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Pan Yiding

Marketing Plan: New product- Electric bike's development in Finland

Bachelor's Thesis 2010

ABSTRACT

KYMENLAAKSO UNIVERSITY OF APPLIED SCIENCES

International Business

PAN YIDING	New product- Electric bike's development in Finland
Bachelor's Thesis	53 pages
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Commissed by	Nordic Interflow OY
Feb 2010	
Keywords	Marketing Plan and new product development

The thesis highlights the development of a new product in Finnish market. According to international marketing knowledge, a marketing plan should be made to improve the strategy of the product's development in four aspects. These are product, price, promotion and place. After a failing business experience in Nordic China Centre, Nordic Interflow wants to do the marketing research for the Chinese market, Finnish customers and Finnish competitors.

The purpose of this thesis was to find a better Chinese supplier because of high cost and low quality from the present supplier. Another purpose was to know the Finnish customers needs and to satisfy them better. The Chinese suppliers should to learn from the Finnish competitors about price setting and customer service. Finally, the marketing tools were used to improve the sales of products.

The research work is greatly based on the author's own selling experience, interviews of experienced salesman and retailers, questionnaires from the retailers, and information from related books and websites. The main conclusion is that the marketing mix cannot be neglected in developing a new product in a new market, because it will help the company improve its sales.

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1. INTRODUCTION

In the current world market, China is becoming the world factory, and more and more Chinese products have appeared in the international market. Because of the available cheap labor in China, Chinese products have an advantage over competitors.

On the other hand, with the development of industry, the environmental problems and power-saving problems have been in the limelight. Lots of power-saving products and environmentally friendly products have appeared in the market, such as power saving lamp, solar battery car, recycle material products, and Electric bicycles, which are concentrated on in this thesis, are one of them.

Nordic interflow OY is a wholesale agency who aims to sell their electric bicycles in the Finnish market, because Finland has a stable social environment, higher personal income, lots of potential old-age customers, less Chinese competitors, stable currency and lower inflation rates. After business failing in the Nordic-China Centre in Kouvola, they aim to improve their future sales by using marketing tools. They want to reduce the marketing share and establish awareness in the customer's mind. Making profit is the final goal of the company.

1.1 Thesis goal

Nordic Interflow OY plans to use this thesis to aid their marketing strategy. It will also help them to lower costs and accommodate the customer's needs. In the Chinese market, the company wants to reduce the cost of bicycles and purchase more in different styles. For this they want to find a better manufacturer. Some research was done in the Chinese electric bicycle market in order to find the top 3 suppliers in China.

To assess the Finnish customer base, questionnaires were given to the present Finnish retailers. Nordic Interflow OY wants to know how to improve case products and services. They also aim to find out the customer's needs and find useful promotion methods.

If the case company wants to succeed, they need to know their competitors well. They should know their name, their products' retail price, their distribution channels and their products' benefits.

1.2 Implement research

The Internet was used to search for some company information and cost information in the period from the 3rd of March to the 17th of April. Questionnaires distributed by email, and face-to-face interviews for the present retailers were the methods used to gather data. In order to know the customer's needs, target customers, the case company's competitors, useful promotion method, customer service and the advantage/disadvantage of the case product, the questionnaires were sent to ten retailers by email in the period from the 3rd of March to the 15th of March. Their shops are located in Helsinki, Kotka, Kuopio, Tampere, Vammalla, Savolinn, Lyly, Hämeenlinna, Sysma and Kouvola. Two interviews were given to the two present retailers who located in Kuusankoski and Lahti on the 5th of March and the 6th of March. Nordic Interflow OY only did B to B business, so the questionnaires were only given to the retailers. The questionnaire is shown in Appendix 1. The Internet was another method used for gathering data about the competitors, suppliers and costs. The phone call gave for the advertising company (Pohjois-Kymenlaakso OY) on the 25th of March in order to ask the advertising size and cost. Another phone call gave fore Kouvola railway station on the 20th of March in order to ask the rules of packaging. The information was showed in the following parts. The results of the analysis will be put into practice after the analysis.

2. PLANNING PROCESS

The planning process involves marketing research, target group, goals, marketing tools and summary. (Westwood 2006.)

2.1 Current situation analysis

Marketing research is used to gather information or data by implementing systematic methods to record it. Then the data needs to be analysed. The results of the marketing research will help the company to gain advantages in the market. There are two factors in the contents of marketing research. These are the target market (The end consumer or B to B) and analyzing methods (qualitative or quantitative). (Malhotra, 2007.)

Current situation analysis is marketing research done to find out about the company's current situation. In this case, four analyses should be done. They are competitors' analysis, suppliers' analysis, SWOT analysis and retailers' analysis. For the result of retailers' analysis, the thesis showed them in the part of marketing mix.

2.1.1 Competitors' analysis

According to ten questionnaires and two interviews with the present retailers of Nordic Interflow Oy in the period from the 3rd of March to the 15th of March, the retailers from Helsinki, Kotka, Tampere, Lahti, Savonlinna and Hämeenlinna chose Helkama to be the most popular brand in their shops. The retailers from Kuopio, Vammalla and Lyly chose Tunturi. The retailer from Sysma chose EEZEE. Nordic Interflow OY was chosen by the retailer from Kuusankoski and Kouvola. The results show us Helkama and Tunturi are two strong competitors for the case company. Therefore, more intensive research was done using the Internet to gather information from Helkama and Tunturi on the 19th of March.

Figure 1 shows the results of the analysis.

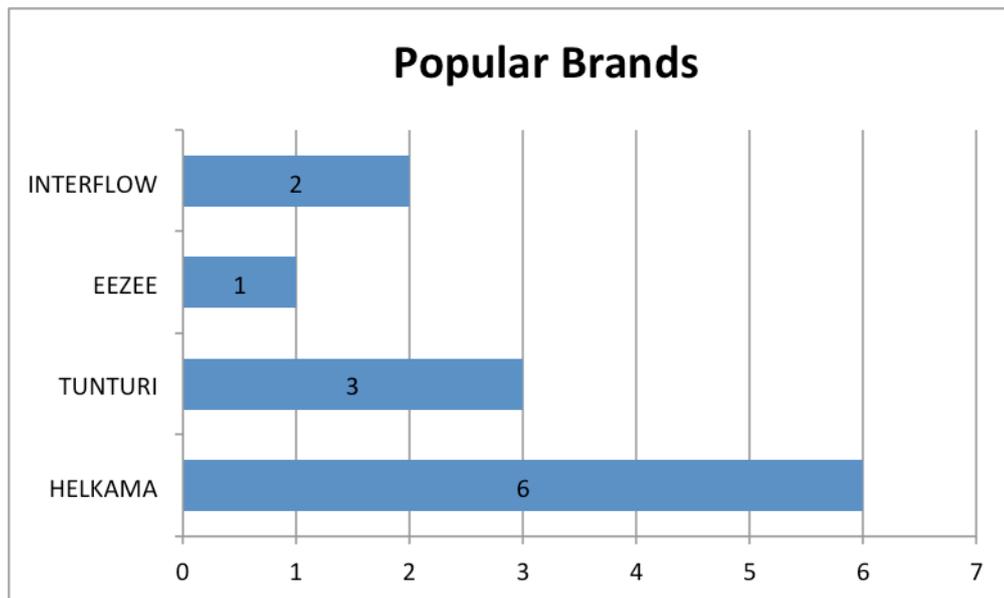


Figure 1 Popular Brands

HELKAMA

Helkama Velox OY was established in Hanko Finland in 1905. It is a family company, and Helkama is the most familiar bicycle brand for customers in Finland. With over 100 years of experience, Helkama's bicycles are made for all possible uses, such as travelling, camping, sports and professional use, and children's bicycles etc. Helkama has already proved that it has the highest record for in the sports field, and it is also the most popular civil bicycle brand in Finland. (Helkama 2010.)

