

# **Start-up of marketing and sales activities of Viking Line services in Ukraine**

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<p>This thesis is dedicated to assessing Viking Line Abp's opportunities and developing business on a potential Ukrainian market.</p> <p>Viking Line Abp is Finland's leading passenger shipping company. Regarding the stabilization of Ukraine's economy, the increase in passenger numbers and the recent visa-free regulations to European Union the group decided to expand its network and enter the Ukrainian market.</p> <p>There is organic growth within Ukrainian tourists on Viking Line ferries without making any extra effort on the volumes. As that segment is growing it would be good to get more advantage of it.</p> <p>Scandinavia is an attractive destination, which popularity among Ukrainians is growing. Ukraine is close enough to Finland and have positive political and economic atmosphere between both countries.</p> <p>The purpose of the thesis was collecting useful information for the company and developing first business and marketing directions.</p>	
<b>Keywords</b> International Marketing, Business Development, Ferry Company, Cruises, Travel	

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# **1 Introduction**

Viking Line Abp is Finland's largest passenger shipping group, transporting nearly 6,8 million passengers annually (Viking Line Annual Report 2017). In 2017 the Group received a profit of 6,6 million euros. Profits and passenger numbers vary from year to year, and depend on the number of serviced routes, the number of ships in fleet, weather conditions and investment volumes.

In this research, I am interested in assessing how and in what way it would be possible to increase volumes on the Ukrainian market, considering the local economic and political situation, transportation possibilities and links, people's interest, and travel opportunities.

## **1.1 Scope of the Study**

A large amount of Finnish and Estonian companies is looking forward to entering the Ukrainian market, which in turn is complicated due to the unstable economic and political situation. However, travel is one of the few ways how local consumers can meet their holiday needs.

The number of foreign tourists will increase in the coming years with the recent changes in Schengen visa manners and economic situation. Previously, travel has been difficult and costly due to the high costs of transportation and fee for possible visa.

This study focuses on searching for strategies for entry the Ukrainian market, marketing and sales analysis, and an initial plan of action. In turn, account must be taken on the potential risks, especially about the political situation between Ukraine and Russia. This thesis discusses the strategies for entering the Ukrainian market and based on the Finnish company Viking Line Abp.

## **1.2 Background and Purpose of the Thesis**

It is needed to understand trends in the development of the political and economic situation in the coming years in Ukraine. Important aspects are amount of population, income of the population and development by segments. For sales and marketing development it is needed to understand the infrastructure, number of large cities, possibilities of internal and external transport links. Also, it is needed to look at the main transport companies that are presented on the market and the cost of transportation, who could be able to solve the problem of transportation of people to regions covered by Viking Line ferries: Finland, Estonia, and Sweden. Additionally, we must look at currency rates and flows, banks and

payment options for individuals and companies between Ukrainian and European companies, in that case Finnish or Estonian.

### **1.3 Overall Aim and Objectives**

The main aim is to make an analysis of options for entering the Ukrainian market. It is needed to get a general overview of the market, how much money is on the market, the main players, percentage of markets by directions, volumes in tourists and money in recent years, as well forecast for the future. For the analysis it is also needed to understand the cost of tourism products in different directions from Ukraine.

To understand the local travel market, you need to have an overview of travel agencies and service providers, especially those that can benefit overall. It is important to understand the popularity of online sales in travel business in Ukraine and the opportunities for cooperation in the field of transport.

A clear strategy needs to be put in place to promote business. There are several options to enter the market:

- GSA or representation through a partner;
- Own daughter company;
- Joint venture with partial local ownership;
- Acquisition of the operating travel agency;
- Online sales and marketing.

### **1.4 Research Question**

The research question of this thesis is: How Viking Line Abp can make start-up of marketing and sales activities of its services on Ukrainian market.

### **1.5 Structure of the Thesis**

The thesis is divided into 7 different chapters:

Chapter 1 gives an overview of the thesis, which is the nature of the problem, the purpose, and objectives of the thesis.

Chapter 2 focuses on the theoretical framework.

Chapter 3 provides general information of the market and economy, including travels to Finland, Sweden, and Estonia as well as visa policies.

Chapter 4 has information about Viking Line Abp.

Chapter 5 presents research approach and methods.

Chapter 6 shows the results of the study.

Chapter 7 gives discussions and conclusions.

## 2 Theoretical framework

### 2.1 Essence, role, and development of marketing

#### 2.1.1 The concept of marketing and marketing mix

There are various definitions of marketing. For example, there are definitions concerning marketing as a process: marketing is the process of designing and executing concepts, pricing, promotion, and distribution, to market ideas, products, and services, to create satisfactory exchanges for both parties.

There are also definitions that emphasize the identification and satisfaction of customer needs: marketing is the identification and satisfaction of customers' needs in a profitable way. The simplest definition of marketing could be the following: meeting needs profitably (Kotler, Keller 2006, 5).

The tasks and scope of marketing can vary significantly between the company and the service provider, depending on the market. However, marketing has two dimensions — strategic and tactical (Lambin 2003, 692).

Strategic marketing is an analytical process, while tactical marketing focuses on the setting up of a specific action plan as shown in Table 1. Margins, line spacing, font types and font sizes are as follows:

- Strategic marketing focuses on consumer needs analysis, market segmentation, market opportunity assessment, competitive analysis, and marketing strategy design.
- Tactical marketing focuses on the development of key marketing plans for selected target groups, set marketing measures, marketing budgets and timetables.

Table 1. Value-oriented marketing process (Kotler, Keller 2006).

Choosing of values			Creating and communicating values							
Market Segmentation	Choice of market focus	Positioning	Product Development	Service Development	Pricing	Procurement and preparation	Distribution and service	Sales team	Sales subsidy	Advertising
<b>Strategic Marketing</b>			<b>Tactical Marketing</b>							

In general, the marketing goal is to guide the marketing mix, which classically includes 4P (product, place, price, promotion) to be able to create a long-term, mutually profitable relationship with consumers rather than just selling the product as are shown in Table 2. Equally important as creating value for shareholders is creating value for consumers (Kotler, Keller 2006, 19).

Table 2. Four components of the classic marketing mix (Kotler, Keller 2006).

Assortment Quality Design Extras Brand name Package Sizes Service Warranty Return	Base price Discount Payment period Credit conditions	Distribution channels Insurance Assortment Location Inventory Transport	Promotion Advertising Sales team size Public relations Direct marketing
<b>Product</b>	<b>Price</b>	<b>Distribution</b>	<b>Promotion</b>
<b>Marketing Mix</b>			

As there are different types of marketing objects, it is impossible to have the same approach. For this reason, services are slightly customized and extra elements are being added to the mix: people, process, physical evidence (Baker 2003, 287) according Table 3.

Table 3. Marketing tools based on the user and the consumer (Baker 2003).

<b>4C</b>	<b>4P</b>
Customer Solution	Product
Customer Cost	Price
Convenience	Place
Communication	Promotion

However, when the traditional production and sales process describes marketing at the level of sales, the value-added process starts with strategic marketing activities, and ends with tactical marketing. Marketing can create a deceptive illusion of its simplicity. Many businesses that have enjoyed success in the past and neglected marketing have had to re-evaluate their business models due to the market situation — or unexpectedly due to a profound change in their competitive position. Therefore, it's important to keep an eye on what is happening in the marketing environment: what consumers are doing, how competitors behave, what are the latest technologies, legislation, etc.

The financial success of a company often depends on marketing capacity. Finance, manufacturing, accounting, and other business functions are not important if there is no demand for company products and the company does not make a profit (Kotler, Keller 2006, 24-27).

### 2.1.2 Marketing features in the context of approach

Marketing is based on a free exchange that is both beneficial and satisfying. The exchange is the basis for marketing activities. However, the classical objects in marketing are products and services. The meaning of marketing is the situation, when both parties have something that has a value for the other party and which they might interchange, and the following conditions must be met (Kotler, Keller 2006, 6-7):

- There are at least two parties;
- Each party has something that is valuable for the other party;
- Each party can communicate and deliver value;
- All parties may accept or decline the offer;
- A party believes that the transactional item is acceptable by the other party.

Marketing must ensure the smooth running of the exchange. This is not a simple goal, especially when considering consumer and market demands. Successful exchanges can only take place if market forces can be overcome. In total, there are distinct market segments between the producer and the consumer:

- **Spacing:** Producers and consumers are often geographically isolated. Marketing activities must ensure the supply of goods in a suitable place for the consumer, creating a convenient shopping experience.
- **Timeline:** Generally, the production and consumption of goods do not occur at the same time, but at a time interval (except services). Marketing activities must create the conditions for the continued existence of the goods.
- **Quantity:** It is useful for the producer to produce and sell the product in bulk, while consumers prefer retail packages. Marketing activities must ensure the repackaging of the product and create the convenience of purchase.
- **Selection:** An individual producer can usually provide a narrow range of goods, while consumers prefer to make choices from a wide assortment. Marketing activities must provide selectivity.
- **Information:** Manufacturers often do not know who, where, when and how much are a need for the products. However, consumers do not have information about the various offer opportunities. Marketing activities need to include an information system that allows flow in both directions.
- **Value:** The value of the goods in terms of producers depends on the costs incurred and the prices of competitors. However, consumers value goods based on their economic viability and solvency. Marketing activities must create a single value system for the manufacturer and the consumer.
- **Ownership:** Producers dispose large volumes of goods they do not use, but consumers have either money or exchange goods that do not use. Marketing activities must ensure the smooth flow of exchanges and settlements.

### 2.1.3 Marketing objects

The items marketed can be very different. There are 10 marketing objects, which are distinguished (Kotler, Keller 2006, 8).

1. **Products:** These cover a large part of marketing, and they can vary widely, from food to cars, machines, and more;
2. **Services:** For example, plane tickets, hotel service, maintenance services, repairs, and other service providers;
3. **Events:** For example, the Olympic Games and other sporting events, fairs, and concerts;
4. **Experience and Excitements:** Visits to amusement parks or adventure trails, dining in popular restaurants;
5. **People:** Artists, musicians, rock bands, executives of large companies, politicians, etc.;
6. **Places:** Cities, regions, religions and nationalities, investors, and others;
7. **Ownership rights:** These are intangible rights, which mean real or financial assets;
8. **Organizations:** Companies and organizations who want to have a good reputation in the public;
9. **Information:** Schools and universities sell (for example, knowledge, as well as encyclopaedias), adding information to a physical product is one way of improving the value of the product in the eyes of consumers;
10. **Ideas and beliefs:** Donation, healthy lifestyles, promotion, etc.

