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COMPETITOR ANALYSIS AND STRATEGIC MARKETING
PLANNING IN A HVAC COMPANY

Case company: LVI-Kallio Oy

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This Bachelors Thesis was conducted as a case study for LVI-Kallio Oy. The aim of the study was to conduct a competitor analysis and an industry analysis of the HVAC industry and with the help of those, compile a marketing plan for the case company. The case company was recently established company with a very limited amount of previous research.

The theoretical part of thesis examined the process of strategic marketing planning. Each part of the process was studied using theories and models, with emphasis on the competitor and industry analysis.

A qualitative method was chosen for the empirical study. An open-ended questionnaire was designed for interviewing the competitors, which was done as a telephone interview. The interviews were summarized and conclusions formed, in order to reveal the issues relating to the analysis.

The results indicated factors affecting the HVAC industry which were used in compiling the recommendations for the case company. Concentrating on contract jobs and also offering a 24h emergency service formed to be the main operational decisions. The aspiration for expansion of the case company was seen reasonable after the operations have settled. The minor amount of advertising in the industry affected the promotional decisions where establishing a web site was seen as an important feature. The acquiring of the ISO9000 certificate was seen as an investment in the future.

KILPAILIJA-ANALYYSI JA STRATEGISEN MARKKINOINNIN SUUNNITTELU LVI-YRITYKSESSÄ

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Tämä opinnäytetyö suoritettiin tapaustutkimuksena LVI-Kallio Oy:lle. Tutkimuksen tavoitteena oli suorittaa kilpailija- ja toimiala-analyysi LVI-alasta ja niiden avulla laatia markkinointi suunnitelma kohdeyritykselle. Kohdeyritys oli äskettäin perustettu yritys jolla oli vain vähäinen määrä aiempaa tutkimusta.

Opinnäytetyön teoreettinen osa tutki strategisen markkinoinnin suunnittelun prosessia. Jokainen prosessin osa käsiteltiin käyttäen avuksi teorioita ja malleja, painopisteen ollessa erityisesti kilpailija- ja toimiala-analyysillä.

Empiirisen osan tutkimukseen valittiin kvalitatiivinen metodi. Avoin kyselylomake suunniteltiin kilpailijoiden haastattelua varten, jotka toimitettiin puhelin haastatteluina. Haastattelut tiivistettiin ja johtopäätökset muodostettiin jotta analyysihin vaikuttavat tekijät löydettiin.

Tulokset paljastivat LVI-alaan vaikuttavia tekijöitä joita käytettiin suositusten koostamisessa kohdeyritystä varten. Keskittyminen urakoihin ja 24h päivystys muotoutuivat tärkeimmiksi operatiivisiksi päätöksiksi. Kohdeyrityksen toive laajentumisesta nähtiin järkevänä sen jälkeen kun yrityksen toiminta on tasaantunut. Alalle yleinen vähäinen mainostus vaikutti promootiopäätöksiin joissa nettisivujen luomisen tärkeys korostui. ISO9000 sertifiointin hankkiminen nähtiin panostuksena tulevaisuuden operaatioihin.

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1 INTRODUCTION

The modern day business environment is a rapidly changing matrix of different players and rules within any industry. The increasing flow of information, development of technology and research alongside with the changing preferences of people makes strategic planning a condition for success in any business. The HVAC industry in Finland is an industry with numerous operators with a countless amount of customers in all areas with habitation. The case company of this study, LVI-Kallio Oy, was at the time of the study a relatively newly established one-man-company with a vast operating area around Turku. They had done very little research or marketing planning and had no resources for such.

Our objectives for this study included conducting an industry analysis and a competitor analysis for the case company, and based on the results alongside with the other elements of analysis forming a working marketing plan for the case company. The theoretical part explains the strategic marketing plan as a process, using models, frameworks and theories from various sources thus creating a base for the empirical part. The qualitative research was conducted as a telephone interview using an open ended questionnaire as structure. The empirical part consists of the marketing plan created for LVI-Kallio Oy based mainly on the research on competition, the case company and the industry itself.

Recommendations and suggestions for the case company have been created throughout the process according to the information gathered from various sources.

2 STRATEGIC MARKETING PLANNING

Businesses that succeed do it by creating and keeping customers. They do this by providing better value for the customer than the competition. Marketing management constantly have to assess which customers they are trying to reach and how they can design products and services that provide better value than the competitors or in other words how to reach competitive advantage. The main problem with this process is that the environment in which businesses operate is constantly changing. So a business must adapt to reflect changes in the environment and make decisions about how to change the marketing mix in order to succeed. This process of adapting and decision-making is known as marketing planning. Strategic marketing planning is a management process leading to a marketing plan. Strategic planning is concerned about the overall direction of the business. It is naturally concerned with marketing, but it also involves decision-making about production and operations, finance, human resource management and other business issues. The objective of a strategic plan is to set the direction of a business and create its shape so that the products and services it provides meet the overall business objectives. Marketing has a key role to play in strategic planning, because it is the job of marketing management to understand and manage the links between the business and the environment. The complexity of the task varies according to the size of the business, geographical region and outreach, targeted customer groups and product range. Naturally the task is easier if the company is a one man business in a very small area than it is with a complex multinational enterprise. (McDonald, 2002, 7-10)

The key questions in any strategic and marketing planning are concerned with the current situation and the path that lead there, the future direction of operations, the direction that is hoped for and the means of getting there. It uses various analysis and tools for assessing the past, present and future. The importance of strategic marketing planning is significant because businesses operate in hostile and increasingly complex environments. The ability of a business to achieve profitable sales is impacted by dozens of environmental factors, many of which are inter-

connected. It is reasonable to try to achieve order in the chaos by understanding the commercial environment and bringing some strategic sense to the process of marketing products and services. Marketing planning is about marketing objectives (what you want to achieve) and marketing strategies (how you plan to achieve your marketing objectives). A marketing plan is useful to a great deal of people in a business. It will help to identify sources of competitive advantage, inform stakeholders, set objectives and strategies and gain commitment to a strategy. (Kotler & Armstrong, 2004, 105; McDonald, 2002, 10-12)

2.1. Overall organizational goals

Mission

The aim of strategic decisions is achieving the set objectives. Objectives and strategy are however limited by the mission of the organisation and possible mission statement. The conventional idea of looking at the mission of an organisation is to look into the question of what is the area of business the company is involved in. A simple “retailing” or “plumbing” is however not enough. Mission should be accompanied with the idea of needs that are met with the product or service. The market or industry is secondary. The customer orientation, targeted customer groups and clients alongside with the means for satisfying the needs of the customers should be clearly stated in the mission. Simply put the mission statement should include three main ideas: existing customer groups are being satisfied, they have a need that is being satisfied and how customer these needs are being satisfied. The core mission of the company needs to be adopted by all personnel, but communicated effectively by the marketing. (Rosen, 1995, 21; see also: Jaffe, 1993, 62-63)

The idea of mission leading all operations of a company behind the scenes is a key idea of strategic thinking and planning. The idea is not too old though. Lewitt argued in a seminar article already in the late 1960's that many businesses defined themselves too narrowly, limiting management horizons and preventing the

business from reaching its full potential. He argued that the railroad company should see itself as being in the business of moving people; that the oil company should regard its business as energy and the tin can manufacturer should think packaging. (Lewitt, 1960) From there on the process has developed and the idea of a mission and strategic planning has become more specific. Identifying, clarifying and communicating organizational mission is now a major part of the planning process.

Objectives

The mission provides a framework for the objectives of the company. Mission implies of a single purpose and overall goal of all operations, but a company will most definitely have multiple and overlapping objectives. Multiple objectives are easy explained when thinking of the different objectives of the multiple departments of an organisation. Naturally the objectives related to for example productivity and social responsiveness can not be the same. The objectives will also be overlapping with the idea of having short-term and long-term objectives. The long-term objectives ensure that the “red line” of the business stays in perspective and the short-term objectives help in measuring success and guiding the organisations operations on a more down to earth level. Many times objectives end up being in conflict with each other. For example a company producing gravel may invest in a larger crushing plant in order to gain larger profits on an annual level, while the profit per produced ton may fall despite the effects of economies of scale. Given the fact that objectives end up being multiple in numbers, different in time perspective and conflictive, it is crucial to prioritize the objectives. The mission statement and following the main idea of it becomes very important. (Rosen, 1995, 24-26)

The hierarchy of objectives can be divided into four levels that broadly are corresponding to the levels of management by the traditional thinking. Corporate objectives affect in the level where corporate strategy takes place while it is important that each strategic business unit or division has their own objectives, both short-term and long-term, and strategies that will be influenced by the corporate strategy. Functional and administrative objectives need to be set for the

various functions of a company. For example marketing, research and development, human resources and production all need to have their own objectives in order to ensure that they are contributing appropriately. Having set the divisional objectives, the departments are ready to set the operational objectives. These objectives will be set for various sections within a department, for example in production the objectives will be set on each production line individually possibly targeting on monthly/weekly production amounts or the relation between energy consumption and productivity. (Rosen, 1995, 26-27; see also: Mullins, Walker & Boyd, 2006, 41)

When going down on the chain of command the objectives need to become very down to earth and short-term. The long-term goals are crucial to be communicated effectively alongside with the mission, but as daily activities are concerned, the plans and activities to complete them are made possibly on very short notice. Activities of a business are focused around the achievement of appropriate business objectives. Production objectives for a car manufacturing company might focus on quality and meeting particular targets and standards. Marketing objectives on the other hand could focus on identifying and meeting the needs of consumers. Customer service objectives are ideally focused on delighting the customers and possibly on improving the customer service level.

Business objectives and functional objectives make it possible to set targets. These targets then create a direction for activities.

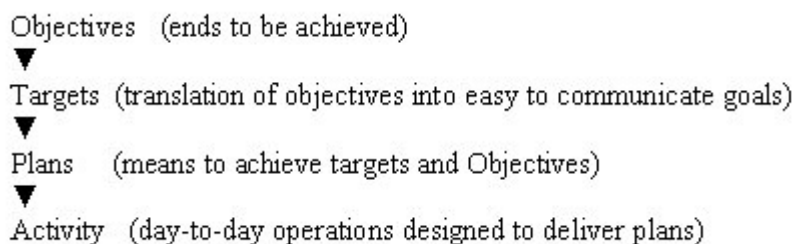


Figure 1: Direction of activities. (Aims and Objectives, 2007)

The overarching objectives of an organisation can be translated into specific activity objectives. For example the company producing gravel might have a

supervisor at the quarry of whose daily activities include planning the schedule for producing different varieties and the personnel division at the quarry in order to meet the objectives for production. The employee needs to be aware of the plans and objectives so that he can take part in the activities designed for him. The individual employee might also be responsible for achieving a certain daily production amount.

Objectives are planned to provide a clear structure for all of the various activities that an organisation carries out. Objectives within an organisation are established at a number of levels from top-level corporate objectives, down to team objectives and individual objectives that create a framework for operational activities. (Aims and objectives, 2007)

In rationalising the objectives and goals all the parties involved need to be considered. Prioritizing the needs and wants of one party will need justification and in order to identify everyone, a stakeholder analysis is needed. A stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization's objectives. (Clulow, 2005) A stakeholder analysis provides rationale behind the behaviour and strategic decisions of organisations. In the public sector, for example in the educational sector objectives are largely determined by the government and officials of the teaching board, local officials in terms of spaces and transportation and the authorities behind regulation and procedure. The private sector was in the past dominated by the wants of investors and company directors who also were the most powerful stakeholders. However, today the expectations, needs and wants of other important stakeholders, such as employees, suppliers, customers, may be of much greater value. Also relics of the past are the profit-motivated objectives. In today's business a full-scale stakeholder analysis is needed in order to understand and determine organisational objectives and strategy. It is clear that the conflict of interest between the stakeholders will always exist; compromising is needed in order to reach a solution. (Bourne & Walker, 2005)

2.2. Strategic Audit

The strategic audit is a set of analysis that examines the “big picture” with a holistic view. Successful corporate strategy refers to the choice of markets in which the firm's distinctive capabilities yield competitive advantage. The process in which these capabilities creating competitive advantage are acknowledged enables the firm to begin understanding their distinctive capabilities and how those condition their strategic choices. The process is called strategic audit. There are dangers in describing the process of strategy formation, because the determination of strategy is not a checklist that can be handed over to the planning department or even less an outside firm of consultants. Rather, it emerges from the firm's analysis of its own capabilities and is part of its everyday decision making. Nor are there recipes for strategy or a tray full of generic strategies to choose from. Effective strategy, based on distinctive capabilities, is unique to the firm that pursues it. The strategic audit is divided into two groups of analysis, internal and external audit which will be examined in the following chapters. (Cheverton, 2004, 71)

2.2.1. Internal audit

The purpose of setting up an enterprise is to gain economic benefits, no matter what kind of economic environment and ownership. Gaining constant increase in economic benefits is the problem in many companies. Constantly monitoring the external environment of a company is crucial for strategic planning, but tracking the internal environment is just as important. The evaluation of the internal environment is concerned with two features: how efficiently the organisation is carrying out its tasks and how effectively it is operating. Efficiency is concerned with how well resources, materials, labour, budgets and management time are converted into outputs. Efficiency is usually as a term used in internal aspects of an organisation. Efficiency does not however always lead to effectiveness. Even though a company would be high on productivity with both labour and machine (referring to high efficiency), it could be producing an obsolete product to a very

low demand market. This would mean that the resources are not being used effectively. The whole of the internal analyses falls into four categories according to Rosen:

1. The organisation as whole and its current situation
2. The organisation in relation to its objectives
3. The organisation in relation to the environment
4. The products or service in relation to the environment

After the analysis has been chopped into smaller particulars, there are different methods and analyses to be used in the different element of the internal analysis. The four categories of the internal analyse will now be discussed more in detail. (Rosen, 1995, 46-47)

Organisation as a whole

The four aspects of an organisation that need to be analysed are the financial performance, functions and departments as individuals, organisational structure and intangibles such as the willingness to take risks. The data for evaluating the financial performance of the company need to include several years in order to be able to analyse trends and recognise danger signals. The figures also need to be compared to the situation of the industry as a whole and the main competitors. The functions and departments of the firm need to be evaluated individually in terms of effectiveness, efficiency, strengths and weaknesses. Sometimes the findings will indicate a place for small improvement, but in some cases danger factors can be located in special departments. In addition to the analysis of the individual departments and functions, the organisational structure needs to be examined. The organisational structure acts as a back bone to the whole organisation but when the company grows and undertakes change, it might become inappropriate, for example a merger could produce overlapping departments or functions that are obsolete. The last aspect that needs to be examined is the intangibles. These cannot be measured with e.g. formulas, ratios or calculations, but they tell a story between the lines. Characteristics like risk taking attitude, management style, “formula for success” alongside with features like brand image and the quality of relationships with suppliers and customer

might end up being very important assets of perhaps liabilities. When conducting the analysis the problem is many times remembering the starting point, which should be the question: What needs to be done? Many times the analysis ends up examining the things done and the methods for that. A growing trend is to decide what needs to be done, regardless of the current system, and designing the appropriate organisation for it. (Rosen, 1995, 47-49)

The seven S's framework

A slightly different view of internal analysis is offered by the Seven S's framework. This framework concentrates more on the whole organisation than on individual departments or systems like in the idea presented before. It is an additional analysis not alternative. (Rosen, 1995, 49)