Helkama's catalogue 2010 and its website shows that the retail price for its E-bike ranges from 1790 euro to 2490 euro. Helkama has five different styles of E-bikes. They are: jopo electro 3-V, TE2800 8-V, TE2800L 8-V, E2800 8-V and E2300A 3-V. In order to improve customer service, Helkama guarantees they will repair the bicycles body for 21 years after the sale is made, because all of Helkama's products are checked before they are sold. All of Helkama's bikes

have different safe numbers. These numbers will help police to find the owners in case of theft. (Helkama 2010.)

Table 1 Helkama's retail price (Halkama 2010)

Type	Retail price
E2800 8-V	2190 euro
Jopo electro 3-V	1790 euro
TE2800 8-V	1890 euro
TE2800 8-V	2490 euro
E2300A 3-V	1990 euro

Helkama has a long relationship with many retail shops all around Finland. Most of these bicycle shops centralize in southern Finland, but some of them are also located in middle and northern Finland. (Helkama 2010.)

Figure 2 shows the map of Helkama's retailers.

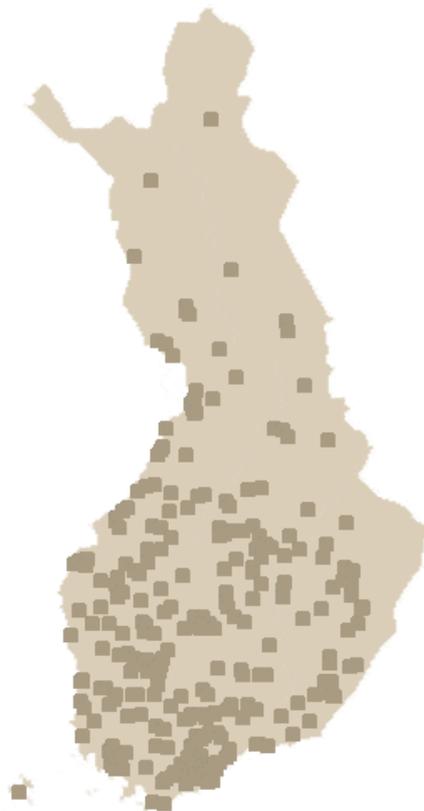


Figure 2 Map of Helkama's retailers (Helkama 2010)

TUNTURI

Tunturi is another famous bicycle brand in Finland. It was established in 1922. With 88 years of experience, Tunturi's bikes have many different models for many different functions. These include electric bicycles, children's bicycles, terrain bicycles, city bicycles, travelling bike etc. Their terrain bicycles were sold in more than 40 countries all around the world in the 1990's. Also it should be mentioned that bicycles are not the only products Tunturi sells. They also sell motorbikes. (Tunturi 2010.)

Tunturi's website shows the retail price of the E-bike ranges from 1499 euro to 1599 euro. Tunturi has three different styles of E-bikes. They are Tango Forte, Parkcafe Forte M and Parkcafe Forte N. (Tunturi 2010.)

Figure 3 show the Parkcafe Forte N. And table 2 shows the price list of Tunturi.



Figure 3 Parkcafe Forte N (Tunturi 2010)

Table 2: The price list of Tunturi (Tunturi 2010)

Model	Retail price
Tango Forte	1499 euro
Parkcafe Forte M	1599 euro
Parkcafe Forte N	1599 euro

2.1.2 Supplier analysis

According to the interviews with Kuusanoski's retailer on the 5th of March and Lahti's retailer made on the 6th of March, the most frequent questions from customers are about price, quality and customer service. The big problems about case products have to do with the battery life and repair. Therefore, the case company should find a better supplier to solve both the price problem and quality problem. This supplier should be able to provide the appropriate price and manufacture good quality products.

The case company already has one Chinese supplier, but they have higher prices and lower quality. This is the reason the case company needs to find new suppliers. The research done about Chinese suppliers was made using the Internet on the 20th of March. Two famous Chinese suppliers have been in the limelight, because they have better price and better quality. Table 3 shows the information about these two Chinese suppliers.

Table 3 Main Chinese Suppliers (Giant 2010 ; Luyuan ebike 2010)

Brand Name	History	Main Market	Price
GIANT	5 years	China, America, Europe, Japan	240 euro
Lu Yuan	13 years	50 countries	220 euro

GIANT

Giant joined the e-bike business five years ago. Their main market is in China, America, Europe and Japan. Giant's electric bike's retail price is about 240 euro per every unit. (Giant 2010.)

Lu Yuan

With 13 years of experience, Luyuan Electric Vehicle Co., Ltd. is the most professional and largest manufacturer of electric vehicles in China, and now it includes three affiliates. They are Zhejiang Luyuan Electric Vehicle Co., Ltd, Luyuan Green Power Battery Co., Ltd and Luyuan Electric Vehicles (Shandong) Co., Ltd. Luyuan also has a few research facilities. (Luyuan 2010.)

Luyuan controls 7% of the Chinese electric vehicle market and distributes their products to more than 50 countries. The turnover in 2008 reached 500,000pcs and 85 million euro. Their retail price is about 220 euro per every unit. (Luyuan 2010.)

According to table 3, both of the two suppliers offer the same price of around 230 euro. The second one, Lu Yuan, is a better choice for a case company. Lu Yuan has a longer business history than Giant. Also, Lu Yuan is the company who sold electric bikes since they started their business. Electric bikes are still their main product.

Giant started their business with ordinary bikes and joined the electric bike market five years ago. Therefore, Yuan has more experience about the production of electric bikes.

2.1.3 SWOT analysis

SWOT analysis shows the strengths, weaknesses, opportunities and threats. This is a popular method used in strategic marketing planning, analysis, evaluation and decision-making. (Yadin 2002.)

And Table 4 shows the results from the SWOT analysis.

Table 4: SWOT

	Internal	External
Strengths	<ol style="list-style-type: none"> 1. Has enough knowledge and information about Chinese Suppliers. (Chinese owner) 2. The cost is lower than the competitors. 3. The staffs know how to repair their products. 4. Experienced sales staff 5. Chinese electric bikes have enough quality to satisfy the Finnish customer. 	
Weakness	<ol style="list-style-type: none"> 1. Cold Finnish weather. (reducing life expectancy of the bikes) 2. The logistics period will delay the speed of production and transportation. 3. Expensive local transportation cost will reduce the profit. 	<ol style="list-style-type: none"> 4. Customers are loyal to Finnish brands and they have a history with them. 5. Some brands already control the majority of the electric bike market.

Opportunities		<ol style="list-style-type: none"> 1. Few competitors 2. Finland has a stable social environment, higher personal income, stable currency and lower inflation. 3. Young. Market has huge developmental space. 4. Finns will prefer Chinese cheap products to any others because of the Financial Crisis. 5. The environmental problem and power saving problem
Threats	<ol style="list-style-type: none"> 1. In the case of success in the Finnish market, there is a possibility of other Chinese companies following suite. 2. The supplier is not stable. 	<ol style="list-style-type: none"> 3. The case company doesn't have a good knowledge of Finn's preference and taste. 4. Finland has higher VAT and tax than any other European country.

