	Mobile Phones	Asus
	Tablets	Intel
	PC Components	Acer
	Monitors	Samsung
		HP
	MSI	
	Kingston	

**Figure 5.** Multitronic product class, product categories and brands.

Competitors have four main types of competition between each other: price, quality, time and location. Price is the most widely used element of competition, since consumers are judging similar products mostly on the basis of price. Competitive pricing is mainly used with the companies who are selling similar or substitutable products and where characteristics of a product remain similar.

Quality competition is more sophisticated due to different consumer needs. Services and quality provided by the company have a greater impact on consumers, when pricing of products is similar.

Another type of competition area is time. In a world where a communication speed is constantly increasing, availability of time is essential. A consumer is looking not only for the price or quality, but also for the least waiting time.

Location has always been important for retail business. By choosing the place with high traffic such as shopping malls or city center, a retail store can generate more

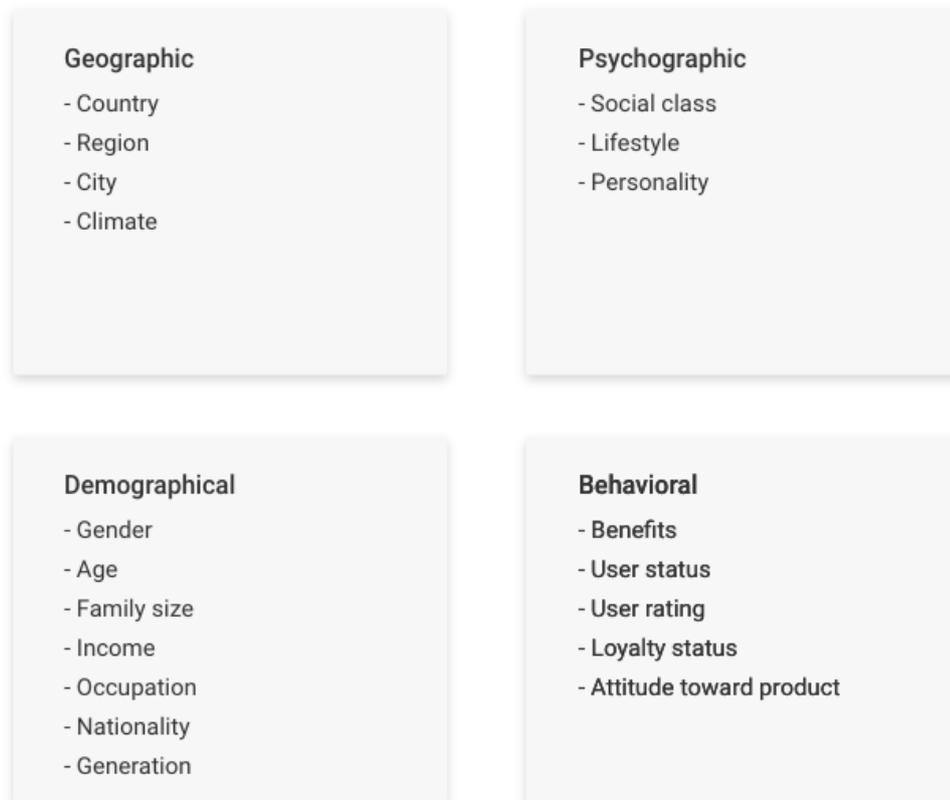
drop-in customers. However, with high internet penetration, today it is easier to reduce the distance between a company and the consumer.

## **2.5 Segmentation**

### **2.5.1 Market segmentation**

Market segmentation is the process of dividing consumers into homogeneous groups, i.e. groups who share the same needs or react comparably to marketing and communication efforts. (Pelsmacker *et al* 2007, 120) Based on Kotler (2005, 195) there is no identical way for market segmentation. A marketer should apply different segmentation variables to find the market structure.

The major segmentation variables are portrayed in **Figure 6** including geographical, demographical, psychographic and behavioral.



**Figure 6.** Major segmentation variables for consumer market. (Kotler 2005, 196)

Since the majority of Multitronic customers are making their purchases online in the web shop, in this study segmentation is based on the online visitors of Multitronic web shop in 2015 with the help of Google Analytics tool.

The majority of Multitronic customers are men – 76.9%. This is based on the fact that men show more interest in electronics. Women show less interest, hence, only 23.1% are visiting Multitronic web shop. (Forbes 2015)

	Generation Z	Generation Y	Generation X	Generation X + Baby Boomers	Baby Boomers	Baby Boomers + War Babies
Age	18-24	25-34	35-44	45-54	55-64	65+
Male	11,80%	22,47%	18,38%	11,98%	6,34%	3,48%
Female	4,12%	5,86%	4,99%	4,14%	4,12%	2,40%

**Figure 7.** Multitronic customer segmentation by age and generation.

Based on Zikmund & d'Amico (2002, 66), age has the greatest impact on consumer buying behavior. Age is usually grouped into different generations. Each generation has its own patterns which helps marketers to target groups differently. Unfortunately, there is no fixed age range available for each generation and different sources describe slightly different generation ages. This segmentation is based on the report from "Journal of Behavioral Studies in Business". (Williams, Page, 2011)

As can be seen from **Figure 7**, Multitronic main customer groups is Generation Y with the age group of 24-34-year-olds. This group of customers were born into technological society which focuses on self-dependent lifestyle with the belief that everything is possible. They live for today and are willing to spend money for the things which will make their life easier. Generation Y can be attracted by humorous, unique and vital marketing messages. This is an essential group of customers for the company selling computer electronics and high-end technology products.

The second largest group of customers is Generation X, who are in the age of 35-44-year-olds. Those customers are highly educated, conservative and skeptical. The majority of this group already have kids and value family first. Generation X is an important customer group for Multitronic as they are not only looking for products for themselves, but also for their family members, meaning that they actually buy more. Moreover, they are looking for new technologies and learn quick to adopt it in their lives.

Customers aged between 45 and 54 years form a group which is a mix between Generation X and young Baby Boomers. They have more free time and discretionary income since their children are already grown up and have become self-reliant. This group is less price sensitive compared to the younger generations and significant for selling price premium products.

The youngest group of customers, who are 18-24-year-olds consist of Generation Z and latest part of Generation Y. They were raised with the high presence of mass media, terrorism, economical crisis and recessions, the internet, and information coming from various sources. Generation Z cares about fashion, attractiveness and they stand out in a crowd. Because of that they are looking for trendy high brands.

They influence the buying behavior of their friends and family members. Since Generation Z was born in a world where global communications boundaries are transparent and internet access is given, they are looking for an instant answer and immediate action.

About 10% of Multitronic visitors are 55-64 years old. This is the Baby Boomers Generation. The majority of those customers are planning to retire. They are thinking about their future and focusing on health oriented products, however, they do not like to be reminded in terms of their age. They value the low-price segment of products and consciously choose the goods. They adopted the internet, but still prefer personal communication instead.

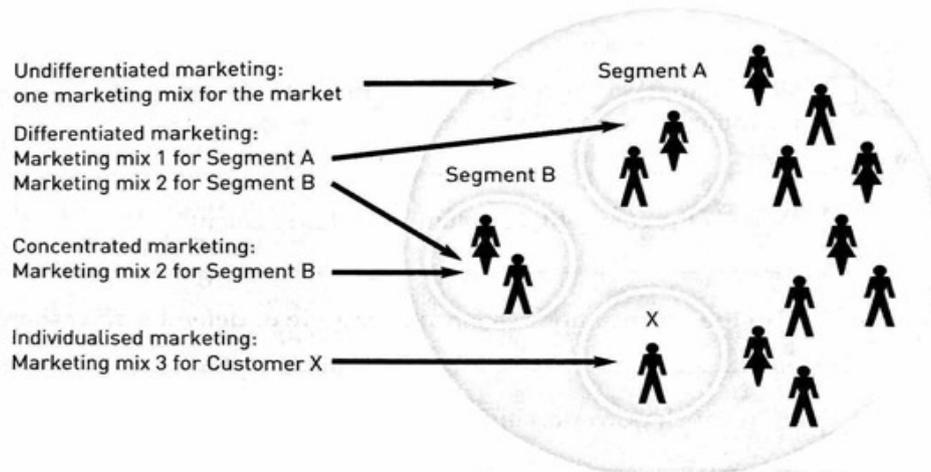
The smallest category of Multitronic customers (6,2%), are 65 years and older. This group is called War Babies, because they were born during WWII or straight after that. They have some savings which they are willing to spend on their grandchildren. Most of them are not into technology, however they are looking for opportunities. They use word-of-mouth a lot and prefer traditional ways of communication. This generation can be reached through traditional media sources such as newspapers and the radio.

Market segmentation reveals the company's opportunities for further work with a particular group of customers. In order to do this, the company must identify the most important segments for targeting.

### **2.5.2 Targeting strategy**

When a company evaluates market segments it mainly focuses on three factors: size of sector, attractiveness, and company objectives and resources. After market segments are defined, a strategist should define how many and which of those segments will be targeted. Targeting allows an organization to allocate its marketing resources in the most effective possible way. (Zikmund & d'Amico 2002, 193)

According to Wood (2010, 81), there are four different market coverage approaches: undifferentiated marketing, differentiated marketing, concentrated marketing and individualized marketing. Segment targeting coverage strategies are depicted in **Figure 8**.



**Figure 8.** Segment targeting coverage strategies. (Wood 2010, 82)

### **Undifferentiated marketing**

Undifferentiated marketing allows a company to target the entire market with a single marketing mix, ignoring consumer characteristics or their behavior differences. Undifferentiated type of marketing needs the smallest amount of resources compared to other types, due to the use of only one marketing mix. The use of undifferentiated marketing is constantly decreasing, since even a slight effort on targeting a specific customer segment produces better result in terms of volume and revenue.

### **Differentiated marketing**

With differentiated marketing, a company allocates the highest priority to customer segments and creates a different marketing mix for each selected segment. The idea of using differentiated marketing is to incite different responses from different segments of customers. Customers become loyal to a company, when their particular

needs are addressed. Despite the fact that differentiated marketing surpasses undifferentiated marketing, marketing costs increase correspondingly and moreover, if managed wrongly may overburden the company budget.

### **Concentrated marketing**

Concentrated marketing focuses on only one particular segment of customers with one marketing mix. By targeting only one segment marketers can understand consumers better and more effectively tailor their marketing mix, rather than spread marketing resources between different segments. While the segment remains attractive, concentrated marketing would work effectively, but factors such as new competitor or changes in consumer behavior might significantly change the attractiveness of the segment.

### **Individualized marketing**

Individualized marketing is the most expensive type of targeting, as it requires an individual approach and marketing mix for each customer. It is mainly used in premium sales segments where goods are tailored or made particularly for one customer. The revenue in the premium sector is so high that it can easily cover the costs of marketing mix production for each customer and at the same time gain maximum customer loyalty.