The Seven S's model was originally developed by Tom Peters and Robert Waterman when they were examining what made companies excellent. The both were consultants at the McKinsey & Company, which lead to the model being called the McKinsey Seven S's. The Seven-S framework is based on the theory that an organization is not just structure, but is comprised of seven elements distinguished by the "hard" S's and "soft" S's. The hard elements, structure, strategy, and systems, (e.g. IT, training and budgeting) are practical and reasonably identifiable and can be found in strategy statements, plans, charts and so on. The four soft S's, skills, staff, style (e.g. management style), and shared values by the organisation, are somewhat less easily discerned and are less tangible. Staff can be categorized as both a soft and a hard S, due to its nature involving recruitment and payment as "hard elements" and morale and staff development as "soft elements". Continuously evolving and changing, the soft S's are determined by the people at work in the organization and hence, are difficult to anticipate or to influence. Although subterranean in nature, they can and do have a great impact on the hard S's. (Falkenberg, 2002; Rosen, 1995, 50)

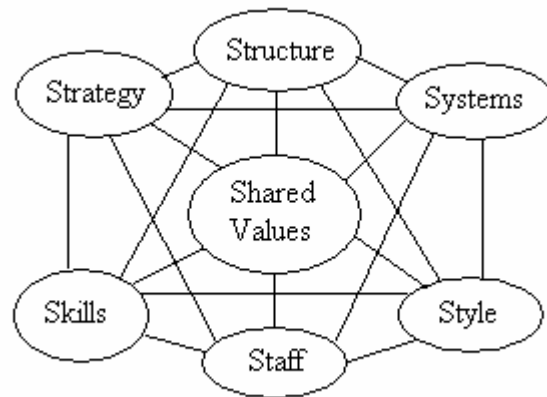


Figure 2: The Seven S's framework. (McKinsey 7-S Framework model, 2007)

The investigations of Peters and Waterman, that also led to the development of the seven S's, led them to develop eight attributes or principles for a successful company:

1. A bias for action - a preference for doing something rather than sending a question through cycles and cycles of analyses and committee reports.
2. Staying close to the customer – learning his preferences and catering to them.
3. Autonomy and entrepreneurship – breaking the corporation into small companies and encouraging them to think independently and competitively.
4. Productivity through people – creating the awareness that the best efforts of all employees are essential and that they will share the rewards of the company's success.
5. Hands-on – importance of executives keeping in touch with the firm's essential business.
6. Stick to the knitting – remaining with the business the company knows best.
7. Simple form, lean staff – few administrative layers, few people at the upper levels.

8. Simultaneous loose-tight atmosphere – fostering a climate where there is dedication to the central values of the company combined with tolerance for all employees who accept those values.

(Grieves, 2000)

Organisation in relation to its objectives

The basic element in doing business is to achieve the set objectives. It is crucial that management always bears in mind what is the primary objective of the particular business. When examining the particular departments or overall the different aspects of an organisation it is important to continuously monitor their level of reaching the objectives set for them. Consistent desire to evolve and improve the procedures and the effectiveness of the organisation will lead to better results. (Rosen, 1995, 51)

Organisation and its products / services in relation to the environment

The strategic management is largely concerned with matching the organisation to the environment, after all environments rarely changes to the desired direction. The environmental analysis (discussed in chapter 2.2.2 External audit) plays a major part in this aspect of the internal analysis. There are tools in seeing whether or not the company's offerings match the demand of the public. Such a tool is the Boston Consulting Group product portfolio matrix. They feel that in order for a company to be successful they need a portfolio of products with different growth rates and different market shares. The portfolio composition is a function of the balance between cash flows. High growth products require cash inputs to grow. Low growth products should generate excess cash. (Boston Consulting Group, 1970) The different categorisations of products also match the different stages of the product life cycle as shown in the figure below.

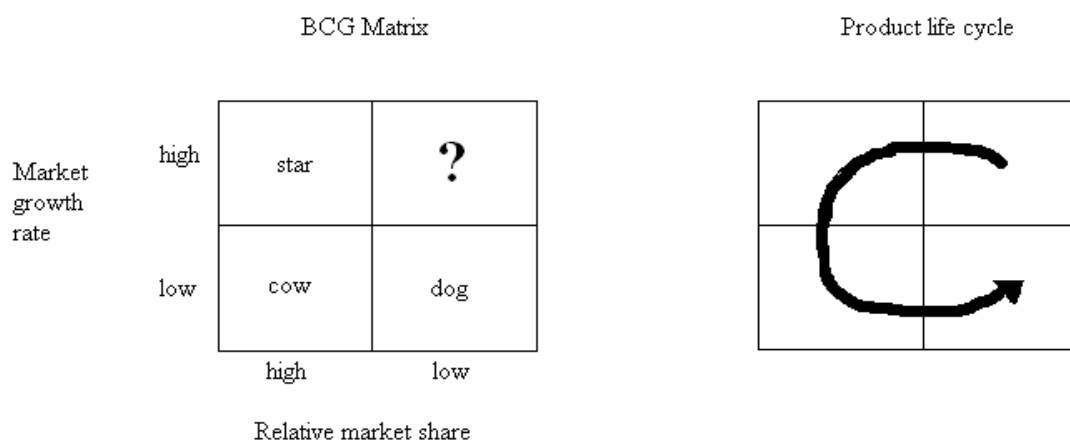


Figure 3: The Boston Consulting Group product portfolio matrix and the product life cycle. Adapted from Rosen (1995, 54).

Products with high market share and slow growth are considered cash cows. Characteristically, they generate large amounts of cash, in excess of the reinvestment required to maintain share. This excess need not be reinvested in those products. Products with low market share and slow growth are called dogs. They may show an accounting profit, but the profit must be reinvested to maintain share, leaving no cash. All products eventually become either cash cows or dogs. The value of a product is completely dependent upon obtaining a leading share of its market before the growth slows. Products that have a low market share and a high growth rate are the question marks. They almost always require far more cash than they can generate. If cash is not supplied, they fall behind and die. Even when the cash is supplied, if they only hold their share, they are still dogs when the growth stops. The question marks require large added cash investment for market share to be purchased. The low market share, high growth product is a liability unless it becomes a star. It requires very large cash inputs that it cannot generate itself. The high shared and high growth obtaining product is the star. It nearly always shows reported profits, but it may or may not generate all of its own cash. If it stays a leader, however, it will become a large cash generator when growth slows and its reinvestment requirements diminish. The star eventually becomes the cash cow, providing high volume, high margin, high stability,

security and cash throw off for reinvestment elsewhere. (Sadler, 1993, 118; Boston Consulting Group, 1970)

The BCG matrix is a rough way of evaluating business units in the strategic portfolio. It does suffer from a number of disadvantages that diminish its reliability like argued by Grundy. Firstly, relative market growth is only one dimension of attractiveness while BCG matrix ignores the PEST factors and the five forces of competition by Porter. He mentions the fact that relative market share is only one variable of competitive positioning and you also need to consider e.g. brand, product quality, service, responsiveness and unit costs. The aspect of relative market share can be tampered according to the definition of market, is it a local market niche or is the arena for competition global. Grundy also argues that the presumption that a company should always divest of dogs is potentially inappropriate and even dangerous, given the fact that most businesses according to the BCG definition are actually dogs. The final error to the BCG matrix is that it easily leads to the assumption that the positioning the products and business units face are given and final. However this is not the case, the results are merely starting points for imaginative thinking concerning the strategic business unit and the further decisions for it. (Grundy, 2003, 54; for internal audit see also: O'Connor, 2000, 42-43, 46)

2.2.1.1. Organisational opportunities

There is an unlimited amount of possibilities for a firm to create useful opportunities from which to benefit. However not all businesses are able to exploit those opportunities. The key for getting benefits and creating innovations is identifying the emerging opportunities from the external and internal environment of the firm. It is crucial to remember that failure in identifying the opportunities can end up as a threat as the competition finds it. One of the strongest environmental influences on the activities of firms is technology. Rapid advancements in technology influence not only the products and services offered by firms but also the work processes producing them. Technological developments can express opportunities for those who can take advantage of

them. Conversely, failure to anticipate and respond to technological trends can be very costly.

Inflation and the general economic situation have a considerable impact on the fortune of a business. Economic upswings and downturns in the home market affect the demand for goods and services that can in turn result, for example, in more or less being produced for export markets. Producing to export markets can in turn influence the exact specifications to which goods have to be produced and require training to be given to workers. Many firms operating in industries which are highly likely to undergo economic upswings and downturns at the domestic economy spread the risk by ensuring that they have a part of their sales in the export markets.

Major creators of opportunities are the cultural trends which can also be considered as threats for many firms. They are reflected in customer wants and needs in terms of a product or service. The emerged popularity of abroad holidays due to the phenomena of the world getting smaller, has for example created a greater demand for travel guides, travel books and language courses, but at the same time decreased the demand for domestic travel. While the demand for existing products may decrease, the demand for new products will increase. This opposes a threat to existing business but at the same time opens profitable new opportunities.

The continual adjustment to environmental change creates many new types of problems for management. Structured, analytical approaches to problem solving, taking advantage of e.g. brainstorming can produce new insights into difficult problems that are presented by rapidly changing environments. Obtaining data from a range of sources including customers, competitors, the market and the environment is the basis for analysing the upcoming trends. Assessing these trends and the impact that they will likely have on the present, proposed or potential activities of the organization is a demanding task. Anything which threatens the prosperity of the organization is viewed as having a negative effect on the establishment, while opportunities are reasoned to have positive effects. (Proctor, 1997)

2.2.1.2. Organisational resources

The resources at the disposal of the company fall into five resource categories that can be used as a framework in facilitating the identification of all the different resources. These categories are human, organisational and relational resources on the intangible side, and monetary and physical resources on the tangible side. Human resources include for example the knowledge, competence, intellectual and relationship ability and attitude of the employees. These resources are not owned by the firm, as people can not be owned, their abilities can only be used in return of compensation in the normal way of doing business.

On the other hand organisational resources are owned by the firm and include all the organisational structures, systems and processes that the company uses to support their operations, but also items such as brands, image, culture, prototypes, documented information and intellectual property. Like mentioned earlier, these are intangible resources that cannot be measured. The relational resources embrace all external relationships, such as customers, suppliers, media, strategic partners and other types of alliances. These resources are not owned by the company and are also controlled by the other party. Maintaining a good relationship with an e.g. supplier is very difficult if the other supplier in question is reluctant to even do business with the organisation.

As for the tangible resources there is a distinction between monetary and physical resources, which are the assets owned by the firm shown in the traditional accounting. Physical resources need to follow the conventional law of diminishing returns in contrast to the intangible resources where the returns might even increase. When using knowledge to work with a database, the resources are likely to grow or at worst remain unchanged, whereas working with a machine there is less of the machine left to use afterwards. (Peppard & Rylander, 2001; see also: Bonfour, 2002, 24)

2.2.2. External audit

The external audit should be a detailed examination of the markets, competition, business and economic environment in which the organisation operates. Naturally all the different departments should monitor the environmental changes in their own particular areas. Marketing department should keep up with the latest products and innovations within the industry, and purchasing department needs to be aware of the prices of the raw materials and such. The individual departments are valuable informants of the environmental changes, but in order to achieve a holistic view of the external environment, a set of analysis need to be conducted. (Kotler & Armstrong, 2004, 106-107; Rosen, 1995, 33)

It seems that the effectiveness of strategic planning is related to the capacity for and willingness to undertake environmental scanning. In this context, the most obvious tasks are gathering data for: medium- to long-term planning, organizational development and design, It has been implied that scanning improves an organization's ability to respond to change in a variety of ways by helping the organization to detect and capitalize on opportunities at an early stage and providing an early signal of impending problems. It also makes the organisation sensitive to the changing needs and expectations of its customers and provides a base level of information about the environment alongside with providing intellectual stimulation to strategists in their decision making. If the environmental analysis conducting is to be taken seriously it should be integrated in to the planning and decision making system of the firm, providing assistance for strategic decision making and holistic in approach in order to acknowledge all the important signals. (Teare, Costa & Eccles, 1998; see also: O'Conor, 2000, 48-54)

2.2.2.1. Macro-analysis

The elements most frequently evaluated in the environmental analysis are the political, economic, socio-cultural and the technological environments. The analysis of these factors is known as a PEST-analysis sometimes also called

environmental scanning. The political or legal forces affect the organisation in many ways. In a stable situation the limitations and regulations imposed by the government might limit the business and for example the future EU-regulations might make mergers and expansions more difficult. In many countries the government is unstable and there might be considerable opposition to it, which naturally affects the business. A hostile political takeover is most definitely going to affect everything in the country including the business operations. The situation within the economic environment might bring either opportunities or hinder the situation within the company and its operations. The affect of for example recession or rising consumer spending are opposite for a company and oppose either a threat or a chance for growth.

The questions concerning the socio-cultural environment deal issues like family size, level of education, the amount of women in the business life and family life patterns. Finally the technological environment brings in the issues of the level of technological education, availability of trained staff, level of innovation and financial backup as well as the computer literacy in the society. The PEST-analysis should according to some researchers be expanded to LE PEST C, the additions being legal issues (not grouped with political ones anymore), ecological issues and the competitive environment. Probably the most commonly used acronym today is PESTLE which still ignores the competitive environment, but separates the legal issues from political ones and takes into account the ever so important environmental issues. (Morrison, 2002, 23-24; Cheverton, 2004, 72)

2.2.2.2. Demand

Customer analysis should be considered as part of the strategy road map but not as an analysis done yearly, but as an ongoing prerequisite of doing business and a regular part of management activities. By maintaining an on-going customer analysis that accurately defines the needs and wants of customer groups and individuals, you satisfy a primary ingredient of successful segmentation. Analyzing needs and behaviour of the customers requires segment categorization and determining of purchase patterns. In order to identify customer groups in the

desired region and with the desired attributes requires categorizing segments by geographic location, demographics, product attributes, market size, common buying factors, shared distribution channels and any other factors that are unique to the industry. This way the marketing and sales resources are properly allocated for the greatest impact. Determining purchase patterns help to understand the motives behind the demand. In order to design packets of benefits tempting to the customer, requires analysing the purchasing variables, but will increase the chances of success by segment and key customers. Evaluating the buyers' existing (and evolving) needs related to product quality, delivery, guarantees, technical services or promotional support will give you a clearer idea of the expectations of the customers.

Different theories can be used in assessing the needs and wants of the customers. One aspect is that a product or a service needs to satisfy one or more of the basic human needs: physical, emotional, mental and spiritual needs. All of these needs are divided into subcategories of the human needs. A person searching for satisfaction of emotional needs is fundamentally seeking an emotional benefit, but a specific benefit sought might be concerned with curiosity (travelling), problem solving (games) or creativity (art work or gardening). (Paley, 2004, 125; Dickson, 1994, 89-90)

2.2.2.3. Competition

When discussing competition the first step should always be defining the competition that needs to be examined. All significant existing competition must be analyzed but also the threat created by potential competitors need attention. Forecasting potential competitors is not an easy task but there are certain groups from which the competition can be expected, such as firms who are not in the industry but could overcome the entry barriers at low cost. Predicting mergers or acquisitions can also help see the future situation in the market. A merger can suddenly push an earlier weaker competitor to dominance of the market. (Porter, 2004, 47-49; see also: Dickson, 1994, 137-143)

Basically business competitors are other organisations offering the same or similar products or services at the moment, organisations that can offer those products or services in the future or organisations that could remove the need for a product or a service. (Jobber & Fahy, 2003, 276) Like mentioned in the previous chapter, being able to recognise and predict the possible competitors can benefit ones business enormously. Being able to analyze the competitors requires persistence, interest and trained staff but there are many models to assist in competitor analysing. Some of them will be discussed further in the text.