2.2 Target group

The target group is the group of people that the case company's marketing campaign is aimed at. They are the targeted customers for the case company who have the same age group, gender or marital status. (Luther 2001.)

The case company's target group is one of the most important things for the case company. According to ten questionnaires and two interviews with the present retailers of Nordic Interflow OY made in the period from the 3rd of March to the 15th of March, the retailers from Helsinki, Tampere, Lahti, Kuopio, Sysma and Kouvola chose people over the age of 56 years old to be their targeted

customers. The retailer from Lyly, Hämeenlinna and Kuusankoski chose people 41-55 years old to be their targeted customers. The retailers from Kotka and Vammalla thought that 26-40 year-old people were their target group. 11-25 year-old people were the ones chosen by the retailer from Savonlinna. The results show us the case company's target group is over 56 years old. Figure 4 shows the results of the target market research.

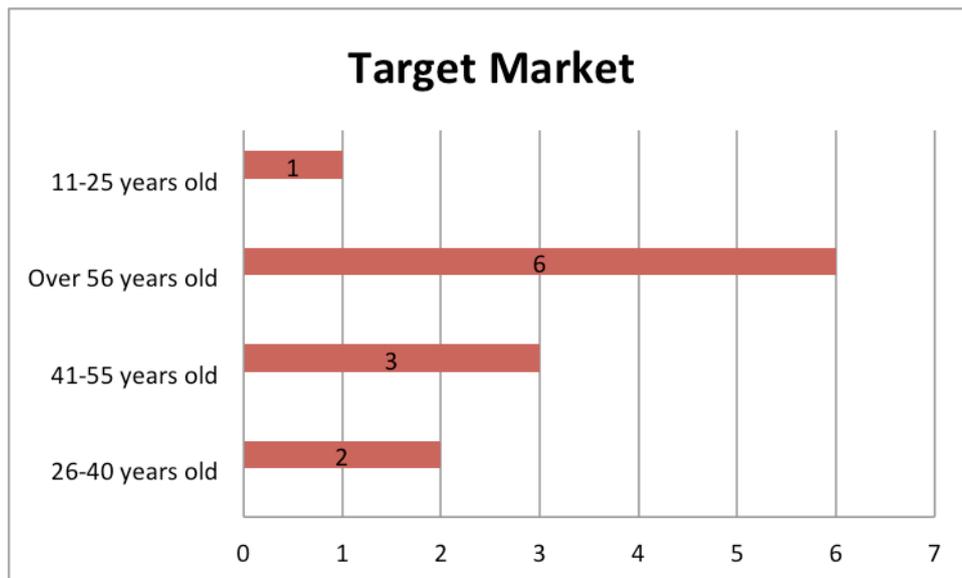


Figure 4 Target Market

The retailers from Helsinki, Kotka, Tampere, Vammalla, Savonlinna, Lyly, Lahti, Sysma and Kouvola consider females as the target customers of Interflow. The retailers located in Kuusankoski, Kuopio and Hämeenlinna chose male. Figure 5 shows the results of the questionnaires and interviews.

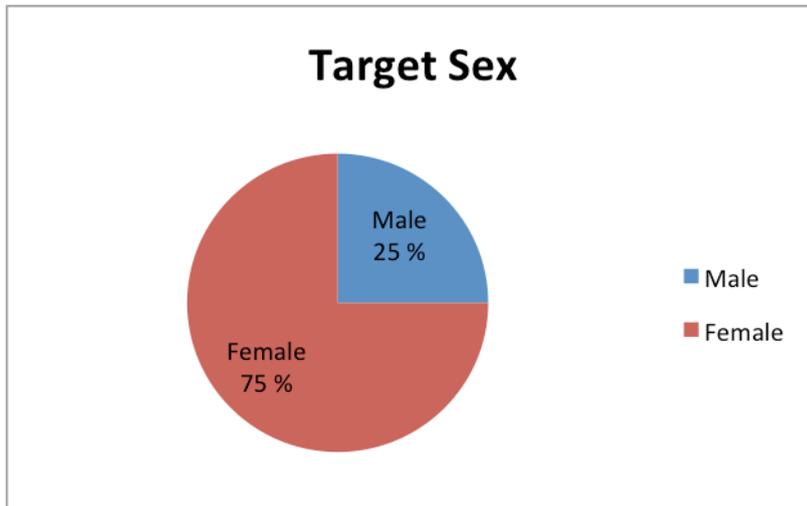


Figure 5 Target Sex

All twelve of the retailers have the concept that people living in the city centre or near the city centre prefer E-bikes more than customers living in rural areas. Therefore, women are the most keen on the case products, and they most likely live in the city centre or near the city centre and they are over 56 years old.

The target group of the case company is the people over 56 years old, because of the following reasons:

1. These people have enough extra money to buy the case product.
2. There is a large amount of people aged 56 and older in Finland.
3. Electric bikes will be of more use to them than younger people.
4. These people appreciate a pure environment and power-saving products.

2.3 Goals and objectives

The marketing goals are the core of marketing action, and they provide direction to the plan. Without marketing goals, strategic decisions and all of the other plans are ineffectual. Marketing goals can include all of the company's aspirations, such as increasing sales and increasing awareness of the company's business. (McDonald 2002.)

The business goals and objectives for this project will focus on implementing electric bikes that can

1. Improves awareness of electric bikes and the case organizations
2. Provide high quality and direct data from the customers to know their needs
3. Have better knowledge of the case product (benefits and weaknesses)
4. Improve the marketing tools
5. Find more retailers and place for marketing.
6. Make more income in the future (15% growth in three years)

2.4 Marketing tools

Marketing tools involve product, price, promotion and place. (Ruskin-Brown 2006, 68.)

2.4.1 Products

Products can be anything that satisfies the customers' needs. They include products and services. It is important for people to understand the benefits, because customers buy the product that suites their needs best. (Jobber &

Fahy 2006, 139.)

2.4.1.1 Electric bike's benefits and Customers' needs

The knowledge of customers' needs helps the company to improve their products, because the products' main function is to satisfy the customers' needs. The products' benefits attract customers to buy them. According to ten questionnaires and two interviews with the present retailers of Nordic Interflow OY in the period from the 3rd of March to the 15th of March, the results of question 10 shows the electric bike's benefits and illustrates customers' needs in order to benefit case company. The electric bike is a physical product and it provides a better method of transportation. It can substitute the automobile for short or middle distance transportation. Other benefits include the product's energy-efficiency and environmental friendliness. The products use electricity to drive, which won't pollute the environment and it will save petrol. Customers buy the electric bike for taking a trip or personal enjoyment.

2.4.1.2 Product standard and modification

Nordic Interflow OY aims to have high standard, and the development and improvement of the case product in order to meet the requirements of international markets is important to them. The companies will have four basic options. The first is to sell the product as it is now, and the case company will not change it any more. The second is to modify the product in order to satisfy the needs of different countries. The third is for new products to be made for a new target market. The final method is to introduce a global product, which embodies all of the aforementioned benefits. (Albaum & Strandskov 2005, 400-401.)

Case products come from a Chinese factory, and they are designed for Chinese customers, so lots of their designs are not suitable for the Finnish

clientele. The case company needs to pay attention to product standard and innovative product modification.

