



Satakunta University of Applied Sciences

Eero Nikkanen

INTERNATIONAL MARKETING PLAN
CASE STUDY: GMH MACHINES AND TOOLS PVT. LTD.

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KANSAINVÄLINEN MARKKINOINTISUUNNITELMA

Nikkanen Eero

Satakunnan ammattikorkeakoulu, Liiketalous Rauma

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Tämän opinnäytetyön aiheena oli laatia markkinointisuunnitelma. Opinnäytetyö tehtiin intialaiselle GMH Machines and Tools Pvt. Ltd:lle, joka valmistaa koneistettuja komponentteja teollisuuden eri aloille. Asiakasyrityksen tavoitteena on laajentaa markkina-alueitaan Ranskaan ja muuhun Eurooppaan, joten tässä tutkimuksessa keskityttiin kansainväliseen markkinointisuunnitelmaan Ranskan koneistusmarkkinoille, analysoiden kohdemaan liiketoimintaympäristöä, markkinoita ja organisaatioiden ostokäyttäytymistä kohdeyrityksen näkökulmasta.

Tutkimusmenetelmäksi valittiin kvalitatiivinen metodi. Empiirinen tieto kerättiin sähköposti- ja vapaamuotoisilla haastatteluilla sekä markkina-analyysejä varten useista eri lähteistä ammatillisilta Internet-sivuilta sekä artikkeleista alan lehdistä. Tutkimuksesta saatu tieto tukee teoreettista pohjaa ja on linkitetty jokaiseen kappaleeseen kohdeyrityksen näkökulmasta.

Vaikka etenkin markkina-analyysejä varten oli haastavaa löytää oleellista ja tuoretta tietoa, olivat tutkimustulokset kaikilta osin hyviä ja tutkija pystyi tekemään markkinointisuunnitelman kohdeyrityksen tarkoituksiin. Tutkimustulosten perusteella Ranskan koneistusmarkkinat tarjoavat suuren mahdollisuuden kohdeyritykselle, etenkin sen laajimmilla segmenteillä: auto- ja energiasektoreilla. Toisaalta, kilpailu näillä segmenteillä on erittäin kovaa ja voidaankin arvioida, että alihankkijaksi pääseminen näille sektoreille on erittäin vaikeaa etenkin ulkomaalaiselle tuntemattomalle yritykselle.

Tämä opinnäytetyö toimii perustana myös Trigon Technology Oy:lle, joka toteuttaa suurimman osan asiakasyrityksen Euroopan markkinoinnista.

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The purpose of this thesis was to compose a marketing plan. The thesis was made for an Indian company, GMH Machining and Tools Pvt. Ltd which manufactures machined components for various industrial sectors. Case company's objective is to expand their market area to France and other European countries. Hence, the main focuses of this thesis were to compose an international marketing plan for French high precision machining markets by analyzing the business environment, markets and organizational buying behaviour from case company's point-of-view.

A qualitative method was chosen for the empirical study. The data was collected by e-mail and unstructured interviews and for market analysis by various sources from professional web-sites and articles from trade magazines. The research results support the theoretical base and are linked in every chapter from case company's point-of-view.

Although it was challenging to find relevant and up-to-date information especially for the market analysis, the researcher was able to compose the marketing plan for case company's purposes. Based on the research results, the French high precision machining markets provide a great opportunity for the case company, especially in its largest segments: automotive and energy sectors. In the other hand, the level of competition is very high and it can be estimated that becoming a supplier for these sectors is difficult particularly for an unknown foreign company.

This thesis functions as foundation also for Trigon Technology Oy which executes most of the case company's marketing in Europe.

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1 INTRODUCTION

The trend to relocate or outsource machining services is increasing widely among several industrial sectors in European based companies. Tough competition level, increasing raw-material prices and cost pressure force European companies to find alternative solutions in their supply chains. Consequently, lower production costs are sought from Asian countries; China and India particularly but also Eastern European countries, such as Ukraine.

This trend may open a wide range of possibilities for third country suppliers if they are able to fulfill the quality requirements, arrange an adequate distribution and importantly, succeed in marketing. The idea of this thesis was initiated by the Indian case company; GMH Machines and Tools Private Limited which aims to expand its market area to France and other European countries. Hence, this thesis provides complete background information of the French target market and eventually formulates an international marketing plan for the Indian case company, GMH Machines and Tools Private Limited.

In order to formulate a functioning marketing and marketing communication plan, the company must understand the business environment, the market and organizational buying behaviour. These aspects generate the theoretical background of this thesis but also support the marketing plan.

1.1 Purpose of the study and research objectives

The main purpose of this study is to compose an international marketing plan for GMH Machines and tools Pvt. Ltd. (will be referred further by GMH) for French high precision machining markets.

The main objective of the study is to offer an adequate tool to facilitate GMH's market entry in French machining markets. This means providing a useful and beneficial international marketing plan for the company's purposes. In practice, this involves analyzing company's micro- and macro environment, formulating a sufficient target market analysis, and analyzing business-to-business buying behaviour from case company's point-of-view as well as generating a marketing strategy along with marketing communication plan. The emphasis of this study is more on marketing communication rather than traditional factors of marketing; price, place and product.

The conceptual framework on page nine assists to describe the content of the study and its objectives. It also demonstrates the theoretical background of the subject but also analyses the defined empirical outputs and those emphasized in the case.

Content of the study

The chapters three and four consist of international business environment analysis and target market analysis, investigating first the theoretical background of the subject but also analyzing the information from case company's point-of-view. Chapter four explain the factors behind micro- and macro economy and aims to provide a comprehensive outlook of case company's target markets and those segments. The fifth chapter investigates business-to-business buying behaviour. This chapter aims to clarify the theory behind the subject and further more adapt as well as recognize the theory in practice for the case company's situation. The main and most important part of study will be the sixth chapter, providing an international marketing plan for GMH. It will both investigate the subject theoretically and apply the theory to the case, functioning as separate handbook for the entire marketing process including separate chapters for marketing communication and customer contact plan. In the marketing plan, as most of the traditional factors of marketing mix, price, place and people, are more or less already fixed, the concentration will be more on target mar-

ket segmentation, marketing strategy and communication process with the customers. The plan should contain useful information for GMH and facilitate its market entry to foreign country.

Most of the marketing activities in European markets are managed by an external company, Trigon Technology Oy, in which the researcher is involved. Trigon Technology Oy is introduced in more detailed in chapter 1.4. Actually involving to the company offers an excellent opportunity to plan, execute, control and evaluate the marketing activities of GMH in European markets and provides a wider perspective also for the whole study.

A study about case company's export operations to Germany has been done by Karoliina Pitko as her Bachelor's Thesis at Satakunta University of Applied Sciences in 2008. That study analyses export- and trade operations; providing a complete handbook for GMH regarding its export activities to Germany but also other EU countries.

1.2 GMH Machines and Tools Pvt. Ltd.

GMH Machines and Tools Pvt. Ltd has been registered during the year 2006 by the founder-director who wanted utilize his rich expertise in field of manufacturing, metallurgy, quality control and audit functions gathered over a period of 20 years of work experience with various multinational organizations. This has resulted in the emergence of the new company with machining units supporting production of high precision components of machinery pertaining to various industries, like energy -, automotive -, oil exploration, oil refining and heavy machining: The company's core business will consist of high precision machining activities for various fields of industries. The company will process the components in its factory in Coimbatore, India and transport them utilizing a forwarding agency to the customers in India and Europe. The company has already defined its market entry strategy and recognized automotive- and energy industries as its major target customer segments in Europe. GMH's vision is to provide comprehensive machining services at an optimum cost, lead time and assured quality. This means a set of value adding services through an efficient supply chain. The company aspires to render consistent world class value

added services, to meet emerging needs of high precision machining requirements with minimal defects and delays. A more detailed explanation of company's business concept is in chapter 3.1.1 (GMH 2008)

1.3 Trigon Technology Oy

Trigon Technology Oy is recently founded Finnish company located in Pori, Finland. Avantika Products is the auxiliary trade mark of Trigon Technology for marketing high quality machined components for several industrial sectors. The company's CEO is one of the case company's shareholders and the author of this thesis works as a sales assistant in the company, so the link between these two companies is visible. Trigon Technology Oy will execute most marketing activities of GMH Machines and Tools Pvt. Ltd. concerning European markets. In practice, the company arranges the sending of marketing letters and follow-up phone calls. This naturally includes all steps in the direct marketing process, which is explained more detailed in chapter 6.5.2. The company might also support the case company in further selling process as well as in further market research and supportive introductory communication, like participating to trade fairs or designing further marketing. (Interview 3)

2 RESEARCH METHODOLOGY

2.1 Conceptual framework

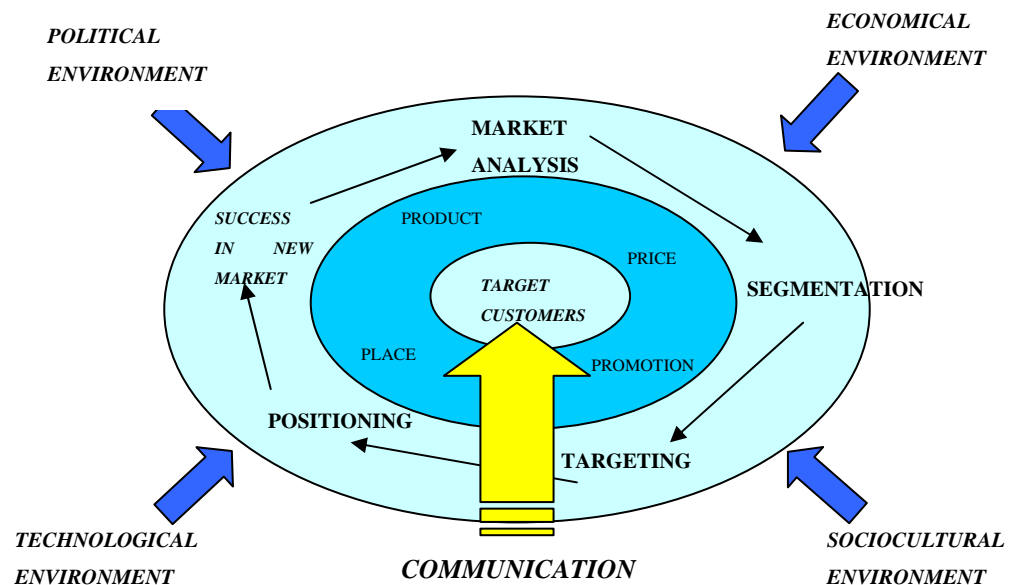


Figure 1. Conceptual framework (Kotler, 2002, modified by author 2008)

The purpose of the conceptual framework is to clarify the content of the research. It demonstrates the theoretical background of the research but also underlines the emphasized perspectives from the case company's point-of-view. In this study, communication with the customers and market analysis will be more discussed than traditional factors of marketing; price, product and place. The marketing communication is illustrated with an arrow from the business environment to the target customers. The emphasis of marketing communication is realized with a sample marketing letter and a customer contact plan in chapter six. The lighter parts of the framework (the traditional factors of marketing) are discussed only briefly in this study, since they are already rather fixed in the case company's situation.

2.2 Qualitative research and case study

Unlike quantitative research, qualitative research studies normally fairly small number of samples or situations and preserve the individuality of each of these in analysis. Thus, qualitative research is most suitable for studies in which the purpose is to understand the meaning, for participants in the study, of the events, situations and actions they are involved with. The ultimate goal of qualitative research is to understand the research cases from their point-of-views. Case study should always contain a specific case. Even though the concept of case study is very wide, there is one common goal for all studies: Aim to produce intensive and detailed information about the research object. Therefore, case study is a detailed investigation aimed for specific purpose that focuses on characteristics and complexity of the single case. (Eskola & Suoranta, 1999, 65-66) In this study, I will investigate the execution of marketing activities for a company in foreign market. As the investigation will be very accurate and detailed, conducted specifically for company's purposes, case study is the optimal research method.

Unstructured interviews are the most open-ended approaches of interviewing. They are in depth interviews without any set format, but in which the interviewer may have some key questions or issues formulated in advance. The advantages of unstructured interview are its flexibility, spontaneity, and responsiveness to situational changes and individual differences. Though, as without an accurate plan, it might take a long time to interview and analyzing the data (Patton, 2002, 342-343). In the research, all face-to-face interviews are carried out in the method of unstructured interview.

The interviews for this thesis were carried out personally face-to-face, utilizing unstructured interviewing method. This method ensured that the researcher understood the whole situation and was able to pose more detail questions if necessary as well it gave the interviewee a possibility share his expertise freely concerning the issues interviewed. Generally, I believe I chose the right methods of interviewing since there were several issues to be discussed and the topics were very technical so the expertise of interviewees was utilized at its best. Based on the interviews and my personal

analysis, I was able to conduct the marketing plan of GMH Machines and Tools Pvt. Ltd. for Trigon Technology Oy to execute it.

2.3 Reliability and validity

The reliability and validity of the research must be evaluated in order to ensure the proficiency of the study. Reliability, or often linked also to repeatability, refers to the confirmation that the procedures of the research may be repeated and similar findings gathered. Validity means the ability to measure relevant issues that were originally intended in the research plan. As this study is a qualitative research, its reliability can be increased by describing accurately the research process in all its phases. The research process and data gathering are introduced in the chapter 2.4 (Hirsjärvi & all. 2002, 213-214)

Reliability in this research was ensured by investigating the markets systematically. The same information was gathered and ensured from several sources. The sources were selected critically and the information was always up-to-date. Validity was achieved by carefully analyzing the determinant factors of market which to investigate in order to provide valid market information. The determinant factors were selected from wide-ranging desktop research, but also interviews with case company's CEO in order to utilize his expertise of the industry. Concerning the marketing plan, validity was achieved by close co-operation with the case company and Trigon Technology Oy. This enabled the parties to share common objectives and understand properly the plan and eventually formulate an adequate marketing strategy. The research results are useful for the case company in terms of market knowledge and marketing strategy. The plan will also be utilized by Trigon Technology Oy which executes most of the marketing activity of the case company concerning European markets.

2.4 Data gathering and analysis

The data for this study was gathered from various sources. The theoretical information was collected from the books of several well-known authors of international

business and marketing. I utilized also articles from professional magazines as well as several professional web-sites of the industry to guarantee the diversity and freshness of the data. The sources were selected critically and I always attempted to select sources that investigate the theories from business-to-business –point of view.

The background information for the case company's internal analysis was collected from an e-mail interview (appendix 1) alongside with company brochures and website. The interview yielded information about the company's business concept, processes, objectives, competences, resources, equipment and case company's expertise concerning this industry. I received advantageous answers from the interviewees so I consider the interview as successful as I was able to analyze the data in chapter three. The expertise of the CEO of GMH, alongside with several industrial portals helped me also to analyze organizational buying behaviour from case company's point-of-view.

The data for the market analysis was gathered from various sources. I used several on-line company databases, directories, trade unions sites and numerous governmental sites of the industry and articles provided by them. Still, it was relatively difficult to recognize and find relevant information to formulate a clear comprehension of the markets because of the size and complexity of these enormous markets. However, especially Kompass business-to-business database and few French professional portals provided an excellent source for the analysis. These sites and their databases will also function as important tools for case company's further marketing operations. I utilized also few French subcontracting portals to formulate more comprehensive and reliable outlook of the markets. I conducted also e-mail interviews (appendix 10) with the UCCFF (Union des Chambre de Commerce Franco-Finlandaise) and FinPro about market diagnostics and several statistical issues.

For the marketing plan, I conducted two interviews with the CEO of the case company and one with representatives of Trigon Technology Oy to formulate the marketing- and communication strategy and to design the marketing letter. These interviews were conducted as unstructured interviews and took place on 12.2, 16.3 and 22.3.2008 at Trigon Technology's facilities in Pori. The interviewer had a notetaker with him to ensure maximum accuracy of notes but also ability to follow the inter-

view. The interviews were not recorded because it might have cause challenges for interpretation, as they were conducted in English. The researcher also estimates that the accuracy of notes were better by this way using written form than recording them on a tape.