Multitronic is currently switching from undifferentiated marketing to a differentiated one with the use of several marketing mixes for specific segment of customers. More information about the use of targeting strategy is presented in subchapter 3.6.

### **2.5.3 Positioning strategy**

Positioning means taking into account a complex set of perceptions, feelings, and impressions that a consumer may have about a product or brand. Consumers are positioning brands and products by themselves in certain associative schemes (Pelsmacker *et al* 2007, 134). They are overburdened with information about various products and services. To simplify the selection process, a consumer groups

products and positions them in his/her mind. Kotler (2005, 218) states that positioning of a product is a complex set of feelings and perceptions where a buyer compares with competitors' products and services. A consumer positions a brand in his/her own way or based on the way a brand or a company imposed to him/her. Marketers use different positioning strategies to highlight competitive advantages of its products for different target segments.

Based on Pelsmacker *et al* (2007, 135), there are seven different positioning strategies which a company may use:

**Attributes and benefits** are the unique selling propositions which emphasize uniqueness and differences of product or brand.

**Price and Quality** positioning is based on offering similar or better quality product to a lower price than competitors.

**Use or application** is another type of positioning which highlight product to be used in a certain way or for certain needs.

**Product class** positioning is based on promoting a substitute product or service, for instance oat milk as alternative to dairy milk.

**Product user** positioning is used when product needs to be associated with a certain group of people.

**Competitor** positioning used to compare product or brand against other product or brand. Samsung used this strategy to highlight the advantages of their smartphone against Apple iPhone.

**Cultural symbols** positioning is based on creating a symbol for brand which is visually emphasize key benefits of the product.

## 2.6 Marketing plan objectives

Marketing plan is the roadmap for achieving marketing strategy. A marketing strategy has long-term targets, usually for 3-5 years, while marketing plan objectives

have short-term targets, usually for one year. Marketing plan objectives should be compatible with marketing strategy objectives, they should be clearly specified and have a defined time period, be realistic but challenging, and also logical. Without the mentioned variables, marketing plan objectives will not be efficient. According to Wood (2010, 98) marketing plan objectives can be divided into three categories: financial objectives, marketing objectives and societal objectives.

### **2.6.1 Financial objectives**

Financial objectives should be set to identify a certain vector which marketing plan should be heading to. Those objectives define the amount of investments needed for a marketing program and a planned outcome which it should give. An example of the financial objective could be to achieve the total number of sold products to 10000 units with the average profit margin of 10% until the end of 2016. Financial objectives are measurable and time defined, and if a company can not reach such targets, they should be adjusted accordingly. (Bookmarketingwords 2016)

### **2.6.2 Marketing objectives**

While financial objectives define the targets in terms of profit results, marketing objectives are needed to reach financial targets. Marketing objectives are the targets for establishing or managing a relationship with a target audience or the general public. Those can be, for instance, obtaining new customers, building brand awareness, quality improvement, expanding market share or increasing product line-up. A marketer should find a perfect ratio between marketing and financial objectives and avoid contradictory situations. (Wood 2010, 101)

### **2.6.3 Societal objectives**

Societal objectives should be defined to increase awareness of customers about company responsibilities to society. Those objectives can be reached by donations, sponsorships or support. For instance, a company can donate some goods to charities which, as a result, will demonstrate commitment to society. Societal objectives

are often relating to cause-related marketing, when company is increasing its awareness in terms of public goodwill. Those objectives generate a positive effect for the company's market value. (Kotler 1994, 679)

## **2.7 Marketing Mix**

The basis of marketing management is the concept of the marketing mix. Kotler (1994, 98) defines marketing mix as a set of marketing tools which company is using to reach their marketing goals and objectives in the target market. Marketing mix is not a management theory obtained from scientific research. It is a structural concept which has emphasis on fundamental decisions of a marketing manager for creating an offer which may suit customer needs (Palmer 2004, 19). Marketing mix should be created to utilize marketing communications with consumers. The basic marketing mix consists of four variables or tools - product, price, place, promotion - and forms a group of 4P.

### **2.7.1 Product**

Product is the most widely used tool in the marketing mix, since it is a tangible offer which a company sells to customers. In order to make a product tangible, marketers create attractive package, design, quality and highlighting product benefits. (Kotler 1994, 99)

### **2.7.2 Price**

Price is the value which the product will be sold for. Setting prices and selecting a price range for a product is a complex process. Price should be high to cover company expenses and generate profit, but at the same time it should be affordable for the consumer. When a company is setting up the pricing, it should take into consideration certain factors such as demand, competitors pricing, inflation, law and taxes, as well as the needs and possibilities of the target audience. (Wood 2010, 11)

### **2.7.3 Place**

While planning a place strategy, two main decisions have to be made: how and where customer will get the product. A company should make the product accessible and available for consumers. Consumers' needs should be analyzed in order to find appropriate delivery methods. Logistics such as storage, inventory, packing and order shipping should be taken into account when planning a place strategy. (Palmer 2004, 21)

### **2.7.4 Promotion**

Promotion is used to describe the main benefits of the product or group of products to consumers by using communication tools. Communication between the company and the consumer should be established through the use of various programs such as advertising, sponsorships, promotions, personal communication. (Palmer 2004, 21)

Marketing mix enables companies to meet consumers' needs effectively, thus it is essential part of a successful marketing planning.

## **2.8 Marketing communications**

Marketing communication is the message which a company gives to the market which is made up of the marketing mix. Without a proper marketing communications strategy, a product or service will not be sold to the consumer, even if it is the best product, it has the lowest price and the company offers the most convenient delivery or payment methods. For building up a relationship with the audience, a communication strategy is required. (Wood 2010, 180)

According to Wood (2010, 180), there are five main marketing communications tools: advertising, sales promotion, personal selling, direct marketing and public relations.

Advertising is the most common and effective form of marketing communications, covering a large audience of people in a short time period. Advertisement channels

usually include television, social networks, newspapers, out-of-home billboards, radio and the internet. Besides promoting a product or service, advertisement increases a brand awareness of the company. (Managementstudyguide, 2016)

Sales Promotion is used to incentivize customers to buy a product within a short-term period. While the main idea of advertising is to create brand or product awareness, sales promotion urges customers to take immediate action. The main tools for creating sales promotions are discounting vouchers, coupons for a free sample, price reduction for a limited time, demonstrations and variety of special offers, for example “buy 2 get 1 for free”. (Shultz & Barnes 1999, 257)

Personal selling is based on personal communication with consumers, and what might be the most effective and optimal for them. Personal communication can be done in many forms such as in-person sales, web chat or phone customers service. Personal selling is a costly marketing communication for a company, however, it is the easiest way to build a strong relationship between the company and the buyer. (Wood 2010, 184)

Direct marketing allows companies to communicate with its customers directly with the use of print or online channels. Direct marketing differs from other types of marketing communications. The main difference is that the customer is identified by name, location or his/her purchase behavior. The tools for direct marketing could be catalogues, direct emails, text messages, telemarketing and interactive online banners. Each direct marketing message has its own call-to-action. Direct marketing can be easily measurable, thus it provides a company with various customer information which can be used for further analysis. (Shultz & Barnes 1999, 282)

Public Relations is the communication between a company and the entire market or public. Communication is done via various channels such as media, presentations, sponsorships, press releases or outbound communication to the press. Media is not paid for publishing information and sometimes information provided by the company may not be interpreted correctly, which might lead to a negative outcome. (Boudless, 2016)

## **2.9 E-communications**

Since most of the customers purchase goods online at Multitronic, the focus in this paragraph will be on e-communications. A website is a core of the company and it provides customers with information, products or services and show the brand identity of the company. The company website is a twin of the physical store. Each website needs continuous traffic generation. E-communications tools are attracting people to visit a website in order to make a purchase or to become aware of the brand. Most of the e-communication marketing tools have a twin in the traditional marketing communications tools. Major e-communication tools are: search engines marketing, display advertising, social media marketing, viral marketing, and email marketing.

### **2.9.1 Search engine marketing**

Most of the online users search for information on the internet by using search engines' results pages. Search engines collect the data from websites and displaying it based on a user searcher's query. The most relevant information by the searcher's query is displayed first. According to Wood (2010, 497), 78% of website traffic comes from top ten search queries displayed in search engine result pages. There are two types of information displayed – organic and paid.

#### **Search engine optimization**

Organic (non-sponsored) information is shown in a relative rank order. Search engine optimization tends to increase website rank in organic search results by optimizing the web content of the page with relevant metatags, headline tags, page titles and page descriptions.

#### **Paid search**

Sponsored search is displayed according to the highest bid paid for the entered keyword and it is visually highlighted. It is provided by the services such as Google AdWords, which give company the opportunity to highlight advertisement based on geographical, language and other user preferences.

### **2.9.2 Display advertisement**

Another area of e-communication is display advertisement. It is a marketing message which is placed on the specific places on other websites. Display advertisement includes banners, pop-ups, text and video advertisements. (Marketingteacher 2016)

The display advertisement primary goal is to increase website or brand awareness and spur click-through rate on the website. (Baines & Fill 2014, 615)

### **2.9.3 Social media marketing**

Social media marketing is based on communication with the audience through social network platforms such as Facebook, Twitter, Instagram or LinkedIn. A company creates a page in a social network, where it shares different information or advertisements targeted to the audience. Communication in social media is free, however, there are some paid advertisement solutions available for use. (Marketingteacher 2016)

### **2.9.4 Viral marketing**

Viral marketing is a set of techniques which stimulate brand users to share information by using word-of-mouth with their friends and relatives. Sometimes viral marketing is referred to as online public relations. The effect of word-of-mouth is huge since customers value personal recommendations the most. Viral marketing works on its best when marketing information is presented to the correct audience with common interests. Such type of marketing has certain significant advantages. First of all, it is almost cost-free for the company, since information is spread by audience. Secondly, 68% of online users admits that word-of-mouth is the top source for getting to know new websites. (Pelsmacker *et al* 2007, 504)

### **2.9.5 Email marketing**

Email is one of the most widely used features in the world wide web. In e-communication email marketing is a replacement of the direct mail. It is cheaper, faster, easier to produce and highly effective. Response for the email is higher than for the

traditional direct mail, since the transition between the given message and the business is counted in one mouse click. Email communication also results in a high click-through rate compared to other e-communication activities. Emails can also be tailored to a specific group of customers or even be personalized. Targeted or personalized emails can get double than average email click-through-rate.

Multitronic is currently using all five marketing communications tools which are described in **subchapter 3.5**.