The case company will choose the second method, because they are not a manufacturer. The case company lacks the necessary assets and has insufficient technology to design a new product. Moreover, the target market is Finland. The case company doesn't need to develop a global product for a global market, only a Finland-specific product.

2.4.1.3 Mandatory product modifications

Sometimes, the changes must be made because of following reasons; the first reason is legal requirements, such as product safety, using of chemicals, left-hand driving etc. Then tariff level is another limit. Sometimes it is so high that using some local manufacture's hardware is necessary. (Albaum & Strandskov 2005, 405.)

Another change to be made has to do with technical requirements, because they will force the case company to change their present products. For example, different sockets are used in different countries. Climate condition is the last reason. Different countries have different weather, so the case company needs to change their products to fit a specific climate. (Albaum & Strandskov 2005, 405.)

Case company's mandatory product modification

Nordic Interflow OY has started to modify the electric bike one year ago, because the retailers found some problems in the case products.

The case company faces a lot of mandatory product modifications. According to the Finnish law, the highest speed an electric bike is allowed to reach is

25km/h because of snow and dangerous road conditions. They need to change their original Chinese product's top speed from 35km/h to 25km/h, because the Chinese limit is 35km/h.

In order to meet technical requirements, they need to change the electric sockets, because Finland uses the different sockets that just have two circular holes. These are different from Chinese sockets. To conform to the Finnish cold weather, their batteries need more protection designs that will guarantee the battery working in -30 degree weather.

Also, the case company needs to add a foot-brake design in addition to a hand brake. It will ensure customers can safely stop their bike on a slippery road. Furthermore, they should design a winter tyre for the electric bike, because they need to ensure that their product will be driven safely during the wintertime.

2.4.1.4 Encouraging modification

Different countries have different situations. It is legal if you don't want to change your products, but the products will sell less if you don't make these changes specific to the location the products are marketed in. (Albaum, Duerr & Strandskov 2005, 407-409.)

Customer taste is one of the things that needs to be taken into consideration. If you want to sell a product, you have to understand why people buy it. The reason for buying the product varies in different parts of the world. These taste differences include the names, colors, styles, etc. (Albaum & Strandskov 2005, 407-409.)

The country-specific differences in personal income will affect the frequency of purchases as well as the product sizes offered (Albaum & Strandskov 2005,

407-409). The product or price should be changed according to the target customers. For example, McDonald's restaurants have different food prices and types of food in different target countries.

Moreover, low levels of education and loyalism to marketing concepts will affect development in a new market. These reasons should always be carefully taken into consideration when an international product enters into the market. (Albaum & Strandskov 2005, 407-409.)

2.4.1.5 Case company logo

The main customers of the case products are Finnish, so the case company needs to improve their products in order to cater to the Finnish preference. The case company uses "INTERFLOW" in its logo, with both red and blue colour. Both the Chinese and Finnish love their national flags very much, so the blue and red are two main colours of their national flags combined.

The case company is a foreign-owned company. Their main task is to do the business between China and Finland, so they use "INTERFLOW" as their company's name. Figure 6 shows case company's logo and design.



NORDIC INTERFLOW OY

Figure 6 Company name and design

(Nordic Interflow OY 2010)

2.4.1.6 Case company product modifications

Information gathered from ten questionnaires and two interviews with the present retailers of Nordic Interflow OY in the period from the 3rd of March to the 15th of March resulted in the outcome of question 10 showing that customers buy electric bikes for vacation trips or leisure. Therefore Interflow's two present products already can satisfy these needs.

The case company designed two main products for their customers and these products have different tasks. The first product is Pede citi, and its task is to provide the short distance transportation for people in city centre. Customers can drive it to do some shopping, or meet their friends for example. It is easier to use than cars in the city centre.

Another product is the Pede Hike. This is a comfortable tool for an outdoor trip or training, because this product can be folded up and stowed in the boot of your car. Both of these two products have a blue logo and a white body that are suited for the Finns taste. The case company needs change the seat's high in order to suit the Finn's stature, because a Finn's average stature is higher than the Chinese customer's stature.

Figure 7 shows two main products' design.



Figure 7 Main products' design (Nordic Interflow OY 2010)

2.4.1.7 Product lifecycle

The product lifecycle involves four stages. They are introduction, growth, maturity and decline. (Tony 2000, 24.)

The first stage of product lifecycle is introduction. The main point of the introduction stage is to promote the products and public awareness, which is very important for the success of a product. The next stage, growth, means the product sales start to grow. A company will pay a very large amount of money for advertising. The third stage is the maturity stage. During this stage, sales grow quickly and then begin to stabilize. Decline is the last stage of the product. Sales will begin to fall. (Tony 2000, 24.)

Figure 8 will shows the change of product sale during the product life cycle.

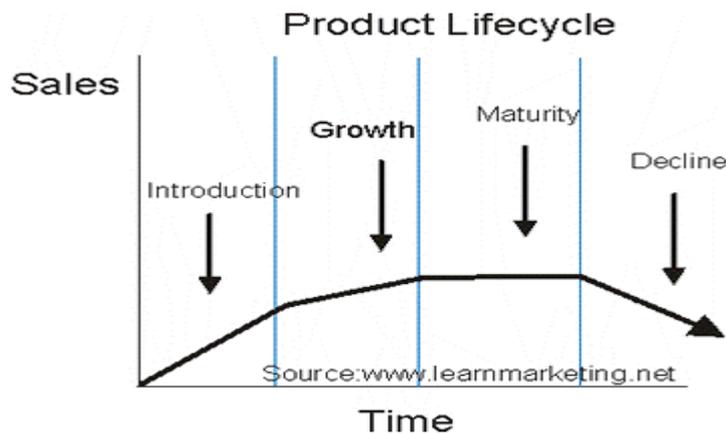


Figure 8 product lifecycle (Tony 2000, 24)

The introduction stage is the most important stage during the PLC. Lots of products will fail during this stage. The main goal in the introduction stage is to promote the products and raise public awareness, which is very important for the success of a product. People will not buy the products if they aren't aware of them. There are two different strategies case company can use to introduce their product to consumers. They are the penetration strategy and the skimming strategy. (Tony 2000, 24.)

In the penetration strategy, companies will begin their sales with a higher price and then reduce the price in the future. This is a good strategy to use if there are few competitors in this market. The profits will be very higher with this strategy. On the other hand, companies will come across some risks because of their high price. Profits will fail if people don't want to pay this high price to buy. (Tony 2000, 24.)

The second strategy is a skimming strategy. Using this strategy, companies will use very low price to begin their business and then increase the price in the future. This is a good method to gain market shares from the strong competitors. The strong competitors already occupy a large part of this market and it will be difficult to survive if the new partners use the high price strategy. The most important aspect of this strategy is to raise the products' awareness and consider future profits and marketing. (Tony 2000, 24.)

The case product's introduction stage

The case product still stays at the introduction stage, so the case company needs to pay more attention to this stage first.

Out of these two strategies, the second strategy-low price approach should be used. There are already some strong Finnish bicycle brands in Finnish market, such as Helkama and Tunturi. Therefore, the case company should try to raise

the case products' awareness first, and think about making money in the future. The case products' cost is able to be lower than most of the Finnish competitors', because the Chinese manufacturing costs are lower. The case company has the ability to sell them at a lower price to their retailer than their competitor. The detailed information is shown in the price setting section.