3 INTERNATIONAL BUSINESS ENVIRONMENT ANALYSIS

3.1 Analysis of micro environment

A company's business environment consists of internal and external forces, also called as micro- and macro environment. The micro environment refers to the forces close to the company, affecting on its visual performance to customers; the company and its organization, suppliers, competitors, publics and all other stakeholders. It is essential to recognize the changes in micro environment before beginning the marketing process. In fact, environmental analysis should be continuous and feed all aspects of planning. In the following chapter, I will investigate the case company and its characteristics as well as suppliers, sub-contractors and other stakeholders, attempting to analyze case company's ability to start international operations. Other micro environmental factors, such as customers and competitors, are analyzed more specifically in chapter four. (Kotler 2002, 146)

3.1.1 Company

A foreign market penetration does not effect only on company's marketing- and export departments, but also other departments or functions depending on the operation's extensity. There must be arrangements in the personnel, financing, manufacturing and logistics. Distances grow and information flow becomes more complex as there are foreign languages and cultures involved. According to Pirnes (2000, 96), there are few points a company should investigate before internationalization:

Business concept's vitality

Company's business concept must be competent and stable in long term inspection before the company should consider internationalization. The business concept of GMH is to provide comprehensive precision machining solutions for its customers. In practice this means along with precision machining services, through a supply chain also material supplying, supplier casting and forging, classification certified quality heat treatment plants, mechanical testing laboratory facility meeting EN17025 and non-destructive testing performed by ASNT/EN473 certified inspectors (Pirnes 2002, 96; GMH 2008)

Although the competition in the industry is relatively intense, a preliminary market study undertaken by the case company has shown that there is still a significant gap between supply and demand in Indian precision machining markets. Consequently, the case company is currently marketing actively in order to reach a competitive position in domestic market; success in domestic markets naturally facilitates success in foreign markets and works as an evidence of lucrativeness for the European markets as well. GMH started its business operations in domestic markets in early 2008. As a result of marketing activities, the case company has pre-sold a potential, large order for the one existing machine. This order is estimated to support the factory for 1-2 years. Further more; GMH has pre-sold already 30-40% of production of the two upcoming machines. The company plans to reach 100% production efficacy in year 2010. This will naturally cause challenges in cost management, but if mentioned orders are carried out profitably there should be no financial problems. The company has identified its target segments and has a strong believe European market's potentiality. The markets, customers and competitors will be analysed further in chapter four. (Interview 3, CEO of Trigon Technology Oy, 16.3.2008)

Financial resources

Some entrepreneurs might assume that foreign market entry is the answer to financial problems or low cash flow. This is naturally not true, as exporting requires healthy economy: A company should possess good operating margin, solvency and liquidity. When the exporting begins, there will be various expenses like hiring additional personnel, market research or hiring a sales agent. It must also be remembered that revenues from sales will be received in a delay of few months. (Pirnes 2002, 96)

GMH has invested heavily on its launch. The recently built factory, other facilities, machines, employees and other costs have demanded investments of over 1 million euros. The investment costs have been financed by a bank loan and independent investors. Though the company has evaluated a commercial sketch to forecast the rates for work and machine hourly prices, direct costs related to foreign market entry cannot be estimated yet. Still, there will most likely be commission of a sales agent, transport fees of raw-material, maybe rent of a warehouse and other costs. (Interview 1, Managing director of GMH, 17.12.2007; GMH 2006)

Personnel and organization

Even though a company had not international experience, some of the personnel might have it from their earlier employments. It is vital to recognize the people who are capable and willing to work in an international environment. Such capabilities are for example capability to adapt to foreign environment, social skills and communication skills in foreign language. Ability to manage with stress is also more appreciated when working in a foreign environment. The directors should be motivated and committed to the foreign market entry in order to gain successful outcome. (Pirnes 2002, 96) At the moment the case company employs 28 people. The management committee will be a team of three people: General Manager, Technical Manager and Commercial Officer. Managerial positions are filled with people with rich expertise in fields of international machining industry. Technical team will comprise of programmer/setter and an assistant programmer/setter and each machining unit is to be run in three shifts of three people. There will also be a trainee for each machine to guarantee the continuance of competent work force. Continuous training programme is important in this industry because there is a lack of competent machinist in the labour market. The company employs also an office clerk and an office assistant who will co-ordinate with the management to progress the commercial activities. Security services will be outsourced. (Interview 1; GMH 2006)

Production- and delivery capacity

The company must ensure its capability to produce all the orders for domestic and foreign markets. Delivery failures might lead dissatisfaction and ultimately to loss of customers. (Sutinen, 1996, 62) GMH's business concept is to offer comprehensive solutions for its customers. This means the process from acquiring the raw material

to delivery of finished component alongside with extensive solutions through supply chain. However, according to the Managing Director of GMH, it is likely that the company will not be able to produce all components, or parts of them, itself. Instead, GMH has to find and employ a good subcontractor. Besides, an already recognized problem is the procurement of raw-material. There are not many steel providers in India that qualify the European standards and certifications (ISO-9001 and TS certification) at competitive price. It is very important for the case company to find a reliable, affordable and qualified raw material supplier either in Europe or India to guarantee the success of production process. (Interview 1)

The company has built a factory for production, as well as other facilities in Coimbatore, India. GMH will acquire three major machining units: A horizontal machining centre (Nexus 5000), a vertical machining centre (Nexus 510C) and a turning centre Nexus 150 E). These machines can perform critical and precise machining operations in minimum settings, shortened duration and high precision, compared to conventional or localized machines. In addition, the company has also conventional heavy duty machines; horizontal lathe, drilling machine and a vertical milling machine. The availability of competent machines and skilled workmanship is an important issue in this industry, especially in India where the supply and demand of workload and skilled workmanship do not meet. The production processes are managed by a team of six sigma trained quality conscious personnel, with rich expertise in processes, ensuring in meeting the requirements of international standards. (GMH 2006; GMH 2008)

3.1.2 Customers and competitors

According to Kotler, there are several different types of customer markets: consumer-, reseller-, institutional-, government- and business to business -markets. GMH will operate in business to business –markets. Business markets' customers buy goods or services for further processing or for use in their production process. Although the case company has identified its key customers in the target country from business to business –sector, there is naturally a slight possibility to deal in future also with government-, institutional- and reseller markets. (Kotler 2002. 149;

Sutinen 1996, 62) The customers and the market segmentation will be analyzed further in chapter four.

One principle in marketing states that in order to be successful, a company must be able to offer greater customer value and satisfaction than its competitors do. Companies must not only adapt to the needs of target customers but also gain strategic advantage by positioning their offerings strongly against competitors' products. In order to achieve this, companies must be aware and familiar with their competitors' marketing activities and outlines of their strategy. (Kotler 2002, 149; Sutinen 1996, 62) Chapter four will contain a comprehensive competition analysis and case company's positioning strategy will be discussed in chapter six.

3.1.3 Suppliers, sub-contractors and other stakeholders

Suppliers are an essential part in the company's value chain. Supplier management is especially important as it affects on company's own performance. Delays, shortages, labour strikes and other events may harm sales in the short run and damage customer relations in a long run. As mentioned in chapter 3.1.1, the case company must find a reliable supplier for raw-material and a subcontractor for part of the production process. The steel supplier must fulfill the quality requirements for European import and preferably be an Indian provider to reduce the transportation costs and probably save in price as well. The subcontractor must share common values with the case company as well as it should possess similarly efficient production process to guarantee the congruence quality of machined components. According to Kompass business-business database, there are at least 50 steel providers in India. The details of these companies can be found at Kompass so the site may facilitate case company's process to find a reliable steel supplier. It is also significantly important to find and utilize a functioning freight forwarder to transport components to domestic and European markets. A further study has been made by Karoliina Pitko about the exporting process, including the selection of freight forwarder, route optimization, packaging and cargo details, documentation and custom procedures. (Kotler, 2002, 159; Vitale, 2002, 40-42; GMH 2008; Kompass)

3.1.4 Publics

Publics refer to parties that are not direct participants in market as customers, supplier or competitor. These publics have interests because of economic or social effects of activity in the market. The publics can be divided into financial publics, media, government publics, public interest groups and internal publics. In the following chapter, I will discuss shortly the publics that have an impact on case company's foreign market entry. (Kotler, 2002, 159; Vitale 2002, 40-42)

Financial publics and shareholders

Financial publics include banks and other monetary institutions, investors, lending agencies, investment banks, stock exchanges, financial analysts and investment institutions- and funds. These parties expect for a maximum financial performance from the company they have invested in. Most medium- and large sized companies have now specialists in investor relations whose mission is to maintain good relationships with the financial community. The case company has financed its operations with a bank loan and outside investors. The interest rates are relatively high in India (14% 2008/01). GMH should naturally attempt to maintain trustful relations with the bank and its investors to guarantee successful co-operation also for the future. (Vitale, 2002, 40-42; Interview 1)

Professional Media

Independent press means media that can publish news that may enhance or weaken the image or market position of a company. It is important for companies to maintain good relationships with the media in own industry. In business-to-business –markets of high precision machining, the professional media refers mainly to trade magazines or other professional publications. There are a lot of professional magazines in France that could be interesting from case company's point-of-view. For example, L'Usine Nouvelle, Industrie Technologies, Emballages Magazine and Ouvrages Technoques. These magazines would provide a decent media for information service, advertising and advertorials. (Vitale, 2002, 40-42; Interview 1; SNDEC)

It would be worthwhile to acquire good relations with the representatives of trade magazines and other publications. This would help the company to get the articles

published and noticed. The professional magazines and their utilization for marketing purposes will be discussed more widely in the chapter six. (Interview 1)

3.2 Analysis of macro environment

A company's macro environment refers to forces that influence on company's performance in the foreign market. These forces are demographical, political, economical, cultural and technological forces. PEST -analysis provides a framework of macro environmental factors to scan the external environment, evaluating the impact of political, economical, social and technological factors in the business environment. It functions as a basic analytical tool for understanding general market growth or decline. It also analyzes how the external environment may create opportunities or threats for the organization. (Kotler 2002, 151) In the upcoming chapter, I will investigate the macro environmental factors and illustrate them to case company's situation. However, the impacts of some external factors on the case company are rather limited as GMH's core business operations will be completely based in Coimbatore, India. In addition, the case company uses indirect export as its export method utilizing a freight forwarder and an external company to execute part of the European marketing. Therefore, certain parts of the analysis may seem little irrelevant to the case and thus they are only briefly illustrated. However, the analysis concerning political- and legal factors as well as economic conditions are still analyzed rather detailed even if they do not have direct impact on the case, but they provide important general knowledge about the country and may function as a basis for potential future FDIs (Foreign Direct Investments).

3.2.1 Political and legal factors

The political and legal environment consists of laws, regulations, government agencies and -officials as well as various organisations in the given society. All businesses must be able to negotiate their way through them and understand how the regulations and laws are administrated, and more importantly, how do they affect on company's own business. (Kotler 2002, 166-167) Political factors mean government attitudes towards foreign businesses, tax policies, trade restrictions and tariffs, and

political stability. The political climate determines the level and potentiality of political risks that companies must recognize before entering foreign markets. (Wall & Rees 2004, 136) Political risks can be divided into macro- and micro political risks: Macro political risks refer to risks in a larger scale, affecting all businesses in the country, such as sudden government change, war or terrorist attack, for example. Micro political risks affect only on a specific firm or specific industry. New regulations or dramatic tax increase on the business may be considered as micro political risks. (Wall & Rees, 2004, 136; EIU 2007)

The legal system refers to the rules, laws or regulations that order behavior in specific environment. Legal systems vary through out the world, and these have a significant impact on international business. The EU and its directives have a major influence, but there are also different types of laws which can be divided into the following categories: common law; statutory law; code law; religious law and bureaucratic law. (Hill 2005, 48; Wall & Rees 2004, 136) These laws effect on international business in a variety of ways. There may be legal rules relating to the specific area or action of the business, like off-shore investments, environment regulations, corporate taxation, employee rights and financial account preparation. National laws may also affect companies' internal operations. There may be rules and regulations concerning human resource, such as company health care, minimum wage, safety policies, pensions, medical provisions and childcare facilities. In the case, as GMH is only exporting, not setting up facilities in France or employing, there are less laws affecting. The laws, regulations and documentation regarding the export process are investigated further in Karoliina Pitko's study. (Wall & Rees, 2004, 136-143)

France, being an EU-country, is an advanced parliamentary democracy and politically stable. The political power is centralized for the parliament, the president and the prime minister. The French parliament has two chambers (Assemblée Nationale and Senat). The 577 members of Assemblée Nationale are elected for five years at time. The members of the Senat are elected in every three year when a third of the members will be replaced from their 9-year assignment. (Wilkinson, 2007; Vignali, 2001)

The priority of the French government will be to implement reforms designed to bear down on France's high rate of structural unemployment. The government has already taken steps to alleviate the effect of the law on the 35-hour working week by exempting employers and employees from tax for overtime work. President Sarkozy has suggested that companies and trade unions should enjoy the freedom to negotiate working times. Another proposal aiming to improve business environment is "Small business act", which would reform Sunday-trading laws. The French Government attempts to promote foreign and domestic investments leading to domestic growth in stable fiscal environment. The objective of this policy has been to create new jobs and reducing unemployment. (EIU 2007)

There has been a tendency of strikes especially in the labour market of public transports. Consequently another important objective of the French government is to negotiate acceptable contracts and terms with trade unions in order to minimize the threat of strikes. The election of Nicolas Sarkozy as president in May 2007 should set France up for a period of relative political stability. With a large parliamentary majority Mr Sarkozy has a strong mandate for the reforms that he intends to push through. Still, the threat of strikes is present in France and it should be taken in to consideration when doing business in France. Therefore, the threat could be considered as a legitimate risk also for the case company. Even though France provides generally a supporting political business environment, the case company must not neglect all potential political risk taking place when doing business in France. Especially the threat of strikes in transport-industry is real. If strike took place, it could cause major problems in GMH's distribution chain and ultimately decrease customer satisfaction. (FinPro 2007)

3.2.2 Economical factors

The macro economy of a country is the sum of all economic activity in the country. It is reflected for example to economic growth, unemployment rate, interest rates, quality of infrastructure, and exchange rates of currency between different economies. Thus, economic conditions affect on target country's capital availability, costs, demand rates and customers' buying power as economic development usually reflect

on industrial market development as well, ultimately having a huge impact on businesses operating within it. There are few key economical variables to monitor the state of the economy in which the business is conducted: GNP (Gross National Production) and its progression, general economic growth, level of inflation, investments, unemployment rate as well as current- and trade balance are the most important ones. GMH must be aware of the changing economic environment in order to scan the markets effectively and to be able to respond for new challenges better. The economy must be evaluated in short- and long term in order to formulate an extent comprehension of its state and development trend. As the case company practices only export to France, the most important variables to observe are interest rates, level of inflation, investments made by companies and currency exchange rates. (Albaum, 1998, 64; Wall & Rees 2004, 162) Economic conditions are influenced by political- and legal factors and government policies. While economic conditions and government policies are closely related, they both influence on a number of other environmental forces that can affect organizations. These characteristics can also reflect on the investment atmosphere and business potentiality in the country. (Vitale & Giglierano, 2002, 43)

The aim of economical analysis is to forecast the future consumptions and demand, and evaluate the level of competitor activity. Even though the consumptions tends to increase normally during economic boom and decrease during recession, the challenge is to link the economic prosperity to company's demand. Organizations must understand the relationships between economical factors and demand. In the following chapter, the economic situation of France will be analyzed aiming to formulate an understanding of target country's economic environment and evaluate its lucrativeness and development for the case company. (Palmer, 1999, 37)

With a GDP of approximately \$2 trillion, France is the sixth-largest economy in the world. It has significant agricultural resources, a large industrial base, and a highly skilled work force. Service-sector accounts also an increasing share in French economy and is responsible for most of new job creation in recent years. (US Department of State, 2007) The French economy has been growing very slowly during recent years. In 2003 the growth rate was only 0,5% and in 2004 1,1%. In 2006 the growth rate was 2,1 which was the highest rate since year 2000. The growth rate is expected

to stay about 2% in years 2007 and 2008. The growth of GNP is caused by increased private consumption and growth of the global economy. Though, expensive oil price weakens the consumers' buying power and strong Euro harms export. The inflation-rate has fallen since 2006 because of the stronger currency, seeming relatively positive since several years. Annual average inflation is expected to increase to average 2% in 2008, but is expected to fall back to 1,8% in 2009. French state budgets have been deficit for many years. In the years 2004 and 2005 the situation recovered a little and in 2006 remained the same.

The European Commission has suggested France to change its economy structure, in order to meet the budget deficit. The state has had monopoly in certain industries, like electricity, railroad and telecommunications for decades. The objective for future is to reduce the state's share of ownership in public companies. Industries, that are completely dominated by state-owned companies, like EDF (electricity) and GDF (gas), are to open for private competitors during upcoming years. (FinPro 2007; EIU 2007) Figure 2 presents the structure of the GNP in 2006.

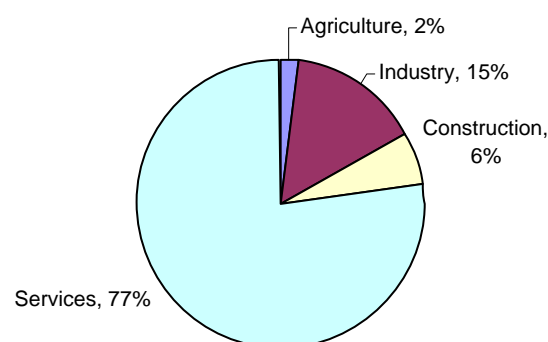


Figure 2. The structure of GNP of France in 2006. (EIU 2007)

France joined among 10 other European Union countries in adopting the Euro as its currency in January 1999. Since then, monetary policy has been set by the European

Central Bank. The French Government's economic policy aims to promote investment and domestic growth in a stable fiscal and monetary environment. The main target of this policy has been to create new jobs as well as to reduce unemployment. The unemployment rate dropped from relatively high 12% to 8,7% in late 90's. It rose to 10% during 2000's, but decreased back to 8,0% in July 2007. (US Department of State, 2007)

One of the most important objectives of French government is to ensure an attractive investment climate for foreign investors. However, the Euro's exchange rate against the US dollar could rise further as the US economy struggles to attract capital inflows needed to fund its current-account deficit. The current state of US economy also has an impact on import/export. Though, foreign investments are seen as a durable way to create jobs and stimulate the growth of economy. Foreign investors appreciate France for its skilled and productive labor force, its central location in Europe, good infrastructure and its technology oriented society. Some negative aspects are extensive government economic regulation and taxation, high social costs and a complex labor environment. (U.S. Commercial Service, 2007)

The table below represents some key economical indicators and those progressions during 2003-2008.

Table 1. Economical indicators (EIU 04/2007)

	2003	2004	2005	2006	2007*	2008 *
GNP (br. USD)	1805	2060	2127	2235	2500	2649
The growth of GNP	1,1	2,0	1,2	2,1	1,9	2,0
The growth of private consumption (change %)	1,7	1,6	1,8	1,2	1,3	1,9
Investments (change %)	2,3	2,6	3,7	4,0	3,6	2,8
The growth of industrial production (change %)	-0,4	2,0	0,2	0,8	1,0	1,8
Inflation (%)	2,2	2,3	1,9	1,9	1,4	2,0

Unemployment rate (&)	9,9	10,0	9,9	9,0	8,2	7,7
Balance of current payments (br. USD)	11,8	-6,8	-33,3	-41,7	-34,4	-35,1
Balance of current payments (% of GNP)	0,7	-0,3	-1,6	-1,9	-1,4	-1,3

(* prediction)

Even though the economy of France suffers still from slow growth rate and relatively high unemployment rate, the recent reforms and policies support the economical growth, enabling the case company to benefit France's potential markets for years. Government's positive attitude towards foreign investments and aim to reduce state's share of former monopolies also vitalize the industrial sector providing healthier markets also for the case company. Still, there are few negative aspects concerning French economy, like corporate taxation, high social costs and complex labour environment. These matters do not have though a direct impact on case company as it will only export. It is still important to recognize these matters and observe them for potential future purposes.