### 2.1.4 Market demand and basic marketing principles

Marketing activities and value for consumers are based on consumer needs and desires. Also, marketing often refers to market size and demand.

Needs are the inner urges of a person for something. The most well-known approach to needs is A. Maslow's Hierarchy of Needs, which provides both basic (physical) needs (e.g., hunger and thirst) and higher needs (e.g. sense of belonging, self-realization, learning). Marketing cannot directly affect basic needs, but however, marketing can influence how these needs are met.

Desires are tailored expressions of needs. Often, the cultural environment is an adaptation: for example, when Nordic people feel hungry, they will be more likely to want meat and potatoes, the Asians — will probably think about rice; and Mediterranean's — about pasta or fresh salads. Often, however, there is a marketing activity, a friend's opinion, or a situation in which to design the desires. One desire may also arise from several needs at once — for example, to eradicate hunger, we can buy food from the store and eat it at home. If, however, there is a need for affiliation, then people would choose a restaurant, cafe, or pub.

It could be said that if the physiological need is to eat or wear clothes, then marketing can lead, according to the wishes of the consumer, a way what to eat or what to wear. If, for

example, consumer needs ordinary clothing, then marketing provides the consumer with custom-designed modern and expensive design products that he does not really need. If a person wants them and is willing to pay for them, then there is demand — and the marketing task is to offer the consumer what he wants.

Demand includes both willingness to get and willingness to pay. If a person has a desire, but he does not agree to pay for it, then there is no demand. If there is a desire and he is willing to pay for it, there is a demand on the market.

Traditionally, the market has been a physical place where buyers and sellers gather for the purchase and sale of goods. Due to the concept of demand, the market can be considered as potential and current consumers, who want to buy products, while consumers also have the resources to pay for the products. Due to the needs, however, the market can be understood as a group of united people who have the same needs. There are six types of customer markets: consumer, business, resale, global, institutional and government markets.

Market demand may be viewed as a definitive amount at any time. It brings together those consumers who want to have some products at a certain time, and those who might potentially do so in the future (Best 2004, 68).

Apart from the needs and desires of the consumer, it is needed to think about the size of the market and the demand (Kotler, Keller 2006, 10):

- **Negative demand:** Consumers are reluctant about the product and they are ready to even pay money to avoid it;
- **Unnecessary demand:** Consumers are not aware or not interested in the product;
- **Hidden demand:** Consumers may need a product, but the existing product does not meet their requirements;
- **Dropping demand:** Consumers are using the product less than before or not at all;
- **Irregular demand:** Consumers buy the product seasonally once a year, once a day, or similar;
- **Full demand:** Consumers consume all products offered on the market;
- **Primary demand:** The product is needed more widely than the company can offer;
- **Unhealthy demand:** Some consumers want products that lead to undesirable social consequences.

The basis for consumer value and demand is the five basic principles of marketing, which at first glance seem obvious and logical, but which companies often do not want to implement (Hooley, Saunders, Nigel 2004, 23-26):

1. Consumer focus is most important;
2. Consumers do not buy a product, but a solution to the problem;
3. Marketing is too important to leave it alone for the marketing department;
4. Markets are heterogeneous;

## 5. Markets and consumers are constantly changing.

The consumer focus begins with understanding the needs. There is no need to spend a lot of money to start a business and hire workers, and just start making something, and after the products are completed, to realize that there are no consumers who would like to purchase these. Consumers do not want to buy a product, but a solution to their problem.

The needs of consumers have become much more specific and individualized. That reflects market heterogeneity. An entrepreneur cannot count on all the wishes and needs; therefore, it is needed to segregate the market and choose profitable and attractive customer segments. At the same time, none of the marketing measures developed have been cut to stone, but both markets and consumers are in constant evolution. However, the changes in the economic environment that are currently affecting most of the marketing should be thoroughly analysed.

### **2.1.5 The role of marketing in the company and the organizational structure of marketing**

Although marketing plays a very important role in the company, the interests of other structural units must also be considered. It is important for the staff to explain that together can achieve more than separately. Different departments have their own interests that marketing needs must be to consider always. Similarly, it is important to show employees their own relationship with the marketing of profitable customer needs.

Marketing itself is too important to leave the entire responsibility to the shoulders of one department — different departments need to see their role in ensuring the success of the company and meeting the needs of consumers. This role may consist of performing high-quality and committed research or just having interact with friends and acquaintances in free time collecting market information and distributing corporate messages.

Very often, however, employees do not see the link between their position and marketing. Although marketing is often misleadingly identified but with sales, it is common for a salesperson who deals daily with business feels that does not have any interaction to marketing.

Many marketing departments include many professionals, such as a sales manager, public relations manager, advertising manager, marketing specialist, and other marketing specialists who are affiliated with the marketing director or -manager. Such department is functional marketing department. This architecture simplifies marketing management but

reduces efficiency if product range and markets increase. Specifically, it means that products that are not particularly popular can be shadowed and functional departments can compete for budget and status (Kotler, Keller 2006, 27).

If a company operates on several geographically distinct markets, it makes sense to divide the marketing department between geographic regions. This structure of the marketing departments is particularly justified by different geographic regions and ethnic or demographic segments, which should be approached differently.

A marketing department based on a product or a brand can be considered when a company produces a very wide variety of products or a large variety of different products. This will enable product managers to develop cost-effective marketing initiatives for a product, respond quickly to market changes, and develop smaller brands.

Designing marketing departments according to the specifics of consumers is relevant when the company serves different markets, like providing telecommunication services for personal use, businesses, and government authorities. In this case, the marketing unit has segment managers who are responsible for a customer segment, revenue, profitability, bids, and communication.

It is also possible to build up marketing department on global perspectives. Businesses operating internationally can have an export department with sales managers and assistants or a department specializing in international marketing, where function specialists are structured either geographically or on a product basis.

#### **2.1.6 Marketing concepts**

The company's marketing philosophy is expressed in the marketing concepts. The difference in marketing concepts lies on the importance of business, consumer, and society goals. Often, the interests of these three components are different and collide. Classical marketing concepts are the production concept, product concept, sales concept, marketing concept, social marketing concept (Kotler, Keller 2006, 24).

Marketing concepts can be classified as passive and active, based on communication with the consumer and identification and satisfaction of their wishes and needs. As the first three are based solely on the objectives of the company and do not consider the needs of consumers, these are called passive concepts.

The marketing concept is realized in conjunction with the five elements (Hooley, Saunders, Piercy 1998):

- **Meeting customer needs:** Learning and meeting needs, creating a higher value for consumers;
- **Creating a consumer-oriented entrepreneurship culture:** Customer satisfaction is tied to employee and managerial behaviour;
- **Coordination of activities:** All departments of the company are involved in the service of target markets;
- **Increasing competitiveness:** Monitoring the activities of competitors in both short and long term;
- **Orientation to long-term profits.**

### 2.1.7 Modern Marketing Concepts

Kotler talks about holistic marketing (Kotler, Keller 2006, 40). An important part of integrated marketing is internal marketing, based on the principle of first sell the product to the employees, and they will help to sell it to the customer. The purpose of internal marketing is recruiting, training and motivating employees in accordance with the best customer satisfaction. Entrepreneurs should understand that intra-company marketing of enterprise products is very important, or sometimes more important than some of the company's marketing activities outside the company.

Internal marketing proceeds (Kotler, Keller 2006, 20) from the logic that, exactly as a company wants to engage, to inform and make the customers loyal it also wants to do it for its employees. If people are constantly changing, are unmotivated or misinformed, the company is not able to service their clients.

Integrated marketing has the task of pooling marketing activities and putting together a fully integrated marketing strategy to create and deliver the values to its consumers.

Green marketing (Kotler, Keller 2006, 91) has been evolved from social marketing. The purpose of this marketing is to profitably meet the needs of consumers, while minimizing the damage to the environment.

The goal of relationship marketing is to create mutually beneficial long-term relationships with their main partners to establish and maintain a business relationship (Kotler, Keller 2006, 20).

Due to the development of information technology customer relationship management (CRM) has been evolved from relationship marketing. It is a business strategy that binds the company's internal processes, functions, and external networks to create and deliver

profitable value to customers: to gather information about their clients and partners, and actively use it to develop a relationship (Kotler, Keller 2006, 165).

Value-based marketing (Kotler, Keller 2006, 36) is a management process that maximizes revenue for owners by building a competitive advantage and developing relationships with valuable customers. Based on the value-based approach, marketing is viewed as an investment, not an expense. A value-based approach helps to justify investment in marketing and highlights how, for example, investment in communications can increase the owners' income in both short-term (dividend) and long-term (share price) terms.

Word-of-mouth marketing (WOMM) has been called to solve the problem that people do not trust the ads and are starting to ignore these. WOMM takes advantage of people-to-people relationships. It works efficiently because consumers trust their acquaintances, friends, colleagues, and family members more than just another ad that was sent to the mass communication channel. Therefore, the role of marketing is to encourage its loyal customers to recommend specific products to their friends. There are many sub-categories:

- **Buzz marketing;**
- **Impact marketing**, which explains the most influential reference groups or opinion leaders who are provided with information or product so that they will influence the opinions of others;
- **Product seeding**, in which the product is placed in a special place or at the right time to the right people to make people talk about the product;
- **Viral marketing** (word-of-mouth marketing), which is characterized by the movement of the message on the internet.

## **2.2 Planning of Marketing**

The basis of effective management of the company is the development of a successful marketing strategy, the marketing of products and services, and the creation of a link with existing and future clients. For the entire company to be unequivocally understood how to implement a strategy formulated by management, marketing planning is required, in which marketing objectives and paths are set (Kotler, Keller 2006, 60).