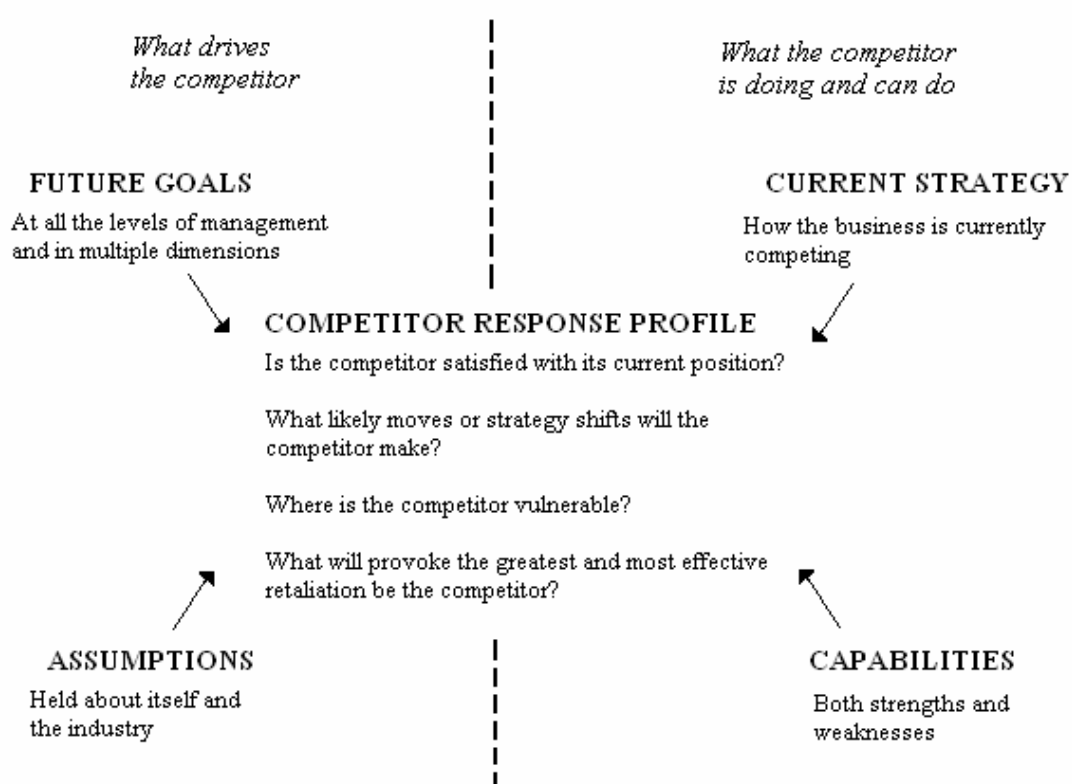


Figure 4: The components of a competitor analysis. (Porter, 2004, 49)

Porter's model is designed to assist in the sophisticated competitor analysis in strategy formulation. The objective of any competitor analysis is to develop a profile of the nature and success of the likely strategy changes each competitor might make, each competitors probable response to the range of feasible strategic moves other firms could initiate, and each competitors likely reaction to the set of industry changes and broader environmental shifts that might occur. (Porter, 2004,

48-49) Many times competitor analysis is done with only assumptions and superficial knowledge of the targets of investigation. According to Porter many companies act on the basis of informal impressions and intuition gained through hints of information about competitors that every manager receives instead of systematically gathering information about the competition. There are four major components to a competitor analysis: future goals, current strategy, assumptions and capabilities. Understanding these four components should provide an insight of the competitor's response profile. The right side of the figure (see figure 4) is usually emphasized in the investigations, but companies should be focusing on the left side. Understanding the drivers behind the actions help determine the possible behaviour patterns of the competitor in the future. (Porter, 2004, 49-50)

Examining the goals of the competitor is important for a number of reasons. Knowledge of goals will allow predictions about whether or not each competitor is satisfied with its present position and financial results. This will help in predicting the likeliness of a competitor in changing strategy and the level intensity in reacting to outside events or moves by other firms. Predicting the reactions to strategic changes is also aided by knowing the competitors goals. A diagnosis of the competitor's goals helps interpret the seriousness of the initiatives that the competitor takes. A strategic move by the competitor which addresses one of their main targets should be a key target and not a casual matter. Most of the time the goals are treated as financial goals, they can also be related to e.g. social responsiveness, market leadership and technological level. (Porter, 2004, 50-51)

Identifying the competitor's assumptions falls into two categories: the competitor's assumptions about it self and the competitor's assumptions about the industry and the other companies in it. Every firm sets assumptions about its own position in the market. It might see it self as a socially conscious firm or the industry leader, which may or may not be true. The assumptions the firm holds about it self will guide the way the firm behaves and the way it reacts to events. The assumptions the firm holds about the industry can be crucial in their solutions. For example assumptions about the birth rates or economical development will have a great influence on the decisions the firm makes about their future. (Porter, 2004, 58)

The third component of competitor analysis is identifying the competitor's current strategy. It is most usefully used when the competitor's key operating policies in each functional area are examined and the way that the functions are wished to interrelate. (Porter, 2004, 63)

The final step in competitor analysis is a realistic appraisal of the capabilities of the competitor. All the previous components will influence the likelihood, timing, nature and intensity of a competitor's reactions. The competitor's strengths and weaknesses will determine its ability to initiate or react to strategic moves and deal with environmental or industry events that occur. (Porter, 2004, 63; for competitor analysis see also: Hutt & Speh, 1998, 166-167)

Five competitive forces

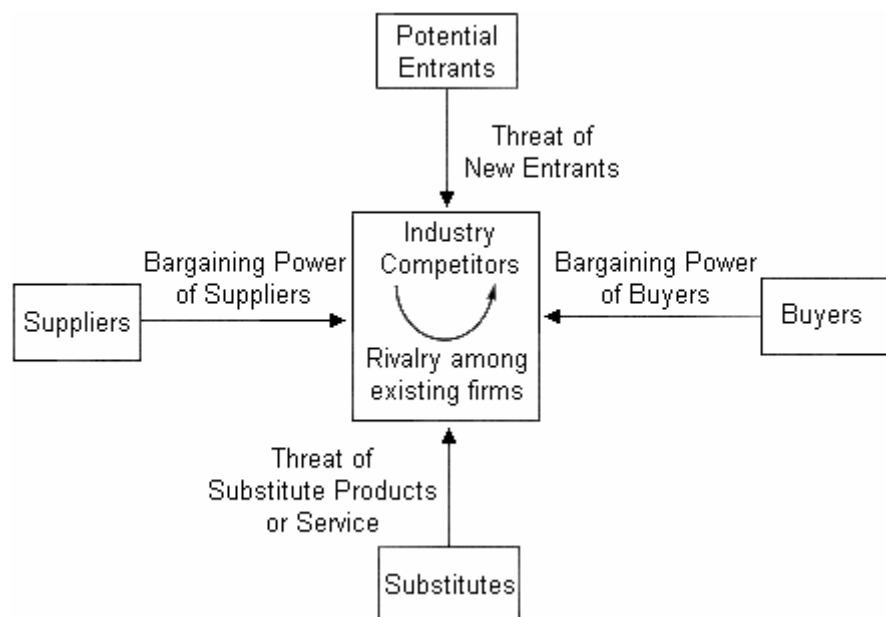


Figure 5: Porter's five forces model: forces driving industry competition. (Porter, 2004, 4)

Porter's five force model is probably the most used one in the world. Even though it has been around for a long time it is still valid. Porter's model is used to determine the competitive intensity of a certain industry and thereby the potential

profit for companies in the industry. The stronger the forces in the above figure, the stronger the threat they create and therefore in the short run a company faces more restraints in raising prices and increasing profits. However in the long run, a company might respond to strong competitive forces with strategies designed to turn some of the forces to its advantage. (Porter, 2004, 3-5) Now we shall look at the five forces in turn.

New and potential entrants for an industry mean greater capacity and greater competition for market shares, even though they pose a threat for existing competitors. The extent of this threat is dependent on the barriers to entry. If the barriers are numerous, the threat of new entrants is low. The barriers for entry include, for example, economies of scale which might force the new entrant to enter on a large scale or not at all, product differentiation (the market might be dominated by a selected few that have been building brand identification for long), capital requirements, switching costs, government policy and access to distribution channels. (Porter, 2004, 7-17)

A substitute product is one that performs the same function as the industry's product and therefore opposes a threat. The case with substitute product is that they may appear to be different – tea and coffee, chocolate bar and a fruit - but they serve the same function. Tea and coffee both are drinks related to caffeine, morning rituals and socialising, while both chocolate bars and fruits can be targeted to the snack industry. Substitutes do place a ceiling for the prices possible for products in the industry, for example if the price of coffee would increase steeply, consumers were likely to think tea as an option. (Porter, 2004, 23-24)

Important buyer groups might play a powerful role in forcing down prices or bargaining for higher quality or better terms in business. Especially two buyer groups would be the strongest positions in playing the producers against one and other. They would therefore have bargaining power in the industry. The buyers who purchase a large proportion of the seller's output naturally play a huge role in demand and supply, but also the buyers who can change to alternative supplier, given that the product is standard and the switching costs low can cause stress to the supplier. (Porter, 2004, 25-26)

Key elements for the situation that suppliers have a lot of bargaining power are that a few powerful companies dominate the supply industry and that there are a few substitutes to the product in question. The petrol industry works as a good example in both conditions. A threat to raise prices increases a suppliers bargaining power as does the intention to reduce quality. (Porter, 2004, 27-29)

Basic assumption is that competitors are interdependent; prices, advertising, campaigns, promotions and customer warranties are all monitored by competing firms who then respond. There are numerous factors that contribute to the intensity of rivalry amongst competition:

Numerous or equally balanced competitors – if firms are numerous, they tend not to keep such a close eye on the competitors moves, but if equality amongst them adds the amount of tracking each other moves.

Rate of industry growth – if the industry is growing steeply there are plenty of opportunities for firms to expand, but if the rate of growth is slowly the competition centres on gaining market share.

Product and/or service characteristics – The similarity of competing products and the essential nature of it make the product a commodity thus leading to the consumer making the purchase decision upon price and customer service.

Level of fixed costs – high level of fixed costs leads to the situation where companies struggle to, at least cover the fixed costs, even by giving out considerable discounts. The airline industry serves as a good example; the planes need to fly as full as possible, so the last tickets are sold discounted through various outlets.

High exit barriers – These are economic, strategic and emotional factors that act as barriers for the company in leaving the industry. For example large investment on machinery that is difficult to sell forward is an exit barrier. High exit barriers lead to companies staying in business for as long as the operations are not making huge losses. (Porter, 2004, 17-22)

After diagnosing the forces affecting the industry and resolving the underlying causes for those forces, the firm should be in a position to identify its position in the industry by taking into account the strengths and weaknesses dissolved earlier.

According to Porter, a firm can either take offensive or defensive action in order to create a defensible position against the five competitive forces. There are a number of possible approaches which include positioning the firm so that the best of its capabilities are aimed in defence against the existing competitive forces. This is done by matching the company's strengths and weaknesses to the structure of the industry which is taken as a given. Another type of an approach is trying to influence the balance of the competitive forces through strategic moves and therefore improving the position of the company. For example innovations in marketing are a good way to raise brand identification or to differentiate the product and therefore to alter the causes for competitive forces. Predicting shifts in the factors behind the forces and being able to respond to them is also a valuable approach. Anticipating and responding to change allows the company to choose a strategy matching the new competitive situation and balance, before the other companies have even recognized the emerging situation. (Porter, 2004, 29-33; for Porter's five forces see also: Papp, 2001, 135-138)

Porter's model is very popular, but time has brought some amendments and adding to it. There has been a continuing interest in the study of the forces that impact on an organisation, particularly those that can be harnessed to provide competitive advantage. Porter's original idea was based on the idea that competitive advantage came from the ability to earn a return on investment that was better than the average for the industry sector. The model was further refined by McFarlan to incorporate the use of IT as a means to achieve competitive advantage. It was suggested that, using IT to forge links with suppliers and customers would increase the power of the organisation within the market. Also by creating added value or reducing cost, IT could make it more difficult for new entrants or substitute products to be successful. (McFarlan, 1984)

The world's shift to information overload and the enormous development of it has led to the situation where IT is a force of its own and a necessity. Its role needs to be considered within the organisation improving efficiency and effectiveness, as a tool in optimising interests that are between sellers within the industry boundaries and in integrating the processes within the value chain. The final limitation Porter's model is that it does not consider soft factors, such as skills,

culture, silent information, intellectual capital and intangible assets, such as reputation. These are known to be of significant importance to any organisation and need to be fully considered when contemplating any strategy plan. (Thurlby, 1998)

2.3. Synthesis

When an organisation adapts to its environment, it means taking advantage of the opportunities that it offers, but also coping with the threats it opposes. Job of the environmental analysis should be to identify most of the opportunities and threats. Adapting also means, not only taking the opportunities offered and avoiding the threats, but also using the strengths of the company and correcting weaknesses inside the company. The internal audit should have identified these strengths and weaknesses that exist within the organisation. A very commonly used tool for putting the gathered information together is the SWOT-analysis. The analysis assesses the company's strategic profile in terms of its strengths, weaknesses, opportunities and threats. Strengths and weaknesses deal with the company's internal environment while opportunities and threats take into account the external environments changes and the direction of development. SWOT analysis is usually presented as a matrix, with the top boxes referring to the internal factors and the lower ones referring to the external ones. (Morrison, 2002, 25)

S trengths	W eaknesses
O pportunities	T hreats

Figure 6: The components of SWOT-analysis. (Morrison, 2002, 25)

The factors that can be considered in the analysis can be very diverse. When assessing the strengths and weaknesses, issues like organisational structure, clarity

of objectives, effectiveness of IT operations and the state of research and development need to be considered and analysed in terms of to which category they belong to. Strengths are only strengths with strategic importance when they can be considered a competence, resource, such as a good supplier, or an attribute such as well known brand image. Weaknesses are factors that nullify the previously mentioned strengths. The external analysis in which the opportunities and threats are examined may include subjects like possible joint ventures, emerging substitute products or changes in the national economic situation. Opportunities and strengths may extend from the immediate present to the foreseen future, which naturally has an effect on what is the urgency in dealing with them. (Morrison, 2002, 25-26; see also: Miller, 2000, 249, 251-254; Corneslissen, 2004, 106)

SWOT is almost universally considered and referred to as an analysis, even though it more fall into the category of a summary of the information gathered with the previously conducted analysis. Sometimes the findings of the undertaken analyses can however be defined as, strengths or weaknesses, as well as opportunities or threats. (Rosen, 1995, 79)

2.4. Marketing Objectives

The setting of marketing objectives and strategies is the key step in the marketing planning process, for it is the point at which all the information accumulated in the analysis and research conducted is translated into decisions about marketing direction and delivery. Setting objectives is the core task of the management due to the fact that they determine the direction of operations. An objective will ensure that a company knows what its strategies are expected to accomplish and when a particular strategy has accomplished its purpose. The desired effectiveness of any objective is dependent on the quality of information inputs and how closely it is related to and reflects the organization's capabilities in the form of its assets, competences and reputation that have evolved over a number of years, or in the case of young companies, that have provided the basis for start up.