3.2.3 Socio-cultural factors

The socio-cultural factors influence customers' behaviors that create the markets. Culture should not be considered as an obstacle, instead, it can provide tangible benefits that can be used as competitive tools in marketing, communication or business processes. According to Albaum, material culture, language, education, aesthetics, values, attitudes, social organization, political structure and philosophy create a set of factors that influence the buying decision process. From marketing point-of-view, it is essential to remember that all foreign customers, as well individual consumers as business to business consumers, differ from the domestic ones to some extent in all aspects of buyer behaviour. In order to understand the buying behaviour of target customers', companies must understand the socio-cultural factors behind them. (Albaum, 1999, 69-71; Griffin, 2001, 84-86)

The French business culture emphasizes anthropocentrism instead of product centricism. French companies value personal relations and preferably know personally both the person and company they are doing business with. If personal relations are created successfully, French might be long lasting and loyal customers. Therefore, good, long-lasting and personal relationships are profitable especially in business to business –markets. In order to create positive contact, the case company should have a representative who speaks and understands French. Naturally, the use of English is becoming more and more usual but there are still numerous “only-French” – companies in France. In business, French tend to proceed patiently. Negotiations can take time and results should not be expected to reach rapidly, and schedules and timetables are often considered more like “recommendations” as French expect them to change anyway.

Generally, France is often considered as a challenging target country and many companies hesitate their market entry to France. Despite the cultural differences, France is better target market than its cultural reputation claims. Both business- and cultural image have developed significantly in recent years and the French government has become more explicit towards foreign investments. The market knowledge and expertise of Trigon Technology Oy will market case company’s products taking the cultural matters in account. This is realized in practice by several translations for communication purposes, French contact person and customer service. (FinPro 2007, EIU 2007/11)

3.2.4 Technological and infrastructural factors

Technological and infrastructure factors can have important effects on the decisions taken by companies. Technological change may involve totally new processes of production, delivery, marketing or transportation while lack of decent infrastructure may prevent the success of the whole business process. Business-to-business marketers must scan the technological environment for developments that may change their market. This may include changes in competitors’ products, product categories or process technology, for example. (Wall, 2004. 164; Vitale 2002. 44) The aim of technological and infrastructural analysis is to map out the potential technological-

and infrastructure factors that might have an effect on case company's operations. Especially the effect of transport network and functional telecommunication network are real and should be investigated carefully.

Transport network & Telecommunication

France benefits from a very efficient transport network. The road network is the most concentrated in the world and longest in the EU. Road transports still account 76% of total freight but combined transport is quickly increasing. The TGV train travels to main French cities and London, Cologne and Brussels as well. There are 477 airports in France from which seven are international, Charles de Gaulle in Paris being the largest one. There are over 40 major ports in France. In the case, GMH plans to utilize a freight forwarding agency to transport the components from Coimbatore, India to European port of destination. The port of Rotterdam in Netherlands functions as a base for both French and German markets providing wide-ranging services and very efficient transport network for further transport to French or German customer. The transport network of France enables the further transport to be proceeded all over the country. (Interview 4, Managing Director of GMH, 22.3.2008; World Port Source 2008) French telecommunication network can be considered competitive concerning price and technology. Over 80% of the population has a mobile phone connection and 50% an internet connection. (FinPro 2007)

4 INTERNATIONAL MARKET ANALYSIS

In this chapter, I will analyze the French high precision machining markets aiming to provide GMH with useful information for its market entry. The chapter is composed of target segment analyses, competition analysis, estimation of market development and a SWOT analysis of the market and industry in general.

4.1 Market analysis

The purpose of international market analysis is to formulate a comprehension of customers and competitors, prospect their behaviour and generally understand the dynamics of the market. Businesses must recognize the critical success factors, trends, threats and opportunities in the market in order to succeed. Measuring the market size, identifying the trends and predicting the development are critical factors in comprising the state of markets. Both short- and long-term analysis should be conducted. Long-term analysis are useful for medium- and long-term strategic planning while short-term allows organizations to monitor the effectiveness of earlier long-term analysis. In this chapter, I will analyse the market size and its various segments, those diagnostics and attempt to produce forecasts of their development. (Proctor, 2000, 82-86)

4.1.1 Market segments analysis

Companies should evaluate the attractiveness of market segments based on their size, growth rate, competition level, sales potential and expected profitability. Furthermore, companies must evaluate their own suitability to markets, meaning its competences as well as the firm's resources; production capacity, personnel, financial, and accesses to distribution channels required to serve the segment. (Czinkota. 1994. 448-453).

Even though the case company manufactures tailor-made products for several industrial branches, it has identified the most potential target segments in France: automotive-, energy-, agricultural machinery-, construction equipment-, textile machinery-, as well as marine and offshore segments. Both supplying and manufacturing companies should be investigated and considered as potential customers due to large-scaled sub-contracting of the industry. The selection of the segments is based on expected profitability and case company's own capabilities and technical know-how. These segments are also few of the largest markets in France, enabling also huge possibilities for supplying precision machining companies.

I will analyze in the following chapter the most attractive segments from case company's point-of-view aiming to provide GMH with useful information about the current state of the segments. The analysis will include segment sizes, those diagnostics and a forecast of development. The analyses are based on several on-line business-to-business databases which are referred at the end of each chapter. Though it was very difficult to compose a comprehensive market analysis, due to markets huge size and complexity, the Kompass business-to-business database along several industrial databases provided useful tools for market analysis but also an extensive foundation for case company's marketing purposes. (GMH 2006; GMH 2008)

Automotive sector

General information

Automotive industry is an essential part of French economy, employing directly over 300 000 people and indirectly 400 000 more. The total value of the industry is estimated to be over 650 billion € per year with the annual production of 66,5 million vehicles. France is the Europe's second leading automobile manufacturer, accounting for 17.1% of total European production. France's two leading manufacturers are PSA (Peugeot and Citroen) and Renault Nissan. They offer significant opportunities for parts manufacturers, which has enabled an efficient supply chain to be built up around international companies. It is obvious that the markets are very large also for precision machining companies so the investigation must include all the participants presented in the figure below. The automotive market consists of several actors and is highly clustered. The following simplified figure illustrates the structure of the markets.

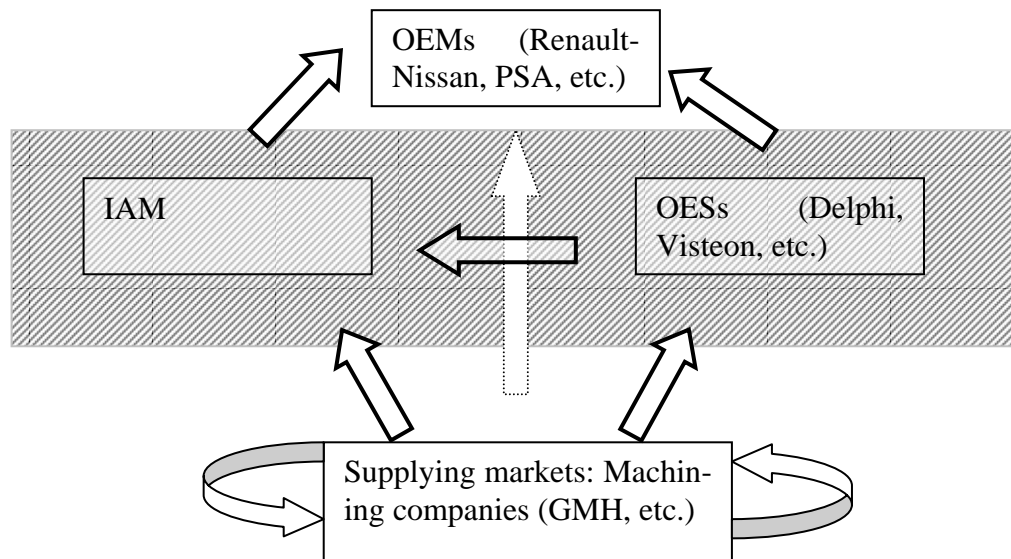


Figure 3. The structure of French automotive markets (FIEV)

The arrows in the graph illustrate the target sales of each company group. The lightened arrow represents a possibility of direct sale from machining company to an OEM (Original Equipment Manufacturer), though it is very rare due to their highly advanced supply networks. The curved arrows inside the machining markets illustrate the sub-contraction for automotive- and other industrial sectors. The shaded area including IAM (Independent Markets) and OES (Original Equipment Suppliers) generate the *automotive aftermarket*. That market is the most promising for supplying precision machining companies.

I will first analyze the supplying markets in terms of size and target product categories aiming to formulate a comprehension of the extensity of the markets and to understand the potential customer groups within the segment. After that, I will analyze manufacturers of motored vehicles, and in more details the most promising sector, car manufacturing along with OEMs, OES and IAMs. Finally, I will evaluate the market trends. The research was very difficult to conduct due to the size and complexity of the market but there are several extensive databases to facilitate the research and case company's marketing activities for this sector.

Supplying markets

The companies in supplying market are suppliers for OESs and IAMs, and rarely directly for OEMs. In March 2008, there were approximately 2400 companies that announce to produce components regarding automotive vehicle parts and equipment supplying –industry. This number is not the legitimate number of companies as many companies announce production in more than one product category. Still, it describes the size and extensity of the market. The number includes all companies providing any kind of components or parts for any kind of vehicles; sectors ranging: Structural body- and engine parts, structural- and spare parts for the body, combustion engines, structural- and spare parts for power transmission, steering and brake systems, electrical devices, tires and indoor rubbers, motorbikes' parts and accessories. The product ranges in these sectors include different pumps and valves, crank axles, engine shafts, cylinder parts, different pumps and so on. These companies should be investigated and approached in marketing purposes though their product range is partly similar with GMH, they are most likely to subcontract part of their production so they might be potential customers as well. The chart below illustrates the division of markets in supplying industry presenting the amount of companies in specific sectors. The highlighted sectors are most attractive for the case company. On the appendix 2, there is more detailed illustration for each promising sector and their product range. (Kompass; Invest-in-France; GMH 2006)

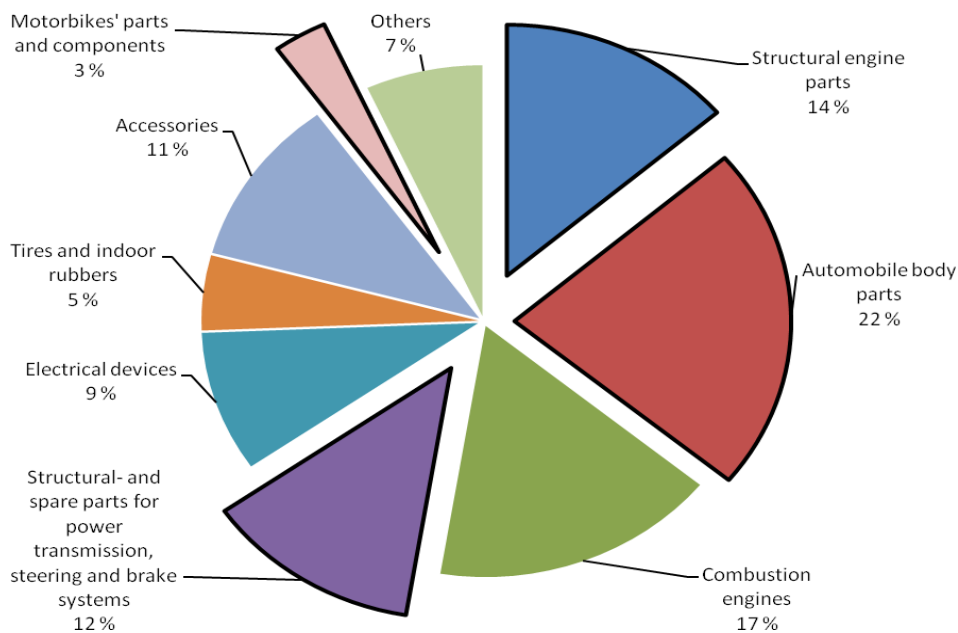


Figure 4. Automotive parts and equipments supplying markets. (Kompass)

Manufacturers of motored vehicles

According to Kompass business-to-business directory, there are 739 manufacturers of motored vehicles in France; these include also trucks, busses, recreational vehicles, motorbikes, crawler vehicles and amphibious vehicles. The distribution of each sector is illustrated in the chart on the following page.

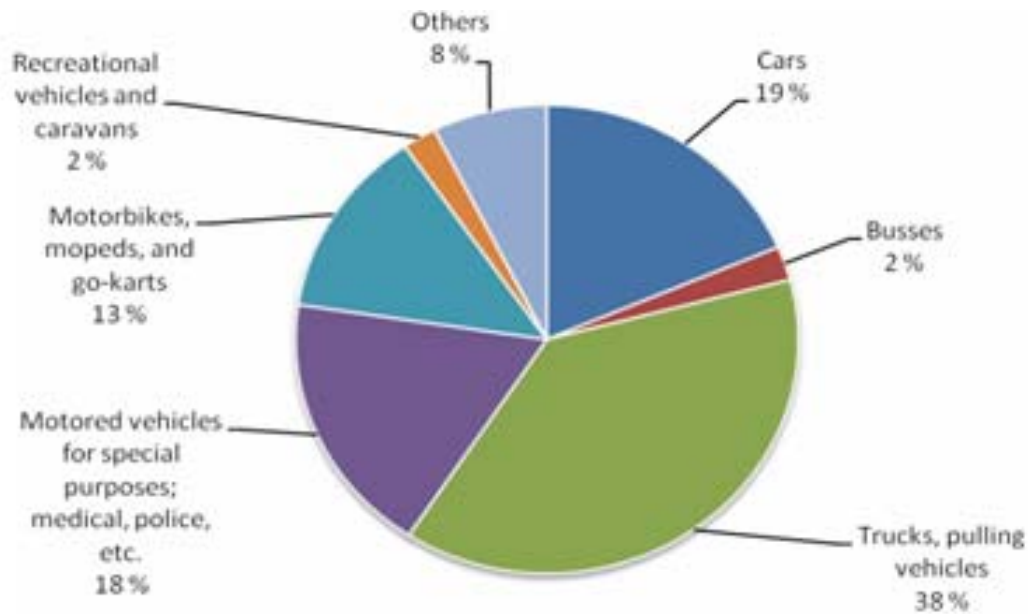


Figure 5. Manufacturers of motored vehicles. (Kompass)

Even though trucks and pulling vehicles generate numerically the largest sector, the largest market is composed by original equipment manufacturers (OEMs) in car manufacturing sector. There are 28 OEMs in France from which 6 have manufacturing facilities: Renault/Nissan, PSA, Daimler/Chrysler, Toyota, Fiat (joint venture plants with PSA) and General Motors through Heuliez. The others have their headquarters in France for distribution, marketing and after sales activities. The most supplied automotive part categories for the markets are: locks, volumetric oil and fuel pumps, miscellaneous machines, electrical equipment, measuring and checking instruments, transmission units, fuel supply and exhaust equipment, engine components, steering, suspension and braking systems, climate control equipment, seats and diagnostic instruments. These parts are sold to the OEM market and to the automotive aftermarket. It is very difficult to break down sales by product categories and even the French Vehicle Equipment Industries Association (FIEV) has not been able to provide that information. (Kompass, FIEV)

The OES and IAM –markets generate the most promising markets for the case company. In 2006, the sales to OEM + IAM reached approximately 5 billion €. The most successful product categories were fuel circuit components, engine components, air supply components and electrical equipment for engines, controls for transmission systems, and body components. (US Commercial Service) The OES markets in

France are dominated by big multinational firms, many of them American with French or European operations. According to FIEV, the largest OESs are Delphi, Visteon, Johnson Controls, Lear, TRW Automotive, Dana, Arvin Meritor and Federal Mogul. These companies have a wide-ranging supply chain for the precision machining industry, and therefore they can be seen as significant opportunities for the case company. More accurate database of these companies can be found in the Kompass and FIEV website, which will facilitate GMH in their marketing activities. On the appendix 3, there is a list of the largest OES companies in France. (Kompass, FIEV)

Market trends

During recent years in Europe's automotive sector, there has been an increasing trend to outsource more activities or even the whole production to Eastern Europe or Asia. Tough competitive situation, customers' cost pressure and increasing commodity and raw-material prices are having an obvious impact on the European manufacturers. Especially the current situation of raw-material markets is difficult as the price of steel, aluminum, oil, plastics and ores has risen significantly over the past four years. Taking advantage of internationalization and lower production costs in low-wage countries is becoming an increasingly critical competitive factor in the industry. Beside lower production and labour costs, companies are attracted by the new markets' high growth rates. As a result, during recent years supplier companies (OESs) have migrated to Eastern Europe, South America, and to Asia, China and India in particular. Despite the automotive sector's challenges, this trend of outsourcing can be interpreted as a good opportunity for the case company. It also widens the domestic markets as European or American automotive supplying companies are setting up more and more production facilities in India and other Asian countries.

Generally, the French automotive sector is gigantic and may be seen as a potential opportunity for the case company along with its wide-ranging supply chains. The industry is also highly innovated, being the largest investor in R&D in France. Constant development and innovation assist the positive trend and growth of automotive industry. However, the competition is very hard in these markets and it is not an easy task to become a supplier for a large OES or OEM. According to several industrial publications, there is very little room for foreign importers due to requirements,

transportation costs and other factors that make it very difficult for firms not physically established in France to sell their products to OEM and OES. Furthermore, most of the largest vehicle manufacturers have rationalized their suppliers' base of components and sub-assemblies and have stopped manufacturing parts in-house wherever possible. The trend is that "Tier One" suppliers provide complete sub-assembly of parts sourced from the variety of "Tier Two" and "Tier Three" - component manufacturers. Key suppliers have to meet the highest standards to be able to compete in this industry. It is also worth noting that before any motor vehicle can be sold on the EU market, it must comply with the Framework Directive for Whole Vehicle Type Approval. This framework directive contains sales procedures and a list of separate directives laying down technical requirements for motor vehicles as well as for components and separate technical units from which vehicles are assembled.