2.4.2 Pricing

Pricing is one of the main tools of the marketing mix. It has a direct effect on the company's profits. There are two pricing methods. These are the active instrument method and the static element method. If the active instrument method is used by a company, the company must use pricing to achieve profits and market share. But if the company uses the second method, pricing will be used as a static element. (Jobber 2004, 376.)

2.4.2.1 Factors influencing the pricing strategy

The first factor is environment factor. It is an external and uncontrollable factor in international marketing. The company cannot affect what happens outside of its own control. Exchange rate is one of the risks. The company should consider carefully which currency to use in international business transactions in order to reduce the risk caused by the exchange rate. (Curry 2008.)

Inflation is another environment factor. If the foreign country develops higher inflation, the income from this country will lose the present value in the future. Every country has laws that affect the prices of goods at the consumer level, especially the products having to do with health, food and education. The government will set minimum or maximum prices to manage these special markets. A company needs to think about them when they engage in international business. (Curry 2008.)

The second factor is market factors. This is the most important factor that must be considered during the development of a pricing strategy. The consumers and competitors should be thought of when planning a pricing strategy. Moreover, a company needs to think about the role of intermediaries and the market structure when it begins to set the prices. (Curry 2008.)

Company internal factors are the third factor. Two major company factors influence the pricing decision. These are company pricing objectives and costs. Different markets have different pricing objectives, and costs have a close relationship with prices and sales volume of the product. The price floor will be known from the cost, because the cost is the lowest level of a product's price. (Curry 2008.)

Finally, product-specific factors will affect the pricing strategy much more. There are five characteristics of a product in this pricing strategy.

1. What is the purchase frequency? If the product is purchased frequently, the price will not fluctuate and be sensitive. If customers buy it occasionally, prices will have more elastic.
2. What is the degree of necessity? With a higher degree of necessity for the product, the market size will not change. Even if the company changes the product price, it will not change the consumers' purchasing habits.
3. In regards to the unit price, a customer will pay more attention to the value of money, product reliability, styles etc. when the customers buy an expensive product such as a house, car, a holiday. They are important factors besides price. If the product has a higher degree of fashion or status, a certain image, the company can easily set the price. The price tag reflects the quality of the product.
4. The company needs to let the products have uniqueness and to provide the same service in all the markets. (Curry 2008.)

In regards to external and uncontrollable factors, the Euro is the steady foreign currency and its rate doesn't change very quickly during a short period of time. Also, Finland has low inflation, so the income will not lose its value. The case product is not a special one that is be protected by law. The government has no limit for minimum or maximum prices.

The case company's business idea is B to B. Therefore, they need think about the retailer's interests. They should sell the case product to the retailers for half of the retail price.

Information gathered from ten questionnaires and two interviews with the present retailers of Nordic Interflow OY in the period from the 3rd of March to the 15th of March, showed that all the retailers located in Helsinki, Kotka, Kuopio, Tampere, Vammalla, Savonlinna, Lyly, Hämeenlinna, Sysma, Kouvola, Kouvola and Lahti think the summer time is a good season for selling electric bikes. The results of case company's sales also show this situation.

According to this purchase frequency and degree of necessity for the case product, the retailers can adjust their price in difference seasons, perhaps in accordance with suggestions from the case company. The E-bike is more frequently sold in the summertime and purchased far less during the wintertime. Therefore, the retailers can raise the price of electric bikes in the summertime and give more discounts in the wintertime.

2.4.2.2 Pricing strategy and price setting

When a company sets the price, the objectives and knowledge of the market situation should be considered as a basis. There are three price-setting methods. These include cost-oriented pricing, competitor-oriented pricing and marketing pricing. (Jobber 2004, 378.)

Cost-oriented pricing's goals are a specific return on investment in order to receive the income as soon as possible. Many companies use this method when setting prices, because it is easy to account and shows the profits clearly. This is sometimes not a good method to use, because increasing the price will result in sales falling. The same cost will go Dutch for less sale units, and the price will increase. Cost-oriented pricing focuses on internal costs rather than customers' wishes to pay. (Jobber 2004, 378-380.)

The focus of Competitor-oriented pricing is on competitors rather than on costs when a company sets prices. Its goals are to improve the market position and follow the competition. They will follow the prices of competitors who have the same products in the market. (Jobber 2004, 380-382.)

Finally, the goal of marketing-orientated pricing is to stabilize competitive positions in the market. An aggressive strategy will be used for increasing market share. There are ten factors to be taken into consideration when using a marketing-orientated approach. They include explicability, value to customer, marketing strategy, price quality relationships, product line pricing, negotiating margins, political factors, costs, effect on retailers and competition. (Jobber 2004, 382.)

The case company's price setting

Marketing-orientated pricing is difficult for a small company and the case company doesn't have enough knowledge and investment capability for using an aggressive strategy. Cost-orientated pricing is also not suitable for the case company. The Electric bike is a new product, and its sales are not very high each year. Few people will buy the electric bike during the wintertime. If the case company uses cost-orientated pricing, the retail price will be very high. All the costs will be shared by selling units. Therefore, competitor-oriented pricing is the best method for the case company to use in setting the retail price. Table

1 and table 2 in 2.1.1 shows the retail price range of two popular Finnish brands. Helkama's retail price ranges from 1790 euro to 2490 euro, and Tunturi's retail price is from 1499 euro to 1599 euro. They are the most popular brands in Finland. Nordic Interflow is not their opponent, and they use the low-entry price strategy. Therefore, the case product's retail price should be lower than these two Finnish brands. The price from 1199 euro to 1399 euro is a good choice. They should sell the product to their retailer for half of the retail price.

2.4.2.3 Pricing issues

Sometimes a company will face pricing issues resulting from outside factors. The first is price escalation. It includes all the export-related costs such as transportation, packing, tariffs, insurance etc. A company will add the production cost of a product to the other costs, and the final consumer price will be the result. There are two main reasons for price escalation. There is a longer channel of distribution in far or unknown market areas. Especially they have high tariff costs. However, there are methods a company can use to avoid these factors. For example, a company can shorten the distribution channel and sell directly to distributors. And/or, they can select a different market-entry strategy. For example, the use of foreign manufacturing can be an innovative and cost-effective approach. (Curry 2008.)

The case company's price escalation

In order to reduce the case company's price escalation, the case company shortened the distribution channel and sold directly to distributors. In this case the case company doesn't need to transport their products to the end customers. However, they still need to pay attention to local transportation and repair.

According to information received from a call to the Kouvola railway station on the 20th of March, the staff said all of the products need correctly sized

packaging. If they aren't correctly sized, the products must be repackaged by the manufacturer or distributor. (Kouvola railway station 2010).

According to the interviews with Kuusankoski's retailer on the 5th March and Lahti's retailer on the 6th March, one of the big problems with case products is repair. Customers are not satisfied with the service and repair. In some cases, the products' repair period is very long. According to Finnish law, every seller should provide a one-year quality guarantee after the deal. The Electric bike is a product that needs much repair every year because of the battery. If an electric bike breaks in a city where there is no repairing facility, the customer will send it to case company. Then they will send it again to the customer after repairs have been made. All of the transportation costs will increase the cost, and the repair period is long. These costs will be added to the case company's price estimates according to how many bikes they need to repair every year. In order to avoid this problem, the case company should give proper training to their retailers and teach them how to repair the battery, because the battery has some small problems in lots of cases. If this is done, the case company can avoid these transportation costs and still give good price to their customers.