An important point about marketing objectives is that they are concerned solely with products and markets, for it is only by selling something to someone that the organization's financial goals can be achieved and as is the case with all objectives, also marketing objectives should be measurable, otherwise they are not objectives. (McDonald, 2002, 81)

Marketing objectives consider the two main dimensions of commercial growth: product development and market development. The Ansoff matrix shown in figure 7, is a useful planning tool for assistance as it describes the four possible combinations of products and markets, or the four categories of marketing objectives:

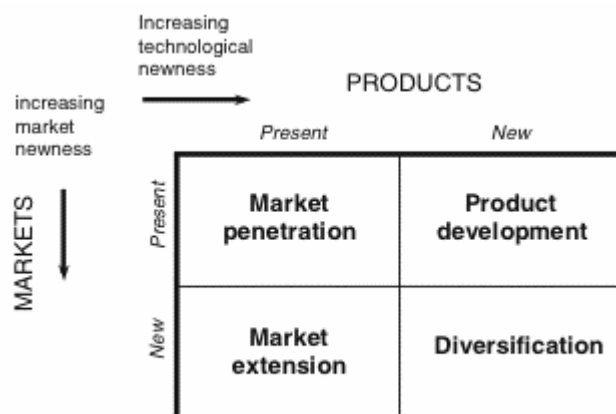


Figure 7: The Ansoff Matrix. (McDonald, 2002, 83)

- Selling existing products to existing markets or segments (market penetration).
- Extending existing products to new markets or segments (market extension).
- Developing new products for existing markets or segments (product development).
- Developing new products for new markets/ segments (diversification).

Locating into different boxes in the matrix will accumulate different marketing responses in different companies. New products in the matrix suggest an innovation of some kind, either technical or other, while new markets are assumed

to include an element of unfamiliarity. Pursuing marketing objectives concerned with new products in new markets is the riskiest strategy of all because it takes the organization furthest away from its known strengths and capabilities. Diversification is the choice that has led many companies to bankruptcy because of the risks of the unknown.

The various analysis alongside with SWOT analysis, should have explained why customers want your products and services; which are your best markets and market segments; and which is the life cycle of your products or services. Most importantly, the portfolio matrix should show how the products or services in your range relate to each other in terms of raising funds. Creative and intelligent interpretation of the portfolio matrix is the key to establishing the right marketing objectives for your company. (McDonald, 2002, 82-84; see also: DeBonis, 2002, 143-145)

2.5. Marketing Strategies

Organizations serve a mix of different types of markets. Marketing strategy enables the organization to select the customers, with whom it wishes to deal with regardless of the market. It is the route by which the organization seeks to achieve its marketing objectives through the range of products or services it offers to its chosen markets. By pointing out what strengths are to be developed, what weaknesses are to be remedied, and in what manner, marketing strategies enable operating decisions to bring the organization into the right relationship with the emerging pattern of market opportunities. (Capon & Hulbert, 2001, 7-9)

In order to be successful, a company needs to outlast, outshine and outwit its competition. Doing this requires a source of competitive advantage, which can be located in the production, customer service or logistics etc, but it has to exist if the company wishes to succeed. One recipe for success is to build loyal and lasting relationships with both customers and suppliers. It has been proved that the cost of obtaining customers is clearly more expensive than retaining them. Being

excellent is not always (never) enough. A strategy has to be formulated in order to get competitive advantage over the competition. There are positions that the company may wish to achieve in the market according to its own situation that will provide a competitive advantage over the competition. If the company is able to dominate the market the strategy it will most likely choose is the market leader strategy. The market leader usually has the biggest market share and is the leader of other companies in price changes, new product introductions, distribution coverage and promotion spending. Being a market challenger means that the company is actively attacking the other companies in the market in order to gain market share. A market follower on the other hand wants to keep its market share without creating disturbance in the market place. A market nichér is usually a small company which specializes in serving the parts of the market that the other competitors overlook. They usually produce very specialized products or services for specialized customer groups. (Kotler & Armstrong, 2004, 56)

The traditional competitive strategies are divided into differentiation, cost leadership, differentiation focus and cost focus. The essential division into two is formed by the number and width of targeted segments. The differentiation and cost leadership strategies try obtaining competitive advantage in a wide range of market or industry changes, where on the other hand differentiation focus and cost focus are strategies confined to a narrow segment.

The aim of the differentiation strategy is to differentiate the product in a way that it stands out of the competition thus leading to a price premium which covers the costs of differentiation. This can be done by superior quality, having a better response time or by being very customer oriented. The cost leadership strategy takes on a fundamentally different approach in which the target is to cost advantage over the competition is not set off by the discount of the price. Minimising the costs at all fronts and making the product as attainable as possible leads most of the times to superior performance. The differentiation focus strategy targets their product for the special needs of one segment. While the competition might target a broader group of customers, there might be a nichér for a differentiated product. In this competitive strategy the firm needs to know that the needs of their targeted group differ from the ones of the broader segment and that

the competition is not already serving the segment. The last one of the strategies, the cost focus, seeks cost advantage with one (possibly a small number) of segments. By concentrating on one particular segment the firm might be able to discover economies ignored by the bigger competitors.

The selection of a competitive strategy is a crucial part of the planning process, for it is easy to end up in the middle with no competitive advantage. Choosing a generic strategy and sticking to it seems to be the essence of corporate success. The strategies mix very rarely. A no-frills cost leader needs to be careful of the temptations of moving to a higher cost range e.g. by adding services to the product. A similar situation exists with trying to move into marketing to a larger base of segments after successfully serving a small targeted one. This many times ends up being a waste of time and money due to the fact that the product was targeted to a small segment and the other segments are already being served. (Jobber & Fahy, 2003, 284-286)

2.5.1. Selection and analysis of a target market

One of the key aspects of marketing planning is choosing the right customers to focus on. Few companies can successfully be 'all things to all people', and it is therefore necessary to define in precise and actionable terms just who are the organization's customers, both now and in the future. Market segmentation enables a firm to target its limited resources on the most promising opportunities by sorting customers into economically manageable and groups that can be prioritized. Segmentation can be based on criteria regarding customer characteristics and buying behaviour, thus covering the critical issues of 'who buys', 'what they buy' and 'why they buy'. There are several motives that drive companies into putting extra effort into segmentation. First, the process improves the existing understanding of the market, in particular the diversity and nature of the customer needs. Second, through the improved understanding the market leads to greater customer satisfaction by a clearer focus. Third, the improved knowledge and understanding of the market and the correct allocation of resources results in

greater competitive advantage and therefore profitability. (Capon & Hulbert, 2001, 182)

Segmentation, targeting and positioning are three of the pillars of modern marketing strategy. There are few markets these days in which an undifferentiated approach will be profitable. The most commonly used approach is to accept that there are different demands in the market place and that a product or service needs to be tailored specifically to meet these demands in order to gain success. The first step in the process of achieving this is to research the market to identify how it might best be segmented into buying groups that are significantly different from one another in terms of their buying behaviour and product or service requirements. The next step is to decide which of the segments are financially profitable options as far as the organization is concerned. There is a possibility that some are too small or others have too much competition. It is the task of targeting to define those segments that promise equivalent returns on investment so that they will help the organization achieve its objectives. Lastly there is the question of how to place or position the company in the minds of the users/customers in the targeted segments so that the product or service offered by the organisation stands out from those of competitors. Competitive positioning is the last of the three steps. (Proctor, 2000, 188-189)

Market segmentation process starts with the recognition that customers in a particular market do not seek identical benefits, but a variety of different benefits based on their varying needs and wants. Even customers who seek similar benefits might have different priorities concerning them. The marketing task is to create segments of customers that have as similar sets of wants and needs as possible. Though it is a fact that because of the varying wants and needs of the customers firms are likely to achieve a greater competitive advantage by producing a number of different offerings to meet the needs of specific segments.

Segmentation can be put into effect in a variety of ways. Markets comprise buyers of products and services who differ from one another in various respects. The differences point to varying buyer wants and needs, the different resources at the buyers' disposal, their place of residence, buying attitudes and buying practices.

Any combination of these differences can be used as a basis for market segmentation. The important aspect to keep in mind is that a market segment exists only when people have common characteristics as buyers. Segmentation can be done on many different basis, including demographic, age and life-cycle, gender, income, psychographic, behavioural and benefit. In demographic segmentation the market is divided into groups based on demographic variables such as age, gender, family size, occupation and religion. Income segmentation on the other hand divides the market into income groups, while behavioural segmentation forms the groups according to the consumer knowledge, attitude, use or response to a product and so on. Nowadays it is rare that a segmentation process is limited only to one or a few variables. Instead an analysis based on multiple segmentation bases is used in order to identify smaller and better-defines target groups. (Capon & Hulbert, 2001, 191; Kotler & Armstrong, 2004, 240-246)

Having completed the segmentation process it is time to look at targeting and product positioning. A simplified process goes accordingly:

1. Segment the market
2. Target the users
3. Position the products

In order to segment a market, characteristics which distinguish among customers according to their buying preferences have to be identified. Profiles of market segments which reflect different combinations of these characteristics then have to be constructed. To target the users, the financial appeal of all segments should be assessed and segments which have the greatest appeal should be selected for targeting. After the process of segmentation the firm is to have several segments from which to choose the ones for targeting. The selection criteria should take account of the relative financial attractiveness of the segments and the organization's capability to exploit them with the help of the organisations strengths and opportunities offered. Three factors need to be assessed; segment size and growth, structural attractiveness of the segment and company resources and objectives. In positioning a product, one should aim to match it with that segment of the market where it is most likely to succeed. This involves identifying possible positions for products within each target segment and then producing,

adapting and marketing them towards the target market. The product or service should be positioned in such a manner that it stands apart from competing products. The positioning of a product or service indicates what the product represents, and how customers should evaluate it. Positioning is accomplished through the use of the marketing mix variables, in particular product design and marketing communications. Positioning to achieve product differentiation applies equally to consumer and to industrial goods. Sometimes product positioning can be effected on the basis of tangible differences such as product features. In many instances, however, customer perceptions about products can be utilized in order to differentiate and position products. (Capon & Hulbert, 2001, 191-192; Kotler & Armstrong, 2004, 251; see also: Ries & Trout, 1986, 5-9)

2.5.2. Development of a marketing mix

The tools that the company uses in order to produce the desired outcome from the selected markets and segments is called a set of controllable tactical marketing tools, or in other words a marketing mix. The traditional definition of the marketing mix is considered to consist of the four P's: product, price, promotion and place. Product means the totality of the goods and services offered to the target market by the company, while price is what the customer pays in order to get the offered goods. Place is referred to in the context of all the activities by the company that they take in order to make the product or service available for the target customer. Lastly promotion is considered to involve all activities that communicate the product or service and its merits to the targeted customers and are persuading them to buy. (Formisano, 2003, 83-86; see also: Sutherland & Canwell, 2004, 185-187)

For many years a product referred to something that was entirely tangible: a product was something that was made. Nowadays product is in fact much more than a tangible item, a "thing". For the marketer, a product is something experienced by the customer, in a wide range of senses. Another many times misunderstood element of the marketing mix is place. Place is not just about

where the product or service is sold; its real concern is with the whole enterprise of getting the product into the market - order reception, logistics, the channels of supply - and with supporting the product or service throughout its journey - before the sale, during the sale and after the sale. Of all the elements of the marketing mix, place probably requires the involvement and coordination of the widest range of functions within a business: distribution, supply chain, sales and customer service, and these are all the proper concern of the marketer. In most cases marketing is associated solely with promotion. Promotion is and has to be a long-term activity; consistency is vital in order for the objectives to be reached. Promotion is not only advertising campaigns, but one needs to remember that promotion while including all communication activities and incentives is a crucial part of a marketing program. The key to gaining the desired benefits is keeping in mind the original objective sought with the help of promotion. Price is many times the most important issue for management and marketers. Other elements of the marketing mix use money and do not bring in money in a straight forward view. Price represents the receiving of the company. Setting the price is a very difficult task, because of the fact that changes after made decisions are hard to take back. (Cheverton, 2004, 271; 290-291; 313; 332)

The service market mix on the other hand has been expanded to involve some other elements as well. Service is after all fundamentally different from products given its intangibility. The importance of the image of the company is far more crucial with service organisations than with the traditional ones also due to the intangibility of the services. Because of this intangibility at least four other element, or four other P's, need to be added to the marketing mix: process, productivity and quality, people and physical evidence. Now we shall look at the elements of the service marketing mix more carefully for there are differences.

The product dimension of a service is predominantly intangible, therefore for marketers and managers to identify tangible surrogates for helping defining and illustrating what the service entails. These surrogates may include different tools to help customers and managers to get to know the product, to distinguish between product features and product benefits and to identify when variations are significant enough to be regarded as having created a different service. The main

task is to decide elements of the product (service) should be used in serving the needs of the targeted customer and gaining competitive advantage.

Place and time involves the management deciding where and how to deliver the service to the customers. The importance of this is emphasized when the intangibility of the services and the fact that they cannot mostly be stored are considered. Services are mostly produced and consumed at the same time and place.

Effective processes are needed desperately in order to create and deliver service elements to customers. The processes should describe the methods and sequence of actions in which service operations should work. Poor processes result in customers getting annoyed and decreasing work motivation of employees.

Productivity and quality need to be treated as an item, as no service firm can address the issues separately. Productivity relates the level in which the service inputs are transformed into outputs with value to the customer. Quality on the other hand is considered to address the issue of how well the service answers to the needs, wants and desires of the customer. Improving productivity is an essential part of cost control and improvement of operations, but caution should be used in cuts, so that the quality does not suffer.

People in services are not only employees, but also many times customers taking part in the service process. Many services depend on direct and personal interaction between the company's employees and the customers; therefore the connecting with the customer on personal level can sometimes be the source of competitive advantage. The service will sometimes be assessed based on the people providing the service hence the recruiting, training and motivating the staff is seen as crucial.

Promotion and education include all communication activities and incentives to build customer preference over the competition. A marketing program that could succeed without an effective communication plan does not exist. This component is needed for three vital roles: providing needed information and advice,

persuading the benefits and encouraging action of the customers at specific times. The marketing communication in service is likely to consist of the following characteristics; advertising, personal selling and PR, sales promotion and direct marketing. (Lovelock, 2001, 15-17; see also: Gilmore, 2003, 12-13)

Grönroos offers principles for marketing communication concerning services as follows:

- Importance of internal communication
- Taking advantage of word-of-mouth
- Make the service as tangible as possible
- Make the service understandable
- Continuity of the communication
- Promise only what is possible
- Consider the long term effect of communication
- Consider the effects of absence of communication
- Integrate marketing efforts and messages

(Grönroos, 2000, 276-278)

Physical evidence consists of visual or other tangible clues that provide evidence of service quality, sometimes called the “packaging” of the service. These clues can be found in for example buildings, vehicles, furnishing, staff, uniforms and printed materials. Advertising is also many times used in order to create meaningful symbols.