As a sum up, despite all the challenges of automotive sector, the current trend of outsourcing and delocalization may provide profitable opportunities for the case company both for foreign- and domestic markets. (FIEV; CCFA; German Business Portal; Invest-In-France; Verband der Automobilindustrie, 2007, 214)

Energy sector

France's energy market is one of the most competitive in the world. Nuclear power is the corner stone of France's energy strategy, producing 77% of nation's electricity. Though the trend is currently towards renewable energy, the demand for nuclear power is still definite in France; Areva NP is currently building five new reactors.

The energy equipment and services market consists of all sales of equipment and supplies destined for the generation of energy. The markets of manufacturers of power generation equipment generate the largest potential from the case company's point-of-view as GMH's target product range for this segment includes for example pump- and valve cast bodies, forged wedges, and different kind of shafts, axles, systems and actuators. Therefore, the target customers of this sector consist for example of providers of pipes and piping systems and providers of other power generation equipment, such as boilers, turbines and different kind of tanks and tubs. There are

approximately 2000 companies providing various solutions for the energy sector. These companies might be potential customers of the case company, though further research is required before approaching them. The composition and division of the market is illustrated on the chart below. (Kompass)

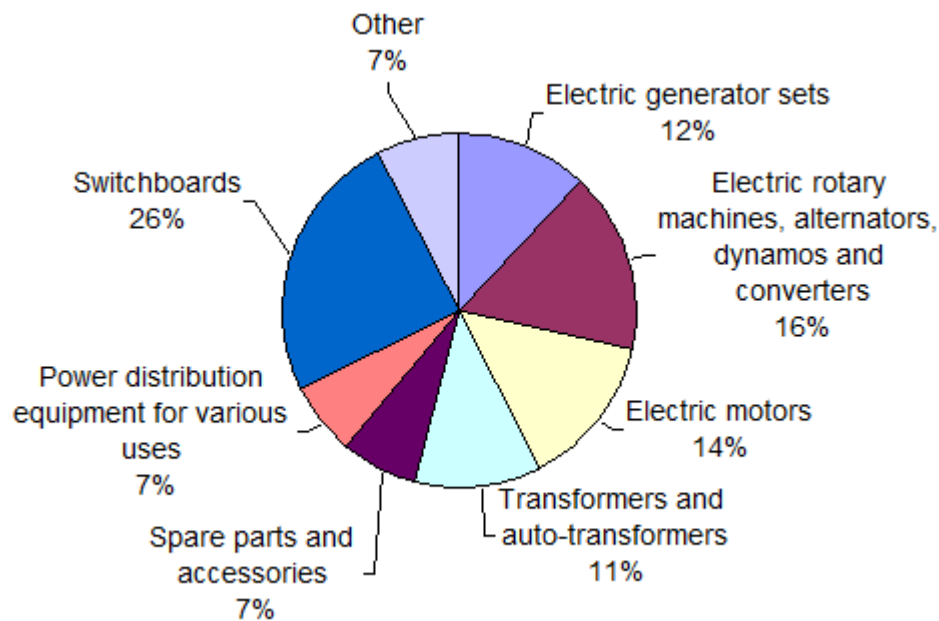


Figure 6. Division of power generation equipment manufacturers. (Kompass)

The case company possesses expertise on nuclear industry and its strict quality requirements. The equipment markets for nuclear energy are large, as there are 59 active - and 5 reactors under construction reactors in France. This opens possibilities for the case company as there are at least 84 companies in France providing nuclear power piping systems. These companies can be considered as are direct prospects and should be approached in the early stages of marketing. The list of these companies can be found in the Kompass database. (Interview 3&4; Kompass)

Other potential sectors

The other most potential sectors that the case company has segmented promising are machinery manufacturers for oil field- and offshore equipment, - agriculture, - textile machinery and - construction equipments. In addition, there might be numerous seg-

ments to be considered interesting in terms of industrial manufacturing and mechanical engineering. I will however discuss the most significant ones in the chapter below. (Interview 4)

Oil- gas- and offshore machinery

France represents the fourth largest markets for oil- and gas equipment in the world. In 2006, France's total markets for oil- and gas equipment were approximately 26 billion € of which 90% are from exports. France can be seen also as a gateway to other international markets, especially French speaking countries in West- and Northern Africa, where many French companies have had strong positions for several years. TOTAL, Technip and Gaz De France formulate an important asset for the whole industry with their international scene of competition and wide-ranging supply chains.

According to Kompass database, there are 143 companies providing machinery for oil-, gas and water production. The actual number of companies is though significantly smaller as most of the companies offer several kinds of products. There are 32 companies offering drilling equipment for offshore-industry and 17 providing well drilling machinery. These companies can be targeted as GMH's potential target customers as their need of supply consists of products that the case company (i.e.) is able to provide. More detailed information of these companies can be found in the Kompass database. The GEP France (Oil and Gas Equipment Suppliers Council) provides an extensive database that contains suppliers, subcontractors, manufacturers, vendors and end-users. This database facilitates the case company's marketing activities in this segment and can be found at <http://www.gep-france.com/?page=directory&lang=FR> (Joly, 2004; Saniere & Silva, 2007; Kompass)

Agricultural machinery

The supplying markets for agricultural machinery are promising as France has the largest market for tractors and other agricultural machinery (AGM) in Europe. The total value of markets were approximately 3.2 billion € in 2006, employing over 22000 people. Imports of machinery, and machinery equipment, generate nearly 65% of domestic demand. The current trend during previous years in has been to re-structure and consolidate; farmers are renewing their equipment to more modern and

high-powered tractors and other farm machinery. As a consequence, the market has been repositioned around few big international companies. Most of the large AGM components manufacturers are large multinational companies, still many French owned companies have significant markets share in special market segment, such as wine-growing equipment. The supplying markets consist of approximately 200 companies providing parts and components for AGM manufacturers. These markets are composed of several product categories, including axels, wheels, crawlers, chains, levers, etc. These components are sold to approximately 130 AGM manufacturing companies offering several kinds of agricultural machinery, like tractors, rotovators, sowing machines, fertilization machinery and wine growing machinery. According to SEDIMA (Syndicat National Des Entreprises de Service et Distribution du Machine Agricole) the industry is expected to rebound during the next couple of years: Despite the EU's enlargement that has created uncertainty and a general reluctance from French farmers to invest, increasing foreign competition enabling lower agricultural product prices will continue to push wealthy farmers to further mechanize and automate. In addition, the current trend of consolidation and innovation, especially in terms of safety and reliability will play an important role in the evolution of this sector and support the general wealth of the industry as well. (Kompass; SEDIMA; SESSI)

Textile machinery

Europe remains the major textile machinery production centre in the world: France accounts for close to 7% of the worldwide textile machinery sector not including the production of Chinese manufacturers for the local market, on which there is not reliable data available. France ranks fourth after Germany, Italy and Switzerland. The French textile machinery has especially focused its competitiveness on various niche markets, such as long fibres spinning, preparation of yarns, dobbies, jacquard, dyeing and finishing, card clothing, ultrasonic cutting, recycling, air conditioning, airlay and the fast growing nonwovens.

The French Association of Textile Machinery Manufacturers (UCMTF) is comprised of 35 companies employing directly over 8000 people. These companies manufacture weaving-, dyeing-, hosiery-, spinning-, and nowoven machinery as well as spare

parts and accessories. The total turnover of these companies is over 1 billion € 91% of it accounting from export. According to UCMTF, despite the increasing competition from Asian countries, the financial situation of French textile machinery manufacturers is generally satisfying. The annual growth rate of the industry is approximately 6%. From the case company's point of view, the manufacturing companies of textile machinery can be seen as prospects. In addition of UCMTF companies, the Kompass database lists approximately 100 companies in France promoting to manufacture clothing-, leather-, fur-, shoemaking- and other textile machinery. The list of UCMTF member companies can be found on <http://www.ucmtf.fr/constructeurs.php>. (Kompass; UCMTF)

Manufacturers of construction equipment

French construction equipment markets have been growing in recent years. It is the fourth largest market in the world, after United States, Japan and Germany. The demand of these markets is primarily formulated by the current status of construction industry, and the demand is expected to grow as the construction industry grows through 2008. The total sales of the industry reached 4 billion € in 2007, from which 61% were exported. Case company's target customers in this segment would be the equipment manufacturing companies of several kinds of activities. The demand of heavy equipment by the type of activity is illustrated in the following chart.

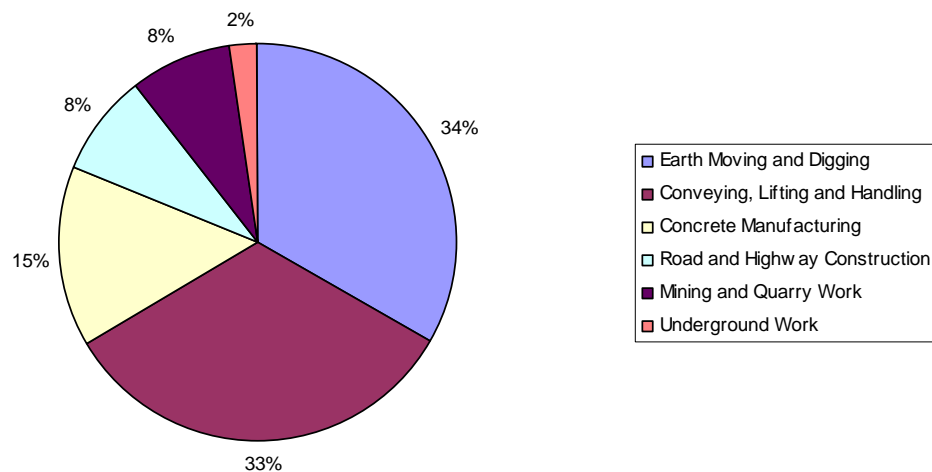


Figure 7. Demand of heavy equipment by activity in French markets. (Kompass)

According to Kompass database, there are approximately 270 companies providing construction/building machinery or equipment. The production ranges of these companies vary from crushers and grinders to general pumps for building sites. The list of these prospect companies can be found at Kompass database. There are also several very large French construction equipment manufacturers; Liebherr France, CNH France, Renault Trucks and Manitou BF for example. On the appendix 4, there will be a complete list of the largest manufacturers of this segment. These companies among their wide-ranging supply chains formulate a promising segment from case company's point-of-view. (CISMA 2008; Kompass)

4.2 Competition analysis

Competition is the process of active rivalry between companies selling similar particular product in the same market. The identification of company's competitors may not be as simple as it might seem. The most obvious competitors are naturally those who offer identical product or service within the same market. However, there are naturally other significant forces affecting competition. Porter illustrates the five forces of competition in the figure 9. (Proctor, 2000, 102-104; Porter, 2004, 4-6) In this chapter, I will introduce the French machining markets in terms of competition.

The purpose of the competition analysis is to provide general outlook of markets in terms of competition; its amount, nature and five forces introduced by Porter.

4.2.1 Volume of competition

The total number of competitors is very difficult to determine, since there are approximately 4000 organizations providing machining services, but which have not specified to precision machining for any accurate segments. Still, according to SNDEC (Syndicat National du Décolletage), there were 794 companies in September 2007 offering high precision machining services in France. The machining industry is strongly clustered in the department of Haute Savoie, in eastern France; 483 companies out of 794 being located in the department. The sizes of enterprises are difficult to determine based on the number of employees, as the current trend in the industry is towards automation, a company with more than 20 employees might be a large organization with multiple machines. Still, as presented in the chart below, majority of the companies are small organizations employing less than 10 people. . The chart below illustrates the sizes of enterprise. Appendix 5 presents a more detailed description of industry in terms of company sizes and their development. (SNDEC. 2006; Decolletage)

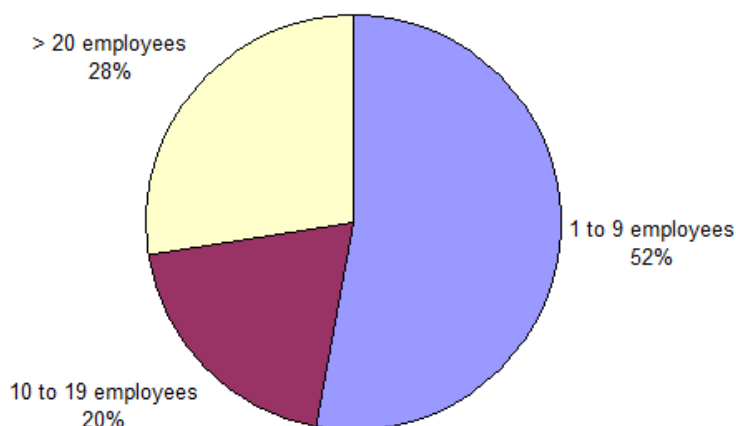


Figure 8. Sizes of French high precision machining companies. (SNDEC)

In 2006, the total turnover of the industry was 2039 million € 29% of total sales were exported. The most significant export destinations were Germany, Italy and United Kingdom. Naturally, not all of these companies target to similar markets as GMH. In order to map out legitimate amount and level of competition, further segmentation is needed. As the case company is to practice import to France, it is essential to map out the amount of similar activity in terms of competition. According to Ministère de l'Economie des Finances et de l'Industrie, the imports to France from Asian countries for GMH's main target products; pumps, valves, compressors and hydraulic systems accounted total value of 621 million € in 2007. This includes imports from all Asian countries for all pump- and valve categories. This number illustrates well the growing trend of outsourcing to Asia. Though there are already many significant precision machining importers from Asia, there is still gap between supply and demand as European companies begin to outsource even wider scale. (SNDEC. 2006; Ministère de l'Economie des Finances et de l'Industrie)

4.2.2 Five forces of competition

In the next chapter, I will discuss the competitive forces in reference to Porter's five forces of competition.

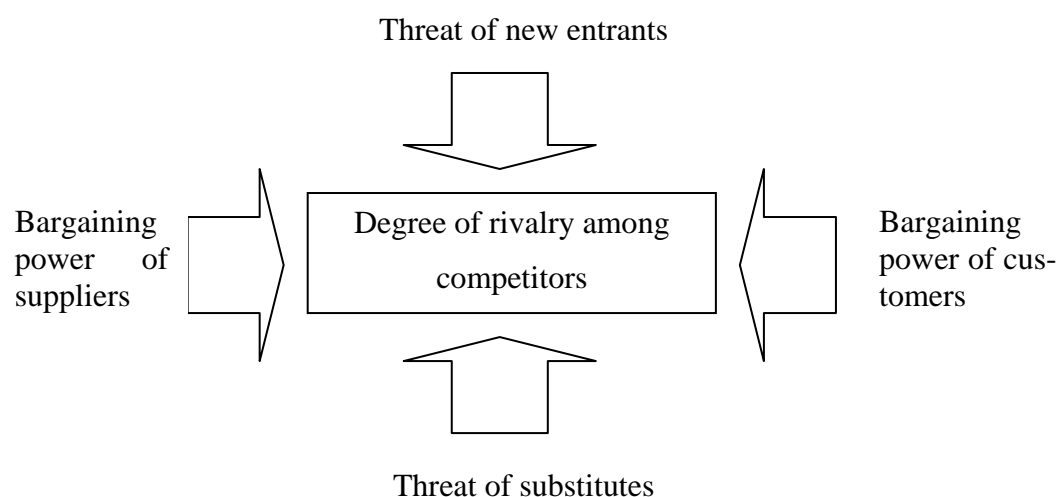


Figure 9. Forces of competition (Porter, 1988)

Bargaining power of customers and suppliers

Customers may exert an influence on sellers. If there is small number of buyers and large number of sellers in the market, the sellers' opportunities become limited. In the situation where one customer accounts a significant part of seller's total sales, the customer can utilize the influence and control over the price and quality. Customers may create constant pressure in industries by seeking for lowest prices and highest quality. In general, the greater the bargaining power of customers is, the less advantage the seller has. (Proctor. 2000. 102-104) Suppliers may exert pressures by controlling and limiting the supplies. A supplier might have position to influence the profitability of entire industry by raising raw-material prices, for example. Such position means a sole supplier or a small group of coherent suppliers for the whole market. In the other hand, if the buying company is the only customer, or account a significant part of supplier's sales, it can exert influence over prices and quality. (Proctor. 2000. 104-105) In high precision machining markets, there are very large number of sellers and very large number of potential customers. Not all can naturally be considered as direct competitors or customers, but still, the bargaining power of customers is rather high. This can also be seen in current trend of precision machining industry, automation, which means cost-savings. The case company's aims for a position where it would be recognized for competitive prices and good quality. This positioning strategy helps the company to adapt if customer bargaining power increases even more. As mentioned earlier in the study, suppliers and subcontractors play very important roles in this industry. GMH must find a good and reliable supplier for raw material and a subcontractor for part of the production process. As there are few qualified steel suppliers in India, the bargaining power can be evaluated relatively high. This has emerged the company to search steel suppliers also from the Europe. (Interview 1)

Threat of new entrants

Markets which have grown to large size and seem profitable become attractive to potential entrants. Potential entrants will enter the market, if they consider it as an opportunity in terms of profitability and sales. The threat of new entrants is most likely to increase competitive activity in the market, there fore; this provides an incentive for the existing companies in the market to make the market appear less attractive by increasing the level of competitive activity by reducing prices or activating market-

ing campaign. (Proctor. 2000. 105-106) The start-up costs are relatively high in this industry. Machines, equipment, factory and personnel require huge investments before the production may begin. Thus, it can be estimated that the barriers of entry are fairly high in high precision machining industry. (Interview 2, Managing Director of GMH, 12.12.2007)