## **2.10 Results measuring**

A company should constantly evaluate the results of its marketing plan implementation. Measuring the effectiveness of the marketing progress is needed to see whether the targets are having the intended effect. The marketing planning process involves the decision regarding the marketing tracking tools that should be used towards achieving the set of financial, marketing and societal objectives. According to Wood (2010, 226), there are four main tools which can be used for measuring marketing effectiveness: metrics, forecasts, budgets and schedules.

### **2.10.1 Metrics**

Marketing metrics are the key performance indicators (Baines & Fill 2014, 124). Metrics are the numerical standards aimed to track the outcome which contributes to performance. To measure effectiveness, marketers should define specific variables which should be tracked. Variables depend on the marketing plan objectives that the company has set. When applying metrics, the marketer needs to define the initial numbers in order to start measuring progress from that point. The initial numbers can be, for instance, taken from the industry benchmark and compared with the company's numbers. Depending on the market volatility, metrics should be tracked on the hourly, daily, weekly or monthly basis. (Wood 2010, 232)

### 2.10.2 Forecasts

Forecast is essential part of marketing planning and it is needed to project the future behavior of the market, sales or demand. Forecasts are done by analyzing the statistical data of past values with consideration to external and internal factors which might affect projections. Forecasting is not always accurate due to several reasons such as lack of availability of products, unpredictable moves of competitors or dynamical market environment. Forecasting is not easy and poor evaluation might lead to overstock or sales lose due to out of stock situation (Kotler *et al*2005, 365). Often companies use external market research specialists or services which provide market information, statistical data and global insights. (GFK 2016)

### 2.10.3 Budgets

According to Baines & Fill (2014, 183), a marketing budget indicates the costs which will be spent on marketing activities. A marketing budget has to be allocated once sales and cost forecasts are done. Setting an appropriate budget is a tough decision, because company resources are limited. A marketing budget should be tailored to financial and organizational objectives (Wood 2010, 238). West *et al* (2010, 488) suggest several methods that can be used for setting a marketing budget: judgmental, objective and tasks, measurement, percentage of sales and competitive.

- The judgmental method is based either on the marketer is feelings on how much it is necessary to spend or on determining a cost for production and operations. Based on that information, a company sets up appropriate marketing funding.
- The objective and task method is based on marketing costs needed to reach marketing strategy objectives.
- The measurement method is based on the specific return on investments that a company is aiming for.
- The percentage of sales determines the specified percent from revenue or turnover which a company can use on its marketing budget based on the previous year's performance.

- The competitive budget method is applied when a company sets its budget in accordance with its closest competitor's budget.

A marketing budget is usually set up for a 12-month period and should be tracked on monthly or weekly basis. A budget should be adjusted during the year, if any changes occur with market behavior, forecasts or sales volumes.

#### **2.10.4 Schedules**

Schedules determine a plan when certain activities have to be implemented. Scheduling is used to summarize responsibilities, define appropriate timing for particular marketing activities and divide budget spending within the marketing plan. A schedule should be adjusted if any deviations from the initial schedule are made. Proper scheduling leads to the right allocation of company sources, minimizing untimely expenses and prevent conflicts. (Wood 2010, 241)

### **3 EMPIRICAL STUDY**

#### **3.1 Multitronic Oy**

The personal computer market was showing a significant growth between the 1990s and 2000s. Continuous expansion of the PC on the Finnish market required two things: new resellers and service providers. Multitronic Oy was established in a small city of Korsbäck in 1995 by private entrepreneurs. The main business idea for establishing a company was to provide local consumers with the opportunity of purchasing and maintaining personal computers.

For over 20 years the company went through three main stages of its development.

##### **Stage 1 - Start-up (1995-2001)**

- Registration of the company in the city Korsbäck
- Began maintaining and selling personal computers
- Opening first online store in Finland
- Number of employees: 3

##### **Stage 2 - Restart and expansion of the business (2001-2010)**

- The company was sold to the current owners
- Moving of the business from Korsbäck to Vaasa
- A new website release
- The company moved to the current headquarters on Korsholmanpuistikko 38, and opened its first retail store
- Established the first official service agreements with manufacturers
- A new warehouse was opened in Mustasaari
- A new company Multitronic Sweden AB was established for e-commerce operations in Sweden
- Number of employees: 15

##### **Stage 3 – Business diversification (2010-2016)**

- Establishing a company iTronic Oy in Vaasa with a status of Apple Premium Reseller. Later on iTronic expanded to Seinäjoki, Lappeenranta and Jyväskylä by acquiring companies in those cities.

- Based on the acquired companies in Lappeenranta and Jyväskylä, Multitronic established Multitronic stores. In addition to those two companies, Multitronic acquired another two in Pietarsaari and Maarianhamina and opened new stores there.
- iTronic received status of official Apple Service Provider in all four stores
- New service agreements signed for maintaining PCs.
- Development of sales in B2B sector
- Established first official service agreements with manufacturers
- New agreements with distributors leads to increase of products line-up
- At the end of 2015, Multitronic launched a new website
- Number of employees: 29

Currently the company is preparing for the next stage of its development, which should have the following objectives:

- 1). Territorial expansion of company business beyond the traditional presence through e-commerce.
- 2). Increasing and developing sustainable relationships with corporate and private customers.
- 3). Increasing the efficiency of production and financial business results.

### **3.1.1 The company's activities**

Multitronic is the owner of two retail chains: Multitronic and iTronic.

Multitronic is primary focusing on consumer electronics sales with the product categories such as notebooks, desktops, phones, tablets, PC components, peripherals, drones and robots, software and accessories. Multitronic is the owner of five physical retail stores illustrated in **Figure 9**.

iTronic is a subsidiary of Multitronic. iTronic is Apple Premium Reseller which offers its customers a complete range of products and services provided by Apple. iTronic provides each customer with an opportunity to touch and explore products

with the best possible experience and get assistance from qualified personnel. Beside Apple products, customers can find variety of third-party accessories and peripherals. Currently iTronic has four stores depicted in **Figure 9**.

Multitronic and iTronic established a branch of service points illustrated in **Figure 9**. The service centers provide customers with warranty and out-of-warranty support. Employees working in the service centers have a certification of service technicians and are doing extensive trainings provided by manufactures which Multitronic has signed agreements with. Service business is growing by leaps and bounds for Multitronic.

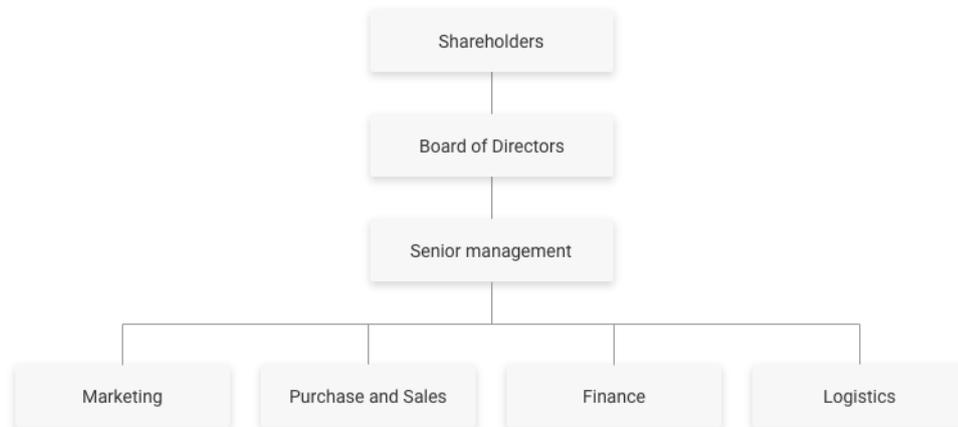
Multitronic is the owner of Multitronic and iTronic online stores. Both online stores have the same back-end system. The first version of Multitronic e-commerce website was released in 1999 and since that time number of products has tremendously expanded and reached over 500 000 items.

City	Multitronic stores	iTronic stores	Multitronic service centers	iTronic service centers
Vaasa	+	+	+	+
Seinäjoki		+		+
Pietarsaari	+		+	
Jyväskylä	+	+	+	+
Lappeenranta	+	+	+	+
Maarianhamina	+		+	
<b>Total</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>4</b>

**Figure 9.** Multitronic and iTronic stores, and service centers

Multitronic Oy is a privately held company with several company members owning equal amount of shares. Board of directors is formed by a group of company members who are in charge of making decisions such as hiring employees, dividends to be paid, acquiring or selling companies and the overall activities of the business. Senior management is formed by the head of each company unit such as marketing, purchase and sales, finance and logistics. Senior management is responsible for

day-to-day controlling and managing company operations. Multitronic organizational structure is illustrated in **Figure 10**.



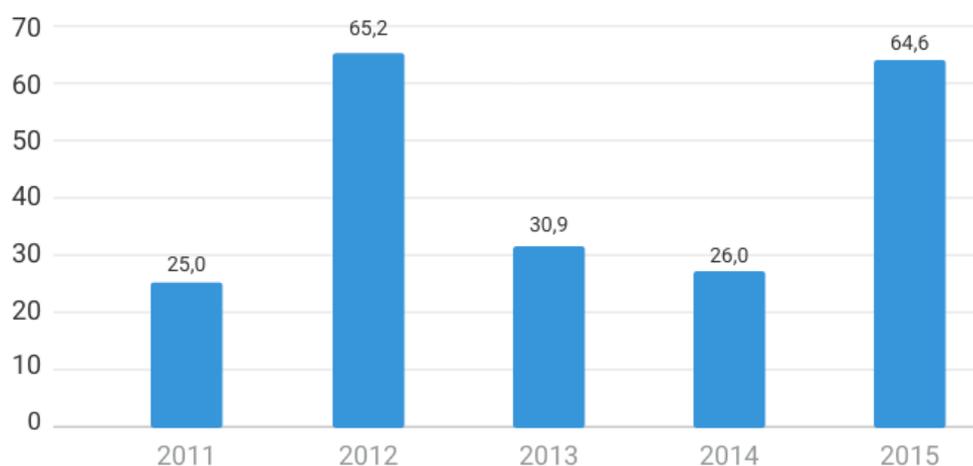
**Figure 10.** Multitronic organizational structure

### 3.2 Multitronic financial results analysis

Multitronic business is developing intermittently. Changes in the company turnover for the last five years are illustrated in **Figure 11** and **Figure 12**. The key factor influencing such a huge fluctuation is B2B and public sector sales. B2B segment has never been stable for Multitronic because of different external and internal factors. Internal factors which affect B2B sales are lack of employees oriented for B2B sales, weak marketing support and absence of customer relationship management with B2B customers. The main external factor influencing B2B sales for Multitronic is high competition on the market. There are several major companies on the market which work only with B2B customers and have competitive advantages such as installation and maintaining services. From the financial point of view, B2B sales are more attractive than B2C since with the same amount of work from employees they give a higher sales turnover and higher profit.