### **2.2.1 Process of Marketing**

Before start of exploring the strategic marketing planning process, it is needed to understand the nature of strategic management of marketing. The original meaning of the strategy comes from a war where the strategy was to identify military objectives and manage

military forces in such a way that the goals could be achieved. Also, the choice of company strategy is related to the main trends of the future, including goals, ambitions, resources and how the company operates in its operating environment.

The choice of strategy must consider many aspects, namely people, financial opportunities, production technology and environment. Therefore, strategic management of marketing represents strategic marketing decisions to achieve the company's business goals. Strategic decisions must have a clear understanding of the needs of the client, the activities of competitors and the financial performance of the company.

Different authors have considered the adoption of strategic decisions in many ways. Gilligan and Wilson (2003, 625), for example, have presented a five-step model. The first step is to analyse where the company is currently, considering the competitive position, product line, market share, financial opportunities and overall potential and efficiency. The second phase focuses on strategic decisions regarding the future. The main question is where the one wants to go. In the third stage, strategies and tactics are formulated on how to achieve the goal. The fourth step evaluates the alternatives formulated in the previous step. Attempts are made to find the appropriate ways to achieve the goal. The purpose of the final stage is to determine the methods for assessing and verifying the achievement of the objectives.

In summary, the strategic marketing management process consists of the following steps:

1. **Strategic analysis**, including environmental analysis, identification of expectations, objectives, and available resources;
2. **Strategy selection**, including identification of alternative strategies, evaluation, and selection;
3. **Implementation of the strategy**, including human, financial, and organizational resources planning and system building.

Marketing Strategic Planning brings together the first two out of three steps and is therefore one of the most important activities in the strategic marketing management process, as all future marketing activities are based on marketing planning (Kotler, Keller 2006, 44).

If marketing management is rather operational management of business processes, then strategic planning of marketing is a forward-looking and consistent logical process in which marketing goals and methods of achieving them are set. Marketing planning is usually at four levels in the company:

- **Enterprise level answers** to questions about which business should be involved;
- **Level of a single business unit or area of activity** includes steps to create the skills and capabilities needed to achieve the business unit's competitive edge;

- **Level of functional areas** is management of key functional areas of the company (production, marketing, financial management, human resources management);
- **Levels of functional subdivisions** is development of a separate department, sales area, etc.

Marketing planning requires detailed planning of all elements of marketing, which often involves describing certain procedures in the company. In most cases, it is most difficult to develop and implement internal procedures.

The theoretical approaches to marketing planning mainly involve two methods: bottom-up and top-down planning. Top-down planning is the process in which marketing goals are set by top management and carried out by lower-level managers or employees.

The bottom-up planning also involves the active involvement of staff who collect information about clients and competitors. According to the information gathered, goals are also set, and the role of top management is to monitor and control plans.

In general, marketing planning involves three areas of concern, the so-called 3C:

- **Customers**, including who they are, where, when and how they buy, what motivates them, how the market is segmented, etc.;
- **Competitors**, including who they are, what strategies they use, what are their strengths and strings, etc.;
- **Capabilities**, including in the company's strengths and weaknesses in the market segments in which it operates, what investments are necessary, how it would be the most appropriate use of available resources, etc.

The most important output for strategic planning of marketing is the marketing plan. Marketing plan is a written document that includes the company or division developed guidelines for implementing the marketing mix, and resource planning. Timeline marketing is also important because it is usually done for a specific period (McDonald 1995, 485).

Planning a marketing plan according to table 4 is a long-term and consistent process. Constantly changing conditions, including external and internal, require a current upgrade of the marketing plan. Thus, a marketing plan is not a static document, but a dynamic plan of action. For the marketing plan to be properly adjusted, the achievement of the objectives must also be measured. If real results do not meet the milestones, it is necessary to think about what to do to achieve the goal by the end of the planning period. Once the planning period is over, it is normal to have the results achieved. Marketing audit allows to evaluate which marketing activities were more effective and effective or which ones were not (Lehmann, Winer 1997).

Table 4. Structure of the marketing plan (Gilligan, Wilson 2003; Kotler 1991; Lehmann, Winer 1997; McDonald 1995).

1. Management Declaration	A summary of the goals, vision, mission, and development.
2. Market Situation Analysis	<ul style="list-style-type: none"> <li>– Activity Analysis</li> <li>– Market Analysis</li> <li>– Competitive Analysis</li> <li>– Customer Analysis</li> <li>– Assumptions Analysis</li> <li>– Forecasts</li> </ul>
3. Analysis of the current situation of the company	<ul style="list-style-type: none"> <li>– Analysis of internal strengths and weaknesses</li> <li>– Potential hazards and opportunities</li> <li>– Analysis of existing resources</li> </ul>
4. Marketing Goals	<ul style="list-style-type: none"> <li>– Objectives of the company and its subunits</li> <li>– Marketing goals</li> </ul>
5. Marketing Strategy	<ul style="list-style-type: none"> <li>– Segmentation</li> <li>– Positioning</li> <li>– Competitive advantages</li> </ul>
6. Tactical Action Plan	– Management of 4P or 7P
7. Financial Forecasts	– Customer Relationship Management
8. Control	<ul style="list-style-type: none"> <li>– Responsibilities of staff</li> <li>– Internal marketing</li> <li>– Set of deadlines</li> </ul>

### 2.2.2 Defining and implementing a marketing strategy

Prior to setting up and choosing strategies, the company needs to conduct a comprehensive analysis of the current situation, for example, marketing audit, which includes both environmental and industry analyses, customer analysis and competitor analysis.

The aim of marketing audit is to find out where the company is currently located and what marketing resources are used. Marketing audit mainly deals with the following three areas (Gilligan, Wilson 2003, 625):

- Detailed internal and external analysis of the situation;
- Evaluation of the achievements of the goals set in the past and current marketing activities;
- Analysis of the opportunities and threats of the future.

Some authors have also considered marketing auditing either as a competitive kit or as a SWOT analysis. In fact, they essentially do not differ significantly from each other. Both the SWOT analysis and the formulation of competitive advantages are part of the marketing audit.

The most commonly used model for business and economic analysis is PEST. The model can show which political, economic, social, or technological factors affect the company's activities. The PEST model contributes to the overall macroeconomic context of the company and provides a good basis for planning future marketing activities.

In addition to a qualitative market analysis, the quantitative current situation in the marketing environment must also be identified in the external environment analysis. The main aggregate characteristics of the marketing environment are as follows:

- **Market volume:** This can be measured both in absolute units and as a percentage. Generally, a larger market share usually means higher returns.
- **Growth of the market:** Markets with a fast-paced rate are usually more attractive than markets with slow growth rates.
- **Market life cycle phase:** The market may be either in the process of deployment, growth, maturity, or decline. Typically, emerging markets are the most attractive markets, but experienced market makers have found ways to turn the downside market into newly emerging markets with new techniques.
- **Market cycles:** The economy is cyclical in nature. Therefore, every industry has its own developmental cycle.
- **Sessions:** Many sectors are seasonal to some extent. Seasonality depends on customer consumption patterns and, in most cases, can be reduced with innovative techniques.
- **Marketing measures:** Each sector of activity is characterized by its well-established marketing mix. Depending on the branch, the emphasis may be slightly different, for example, in some branches there is a higher pressure on the product, in some of the promotions.
- **Profitability:** The profit margin is one of the most important factors in determining the attractiveness of the market. However, it depends on many factors that the company has difficulty affecting, such as labour costs, price levels of inputs, competitiveness, etc.
- **Other financial indicators:** Apart from profitability, the market situation can also be described by other financial analysis ratios, such as ROA (return of assets), ROE (return of owner's equality), etc.

Kotler (1991, 756) also adds two more important indicators, in addition to the listed indicators: market potential and demand. A market or a specific segment usually consists of a range of consumers who are interested in and consume the product of a company; part is interested but does not consume; and part is not interested or consuming. The potential market is made up of those consumers who are interested but do not consume the company's output. Determining market potential is one of the most important and major challenges in forecasting marketing indicators. Market demand depends on how many consumers are interested in, sufficient income and access to the purchase of company products.

One of the most important steps in marketing audit is customer analysis. Customer analysis involves describing customer needs, characteristics, behavioural motives, segments, etc. In general, however, client analysis needs to find answers to the following questions:

- What consumers make up the market and what power they have;
- What consumers are buying;
- Why consumers buy;
- Who participate in the purchase process;
- How consumers are buying;
- When consumers buy;
- Where consumers buy.

In addition to market and customer analysis, McDonald also provides product analysis as part of a marketing audit. The purpose of product analysis is to find out how well the product satisfies customer needs. The product analysis includes both analysis of the life cycle, the innovation process, and the product portfolio analysis (McDonald, 1995).

When doing a marketing audit, one must not forget the competition analysis, which must answer the following questions: who the main competitors on the market are; their strengths and weaknesses; the objectives of competitors; what strategies and how successful competitors use them; how competitors behave or react to other market players' activities.

One of the best-known models used in the competition analysis is Porter's proposed five competition force models, according to which the competition is shaped by the following factors (Porter 1979):

- Competition between competitors in the industry;
- Attempts by other firms to hit consumers with substitute products;
- Potential entry of new competitors;
- The influence and bargaining power of contracting authorities;
- The influence and bargaining power of the purchasers of the product.

The common goal of customer, product and competition analysis is to determine competitive advantage. Competitive advantages will evolve based on how customer satisfaction has been met and customer loyalty has been met and how the product has been able to differentiate its competitors.

McDonald (1995, 485) presented a 10S model as shown in Figure 1 explains how strategic marketing planning directly contributes to the company's competitive edge. According to the model, the design of a competitive advantage begins with the determination of the strategy. As a result, narrower marketing goals and activities should be put in place. An important step is to make the strategy and marketing activities understandable to all employees. The whole organization must have the same understanding of marketing. The structure and activities of the company should be based primarily on client segments and not on production or operational functions.



Figure 1. Strategic Marketing Planning (McDonald 1995).