Degree of rivalry among competitors

The degree of rivalry is composed of the above mentioned factors alongside with general market dynamics. Competition in the market is naturally more intense if there are many companies trying to satisfy the needs of same customers in the same market. Competition increases if the industry growth is slow, costs are high and there is a lack of product differentiation. High exit barriers from the market may cause increased competition; firms may find it difficult to leave the markets, especially business to business –markets, because of the relationships created with suppliers and other companies involved. Companies have often also major investments in assets that can be utilized only in the specific business (for example machining equipment). (Proctor. 2000. 102-104) The global precision machining markets are enormous. There are thousands of providers and even more potential customers. The degree of rivalry is estimated to be relatively high in French precision machining markets, not only are there approximately 800 companies offering precision machining services, but especially the competition on becoming a supplier in automobile- or nuclear power plant industry will be intense. In addition, as mentioned in the previous chapter, there are numerous Asian precision machining companies practicing import to France or other European countries. These companies can be categorized as direct competitors increasing significantly the total degree of rivalry. Besides, as estimated, the bargaining power of suppliers and customers is relatively high though the risk of new entrants is low. To sum up, the level of competition will remain high or even increase as the European customers outsource even wider scale and recent technological developments have generated the industry more and more automated. (Decolletage; SNDEC; Interview 1)

4.3 Market development and growth

One of the most important matters in market knowledge is to forecast the market growth- or decline rates as well as general development of the industry. This requires prediction of market sales and identifying factors that will drive sales directly or indirectly. Forecasting market growth can be divided in to two sections: Defining the current market demand by analysing the current sales and value of the industry and predicting the future demand. This can be done by analysing companies' production- and order schedule, labour schedule and financial budgets. Future demand is naturally also affected by environmental factors mostly regarding economy and politics. These factors are analyzed in chapter 3. (Proctor, 2000, 84-85)

The French machining markets grew rapidly in the late 90s, averagely 7% a year. The markets have since then remained at same level. Especially the vital automotive industry and five building sites of nuclear power plants vitalize the markets significantly during next few years. Despite the French domestic markets have not been growing significantly during last couple of years, there is a remarkable growth potential especially for Asian companies as European customers outsource their production and supply even more to Asia. From the case company's point-of-view, this can be interpreted as a sign of potential market growth, or market expansion. Either way, it will be likely to increase case company's sales potential and ultimately profitability. (Décolletage)

The precision machining industry has developed rapidly during recent years. From the companies, it requires a high level of technological knowledge as well as capability to follow, or even anticipate, the technological developments in the industrial sector. Automated machinery is becoming more common allowing the companies provide fast and complex solutions to the customers; companies must be able to adapt and offer even wider, more accurate and more flexible solutions to the customers. This naturally sets challenges to the case company as its machinery is not automated. Companies must also be able to offer wide-ranging comprehensive solutions to satisfy their customers' individual needs. The case company offers additional services, like material supplying, supplier casting and forging, classification certified quality

heat treatment plants, mechanical testing laboratory facility meeting EN17025 and non-destructive testing performed by ASNT/EN473 certified inspectors.

As high level of technology and modern machinery is considered almost as an imperative in today's machining markets, the automation is taking place in even wider scale. This trend is especially significant in Europe. Though the case company does not possess latest technologies and automated equipment, it will gain its competitive advantage through qualified manufacturing process enabling competitive pricing.

A good projection of market's development can be noticed in trade fairs where latest technologies are presented and projects announced. It is essential for the case company to participate, both as an exhibitor and a guest, to several industrial trade fairs in the target country to map out market's development. The evolution of markets can also be monitored from several secondary sources, like professional magazines discussed in chapter 3.1.4, companies' information services or industrial portals listed on the appendix 6. (Decolletage; Interview 4)

4.4 SWOT-analysis

In the table 2, strengths, weaknesses, opportunities and threats of GMH's French market entry are analysed from an international business point-of-view. This table attempts to analyze the markets generally, not any market segment specifically.

Table 2 SWOT-analysis

<p>STRENGTHS</p> <ul style="list-style-type: none"> - France is the largest economy in the Europe, 4th largest in the world. - Stable industry - Few very large potential customer target segments. 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> - Government “protects” domestic companies in certain industries, though privatization project has begun. - It is very difficult to become a supplier in automobile- or power generation industry. - Companies tend to prefer domestic suppliers and foreign are often seen as threats or providers of poor quality.
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> - Over 60 million consumers and over million companies in France - Large industrial base, huge number of potential customers. Lots of trade fairs, technologies and information. - Possibility to reach supplier clusters in automotive- and power generation industries. - Recent trend of outsourcing to Asian countries 	<p>THREATS</p> <ul style="list-style-type: none"> - Bureaucratic governance - Threat of strikes in several labour markets and public transports. - Level of competition in machining industry. - Cultural differences

5 BUSINESS TO BUSINESS BUYING BEHAVIOR

All business to business -marketing solutions should be done accordingly to buying behavior of the target market’s customers. If a company knows its customers’ buying behavior well enough, it has an adequate base for successful marketing. I will investigate business to business buying behavior from marketing -point-of-view. According to Rope, there are several factors affecting on organizational markets; the product and its specifications; the market; the buying organization and the actual buying situation. The figure below illustrates the factors affecting the basis of buying process in given environment. (Rope, 1998, 17-19; Dwyer, 2001, 98-100)

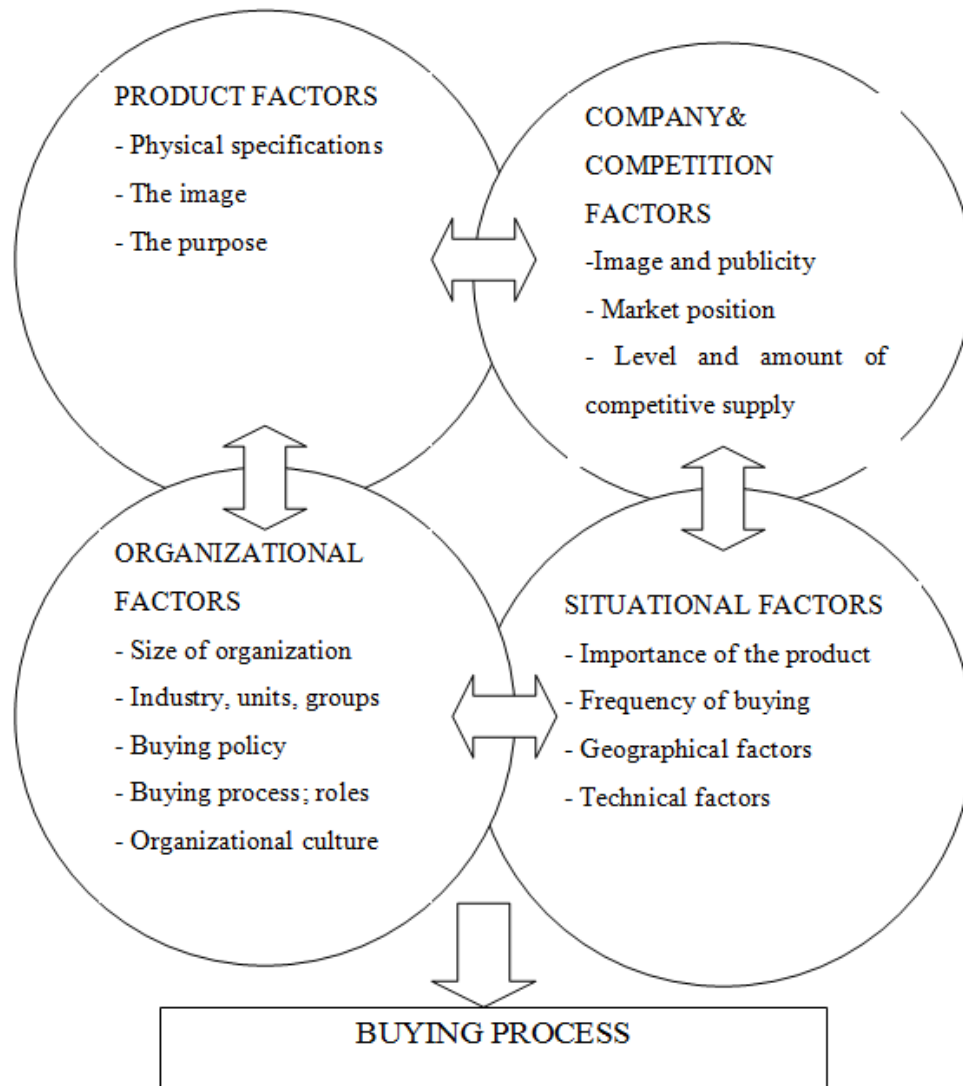


Figure 10. Factors affecting organizational buying behavior (Rope, 1998)

The product – and company & competition factors are very much similar in both business to business –markets and consumer markets. There are though few differences in organizational – and situational factors. In high precision machining industry, in which GMH operates, the product- and situational factors play an important role. Physical specifications of processed components or attributes of the equipment set the limits for sales and marketing, as they also set the criteria for buying organization. Though, the case company offers also conventional machining solutions and additional services mentioned earlier, the buying process is often more elaborated and each customer relationship may require more accurate analysis of buying behavior. As sales are often based on long term relationships or even partnerships, the situational factors are significant as well. Recognizing and being aware of these fac-

tors may help the case company to success better as the seller in their customers' buying process. (Rope, 1998, 17-19; Interview 1)

5.1 Organizational buying process

From marketing point-of-view, it can be said that marketers' mission is to facilitate the advance of the buying process, and ultimately closing the deal. It is also worth remembering, that there are always several people participating the buying process. This means that marketers must recognize the roles and needs of different people in order to maximize the efficiency of their selling activity. Organizational buying process proceeds in steps. The process is described on the following page. (Rope, 1998, 17-19)

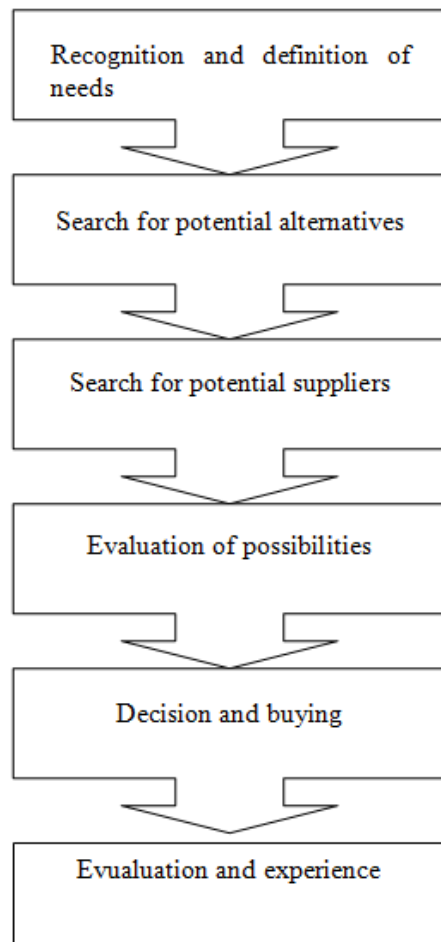


Figure 11. Organizational buying process. (Rope , 1998)

The first step is to recognize and define the needs of the organization which starts the buying process and is the basis for whole process. The need can be categorized differently; actual demand, functional demand and additional demand. For marketers, it is essential to recognize and emphasize the need which are unnecessary and create demand for them. Functional need means that the product is purchased for running the company. It can mean equipment, raw-material, or as in GMH's case; machined essential components. The case company operates in industrial business to business – markets, satisfying the functional needs of their customers.

Searching for potential alternatives include solutions that create the desired outcome; outsourcing, produce the product or buy the product. This step of buying process requires activity from the marketer, since they must be able to present their solution as the most suitable for organization's purposes. In GMH's case, as they are new in

the markets and have not yet European customers, there will most likely be situations, when the company has to convince the potential customer of the excellence of their product. The marketers must ensure that this “new” idea or product is considered worth testing among the target customers. The next step is to search for potential suppliers that are able to offer a solution for organization’s need. For marketers, this is maybe the most crucial step. If the buying organization does not know that selling organization exist, it will not buy any products from it. Good image and reputation in the specific field of industry helps in recognition and further more, becoming the supplier. The introductory communication will be analyzed from case company’s point-of-view in chapter six to formulate a plan in order to increase publicity and awareness of the company.

In the next step, evaluation of possibilities, the buying organization scans the potential suppliers for most suitable for the organization’s purposes. In business-to-business –marketing, this most usually means comparison of written quotations left by selling organizations. GMH will approach its identified customers with a carefully designed and personalized marketing letter. Buying organisations will also analyze all other information available about the potential seller. This means for example references, website and image. This increases the importance of introductory communication even more. The letter, direct selling activities and other approaches towards potential should be personalized according to customer’s interests.

The final step includes the sales negotiation as well as purchase decision. Sales negotiations will be investigated further in chapter 6.6.2. Negotiation, contract making and purchase decision require activity from the marketer. Their mission is to ensure the buying organisation with the excellence of the company’s products. Normally the buying happens straight after decision but in some cases, there might be delays or even cancellations. Marketers must ensure to keep their offers tempting. The evaluation is based on buying organization’s experiences. This is very important step because it affects both on the customer relations (further sales) and the image of company. Acquiring and maintaining a positive image is especially important in business to business –markets because the players in the markets are usually closely related and may even know each other personally. The markets are also limited, meaning there is only limited number of companies in the target market that might be consid-

ered even as potential customers. In addition, the business-to-business customers tend to be loyal, meaning the threshold for a new supplier is relatively high after a one positive experience. As GMH operates in an industry in which good, reliable relationships are essential, it must maintain its customer relations systematically. Good relationships naturally help the case company in building the image and acquiring new customers). The relationship communication will be discussed further in chapter 6.5.3. (Rope, 1998, 17-22; Dwyer, 2001, 96-108; Interview 1)

5.1.1 Decision process

According to Dwyer, marketers must recognize all the participants in the decision process, not just purchasers or directors. It is important to know the participants and their extent in the decision process in order to market successfully. In the purchase of components from GMH, engineering, purchasing, upper management and naturally their customers each play a role. (Dwyer, 2001, 96-108; Rope, 1998, 24-26)

A major part of GMH's customers will be most likely large heavy industrial companies. The case company should plan the marketing to satisfy both engineers' (technical specifications) and purchasers' interests (costs, etc.) in order to reach all participants in the customers' decision process. Consequently, there will be at least senior engineers, purchasers and directors participating in the decision process. (Interview 2)

5.2 Buying criteria

The basic principle of organizational buying criteria is that the product or service is purchased for organization's demand. It is worth remembering though that the purchase is always carried out by people in the organisation's purchasing unit, not the organisation itself. Therefore, the organizational buying criteria are just what people in the buying unit assume to be best for the organization. In practice, this means that people from different departments and different positions value different aspects of product. (Rope, 1998, 40-43) In the case company's industry, criteria for buying is composed of quality and competent price. The selling company must be able to offer

qualified production, certified manufacturing and competent price. GMH has initiated its processes for ISO9001 & TS Certification to ensure high profile manufacturing- and machining center. The importance of competent price cannot be denied in this industry. It might often be concerned as the actual criteria for buying as quality- and certificate issues can be seen more like thresholds. This naturally increases competition and strengthens customers bargaining power, but suits well in case company's strategy concerning position and marketing. (GMH 2008, Interview 1)

6 INTERNATIONAL MARKETING PLAN FOR GMH MACHINES AND TOOLS PVT. LTD.

6.1 Marketing strategy for European markets

Most of the case company's marketing activity in European markets will be managed by an external company, Trigon Technology Oy, which conducts especially the marketing communication process and probably also further activities for both marketing communication- and selling processes. Trigon Technology Oy conducts the marketing activities under the trademark of Avantika Products. The case company has outsourced its European marketing because of its resource-demanding launch in domestic markets; the company can concentrate on its core target markets in India. Trigon Technology Oy possesses competences and market knowledge required for successful marketing in Europe. Trigon Technology Oy is owned by one of the GMH's shareholders, which helps the communication between the companies and guarantees participants shared objectives. The marketing strategy is designed in co-operation with Trigon Technology Oy and GMH.