2.4.3 Promotion

Promotion is communication between the company and their customers. The company tries to relay their information to customers in order to influence their purchasing. (MarketingSherpa Incorporated 2003.)

2.4.3.1 Promotion analysis

The basis for promotion for the case company and their competitors was taken from the information gathered from ten questionnaires and two interviews with the present retailers of Nordic Interflow OY in the period from the 3rd of March to the 15th of March.

Competitors' promotion analysis

According to ten questionnaires and two interviews with the present retailers of Nordic Interflow OY in the period from the 3rd of March to the 15th of March, the retailers from Helsinki, Kotka, Tampere, Hämeenlinna, Lahti and Kuopio thought advertising is one of the main channels for them to find about their present suppliers. The retailers from Helsinki, Tampere, Vammalla, Lyly and Kouvola chose catalogues. Salesmen were chosen by the retailers in Sysma, Kuusankoski and Savolinna. The retailers from Hämeenlinna and Kuopio chose direct mail also. And the retailers from Helsinki and Lahti had another channel fairs. In figure 9, the data shows the results of the competitors' promotion analysis.

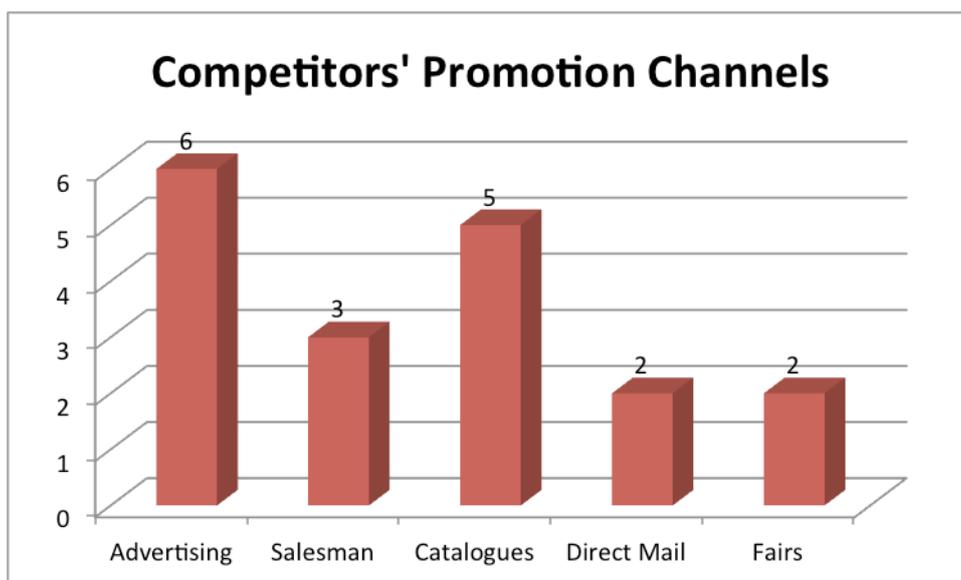


Figure 9 Competitors' promotion channels

Case company's Promotion channels

According to ten questionnaires and two interviews with the present retailers of Nordic Interflow OY in the period from the 3rd of March to the 15th of March, the retailers from Helsinki, Lahti and Hämeenlinna found out about the case company through Fairs. The retailers from Kouvola and Tampere found out

about the case company through its website (<http://interflownordic.com/>). The other seven retailers know about the case company through salesman. Figure 10 shows the survey data.

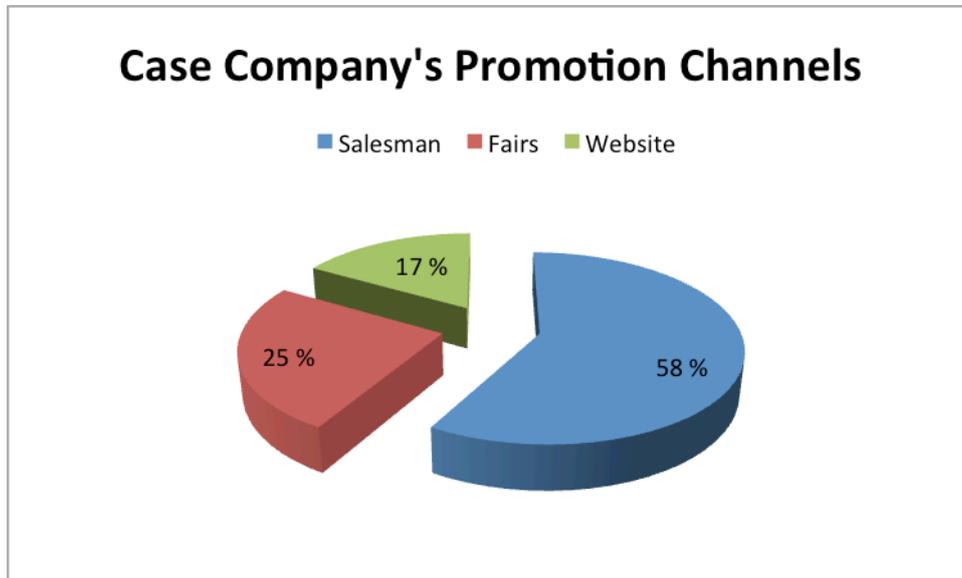


Figure 10 Case company's promotion channels

The survey data (see Figure 9) shows that advertising and catalogues were the main promotion channels for competitors. On the other hand, the survey data (see Figure 10) shows that the case company's main promotion tools were salesman and fairs. Therefore, the case company has needs to develop its own advertising and catalogues.

2.4.3.2 Advertising

The first element of promotion is advertising. Advertising helps a company to relay their message or information to the customers through a form of media. (Kotler 2003, 563.)

Advertising strategy

When a company makes informational decisions, they need think about buyer's habits, language, international market segments, economics, agency relations, media developments, regional or global product introductions, government regulations and industrial goods. After deciding on their message, the company should select the form of media. At first, they must know about their target market and choose the right media outlet for their product. Several factors should be considered when the company chooses the form of media. These include the target audience, media availability, media coverage, media effectiveness and media costs. (Royne 2002.)

In this case, Nordic Interflow can choose some local advertising newspaper, such as PK in the Kymenlaakso area. PK is a local newspaper which comes out once week on Wednesdays in 47.600 copies and their distribution area is the province of Northern Kymenlaakso. Ankkuri comes out on Wednesdays and Saturdays in 46.400 copies in the province of Southern Kymenlaakso. Therefore, the total distribution figure on Wednesdays is 94.000 copies. Case company should choose this offer (Width 82 mm, Height 90 mm). Total cost is 390 euro + alv 22%= 475.8 euro. This price includes both PK and Ankkuri. (Purho 2010.)

Flysheet is another advertising tool to the case company. Kymiprint OY will help them print these flysheets, and they cost 0.15 euro per every one (Normal flysheets with colour). (Kymiprint 2010.)

These kinds of newspapers are cheaper than TV advertising. The case company should promote using clear pictures of their products also clearly illustrating the price and function. Some important information should be included in the advertising, such as weight, life expectancy, discounts, and the company's contact information and logo.

The case products aren't sold under a famous brand name, and their target group is not extensive. The target customers are females over 56 years old (see Figure 4 & Figure 5). Most of these people will spend lots of free time reading some free newspapers and discussing or exchanging their information with their friends. Therefore, the local advertising newspaper has more value as an outlet than TV advertising. The local newspaper has the right target audience, local media coverage and lower costs. Finally, the case company selects a local agency for the products, because a local domestic agency has the best knowledge of the local culture and he can help the company make some modifications tailored to the local environment. The case company doesn't want to sell the products by themselves, because this is a very expensive solution. They just prefer do B to B business.