B2C part of Multitronic business had a stable (4-5%) growth in the last five years. However, this year, in the first half of 2016, there was a slight decrease in sales both in online and some of physical stores. The decreased number of transactions made

by customers may be caused by the decreased purchasing power and increased competition on the B2C market.

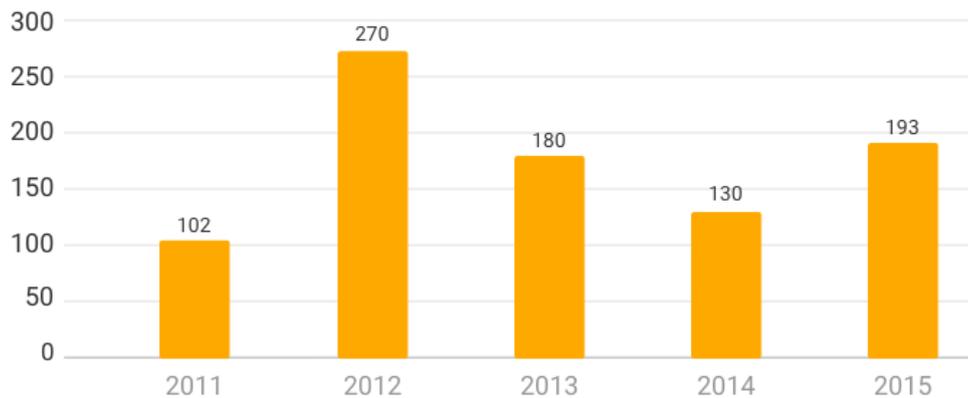


**Figure 11.** Multitronic Oy turnover in the last 5 years (million EUR)

	2011	2012	2013	2014	2015
Company turnover (thousand EUR)	25 041	65 166	30 862	26 003	64 620
Change in turnover		+130,7%	-52,6%	-15,7%	+148,5%

**Figure 12.** Multitronic Oy change in turnover for the last 5 years

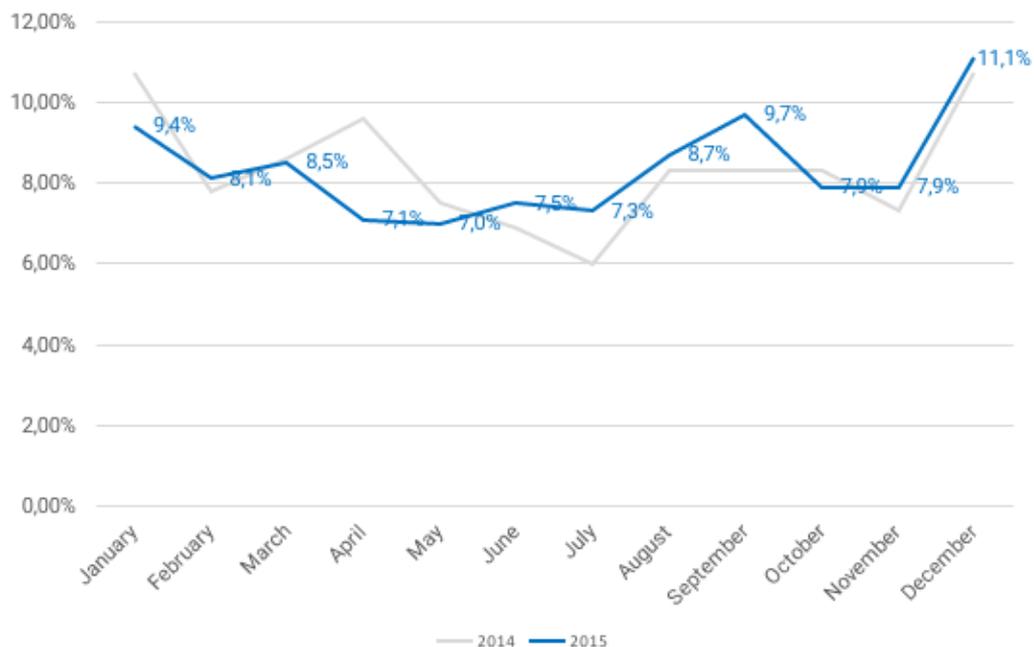
**Figure 13** illustrates the company net profit in the last five years. Each year net profit correspondingly changes along with a company turnover, however, a clear correlation between company turnover and net profit can not be fully seen. There are two main reasons for that. The first one is the increased depreciation and amortization for purchased companies and physical stores development in the last three years. The second reason is the increased number of employees between 2013 and 2015 and the corresponding increase in wages and social security costs. Both of those reasons affect the operating profit results.



**Figure 13.** Multitronic Oy net profit in the last 5 years (thousand EUR)

### 3.2.1 Monthly sales analysis

Multitronic sales are uneven and vary from month to month. Fluctuations between the months are influenced by the seasonal effects. Based on **Figure 14**, it can be seen that during the year, there are two clear increases in sales. One is from the end of July to September and another one from mid-November to mid-January. An increase in sales at the end of July can be explained by a back-to-school season. Students and their parents prepare for the new school academic year with a purchase of school supplies such as notebooks, mobile phones, accessories and peripherals. The second increase in Christmas sales and the tax return season. Consumers start buying Christmas gifts for the family in the middle of November. Annual income tax returns happen at the beginning of December and many of consumers use it as additional support for Christmas shopping. The Christmas shopping season continues until the end of January along with Christmas sale which starts soon after Christmas day.



**Figure 14.** Multitronic year over year monthly sales

During the Christmas and back-to-school season sales increase on average by 50% and that requires additional marketing support. Multitronic should take into consideration monthly sales fluctuations when creating a yearly marketing plan. Monthly marketing budget should be adjusted along with the seasonal effects.

### 3.3 Competitor analysis

Multitronic is doing business on a highly competitive market aimed to a wide audience. There are more than 15 companies operating in the same market segment. Multitronic competitors can be divided into three different categories:

- Large companies with a turnover of more than 100 (m EUR) a year.
- Medium-sized companies with a turnover between 10 and 100 (m EUR) a year
- Small companies with a turnover less than 10 (m EUR) a year.

### 3.3.1 Large companies

Large companies are mostly joint-stock companies or they represent foreign companies in Finland. Most of large companies have a wide retail stores network across Finland. The most well known large companies are Gigantti Oy Ab and Verkkokauppa.com Oyj, presented in **Figure 16**. Both of them have headquarters and flagship stores in Greater Helsinki metropolitan area. They are also presented in major cities and have a tendency to expand retail stores from the capital part of Finland to the regions.

Large companies are strong competitors for Multitronic, both for online and physical stores. Due to the aggressive marketing they have better brand awareness among customers. Competitors' physical stores are larger compared to Multitronic and have a wider selection of products available on the shelves, which makes it harder to compete in the cities where Multitronic stores are presented. In 2016 the list of current competitors might expand with the new Power store in Vaasa, which is likely to open at the end of the year. Power is a Dutch brand which is based on Expert ASA Oy company. Expert ASA Oy belongs to a Swiss based Expert AS group. Expert ASA Oy has changed its name to Power Finland Oy in 2016 and created a program for rebranding most of its Expert stores in Finland to Power stores.

Another growing competitor is the company Business Forum Oy, which is a consumer electronics reseller with the main focus on B2B market segment. However, in early 2016 Business Forum Oy opened a new website under the brand Dustin which sells consumer electronics to private and business customers. Dustin is one of the biggest consumer electronics websites in Sweden, which is available for both private and business customers.

The main advantage of Power, Dustin and Gigantti is the ability to purchase products from Sweden and central Europe, since their main businesses are located outside of Finland. All of them can dump pricing on the Finnish market with the overstock.

Large companies are indirect competitors for Multitronic in terms of sales, however, due to the high market share they are pushing the market forward.

### **3.3.2 Medium-sized companies**

Medium-sized companies are usually limited liability companies, which grow through intensive business development. Those companies are the most flexible and active in the business. The reason why extensive development is not possible for those companies is limited financial resources. Most of medium-sized companies use online stores and digital marketing as a less expensive way to increase brand awareness. In the consumer electronics market, the main competition among medium-sized companies is between Multitronic Oy, Jimm's PC-store Oy and SystemaStore Oy as shown in **Figure 15**.

Jimm's PC-store Oy owns one physical store and an online store jimms.fi. The company focuses mainly on selling computers, components, peripherals and accessories. Jimm's also provides their customers with PC service and maintenance. With clearly defined target audience the company continues growing strongly in its segment. SystemaStore Oy is the owner of two physical stores in Oulu and Kemi and an online store systemastore.fi. The company sells computers, components, peripherals, accessories and provides customer with service and maintenance. The main advantage of SystemaStore is a significant distance from central part of Finland and as a result less competition in the northern part of Finland.

### **3.3.3 Small companies**

Small companies form a largest group in terms of quantity. Their business activities are mostly local and done within the city they are located in. Most of them have online stores as a driven platform for expanding their business activities.

SH-Group Oy from Turku and Beesting Oy from Vantaa could be representatives of small companies for Multitronic competitors with a turnover of 2,5-3 (m EUR) each.

Small companies are not direct competitors of Multitronic and can compete only in the cities where Multitronic physical stores are located.

	Gigantti Oy Ab	Verkkokauppa.com Oyj	Jimm's PC-store Oy	SystemaStore Oy
Year of foundation	1998	1998	1992	2003
Headquarter location	Vantaa	Helsinki	Turku	Oulu
Amount of Employees	1061	470	41	44
Customer segment	B2C + B2B	B2C + B2B	B2C + B2B	B2C + B2B
Product categories	Home electronics Computers Phones Tablets Photo & Video Audio Accessories Peripherals Outdoor	Home electronics Computers Phones Tablets Photo & Video Audio Accessories Peripherals Outdoor	Computers Phones Tablets Audio Accessories Peripherals	Computers Phones Tablets Audio Accessories Peripherals
Amount of stores	37	3	1	2
Online store	yes	yes	yes	yes

**Figure 15.** Competitors

### 3.3.4 Competitors' efficiency analysis

Competitors' efficiency analysis is done according to the value of output per employee based on the companies' results in 2015 with the formula portrayed in **Figure 16**.

$$\frac{\text{Company turnover}}{\text{Amount of employees}} = \text{Output per employee}$$

**Figure 16.** Output per employee formula

The calculation results in **Figure 17** show:

- Competitors' efficiency on consumer electronics market based on the output value per employee. Efficiency decreases when company expands its business operations and increases the amount of employees. Increase in company turnover and profitability is achieved with the increase of sales volumes.

- Multitronic's efficiency is several times higher than its competitors', therefore Multitronic works effectively with the existing financial constraints and has a good competitive potential on the market.