Price and other costs of the service can be seen to include naturally the price, expenditures of money (other than the actual price), time and effort that the customer undergoes in purchasing and consuming the service. The main goal is to minimise other costs, also the mental and physical effort, that incur for the customer, and in order to do that the managements responsibilities are not limited to the traditional pricing tasks. (Lovelock, 2001, 17; see also: Gilmore, 2003, 12-13)

2.6. Control

Naturally when implementing the marketing plans, surprises are bound to take place. In order to correct the unwished actions, monitor the success of campaigns and evaluate the success of marketing actions, constant marketing control needs to be executed. In a rapidly changing business world the need for marketing control is simple to reason: strategies either go wrong or become inappropriate. So in this final phase of the marketing planning process the aim is to ensure that the company will be sensitive to variances in its performance levels, whether they are positive or negative, relative to its objectives. The company needs to also be sensitive to any significant changes in its competitive environment which may undermine the appropriateness of its strategies. The aim is to maintain the efficiency and effectiveness of the marketing effort as time goes by. (Brooksbank, 1996)

The term marketing controls and corrective actions means the method of ensuring your marketing plans stay on track and meet the goals they were designed to capture. Marketing controls involve reporting and measuring against a predetermined acceptable benchmark. For example, results of a customer satisfaction study may make you change how a product is offered. If a product has a planned sales volume mark to reach or a quality control standard to maintain, reporting will alert you if the product is meeting, not meeting, or exceeding this acceptable limit. If it is not meeting the acceptable limits, corrective actions need to be employed. Corrective action is employed in order to close the gaps between aimed goals and the performance. This might require changing the action programs or even changing the goals. The control program focuses on the actions needed in order to stop the problem from occurring, to prevent it from recurring in the future, and to get back to an acceptable level of managing the business. (Parmerlee, 2000, 117; Kotler & Armstrong, 2004, 62)

Marketing control is divided into two parts: operating control and strategic control. Operating control is concerned on checking the ongoing performance

against the annual plan and taking corrective action when necessary. The purpose of operating control is to ensure that the company achieves the sales, profits and other goals set in the annual plan. Strategic planning on the other hand is concerned on the level of matching the company's basic strategies with its opportunities. In today's world the strategies and programs quickly become outdated and constant assessment of the company's approach towards the market should take place. (Kotler & Armstrong, 2004, 62)

3 HVAC-BUSINESS IN GENERAL

HVAC stands for Heating, Ventilation and Air Conditioning, and it is a comprehensive industry operating in the field of construction; performing building and reconstruction. The various tasks include for example building piping systems for water in commercial and private buildings, repairing heating systems or updating air ventilation networks. Companies often concentrate in some particular area, for instance projects in public sector, private home builders or on air ventilation in office buildings.

HVAC is not a recent invention, the first signs of heating and septic systems are from thousands of years ago; for example the Romans had a central heating system already 4000 years ago, naturally very different from the ones we know. In the palace of St Petersburg a working, water based heating system from the 18th century can still be found. The air conditioning systems of the present day are more recent discovery, the refrigerating machine was developed in 1902. These facts tell about the continuity of HVAC industry throughout times but also about of its importance to the society. It can be easily noticed that the different areas of HVAC are necessary in order to maintain the well being of humans. (Nieminen, 2007)

The HVAC industry employs approximately 25 000 persons in Finland, and while the work tasks are exceedingly diverse they are also geographically widely

divided. The HVAC industry brings the essentials of what is considered a good life for people at home and work: ventilation, warmth, and running water. The business operations in HVAC industry are exceptionally various; the markets contain several small companies but the large international players are still strongly affecting to the business. The HVAC industry operators cover all necessary elements of the process from planning and developing to wholesaling and installing. Operation and maintenance are also a great part HVAC industry. (LVI-ala, 2007)

HVAC represents a share of 18 percent from the field of construction. The HVAC industry is in constant development among the whole construction industry, and the trends in construction industry are greatly affecting to the current stage and future of HVAC. The boom of new constructions in Finland offers continuous and extensive work projects for HVAC companies and it is difficult if not impossible to outsource most of the international projects as many other industries can do. The HVAC industry seems as a strong area of business and possible growth. (LVI-ala, 2007)

According to a study done among the HVAC companies in Finland the future of HVAC industry appears to be positive; the business cycle is rising and the ascent should be continuous. The research was done among 168 HVAC companies and over 60 percent of the respondents agreed on the positive development of HVAC branch and the turnover in the field is expected to rise in following years. The most distinct sign is the boom of new construction. The lack of qualified workforce and the price competition are the only issues that can be seen as problem areas. (LVI-ala odottaa kasvua, 2004)

Quality systems

Quality systems have become very important for the HVAC operators. Customers might even keep a condition in a tendering that only certified quality system owners can participate. A written quality system gives a certain security for the customer that the contractor will follow the agreed plan; does what promised and on time. The quality system can be certified and that way it gives even a better

protection for the customer. A certified quality system gives a better picture for the managers, foremen and employees of their duties and work tasks as well as the responsibilities of the company in general.

While the company adjusts their operations to the certified standards they can critically assess all the different areas of their operations. After the changes in the operations have been done the new standards of activities are registered to the quality system and followed accordingly. The certification of the quality system means that an authorized official institution has approved that the quality system fulfills the requirements of ISO9000. This is not an approval or certificate of the superiority of the product or service, but a proof that the company has the know-how and their operations are well planned and executed according to the standards. As well as it is important to follow the quality system, it is important to update it. Many companies forget to update their quality system, and end up with the same quality system for years, working according to obsolete methods.

Certified quality system typically contains the following:

- Summary about the quality system, also called *quality handbook*. The handbook is usually used for marketing purposes.
- *Operations instructions*, which determine the most important processes and the responsibilities, and the instructions for the documents handling.
- *Work instructions* in this document are the detailed descriptions and instructions for the different work tasks.
- *Files* are the places where the performance and result information is gathered during daily operations. The documents are saved also for possible later use.

(Sautero, 2007)

4 PURPOSE OF THE STUDY & CONCEPTUAL FRAMEWORK

4.1. Purpose of the study

The case company of the study is LVI Kallio Oy, a recently formed company operating in the HVAC industry in Turku region. Being a small and young company the amount of conducted research is very limited. In this study our aim is to conduct an industry analysis and a competitor analysis for the case company, and based on the results alongside with the other elements of analysis, we hope to form a working marketing plan for the case company. The necessity of the study is great for the case company, for they could benefit greatly if an area of possible competitive advantage could be identified.

4.2. Conceptual Framework

The conceptual framework describes the strategic marketing planning in a slightly different way than the traditional process diagram. The framework uses overall organisational goals, organisational resources and organisational opportunities as building blocks for the corporate strategy. Marketing objectives are derived from the corporate strategy. External forces naturally influence the company and the decisions they make and they are described with the basic elements of PEST analysis: Political, economical, socio-cultural and technological factors. The basic elements that in a normally functioning market affect the company are also demand and the competition. These issues are also taken into account in the framework of the study. All these factors contribute to the final objective: Marketing strategies, in which the selection and analysis of a target market is done alongside with the development of the marketing mix.

HVAC-markets in Turku area

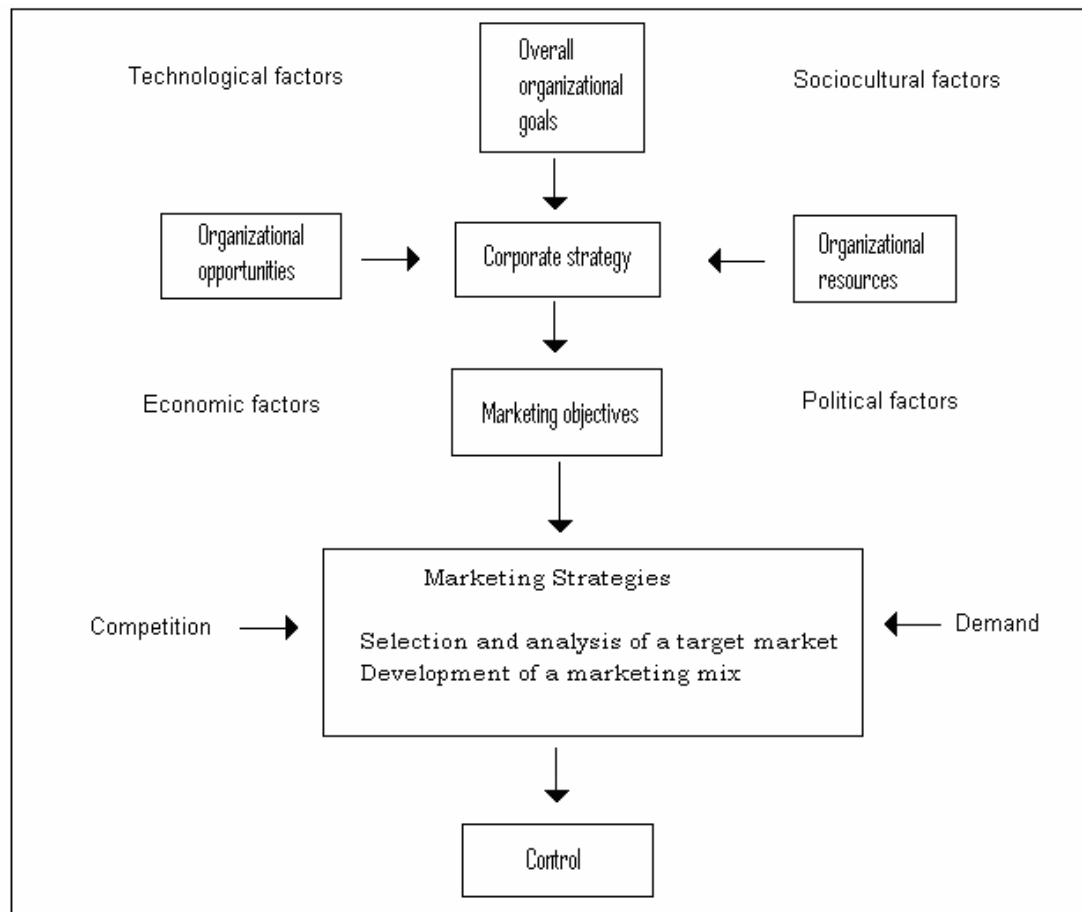


Figure 8: Conceptual Framework for the study: Components of Strategic Marketing Planning (adapted from Hult, 2006 and Porter, 2004, 49)

5 RESEARCH METHODS

5.1. Basic paradigm

Methods for gathering data can be grouped into two main categories: theoretical research methods and empirical research methods. The fundamental difference between these two can be seen reasonable easily, but there are issues affecting the line drawing between the two. The material in the theoretical research consists of previous studies done on the subject. The information exists, and the target of the information gathered is usually in the concepts, perspectives and theories concerning the branch of study. The subject of the empirical research comes from the outside world and the data needs to be gathered by a systematic method. These two often mix due to the fact that theoretical research almost inevitably ends up in the empirical conclusions and vice versa. (Uusitalo, 1991, 89-95)

The methods used in gathering the empirical data can be categorized in two main groups: qualitative and quantitative methods. Qualitative research is a set of research techniques, in which data is obtained from a relatively small group of respondents and not analyzed with statistical techniques. The various methods that can be used consist of questionnaires, theme interviews, open-ended questionnaires and fully structured techniques. In quantitative research usually a large group of respondents provide data that is statistically analyzed. The research results need to be presentable in numerical form. (Jankowicz, 1995, 173)

A qualitative method was chosen for the empirical study because the research involved a limited amount of competitors. If a quantitative approach would have been chosen the number of the respondents would not have been enough for reliable results. The aimed end result also needed answers from the competitors with their own opinions and options in boxes would have not done the job. After careful consideration an open ended questionnaire was chosen as the method of

research. The research was carried out as a telephone interview as that was the only reasonable possibility.

5.2. Data gathering

The theoretical data gathering was done using sources found relevant to the subject. Critical assessment of especially internet based sources was used in order to have reliable sources in the study. An open ended questionnaire was designed for interviewing the subjects of the industry and competitor analysis. As we were to find out, a semi structured frame for the interview was needed, for the respondents were not very talkative and clear questions were needed in order to get answers. The questions for the interviews were designed in co-operation with the case company's representative and their preferences played a part in some important questions, for example question about work sites (question 7) was initiated by them.

In designing the questionnaire the nature of the research had to be taken into account as well. Competitors usually are not willing to spread around their strategies in order to help emerging existing competition. The respondents for the study were chosen from the same area of operation than the case company. The respondents were representatives of the competitors reached on the phone. The interviews were conducted on the phone as was necessary because of the mobile nature of the respondents work. Many of the respondents do not have a business office, but operate from a home office and are hardly ever there. The respondents' status varied from being the CEO of the company to secretary. In many companies the CEO was also the secretary.

In the study seven interviews were carried out with the following companies: Turun LVI-Piste, Turun LVI-Asennus, LVI-Pepe, Liedon LVI-Työ, LL-Asennus, Turun LVI Tiimi and LVI Palvelu Mauri Ojanen Oy. The majority of the respondents were happy to answer the questions and tried to answer according to their best knowledge. Although it was noticeable that some of the issues

confronted in the interview the respondents had probably not given much thought themselves. The other main source of information for the study was the discussions with the case company's owner and operator. Naturally he is the only one who can provide the information about the company's internal affairs and his aspirations and plans.

5.3. Data analysis

The qualitative method was used in order to get the genuine opinions and answers of the respondents in the interviews. The data obtained from the interviews with the companies mentioned earlier was processed into summaries immediately after the interviews. This way the images and answers were best documented. The summaries included the basic information of the company and the answers and opinions of the respondent concerning the study. A conclusion of the interviews was drawn up after all the interviews had been conducted. The conclusion discusses the similarities and major differences of the views of the respondents and pinpoints surprising results. Further on in the text in all of chapter 6 the results are referred to and used for reasoning purposes.

5.4. Quality assessment of the study

The main issues in assessing the quality of the study are the validity and reliability of the research. Validity determines whether the research truly measures what it was intended to measure or how truthful the research results are. (Heikkilä, 1999, 28) The study conducted among the respondents was designed to ask the questions needed in the competitor analysis and the industry analysis and finally in completing the marketing plan for the case company.

The reliability problems are most of the time caused by human error and possible misleading situations in the interview situations. The reliability corresponds to the repetitiveness of the results, in other words non-randomness. If two identical

measurements provide the same results twice, the result can be then interpreted as reliable. (Heikkilä, 1999, 29) The respondents of the study did not receive any material before the study and the interview was conducted on the phone, in order to avoid preset answers. Persuasion and leading was avoided to the last bit. Options for answers were only given if the respondent so hoped. Increasing the amount of respondents would not have changed the results as different types, ages and sizes of organisations were represented from the selected area.

Objectivity in the study was carried out as well as is possible given that we are all human. Taking sides was avoided and everything was viewed with general interest in the subject instead of finding the best results for the conclusions. Objectivity can also be seen in the theoretical part where differing views to some of the well acknowledged theories are presented.

The research results alongside with the discussions with the case company representative were very important in creating the marketing plan. The results from the interviews contributed not only to the competitor analysis, but also to other parts of the study. The framework for the interviews was designed to also give information of the industry itself and it proved to have been the right solution.