2.4.3.3 Sales promotion

Sales promotions are done within the company itself by lowering prices or creating deals, ie. "buy two for the price of one". They are not involved in advertising or personal selling. Their length is short or medium, and their goal is to reduce customer's awareness and to stimulate sales. Price reduction, and adding value or provision of information will be used in a sales promotion, such as leaflets and free trials. (Kotler 2003, 564.)

There are two strategies in sales promotion. Push strategy is persuading retailers to give shelf space to products and let them to sell in their shops. Pull strategy is to stimulate the demand for the products and attract customers to buy the products. (Jobber 2004, 601.)

The case company's sales promotion

The case company will use both push strategy and pull strategy to promote their products' sales. The case company needs to push retailers products for them in hopes of successfully selling the product. The case company should aim to decrease the retailers' worry. Therefore, the case company makes buy-back guarantees. They won't take retailers money until the retailers sell their products. And if the retailers give the case products a selling space, the case company will give them free advertising for case products in the local newspaper. The case company should try to boost the retailer's confidence when starting out.

For the customer at the end of the marketing chain, the case company uses the pull strategy to reduce their awareness about the case products. In its advertising, the case company will tell the customers that there is a special offer for the case products during a three day trial program. For example, the special offer price will be 1299 euro when the normal price is 1399 euro. The customers will get a free trial chance, and every partner will get a free gift, such as a torch and an overhead light.

2.4.3.4 Public relationship

The aim of public relations is to build a perfect company image in people's mind and establish right media treatment. A company wants to earn public respect in order to get good sales. (Kotler 2003, 564.)

The objectives of PR

The objectives of public relations is to increase the public awareness of a company, to reduce a company's negative influences, to increase the sales of its products, to build and promote the brand image in new markets, and to widen a company's influence on target group. The final objective is to achieve a high profile. (Jobber&Fahy 2006, 241.)

The case company's method used for PR

The case company will design a new style of electric bike for handicapped or physically impaired people to help them get around. The case company can ask the newspaper (Pohjois-Kymenlaakso or Ankkurin jakelulevikki) to write some things for them in their newspaper. These media outlets can help the case company introduce this new product and its features to target customers.

Figure 11 shows us the special design for handicapped people.



Figure 11 special design for handicapped people (Flying Pigeon 2010)

2.4.3.5 Personal selling

Personal selling is one of the major marketing communication tools that will be used together with advertising. It features face-to-face contact between the buyer and seller. The seller will be able to find out the specific needs or problems the buyer may have, and use personalized marketing skills to persuade the buyer. Different sellers have different abilities, so training and motivation is necessary in order to put this kind of marketing technique into practice. (Kotler 2003, 564.)

The case company's personal selling method

As seen in Figure 10, personal selling is one of the most important channels for the case company to find the retailers. They already employ a salesman who has expertise in selling bicycles. This salesman has helped lots of Finnish manufacturers to sell their products to retailers. Therefore, he already knows the majority of bicycle retailers in southern Finland. The case company gives him the introduction materials, in order to let him get to know this new product

well in order properly relay the information to customers. This salesman already has long-term good relationships with these retailers, which makes persuading them when it comes to new business endeavors easy.

2.4.3.6 Direct marketing

Telephone calls or personal visits will be used for direct marketing to find a direct response from a present or prospective customer. Direct marketing is a direct method to get the customers and the manufacturers to find out the customers' needs directly. (Onkvist & Shaw 1993.)

As seen in figure 9 and figure 10, direct marketing is one of the most important tools for the competitors' promotion, but the case company lacks skills in it. Direct marketing will become one of the most important promotional tools for the case company. The case company's main business idea is B to B. They can find some potential retailers from the internet and business information lists. Then they should send them an email to introduce their product and book an interview time with them. The case company can then show the retailers the perfect presentation tailored to them, and prepare some business gifts also tailored to them.

Direct mail

Direct mail is material sent through the mail to the potential customer's home or business address. The purpose of it is to promote a product or keep up a business relationship with present customers. Two major sources are mailing lists and house lists. (Kotler 2003, 622.)

The case company will keep all of their customers' information after the sale and keep in touch with them. They will then send emails to them to ask if they have some problems or need more products.

Catalogues

Catalogue marketing is the sale of products through catalogues distributed to agents and customers. Catalogues are always distributed by mail. (Kotler 2003, 626-627.)

According to ten questionnaires and two interviews with the present retailers of Nordic Interflow Oy in the time period ranging from the 3rd of March to the 15th of March, the retailers from Helsinki, Tampere, Vammalla, Lyly and Kouvola thought catalogues were a useful promotion tool, because many customers took catalogues from their shops. Many customers didn't buy the electric bike for the first time, but they will think it at home. If the case company has comprehensive catalogues, it will for customers reach a final decision easier, hopefully in favor of purchasing the E-bike. The case company will send catalogues to their retailers every season. They will introduce the new products and new sales promotion to the retailers.

2.4.4 Place and distribution

Distribution is defined as the transfer of goods from the producer to the customer. This is the whole process of warehousing, transportation, storage depots, advertising and sales promotion. Place and distribution involves some organizations such as wholesalers and retailers. They sell the products to the customer at the end of the sales chain. (Jefkins 1993, 131.)

2.4.4.1 Channels of distribution

There are four channels of distribution. The first channel is the direct one. Manufacturers sell their product to the end-user directly. Secondly, manufacturers send direct mail to find the end-user and sell their product. Thirdly, manufacturers sell their goods to retailers, or sell them in their own

retail shops, and use these places to distribute their products. Finally, wholesalers will buy the products from the manufacturers and sell them to the retailers. (Jefkins 1993, 131.)

The case company's channels of distribution

As the case company is not the manufacturer, the present distribution channel for them is the last one. The case company buys the products from the manufacturer and sells them to the retailers. The case company plays a wholesaler role in the business.

Their business idea is B to B. They don't want to sell the bikes to the end-customers directly because of language problems and a lack of trust from customers. It would be very difficult to introduce a new product to Finnish customers without the use of the Finnish language.

One more problem comes from huge investments. If the case company opens lots of retail shops, they will invest huge assets in them. This idea comes from their failing experience in the China centre in Kouvola. One year ago, the case company had their own shop there, but the result was not good.

2.4.4.2 Place

Place is a display position. The place should be the most efficient geographically in order to sell the product(s) to the consumer or user. (Buckin 1996, 1.)

Local bicycle shops

At present, these shops are the case company's main customers. The

salesman will help the case company connect with these shops. The case company should ask for a good spot in these retailer's shops near the door or beside the show windows where the product would catch the customer's eye. The case company already has done business with the retailers in twelve cities in southern Finland. Their shops are located in Helsinki, Kotka, Kuopio, Tampere, Vammalla, Savolinn, Lyly, Hämeenlinna, Sysma, Kouvola, Kuusankoski and Lahti. These shops know the customers' needs well and through this the case company will be able to improve the products or services in order to satisfy the customers.

Fairs

According to ten questionnaires and two interviews with the present retailers of Nordic Interflow OY conducted between the 3rd of March and the 15th of March. The retailers from Helsinki, Hämeenlinna, and Lahti found out about the case company through Fairs (see Figure 10). Therefore, fairs and expos are presently another distribution channel for the case company. The case company joined two fairs about electric bikes and caravans in Lahti and Helsinki.