	Company turnover (thousand EUR)	Amount of employees	Output per employee (thousand EUR)
Gigantti Oy Ab	460 549	1048	439,4
Verkkokauppa.com Oyj	275 784	470	586,8
Jimm's PC-store Oy	33 532	41	817,8
SystemaStore Oy	16 443	44	373,7
Multitronic Oy	64 619	29	2 228,2

**Figure 17.** Output per employee for competitor's companies

Besides efficiency, Multitronic has several strong sustainable competitive advantages:

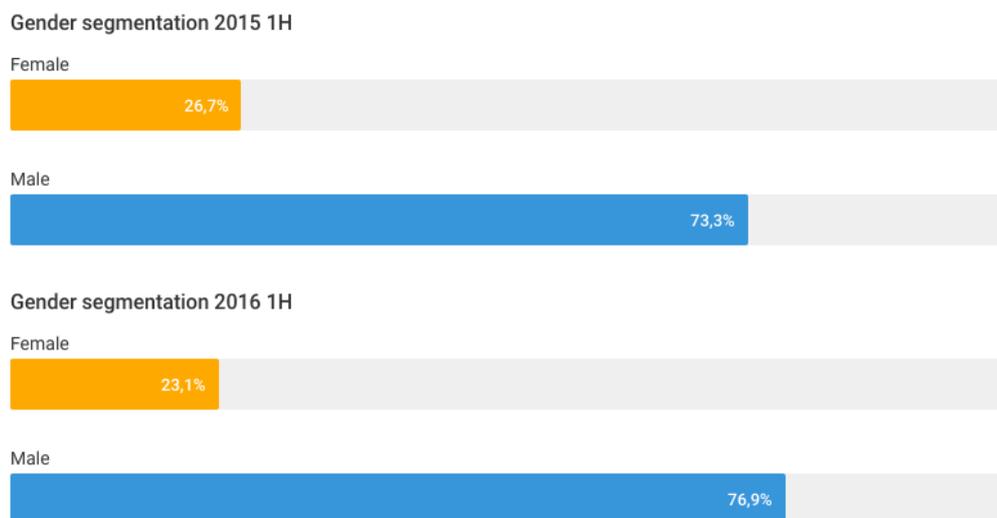
- Wide range of products available on the most innovative market
- Viable relationships with world known manufactures
- Official reseller of Asus, Acer, Apple, Lenovo, HP, DJI, Intel, Microsoft and other well known brands
- Working both with B2B and B2C customer segment
- Online store with more than 1,5 million visitors a year
- Multitronic online store is the only one available on the Finnish consumer electronics market with the interface available in Finnish, Swedish and English languages
- Developing store network with combined service centers and order pick-up points. Four of the latest stores were open in the last two years.
- Actively developing service centers with warranty and out-of-warranty support
- Customer service available in four languages: Finnish, Swedish, English and Russian
- Individual approach to customers

### 3.4 Consumer analysis

Multitronic is constantly evaluating metrics data about their customers. Since the main objective of this thesis is to increase the efficiency of Multitronic marketing communications, customers' behavior and trend changes have to be analyzed. In this chapter Multitronic website visitors will be evaluated based on the data collected from Google Analytics for the first half of 2015 and the same period in 2016.

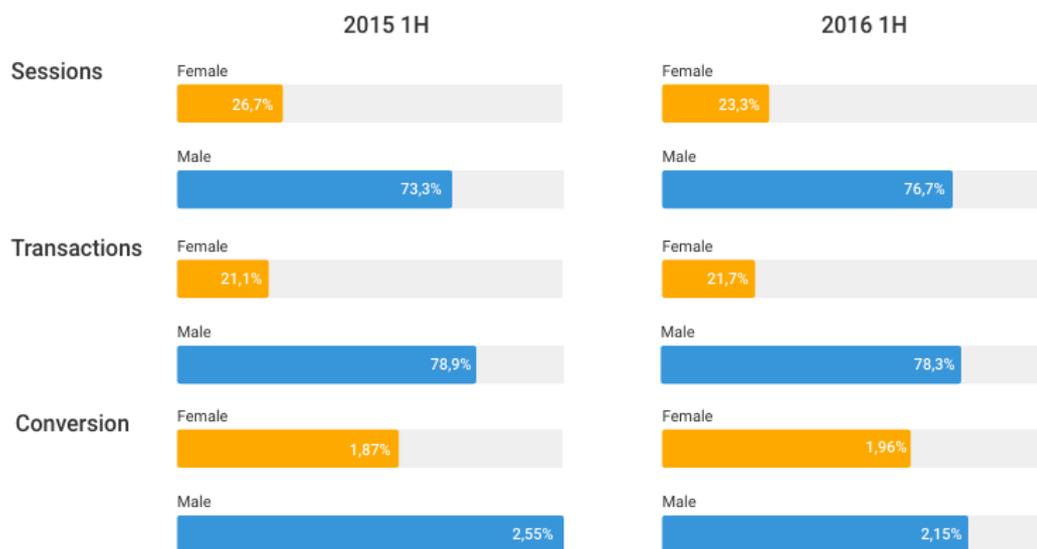
#### 3.4.1 Analysis of Multitronic website visitors by gender

As it was mentioned earlier in **chapter 2.5.1**, approximately 75% of Multitronic website visitors are men. Women visit Multitronic website less frequently and accounts only for about 25%. This ratio has not significantly changed during the last two years. **Figure 18** illustrates gender segmentation among Multitronic website visitors in 2015 and the first half of 2016.



**Figure 18.** Multitronic gender segmentation

The ratio for transactions between genders in first half of 2016 remains almost the same as in the first half of 2015. As can be seen in **Figure 19**, only one of five transactions are done by women.



**Figure 19.** Acquisition and conversion of Multitronic website visitors by gender

However, external and internal factors such as economic slowdown and increased competition on the consumer electronics market has affected the number of transactions made among customers on Multitronic website.

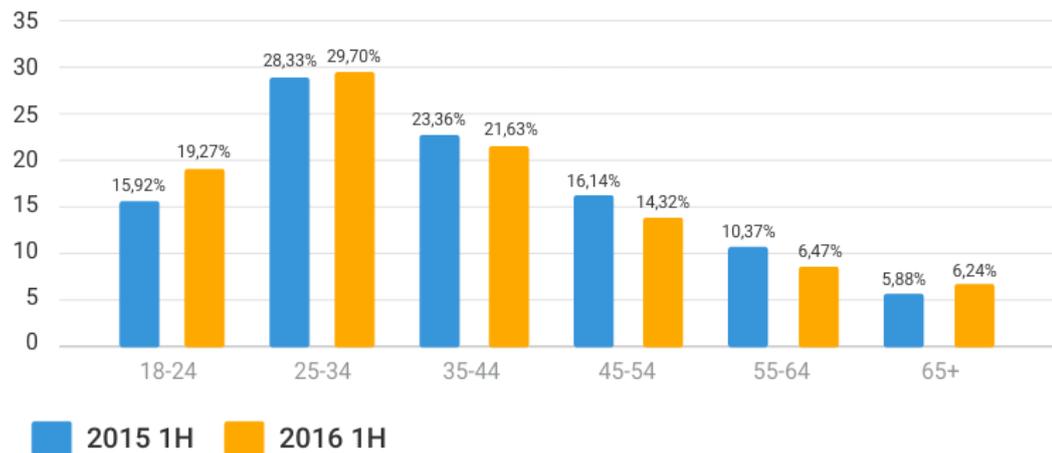
Website visitor's analysis revealed a significant trend that should be considered in the proposal for increasing efficiency for Multitronic. The change can be seen from the decreased conversion among men. Decreased conversion means that the number of transaction has lowered.

Lowered number of transactions can be caused by the following factors:

- Decreased purchasing power among citizens
- Consumers have started evaluating stores more carefully and Multitronic is loosing its competitive advantages to competitors
- Lack of attractive products at affordable price
- Website related problems like navigation on the website, search, product filters and product information.

### 3.4.2 Analysis of Multitronic website visitors by age

**Figure 20** demonstrates that about 70% of Multitronic website visitors are aged between 18 and 45 years. During the 1,5 years this trend has not changed.



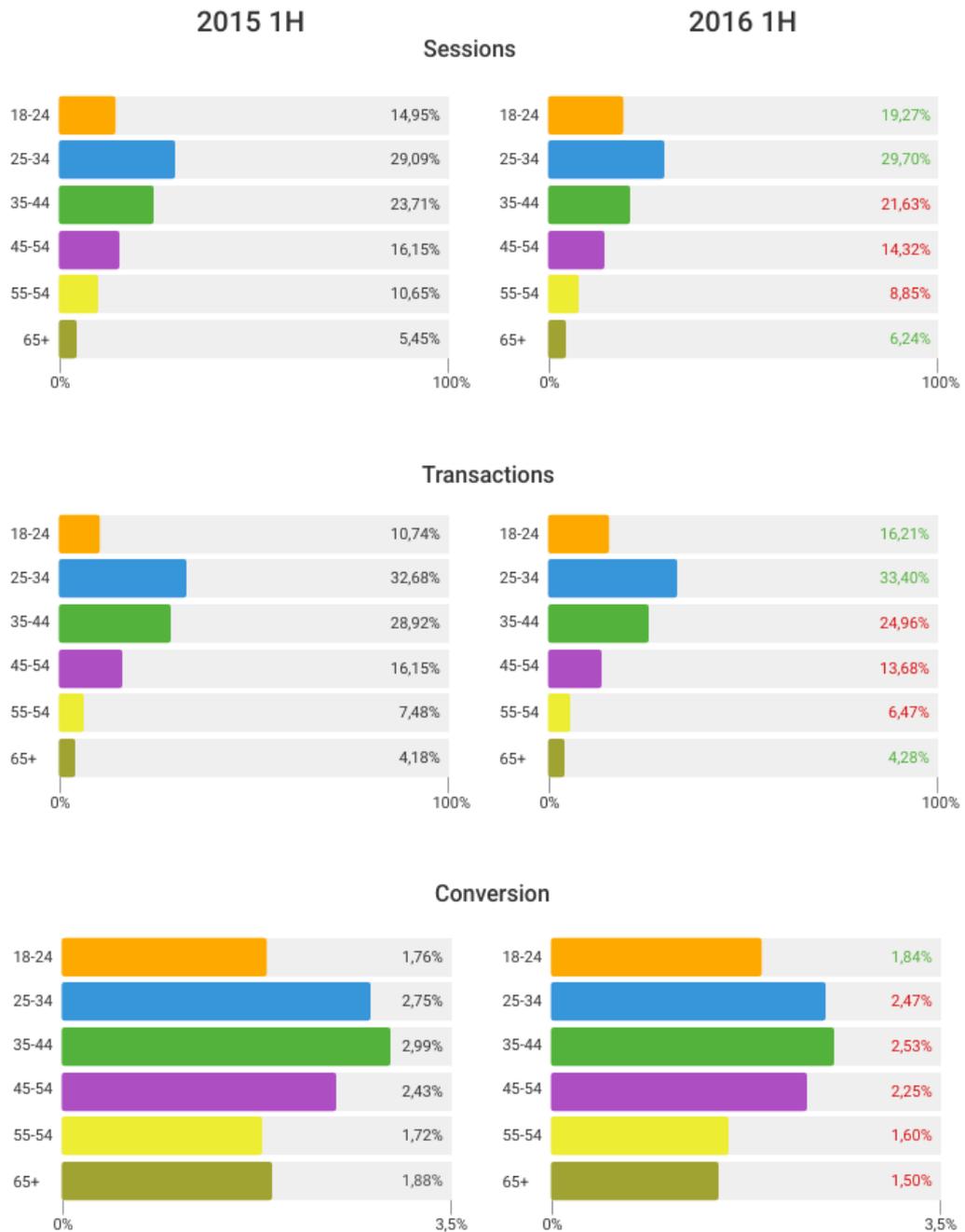
**Figure 20.** Number of sessions done by different age groups

As it can be seen in **Figure 21**, in 2016, the number of sessions made by the youngest group of customers (18-24-year-olds) increased by 20%. Besides the increased number of session, conversion rate had slightly increased as well, which means that the total number of transactions in terms of quantity has also increased. This can be a result of Multitronic website update, which was made in October 2015. The website was totally rebuilt and became visually more attractive, especially for younger audience.