6 RESEARCH FINDINGS: THE MARKETING PLAN

6.1. Description of the case company

LVI-Kallio Oy was established during the summer of 2006 and the actual operations started the same fall. LVI-Kallio Oy is a Lieto based company and it operates in all the surrounding cities including for example Turku, Kaarina and Raisio. The company's office is located approximately 15 kilometres from the

surrounding cities. From the very beginning the operation area was planned so that it would include all the nearby cities because Lieto alone could not offer a customer base large enough.

The case with LVI-Kallio Oy is the same as with many other small HVAC companies: the van is the main tool and equipment for the contractor. All the tools are stored and transported with the company van as well as the materials which can sometimes be very large items. LVI-Kallio Oy provides the work projects with all the needed tools as well as it supplies the materials needed for repairs or building projects. The customer can be a novice or an expert because LVI Kallio does work on projects varying from planning to routine inspections. The service can be considered a full service because everything needed is ordered and delivered to the customer according to every individual project and the wishes of the customers. Many of the customers are other businesses who often offer projects of a longer duration than the projects concerning private households, which are also customers of LVI-Kallio Oy but in a smaller scale.

LVI-Kallio Oy is a very young company just starting its operations and has not concentrated much on the marketing or in analysing the business in general. So far they have got an ad in Keltaiset sivut -catalogue but otherwise there has not been a lot of marketing activities. In addition to the owner and operator of the firm, LVI-Kallio Oy has a secretary who takes care of the paper work e.g. billing and minor booking activities. It has been a busy ride for LVI-Kallio Oy even though it has not been in the field for a long time. They have started to find their customers and want to maintain their position or possibly even grow in the future. Developing the services is a must and a priority for further operations.

6.2. Competitor analysis

The research was done among 7 HVAC-companies in Turku area. The same questionnaire (see appendix 1) was used as a base for questions asked from all the company representatives and the answers are completely based on their opinions of the HVAC industry in Turku area. The questions were formed in a way that a

clear picture of HVAC industry in Turku area could be generated and the important information could be used to develop LVI-Kallio Oy's operations.

Turun LVI-Piste

The company is located near the centre of Turku, and there area of operations is especially Turku but when necessary they operate nationally. The company was founded in 1994 and there are eight employees in the company. Their customer base consist of equally both, regular and first time customers, but they have noticed that half of the first time customers will return. Customer types that Turun LVI-Piste serves are mostly companies, private households and apartment buildings. The work contracts are in both new construction areas and in reconstructions. Turun LVI-Piste has some offers for house builders and long time customer and the prices are always discussed individually with each customer.

The company advertises in Turun Sanomat weekly, and this is the only channel of advertising. They feel that that the quality and service are the key elements why their customers use their services and they are not trying to compete with price. They find the knowledge of the HVAC field as their strength but they could not name any weaknesses. The company states that in their opinion there is lot of competition in the field. They are not specialized in any special field of HVAC and according to them they have know-how in each of the areas of HVAC. Turun LVI-Piste could not name any regulations or laws which would affect to their operations but they feel that HVAC industry has changed during the years they have been in business. Advancement has taken place in the materials and more alternatives for metal used as the key material in HVAC have emerged.

Turun LVI-Asennus

The company is located in Turku and its operations area consists of Turku, Raisio and Kaarina. It was founded in the year 2004 and it has 22 employees. Their customers are mainly regular customers and they do not offer any special offers

for them or have any offers to attract new customers either. Turun LVI-Asennus is advertising in Keltaiset Sivut and in some professional publications. They feel that the experience is the main reason why customers choose them over other companies in the same field.

Turun LVI-Asennus has concentrated to repairs and modernization, because they feel that “it is good to do something very well, than to do everything just ok”, especially when there is lot of competition in the industry. They do not have work contracts for new buildings at all, but only to the already existing buildings. They do not think that there are any laws that would affect to their business. In their opinion the biggest change over the years has been in materials, but other than that HVAC industry has stayed the same.

LVI-Pepe

LVI –Pepe is located in centre of Turku and it operates mainly in Turku but also in other part of Finland. The company has ten employees. Their customers are both regular and one time customers and for the regulars they have some offers and discounts. They estimate that 60 percent are regular customers and 40 percent home builders. The 60 percent of regular customers covers equally companies and apartment buildings. The contracts are done mainly on new buildings but also modernization has been done.

LVI-Pepe has brought down their advertising after gaining more reputation in Turku area. They still advertise in builders’ fairs and taxis and they find both of these channels equally important. They feel that there is a lot of competition in the industry and they find that service and the quality of it is important to their customers, especially for the first time house builders. This among few other issues is one of their key success factors. They also have exceedingly comprehensive delivery service. Their concentration in HVAC business is in air condition and aeration, reason for this is mainly the easy access to the parts though Finnish manufacturer and good suppliers. They think that there are some regulations in private household sector, which helps their operations a little,

biggest of these being the household deduction “kotitalousvähennys”. LVI-Pepe has noticed that over the years, changes have taken place mainly in the supply chain; it has shortened and the big manufacturers are willing to sell parts for the small businesses; something they did not do before.

Liedon LVI-Työ

The company is located in Lieto and its operations are mainly concentrated in Lieto and Turku area. Liedon LVI-Työ is a family company and it was founded in 1987. It has a settled customer base with both one time and regular customers. It is a very well known company in Lieto area and their services are used by private households, companies and other constructions companies in their own projects. The majority of work projects are in new construction areas and in repairs.

The company is specialized in several areas which are water and heat pipe installation, swimming pool piping, cooling pipe installations, and also the parts can be bought from them. There is lot of competition in HVAC industry overall, especially when HVAC is “on the road work” and competition comes from all the surrounding areas as well. Liedon LVI-Työ has gained a good share of regular customers and is strong player in Turku area HVAC industry.

LL-Asennus /LVI Asennus ja Huolto

The company is located in Turku and was founded in 2001. There are six employees in the company. They have operations in Turku and the surrounding towns. They have their customers in big industries and these customers are very often regular customer and work projects are long and comprehensive. The work projects can be done in either an already existing building area, or a construction site, many times it is a modernization project, which is a strong area of business for the company. They do not offer any special discount to their customer but an individualized price is always set for every project. They do advertise in industry magazines and newspapers. In their opinion the key element why the customers

are using them is experience in doing HVAC tasks for big customers, for example factories. They do not think that any regulation or laws exist which would affect to their operations.

Turun LVI Tiimi

The company operates mainly in Turku area and it is located in the town of Nousiainen located 20 kilometres from Turku. In addition to its customers in Turku area it has customer base in the whole south of Finland. The company is run and operated by two men and it provides HVAC services and installations.

The company is specialized in home building and has also long term customers in industry piping. The job can always be tailor made for each customer. Typical services are heat, water and sewer pipe channel installation and in order to maintain the long term customer relations Turun LVI Tiimi takes care of its customer with additional services to the installation. These additional services consist of the metering, adjusting and repairing of the products they have installed. This way they can guarantee the customer satisfaction through long life cycle of the products and installations.

Turun LVI Tiimi provides an impressive scale of various tasks they perform; air conditioning work, water pipe work, diamond drilling and floor heating systems are all offered by the company, just to name a few. To differentiate them from the extensive competition they put value on customer service, on time schedule and high workmanship. Company can also provide the customer with all the first class HVAC products needed, which are always approved by the Finnish laws and regulations.

LVI Palvelu Mauri Ojanen Oy

The company was established in 1992 and the owner has been in the field for 37 years. The company has 4 employees including the owner himself. The company

operates in Turku and neighbouring cities; sometimes they do operate further away as well, where ever their services are needed.

Their customers are equally both one time customers and long-term customers, mainly consisting from small companies and private house builders. Very often the projects are in new constructions. Price is always tailored for each project and special discounts do not exist. They say that the price competition in the field is hard and they do not have any plans of expansion. According to the respondent there has been always a lot of competition but there have been lot of customers as well. They feel that their strengths are experience and good price and quality ratio. They have specialized in planning and according to the company they are very qualified in this area of HVAC. To the questions about laws affecting to their operations they say that for example there is a law concerning a designated person who has to inspect the work in construction areas, and this person has to be HVAC qualified and not “only” the house builder and this can positively affect to their business. Along the years everything has changed according to him, mainly the work has come more ergonomic trough lighter tools and materials.

CONCLUSION

Many of the respondents felt like there was a great amount of competition in the field but also there are a lot of customers and work to be done. A great deal of the companies had equally one time and long term customers, but only a few of the companies had made some kind of effort in order to keep the customers longer. The companies had been established on a very large time scale and also the numbers of the employees fluctuated from couple to over 20. The number of the employees was surprising due to the assumption that many of the companies would be sole entrepreneurs. There were not many special offers for the customers, but because of the varying nature of the work projects the price is usually tailored for each customer individually and this way the long term customers can be favoured to some extent. Some of the companies where concentrating on bigger companies and a big part of the respondent's work

projects where mainly in renovation and in new constructions, such as private homes.

All the companies had their name on Keltaiset Sivut -catalogue and many of them had a little advertisement there as well. Keltaiset Sivut was the only channel of communication and advertisement that could be identified useful through all the companies. Scattered advertising in different news papers and construction magazines was mentioned by the respondents. Many of the respondents mentioned materials when asked about the changes in HVAC industry, apparently there has been quite a few changes during past years. The question about the affecting laws and regulations surprised many of the representatives and only a few of them were able to name some regulations affecting on their business positively or negatively. The household deduction was one of the positive affects in the political region.

All the companies are operating on a quite large geographical area, as it seems to be a necessity in this industry. A majority of the companies thought that quality and experience are the factors why they are chosen over other companies; the fact that many of the companies have been in the field for a reasonably long time, supports this argument. On the other hand, quality of the work and experience might be the factors why they would like to be chosen over other companies. The companies had concentrated on different areas of HVAC and this seems to be useful strategy in this kind of very extensive industry. There is not a specific pattern on how the companies end up with area of specialization but it is determined by for example by the skills of the employees, demand and interests. We found out that it is very common for the companies to have only one type of customers such as: private house holds, small companies, big industrial companies or public sector customer, which helps them to define their business in specific area. Customer targeting is important in such an industry where the work tasks are various as well as the range of customers. Even though the companies felt that there is strong competition in the HVAC business they still feel that there are plenty of work opportunities, and there might be room even for more competition as long as everybody does not concentrate on the same area of HVAC.

6.3. Overall organizational goals

Defining the goals of the company starts with identifying the company's mission which serves as the base for all operations. In this case the general area of business is easily defined as HVAC. LVI-Kallio Oy serves the needs of customers concerned with different problems within the given field. This is made possible by the fact that LVI-Kallio Oy is qualified to do the entire job from planning and wholesaling the parts to installing and maintenance. At this point of operations the main emphasis of work tasks are situated to contract jobs done to other firms. The firm is also available for different tasks or problems in the HVAC area to private customers. The mission of the company is to provide professional assistance for customers with HVAC related tasks. The future aspiration of the company is that also designing tasks in new buildings, such as home builders could be included in the work tasks.

The objectives of the company have not fully formed, due to the fact that it is a relatively young company. At this point a reasonable objective in financial terms is to reach equilibrium within the first two years of operations. Other objectives are related with developing a working, time efficient process for various work tasks. A major objective is to design sufficient storage levels. This is best done by experience. Determining which, for example amount of spare parts or other materials to store and the amount of parts that travel in the van requires experience and information of the most likely tasks. The further development of an efficient scheduling system is necessary when the amount of assignments increase. At the present the company being a one man company, developing for example unified instructions for the work tasks is irrelevant. One man doing the work ensures that the work is done the same way each time. If expansions in the firm take place, in terms of employees, written instructions and different day to day objectives will become more current.

6.4. Strategic Audit

In the following chapters both the internal and the external environment of the company is analysed taking advantage of the numerous discussions with the owner and operator of LVI-Kallio Oy and also the research done in both the empirical part of the study and the theoretical findings.

6.4.1. Internal audit

The company is relatively young and therefore the evaluation of the efficiency and effectiveness of the operations becomes difficult. Assessing performance without anything to measure it against does not give very logical results. Auditing shows its meaning as a tool when it can be used in checking the right direction of operations, assessing the effect of executed strategic decisions and examining the future ambitions. At this point of the operations we can concentrate on the upcoming events and decisions done this far. The fact that it is a one man company limits the analysis at some sectors.

Assessing the company in itself by the the Seven S's framework, will give an idea of the current state of it. The structure of the company is fairly simple, for it is a company owned and operated by one man. Strategy up to this point has been to have enough work in order to pay the bills. Part of the strategy is reliance on quality, for that is what the customer wants and hopefully will come back for. With the help of this study we hope that the company can form a more clear and specific strategy. The systems are at this point also very simple due to the size of the company. The systems will become more current if and when the size of the company increases. The problem with very small companies is that the information is in the head of one person and everything works until a crisis of somekind takes place. The systems should be recorded to benefit the training and working of the future personnel. Also recorded procedures are one of the conditions for the ISO9000 if acquiring it becomes topical.

It does seem that the main emphasis of beneficial attributors of the company lays in the soft S's. Skill, staff, style and shared values are easier to identify and manage in a small company, than in a multinational enterprise. Skills of the company seem to be in place, training for the job has been undergone recently and interest in the field and the tasks is great. Staff as well is in order, there is one person, who is trained, motivated and interested in the outcomes of the operations. There is a possibility for hiring a second man for demanding or time consuming projects. He has been observing closely the first steps of the firm, is skilled and has promised to help out if needed. The first recruiting process could therefore be relatively easy. The style in operations resembles the values and attitudes of the sole owner and operator. The firm takes pride in concluding the tasks in the time frames and style as agreed, but is willing to make adjustment according to the circumstances. Being reliable and adaptable is their style. Shared values are very simple for they are only shared by one man. The basic principles that the owner and operator feels that are of importance, should be recorded in some way, so communicating them to possible new employees would be easier.

The company cannot yet be evaluated in terms of its relation to its objectives. This is due to the fact that the firm has not set short term objectives specific enough and that the operational time of the company has been so short. After the first operational year a revision of what has been done and what should be done needs to be executed. At this time the firm should concentrate in getting the operations going as smoothly as possible and in preventing the probable surprises that are bound to take place.

Assessing the company in terms of its relation to the environment, including the relation of its products and services to the environment is a demanding task. An issue providing assurance is the fact that the industry is not likely to run out of work. HVAC is an essential part of the society and is a necessity in nearly all places of residence or activity. Who could nowadays imagine a life without running water, heating or possibly air conditioning in a modern society. The company in itself answers a need that consumers have, the limitations come from the vast number of operators in the same industry. Evaluating the companies internal environment in terms of a product portfolio analysis is demanding

because different products or services are difficult to separate and consist of a limited number. At this point of operations the work tasks of LVI-Kallio Oy have consisted of contract jobs done to other firms and builders done at piecework pay. If the scale of operations would expand, a different cost structure could be implemented.

Thinking of the Boston Consulting Group matrix, the following scenario could be drawn: Normal installation work could be considered to be a cash cow, keeping the bread on the table. The maintenance of old plumbing and other systems could be considered to be the dog, for it does generate cash but not as a steady flow. The structures are also being renewed and not so many fixable objects can be found anymore, many times a problem requires installation of new systems. The HVAC planning tasks could be considered to be the star of operations and the product portfolio. Planning cannot be done without the proper training and a higher price could be charged for it. Considering the rise of household capital and the increasing interest in home building, there is market for planning work. Question marks at this point do not exist, but who knows what the future could bring. They could for example set up a team for the bathroom planning as a total. The team would take charge of the HVAC tasks, and also the interior design of the space and acquiring all the needed elements.