The first fair is the Lahden Caravan fair, held from the 17th of September to the 19th of September every year. This fair takes place in the Lahden Hall in Lahti by Lahden Messut Oy. Its main items on display are caravans and electric bike. The price of a display position is 76 euro per every square metre. (Lahdan Caravan 2010.)

The second fair is the Fillari fair in Helsinki, which takes place from the 5th of March to the 7th of March every year. Its main items on display are all different kinds of bikes. The price of display position is 86 euro per square metre. (Fillari 2010.)

There is a good chance for the case company to introduce their products to the end-customers and increase their awareness. The case company can prepare some small gifts for the customer who want to test their E-bike, such as torches, key rings, etc. The case company should try to let the end-customer test the E-bike as well. Letting the customers know these new products' functions and their information should be the main focus, in order to attract sales. After a customer completes a test-drive, the case company should have the customers fill out some questionnaires for the and document their contact information. It will help the case company sell the products to the interested customers after the fair. The case company can also sell some accessory products such as headlights, headpieces and knee caps in the fair.

2.5 Summary of the plan

Some plans are designed for the case company for this coming summer. At first, they need keep in touch with their present customers to try to gain more sales from them during the summertime. Then they will hold presentations for the end-customers in these retailers' shops. Before these presentations are held, some advertising will be necessary. They should advertise with fliers in Helsinki. Kymiprint OY will help them print these fliers, and they cost 0.15 euro per every one (Normal fliers with colour) (Kymiprint OY 2010). The case company will do the advertising in the Ankkurin jakelulevikki Kotka and in the PK Kouvola. The total cost of this advertising is 475.8 euro (include alv) and the size of this advertising is (Width 82 mm, Height 90 mm) (Purho 2010). In the time period between the 17th of September and the 19th of September, Nordic Interflow will join the fair Lahden Caravan in Lahti. The price of display position is 76 euro per every square metre (Lahdan Caravan 2010). Next year, between the 5th of March and the 7th of March, the case company will join the fair Fukkari in Helsinki. The price of a display position is 86 euro per every square metre (Fillari 2010). Table 5 shows the summary of the plan for this summer.

Table 5 Summary of plan

Period	Plan	Cost
15.4.2010	Send emails to present customers and find out new interest points from them.	0
20.4.2010	Interview the present customers (retailers) and sell more products to them	400 Euro (Petrol cost)
15.5.2010	Advertising with fliers in Helsinki	0.15*1000=150 Euro (Kymiprint 2010)
20.5.2010	Show in Helsinki (Local bicycle shop)	40 Euro (Petrol cost)
25.5.2010	Show in Lahti (Local bicycle shop)	20 Euro (Petrol cost)
1.6.2010	Advertising in the Newspaper in Kotka (Ankkurin jakelulevikki); Advertising in the local Newspaper in Kouvola (Pohjois-Kymenlaakso)	475.8 Euro (Purho 2010)
5.6.2010	Show in Kotka (Local bicycle shop)	20 Euro (Petrol cost)
10.6.2010	Show in Savonlinna (Local bicycle shop)	50 Euro (Petrol cost)
15.6.2010	Show in Tampere (Local bicycle shop)	60 Euro (Petrol cost)
20.6.2010	Show in Kuusankoski (Local bicycle shop)	10 Euro (Petrol cost)
17.9.2010 To 19.9.2010	Join the Fair Caravan in Lahti Caravan, Electric bike, Electric car	76*6 = 456 Euro (Caravan 2010)
5.3.2011 To 7.3.2011	Join the Fair Fillari All kinds of bikes	86*6 = 516 Euro (Fillari 2010)
	TOTAL COST	Euro 2197.8 Euro

3. CONCLUSION

The case company should pay lots for investments for making the above improvements. They have done business in Finland, so they need to pay attention not only to their marketing skills, but also to the international marketing rules. The case company needs to understand the Finnish culture and economic climate, as well as understand and cater to the Finnish customer base.

Finland is not an uncompetitive market, although they have less foreign competitors. Their local companies are very strong and already occupying the majority of the market and holding most of the most marketing shares. If the case company wants to share the market with them, they will have to put extra effort forward.

It will be a challenge for the case company in the future to develop their new Chinese products in Finland, but it will be a long-time investment well worth the while.

This is a long-term marketing plan, and this thesis's research is especially meant for B to B. The interviews and questionnaires were only given to the retailers. In the future, the end-customer should be researched by the case company. After the introduction stage, the case company should think about different marketing strategies for the case product because of the different product life-cycle. Also, the case company could try to form cooperation with Finnish companies. The case company can outsource the fittings and hardware for Finnish companies. They can do some cooperation together, because this method can decrease international risk. The research of Finnish companies without efficient suppliers is unnecessary.

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Appendix 1: Questionnaire

1. Name of organization/business:

2. Which city are you in:

3. How did you find out about INTERFLOW?
 - a) From a Salesman b) From a Fair c) From a Website
 - d) From Direct Mail e) From Catalogues f) From Advertising

4. How did you find out about any other brands in your shop? (multinomial choice)
 - a) From a Salesman b) From a Fair c) From a Website
 - d) From Direct Mail e) From Catalogues f) From Advertising

5. How many electric bike brands are there in your shop? Which are they?

6. Which brand has the highest sales in your shop? How many? (every year)

7. Who are the main-end customers for electric bikes?
 - a) 11-25 years old b) 26-40 years old c) 41-55 years old
 - d) over 56 years old

8. The main-end customers' gender?
 - a) Male b) Female

9. The main-end customers' location?
 - a) City population b) Rural population

10. Why did customers buy electric bikes? What were their personal needs and opinions? When do they buy electric bikes?

11. What are the customer usual questions about electric bikes? (multinomial choice)

- a) Price
- b) Producing area
- c) Quality
- d) Usage time from one charge
- e) Style and colour (which style or colour do they like? Please specify)
- f) Repair/customer service

12. What are the biggest problems with our products? (multinomial choice)

- a) Price
- b) Producing area
- c) Quality
- d) Usage time from one charge
- e) Style and colour
- f) Repair/customer service

13. Are you satisfied with our price (compare with our competitors)? If not, what price would you be satisfied with?

14. What kinds of promotion tools do you use and prefer?

15. What are our products' strengths?

Appendix 2: Case company's mail design

NORDIC INTERFLOW OY

Jan 30, 2010

Mr XX

Sippolankatu 3 A 512

Kouvola, 45200

Dear Mr XX

How would you like to save your petrol cost every month?

Now our new product Pede Hike will help you to do that!

Pede Hike is a quick electric bike, its speed is about 25 kilos every hour. You can use it without petrol and you just need to charge its battery every 40 kilos. Of course it is easy to transport, because this bike can be folded. Moreover its weight is just 22 kilos, it is really a small body with huge function. The normal price is only 1450 euro, which is more cheap than any other same product in Finnish market!!

Call Puh. 050-452 0566 to book Pede Hike or go to <http://www.interflownordic.com> to see more information about our product, we will post them to you in 48 hours and you can pay by both cash and cards. Then you will start your new driving life, do not worry about the cost of petrol from then on.

Yours Pan Yiding

P.S. If you sign up before March 15 2010, you will get our Hike in a special price 1190 euro, so you need to do it quickly.