In choosing a marketing strategy, it is needed to analyse the position of a company in the market, strategic goals, and market position. Designing an effective marketing strategy must be based on the company's skills and resources and, considering environmental conditions, formulate goals and the resulting action plans. In today's rapidly changing environment, strategies need to be continually updated to meet their goals, considering the market environment and the potential of the company.

### 2.2.3 Implementing a marketing strategy

If there is a marketing audit in the company and a clear understanding of the current situation, including the industry, customers, competitors, and outlook, then it will be possible to highlight the aspects that are not satisfied with the company and which are to be further improved. It is worthwhile to set goals to reach the place the company wants to achieve in the future. Clearly stated goals ensure that all employees of the company are unequivocally understandable about their activities.

However, setting goals is much more complex than at first sight. Most marketing experts believe it is first necessary to formulate general objectives and then go into more specific ones. Therefore, most of the company starts to identify the vision and mission (Kotler, Keller 2006, 715).

In general, four aspects that influence the design of the company's goals can be highlighted. Objectives can be influenced by external factors, organizational culture, specifics

of the field of activity as well as stakeholders related to the company (Gilligan, Wilson 2003, 625).

So far, the goals and objectives have been discussed at a higher level, which is the company's vision and mission. Objectives and, therefore, strategies may be more specific.

In addition to classifying targets from company levels, objectives can also be classified based on their content. In general, marketing objectives can be divided into two broad categories:

- Economical and internal;
- Non-economic and non-business.

The specific marketing objectives provide a common direction and meaningful basis for marketing activities throughout the company, provide a good motivator for employees, help management make decisions and evaluate results. After the objectives are formulated, it must be checked that they meet the SMART criterion. The latter means that the objectives are specific, measurable, achievable, achievable, realistic, and time-based.

Strategies need to be formulated to achieve the goals. Strategies are a tool for implementing all marketing activities:

- To take advantage of opportunities;
- To protect against dangers;
- To take advantage of company strengths;
- To reduce business weaknesses.

The main questions that business marketing managers need to make when marketing a strategic check are:

- What strategies worked, which ones did not? This is the most important issue that gives information about the effectiveness of marketing strategies.
- Why was the chosen strategy effective or not? To do this, an objective review of the activities of both the company itself and its competitors.
- Are the marketing strategies implemented as planned? Are all resources (financial, human resources, etc.) used efficiently? If not, why?
- What were the direct and indirect competitors' strategies? Did they help achieve the goals?
- What other significant influences and events in a company in the micro or macro environment influenced the company or the entire field of activity? How?

It is often difficult to answer these questions, because in case of successful performance, one can never be sure that another strategy would not have yielded even better results. In addition, qualitative analysis always has some degree of subjectivity. Therefore, it is important to include financial orientation in the control approach:

- Annual plan control;
- Profitability control;

- Efficiency control;
- Strategic control.

Annual plan control mainly involves comparing sales forecasts with real sales results. If sales results do not reveal how the company has gone, a comparison of market share is also used. In the control of the annual plan, it is also analysed whether the company has not spent excess to achieve the desired sales results. In addition to the three-year plan control analysis method, other ratios known in the financial analysis, etc., are also used.

Profitability check also includes an analysis of the profitability of marketing, in addition to the overall profitability analysis of the company. The content of the analysis consists in calculating the profitability of each marketing function, such as sales, advertising, packaging, transport, etc. Efficacy testing also involves a variety of methods:

- Sales-force efficiency;
- Advertising efficiency;
- Promotion efficiency;
- Distribution efficiency.

Generally, the success factors associated with a PIMS model can be divided into four large groups.

- **Market attractiveness:** This group directly includes market related factors such as trading power, market growth, innovation, etc.;
- **Competitive strength:** Is manifested primarily by distinguishing business ideas from competitors, market share, consumer preferences, etc.;
- **Value-added structure:** The success of a company depends primarily on internal processes, or how the input is converted to output, including return on investments, production efficiency, capacity utilization, etc.;
- **People and organization:** Includes managerial attitudes, skills, training, and staffing policies.

### 2.3 The nature of the marketing environment

The marketing environment is generally divided into both internal and external. The non-business marketing environment is in turn divided into a micro-macro environment. Their distinction is necessary because the micro-environment and the company's two-way run-way are two-way. Companies can be distracted by the micro-environment and choose, for example, suppliers, competitors, etc. However, in the macro environment, one-way communication can be made from the environment to the companies that the company must consider. Knowing the macro environment is essential for the company to know the framework within which it operates.

The marketer will not be able to change the most important cultural objects in society or affect demographic trends, but the smart marketer could, if possible, take on the role of a

preventive, rather than an exaggerated, motivated marketing environment. To do this, it is needed to know what exactly is meant by the company's marketing environment.

### **2.3.1 In-house marketing environment**

The internal marketing environment consists of subdivisions and departments of the company. In addition to the marketing department of the company, the Financial Department, the Purchase Department, Sales Department, Research and Development Department, Production Department, Top Management, etc. are included in the internal marketing environment of the company (Kotler, Keller 2006, 697).

The Finance Department wants budgets and money planning as early as possible at the beginning of the fiscal year. The Finance Department is pushing for expenditure and a precise view of the costs, revenues, and emerging profits of the period under review. To simplify the accounts, the Financial Department is more interested in standard pricing and does not complain about the desire of the marketers to differentiate their prices to customers, to provide different types of post-payment options, etc., because of the negotiations.

Marketers often, however, have a more flexible and more sustainable pricing perspective. Also, marketing is ready to incur short-term losses (for example, to make a discount for the client) to increase revenue in the future (for example, to tie the customer for a longer period).

There may also be contradictions between purchasing and marketers. This is precisely because of the over-pricing of attention paid by the Purchasing Department. In the interest of the Purchasing Department, there are potentially large-scales, standards, and rare purchases of materials that would ensure a low purchase price. However, it can be dangerously dangerous for the flexibility of the company and its rapid response to a changing market situation. The aim of marketing would be to produce high-quality raw materials and components, not a high price for them, as well as marketing more unsystematic solutions to differentiate products. Thanks to the development of relationship marketing, the cooperation between the Marketing Department and Purchasing Department has improved significantly.

The Production Department is likely to be more likely to enter the conflicts of the Marketing Department. Production would like to produce the same thing for a long time and to a large extent without interrupting the process. It can be said that the production would like to produce mass, not to fulfil different orders of different clients. The same applies to new

products. Marketers, on the other hand, must be market-based and be flexible and fast. Marketing would favour a variety of products in the shortest possible time. It is also necessary to change products from time to time just to keep the customer interested in them. Marketing therefore should find a compromise between production and the best satisfaction of consumer needs.

Research and Development Department also prefers long-term management periods. If the product is developed from a drawing to a real product, the longer it's time to use it, the better. The Marketing Department would, however, like to bring new products to the market as soon as possible, because it is feared that competitors may enter their product market earlier. Being the first to enter the market gives the opportunity to reach a significant market share and develop a loyal consumer audience. A delay in entering the market may create competitive pressures on price reductions and the potential for catching the attention of potential consumers is greatly complicated. There is also a real danger that the Development Department can be attracted to its product so that it is completely forgotten what the consumer really wants, and the result may be a technically perfect product, but nobody wants to buy. Marketing focuses on product benefits and sales opportunities rather than product functionality.

### **2.3.2 Macro-environment**

Both the company and the microenterprise of the company are operating at the expense of the major constraints, which are one of the possibilities and threats. This is called the marketing environment. The external, macroeconomic factors are the legal, ecological-physical, technological, economic, cultural environment.

The natural environment encompasses natural resources, which are a necessary input for marketers or have been influenced by marketing activities. Environmental science has been significantly activated in recent decades. Protecting the natural environment has become an important issue for business and for the public. In many parts of the world pollution and pollution have reached a dangerous level. After all, there is still a need to worry about the greenhouse effect and ozone holes, global warming, etc. Marketers should be aware of the following trends in the natural environment: raw materials, energy prices, increased pollution, and government intervention in the management of natural resources.

The economic environment affects both the company's decline in products and services, costs, prices, and profits. Among economic analysts is the rate of inflation and unemploy-

ment, the ratio of income and expenditure, and exchange rates. These economic indicators usually have a widespread impact on the entire economy, and a single company cannot do anything about it.

Marketing decisions are heavily influenced by both the political and the legal environment. This part of the external environment consists of legislation, government agencies and pressure groups that affect both restrictive organizations and individuals. The two main trends are as follows: the code of business extends, and the importance of public interest groups grows.

Demographic trends are generally known in the short and medium term and companies that are suddenly discovering some sort of significant surprise in their demographic situation have probably been rather negligent. The main indicator that people expect to have in mind is the crowd. Companies are interested in both the population and its growth both at the level of cities, counties, and the state. The gender division of the population as well as the ethnic composition, the size of the education level of households, and regional characteristics are also important. For marketing people, demographic indicators are of greatest interest to population growth, changes in age distribution and structure of households, as well as migration, educational level, and ethnic composition of the population (Kotler, Keller 2006, 77).

Technology can play a vital role in people's lives and the success of businesses. New technological solutions can significantly affect the prevailing competitive position and the advancement of technology, its promotion and monitoring are often a critical success factor for business and marketing (Kotler, Keller 2006, 92).

Technology is probably the most potent exterior of the environment, which affects people's lives. Technological discoveries include both positive and not so positive examples. For example, technology has given penicillin, organ transplants and laptops. At the same time, technological advances have brought nuclear bombs, nerve gases and automatic weapons, cars that are good and bad, television and credit cards. People's attitude to technology largely depends on whether they see it as a threat or opportunity. New technology can be completely replaced by old ones (e.g., CDs instead of vinyl boards). New technology creates new markets and opportunities.

### 2.3.3 Micro-environment

Micro-environmental factors include suppliers, consumers, competitors and competition, and interest groups.

Suppliers are an important link in the process of creating a venture for the acquirer. Suppliers make available to the company resources to produce products and services for consumers. In most cases, qualitative and quantitative deficiencies or delays in deliveries, problems, etc. are the bottlenecks. As marketing people have the task of thinking for a long time, the price trends of input inputs must be constantly monitored, because the price increase of an important resource can be flashing by reducing the company's sales volumes. As suppliers make important flowers in the company's chain of products, which is part of customer satisfaction, suppliers are becoming more partners (Kotler, Keller 2006, 222).