The internal audit as a whole needs to be taken into closer consideration after the company has been in operation for a while, so that the direction of the operations is clearer and therefore it can be reasonably assessed. After a while the companies operations will have taken a more steady form and their effectiveness and efficiency can be examined.

6.4.1.1. Organisational opportunities

The organisational opportunities for LVI-Kallio Oy might lie in the up to date training and the interest to the field. In the building boom and the increasing interest in home decoration and interior planning the industry should have work for the upcoming years and companies with vision are always needed. The fact

that the company is young and the training and methods are very up to date, should be emphasized as a positive aspect. Knowledge of the newest techniques and solutions is an important issue as well as effectiveness of the solutions. Heating is an example of an area of HVAC, where effectiveness in taking advantage of the heated air is crucial, as well as the water consumption. The different facets and toilets that save water are a good example of interest in being ecological.

6.4.1.2. Organisational resources

The source of most resources concerning LVI-Kallio Oy could be said to be the human resources. The human resources rely on the knowledge, skills and attitudes of the personnel. In normal cases good human resources are the result of exhausting recruiting operations, but in the case of LVI-Kallio Oy, the human resources are in order and easy to control. One man in charge of the operations that he performs and depends his living on, does wonders to ones attitude. The organisational resources as an object consist of all the structures and systems that benefit the organisations operations, alongside with brands, images and intellectual property. This aspect of resources is not yet a very strong one for LVI-Kallio Oy. One of the better resources benefiting the case company are the relational aspects of operations. LVI-Kallio Oy also acts as a wholesaler (even if it is small scale) and therefore has good relations to the importers of materials and has already developed good relations to the main operators in the field. This has been achieved in the contract jobs done this far. Monetary and physical resources need work, but are under close observation as the operations go further.

6.4.2. External audit

In the external audit the environment around the organisation should be examined thoroughly. The geographical area of operations for LVI-Kallio Oy has been relatively small, for some operators in the same area reported to cover the whole of south Finland if necessary for a certain project. The area in general is fairly

good for operations of this kind, for Turku and surrounding areas are growth areas and building is bound to take place. The mobility of the work gives it possibilities (the work places can be on a wide area) but also limitations (office and supplies need to travel alongside). The different factors affecting the external environment in a whole will be discussed in the following chapters.

6.4.2.1. Macro-analysis

The most common way to evaluate the macro environment of the company and the industry is to conduct a PEST analysis. The acronym stands for political, environmental, socio-cultural and technological forces affecting the industry. Legal factors are in some cases separated from the political and a newer addition to the model is the environmental factors (PESTLE).

The political environment in Finland could be said to be one of the most stable ones in the world. As a western modern society operating in a market economy with more or less stable economic growth, conditions for entrepreneurship are good. The status of entrepreneurs should also be on the rise due to a very current event. The election of the parliament in March of 2007 led to a parliament with a record number of entrepreneurs as members of the Parliament. The status of the entrepreneurs was also a hot topic in the election debates. Most of the respondents in the interviews (see chapter 6.2) did not recognize any particular laws affecting the operations in the HVAC industry. One of the legal factors benefiting the industry was the household deduction, which lowers the threshold to hire professionals to do work around the house. There are some requirements and limitations concerning the industry but those are rules and regulations concerning everyone; for example some of the materials used in the past are not allowed today. The manufacturers only produce legal materials, which brings all the operators to the same line.

The economic environment is also pretty stable in Finland and a small steady growth can be seen in the GDP. Although criticism has been in the air of the rich getting richer and the poor getting poorer in the society, the overall direction is

that people have more money in use than previously. Household wealth has increased during the years, especially after the recession, and the boom of building homes and amount of mortgages tells that people rather pay up their own than live on rent. The overall interest in home building and decoration can be seen in all the media and in the growing amounts of money that people use on their homes.

The interest in decoration and interior designs has also been brought on by the socio-cultural environment. Increasing attention to the subject has been given in different media and it is not frowned upon if someone decides to renew the bathroom, even though there is nothing wrong with the old one. Original and distinct solutions are searched and people are willing to spend money on solutions that please them. The family size has gotten smaller leaving money for other things as well, which also makes it easier to get hired help. People build their own houses in order to get solutions that please them and HVAC is an area that one needs a professional for.

Technological factors play a major role in the materials in HVAC. The development of new materials has replaced some of the materials used previously and enabled also more sustainable solutions. The ecological factors go hand in hand with the technological ones, for many innovations in the technological side have emerged due to ecological reasons. A current topic of water consumption has introduced “touch free” facets and toilets that release different amounts of water, resulting in water savings. Many of the public buildings have “touch free” facets for ecological and also hygienic reasons. The materials used in the plumbing have also developed into a direction that they do not release anything to the water or so on. The old metallic plumbing many times ends up releasing noticeable amounts of rust into the water.

6.4.2.2. Demand

It is obvious that customers for the industry exist and they have a need to which LVI-Kallio Oy and other operators in the field can answer. HVAC is a necessity

in today's building and living. HVAC serves the basic of human needs: warmth and water. In the urbanised communities specialised solutions are needed for providing those and also in waste management. It is also clear that professionals are needed for most of the jobs. The customer base consists of private home owners, maintenance companies, building companies and different public sector operators. At this point of operations LVI-Kallio Oy has been involved mainly in contract jobs for other companies and builders, which limits out the other types of customers.

According to the study conducted amongst the competitive firms (see chapter 6.2) customers many times desire experience in the field when they make a choice concerning the selection of a service provider. There were companies that felt that their competitive advantage comes from service and quality, but at the same time some wished that experience would not be a key factor in the selection. The importance of service and flexibility for especially private home builders is crucial, but it is understandable that experience in the field builds up trust in the customer. LVI-Kallio Oy is a new company and can not rely on experience factors, but their customers seem to appreciate quality. Reliability and good work in every project should build up a good reputation and experience comes alongside. Given that the case company has not been in business for that long, they have not conducted a customer satisfaction survey. Conducting one after for example the first operational year, when the customer base has settled, would give them valuable information about their customers. An example of possible questions in a customer satisfaction survey is given in appendix 2.

6.4.2.3. Competition

The competition that needs to be taken into consideration is all the HVAC companies in a relatively wide area, given the mobility of the work. LVI-Kallio Oy is based in Lieto and if they are willing to take projects in e.g. Nousiainen and Laitila, it means that the competition exists also there. Only companies based in Lieto and Turku are not enough. Unfortunately the number of individual

competitors is big, but also the work opportunities do seem to be numerous. Opinions gathered in the study conducted amongst the competition, indicated that respondents feel that there is a lot of competition, but still there is work for everyone.

Individual competitors are not going to be profiled, due to the number of them and the fact that a majority of the companies are very small and do not publish any numbers of their operations. Instead we shall look into the five competitive forces that affect an industry; a model designed by Michael Porter discussed earlier in chapter 2.2.2.3. In the following we try to assess the industry competitive forces according to the information gathered along the process.

HVAC industry has a lot of competition as noticed by the case company owner and operator as well as was mentioned by the respondents of the study conducted amongst the competition. There are a few likely reasons for the extensive competition. There are numerous equally balanced competitors present at the market which increases the amount of tracking each others moves. However the all the answer implicate that even though the competition is tough, there is still work for everyone. The service is relatively similar with all the competitors so customers end up paying more attention to the price and customer service, thus increasing the level of competition. The industry also has a lot of work opportunities and the expansion of firms is relatively easy.

The biggest threat is opposed by the possible new entrants. The industry has relatively small entry barriers money wise. The expenses can be kept more or less minimal compared with e.g. setting up a restaurant. Many of the smaller operators work from a home office and the major costs at the beginning of the operations are concerned with tools and a van. The core service is nearly identical with all the operators, which lowers the entry barriers even more. After having the needed training for HVAC qualification, setting up a one man company is seen easy.

Possible substitute products do not oppose a visible threat. This is a world wide service industry in which laws and regulations also have their impact on. HVAC is one of the basic elements in the modern infrastructure and living as we know it.

An innovation is not going to change the industry in a blink of an eye. The core service is very likely to stay at least similar to the one performed now. New techniques or assembly methods are the biggest changes that are bound to take place, but the time it will take for even a country the size of Finland to introduce the novelties will take the edge of it.

The bargaining power of suppliers used to be a bigger influence in the industry as was found out in the study conducted. The big manufacturers and importers used to be reluctant to sell to small operators in the ground root level. The supply chain in general has gotten shorter and the purchasing decisions are not limited to smaller operators anymore. The materials can now flow straight from the manufacturer to the client with only one intermediary, it being the company installing the materials. The bargaining power of suppliers has gotten smaller during the years and equality is more in place in the industry.

The bargaining power of the buyers is not a very big and concerning element in the HVAC industry. The buyers and customers are very diverse and are present in large numbers. If nearly every household in Finland has running water it means that there are almost 2,5 million possible clients in the country. In addition to this e.g. the public buildings, workplaces and schools offer even increasing possibilities. Naturally all of these are not for taking, contracts with maintenance companies and public sector buildings are crucial for secured operations with big businesses. The switching costs for a normal household client are not very high, which causes stress to the operators, but many clients feel that experience is a key factor, which often leads to relying on the same trusted operator.

The overall environment in the HVAC industry appears to have a lot of competition in terms of the number of competitors. However the industry still has room for more operators, which is seen by the fact that some companies have to say no for some work offers and even the competition itself feels that there is still work for everyone. The biggest threats are opposed by the emerging competition and the strong players which have contracts with the major customers. LVI-Kallio Oy has all the elements that it needs for at least holding its position in the market and keeping busy. Getting bigger is a heading that needs a little effort.

The outside world has a funny way of going wrong when it is not supposed to. This just might offer an opportunity for LVI-Kallio Oy. It sometimes seems that if a disaster at home occurs, it is always either a holiday or it takes place at night. Most of the competing firms are many times reluctant to do work outside “office hours” which might be inconvenient for the customer with a basement full of water on Christmas Eve. Providing an emergence service, with a healthy compensation might be a source of competitive advantage that would separate the company from the competition. We will discuss the possibilities of this later on in the text.

6.5. Synthesis

A very often used tool for conducting a synthesis of the gathered information is the SWOT analysis which is often mistaken for an analysis due to the misleading name. SWOT is more correctly seen as a summary of the previously conducted analysis. In the following we will summarise the highlights of the strengths, weaknesses, opportunities and threats of LVI-Kallio Oy.

As implicated in the research conducted amongst the competition, many firms recognised experience to be one of the major reasons why customers choose them. Naturally when working with a household’s plumbing, one does hope that everything goes according to planned, and experience is one guarantee of that. Unfortunately the situation for a new, recently established company is that they most likely have not gathered any mentionable experience. This is the situation in the eyes of the customer. The lack of experience is probably the biggest threat that the outside environment opposes for LVI-Kallio Oy. Other threats strategy wise is the strong competition in industry and the low entry barriers. Even if the feeling at this point is that there is work for everyone, the situation is bound to take a turn for the worse if competitors emerge in growing numbers.

The opportunities for the company could be seen in the possibility of 24h emergency service which is not offered by the competition in this proportion. Like mentioned before, a basement full of water on Christmas Eve will get the customer into a state of mind that a reasonable compensation can be asked for. Taking advantage of the newly emerged state of the company and the excitement of the staff, the service could be offered. Opportunities from the external environment could also be identified from the political environment and the improving status of entrepreneurship. Also the socio-cultural factors explained earlier on offer possibilities and opportunities for LVI-Kallio Oy.

The weaknesses of the firm are derived from the fact that the company is fairly young and short of operational time. The most effective methods might not have been found yet, amount of storages are still unclear and for example there is no brand identification present. These are all issues that will correct themselves with time and effort if done correctly, but at this point they are also a great weakness. Even if the problems of the company would not show to the customer, they will affect for example the financial side of operations. The lack of experience can also be categorised into a weakness alongside with threats.

The strengths of LVI-Kallio Oy lie in the recent training, strong interest to the field and willingness to put work into the company and get it growing. The recently undergone training is a massive advantage, for the newest information in terms of working methods, techniques, materials and industry is in the use of the company. This should always be emphasized in promotion situations. The strong interest in own doing results in good quality of work and hopefully builds up a good reputation.

6.6. Marketing Objectives

The objectives of marketing for LVI-Kallio Oy are concerned mainly with improving the visibility of the company and gathering positive attention. Even though this far there has been enough work for the one man company, the visibility is crucial for the future expansions. Positive attention and visibility in

people's minds might also create an image of the company being in the market for a longer time. Naturally even if the company has been in the market for ten years, but no one has ever heard of it, it will not have an image of experience in the minds of the customers. Setting any percentage or other numerical goals will do the company no good, due to the difficulty of measuring the effectiveness. The possible improvement of visibility could be studied in a customer survey, which would be also very useful for the company otherwise. If LVI-Kallio Oy is examined in terms of the Ansoff matrix (explained in chapter 2.4) the marketing objective is market penetration. The service is an existing one and it is catered to existing markets. The only feature of product development found could be the offering of 24h service standby. The service is most likely offered by someone, but it is not a very common one in the industry. This could be used as a corner stone in the marketing.

6.7. Marketing Strategies

Given the factors concerning the industry, the case company and the competition it would be reasonable to say that the main strategy for LVI-Kallio Oy is to act as a market follower, without creating disturbance in the market. At this point of operations taking a too aggressive approach might result in enemies too powerful to handle. If the 24h service done alongside with daily operations starts working and generating profits, it could be said that some market nichér strategy could be involved in the operations.

6.7.1. Selection and analysis of a target market

The situation this far for LVI-Kallio Oy has been that a majority of the customers are other companies offering contract jobs with a slightly longer lasting than the normal household jobs. The planned direction of the future operations could evolve around the same basic customer group with the addition of "emergency

jobs”. The contract jobs to other companies and private house builders with longer duration bring stability into the operations and LVI-Kallio Oy is familiar to the operations in that particular area and is known to those operators. The 24h emergency service is an offering to the public, regular consumers and could generate reasonable profits if enough interest can be built and the case company can handle the unstable working hours. With this approach the case company could have visibility in consumer and business markets if and when expansion of operations takes place. The groups who will not be targeted concern of maintenance companies, public sector buildings and house maintenance corporations. These operators often offer projects with too large frames for a one or a two man company.

6.7.2. Development of a marketing mix

The service market mix is a slightly wider concept than the basic 4 P's of marketing, for it comprises of 8 P's. The intangibility of services is the biggest separating factor. The product dimension of a service is naturally intangible and many times accompanied by some tangible elements. With LVI-Kallio Oy the service is most of the times accompanied by the materials and components provided by the case company. The core service is concerned with different HVAC tasks desired by the customer. The “package of the service” as the physical evidence element needs probably a little emphasis from the company. The basic advertisement text on the van and the company name and logo in the uniforms and printed materials will help the identification of the firm and improve the image.