The customer group aged between 25 and 34 years old has slightly increased in terms of the total number of sessions. However, conversion rate for this group has decreased by 10%. As was mentioned earlier, lowered conversion indicates that the total quantitative number of transactions has lowered. A similar trend can be seen with the remaining groups of customers, where conversion rate among them lowered by 6%-19% depending on the group. The factors for lowered conversion rate are described in the chapter 3.5.4.

The analysis of Multitronic website visitors by age has shown that the Multitronic key customer group is men aged between 18 and 45 years. However, during the first

half of 2016 the conversion rate among 25 and 45 year-old customers has significantly decreased. If this trend remains the same in the second half of 2016, the company may expect a decrease in the annual result.



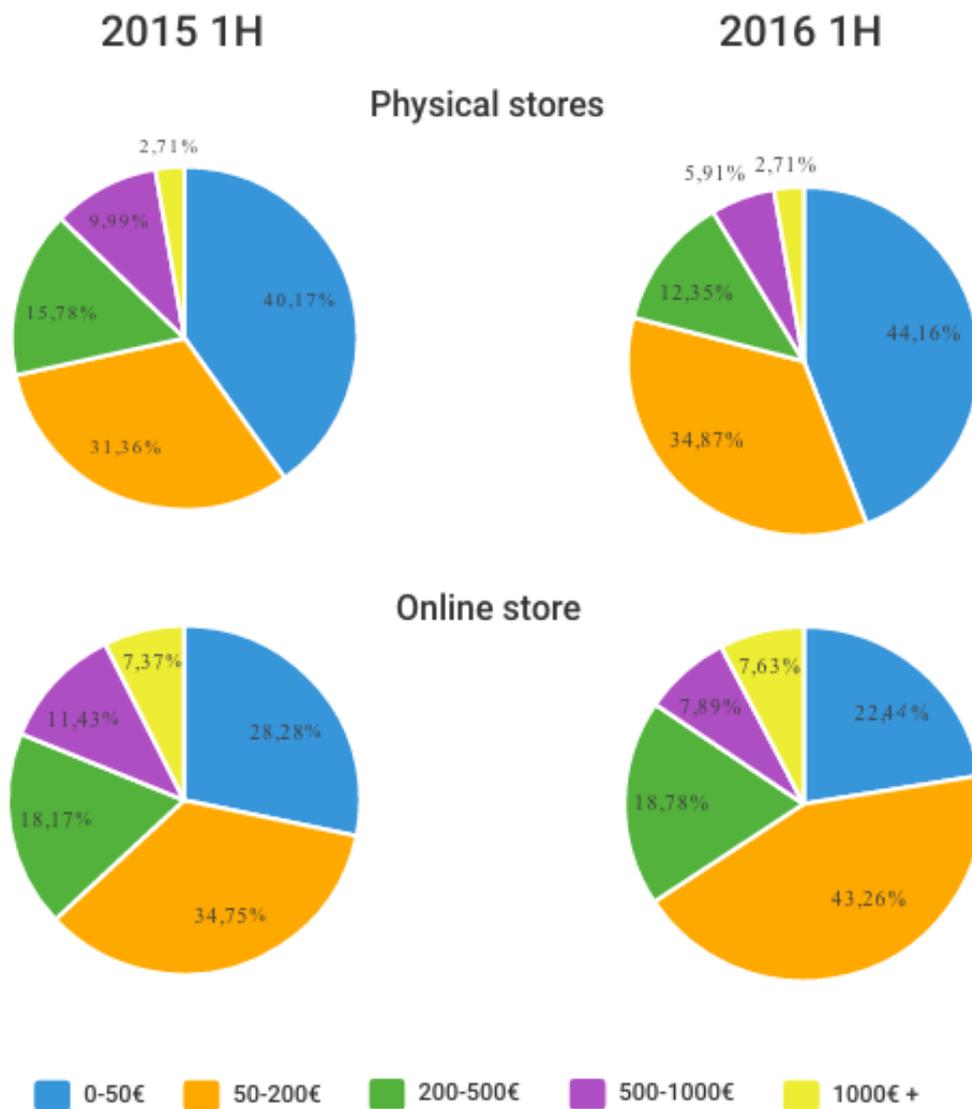
**Figure 21.** Acquisition and conversion of Multitronic website visitors by age

### 3.4.3 Average purchase value analysis

Since Multitronic has both an online and five physical stores, it makes it easier to see the trends on customer purchase behavior. As can be seen in the **Figure 22**, average purchase price varies between the online and the physical stores.

In the first half of 2016 the average purchase in the physical stores within € 50 increased and reached 44,16%. Customers who visit the physical stores tend to make spontaneous purchases. Traffic to the stores increased due to the increase of service cases made by customers. When a customer visits the store to bring electronics to service, he also needs to come back to fetch the serviced product. If the customer comes to the store twice, the chance for a spontaneous purchase increases. A similar trend can be seen for the purchases between € 50-200, which have also increased. However, the value of purchases made in store with the price range between € 200-500 and € 500-1000 significantly decreased. The decline can be caused by the weakened purchasing power among middle class and lack of affordable products. The number of purchases for premium priced products with the value over € 1000 remained the same compared to the first half of 2015. It can be explained by the fact that the economic recession or economic slow-down does not influence the wealthiest consumers, hence premium priced product sales remain similar every year.

In the online store the situation is different. The total amount of purchases with the value less than € 50 lowered in the first half of 2016. The reason for such a decrease might a positive trend for purchases with the value of € 50-200, which reached approximately 44%. Such a huge growth can be explained by the increased number of sessions and transactions among customers aged between 18-24 years. Quite a stable situation remains for orders with the average price of € 200-500 and € 1000. However, the decline can be seen for the orders with the value of 500-1000. The majority of the products in this price range are mid-range notebooks, desktop computers and tablets. The continuous sales decrease for desktop computers and tablets on the market could be the reason for decline in the share of € 500-1000 orders.



**Figure 22.** Average order purchase value

Multitronic constantly monitors consumer behavior and changes in customer purchase value to adjust available product assortment both in the physical stores and the online store.

### 3.5 Marketing communications and advertising budget analysis

Multitronic offers a wide range of products for different customers who have different characteristics and needs. Since the products are sold both in the online and in the physical stores, the company uses various advertising and marketing communication channels to communicate with its customers.

Currently Multitronic uses two types of marketing communications - traditional and online channels.

Traditional marketing communications channels include:

1. **Newspaper advertisements** in the cities where Multitronic stores are located
2. **Sponsorships** of local events and activities

Online marketing communications channels include:

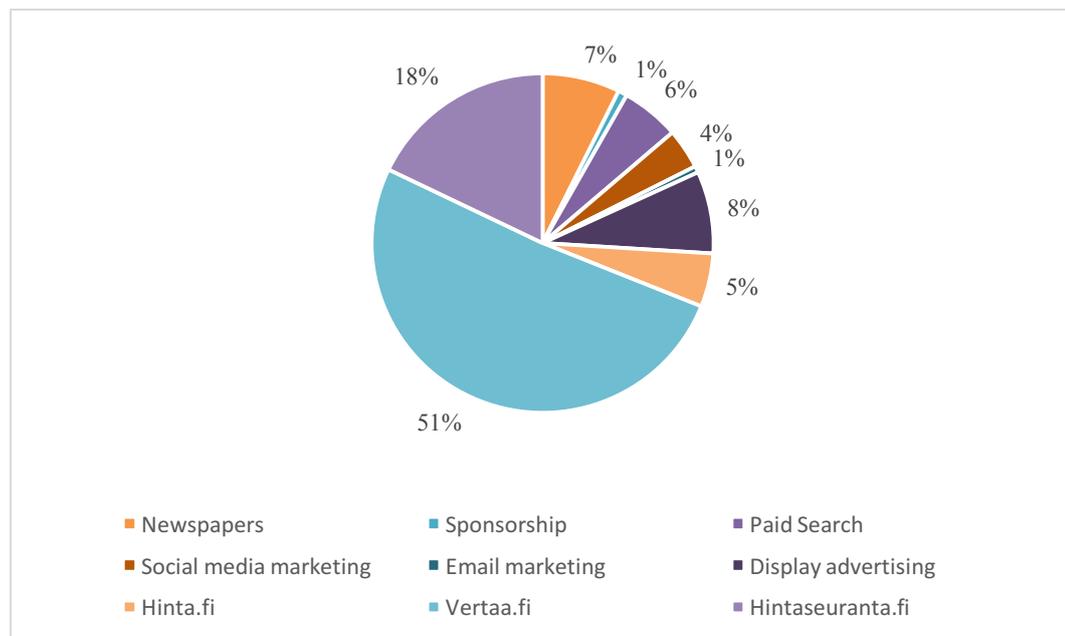
1. **Display advertisement** including graphical, text and video ads
2. **Search engine marketing** with search engine optimization and sponsored search
3. **Email marketing** for communication with loyal multitronic customers
4. **Social media marketing** for communication with social media users
5. **Marketing through comparison shopping websites** to attract savvy consumers who are looking for comparative information about products

#### 3.5.1 Advertising budget

Advertising budget is comprised of a company's own funds and subsidies raised from vendors or suppliers represented at Multitronic. The advertising budget is developed for each Multitronic store.