The choice of suppliers does not usually bother the company before problems arise. Certainly, at the choice of the supplier, he should deal with risk mitigation and carefully select his partners.

- To collaborate with more than one supplier;
- To investigate the terms of delivery and the possibility of changing them during delivery and to investigate credit opportunities as well as payment terms;
- To assess the overall potential of the supplier;
- To evaluate trustworthiness and adherence to deadlines.

Undoubtedly consumers are one of the most important factors influencing the company's marketing activities. Forewarning consumers are smarter and more informed than ever, and they have the skills and opportunities to reject the company's vices and seek alternative and better solutions to their problems. Consumers value shows not only how much one or another thing costs, but also how much the product or service delivers to the consumer (Kotler, Keller 2006, 247).

There are six types of customer markets distinguished:

- Consumer market;
- Business market, also seen as B2B;
- Resale market;
- Institutional market;
- Government market;
- International market.

The consumer market includes individuals and households who buy goods for personal consumption. The business market buys products and services to use them in their production process, but the resale market, on the other hand, buys goods to resell them for

more money in their unprocessed form. The institutional market consists of schools, hospitals, nursing homes, prisons and other institutions that provide people with care products. Governmental agencies are the purchasers of the currency market who provide public services to those who need them. The international market has purchasers in another country. The company can act on several markets at once.

A great deal of marketing involves getting to know consumers and their perceptions. This area is called marketing in consumer behaviour, and it is possible to read further in the next chapter of this book.

One of the most important elements of the micro-environment beyond consumers is the company's competitors (Kotler, Ketler 2006, 341). Based on the marketing concept, the success of the company is based on the ranking of the higher value offered to the buyer, which would ensure higher satisfaction than the company's competitors. Consequently, the analysis of competitors is crucial for the marketing of the company.

A market segment is not attractive if consumers have a large or growing trading power, that is, they are able to dictate prices, trading conditions, etc. to the provider. A good example of this is the large retail chains that can make the life of small creators difficult. Consumers' livelihood increases when they are concentrated or well-organized if the product forms a minor part of consumer spending, the product is standard, consumer switching costs are low, consumers are price sensitive and consumers can upgrade. Sellers must therefore look for consumers who are least likely to be affected by the market and are less likely to be liable. One way to do this is to develop the brand's value — so that the whole preference is not only priced at the price. It also helps to grow a long-term, loyal customer base. In this case, customers can also evaluate factors other than the price at the company.

A market segment is not attractive if suppliers are able to reduce prices or reduce their prices. The volume of suppliers is high, if they are low or they are well organized, there is little substitute products, if the product to be delivered is an important input for the company, the costs of switching suppliers are high and suppliers can be downgraded. The best way of protecting suppliers against creating troubles is to create two-way (win-win) relationships or, if possible, use multiple suppliers.

Market agents, intermediaries, are companies that help companies to market, sell or distribute products to their final customers. Mediators are:

- Dealers;

- Logistic companies;
- Marketing service providers;
- Financial intermediaries.

Companies offering marketing services are market research, advertising agencies, media companies and marketing consulting companies that help companies to target their products and services to the most relevant markets and to organize communication between companies and target markets. The profile of these companies can vary considerably from the point of view of creativity, quality, the services offered and the price.

Financial intermediaries are banks, credit institutions, insurance companies and other financial intermediation companies that help companies reduce the risks associated with the purchase and sale of goods. Particularly important are the possibilities for crediting the company and the price of credit, therefore it is important to create and maintain strong and trusting relationships with credit institutions.

Stakeholders are groups that are directly or indirectly interested in the activities of the company and can significantly affect it. The group is one of the micro-environmental elements flowing into the wider layers of society. The second group includes interest groups of which the company is interested, but who are not directly interested in the company's business. The third category is made up of interest groups interested in the company's activities, but the company is not particularly interested in their activities (Mauring 2001, 197).

## **2.4 Consumer purchasing behaviour**

The purpose of marketing is to meet the needs of consumers in a profitable way for business. However, to do this, consumers need to know the needs. Consumers may say what they need, but, they behave differently — they may not be aware of their deeper motives, they can change their mind at the last moment, because the situation caused a different kind of behaviour, etc. Also, the buyer and consumer may not always be the same person.

Cultural anthropology is trying to open consumption as a form and essence of a social phenomenon. Psychologists and sociologists investigate the behavioural and decision-making process of the various experiments, surveys and surveys, and the factors that affect them both from the internal and the environment (Kotler, Keller 2006, 87).

Economics and statistics are trying, through modelling, to predict and predict consumer choices and behaviours. The latter is also referred to as a marketing concept. In practice,

this name also needs to be addressed, as most marketing managers and specialist staff are in the business of forecasting products or services.

Different definitions have been introduced over consumer purchasing behaviour. In general, consumer behaviour affects all the activities that a person takes in the acquisition and use of products and services, as well as the decision-making process prior to these activities. Consumer purchasing behaviour is the emotional and physical activity of the customer, which he uses to make and use the products and services by seeking and eliminating to satisfy his desires and needs:

1. Consumer behaviour is motivated, buying behaviour is a solution to the problem.
2. Consumer behaviour varies over time and depth. It is not possible to describe one scheme of how the behaviour behaves.
3. Consumer purchasing behaviour involves different roles. The buyer and consumer may not always be the same person. Also, the buyer, buyer and consumer may be completely different persons.
4. External factors affect consumer purchasing behaviour. One of the reasons for this is the impact of external factors that may be of a general nature — in which cultural space or social environment the customer is located, as specific — the situation prevailing at the place of purchase, the characteristics of the product, valid marketing campaigns, etc.
5. The consumer behaviour of the different people is different. The reason is that their needs, mood and level of motivation can vary, they are different personalities, perceive things and prevailing conditions in different ways, they are reminded of different associations in the same symbols, etc. The effects of internal and psychological factors on purchasing behaviour are discussed in two further sections.
6. Consumer behaviour is dynamic. Consumer behaviour cannot be viewed statically. This is an ever-changing process, as the environment, people, and products are changing.

#### **2.4.1 Individual factors affect the buying behaviour**

Motivation is an intrinsic excited state that forces a person to act in a way towards a goal. Motivation is the basis of all human activities. It determines how a person's behaviour begins, in which direction he is developing and how it will end.

Maslow's theory, as shown on Figure 2, states that some needs are more critical than others. To activate the needs of the higher level, the needs of the lower level must be met. Physiological needs are the lowest: eating food, drinking water, sleeping, sexual needs, etc. Second level has security needs: stability, familiar and safe surroundings, risk avoidance, physical security, and so on. The third level is the need for affiliation: the desire to be loved, to belong to a group, to be accepted by the group etc. The fourth level is the need for respect: the need for status, self-esteem, prestige, superiority, etc. The last level is the need for self-realization: it is necessary to develop oneself, be creative, use skills, etc. According to Maslow's theory, a person will not be able to judge his status or creativity when the first-degree needs are rejected (Dubois 2000, 323).

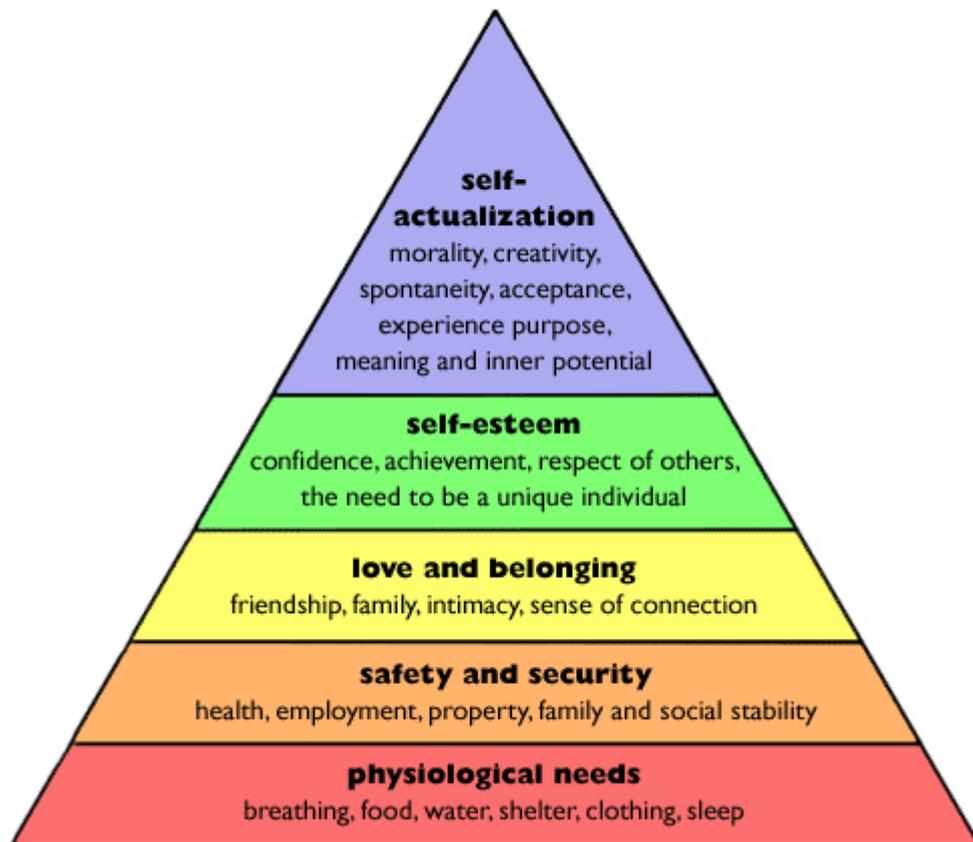


Figure 2. Maslow's Hierarchy of Needs (Dubois 2000).

Needs can also be divided into internal (biological) and social ones. Maslow's hierarchy may need to be socialized from the third level. At the same time, it must be acknowledged that, to satisfy basic needs, people are, to some extent, considered social factors — by eating hunger, the social environment and socially appropriate way approve food.