Place and time element has evolved into having the service travel alongside the van. The company van acts as the mobile office and all the tools and materials are stored and transported with it. The van naturally moves when the work needs to be done. The emergency service would respond to needs of customers and emergency jobs would be “doable” with one person and minimal equipment. The effectiveness of processes is determined according to each task. A code of conduct

and operations cannot be created if the place and conditions of work are different each time. A basic guideline should be created for LVI-Kallio Oy but common sense is naturally used in the varying situations. The descriptions of processes are also needed for the ISO9000 certificate.

The people element in the service does not mean only the employee but also the customer experiencing the service. In the HVAC industry the customer is usually a bystander only observing the process or not even present at the situation. At this point the people element is very much in control because of the fact that it is a one man company. Basic politeness and social skills should be enough with the customers; too much friendliness is not for all. When the company expands the basic conduct of behaviour should be discussed.

The price of the service can be seen as being middle class in the normal operations. LVI-Kallio Oy is not cheapest but definitely not the most expensive either. If the 24h emergency service is implemented, a higher price for those operations can be charged with good reason.

The promotion of LVI-Kallio Oy is going to be relying on advertising, personal selling and word of mouth. The marketing and advertising of LVI-Kallio Oy is in its early stages. They are a new company and so far they have not been able to concentrate very much on marketing planning. The research has also shown that companies operating in the HVAC field are usually not very aggressive in advertising. There might be several reasons for this including the facts that the companies already have enough customers or they do not possess enough knowledge on the subject. In planning the marketing of LVI-Kallio Oy we have tried to design media channels that find the target market and ideal customers. Also minimizing the costs of marketing has been a great issue because the budget is not limitless and by directing the right actions to the target group the company is able to get the best possible return on investment.

In the first months of operations of LVI-Kallio Oy the clientele has been mainly in other companies and private households as contract jobs and it is seen as the best target group also in the future with small adjustments. The company finds these

two groups of customers good; a lot of demand and long term customers exist and work task are suitable for the company. In addition we have generated an idea of the company offering a 24 hour emergency service which would directed to the customers in same area. This is high value work and would be a good addition to the daily work.

The advertising could be started in two of the phone catalogues which are Keltaiset Sivut and Eniro Keltaiset Sivut. There are several different options for adds in these two catalogues but the adequate ones for LVI-Kallio Oy could be the catalogue add (luetteloilmoitus) about the size of 5 cm x 5 cm (see appendix 3) in both catalogues in addition to the basic line add (rivi-ilmoitus). In the online catalogue version the link to the company's web page would be emphasized. The service offered by LVI-Kallio Oy would be categorized under the heading "LVI-asennuksia ja korjauksia" in the Keltaiset Sivut catalogue and under "LVI-palveluja" in the Eniro catalogue. A colour ad for one year costs approximately 1000 euros in Keltaiset sivut and about 600 euros in Eniro. These catalogues are a useful channel of advertising because they are delivered to almost every household and company and the online version is available for everybody with an internet connection. Both of these are also very well known and trusted catalogues.

LVI-Kallio Oy does not have a home page and this is an issue that should be corrected as soon as possible. A home page might be a source of information or a channel for contact. An increasing amount of customers do their research on the internet concerning possible service providers. A presentable home page improves the image of the company and it also works as link between the company and customer. LVI-Kallio Oy can create a simple web page where the company information such as history, location, expertise, contact and price information can be found easily. This kind of web page can be created for example as a student project or with reasonable cost by a web designer. Later on when the company has capacity for more work and bigger projects it can start advertising in local newspapers like Turun Tienoo ja Turun Sanomat.

Even though the marketing actions might now feel minor it is more than the industry has usually seen. These actions offer the company exactly what it needs at the moment with the investments it is ready to make. It is important to keep track of the benefits resulting from the marketing actions: naturally the outcome should always be bigger than the investment. An important aspect of marketing for LVI-Kallio Oy will be personal selling and promoting itself. The companies employees will need to promote the company in their actions and talk. By doing a good job they will most definitely generate good word of mouth. For small companies the word of mouth especially in a small place is crucial. The actions and channels have been designed so that at the moment they offer good information and visibility to the customers, but are also a subject to extension when the company expands and takes on more staff.

6.8. Control

Control is needed in the rapidly changing business world for an obvious reason. The designed strategies and future aspirations can end up being wrong, outdated or unprofitable. LVI-Kallio Oy needs to be very careful in the first steps of the operations as for many times the direction taken is either hard to change or easy to get stuck to. The first concern is to see how well the 24h emergency service gets going. Observing the amount of income and number of customers will give the signs, whether or not it is profitable to continue it. Naturally taking care of the company's employees and their strengths is important.

Conducting a customer satisfaction survey could be extremely beneficial if done with enough interest. The customer survey (see appendix 2) can also provide information about the importance of the designated advertising channels. Knowing the desires and preferences of the customers is a field that needs studying; maybe there is a possibility for a new student work.

7 CONCLUSION

7.1. Summary of the research

The basic starting scenario for the bachelor's thesis was the case company's situation as a newly established company with literally no analysis on anything or marketing activities. We set out with the process with the objective of going through the steps of strategic marketing planning, conducting an industry and a competitor analysis, helping the company see the strengths and weaknesses and creating a marketing plan. During the whole process it was taken into account that the company is a one man company with future expanding ambitions and at this point it is important to keep the bread on the table. The direction of operations could not take any dramatic changes, for the company would probably not have the resources for great changes.

The theoretical part examines the process of strategic marketing planning as a logical line from the mission and objectives through analysis and research to designing a marketing mix and controlling the activities. The text addresses for example the most used tools in analysing the internal and external environment alongside with basic strategies for marketing, but also takes advantage of the more unfamiliar concepts. A variety of sources including several articles ensured the up to date theoretical research. The theoretical part provided a good base for the empirical study.

The actual study was conducted as a telephone interview with the help of an open ended questionnaire. The interview questions concentrated on examining the issues around the competitive environment and the industry as a whole. The results revealed various issues amongst them the fact that competition is tough in the HVAC industry but there is still work for everyone. The main findings stated that experience is valued in the business but quality is also important. The industry has also changed during the years concerning the materials and techniques, but given the fact that the industry is so vast, change is not going to

take place in small time frames. A feature to be taken into account is the favouring of companies in possession of the ISO9000 standard.

The direction of the research led to developing a marketing plan with two target groups. Contract jobs to other businesses and private house builders will keep the business running as usual. Taking on a 24h emergency service for the regular consumers will give the company a differentiating aspect and a reasonable fee can be charged for these services. The case company has the aspiration of expansion which means that visibility needs to be sought in order to employ the growing staff.

7.2. Conclusions

Like stated before, the aim of the study was to conduct an industry analysis and a competitor analysis for the case company LVI-Kallio Oy. With the help of these and other analysis a marketing plan was created according to the strategic steps. The qualitative method used proved to be the best one for the research in terms of collecting valuable data. The theoretical data gathered earlier from a variety of sources provided the basis for the empirical part. The research findings and results alongside with the more in depth considerations on various subjects can be found in the text. Here we will summarize the main conclusions and recommendations for the case company LVI-Kallio Oy.

A basic assumption in the industry confirmed by several sources is that the HVAC industry has a lot of competition but there is still work for everyone. The case company has been employed steadily up to now and hopefully will be in the future. The case company has presented the aim of expanding by taking on more staff. This should be a reasonable and a very realistic goal after the operations have taken a steady flow. The firm should have the patience to see the direction of the operations in order to ensure an adequate amount of work for the hired help.

At this point of operations the target group can be identified as consisting of other companies buying contract jobs and private home builders. The scenario has worked this far and the case company is known in the sector. An addition to the normal routine operations in the suggested target group, an emergency service could be employed. Providing a 24 hour emergency service could be beneficial because a very healthy compensation can be asked for it. Naturally the motivation of the personnel is important in getting on in this field of work. Most of the competitors interviewed did not offer this service so LVI-Kallio Oy could here identify a competitive advantage. A service of this nature could be the decisive factor in choosing the service provider in e.g. a home building project.

Establishing a web site is an important issue in the future of LVI-Kallio Oy. Creating a web site is not a great monetary sacrifice, for they can be conducted as a student work, or with a web designer with relatively low costs. However the web page can be a very good source of information for the customer and also promote the message of a modern day enterprise. Other promotional activities are concentrated in the Keltaiset sivut and Eniro –catalogues as is customary in the industry. If and when LVI-Kallio Oy expands, newspaper ads will become more topical.

Developing the organisational resources could improve the visibility and recognition of the company and also benefit the future operations. Designing a simple logo and using it in all the advertisements and physical evidence would create a more professional and positive image for the case company. The logo can be employed in the receipts, work orders, employees' overalls, company van, and newspaper ads in order to create congruent messages. Developing a clear organisational structure and for example job descriptions will ease the situation when new employees are taken into the company.

Both the theoretical and empirical research revealed the growing importance of standardised operations in the industry. It was also mentioned that possession of ISO9000 certificate can be a requirement in even entering a tendering or participating in a supplier selection process. At this point of operations acquiring this certificate might seem pointless, but for the future it could be very beneficial.

Preparing task descriptions, company structures and written instructions and action plan are a prerequisite for the certificate, but also force one to think about the state of operations. The ISO9000 certificate might provide a competitive advantage for LVI-Kallio Oy when the situation is ripe for bigger projects.

After the first operational year the performance of the company should be evaluated in both financial and other terms. Seeing how the company is doing in terms of the set objectives and desired outcomes is important in order to develop the operations further. Examining the situation for the expansion plans is very important in order to avoid miscalculations based on a good trimester. The company needs to have steady enough financial situation if they want to hire an outsider.

A customer satisfaction survey would be a very useful tool for LVI-Kallio Oy. A survey could be conducted also after the first operational year in order to get more in depth knowledge on the preferences and likings of the customers. A rough version of a possible customer survey can be found in appendix 3. The version there is designed for a situation where there are few respondents with time to answer open-ended questions. If the number of the respondent is great there is a possibility of creating a questionnaire with options for answers. Analysing this kind of a quantitative research questionnaire would take time and effort. For the case company LVI-Kallio Oy a qualitative method would be more useful because of the limited number of respondents and the possibility of having the customer fill out the survey while the work is being done.

The suggestions for future research are involved in the areas already discussed earlier. The main emphasis on research should be on the evaluation of operations after they have been running for a while and a customer research. Especially the customer research could be done with co-operation with business schools if the case company lacks the resources and time for it. The evaluation of the operations this far should be conducted in order to know the direction of activities and to be able to correct the wrong actions.

The research conducted is reasonably well applied to other companies in the HVAC industry as far as the external analysis goes. The importance of conducting in-depth analysis of the company itself increases right after the number of employees exceeds two. Conducting a research that involves all the steps in strategic marketing planning is a consuming process, but useful even for small companies when done on a smaller scale. After an analysis of the starting scenario has been made, it is easier to analyse outcomes of the operations.

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APPENDIX 1

Competitor and industry analysis

Framework for interviews

1. The name of the company:
2. The location and operating area:
3. How many employees are in the company?
4. When was the company established?
5. Are your customers mainly one time or regular customers and how many of the customers are regular customers?
6. As customers, do you have mainly companies, public sector's buildings or private households?
7. Does the work (tasks) take place more often in new buildings/construction areas or in already existing "old" buildings?
8. Do you have any discounts or offers for new or existing customers?
 - a. If yes, what?
 - b. If not, why not?
9. Do you advertise?
 - a. If not why not?
 - b. In what medias and how often?
 - c. Which advertising channel you have experienced the most important and effective?
10. Why do you think that your customers use your services?

11. What do you feel that are your company's strengths and weaknesses?

12. Have you specialized in some field of HVAC, If you have specialized field; is it because your personnel is specialized mainly in that area or is it because of the customer demand?

13. Do you think that there is a lot of competition in the HVAC business in this area?

14. Do you have plans to expand?

15. Is there some regulations or laws which affect in the company's performance negatively and or positively?

16. Has the HVAC business changed during your operation?

Kilpailija- ja toimiala-analyysi

Kysymysrunko haastattelua varten

1. Yrityksen nimi:
2. Yrityksen sijainti ja toimialue:
3. Kuinka monta työntekijää yrityksessä on?
4. Kuinka kauan yritys on ollut toiminnassa?
5. Koostuuko asiakaskuntanne lähinnä kerta- vai vakioasiakkaista; kuinka suuri osa asiakkaista on vakioasiakkaita?
6. Kuuluuko asiakaskuntaan lähinnä yrityksiä, taloyhtiöitä, yksityistalouksia vai julkisen sektorin rakennuksia?
7. Ovatko työtehtävät useimmiten uusissa rakenteilla olevissa rakennuksissa vai korjauksia ”vanhoissa” rakennuksissa?
8. Onko teillä jotain erikoistarjouksia uusille tai vakioasiakkaille?
 - i. Millaisia tarjouksia?
 - ii. Mistä syystä ette mainosta?
9. Mainostatteko jossain?
 - i. Miksi ette?
 - ii. Jos mainostatte niin, missä medioissa ja kuinka usein?
 - iii. Minkä mainostamisen kanavan koette kaikkein tärkeimmäksi?
10. Miksi luulette asiakkaiden käyttävän juuri teitä?
11. Mitkä koette olevan yrityksenne heikkoudet ja vahvuudet?

12. Oletteko erikoistuneet johonkin LVI:n alueeseen?
 - i. Jos olette niin oletteko erikoistuneet tähän tiettyyn alueeseen siksi että teillä on pääasiassa sen alan osaajia vai oletteko erikoistuneet tähän alueeseen kysynnän vuoksi?
13. Koetteko alalla olevan paljon kilpailua?
14. Onko teillä laajentumis-suunnitelmia?
15. Onko jotain säädöksiä tai lakeja jotka vaikuttavat toimintaan myönteisesti tai kielteisesti?
16. Mitä LVI ala on muuttunut toimintanne aikana?

APPENDIX 2

Customer satisfaction survey

LVI Kallio Oy

1. Company name and address:

2. Respondent name and position in the company:

3. Business sector: private household, company or public sector?

4. How did you discover us? (source of information)

5. How many times you have used our services?

6. If you are a first time user, would you use our services again?

- a. If not, please specify?

7. For what kind of jobs you have used our company?

8. Where you satisfied with the job done and the service?

- a. If not, please specify.

9. Was the job done in a timely fashion?

10. Did you find the personnel pleasant and qualified?

11. Would you recommend our company?

1. Yrityksen nimi ja osoite?

2. Vastaajan nimi ja asema (jos vastaajana yritys):

3. Sektori: kotitalous, yritys vai julkinen laitos?

4. Kuinka löysitte yrityksemme?

5. Kuinka monta kertaa olette käyttäneet palveluitamme?

6. Jos olette ensikertainen asiakas, käyttäisittekö palveluitamme uudelleen?

a. Miksi ette?

7. Minkälaisia yrityksemme palveluita olette käyttäneet?

8. Olitteko tyytyväisiä tehtyyn työhön ja palveluun?

b. Miksi ette?

9. Tehtiinkö työ ajallaan?

10. Koitteko työn tekijän (tekijät) ystävälliseksi ja ammattitaitoiseksi?

11. Suosittelemme yritystämme?

APPENDIX 3

LVI-Kallio Oy

**Kaikki LVI työt ammattitaidolla
Yrityksille sekä kotitalouksille.**

24 h päivystys.

Yhteydenotot ja tarjouspyynnöt

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tai

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