**Figure 23** shows that Multitronic is currently allocating 92% of its marketing budget to online advertisement, while traditional advertisement gets only 8%. The largest share of the budget (74%) is spent on the comparison shopping website mar-

keting. Other online channels get from 1 to 9% of the budget. In traditional advertisement, the largest share is given to newspaper advertisement (7%) and only 1% is allocated for sponsorship.



**Figure 23.** Marketing budget allocation

### 3.5.2 Marketing communication channels analysis

Marketing communication channels analysis will explain how and where a company use certain marketing communications channels and also what their advantages and disadvantages are.

#### Comparison shopping websites marketing

Comparison shopping website is an online platform where a user can find a product he is interested in, get acquainted with specifications, product features and reviews, compare prices for this product from the variety of different reseller websites and get straight to the product page on a chosen website. The main idea of comparison websites is to show the consumer the price for a particular product from different

resellers. Comparison shopping websites charge reseller websites for each transition made by users to a product page. The calculation of the charged amount is based on cost per click pricing model. Multitronic focuses on using three comparison shopping websites: [hinta.fi](http://hinta.fi), [vertaa.fi](http://vertaa.fi) and [hintaseuranta.fi](http://hintaseuranta.fi).

The conversion rate from this communication channel is higher if the following conditions are met: high brand or reseller awareness among consumers, a fully functioning and optimized website, availability of product images and specifications, easy and convenient ways of placing orders. In most cases, the customer who visits price comparison website is ready to buy the product. However, if one or more above described conditions are not met the, customer will most likely leave the reseller website.

Due to the large selection of products available online at Multitronic and a relatively small marketing and sales team, it is not possible to constantly monitor the availability, descriptions and characteristics of all products presented at Multitronic. This fact has a negative effect on the conversion rate. The cost for one of the price comparison websites exceeded revenues from delivered orders. Based on the statistics of comparison shopping websites, Multitronic should revise the costs for this channel and reallocate funds for more effective and perspective channels.

### **Email marketing**

Multitronic uses its own customer database for sending commercial and informational emails. Customers who have signed a newsletter agreement receive monthly emails with latest company news, promotions and special offers. Multitronic spends 1% of the marketing budget on the emails. It is the most effective, straightforward and cheap way to communicate with loyal and regular customers. The main goal of the newsletter is to incentivize potential customers to repeat a purchase.

I suggest that the company should pay more attention to this communication channel and invest more funds in gaining new newsletter subscribers.

### **Social media marketing**

In recent years, social networks have been trying to attract more people to communicate online with each other and share more information about themselves. Social networks collect data about their users and provide it for advertisers. Since the main part of revenue for social networks comes from advertising, advertisers get the most appropriate conditions to work with their advertisements. Users behavior data provided by social networks allows advertisers to create segment audiences of potential customers which can be targeted with the specific information and advertising messages. Companies use social networks not only for advertising their own products and promotion campaigns, but also for establishing effective communication with people and potential customers.

Multitronic uses Facebook, Twitter and Instagram as its main social media marketing communication channels. Multitronic segments users for specific advertising campaigns and targets them differently. Social networks charge companies according to cost-per-click or cost per thousand impressions pricing models. With a cost-per-click (CPC) model the company pays for every time a user clicks on an advertisement. While with a cost per thousand impression (CPM) the company pays for each thousand times an ad was served. For each advertising campaign Multitronic marketers decide which payment method will be the most appropriate to use. The company allocates 4% of the total marketing budget for social media marketing.

On the one hand, social media marketing requires ongoing effort from the marketing team, but on the other hand, it generates good results. This type of communication is very popular and flexible, and therefore Multitronic should actively develop it.

### **Display advertisement**

Multitronic uses a variety of websites for display advertising. The cost for a display advertisement is based either on a certain period of time that the ad is placed or on the CPM pricing model. Unfortunately, website users are getting used to this marketing communications format and its effectiveness is going down. The cost for display advertisement is significantly higher compared to other digital marketing communication channels, which are more effective in terms of click-through-rate.

Currently Multitronic allocates 8% its of marketing budget to display advertising. The company should identify the websites where advertisements are not performing well and reallocate those resources to others or to other types of digital marketing communication channels.

### **Search engine marketing**

Search engine marketing is the most effective marketing communication when it comes to generating traffic to a website, it can be divided into two groups: search engine optimization and paid search.

### **Search engine optimization**

Search engine optimization is an essential part of marketing communication and commonly known as SEO. In 2015 organic traffic from search engines accounted for 25% of the total traffic on Multitronic website. Organic traffic generally means non-paid traffic. SEO is cost-free, however, it requires some additional knowledge and skills for optimizing website content in an effective way. Multitronic is not allocating a marketing budget for SEO at the moment. Hence, results of Multitronic visibility in search engine listings are poor and require the specific knowledge of SEO specialist to improve listing results for getting higher rank of visibility.

### **Paid search**

Multitronic uses AdWords, which is a paid search service from Google. This service provides flexible options for segmenting online users, targeting and positioning. Google AdWords allows Multitronic to show advertisement in Google search results pages, video service YouTube and on the websites which are using Google AdSense service. Carefully made customer segmentation and correct targeting are giving favorable results, however, lack of attention to details and insufficient customer segmentation or positioning might generate unnecessary costs.

Multitronic should prioritize search engine optimization and invest resources in the proper configuration of the website with the support of outsource specialists and the Multitronic marketing team.

### **Print advertisement**

Advertising in the local newspapers is the oldest type of marketing communications used by the company. Statistics shows that more and more newspaper readers are switching from the paper newspapers to their online versions. Newspaper advertisement costs remain high, despite the decrease of newspaper audience. Multitronic is using 7% of its marketing budget on newspaper advertisements with the focus on the 55+ years old audience.

### **Sponsorship**

Multitronic is sponsoring local sport events and other types of activities. This type of marketing communication focuses on charity and support of regions where Multitronic stores are located. The main goal of sponsorship is to develop and support the image of the company and its corporate responsibility. Multitronic reserves approximately 1% of total marketing budget for sponsorship, however, at the end of the year this number would be significantly higher than it was in the plan.

### **3.5.3 Measuring the effectiveness of marketing communication channels**

Each communication channel result should be measured in order to decide whether the channel delivered the results the company was looking for. The main tools for analyzing the effectiveness of an advertisement campaign or a communication channel are the variety of different metrics and changes in the sales data. Based on the metrics which the company has chosen for measuring the results, marketers can see the effectiveness of certain marketing communication channel or a particular advertisement campaign. As was mentioned earlier Multitronic uses traditional communication channels along with online communication channels. Tools and methods used to measure its effectiveness vary. The basic tools which Multitronic is using to analyze effectiveness of marketing communication channels are presented in subchapter **3.5.4** and **3.5.5**.

Measuring effectiveness has never been easy. Advertisement placed in different communication channels might generate different results. In addition, different

channels have different response times because of different call-to-action responses. For instance, in digital marketing Multitronic uses a call-to-action which provokes an immediate response from the audience, while in the traditional channels call-to-action is less explicit. Another difficulty of measuring marketing communication channels can be caused by external factors. Those factors can be, for instance, changes in the purchasing power due to the price increase, manufactures' own advertisements through different communication channels or the release of a well known product which people were waiting for.

#### **3.5.4 Effectiveness of online marketing communication channels**

Multitronic measures effectiveness of its online advertisements and online communication channels based on Google Analytics service. Google Analytics tracks user behavior through the JavaScript code installed on every page of the website. The collected data can be seen on Google Analytics website and can be used for further analysis. Google Analytics allows tracking and measuring the effectiveness of display advertisement and the paid search results from Google AdWords service. By using Google Analytics, the marketers for working in Multitronic can see where the traffic is coming from, how long a particular user spent on browsing through the website, what s/he was looking for, what s/he clicked on and a variety of other information.

The main metric for measuring effectiveness of an online campaign for Multitronic is e-commerce conversion rate. It shows the percentage of the total number of sessions from visitors which resulted in e-commerce transactions. The formula for calculating e-commerce conversion rate is illustrated in **Figure 24**.

$$\frac{\text{Amount of transactions}}{\text{Total amount of sessions}} * 100 = \text{E-commerce conversion rate}$$

**Figure 24.** E-commerce conversion rate

The average e-commerce conversion rate for Multitronic in 2015 was 2,11%. This includes paid traffic for an advertisement and organic traffic. Multitronic's conversion rate is below the average in the industry and should be raised by at least 20%. Low e-commerce conversation rate can indicate that consumers might be not satisfied with the price, website usability, offer, content or that the page they came to was not interesting for them. Low conversion rate can be caused by high bounce rate and short average user session duration. Bounce rate indicates the percentage of users who left website without interaction with the website page. High bounce rate might indicate that users were not satisfied with the content or the page loading time. Moreover, high bounce rate might be influenced by wrong customer segment targeting.

Effective and non-effective Multitronic online communication channels are discussed in **subchapters 3.5.6** and **3.5.7**.

### **3.5.5 Effectiveness of traditional marketing communication channels**

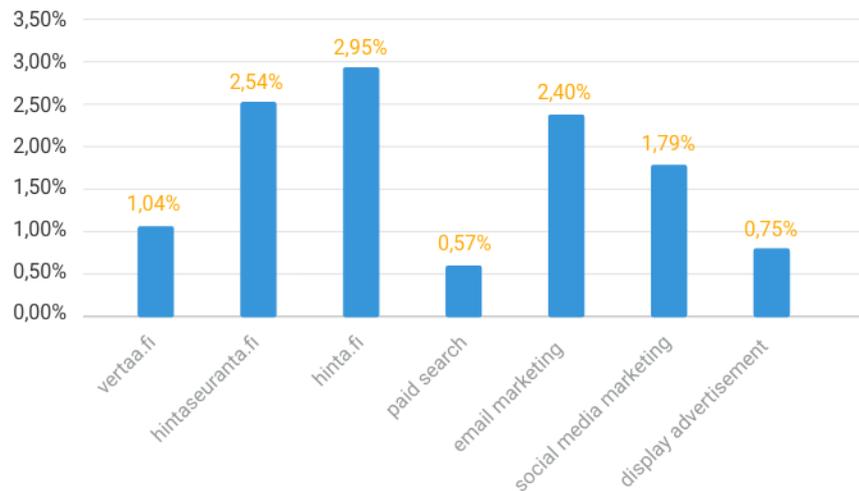
The effectiveness of traditional communication channels is hard to determine. Usually each advertising campaign involves the use of both traditional and digital marketing communication channels, which makes it more difficult to determine which ad lead the customer to make a purchase. However, Multitronic uses the following methods to determine the effectiveness of traditional communication channels:

- A customer questionnaire in the stores to determine where the customer saw the advertisement

- Promo codes and coupons placed on print advertisements, which should be entered on the website or mentioned in the stores
- Sales promotions, only used in traditional communication channels

### **3.5.6 Effective marketing communication channels**

Multitronic has calculated that an online advertisement can be effective when it has a 1,55% conversion rate or higher. Multitronic defines effective digital marketing communication channels with the conversion of 1,5% or higher. As can be seen from **Figure 24**, the most effective digital marketing communication channel is a comparison shopping website Hinta.fi. The average conversion in 2015 for this channel was 2,9%. Another comparison shopping website hintaseuranta.fi has 2.5%. Social networks show approximately 1,8%, which is lower than other effective channels. There are two reasons for that. The first one is that Multitronic uses social media to promote products without focusing on generating brand awareness with interactive content. Online users think of social media as of a venue to socialize and not make purchases. The second reason is that many users use social media from their smartphones, that is why the website should be fully optimized for mobile phones and have a quick loading time. All purchase steps should be easily accessible with a mobile phone in case a customer wants to place an order using the website mobile version. Email marketing has approximately 2,40% conversion rate. Multitronic sends newsletters targeted to loyal customers who have previously purchased products from Multitronic.