From the point of view of marketing, it is important to note that needs can be divided into rational and emotional ones. As a result, consumer purchasing motives can be either rational (price, reliability, nutrition, etc.) or emotional (beauty, attraction, sexiness, reputation, etc.).

In marketing, it is very important to understand the needs that a product or service can satisfy. Accordingly, it is possible to create sales arguments, positioning and differencing the competitors (Kotler, Keller 2006, 184).

Attitudes reflect the general assessments, feelings, and tastes of a person about different things. The attitude is relatively persistent, the acquired readiness to react to certain objects in a specific, favourable, or non-cohesive way. As a rule, people have attitudes about practically all things: politics, religion, clothing, food, etc.

The stance towards the brand or brand is the consumer's tendency to evaluate the product or the brand positively or negatively. Preference occurs when the attitude is more positive to one object than the other. Attention has several functions. Adaptation features can be considered as the main ones — attitudes can save time, because they no longer need to re-evaluate any object with which exposure has existed. In the case of familiar goods and brands, decisions are made in most cases based on previously developed attitudes.

Attitudes usually arise based on personal experience or based on opinion leaders or reference groups. Also, when there are attitudes, there is a great deal of mass media, from which the future information will direct or fix people's attitudes every day. The attitudes are relatively stable — when stylish information and experience coincide with the previous attitude, it becomes increasingly difficult to be changed later (Dubois 2000, 323).

The role of marketing is to create positive attitudes. There are various strategies for this, based on models of attitudinal development. In the last few years, we present some ways to improve our customer's attitudes.

## 2.5 Impact of psychological processes on buying behaviour

Man is social in nature. Succession, the formation of values and the worldview are social interaction. The following factors can be considered under social relations:

- Culture;
- Social class;
- Group, including etalon group and opinion leader;
- Family fights.

In marketing, celebrities, experts, as well as people from the public used as opinion leaders. There are two strategies for using opinion leaders: simulation where fame represents or recommends the use of a product, but it is not really known whether he uses this product himself. Stimulation is the situation where opinion leaders are involved in product consumption (sample sales, public testing, etc.). The use of reference groups and opinion leaders runs through classical conditioning and observation. Since associates and acquaintances are entrusted with opinion polls, advanced engineering, virus marketing has been developed (Kotler, Keller 2006, 217).

It is very important to know who decides on a specific product and how roles are distributed. Key roles:

- **Initiator:** Creates a desire to buy;
- **Designers:** Parties whose opinions have direct or indirect implications for a general decision to purchase;
- **Experts:** Search and provide information about the product and its alternatives;

- **Decision-maker:** Family can decide to be joint;
- **Buyer:** Person who buys and pays;
- **Consumer:** Person or group who starts to consume the product;
- **Caregiver:** Person who organizes the storage, repair, preparation for use of the product, etc.

### 2.5.1 Consumer purchasing process

The purchase process can last for about a minute (bread, milk) or for several months (real estate). In general, the purchasing process can be routine, limited, or comprehensive problem solving based on complexity and information needs (Kotler, Keller 2006, 220).

- With a routine purchase, the purchase process is simple and straightforward. The consumer has developed preferences, the need for information is practically absent or very small. In this way, foodstuffs and cheaper consumer goods with a high turnover are generally bought.
- In the case of a limited problem solution, the customer makes a purchase in a familiar product category, but the purchase touches on new brands whose advantages and disadvantages need to be examined and their attitudes shaped.
- Extreme problem solving is usually expensive goods (luxury goods, cars, real estate, etc.) that are rarely bought. Therefore, there is a risk of mistake, as well as the need for information is high.

Generally, several alternatives are considered when choosing alternatives. The number and weight of parameters depend on the situation and product. The three outputs of the alternatives are:

- If an appropriate alternative is found, the evaluation will be terminated.
- Failure to provide a suitable alternative will end the evaluation.
- Failure to provide a suitable alternative will trigger new information searches.

For marketing, the following issues are most relevant at this stage.

- What information should customers provide?
- How much information should be provided?
- What form should be provided?

There are mainly three processes of purchasing: learning, cognitive dissonance reduction, and the emergence of satisfaction or dissatisfaction. The basis for learning is the assessment of choice. This experience builds or strengthens the attitudes for the next purchase process. Satisfaction will prevail over the expectations and reality. Also, in a very good product one can be disappointed if expectations are screwed too hard. Therefore, marketing communications need to be careful about working with expectations and contributing more to the customer's positive surprise. Customer satisfaction is the basis of loyalty. If the customer is satisfied, loyalty can occur, if not, it will not surely arise (Kotler, Keller 2006, 219).

## 2.6 Target market

Before a company begins to develop its marketing mix, it must first identify the market where it operates, that is, consumers who are focused and whose needs are best served. Focusing on all potential consumers, or meeting the needs of the entire market, is generally costly and inefficient, as consumers' needs are different. It is unlikely to create a unique product or service that meets all consumer needs. Therefore, it is important to find a consumer segment or segments on the market where the company can better manage its efforts to focus its efforts on the segment to which it can deliver the highest value, considering its strengths and rigors. Based on the characteristics and needs of selected consumer groups, appropriate marketing measures are being developed (Kotler, Keller 2006, 239).

A connected consumer group with similar needs can consist of many subgroups or segments where people are divided into different groups according to how similar their needs are. The company's strategy to meet the needs of the entire market is known as mass marketing. In the implementation of mass marketing, companies use a single marketing tool for their potential customers — a standard product or service, with similar price levels.

There are many benefits to mass marketing in market segmentation and in the implementation of a targeted marketing strategy:

- It helps to better identify and assess market opportunities and opportunities.
- Segments that are still in growth phase can be found on a mature or falling market. Focusing on emerging segments in mature (or declining) markets is the main strategy used for life cycle products.
- The product and other 4P components can be better adapted to the needs of a potential customer. The understanding of the client and his needs improves. It is possible to determine how, why, and what consumers buy, by means of clients. Because of the analysis, it's possible to adjust/improve the marketing efforts.
- Marketing efforts can be directed to the segments that provide the best potential for achieving the company's goals.

Target marketing is based on three main activities: segmentation, targeting, and positioning. After creating segments and defining their profiles, companies must choose which segment or segments to focus on. One of the features that affects the segment's attractiveness is its size. The larger the segment, the greater the sales potential and the opportunities for scale and effect in production and marketing.

If the attractiveness of the segments has been identified, the next step is to assess how well the company is able to meet the identified segments, that is, to assess the suitability of the company's strengths to the characteristics of the segment. Critical factors can be, for example, technical competence, imaging, distribution channels, product quality, cost

base, personal relationships, etc. Similarly, to assessing the attractiveness of a segment, one can also assess the company's strengths.

### **2.6.1 Promotion**

Marketing is not only about good products, low prices, and availability. The company must communicate with existing and potential clients, and the message sent must not be coordinated accidentally and without thought. As communication is essential for creating and maintaining relationships of all kinds, it is also important for establishing and maintaining customer relationships. Marketing communication is the transmission of a purchase / sale message from the sender to the recipient.

To make marketing communication effective, companies use ad agency services to create effective advertising; sales promotion specialists to develop sales-intensive programs; direct marketing professionals with good databases to use to connect with customers, and public relations companies.

The work of marketers makes it difficult to shift from mass marketing to target marketing and the abundance of communication channels. Consumers receive marketing messages from unconventional sources, such as intermediate sections that appear during live shows, booths in parking lots, digital advertising boards, the internet, and TV games. At the same time, customers do not distinguish between sources of news as the marketers themselves do. Messages sent through various channels will ultimately bring together a message that will shape the company's opinion. At the same time, if controversial messages are received from different sources, it will make the image of the company as fragile and ultimately undermine the brand.

Under the concept of integrated marketing communication, companies integrate and coordinate their communication to communicate a clear, consistent, and engaging message from the company itself and its products (Kotler, Keller 2006, 568).

### **2.7 The nature of the market research**

A marketing research is an information-based feature that connects the consumer with the customer and the public as a marketer. Information is used for market opportunities and problem identification and definition to improve, refine, and evaluate marketing activities and to monitor marketing. A market research specifies what information is needed to implement the information collection methods, collects and processes data, analyses the results and provides feedback on the findings and their constraints.

Marketing research is one of the support functions of marketing management, which aims to enable better marketing management decisions. Marketing research should be a driver for the whole decision-making process — starting with supply information that helps to set realistic goals and ending with information sharing that helps solve problems and/or alternatives.

The most common ways of classifying marketing research are based on the research method (McDaniel, Gates, 1993, 822).

- **Qualitative research:** A study conducted with a small (<30) sample, without statistical data processing techniques. Primary data collection is used more frequently (both group and personal) in depth interviews. According to the second qualitative research, a so-called desk research is used, in which data can be internal or external.
- **Quantitative research:** Usually a large sample and uses statistical processing methods. Data is generally primary.

Based on the duration and the periodicity of the organization, marketing studies are classified as follows.

- One-off or ad-hoc surveys to get the right information for a better solution to a marketing problem.
- Follow-up studies where the required information is obtained from recurring surveys. Sub-titles for follow-up studies are panel studies, which are characterized by sample re-use.

### **3 General information about the market**

Ukraine is a country in Eastern Europe, in the north from the Black Sea and the Azov Sea. Ukraine borders with Romania, Moldova, Hungary, Slovakia, Poland, Belarus, and Russia. According the area (603,628 km<sup>2</sup>) Ukraine is the 45th country in the world and largest in eastern Europe. The capital of the country is Kiev, the official language is Ukrainian language. A large part of the Ukrainian population is Orthodox (Wikipedia 2018).

Ukraine is a united republic. Legislative, executive, and judicial authority have been divorced in Ukraine. Ukraine is divided into 27 municipalities: 24 oblasts, 2 cities under national authority (Kiev and Sevastopol) and 1 autonomous republic (Crimea), which for now is occupied by Russian Federation.

Ukraine is an industrialized country with an emerging economy, with strong agricultural and commodity sectors. In 2017, Ukraine's GDP was USD 366 billion. The Ukrainian currency is the hryvnia (Wikipedia 2018).