The marketing strategy should function as a foundation and guideline for all marketing program decisions. Porter introduces three competitive strategies or positions that businesses pursue to gain a competitive advantage in their markets: (1) overall cost leadership; (2) differentiation, building a superior product quality, design or service and; (3) focus, in which the company avoids confrontations with its major competi-

tors by concentrating narrowly segmented, almost niche markets. GMH Machines and Tools Pvt. Ltd. will utilize competitive strategy that can be defined as a hybrid of (1) overall cost leadership and high quality, enabling to provide a competitive price quality –ratio. The company aspires to promote its highly sophisticated manufacturing- and supplying processes based on Lean and Six Sigma process improvement systems, skillful personnel and efficient machinery as well as its lower production- and labour costs to justify the competitive price and high level of quality. Consequently, the case company will offer comprehensive qualified solutions at competitive price, and it tries to differentiate in to a position in which it would distinguish clearly from its competitors in terms of competitive price, but offering still high quality and services as presented in positioning graph in chapter 6.2.1. So, one of the most important principles in the case company's marketing strategy is to process the product quality to a level where it would function as most significant criteria for buying decisions instead of just competitive price. The strategy will be utilized in practice in the marketing letter, alongside with the other introductory communication, when contacting the first potential customers. (Porter, 2004; Mullins. 2007, 214)

Though the competitive pricing/quality strategy will function as such as competitive advantage, it must marketed efficiently among the potential customer segments in order achieve awareness and publicity. The company must be able to illustrate how it is able to offer such competitive price and high quality. The crucial part in this strategy is to achieve credibility in terms of quality among potential customers. The introductory communication will be launched by Trigon Technology Oy during summer 2008 when the potential customer segments mentioned in chapter 6.2 will be approached with a marketing letter. There will also be additional forms of introductory communication in order to strengthen the image and publicity of GMH; participation in trade fairs, online activity in databases and professional sites, as well as advertorials and advertisements in professional magazines. Introductory-, trading- and relationship communication will be investigated further in chapter 6.5 to formulate a separate communication plan for all three stages of marketing communication. (Interview 3)

6.2 Customer and marketing segmentation

The basis of all marketing activities should be established on carefully conducted marketing segmentation. The aim of marketing segmentation is to find and choose the segments that meet company's resources and competences and provide the best possible financial outcome. A segment is a unique group of customers or potential customers who share some common characteristics which make them differ from another group of customers. In industrial markets, customers are usually segmented depending on customer's industry, customer type, customer need, and customer size and customer location. Fundamentally, the purpose of these criteria is to illustrate the differences in potential customers' buying behaviour. The segment must be clearly identifiable, large enough to conduct marketing efforts, and reachable meaning how efficiently the company can reach (communicate) the target customers. (Rope, 1998, 56-58; Proctor, 2000, 190)

The target customers of GMH Machines and Tools Pvt. Ltd. are mostly supplying companies for automotive- and energy industry but as well manufacturing industry for several branches. The case company must allocate its potential target customer companies in order to target the marketing efficiently. According to Rope, the selected segments should be clearly identifiable, large enough and reachable to conduct marketing efforts. (Rope, 1998, 56-58). GMH's target segments presented in chapter 4.1.1 are very large industries and clearly identifiable. Though the marketing communication will be challenge as such, they can also be considered reachable.

As discussed in market analysis in the chapter four, there are large automotive manufacturers (Renault Nissan, PSA) and nuclear power plant construction sites (Areva NP) in France. It would be very profitable for the case company to acquire a position in the supply chains in those industries. These markets are naturally very large and there are numerous competitors but can still be considered as major target segments of the case company. As GMH's business concept is to offer comprehensive machining solutions, they will provide, in addition to precision machining solutions, through their supply chain also material supplying, supplier casting and forging; classification certified quality heat treatment plants, mechanical testing laboratory facility meeting EN17025 and non-destructive testing performed by

ASNT/EN473 certified inspectors. Markets for these additional services are huge, as numerous industrial manufacturing companies from various industries can be considered as potential customer. Still, in order to succeed in France, GMH should obtain a position in the supply chains of automotive industry and/or nuclear power plant building –industry. Thus, these market segments can be seen as most important ones and even as reasons for exporting process. (Interview 1; GMH 2008)

6.2.1 Targeting, differentiation and positioning

Targeting is based on efficient segmentation. Companies must decide which segment would be the best to focus in terms of company's interests. This process is traditionally called targeting. Efficient segmentation and targeting can be utilized as a marketing strategy; GMH's marketing strategy will utilize concentrated method of targeting. In this method, the company chooses a segment, or a couple of segments, to which it centralizes its marketing activities. The company must acquire plenty of knowledge regarding segment's needs, trends and changes in order to gain strong position in the market. Efficient centralization may help the company to achieve strong position in the market. (Rope, 1998, 56-58; Blythe, 2005, 83)

Especially in the case company's situation, clear and distinctive positioning that differentiates the product from competitors is essential for developing a successful marketing strategy. According to Blythe, positioning means "to allocate the place a product occupies in a given market, as perceived by the relevant group of customers; that group of customers is known as the target segment of the market". Positioning refers to the place the product has in customers' perceptual map of the market: For example, as a high quality product, or as an inexpensive product. Customers tend to use relatively short list of factors determining the position of product: top-of-the-range, service, and value for money, reliability, country of origin and brand name or image. This information should help selling companies to recognize the expected features for the specific product class in target customers' perceptions. (Mullins, 2007, 190 – 204; Blythe, 2005, 87–88) The position GMH aims to acquire in the high precision markets is competitive pricing with reliable and certified quality. The case company is a new Indian company in European markets. This will most likely

set challenges in terms of positioning, so references, image and reputation play very important role on customers' conception (position) towards the company. Thus, it can be said that competitive pricing strategy meets industry's buying criteria and the real challenge is in creating trustworthy and reliable reputation.

Mullins introduces a positioning strategy that can be adapted and implemented in the case: 1. Identify set of competitive products in the market 2. Identify the set of determinant attributes 3. Define the company's desired attributes and position. 4. Define the most valued attributes by customers. 5. Analyze how company's position matches to attributes valued by customers. 6. Define a positioning statement. (Mullins, 2007, 197) As mentioned earlier, the determinant attribute in high precision machining industry is most importantly price – quality -ratio as certifications and standards are seen more like imperatives. The positioning statement attempts to express the desired position in market. The case company's statement is "Reliable, assured quality at competitive price." However, GMH must remember that it will not gain the desired position just by stating it. In the beginning, customers will consider the case company as a newcomer, unknown Indian company that offers competitive price. After a successful launch, the position will change to more desired. It is also important to determine competitors' positions in the market in order to differentiate successfully. The positioning graph on the following page illustrates GMH's actual and desired position in the markets and few competitors' to illustrate the differentiation.

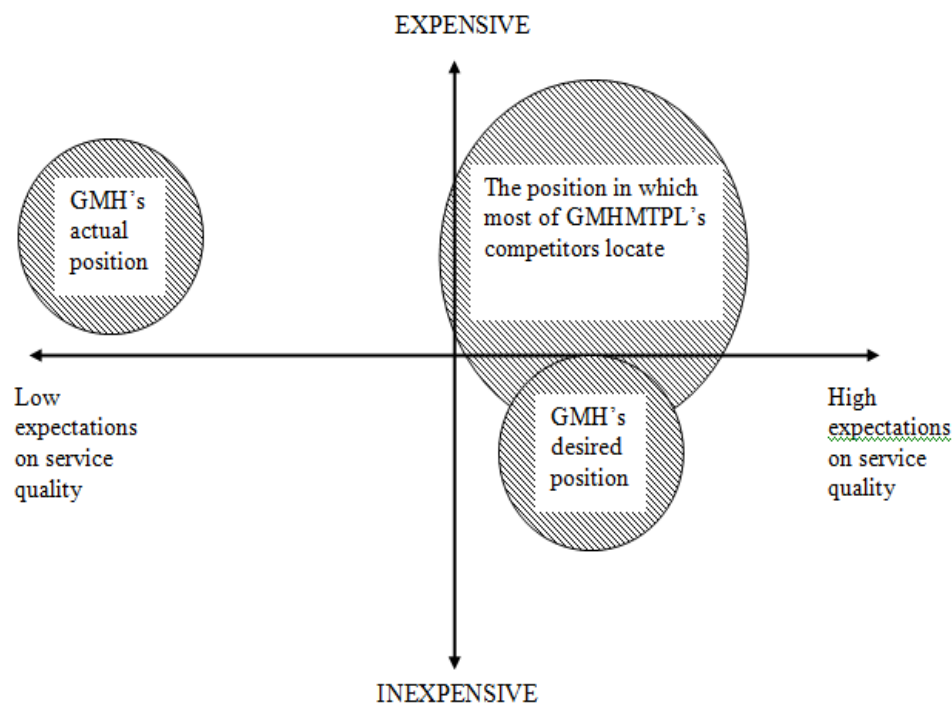


Figure 12. Positioning of the case company
(GMH 2006; Interview 2; Kompass)

The graph is made to present case company's actual and desired position in the markets and its differentiation compared to the majority of competitors. The determinant factors are price (X-axel) and expectations on service quality (Y). The price is an obvious factor, being also the most important one. In this industry, service quality is composed of several significant factors: quality of production, machinery, on-time delivery and flexibility for example. Meeting the standards and possessing the necessary certificates cannot be seen as factors affecting on positioning as they are prerequisites for the selling organizations. Expected service quality includes also company's image and reputation.

As a new, unknown company in the markets, GMH finds its current position unknown without references (no quality expectations) and normally priced (no information yet about pricing). However, the company aspires to achieve a position of competitively priced and highly qualified service. This is the basic idea of company's business concept for Europe and functions as most significant factor in determining their competitive advantage. Though it is not an easy task to create inexpensive and qualified image among the target customers, GMH believes it can be achieved

through carefully planned marketing and qualified production process. There will be more detailed analysis of the price in chapter 6.3. (Interview 1)

6.3 Marketing mix

Marketing mix refers to traditional four p's by Kotler: product, price, place and promotion. These conduct the base for marketing. Since GMH has already a finished service concept and identified its target customer segments, I will focus more on promotion and communication which will be discussed in chapter 6.5. Naturally, there are few matters to be discussed relating traditional marketing mix.

Product and brand

A product can be defined as anything that satisfies the buying organization's want or need through use, consumption or acquisition. Products offered by GMH can be considered as concrete objects, and they should function as problem solvers since they are purchased because of their core benefit which is use for further manufacturing process. Quality will function as an important product characteristic in the business concept of GMH, as it supports marketing functions and it can be seen as a prerequisite for wide-ranging business. Providing of high quality components is an essential part of the case company's marketing strategy, which has two simple objectives:

- Ensuring to fulfill quality related prerequisites, such as standards and certificates
- Creating competitive advantage, which is especially important for the case company as its strategy requires high quality to support the competitive price.

Even though the case company offers competitive prices, one main principle is to provide such quality that it would function as the most important criterion for buying decisions. The case company strives to achieve this by highly sophisticated process improvements systems Six Sigma and Lean manufacturing as well as by fulfilling the required ISO9000 quality standards. The marketing importance of these quality improvement concepts will be even more important in machining industry where high quality and certificated processes are expected. High quality naturally also facilitates

case company's customer relationship management and functions as an efficient image builder. (Mullins, 2007, 238; Lahtinen, 1998, 116-119; Hutt, 1998, 293-296)

Price

The price of a product or service has five functions. It measures the value of the product; it adjusts the image of the product; it is one of the most important factors affecting competition; it affects on company's position and ultimately, it affects on company's profitability. The selling price should be adjusted according to markets and company's own positional objectives. The case company's strategy is to provide competitive price-quality –ratio through optimizing costs and production process. The costs of GMH are composed of raw material-, labour-, production and over head costs which all are significantly lower in India than in European countries. In addition, company's sophisticated manufacturing process and quality improvement systems allows it to operate even more efficiently and enabling even more cost savings and ultimately enabling more competitive prices. Though naturally the market demand and its diagnostics finally set the price the company will offer. (Rope, 1998, 90-95; Lahtinen, 1998, 177-182)

6.4 Achieving a competitive advantage

Hutt introduces three basic elements of competitive advantage that are presented in the figure below.

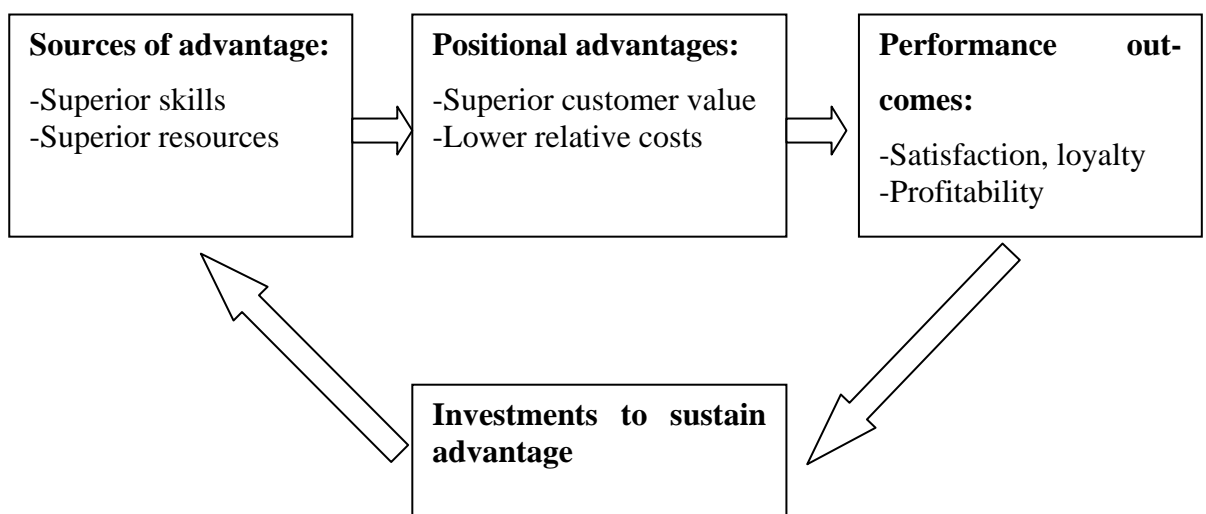


Figure 13. Elements of competitive advantage.(Hutt, 1998, 223)

First element of competitive advantage is the capability of superior skills, meaning the distinctive abilities of company's key personnel. This reflects to capability to perform functions and eventually to better process efficiency. Superior resources refer to more tangible requirements for advantage, such as distribution coverage, scale of manufacturing facilities, expenditures on advertising and promotional support and number of salespersons or representatives. An important part of case company's core strategy is to ensure functional manufacturing process. This may be achieved by highly trained personnel and experienced management along with process development systems, Six Sigma and Lean manufacturing. It is also important to ensure the adequacy of company's resources. The case company has to find reliable partners concerning steel supplying and sub-contracting.

Positions of advantage are probably the most visible factors of competitive advantage: An overall cost advantage can be achieved by performing most of the company's activities at lower cost than competitors. Superior customer value can be achieved by providing certain product, or certain feature of product in such dimension that are valued by customers. GMH possesses an excellent positional advantage thanks to its lower relative costs decreased by efficient manufacturing process and lower direct and indirect costs in India. Well functioning manufacturing process also enables ultimately to provide better customer value, price and overall service quality, meaning product quality, on-time delivery and reliability for example. These items lead to performance outcome, meaning customer satisfaction and profitability. Even though the case company does not have modern, automated machines, it does not affect on production quality as such. The impacts will be more on production lead time and overall production capacity.

In order to maintain competitive advantage, the case company should invest regularly. In this industry it means to invest in modern technologies and machinery to be able to serve the constantly more demanding customers better. Following graph illustrates GMH's possibility to achieve competitive advantage. (Hutt. 1998. 234-236; Interview 1, 4)

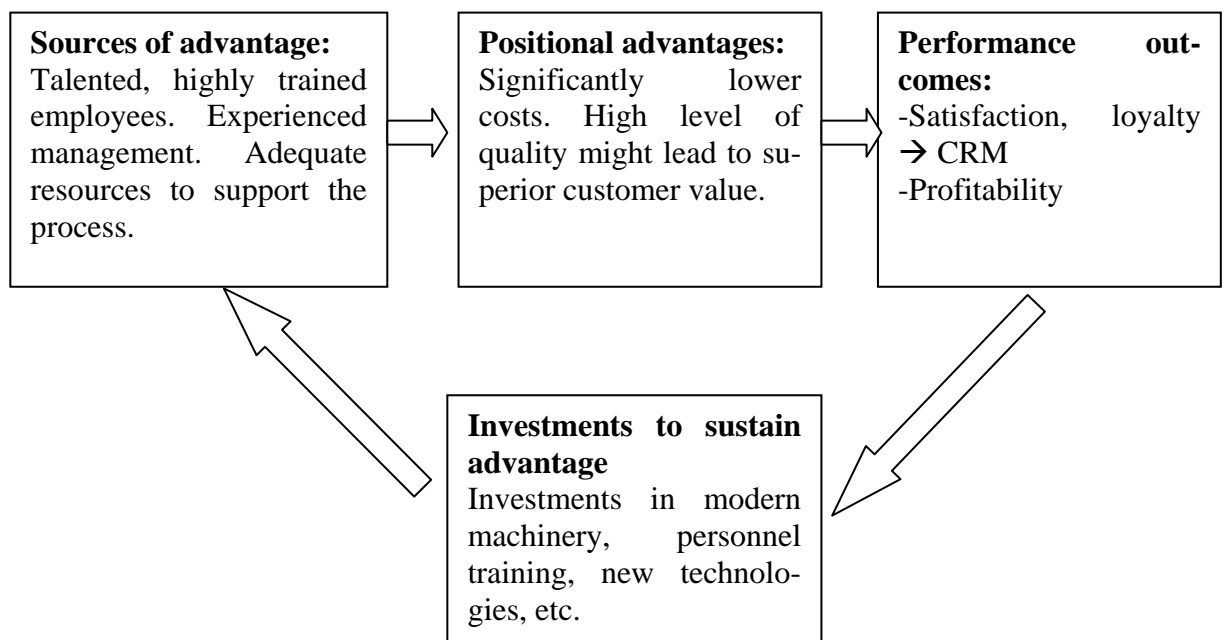


Figure 14. The case company's possibility to achieve competitive advantage (Hutt, 1998, 234, edited by author)

6.5 Marketing communication strategy

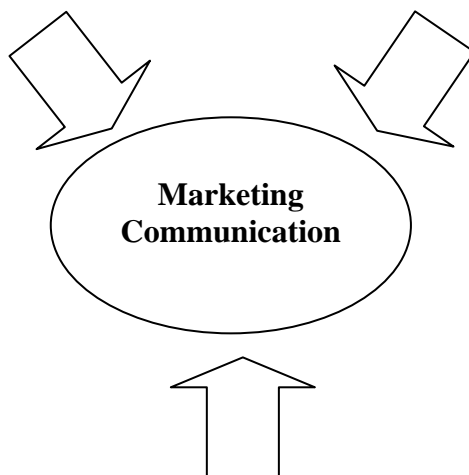
Communication with both potential and existing customers is essential to business marketing success. Not even best products will sell without proper marketing communication. The benefits, problem solutions, cost efficiencies and advantages of the product must be effectively communicated to participants in the buying process discussed in chapter five. The primary communication method in business to business – marketing is the salesperson. Still, non personal methods of communication like direct marketing, catalogues, trade shows have an unique and crucial part in the marketing communication process. Marketing communication can be divided into three stages based on their purpose; introductory-, trading- and relationship communication. Figure 13 represents the methods of communication in three stages. (Hutt, 1998, 468-469; Rope, 1998, 147-233)

Introductory communication:

- Information services
- Trade fairs
- Advertising
- Web site and other on-line applications
- Databases
- References

Trading communication:

- Direct marketing
- Personal selling & negotiation
- Customer satisfaction check

**Relationship communication:**

- Communication to improve relationships
- CRM plan

Figure 13 Elements of marketing communication mix. (Hutt. 1998; Rope 1998 Edited by author)

The figure illustrates the stages and different methods of an extensive marketing communication process. The case company's marketing communication strategy will be based on the figure, though not all methods will be implemented. In the following chapters, I will discuss introductory-, trading- and relationship communication and all methods serving them. The discussion will be aimed from case company's point-of-view as I attempt to formulate a useful guide for the marketing communication strategy.