**Figure 25.** Multitronic digital communication channels conversion

### 3.5.7 Ineffective marketing communication channels

The most expensive marketing communication channel, which is allocated 51% of the total marketing budget, is vertaa.fi and it has shown one of the worst results in 2015 with the average conversion rate of 1,04%. An in-depth analysis has shown that return on investments was negative, therefore the company could not cover the costs for this comparison shopping website from the revenue made with this communication channel.

During the initial stages of this report, I held several discussions with the company's management about ineffective marketing communication channels. Consequently, Multitronic decided to terminate its agreement with vertaa.fi. The current situation allows the company to reallocate planned budget from the vertaa.fi and move it to more effective communication channels.

Google AdWords and display advertisements are currently not performing well and showing only 0,57% and 0,75% correspondingly, however, their potential is high. The low efficiency of the mentioned channels might be a result of improper customer segmentation and the use of undifferentiated marketing.

Both Google AdWords and display advertising require experience and proper knowledge to be used. Multitronic should take measures to increase efficiency on both channels.

### **3.5.8 Solutions to problems with ineffective marketing communication channels**

Low efficiency of advertising is always a result of inappropriate customer segmentation, an unsuitable marketing mix, a wrong choice of marketing communication channels, poor quality of marketing materials, errors on the website, a poor campaign description or lack of product information. Due to an improper marketing message in an advertisement, customer expectations are not met when s/he lands on the website, hence s/he leaves it without a purchase or even interaction. A marketing communication channels should be selected for the particular campaign only after a preliminary analysis. It is necessary to make investigations about a particular channel, get to know its audience and compare it with the campaign objectives and needs.

Multitronic should take a number of actions which would maximize the effectiveness of its communication channels. The company should make changes with the use of the digital marketing communication channels and raise conversion from 2,1% to at least 2.8% or higher. In addition, Multitronic should analyze its website users' behavior and find reasons why the users are leaving the website. Low prices on products and attractiveness of advertisement are not the only factors which customers value. A convenient and an easy purchase process as well as good customer service support may affect customer decision on choosing a particular website to shop at. Multitronic should use a retargeting service to keep customers on the website.

Retargeting is a form of targeted advertising which is shown to the user who has previously visited a website but did not make a purchase. Since a retargeting advertisement is displayed only to customers who have previously shown interest in the company offer, it makes it easier to make them make a purchase. Another essential

part of retargeting advertising is brand awareness. Company advertising will follow a user on the web and keep the company brand on the top-of-mind.

Multitronic's advertising campaigns should be planned more carefully and the results should be analyzed. Besides advertising, the company should pay more attention to the content on the website and make it more interactive with customers. The following actions should be carried out to optimize marketing communications and the website:

Marketing communications optimization:

- Reallocate resources in the 2017 marketing budget from ineffective marketing communication channels to the perspective channels
- Move from undifferentiated marketing to differentiated marketing
- Use the existing data and metrics from Google Analytics and Social Media for a better customer segmentation
- Establish communication with loyal customers and prioritize email marketing
- Increase targeted traffic with the support of retargeting service
- Find an outsource specialist or a company to improve SEO and paid search marketing
- Conduct customer surveys to improve work quality

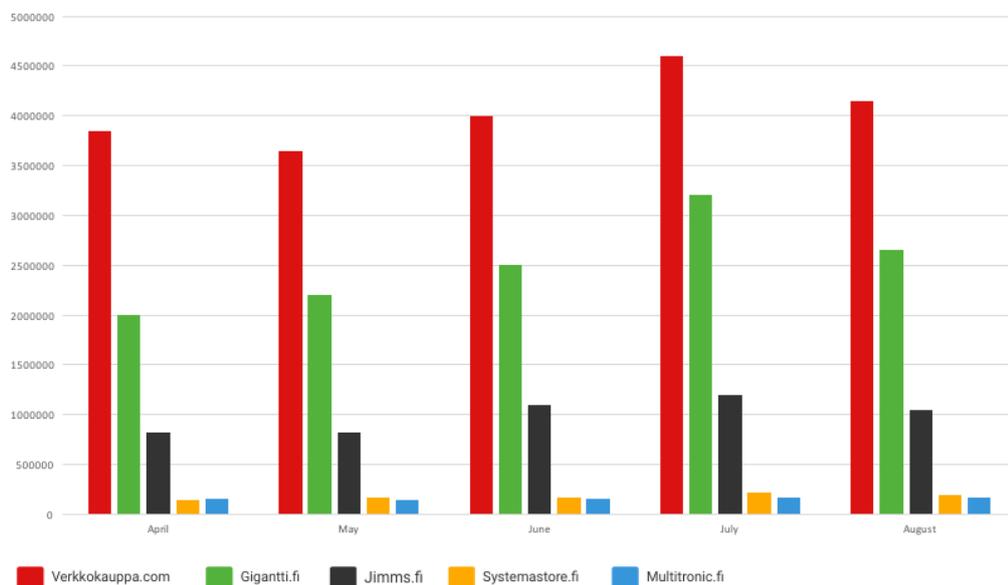
Website optimization

- Pay more attention to the quality of product information, characteristics and images
- Analyze website pages with high bounce rate to understand why customers are leaving
- Carry out a website loading time optimization
- Improve communication with the customer on the website with the support of a chat function or other communication software solutions

### 3.6 Problems of Multitronic

During this research study several problems were found which could influence the development of Multitronic business.

1. An analysis of company current business activities and financial results have shown that the current business and functional strategy are insufficient and should be tailored according to the current market situation.
2. Based on five years' analysis of the company turnover, it can be seen that company is not prioritizing B2B sales and is having problems with keeping them on same level.
3. Multitronic online store is significantly inferior to its competitors in terms of incoming traffic. As can be seen from **Figure 25**, Multitronic has the lowest incoming traffic compared to competitors in August 2016. For example, one of the closest competitors, Jimm's PC-store Oy has approximately 1 million visitors a month, while Multitronic has about 160 000. Such a huge difference can be explained by a strong position of Jimm's on the market, as well as its higher brand awareness among consumers.



**Figure 26.** Visitors traffic (Similarweb, 2016)

4. The current marketing budget is divided more or less equally between the months and does not correlate to the seasonal effects of sales. Right now the

company relies only on the market demand during the Back to School and Christmas sales. Multitronic should allocate more marketing budget for both of seasons and adjust marketing funds according to year-over-year monthly sales.

## 4 CONCLUSION

This chapter summarizes the research findings and present the proposals for the case company.

### 4.1 Summary

Multitronic Oy operates on the consumer electronics market with many strong and powerful competitors. The company currently has five Multitronic stores, four of them in the mainland Finland and one in Åland, Ahvenanmaa. Multitronic has a stable growth of 3-5% a year among B2C consumers, however, the total amount of sales differs from year to year due to the unstable sales to B2B customers. In 2016 the company might expect to have a decrease of sales turnover, due to the increased competition and weaken competitive advantages. The company's monthly sales analysis has shown that sales differ from month to month and correlate to the market demand, with the peaks at the end of July to September and from mid-November to mid-January. As a result of Multitronic customer segmentation it can be concluded that the main drivers of the company sales are the groups of men aged between 25-34 and 35-44.

Multitronic focuses more and more on the sales through its online store and the majority of its year marketing budget (92%) is used on the online marketing communications. The company is trying to use online marketing as a least expensive way to communicate with the audience. The analysis of current marketing and business activities determined several problems which should be solved for the next marketing plan.

The major problem is insufficient allocation of the marketing budget between the communication channels. The company is highly dependent on price comparison websites which takes the major part of the marketing budget. However, there are some less expensive channels available, which in a long run can generate more traffic and sales. The second problem which was found during the analysis of Multitronic marketing communications is the use of undifferentiated marketing. No matter which marketing communication channel is used, the communication message

remains the same. The analysis of customer segmentation has shown that Multitronic has six different customer groups from different generations, which react differently to the same marketing message. The third problem found during the competitors' analysis is that Multitronic website is significantly inferior to its competitors in terms of incoming visitors traffic. The fourth problem is lack of organizational structure in the marketing department. For the company with only 30 employees and lack of available resources it is hard to change marketing activities and current functional strategy at once in a short period of time. Nonetheless, certain problems can be fixed shortly, if the processes are structured.

## **4.2 Proposals**

In order to solve the existing problems which were found during this research, I made proposals for marketing performance improvement along with the research results to Multitronic chairman of the board. The proposals contained solutions for marketing communication, advertising and website optimization.

The key changes should be made in the reallocation of the marketing budget from ineffective to perspective marketing communication channels. Along with the changes in prioritizing certain communication channels, the marketing department should switch from undifferentiated marketing to differentiated marketing. However, switching a targeting strategy would require additional work for the current marketing employees. In order to solve the work force problem, the company should create a practical training program for students from the local Universities of Applied Sciences. This will provide the company with an opportunity to find new talented students who could become very good employees. At the moment, the company is struggling with low visibility in organic search result listings. This issue can be settled with hiring a SEO company which will improve listings in search engines. The funds for financing a SEO company could be taken from the budget reserved for Vertaa.fi, since Multitronic terminated a contract with this price comparison website service.

The website communication with the customer should be improved by using a built-in chat function for lead generation.

In addition to changes in the communications channels, the company should maintain its website and carry out an analysis of why customers are leaving the website. In order to do that, the company should continuously conduct customer surveys on the website. Moreover, Multitronic should pay more attention to the quality of product information, characteristics and images.

The above mentioned proposals were approved by the chairman of the Board in October 2016. The implementation of certain changes has been already started

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