#### **3.1 Ukrainian retail market is constantly growing**

The retail trade turnover of Ukraine, excluding occupied territory of Crimea, Sevastopol, and Donbas grew by 7,6% in Q1 2018 according to Q1 2017 (Ukraine opened for Business 2018).

Retail trade turnover in March 2018 increased by 13,1% if compared to February 2018, and by 7,6% to March 2017. Retail trade turnover in Q1 2018 was UAH 209 557 billion. The largest growth in retail trade turnover in Q1 2018 compared to the Q1 2017 was seen in several regions: Vinnytsia (12,3%), Zakarpattia (11,8%), Mykolaiv (10,8%), Sumy (9,9%), Lviv (9,7%), Chernihiv (9,6%), Cherkasy (9,4%), Odesa (9,2%), and Kherson (8%).

The leaders in terms of absolute indicators were Kiev City (UAH 41,781 billion), Dnipropetrovsk (UAH 19,206 billion), Kharkiv (UAH 17,056 billion), Odessa (UAH 15,604 billion), Kiev Region (UAH 13,803 billion), Lviv (UAH 12,939 billion), and Zaporizhia (UAH 9 billion).

Retail trade turnover in Donetsk region in Q1 2018 increased by 6,3% from Q1 2017 to UAH 5,969 billion, Lugansk by 6% to UAH 1,6 billion.

The trade turnover in March 2018 grew by 7,6% compared to 2017, and by 13,5% compared to February 2018 reaching UAH 151,027 billion. Wholesale goods turnover in Q1 2018 increased 8,2% to UAH 478,381 billion (Ukraine opened for Business 2018).

Consumer confidence index in Ukraine has been growing consecutively for the fifth quarter: in Q4 2017 it was 61 points (+3 points to Q3 2017 and +9 to Q4 2016) (Ukraine opened for Business, Nielsen global consumer confidence report 2018). According to Nielsen customers with limited budget want to get impressions and positive emotions from shopping, and the internet is a helping tool to make the right choices before buying.

Three indicators are used to calculate the index:

- Consumers' assessment of the prospects for the labour market;
- Level of financial wellbeing;
- The willingness to spend money now.

Indicators for calculations are stated for next 12 months.

The increase in confidence index in Q4 2017 compared Q3 2017 was due to the improvement in all three indicators.

The number of consumers, who believe that Ukraine will rise from the crisis within the 12 months fell to 66% in Q4 2017, in Q3 2017 the number was 74%. 26% of consumers do not have free available money after spending on essential goods. Those who have more financial capabilities spend free financial opportunities on new clothes (37%), make savings (29%) or having fun outside in restaurants, clubs etc. (26%) (Ukraine opened for Business 2018).

### **3.2 Visa-free regulations and foreign bio-passports**

European Union approved in May 2017 a visa-free travels for Ukrainian citizens. Ukrainians with bio-passports will no longer require visas for travelling for short stays of up to 90 days to all EU Member States except for Ireland and the UK, as well as the four Schengen associated countries. New visa regulations affect tourism, family visits either business travels. The visa regulations excluded working abroad (Schengen Visa Info 2017).

The total queue for the personalization of foreign passports at the Ukraine Printing House has shrunk by more than 100,000 in a month and reduced to 572,000 in April 2018 according Interfax (2018). The queue was reduced due to the launch of an additional line of personalization of documents at the Ukraine Printing House at the beginning of 2018.

Ukrainian Economic Development and Trade Ministry reported in January 2018 that the Ukraine Printing House had increased the production of foreign biometric passports from 10,000 to 21,000 per day due to the launch of new equipment. In the end of March 2018, the State Migration Service noted that 1,4 million documents had been produced in Ukraine since the beginning of 2018 (Interfax, 2018). Approximately 500,000 of Ukrainians have travelled to Europe taking after visa-free regulations from June 2017 to April 2018, which makes monthly nearly 45,500 travellers (Schengen Visa Info 2018).

### **3.2.1 Transportation**

There are relatively difficult to get from Ukraine to the Nordic countries. Direct flights from Kiev to Tallinn, Helsinki, and Stockholm, are mostly operated by the local airline Ukrainian International, which is very expensive in its price range. The Estonian local airline Nordica and the newly started low-cost airline Wizz Air fly to Tallinn, but their flight timetables cannot be combined with a trip to Finland or Sweden without extra overnight in Estonia. In addition, it is possible to reach the flights with stopovers, but it makes the trip long and cumbersome (Rome2Rio 2018).

Average prices for direct flights:

- Kiev–Helsinki: 88-231 euros/direction
- Kiev–Tallinn: 69-185 euros/direction
- Kiev–Stockholm: 127-220 euros/direction

There is mostly one flight per day, except to Estonia where there are usually two flights per day as Nordica launched another departure from 25<sup>th</sup> of April 2018.

As reported, Ryanair will launch flights to 10 destinations from Kiev and to 5 destinations from Lviv in October 2018. Stockholm will be included into the list with three flights per week (Interfax 2018).

It is also possible to get to Tallinn by bus (prices vary between 36 and 90 euros), the journey time is about 21 hours. In addition, it is possible to choose a car, the total length will be about 17 hours with border crossing.

## 4 Viking Line Abp

Viking Line is concentrated on passenger and cargo transport on the Baltic Sea. The main markets are Finland, Sweden, and Baltic countries. The Group's Head Office is located in Mariehamn, Åland, Finland. Viking Line is currently Finland's biggest maritime employer having more than 40 different occupational fields on its vessels, including operation, maintenance, shops, kitchens, hotels, entertainment, conference facilities and healthcare. Viking Line is certifying in compliance with ISO 14001 environmental management standards.

Viking Line links together the countries around the northern Baltic Sea by providing sustainable and regular ferry service for everyone having that as the main mission for the company. Main three basic services for the company are cruises, passenger transport and cargo transport (Viking Line Annual Report 2017).

The Sales in 2017 were 522,7 million euros, income before taxes 6,6 million euros, Investments 34,7 million euros. The assets ratio was 46,2%. Market share in 2017 was 34,5%. In 2017 Viking Line carried 6,881,149 passengers, 127,668 cargo units, 762,253 cars and 16,597 buses. Viking Line has 7 vessels, of which 5 are under Finnish flag, 1 under Swedish, and 1 under Estonian flag.

Main values:

- Viking Line is for everyone. The customers of the company are priority. The main goal is to exceed the expectations.
- Viking Line always respects co-workers, teamwork, loyalty, and responsibility.
- Viking Line stands for cost awareness and humility.
- Viking Line takes advantage of proper business opportunities.
- Viking Line's vessels are safe and maintained.

Main strategies:

- Viking Line offers best price-quality ratio, offering high quality and affordable prices.
- Viking Line's quality factors include friendly service, functional facilities, delicious food, entertainment, and shopping.
- The Viking Line aims to use large volumes and high capacity.
- Viking Line shall have modern distribution and sales possibilities.
- Viking Line revenue sources are ticket, cargo, and on-board sales.
- Viking Line motivates and educates its employees.
- Viking Line continuously optimizes its energy consumption.

According to customer surveys in Sweden, Viking Line became the best shipping company in the Baltic Sea for the fourth time in 2017. The company also won the Security Award in 2017.

Viking Line continues to make environmental progress for the protection of the Baltic Sea and is at the forefront of this. In 2013 was flagship Viking Grace added to the company's fleet being the first and the largest passenger ship in its class, which works on liquefied natural gas. On July 3, 2017, a contract with Xiamen Shipbuilding Industry Co. Ltd. shipyard entered into force for the construction of a new ferry on the Turku – Åland island – Stockholm route. The contract amount is approximately 194 million euros. The planned completion of the vessel is scheduled for 2020.

An important part of Viking Line's travel experience is high quality and delicious food experiences. In addition to changing theme of the week, and the cooperation with top chefs Viking Line began a long-term cooperation in March 2017 with the Swedish National Culinary Team and the Swedish National Junior Culinary Team. The goal is to develop cruise experiences on all seven ships (Viking Line Annual Report 2017).

Viking Line offers several products and packages:

- One way and round-trip tickets;
- Cruise packages for one or several days;
- Hotel packages in Finland, Sweden, Åland islands, Estonia and Baltic States, Norway, Denmark, and Germany;
- Cottage and/or fishing packages to Åland islands;
- Theme packages, such as opera and theatre packages;
- Charter cruises;
- Tickets to museums, sightseeing tours, exhibitions, and other ashore activities with ferry transportation;
- Group travels with/without bus for special contract rates;
- Conference packages;
- Cargo transportation.

## **5 Research approach and methods**

This chapter introduces the empirical part of this study. Chapter also describes the research-based approach and strategy, questionnaire design and issues, as well as the process of collecting data and examples.

### **5.1 Research Approach**

The aim of this thesis is to explore how Viking Line Abp could enter the Ukrainian market, what are the chances of entry, what steps should be made for this purpose.

An empirical study can be both qualitative and quantitative. Qualitative analysis gives the answers to the questions how (description of the problem), and for which either (identification of the causes of the problem). This is a labour-intensive analysis, because the results are not argued with figures. A generalization of the results associated with the content or quality of qualitative methods originality. Qualitative analysis of the studied units is small, explores interpretations, attitudes, and how they also argue solutions to the problem.

For research I preferred an open interview because:

- It is unrestrained (open-ended);
- There is an interview plan instead of a questionnaire that contains different topics;
- Expert examination;
- Viking Line has no wide contact network in Ukraine, which makes it difficult to reach the wider.

### **5.2 Data collection process**

Qualitative research is more flexible and less structured than quantitative research. In addition, the respondent receives better contact/communication and succeeds in getting more in-depth information. One of the most widely used methods of qualitative research is interviewing.

During a personal interview, an interview will be conducted face to face interview with the interviewer and will detail the existing problem.

Non-structured interviews give the interviewee the maximum amount of freedom to answer and discuss on subjects that are of interest to the interviewer. In structured interviews, the interviewer tries to cover specific topics and/or areas. The interviewer determines the time, the wording and time to answer the question.

The original questionnaire was in Russian language as there were contacts met, who spoke Russian.

All questions were presented in any order according to the course of the interview. Everyone could respond in the way he considered himself right, feel or knew. All questions were opened questions which were used during the interviews.