6.5.1 Introductory communication

Introductory communication takes place before the point of sale. Its purpose is to set up and facilitate the actual selling event. There are three main objectives of introductory communication: create awareness among target customers, build a positive image alongside with the awareness and to get the support from company's interest groups, meaning own personnel, media, distribution channels and other stakeholders. (Rope, 1998. 147–148)

Trade fairs

Trade fairs are a classical, and very important, tool of introductory communication. The purpose of attending trade fairs is not to sell, but to set up a positive basement for upcoming sell. Trade fairs are also excellent events to recognize possible changes or new trends in the market. As there will be large group of customers, potential customers, competitors and representatives of media, trade fairs provide an excellent venue for marketing purposes and building new relationships. (Rope, 1998, 147-151) In case company's industry, trade fairs function as a venue to make contacts, familiarize to modern technology and meet customers, partners, suppliers or competitors. There are a lot of industrial trade fairs in France. The French machining portal (www.decolletage.fr) provides an extensive category for machining trade fairs as well as other industrial- and subcontracting fairs. The case company should participate in some of these fairs listed on the site. (Decolletage, Interview 1; See also Blythe, 2000, 144-157)

Advertising & Advertorials

Advertising and sales promotion are rarely utilized alone in the business to business –marketing, but are integrated with total marketing communication strategy. The challenge is to create an advertising strategy that effectively integrates with the personal selling efforts in order to achieve sales and profit objectives. Usually, when advertising takes place, it is executed in professional trade papers. This ensures the correct target audience for company's message. Advertorial is a mix of traditional advertisement and professional article which objective is to market the message. Advertorials are widely used especially in business to business –markets. This is be-

cause marketers have often a lot of detailed and specific information they believe could promote the company's sales. A good advertorial is informative, up-to-date, tells the name of company and products and includes maybe expert quotes. (Hutt, 1998, 470-471; Rope, 1998, 156-159) In French high precision machining industry, there are couple of interesting trade magazines that might support case company's marketing communication purposes. They may publish advertisements, advertorials, press releases or other information concerning the case company. Some of these magazines are listed in chapter 3.1.4. (Decolletage)

Interest groups and public relations

Interest group communication means the introductory communication between the company and suppliers, co-operators, own personnel and distribution channels for example. Interest group communication is estimated to be valuable especially in product launches.

Public relations are defined as a management function which identifies, establishes, and maintains relationships between the company and the publics where it operates. Public relations consist of multiple audiences (consumers, employees, suppliers, vendors, etc.) and uses two-way communication to monitor feedback and adjust both its message and the organization's actions. All articles or news about the company in third-party media are important because this third party endorsement by the news media may provide a major increase to the marketing since articles in the media are perceived to be more objective and reliable than advertisements or advertorials. (Cutlip, 1999; Rope, 1998, 162)

Web site, databases and other on-line applications

The importance of professional, informative and stylish web site is enormous in today's business-to-business –markets. Web communication has become probably the most essential part of introductory communication. The company's website is analyzed in chapter 6.6.3. There will be also a list of useful websites and databases on the appendix 6. (Rope, 1998, 158-159)

References

References are earned from existing customers. A reference must always be “qualified reference”, meaning the image of customer meets the company’s marketing purposes. A good target of reference is willing to acquire new products or services, has a positive image about the company, is keen to develop the service and willing to cooperate in long-term with the company. The case company should acquire positive references as quickly as possible because having references might be a threshold for some customers. It is recommended to possess at least 2-3 positive references per target segment. These references should be published, if the customer allows, on the company’s website, and if the reference is especially important, for example an OEM in automotive sector, also on company brochure as well. (Rope, 1998, 160–163)

6.5.2 Trading communication

Trading communication includes all methods of communication that take place after the introductory communication. Its purpose is to advance the buying process and eventually sign the contract of sale. The context of trading communication varies depending on product and whether the customer is an existing or buying for the first time. Since most of GMH’s customers can be considered “new”, I will introduce the relationship communication in separate chapter. In this chapter, I will evaluate the case company’s possibilities and prerequisites regarding trading communication (Rope, 1998, 167-168)

Direct response marketing

Direct response marketing means the possibility to send personalized messages to specific target customers. The objective of this stage of communication is to inform the recipient and arrange a negotiation, but most importantly, receive a response from the target customer in order to proceed the selling process. The response can be achieved by a seller impulsive- or customer impulsive method. In business-to-business –marketing direct response marketing usually takes place in form of marketing letter or phone call. It is advisable to make the marketing letters as personalized as possible to gain the best reach ability and value. The purpose of marketing letter is both for trading- and introductory communication, as it sets up also the future direct

marketing activities. The marketing letter for GMH will be discussed in more detail in chapter 6.6.1 and there will be a sample letters in the appendices 7 and 8. (Doyle, 2002, 265; Rope, 1998, 167-170)

Personal selling

Personal selling and contract negotiation can be considered as a cornerstone of effective business-to-business –marketing strategy. This is because of the traditions and habits of buyers, the nature of technical products and markets, which are often near niche markets, but most importantly, personal relations. The objective of personal selling is to negotiate, evaluate and offer tenders; generally advance the selling process. In business-to-business –marketing, personal selling mostly takes a form of telephone communication, tenders or contract negotiations. As personal selling will formulate an essential part of the case company’s trading communication process, I will discuss the forms of personal selling in the next chapter and attempt to provide practical guidelines for GMH’s trading communication. (Blythe, 2000, 201-202; Rope, 1998, 190-191)

Telephone communication

Telephone communication is widely used in business-to-business –marketing. Its purpose and form can be divided according to its suitability to current situation and it might as well have several functions. It may function as a supporting part of introductory communication to map out the prospects, or it may start the personal selling process by arranging a further meeting with the seller and buyer, when telephone communication acts like an important link between the different stages of selling process.

Telephone communication may also function as a direct sales approach, though it is relatively rare. In such situations, the orders are usually follow-up sales when customer relationship is long-standing and the product is familiar to both parties. Phone calls may function as direct sale approaches also when the product is simple and not economically significant. In the case, there will be mostly telephone communication supporting the introductory communication. As a support to introductory communication, phone calls function as links between introductory- and trading communication. The purpose of these phone calls is to arrange a meeting where the selling pro-

ess might continue. As the case company's marketing in Europe is to be launched during spring 2008, there are not yet long-standing relationships or renovations of orders. The marketing letter has set up a base for telephone communication and the follow-up phone call should take place within a week after the recipient has received the marketing letter. The objective of case company's telephone communication is simply to arrange a meeting with the potential buyer and a representative of GMH/Trigon Technology Oy in order to launch the personal selling –process. (Doyle, 2002, 260-265; Rope, 1998, 189)

Tenders

Tenders should not be concerned only as juridical documents. Tenders and communication executed through them is an essential part of business-to-business –marketing. Tenders can be divided in to two categories: standard tenders and tailor-made tenders. As the case company manufactures components for customers' individual needs, its tenders are tailor-made, as are always designed specifically for each customer. The tender should be presented in a form of text, explaining the nature of tender, all its details, but most importantly, underlining the tender's uniqueness for the potential customer. The usually includes also a covering letter and some appendices, such as product brochures. (Rope, 1998, 195-196)

Contract negotiations

Business negotiations can be divided into four phases: preparation, negotiation, closing the deal and post-marketing activities. The preparation of negotiation is naturally very important and can be seen as the basis for the whole selling process. Marketers should acquire as much information about the customer as possible. This not only helps the seller to adjust his selling strategy but also shows the customer that the seller is really interested in his company's interests. Marketers should also set up the necessary material to support the selling process. This includes brochures, reference lists, business cards, potential test results etc. The preparation includes also planning of selling strategy, tactics and arguments.

Opening sentences, mapping out the needs and argumentation create the different phases of the actual negotiation. Opening sentences are important to relax the mood, to sense the customer's feelings and wants as well to identify the roles in buying or-

ganization. The seller should ask and identify for example what are the characteristics that are most appreciated in customer's company; what problems the customer has had before with similar products; is there any special demands the customers absolutely wants. This process is called mapping out the needs of customer. These questions will vary naturally from case to case, but their purpose is to find out what the marketer should underline, and what not, when introducing the product. It can be said that this process creates the basis for selling argumentation.

Deals must be closed in order to gain profit. There are few points that are essential in closing the deals. Encouraging the customer to purchase immediately is especially important when the customer might postpone the purchase or is uncertain whether to buy or not. The seller can justify and encourage the customer for immediate purchase due to rising prices or possible upcoming stock out. Sellers must also ensure the customers that there will be no risks relating delivery, quality, privacy issues or any other parts of transaction. There might naturally be also discounts or other price strategies. (Hutt, 1998, 505; Vitale & Giglierano, 2002, 58-70)

Post-marketing activities

The last step of trading communication is post-marketing activity. It includes for example satisfaction check, company greetings and company magazines which can be more referred to relationship communication, thus they are discussed in the next chapter. The most important aspect of post-marketing activities is the customer satisfaction check. It is the link between trading communication and relationship communication. Customer satisfaction check includes normally two parts, the success of delivery and the satisfaction check. In practice, the case company should ensure the success of the delivery and that everything was as it was supposed to be: the delivery and all its parts have reached its destination, all documents and information have come through, and contracts are written as supposed and generally, ensure the customer that everything is satisfactory. Customer satisfaction check should take place after case company's every significant transaction. This is the way to ensure long-standing relationship but also to improve production process. The case company should inquire separately each customer's satisfaction by phone or e-mail. (Rope, 1998, 190-222)

6.5.3 Relationship communication

Relationship communication includes all activity which function is to strengthen the customer relationship. Methods of relationship communication include medias that are not directly related to further sales possibilities: Customer magazines, company events, all kind of greetings and responses to feedback. (Rope, 1998, 228)

The basis of an efficient relationship communication is a CRM plan. This plan is composed of case company's database of its customers that is integrated for marketing purposes. The database should include at least contact information, segment information, purchase history, contact history and profitability information. The plan also sets the schedule for relationship communication activities and draws guidelines for their execution. GMH should approach its customers with greetings for Christmas but also when there is something spectacular happening in customer's organisation. Greetings may seem insignificant, but they are an important part of constant relationship management. The customer satisfaction check discussed in previous chapter alongside with company's response to feedback formulates the other, important item of effective relationship communication. The response should be investigated personally by a representative of GMH in order provide the customer with the best possible answer and show case company's individual concern of customer's issues. (Rope, 1998, 230–236)

6.6 Customer contact plan

Trigon Technology Oy will launch the introductory communication during spring 2008. Case company's web-site, upcoming database listings and Indian references will support considerably the communication process. Due to case company's busy schedule in domestic markets it cannot participate in trade shows during spring 2008. However, GMH will participate to trade fairs, both as visitor and an exhibitor and publish announcements or advertorials in professional magazines as it regularizes its domestic market position and has more time and resources to concentrate also European markets.

The first step in actual contact plan is to recognize the buyers in target customers' organisations and perhaps segmenting them according to their expected value. It is also advisable to find out which method of introductory communication has the most promising customers heard of. This is done for the future planning of introductory communication and to analyze the effectiveness of its different methods. In the second step, Trigon Technology Oy will send marketing letters and brochures to most promising prospects in selected segment. As the strategy is to utilize sender impulsive response method, a representative of the company will approach the target customer within a week after receiving the letter. The objective of this phone call is to advance the selling process; arrange a meeting with the seller and the buyer or at least set up future sales and relationships with the potential customer. The objective of case company's trading communication is naturally to close the deal. This can be achieved with carefully planned personal selling and negotiation process. The relationship communication must be managed systematically in order to guarantee long-standing customer relationships. (Interview 4)

6.6.1 Marketing letter

The aim of marketing letter is to function as a part of the introductory communication; to produce publicity, strengthen the image and awareness of the company and its products. In addition, it sets up the base for upcoming sales arousing interest among the target customers, functioning as its main purpose, direct marketing. The letter should be composed of five items: 1.) Individual focus to show selling company's personalized interest to the potential customer 2.) A part to arouse interest. In this part it is essential to recognize what are the aspects or specifications of product that the recipient is interested in. To succeed in this, the selling organisation should understand the basic principles of customers' buying process. 3.) Brief explanation of the subject and product. It is not recommended to explain all production details in the letter as they already presented in the brochure attached in the letter. 4.) Offer follow-up communication to explain the customer how to communicate with the selling company. The options are to encourage active communication from the customer (pull) or explain in letter that representative of selling company will be contacting you (push).

A good marketing letter is personal avoiding the mass-mailing impression, tempting to read it, visually appealing, not longer than one slide of normal a4, personally signed and most importantly, skilfully eye-catching in order to activate the reader and arouse his interest. (Blythe, 2000, 175–180; Rope, 2000, 322–325)

The case company's first marketing letters will be aimed to most potential market segment discussed in chapter four. Buying processes of these, large multinational companies are very rational, and complex as their supply networks are composed of several tiers and sub-tiers. The content of the marketing letter is made according to the marketing strategy. GMH will emphasize following principles in its marketing letter:

- Explain what GMH Machines and Tools Pvt. Ltd. has to offer specifically to the target company and how could the customer save in costs.
- Illustrate the high level of quality (Six Sigma, Lean, ISO9001, etc.) of the company's manufacturing process and the competitive price.
- Leave an eye-catching and tempting impression to the customer to proceed the communication.

There is a sample letter provided in the appendices (7 and 8). The letter will be available in two languages, English and French.

(Interview 3&4)

6.6.2 Company brochure

The case company's brochure will be attached to the letter. The brochure is a basic form of marketing communication and it is often a functional part of direct marketing and almost always attached to marketing letters. The brochure should be convincing and able to offer a professional impression of the company or product it is presenting. To simplify, company brochure should be able to provide following information:

- Company's products or service (What the company has to offer?)
- Company's business concept and core idea including its competences and providing the customer a reason to become interested in the company.
- Contact information

A good brochure has plenty of pictures, both machines and components but also vitalizing pictures of people, or abstract concepts. The brochure must be printed on quality paper to offer an impression of reliable and qualified company. A good brochure must be carefully analyzed and planned. In this chapter, I will analyze case company's current brochure and offer recommendations to improve it. The case company's current brochure will be provided in the appendix 9. (Rope, 1998, 177)

The overall look of the case company's current brochure is relatively clear, but the colours should be changed to lighter. The colours should match company's website (discussed in chapter 6.6.3) in order to give an optimistic and professional impression to the reader. The company logo should also be changed according to the website. General lay-out should not be so tangled; each topic must be under own clearly distinguished header. Concerning the content of the brochure, there should be a compact description of company's services and core business idea. The business idea presented in the brochure should support the marketing letter, though it can be explained more detailed in the brochure. There should be a description of company's specialties and services through supply chain. These topics should be also clearly noticeable and remarkable headlined. There should not be pictures only of machinery, but also of machined components and people to vitalize the brochure. Pictures of people can be also compensated with abstract pictures but their object is still to vitalize the brochure and make it more interesting to read. Perhaps the most important matter is to translate the brochure in French and correct the English language in the brochure. In addition, the brochure must be printed on quality paper and it should not exceed four pages.

6.6.3 Web-site analysis and strategy

A website is a very important part of company's introductory communication process, especially in business-to-business –markets. The purpose of website is to provide information about company and its products, provide a possibility to advance the selling process (request for tender, etc), provide information about company's, and its key personnel's, competences and share the contact information. I will analyze case company's current website and provide information to develop it.

The domain name, gmhindia.com, is good, simple and descriptive. It is easy to remember and gives a professional image. The exterior layout is also relatively clear, though there should be some pictures also on the front page. The shades of blue reflect a fresh but professional image and function well with company's positioning objectives. The "about us" –page could be formulated a bit more clearly, and "vision" presented on a separate page to highlight it more. The basic content on these pages is relevant but the language and division of paragraphs requires some modifying. In addition, there could be even more accurate explanation of case company's core competences concerning each target sector. The aim of this would be to underline GMH's high quality through process development systems and certificates. In addition, there should absolutely be more accurate description of services provided and pictures of components as well. When the case company acquires positive references, they are recommended to be presented on the website. There are adequate pages for enquiries and contact, which provide the customers the possibility to proceed the selling process. As Trigon Technology Oy represents the case company in European markets, it is essential that there is a link and contact information of Trigon also on the GMH website. The web site should be translated to several languages, concerning European markets. At least French, Spanish, Italian and German are recommended.

Another important part of web-strategy is to ensure the reachability of the website. This is to be achieved through search engine visibility (search words) and advertising or listing on industrial portals discussed in earlier chapters. The case company has not yet invested in search engine activity, so it cannot easily be found by search engine using key-words. Activation and investments in search engines, especially Google, would be very important in order to achieve maximum publicity and awareness especially in the early stages of business when the company is unknown for most of the potential customer. The best search word links describe the company's activity but also finished goods. For the case company, such could be for example: high precision machining, tooling, automotive components and so on. On the appendix 6, there is a list of potential industrial portals to be advertised or listed on.

7 CONCLUDING REMARKS

The starting point of this thesis was to generate an international marketing plan for the case company, GMH Machines and Tools Pvt. Ltd. Hence, the empirical part consisted of business environment analyses, market analysis and the actual marketing plan as well as linking the case to other theoretical parts. The research was carried out in forms of e-mail interviews and unstructured interviews.

Despite the complexity and extensity of the subject, I was able to provide a useful marketing plan for the case company. As that was also the main objective of the thesis, I may consider the outcome successful. The most challenging part in the thesis was surely the market analysis. It was difficult to find relevant and up-to-date information and generally understand the structures of very complex market segments. There were though several very useful on-line portals that facilitated my work significantly and made it possible to analyze the markets in such details. These on-line portals will function also as worthwhile tools for case company's marketing activities.

Generally, this thesis functions as an excellent foundation for case company's marketing activities in France. Though, the case itself is just beginning, and further research is needed for the case to investigate more the markets, customers and other factors affecting GMH's business in France.

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Managing Director of GMH. 2007. CEO, GMH Machines and Tools Pvt. Ltd. E-Mail interview (1) at 17.12.2007

Managing Director of GMH. 2008. CEO, GMH Machines and Tools Pvt. Ltd. Unstructured personal interview (2) at 12.2.2008

CEO of Trigon Technology Oy. 2008. Trigon Technology Oy. Unstructured personal interview (3) at 16.3.2008

Managing Director of GMH. 2008. CEO, GMH Machines and Tools Pvt. Ltd. Unstructured personal interview (4) at 22.3.2008

APPENDICES

Appendix 1. E-mail interview with the Managing Director of GMH

Appendix 2. Automotive sector divisions

Appendix 3. OEM suppliers

Appendix 4. Construction equipment manufacturers

Appendix 5. Precision machining companies in France

Appendix 6. Professional portals and web sites

Appendix 7. Marketing letter in English

Appendix 8. Marketing letter in French

Appendix 9. Company brochure

Appendix 10. E-mail interview with FinPro, Saana Suojanen; UCCFF, Anna Olkinuora

APPENDIX 1

Managing Director of GMH. 2007. CEO, GMH Machines and Tools Pvt. Ltd. E-Mail interview (1) at 17.12.2007

Topics:

GMH's internal analysis:

Please offer me a list of identified customers in France.

Have you so far recognized any potential competitors?

- Please describe how will the company prepare for foreign market entry in terms of the experience of personnel, financial resources, equipment, machinery, production, etc.
- Company's production capacity? (is it adequate to satisfy both Indian and potential European demand) And could you estimate the demand in India vs. Europe?

In addition, if there's anything related to above issues (or something else) you think I should know, please tell me.

Market Segmentation:

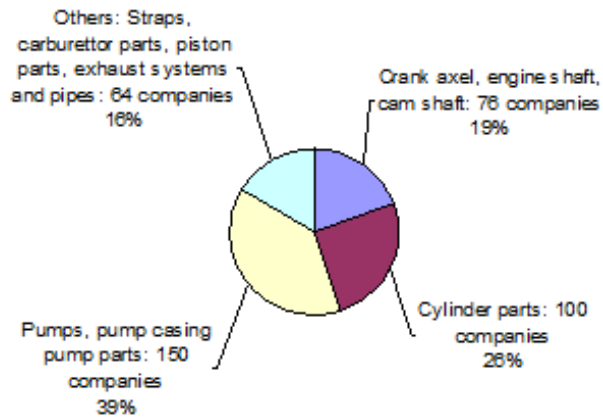
- In order to segment markets, I should know **as accurately as possible what** could GMHMTPL offer and for **which industries in France?**
- Could you send me the technical specifications of your machining equipment, so I can most efficiently map out and segment the competition? And further more, does GMHMTPL have any specialties, or techniques, that differentiate it from its competitors, or if you know, how competitors try to differ from GMHMTPL?

Market analysis:

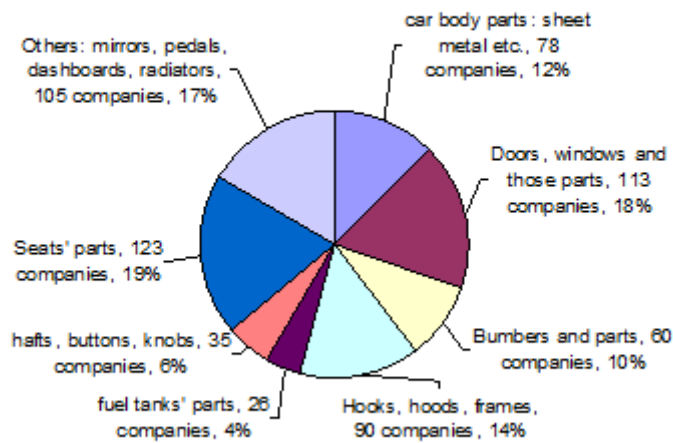
- Do you know anything about the current state of French high precision machining markets?

Automotive sector details

Structural engine parts



Structural and spare parts for car body



OEM Suppliers

The following companies are the largest OEM Suppliers in France. The accurate details of these companies (key personnel, activities, key figures, location, etc.) can be found in the Kompass database.

- Robert Bosch
- Delphi
- Johnson Controls
- Denso
- Bridgestone
- Magna
- Goodyear
- Michelin
- Siemens (VDO + Osram)
- Lear
- Aisin Seiki
- Visteon
- Continental
- Faurecia,
- ZF Group,
- TRW Automotive
- Valeo
- ThyssenKrupp
- Cummins
- ArvinMeritor

APPENDIX 4

Largest French construction equipment manufacturers by sales. (2005)

Liebherr France

CHN France

Renault Trucks

Manitou BF

Potain SAS

Pinguely-Haulotte

Fayat Matériels Routiers

Caterpillar France

Altrad Equipment

Volvo Compact Equipment

APPENDIX 5

Machining industry in France 1996-2005

NOMBRE ENTREPRISES FRANCE = 794			NOMBRE ENTREPRISES HAUTE-SAVOIE = 483		
1 à 9 salariés	10 à 19 salariés	> à 20 salariés	1 à 9 salariés	10 à 19 salariés	> à 20 salariés
419	156	219	256	97	130

CHIFFRE D'AFFAIRES			
année	millions de		variation (%)
	francs	euros	
1996	9 922		+ 3.00
1997	10 472		+ 5.50
1998	11 715		+ 11.87
1999	12 014		+ 2.55
2000	13 380	2 040	+ 11.35
2001	13 178	2 009	- 1.52
2002		1 925	- 4.18
2003		1 942	+ 0.90
2004		2 039	+ 5.00
2005		2 020	- 0.90

APPENDIX 6

Web sites and databases concerning French markets:

<http://www.decolletage.fr/>

This site is officially called “portal for machining industry”. There can be searched and found machining companies or seen company presentations. The companies can be browsed by categories, for example search by their activity in the industry.

There is also a place where companies can sell their machines (machines outils à vendre).

There is also a place where companies can left request for quotations or offers (<http://pro.decolletage.fr/>) Generally this site is very extensive and might offer a useful tool in mapping suppliers, competitors, or just keeping up-to-date in industry’s news.

(<http://metaux.decolletage.fr/>) This site is especially for different metal suppliers. They are categorized by the function and characteristics of steel. There does not seem to be many suppliers at the moment but maybe it’s worth checking it every once in a while.

<http://www.industrie-usinage.fr/>

This site includes search, news from the industry, “site of the week” (like an advertorial), contact, employment and a database (<http://www.industrie-usinage.fr/annuaire/>). In the database you can again select by company’s activity and search for companies. This is also a very large and extensive site, that would require further investigation. In all of these sites, there is a possibility to advertise (or be found) and I think these could be an important opportunities of marketing.

<http://www.sndec.com>

This site is the official site of machining trade union. Again, it’s naturally only in French. It says that this websites has 6 missions: to connect, help, serve, inform, promote and introduce the machining industry and companies within it. This site is maybe a bit more aimed for employees, as there are job advertisements and a place to leave your CV. However, there is also a database where you can only search for companies, but not browse. Generally, this site is not so interactive as the last 2.

Top class machining solutions at competitive price

Dear Mr. XXX

We believe your company XXX could significantly benefit our XXXs products in terms of superior quality and cost-efficient pricing.

Avantika Products represents GMH Machines and Tools Pvt. Ltd in French markets. Both companies share a common virtuous objective, to provide customers with products and precision machining services at an optimum cost, lead time and assured quality; enabling highly added value to the customer. GMH manufactures tailor-made components for your individual needs and we strongly believe we could offer significantly tempting solutions for your production process, for example in terms of crank axles, engine shafts or pump- and valve components.

GMH Machines and Tools Pvt. Ltd exploits very developed production processes, managed by a highly dedicated team of Lean Six Sigma quality conscious personnel ensuring to meet the international standards. We share a focused sense of quality assurance, as the manufacturing processes are initiated for general ISO9001 and petroleum technical specification certification to guarantee the best possible machining solutions for each customer's individual needs.

We would like to make you a very competitive offer; optimized production processes enable us to provide very competitive prices. We humbly ask you to take a look at the brochure attached and visit www.gmhindia.com to find out more about GMH's product range as well as additional services. Please consider how much your company could save in costs related to precision machining solutions but still achieve top class quality and gain further competence for your products.

Our representative will approach you to discuss more about our hopefully productive relationship in the future.

Looking forward hearing you soon,
Sincerely,

Eero Nikkanen,
Sales Manager

Les solutions d'usinage de haute qualité à des prix compétitives

Cher M. xxx

Nous estimons que votre société pourrait grandement bénéficier de nos produits XXX en terme de qualité supérieur et de prix rentable.

Les produits Avantika représentent la SARL GMH Machines et Outils dans le marché français. Les deux entreprises partagent un objectif commun, afin de fournir aux clients des produits et des services d'usinage de précision à un coût optimal; d'apporter les délais et l'assurance qualité, en permettant au plus une valeur ajoutée au client. GMH fabrique des composants sur-mesure pour vos besoins individuels, et nous croyons fermement que nous pourrions offrir des solutions avantageuses pour votre processus de production, par exemple en ce qui concerne l'axe de manivelle, le moteur de puits ou de pompes et les composants de robinets.

La SARL GMH Machines et Outils exploite les systèmes de productions très développés, gérés par une équipe expérimenté de Lean Six Sigma qui répondent aux normes internationales. Nous partageons un esprit d'assurance qualité, nos systèmes de productions ont été lancé avec la certification ISO 9001 et obtiennent la spécification technique du pétrole. Ceux-ci permettent de garantir les meilleures solutions d'usinage pour les besoins individuels de chaque clients.

Nous aimerions vous faire une offre très compétitive; un système de production optimisé, nous permet de proposer des prix très compétitifs. Nous vous demandons humblement de regarder la brochure ci-jointe et de visiter notre site internet www.gmhindia.com, pour connaître d'avantage la gamme de produits de GMH ainsi que nos services supplémentaires. Sachez que votre entreprise pourrait économiser des coûts dans ce qui concerne l'usinage de précision mais aussi atteindre un haut niveau de qualité et d'obtenir de plus amples compétences pour vos produits.

Notre représentant vous contactera dans l'espérance de poursuivre notre relation.


A très bientôt

Cordialement,

Eero Nikkanen,

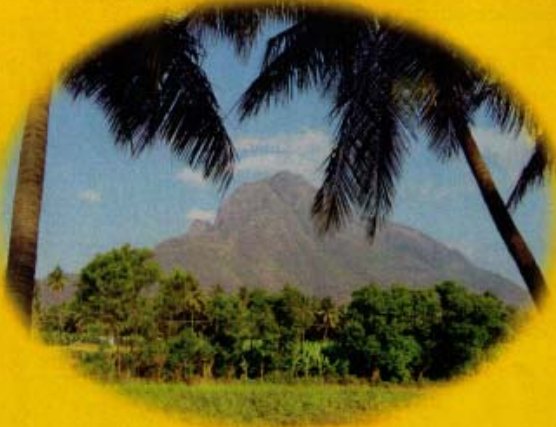
Directeur Commercial

The brochure of GMH Machines and Tools Pvt. Ltd



GMH INDIA

**GMH MACHINES AND
TOOLS PRIVATE LIMITED.,**



SF 592 Adjacent Lakshmi Nagar,
CRPF Kathirayakkanpalayam Road,
Thoppampatti Post, Coimbatore - 641 017.
Tel : +91 422 2460520, 2903101
Fax : + 91 422 2462420
E-mail: info@gmhindia.com
Homepage: www.Gmhindia.com

Quality Next to None

GMH, a Hi-tech Manufacturing & Machining Centre, has been founded by technocrats, with an exceptional experience, from countries like Finland, Singapore and USA.

GMH is a 'Learn manufacturing Engineering Industry', aiming at providing products and machining services, at an optimum cost, lead time and assured quality, enabling delight to be customer.

Vision

To render consistent world class value added services, to meet the emerging needs of high precision machining requirements, with zero defects and no delay.

GMH's manufacturing and machining services are designed to be an integral part of various industrial requirements in the field of Automobiles, Power Generation, Oil exploration and refining, shipping and heavy machinery manufacturing.

GMH's work processes are managed by a dedicated team of six sigma trained quality conscious personnel, with rich exposure in processes, ensuring in meeting the requirement of international standard, leading to customer satisfaction

GMH, with a focused sense to quality assurance, has initiated the process for ISO- 9001 & TS Certification to ensure a high profile Manufacturing- Machining centre.

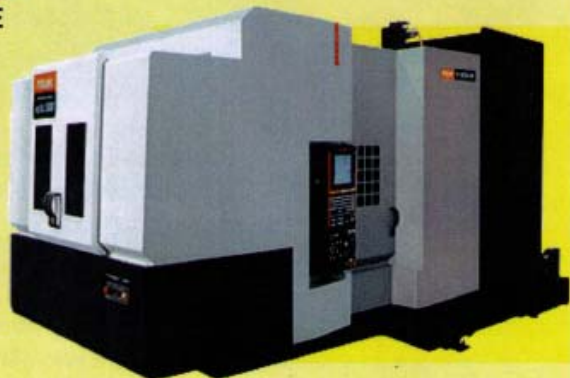
GMH has installed high precision CNC machines with Mazatrol matrix Nexus controls, imported from Mazak, Japan.

GMH has designed its facility, based on lean manufacturing concept, with hi-tech machineries, in a proven method, to facilitate high production rate with following machines:

MAZAK

HORIZONTAL MACHINING CENTRE

HORIZONTAL CENTRE NEXUX 5000 - II		
STROKE	X	730 mm
	Y	730 mm
	Z	740 mm
TABLE	Pallet Size	500 mmX500 mm
	Max. work piece dim	∅ 800 mmX1000 mm
	Pallet Load Capacity	0.7 tonnes (1542 lbs)



MAZAK

VERTICAL MACHINING CENTRE

VERTICAL CENTRE NEXUS 510C		
STROKE	X	1050 mm
	Y	510 mm
	Z	510 mm
TABLE	Work Table dim	1300 mmX550 mm
	Pallet Load Capacity	1.2 tonnes (2646 lbs)



MAZAK

QUICK TURN NEXUS 150 E³

QUICK TURN NEXUS 150 E ³		
CAPACITY	Chuck Size	8"
	Maximum Swing	Ø 550 mm
	Machining diameter Max	Ø 330 mm
	Bar work capacity	Ø 51 mm
	Distance bet spindle end and Turret End face	126 - 666 mm



Conventional Heavy Duty Machines



Horizontal Lathe



Drilling Machine



Vertical Milling Machine

All modern measuring instruments meeting international standards are from Mitutoyo Japan. GMH ensures CMM facility in near future.

GMH facilitates in the production of wide range of mechanical components in the following fields:

Aerospace

Automotives

Industrial Equipments

Oil Exploration Equipments

Precision tooling

Power plant equipments

Pumps and valves

GMH has a well organized supply chain in the following zones for the manufacturing of Steel and Aluminum products.

- ❑ Classification society approved material suppliers.
- ❑ Casting and forging suppliers to meet design requirements.
- ❑ Classification certified Quality Heat Treatment plant.
- ❑ Mechanical testing laboratory facility meeting EN17025.
- ❑ Non-destructive testings performed by ASNT/EN473 certified inspectors.

All above assuring shortest lead time and zero delay in delivery.

GMH expansion plan commences from May 08 covering a factory floor area of 1000 square meters for the installation of CNC TURN MILL, VARIAXIS and Vertical Boring Machine.

E-mail interview with UCCFF / FinPro

Hei,

Edustamani Intialainen yritys on aloittamassa tuontitoimintaa Ranskaan, koneistettujen komponenttien alalla. Tuotteet siis vaihtelevat, paljonkin, mutta enimmäkseen kyseessä ovat erilaiset pumput, venttiilit, akselit jne. energiateollisuudelle sekä auto- ja maatalousteollisuudelle.

Kysisinkin teiltä, että onko mahdollista löytää mistään tietokantaa, josta löydän tietoja paljonko vastaavanlaista tuontia (komponentit, pumput, venttiilit, jne.) on ollut Ranskaan viime vuosina Intiasta tai joistain muista Aasian maista? Ainakin Suomen Tullilla on kattavat ulko- maankauppatilastot nettisivuillaan, mutta en löytänyt Ranskan tullin sivuilta vastaavia.

Ystävällisin terveisin,

Eero Nikkanen

Sales Assistant

phone +358 50 4093265

eero.nikkanen@trigontech.fi

AVANTIKA PRODUCTS is the auxiliary trade name of TRIGON TECHNOLOGY OY for marketing high quality machined products manufactured by qualified suppliers for the energy sector.

TRIGON TECHNOLOGY OY, phone: +358 40 072 2567, telefax: +358 2 637 7153, e-mail: info@trigontech.fi, visiting address: Pripoli Centre of Technology, Building K, postal address: Tiedepuisto 4, FI-28600 Pori, Finland