### **5.3 Sample**

A sample of people was taken from every organisation to meet with. The largest volume was engaged in product development. The main disadvantage of the sample survey is might be low results: if the sample is not sufficiently representative, then it does not reflect the correct results for the population. One of the most difficult problems with the selection of the sample is its representativeness.

It was also needed to consider the errors that may have occurred in collecting the data. Formation of the sample was carried out in five stages: identification of the people, identification of the frame, selection of the sample method, determination of sample size, sample selection.

For the most part, a consensual sample was used to select members based on their decision. In part, snowballing was also used, which was made up of contacts from different members of the organisations.

Several travel agents and operators were met for the research two times. In 2008 Visit Finland organised first workshop for local travel agencies and tour operators, where Viking Line took also part.

The aim was to create simple and easy-going conversation to get as much as proper information as possible.

### **5.4 Data analysis process**

The questionnaire was prepared based on being comprehensible, unambiguous, and logical. The questionnaire was introduced within the company to get an assessment.

Questions were asked during the interview on an arbitrary basis, according to the course of the interview. My research is aimed at finding answers to research questions, mainly through initial findings.

All data were collected during interviews and were marked individually according to the interviewees. The abbreviated tables were used to provide an overview were the name of the interviewee/company name, questions, and a separate space for additional information was present.

The data was analysed using weighting to make the sample representative of certain characteristics of the population. The purpose of the data analysis is to provide information in a form that would help solve the research problem. One-dimensional statistics were used for evaluating parameters and distribution of one characteristic.

## **5.5 Reliability and validity**

To minimize the subjective nature of the data processor, coding and understandable rules had to be developed. The information or keywords contained in the texts were coded in the same way across all texts. At the beginning, the text sections were selected, where the respondent was directly expressing a position related to a topic or keyword.

Subsequently, texts, responses or statements that were not explicitly mentioned but were quotes translated were searched for. Finally, the keywords that came together in the main body of the text were written.

Numbers of steps were taken to ensure the validity:

- Questions were conducted based on the theoretical framework.
- Questions were conducted based on the specific product portfolio and common conditions.
- The original questionnaire and interview was carried out in Russian to be have a conversation in mother tongue of the interviewers. Also, interview was carried out in Russian to be sure that interviewers could understand each question and topic, and there would be no misunderstandings.
- Theories that are selected for this thesis, are described, and support the interview.

## 6 Results

The working team was visiting Ukraine with the purpose of fact finding trip to assess market potential for selling the cruises and related packages, outline the entry strategy to Ukrainian market and develop an action plan.

During the visits, the working team has met with several companies and NGOs to discuss status of the Ukrainian travel market and its prospects of development as well as to make assessment of the attractiveness of the company offering to Ukrainian customers.

Practically all organisations visited expressed their potential interest in selling the Viking Line's packages and acknowledged the uniqueness and attractiveness of Viking Line offering to Ukrainian market both in terms of format and pricing. At the same time, all organisations met underlined, that there are several factors that may substantially prevent successful development of Viking Line in Ukrainian market, including the following:

- Low market awareness about the cruises offered and cruises in general;
- Too expensive existing transportation possibilities to the destination (only relatively expensive flights are currently available to get to the destination);
- High price level of services in Nordic countries vs Ukraine.

The fact that many travel market players operating in Ukraine use dumping in the attempt to increase their market share and improve short term sales shall be also seriously taken into consideration. However, realisation of dumping pricing is usually temporal in nature.

To create attractive travel packages Viking Line would need most probably to seek for cooperation with partners who can provide needed package components, e.g. travel companies in Ukraine selling bus tours around Europe, cooperation with airlines etc.

All visited companies can be viewed as potential partners. However, cooperation with the partners, in general, and with companies met requires further thorough analysis and contingent upon Viking Line's strategy that is also to be developed.

This report analyses current state of Ukrainian market mainly based on the conducted meetings and experience of the local consultant, outlines the areas of further analysis to form attractive value proposition to Ukrainian customers at each stage of the value chain as well as the ways of gaining sustainable competitive strategy for Viking Line. The analysis is structured to tackle different aspects of each stage of the value chain, e.g. sales and marketing, transportation links, product development, and customer relations).

The potential challenges mostly macro-challenges: political and economic. Ukraine lies between Russia, EU, and US. Due that Ukrainian own currency hryvna is unstable, which makes investment in a given country is very risky and unbalanced.

## **6.1 Sales and Marketing**

Currently travel companies in Ukraine are divided into two big groups:

- travel operators;
- travel agencies.

Main role of the travel operators is to conceptualize and develop the product and get arrangements with needed vendors/service providers, like hotels, travel companies, cruise companies, etc. After the operators sell the travel packages via their agent network all over Ukraine.

Agents are small, frequently one-man, entities re-selling the travel packages to the end customers.

The biggest regional markets in Ukraine are population: Kiev (2,797,553), Kharkiv (1,430,885), Dnipro (1,032,822), Odessa (1,001,558), Zaporizhia (796,217), Lviv (717,803) and Kryvyi Rih (652,380).

Most of the operators and agents have been actively promoting massive destinations such as Turkey, Egypt, Greece, Thailand, Italy, Spain, and some other European countries. For such mass destinations market players, the Nordic countries are practically unattractive although they may sell the occasionally. However, it is important to note that such mass destination operators are hardly expected to proactively develop and sell Nordic destination and allocate qualified their human resources respectively.

The historical visa free countries offering seaside recreation activities has been traditionally the most visited destinations for Ukrainian travellers, like Turkey, Egypt, Thailand etc. However, during about recent five years many Ukrainian travellers, having already visited the traditional destinations for several times are looking for other travel opportunities, tend to explore new destinations, including European countries. As for cruises, Ukrainian travellers have very weak experience and awareness about this format of activities especially in the North region of Europe.

In terms of sales channels and practices the face to face communications with the customers is still a prevailing way in Ukraine. Although many of them can make a search via

internet to preliminarily investigate opportunities (e.g. booking.com or web-sites of the travel companies), the final stage of purchase was done in the travel agent office, face to face. The domination of such practice was also partly explained by the fact that travel agents were frequently assisting their customers in the process of obtaining a visa.

After visa-free regulations customers increasingly use agencies for searching the information, but the sales process takes place in the internet at the website of the service provider.

Still, many customers are using their agents due to well established relations and being not very well qualified to select and create the travel package themselves as weak average knowledge of English among Ukrainian population also serves as a preventing factor in this. The word of mouth and personal advice are still also a very much popular way of disseminating information and making decisions when selecting the travelling format, destination, etc.

## **6.2 Transport links**

During recent two-three years many Ukrainian travellers were seeking for cheaper transportation to the destinations and were switching flights to bus transportations and other cheaper means of transportation especially when planning travelling to European countries. Although the segment of travellers that can afford flights is still relatively considerable as much cheaper bus traveling has become very popular and gains bigger market share and having result in emerging of several powerful market players specializing on such kind of services.

The format of bus travelling is standard, namely 3-10 days of travel around Europe with the bus in the group of about 50 people, staying in budget hotels and having sightseeing in the places of stay.

Some of Ukrainian travellers may occasionally or even systematically travel by their own cars with the family or friends. The segment of this type of format is relatively negligible as it assumes high level of qualification, ability and will of the traveller for self-organizing a trip (e.g. finding desired destination in internet, booking, driving experience, etc.). Probably the small group travels could be much more popular, but the offering of such format in Ukraine seems to be underdeveloped or non-existent at all.

### **6.3 Product Development**

The Baltic sea cruise offering as such is expected to represent a new and unique travel experience for most of Ukrainian customers. However, existing means of transportation to get to the point of the departure are practically limited to the expensive flights or in very inconvenient and long lasting (up to 1-2 days) bus travel.

Most probably potential demand for the cruises can be considerably higher if the cruises are combined with way of transportation and valuable activities.

### **6.4 Customer Relations**

Ukrainian travellers in most cases require personal service when selecting and purchasing the travel packages are, namely. They prefer to get explanations of all details of the destination and travelling by the human rather than getting this information any other way, e.g. via internet. At the same time, in case of relatively rare travelling, they are always suspicious about what they are offered and frequently consult their friends or read internet forums to verify the quality and reliability.

In very frequent times Ukrainian customers choose to buy from the agents if their friends have already experience the service. Information about highly discounted last-minute tours or other unique opportunities by known travel agent of the traveller is very much appreciated. Good personal relations between a salesperson of the travel agent and the traveller is a key factor of success in many cases, especially for frequently travelling customers.

The perception of reputation of a person selling the tour is in many cases much more important than reputation of the company selling the travel package.

### **6.5 Key points and observations from the meetings**

The cruise packages presented by Viking Line as well as other accompanying components of the offering (e.g. the city tours) look very attractive. Although the cruises on Baltic sea cruise are found very attractive as such, practically all were responding that the price of the transportation can be the challenging issue, unless the ways of making the cheaper transportation links are found.

## 7 Discussion and Conclusions

The travel market is generally very in-transparent meaning that obtaining further information about the market is only possible with the empirical methods of study or obtaining statistics via interviewing potential customers, etc.

The market potential for Viking Line can be substantial considering about 43 million population of Ukraine (without parts of Donetsk and Lugansk cities being under the occupation of Russia) and the low experience with the format being offered by Viking Line. However, it is to be taken into consideration that in short run overwhelming majority of the customers might remain very price sensitive.

The following points can be suggested for developing the successful strategy of entry now and sustainable growth in medium and long turn:

1. Better understanding the market segments and trying to quantify the potential of each segment potential (e.g. low, mid, and high price; preferences in individual, small, and big groups travelling, preferences to transportation means and respective ability and willingness to pay, interest to destinations and format, etc.).
2. It is needed to increase awareness of Viking Line and its offerings among Ukrainian population focusing on the most promising segments.
3. Creating the valuable, rare, inimitable, and non-replaceable (VRIN) proposition to the market.
4. Establishing the business model ensuring the capability of Viking Line to properly communicate with the customers within acquisition and further customer relation phases
5. Ensuring control over key stages of operations.

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